

MATERIAL SUPPORTING THE AGENDA

Volume XXXIIIe

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

July 12, 1986  
August 4, 1986  
August 14-15, 1986

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

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

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

Yellow paper - emergency items distributed at the meeting.

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

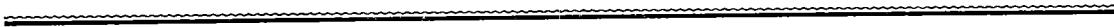


Material Supporting the Agenda  
of the  
Board of Regents  
The University of Texas System

Meeting No.: 820

Date: August 14-15, 1986

Location: Austin, Texas



BOARD OF REGENTS  
OF  
THE UNIVERSITY OF TEXAS SYSTEM

CALENDAR

Place: Regents' Meeting Room, Ninth Floor  
Ashbel Smith Hall  
201 West Seventh Street  
Austin, Texas

Thursday, August 14, 1986

10:30 a.m. Meeting of the Board of Regents

See Pages B of R 1 - 5,  
Items A - O

Telephone Numbers

|                                   |               |
|-----------------------------------|---------------|
| Board of Regents' Office          | 512, 499-4402 |
| Chancellor Mark                   | 512, 499-4201 |
| Executive Vice Chancellor Duncan  | 512, 499-4233 |
| Executive Vice Chancellor Mullins | 512, 499-4224 |
| Executive Vice Chancellor Patrick | 512, 499-4337 |

Hotels:

|                                     |               |
|-------------------------------------|---------------|
| The Driskill Hotel (117 E. 7th St.) | 512, 474-5911 |
| Hyatt Regency (208 Barton Springs)  | 512, 477-1234 |

# Meeting of the Board

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

Date and Time: Thursday, August 14, 1986, from 10:30 a.m.  
Until Adjournment

Place: Regents' Meeting Room, Ninth Floor, Ashbel Smith Hall

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

D. SPECIAL ITEMS

1. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part One, Chapter VI, Subsections 6.16, 6.17 and 6.18 (Use of University-Owned Facilities) and Subsection 7.26 (Off-Campus Speakers).--

RECOMMENDATION

The Office of the Chancellor recommends approval of amendments to Part One, Chapter VI, Subsections 6.16, 6.17 and 6.18 (Use of University-Owned Facilities) and Subsection 7.26 (Off-Campus Speakers) of the Regents' Rules and Regulations as presented below in congressional style:

- 6.16 No person, whether or not a student or employee of a component institution, shall publicly distribute on the campus of any such institution any petition, handbill, or piece of literature that is obscene, vulgar, or libelous, or that is directed to inciting or producing imminent lawless action and is likely to incite or produce such action [~~advocates the deliberate-violation-of-any-federal,-state-or-local law~~].
- 6.17 No person, whether or not a student or employee of a component institution, shall post or carry any sign or poster that is obscene, vulgar, or libelous, or that is directed to inciting or producing imminent lawless action and is likely to incite or produce such action [~~advocates the deliberate-violation-of any-federal,-state-or-local-law~~].
- 6.18 No person, whether or not a student or employee of a component institution, shall install, occupy, or use on the campus of any such institution any booth, if the use of the booth is wholly or partly for the distribution or dissemination of words or material that is obscene, vulgar, or libelous, or that is directed to inciting or producing imminent lawless action and is likely to incite or produce such action [~~advocates the deliberate-violation-of any-federal,-state,-or-local-law~~]. For the purpose of this provision, the word "booth" includes furniture, enclosure, and any other structure temporarily installed for distributing petitions, handbills, or literature, or for displaying signs, or for raising funds or soliciting tangible items.
- 7.26 No person shall be permitted on any campus of the System to engage in speech [~~advocate or recommend~~], either orally or in writing, that is directed to inciting or producing imminent lawless action and is likely to incite or produce such action [~~the conscious-and-deliberate-violation-of any-federal,-state,-or-local-law~~].

BACKGROUND INFORMATION

The proposed amendments make these subsections of the Regents' Rules and Regulations consistent with existing court decisions that relate to this subject.

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

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

E. RECESS FOR MEETINGS OF THE STANDING COMMITTEES AND COMMITTEE REPORTS TO THE BOARD

The Standing Committees of the Board of Regents of The University of Texas System will meet as set forth below to consider recommendations on those matters on the agenda for each Committee listed in the Material Supporting the Agenda. At the conclusion of each Standing Committee meeting, the report of that Committee will be formally presented to the Board for consideration and action.

Executive Committee: Chairman Hay  
Vice-Chairman Baldwin, Vice-Chairman Ratliff  
MSA Page Ex.C - 1

Finance and Audit Committee: Chairman Yzaguirre  
Vice-Chairman Roden, Regent Rhodes  
MSA Page F&A - 1

Academic Affairs Committee: Chairman Baldwin  
Vice-Chairman Milburn, Regent Briscoe  
MSA Page AAC - 1

Health Affairs Committee: Chairman Briscoe  
Vice-Chairman Yzaguirre, Regent Blanton  
MSA Page HAC - 1

Buildings and Grounds Committee: Chairman Rhodes  
Vice-Chairman Ratliff, Regent Hay  
MSA Page B&G - 1

Land and Investment Committee: Chairman Milburn  
Vice-Chairman Blanton, Regent Baldwin, Regent Roden  
MSA Page L&I - 1

F. RECONVENE

G. REPORT OF BOARD FOR LEASE OF UNIVERSITY LANDS

H. REPORT OF SPECIAL COMMITTEES

SUPPLEMENTAL MATERIAL  
August 14, 1986

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

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

- a. Approve the resolution authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System General Revenue Refunding Bonds, Series 1986, and approving and authorizing instruments, agreements, and procedures relating thereto as set out in Attachment A (in approving the resolution the Board will be approving an Escrow Agreement substantially in the form set out in Attachment B, an Official Statement substantially in the form set out in Attachment C, a Bond Purchase Contract substantially in the form set out in Attachment D, a Paying Agent/Registrar Agreement substantially in the form set out in Attachment E, and a Financial Guaranty Agreement substantially in the form set out in Attachment H.).
- b. Redeem prior to their scheduled maturities certain bonds to be refunded in the amounts, at the redemption prices, and on the dates as provided in the Resolution.
- c. Add Daniels & Bell, Inc., New York, New York, Eppler, Guerrin & Turner, Inc., Dallas, Texas, RepublicBank Dallas, N.A., Dallas, Texas, and Masterson & Company, Houston, Texas, to the list of co-managing underwriters approved by the Board at its May 1986 special meeting.
- d. Designate MBank Austin, National Association, Austin, Texas, as Paying Agent/Registrar (A tabulation of the bids received is set out in Attachment F.).
- e. Designate MBank Austin, National Association, Austin, 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 issuance of The University of Texas System General Revenue Refunding Bonds, Series 1986.

#### BACKGROUND INFORMATION

At its special May 1986 meeting, the Board of Regents authorized the Office of Asset Management and the Office of General Counsel to take all necessary steps to bring to the U. T. Board of Regents a firm recommendation concerning advance refunding of the outstanding bonds listed below; appointed Morgan Guaranty Trust Company of New York as managing underwriter; appointed a group of co-managing underwriters; concurred in the appointment of Jenkins, Hutchison & Gilchrist, Dallas, Texas and Reynolds, Allen & Cook, Inc., Houston, Texas as co-underwriters counsel; appointed Fulbright & Jaworski of Austin, Texas, McCall, Parkhurst & Horton of Dallas and Austin, Texas, and Vinson & Elkins of Houston and Austin, Texas, as co-bond counsel; designated the members of the Land and Investment Committee of the U. T. Board of Regents, the Executive Vice Chancellor for Asset Management, the Manager of Debt Administration and the General Counsel as a pricing committee; authorized the Office of Asset Management to advertise for bids for an Escrow Agent and a Paying Agent and Registrar; and authorized the Office of Asset Management to establish from the proceeds of the advance refunding any necessary accounts to receive and disburse monies related to the cost of the advance refunding. The recommendation originally scheduled for the June regular meeting was deferred to the August meeting to allow for the resolution of certain legal and financial issues and for negotiation of reserve insurance with Municipal Bond Insurance Association, White Plains, New York. The actions recommended above will complete the transaction approved by the Board at its May meeting. Executive Vice Chancellor Patrick, Vice Chancellor Crowson, underwriters counsel, and bond counsel will make any necessary presentations at the meeting.

#### Schedule of Bonds to be Refunded:

##### The University of Texas at Arlington

Student Center Revenue Bonds Series 1960  
Gymnasium Fee Revenue Bonds Series 1961  
Housing System Revenue Refunding Bonds Series 1963  
Student Fee Revenue Bonds Series 1964, 1966, 1968  
Combined Fee Revenue Bonds Series 1971-A, 1973,  
1973-A, 1974, 1978, 1985  
Apartment Revenue Bonds Series 1978  
9% Apartment Revenue Bonds Series 1985

##### The University of Texas at Austin

Dormitory Revenue Bonds Series 1954  
Student Union Revenue Bonds Series 1958-B  
Housing System Revenue Bonds 1967  
Married Student Housing Revenue Bonds Series 1971,  
1981  
Combined Fee Revenue Bonds Series 1971, 1972,  
1973, 1978  
Building Revenue Bonds Series 1969, 1983  
Parking Facilities Revenue Bonds Series 1984

##### The University of Texas at Dallas

Combined Fee Revenue Bonds Series 1978  
Utility Revenue Bonds Series 1980

The University of Texas at El Paso

Building Revenue Bonds Series 1969

Student Union Building Revenue Bonds Series 1967-A,  
1967-B

Combined Fee Revenue Series 1970, 1971, 1973, 1974,  
1979

The University of Texas at San Antonio

Combined Fee Revenue Bonds Series 1980, 1984

Utility Revenue Bonds Series 1980

The University of Texas at Tyler

Combined Fee Revenue Bonds Series 1976

The University of Texas Health Science Center at Houston

Housing System Revenue Bonds Series 1981



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

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

Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1971

Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1972

Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1973

Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Refunding Bonds, Series 1978

Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1969

Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1983

Board of Regents of The University of Texas Dormitory Revenue Bonds, Series 1954

Board of Regents of The University of Texas Student Union Revenue Bonds, Series 1958-B

Board of Regents of The University of Texas Housing System Revenue Bonds, Series 1967

Board of Regents of The University of Texas System, The University of Texas at Austin, Married Student Housing Revenue Bonds, Series 1971

Board of Regents of The University of Texas System, The University of Texas at Austin, Married Student Housing Revenue Bonds, Series 1981

Board of Regents of The University of Texas System, The University of Texas at Austin, Parking Facilities Revenue Bonds, Series 1984

Board of Directors of The Agricultural and Mechanical College of Texas, Arlington State College Student Center Fee Bonds, Series 1960

Board of Directors of The Agricultural and Mechanical College of Texas, Arlington State College Gymnasium Fee Bonds, Series 1961

Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1971-A

Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1973

Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1973-A

Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1974

Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1978

Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1985

Board of Directors of The Texas A&M University System - Arlington State College Student Fee Revenue Bonds, Series 1964

Board of Regents of The University of Texas - Arlington State College Student Fee Revenue Bonds, Series 1966

Board of Regents of The University of Texas System - The University of Texas at Arlington Student Fee Revenue Bonds, Series 1968

Board of Directors of The Agricultural and Mechanical College of Texas - Arlington State College Housing System Revenue Refunding Bonds, Series 1963

Board of Regents of The University of Texas System, The University of Texas at Arlington Apartment Revenue Bonds, Series 1978

Board of Regents of The University of Texas System, The University of Texas at Arlington 9% Apartment Revenue Bonds, Series 1985

Board of Regents of The University of Texas System, The University of Texas at Dallas, Combined Fee Revenue Bonds, Series 1978

Board of Regents of The University of Texas System, The University of Texas at Dallas, Utility Revenue Bonds, Series 1980

Board of Regents of The University of Texas System, The University of Texas at El Paso, Combined Fee Revenue Bonds, Series 1970

Board of Regents of The University of Texas System, The University of Texas at El Paso, Combined Fee Revenue Bonds, Series 1971

Board of Regents of The University of Texas System, The University of Texas at El Paso, Combined Fee Revenue Bonds, Series 1973

Board of Regents of The University of Texas System, The University of Texas at El Paso, Combined Fee Revenue Bonds, Series 1974

Board of Regents of The University of Texas System, The University of Texas at El Paso, Combined Fee Revenue Bonds, Series 1979

Board of Regents of The University of Texas System, The University of Texas at El Paso, Building Revenue Bonds, Series 1969

The University of Texas at El Paso, Student Union Building Revenue Bonds, Series A of 1967

The University of Texas at El Paso, Student Union Building Revenue Bonds, Series B of 1967

Board of Regents of The University of Texas System, The University of Texas at San Antonio, Combined Fee Revenue Bonds, Series 1980

Board of Regents of The University of Texas System, The University of Texas at San Antonio, Combined Fee Revenue Bonds, Series 1984

Board of Regents of The University of Texas System, The University of Texas at San Antonio, Utility Revenue Bonds, Series 1980

Board of Regents of The University of Texas System, The University of Texas Health Science Center at Houston, Housing System Revenue Bonds, Series 1981

Board of Regents of Texas Eastern University Combined Fee Revenue Bonds, Series 1976

(collectively, the "Outstanding Bonds"); and

WHEREAS, the above Series of bonds are now outstanding in the aggregate principal amount of \$251,204,000, and the Board of Regents of The University of Texas System has determined to refund all of said Outstanding Bonds; and

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

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

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

The term "Additional Bonds" means those obligations, including bonds and Credit Agreements, which the Board reserves the right to issue or incur under the provisions of Section 19, which are on a parity with the Bonds insofar as the lien on Pledged Revenues is concerned.

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

The term "Arlington Building Use Fees" means collectively the Student Center Fee and the Gymnasium Fee each charged in the amount of \$4 per enrolled student at

each regular term and \$2 per enrolled student at each summer session at The University of Texas at Arlington.

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

The term "Authorized Denominations" means Authorized Denominations as defined in Section 2.

The term "Bank" means the financial institution executing a Credit Agreement.

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

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

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

The term "Current Expenses" means all necessary operating and maintenance expenses of the Revenue System, including all expenses of reasonable upkeep and repair, the properly allocated share of insurance, and all other expenses incident to the operation and maintenance thereof, but shall exclude depreciation and all general administrative expenses of the Board, The University of Texas System, and each institution and branch thereof.

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

The term "Financial Guaranty Agreement" means the Financial Guaranty Agreement dated the date of delivery of

the Initial Bond by and between the Board and the Association, as the same may be amended.

The term "Fiscal Year" means the fiscal year of the Board which currently ends on August 31 of each year.

The term "Gross Revenues" means all revenues, income, receipts, rentals, rates, and charges of every type derived by the Board and The University of Texas System and each institution and branch thereof from any sources due to or on account of the ownership or operation of the Revenue System and each part thereof including, with respect to the Utility Plant System, all Legislative appropriations and utility revolving fund payments and reimbursements authorized in connection with the Utility Plant System.

The term "Health Institutions" means The University of Texas Health Science Center at Dallas, The University of Texas Medical Branch at Galveston, The University of Texas Health Science Center at Houston, The University of Texas Health Science Center at San Antonio, The University of Texas System Cancer Center, and The University of Texas Health Center at Tyler.

The term "Housing System" shall mean (i) the below-listed facilities of The University of Texas at Austin: Blanton Hall and the dining facilities contained therein, Simkins Hall, Moore Hall, Varsity Cafeteria, Kinsolving Dormitory and the dining facilities contained therein, Andrews Dormitory and the dining facilities contained therein, Carothers Dormitory and the dining facilities contained therein, Brackenridge Hall, Roberts Hall, Prather Hall, Littlefield Dormitory and the dining facilities contained therein, Texas Union Dining Services (formerly known as University Cafeteria, Chuck Wagon, Faculty-Staff Dining Room, and Law School Snack Bar), and Jester Center Hall and the dining facilities contained therein, all such facilities being located on the campus, and the Gateway Apartments at 1624 West 6th Street, Austin, Texas, Brackenridge I and II Apartments at 3501 Lake Austin Boulevard, Austin, Texas, and the Colorado Apartments at 2500 Lake Austin Boulevard, Austin, Texas; (ii) the below listed facilities of The University of Texas at Arlington: Brazos House, Pahl Hall, Lipscomb Hall, and Trinity House, all such facilities being located on the campus, and the Border West Apartments, at 312 W. Border, Arlington, Texas, Cooper South Apartments, at 402 S. Cooper, Arlington, Texas, West Apartments, at 415 West, Arlington, Texas, the Pisces Apartment Complex, at 400 Yates, Arlington, Texas, the Capricorn Apartment Complex, at 400 S. Oak, Arlington, Texas, the Warwick I Apartments at 1001 S. Oak, Arlington, Texas, the Warwick II Apartments at 1008 S. Oak, Arlington,

Texas, the Warwick III Apartments at 1010 S. Pecan, Arlington, Texas, and the Warwick V Apartments, at 408 S. Oak, Arlington, Texas; (iii) the below listed facilities located on the campus of The University of Texas at El Paso: Barry Hall, Kelly Hall, University Commons and TWC Village; and (iv) the University Housing complex at 7900 Cambridge, Houston, Texas located at The University of Texas Health Science Center at Houston; and (v) any additional facilities which may hereafter, at the option of the Board, be made a part of the Housing System.

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

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

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

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

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

(v) certificates of deposit, whether negotiable or non-negotiable, issued by any bank or trust company

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

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

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

(viii) banker's acceptances, eurodollar deposits and certificates of deposit (in addition to the certificates of deposit provided for by clauses (v) and (vi) above) of the domestic branches of foreign banks having a capital and surplus of \$3,000,000,000 or more, or any bank or trust company organized under the laws of the United States of America or Canada, or any state or province thereof, having capital and surplus, if located in the State of Texas, in the amount of \$200,000,000, and, if located outside of the State of Texas, in the amount of \$3,000,000,000; provided that the aggregate maturity value of all such banker's acceptances and certificates of deposit held at any time as investments of funds under this Resolution with respect to any particular bank, trust company, or national association located in the State of Texas shall not exceed 10% of the amount of its capital and surplus and with respect to any particular bank, trust company, or national association located outside of the

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

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

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

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

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

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

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

The term "Net Revenues" means the Gross Revenues after deduction of the Current Expenses.

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

The term "Parking System" means all existing revenue producing parking facilities on the campus of The University of Texas at Austin, all as described in the "Parking and Traffic Regulations Information" for The University of Texas at Austin, effective September 1, 1986 and consisting of approximately 10,268 permit surface spaces and approximately 213 metered surface spaces, a multi-level 1,025 car parking structure, and any additional facilities which may hereafter, at the option of the Board, be made a part of the Parking System.

The term "Payment Obligations" means all amounts payable by the Board under a Credit Agreement less any amounts of principal or interest payable with respect to any Additional Bonds pledged under a Credit Agreement as collateral for the amounts due thereunder.

The term "Pledged General Fee" means the gross collections of a student use fee to be fixed, charged, and collected from the students (excepting any student in a category now exempt by law from paying fees) regularly enrolled at the institutions and branches thereof now or hereafter constituting a part of The University of Texas System, respectively, for the general use and availability of such institutions or branches thereof, respectively, in the manner and amounts, at the times, and to the extent provided in this Resolution, and including, subject to the provisions of the Prior Encumbered Obligations, the Prior Encumbered General Fee.

The term "Pledged Revenues" means collectively (i) the Pledged Tuition Fee, (ii) the Pledged General Fee, (iii) the Net Revenues, (iv) all interest, income, and earnings derived from the deposit and investment of the Interest and Sinking Fund and the Reserve Fund established pursuant to this Resolution, and (v) any additional revenues, income, receipts, or other resources whatsoever received or to be received from any public or private source, whether pursuant to an agreement or otherwise, which hereafter, at the option of the Board, may be pledged to the payment of the Bonds or the Additional Bonds.

The term "Pledged Tuition Fee" means the following specified amounts out of the tuition charges now or hereafter required or permitted by law to be imposed on each tuition paying student enrolled at each and every institution or branch thereof now or hereafter constituting a part of The University of Texas System, (excepting the Health Institutions until and unless the Board authorizes the pledge of such tuition charges at any such institution to the payment of the Bonds and any Additional Bonds) and including, subject to the provisions of the Prior Encumbered Obligations, the Prior Encumbered Tuition Fees, respectively:

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

The term "Prior Encumbered General Fee" means that portion of the student use fee charged and collected at an institution which becomes a component of The University of Texas System after the date of adoption of this Resolution and which are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a component of The University of Texas System.

The term "Prior Encumbered Tuition Fee" means that portion of the tuition charges in the maximum amount permitted in the definition of Pledged Tuition Fee charged and collected at an institution which becomes a component of The University of Texas System after the date of adoption of this Resolution and which are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a component of The University of Texas System.

The term "Prior Encumbered Obligations" means those bonds or other obligations of an institution outstanding on the date it becomes a component of The University of Texas System and which are secured by a lien on and pledge of the Prior Encumbered General Fee and/or the Prior Encumbered Tuition Fee charged and collected at such institution.

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

The term "Required Reserve" means an amount equal to the average annual debt service requirements with respect to the outstanding Bonds and Additional Bonds, as limited and calculated in the following manner:

(i) Debt service requirements (principal of and interest on outstanding Bonds and Additional Bonds, other than any Credit Agreement, and with respect to any Credit Agreement, the Payment Obligations relating thereto) shall be calculated on the basis of a Fiscal Year;

(ii) In the event the Additional Bonds bear interest at a variable rate of interest but are not governed by (iii) below, the interest rate on such Additional Bonds shall be assumed to be the lesser of the maximum rate allowed by law or the maximum rate allowed by the resolution authorizing the Additional Bonds;

(iii) When the Additional Bonds to be issued are Short Term Obligations which are secured, in whole or in part, by a Credit Agreement, prior to the issuance of such obligations, The Executive Vice Chancellor for Asset Management or any other designated financial or accounting officer of The University of Texas System, subject to the approval of the Board, shall determine as of the date of the adoption of the resolution authorizing the issuance of such Short Term Obligations:

(a) the maturity schedule of the Additional Bonds that would have been issued in lieu of the Short Term Obligations had the Board determined to issue, as of the proposed date of issuance of such Short Term Obligations, Additional Bonds bearing interest at fixed rates that are not Short Term Obligations, under market conditions as of such date, and

(b) if the Short Term Obligations bear interest at a variable rate of interest, the fixed interest rate that would have been applicable under market conditions at that time to such obligations had they been issued and delivered on such maturity schedule;

The debt service requirements based upon such determinations in (iii)(a) and (b) above shall thereafter be considered as the debt service requirements with respect to such Short Term Obligations; provided, however, with respect to the issuance of Additional Bonds when such Short Term Obligations are considered as outstanding Additional Bonds for the purposes of paragraph (i) of this definition, the calculation shall be made as of the date of the certification required by Section 20(c);

and provided, further, if and when the Credit Agreement referred to in this subparagraph (iii) has a term of less than one year, in making such determinations the Short Term Obligations will be deemed to mature on the earlier of their Stated Maturity or on the earliest date the owners of such Short Term Obligations may tender the Short Term Obligations for payment or redemption after termination of the Credit Agreement and the interest rate will be deemed to be the higher of the rate then in effect or the average rate paid on such Additional Bonds in the immediately preceding twelve months; and

(iv) the arithmetical average annual debt service requirements with respect to the Bonds and Additional Bonds, calculated on the basis of a Fiscal Year, shall then be determined.

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

The term "Revenue System" means collectively the following facilities: the Housing System, the Student Union System, the Utility Plant System, and the Parking System and any additional facilities, which hereafter, at the option of the Board, may be made a part of the Revenue System.

The term "Short Term Obligations" shall mean Additional Bonds which have a Stated Maturity of two years or less or with respect to which the owners thereof have the right to demand payment or redemption of such Additional Bonds prior to the Stated Maturities thereof.

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

The term "Student Union System" shall mean the Texas Union Building located on the campus of The University of Texas at Austin, Texas; the Student Center Building located on the campus of The University of Texas at Arlington; the Student Union or Student Activities Building and facilities (including, but not limited to, the book store and cafeteria and snack bar therein) located on The University of Texas at El Paso campus; and the student union building and The University Book Store located on The University of Texas at San Antonio campus and any additional facilities which may hereafter, at the option of the Board, be made a part of the Student Union System.

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

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

The term "Surety Bond Limit" means \$14,853,683.76.

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

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

together with every other institution or branch thereof now or hereafter operated by or under the jurisdiction of the Board pursuant to law.

The term "Utility Plant System" shall mean the Hal C. Weaver Heating and Power Station and the Central Cooling Station, on the campus of The University of Texas at Austin; the central utility plant located on the campus of The University of Texas at San Antonio; and the central utility plant located on the campus of The University of Texas at Dallas, all of which produce and supply chilled water and steam to the buildings and facilities of The University of Texas System, together with all equipment, distribution lines, and other facilities appurtenant thereto, all improvements and additions thereto, and all extensions and

replacements thereof, and all additional facilities which may hereafter, at the option of the Board, be made a part of the Utility Plant System.

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 \$222,040,000 FOR THE PURPOSE OF PROVIDING FUNDS TO REFUND THE OUTSTANDING BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF \$251,204,000. Each bond issued pursuant to this Resolution shall be designated: "BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM GENERAL REVENUE REFUNDING BOND, SERIES 1986", and initially there shall be issued, sold, and delivered hereunder a fully registered bond, without interest coupons, payable in installments (the "Initial Bond"), but the Initial Bond may be assigned and transferred and/or converted into and exchanged for other fully registered bonds, in the denomination of \$5,000 or any integral multiple of \$5,000 in principal amount (the "Authorized Denominations"), all in the manner hereinafter provided. Without limiting the purpose for the Bonds as stated above, the proceeds of the sale of the Bonds shall be applied, to the extent not otherwise provided for to pay expenses arising in connection with the issuance of the Bonds, including payment of a Surety Bond premium of \$743,000 to the Association.

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

(a) The Initial Bond is hereby authorized to be issued, sold, and delivered hereunder as a single fully registered Bond, without interest coupons, dated July 15, 1986, in the denomination and aggregate principal amount of \$222,040,000, numbered R-1, payable in annual installments of principal to the initial registered owner thereof, to-wit:

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

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

(b) The Initial Bond (i) may and shall be prepaid or redeemed prior to the respective scheduled due dates of installments of principal thereof, (ii) may be assigned and

transferred, (iii) may be converted and exchanged for other Bonds, (iv) shall have the characteristics, and (v) shall be signed and sealed, and the principal of and interest on the Initial Bond shall be payable, all as provided, and in the manner required or indicated, in the FORM OF INITIAL BOND set forth in this Resolution.

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

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

FORM OF INITIAL BOND

NO. R-1  
\$222,040,000

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

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

MORGAN GUARANTY TRUST COMPANY OF 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

\$222,040,000  
(TWO HUNDRED TWENTY TWO MILLION FORTY THOUSAND DOLLARS)

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

| <u>Principal<br/>Amount</u> | <u>Year</u> | <u>Interest<br/>Rate</u> | <u>Principal<br/>Amount</u> | <u>Year</u> | <u>Interest<br/>Rate</u> |
|-----------------------------|-------------|--------------------------|-----------------------------|-------------|--------------------------|
| \$ 6,180,000                | 1987        | 5.00%                    | \$12,430,000                | 1996        | 7.70%                    |
| 7,885,000                   | 1988        | 5.50%                    | 10,000,000                  | 1997        | 7.75%                    |
| 8,225,000                   | 1989        | 6.00%                    | 10,000,000                  | 1998        | 7.75%                    |
| 8,650,000                   | 1990        | 6.25%                    | 10,000,000                  | 1999        | 7.75%                    |
| 9,120,000                   | 1991        | 6.50%                    | 10,000,000                  | 2000        | 7.75%                    |
| 9,690,000                   | 1992        | 6.75%                    | 13,000,000                  | 2001        | 7.75%                    |
| 10,420,000                  | 1993        | 7.00%                    | 55,290,000                  | 2004        | 8.00%                    |
| 10,930,000                  | 1994        | 7.25%                    | 18,510,000                  | 2007        | 6.50%                    |
| 11,710,000                  | 1995        | 7.50%                    |                             |             |                          |

and to pay interest, calculated on the basis of a 360-day year composed of twelve 30-day months, from July 15, 1986, which is the date of this Bond, on the balance of each such installment of principal, respectively, from time to time remaining unpaid, at the rates set forth above, with said interest being payable on February 15, 1987, and semi-annually on each August 15 and February 15 thereafter while this Bond or any portion hereof is outstanding and unpaid.

THE INSTALLMENTS OF PRINCIPAL OF AND THE INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The installments of principal and the interest on this Bond are payable to the registered owner hereof through the services of MBank 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, dated as of such date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the resolution authorizing the issuance of this Bond (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each principal and/or interest payment date, to the registered owner hereof at the address of the registered owner as it appeared on the last 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 principal corporate office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND has been authorized FOR THE PURPOSE OF PROVIDING FUNDS TO REFUND VARIOUS REVENUE BONDS OF THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, NOW OUTSTANDING IN THE AGGREGATE PRINCIPAL AMOUNT OF \$251,204,000.

ON AUGUST 15, 1996, or on any date thereafter, the unpaid installments of principal of this Bond which are due and payable on August 15 in each of the years 1997 through 2001 and on August 15, 2004 may be prepaid or redeemed prior to their scheduled due dates, at the option of the Issuer, with funds derived from any available source, as a whole, or in part, and, if in part, the particular portion of this Bond to be prepaid or redeemed shall be selected and designated by the Issuer (provided that a portion of this Bond may be redeemed only in an integral multiple of \$5,000), at a prepayment or redemption price (expressed as a percentage of principal amount) applicable to the date of redemption falling within the applicable redemption period, as set forth in the following schedule, plus accrued interest to the date fixed for prepayment or redemption:

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

ON AUGUST 15, 1996, or on any date thereafter, the unpaid installment of principal of this Bond which is due and payable on August 15, 2007 may be prepaid or redeemed prior to the scheduled due date, 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 portion of this Bond to be prepaid or 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 prepayment or redemption price equal to the par or principal amount thereof plus accrued interest to the date fixed for redemption.

The installments of principal of this Bond which are due and payable on August 15, 2004, and August 15, 2007, respectively, are subject to mandatory sinking fund prepayment or redemption prior to their respective scheduled due dates, and shall be prepaid or redeemed by the Issuer, in part, prior to their respective scheduled due dates, with money from the Interest and Sinking Fund, at a prepayment or redemption price equal to the principal amount thereof plus 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:

Installments Due August 15, 2004

Installments Due August 15, 2007

| <u>Redemption Date</u> | <u>Principal Amount</u> |
|------------------------|-------------------------|
| August 15, 1997        | \$ 3,235,000            |
| August 15, 1998        | 4,095,000               |
| August 15, 1999        | 3,460,000               |
| August 15, 2000        | 3,580,000               |
| August 15, 2001        | 55,000                  |
| August 15, 2002        | 13,145,000              |
| August 15, 2003        | 13,515,000              |

| <u>Redemption Date</u> | <u>Principal Amount</u> |
|------------------------|-------------------------|
| August 15, 2005        | \$8,840,000             |
| August 15, 2006        | 7,615,000               |

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

AT LEAST 30 days prior to the date fixed for any such prepayment or redemption a written notice of such prepayment

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

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

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

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

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

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

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, sold, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; and that the interest on and principal of this Bond are secured by and payable from a first lien on and pledge of the "Pledged Revenues" as defined in the Bond Resolution, which include (i) the Pledged Tuition Fee, as defined in the Bond Resolution, being certain tuition charges, (ii) the Pledged General Fee, as defined in the Bond Resolution, being a student use fee, (iii) the Net Revenues of the Revenue System, as defined in the Bond Resolution, consisting of various revenue producing facilities of The University of Texas System, (iv) all interest, income, and earnings derived from the deposit and investment of the Interest and Sinking Fund and the Reserve Fund established pursuant to the Bond Resolution, and (v) any additional revenues, income, receipts, or other resources whatsoever received or to be received from any public or private source, whether pursuant to an agreement or otherwise, which hereafter, at the option of the Issuer, may be pledged to the payment of the Bonds or the Additional Bonds. This Bond is also secured by a first lien on and pledge of the Arlington Building Use Fees, as defined in the Bond Resolution, to be levied on students enrolled at The University of Texas at Arlington pursuant to the terms of the Bond Resolution.

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

Outstanding Principal Amount (as defined in the Bond Resolution) of all outstanding obligations which are secured by and payable from a first lien on and pledge of the aforesaid Pledged Revenues.

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

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

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed with the manual signature of the Chairman of the Issuer and countersigned with the manual signature of the Executive Secretary of the Issuer, has caused the official seal of the Issuer to be duly impressed on this Bond, and has caused this Bond to be dated July 15, 1986.

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

\_\_\_\_\_  
Chairman, Board of Regents  
of The University of Texas  
System

(BOARD  
SEAL)

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

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

Witness my signature and seal this

\_\_\_\_\_  
Comptroller of Public  
Accounts of the State of  
Texas

(COMPTROLLER'S SEAL)

Section 5. ADDITIONAL CHARACTERISTICS OF THE BONDS.

Registration and Transfer. (a) The Issuer shall keep or cause to be kept at the principal corporate trust office of MBank 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 (1) the

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

Bonds, having the characteristics herein described, payable to such assignee or assignees (which then will be the registered owner or owners of such new Bond or Bonds), or to the previous registered owner in case only a portion of a Bond is being assigned and transferred, all in conversion of and exchange for said assigned Bond or Bonds or any portion or portions thereof, in the same form and manner, and with the same effect, as provided in Section 5(d) below, for the conversion and exchange of Bonds by any registered owner of a Bond. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer and delivery of a substitute Bond or Bonds, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of any Bond or any portion thereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following interest payment date or, (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

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

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

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

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

Agent/Registrar, but on each substitute Bond issued in conversion of and exchange for or replacement of any Bond or Bonds issued under this Resolution there shall be printed a certificate, in the form substantially as follows:

"PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

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

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 Issuer or any other body or person so as to accomplish the foregoing conversion and exchange or replacement of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be of type composition printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to Vernon's Ann. Tex. Civ. St. Art. 717k-6, and particularly Section 6 thereof, the duty of conversion and exchange or replacement of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the above Paying Agent/Registrar's Authentication Certificate, the converted and exchanged or replaced Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Initial Bond which originally was issued pursuant to this Resolution, approved by the Attorney General, and registered by the Comptroller of Public Accounts. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges, if any, for transferring, converting, and exchanging any Bond or any portion thereof, but the one

requesting any such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not be required to make any such conversion and exchange or replacement of Bonds or any portion thereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following interest payment date, or, (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date. 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 not more than three business days after the receipt of the Bonds to be cancelled and the written request as described above.

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

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

(g) Substitute Paying Agent/Registrar. The Issuer covenants with the registered owners of the Bonds that at all times while the Bonds are outstanding the Issuer will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar for the Bonds under this Resolution, and that the Paying Agent/Registrar will be one entity. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice

to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Issuer covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Resolution, and a certified copy of this Resolution shall be delivered to each Paying Agent/Registrar.

Section 6. FORM OF SUBSTITUTE BONDS. The 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. \_\_\_\_\_ PRINCIPAL AMOUNT  
\$ \_\_\_\_\_

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

INTEREST RATE                      MATURITY DATE                      BOND DATE                      CUSIP NO.  
\_\_\_\_\_ %                      \_\_\_\_\_                      July 15, 1986                      \_\_\_\_\_

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

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

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. 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, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the resolution authorizing the issuance of the Bonds (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the last 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 and interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

ON AUGUST 15, 1996, or on any date thereafter, the Bonds of this Series scheduled to mature on August 15 in each of the years 1997 through 2001 and on August 15, 2004, may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Bonds, or portion thereof, to be redeemed shall be selected and designated by the Issuer (provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000), at a redemption price, expressed as a percentage of the par or principal amount thereof, plus accrued interest to the date fixed for redemption:

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

ON AUGUST 15, 1996, or on any date thereafter, the Bonds of this Series scheduled to mature on August 15, 2007, 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.

The Bonds of this issue scheduled to mature on August 15, 2004, and August 15, 2007, are subject to mandatory sinking fund redemption prior to their respective scheduled maturities and shall be redeemed by the Issuer, in part,

prior to their respective scheduled maturities, with the particular Bonds or portions thereof or the respective Series 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:

Bonds Maturing August 15, 2004

| <u>Redemption Date</u> | <u>Principal Amount</u> |
|------------------------|-------------------------|
| August 15, 1997        | \$ 3,235,000            |
| August 15, 1998        | 4,095,000               |
| August 15, 1999        | 3,460,000               |
| August 15, 2000        | 3,580,000               |
| August 15, 2001        | 55,000                  |
| August 15, 2002        | 13,145,000              |
| August 15, 2003        | 13,515,000              |

Bonds Maturing August 15, 2007

| <u>Redemption Date</u> | <u>Principal Amount</u> |
|------------------------|-------------------------|
| August 15, 2005        | \$8,840,000             |
| August 15, 2006        | 7,615,000               |

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

AT LEAST 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be published once in a financial publication, journal, or report of general circulation among securities dealers in The City of New York, New York (including, but not limited to, The Bond Buyer and The Wall Street Journal), or in the State of Texas (including, but not limited to, The Texas Bond Reporter). Such notice also shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, not less than 30 days prior to the date fixed for any such

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

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

THIS BOND is one of an issue of Bonds initially dated July 15, 1986, authorized in the principal amount of \$222,040,000, FOR THE PURPOSE OF PROVIDING FUNDS TO REFUND VARIOUS REVENUE BONDS OF THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, NOW OUTSTANDING IN THE AGGREGATE PRINCIPAL AMOUNT OF \$251,204,000.

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

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

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

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

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; and that the interest on and principal of this Bond, and other Bonds of this Series, are equally and ratably secured by and payable from a first lien on and pledge of the "Pledged Revenues" as defined in the Bond Resolution, which include (i) the Pledged Tuition Fee, as defined in the Bond Resolution, being certain tuition charges, (ii) the Pledged General Fee, as defined in the Bond Resolution, being a student use fee, (iii) the Net Revenues of the Revenue System, as defined in the Bond Resolution, consisting of various revenue producing facilities of The University of Texas System, (iv) all interest, income, and earnings derived from the deposit and investment of the Interest and Sinking Fund and the Reserve

Fund established pursuant to the Bond Resolution, and (v) any additional revenues, income, receipts, or other resources whatsoever received or to be received from any public or private source, whether pursuant to an agreement or otherwise, which hereafter, at the option of the Issuer, may be pledged to the payment of the Bonds or the Additional Bonds. This Bond is also secured by a first lien on and pledge of the Arlington Building Use Fees, as defined in the Bond Resolution, to be levied on all students regularly enrolled at The University of Texas at Arlington pursuant to the terms of the Bond Resolution.

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

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

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

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

official seal of the Issuer to be duly impressed, or placed in facsimile, on this Bond.

(facsimile signature)                      (facsimile signature)  
Executive Secretary, Board of              Chairman, Board of Regents  
Regents of The University of              of The University of Texas  
Texas System                                      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 7. SECURITY AND PLEDGE; PLEDGED TUITION FEE; ARLINGTON BUILDING USE FEE. (a) The Board hereby assigns and pledges the Pledged Revenues to the payment of the principal of and interest on the Bonds and Additional Bonds, including the payment of the Payment Obligations, and the Bonds and any Additional Bonds, and the interest thereon, and the Payment Obligations are and shall be secured by and payable from a first lien on and pledge of the Pledged Revenues, and the Pledged Revenues are further pledged to the establishment and maintenance of the Interest and Sinking Fund and the Reserve Fund as provided in this Resolution. So long as any Bonds, Additional Bonds or Payment Obligations are outstanding the Board covenants and agrees to fix, charge, and collect the Pledged General Fee as provided in Section 15.

(b) So long as any Bonds, Additional Bonds or Payment Obligations are outstanding, the Pledged Tuition Fee shall not be reduced, and the Board covenants and agrees to fix, charge, and collect the Pledged Tuition Fee hereby assigned and pledged, and to credit same as received to the Revenue Fund, hereinafter created.

(c) Notwithstanding anything to the contrary contained herein, it is recognized that certain institutions may be added to The University of Texas System and that such institutions may, at such time, have outstanding obligations secured by the Prior Encumbered General Fee and/or the Prior Encumbered Tuition Fee and that therefore the first lien on and pledge of such fees established pursuant to this Resolution and effective when the institution becomes a component of The University of Texas System will be subject and subordinate only to such institutions outstanding Prior Encumbered Obligations. It is further provided no additional bonds or obligations may be issued or incurred by the Board on a parity with the Prior Encumbered Obligations.

(d) The Board hereby additionally assigns and pledges the Arlington Building Use Fees to the payment of the principal of and interest on the Bonds, and the Bonds and the interest thereon are and shall be secured by and payable from a first lien on and pledge of the Arlington Building Use Fees. So long as any Bonds are outstanding, the Arlington Building Use Fees shall not be reduced, and the Board covenants and agrees to fix, charge, and collect the Arlington Building Use Fees hereby assigned and pledged, and to credit same as received to the Arlington Use Fee Fund, hereinafter created.

Section 8. REVENUE FUND. There is hereby created and there shall be established on the books of the Board a separate account or accounts which individually or

collectively shall be known as the "General Revenue Bonds Revenue Fund" (herein called the "Revenue Fund"). Subject to the provisions of Section 12 and to the provisions of the resolutions authorizing the Prior Encumbered Obligations, all collections of Gross Revenues, the Pledged General Fee, and the Pledged Tuition Fee, shall be credited to the Revenue Fund immediately upon receipt. There shall be paid as a first charge against the Gross Revenues on deposit in the Revenue Fund the Current Expenses.

Section 9. ARLINGTON BUILDING USE FEES FUND. There is hereby created and there shall be established on the books of the Board a separate fund which shall be known as the "General Revenue Bonds Arlington Building Use Fees Fund" (herein called the "Arlington Use Fee Fund"). Within the Arlington Use Fee Fund, there are hereby created two subaccounts, the Student Center Fee Account into which the Student Center Fees shall be deposited and the Gymnasium Fee Account into which the Gymnasium Fees shall be deposited. The Arlington Use Fee Fund shall be used, to the extent necessary, for the purpose of paying the principal of and interest on the Bonds as the same mature and come due, or on redemption prior to maturity and any excess in said Fund may be used for any lawful purpose. The Arlington Building Use Fees shall be deposited in said Fund as collected and shall thereafter be transferred to the Arlington Use Fee Sub-account in the Interest and Sinking Fund pursuant to the provisions of Section 13.

Section 10. INTEREST AND SINKING FUND. To pay the principal of and interest on all outstanding Bonds and any Additional Bonds, as the same come due, there is hereby created and there shall be established on the books of the Board a separate account to be entitled the "General Revenue Bonds Interest and Sinking Fund" (herein called the "Interest and Sinking Fund"). Within the Interest and Sinking Fund there is hereby created and there shall be established on the books of the Board a Sub-account to be entitled the "Arlington Use Fee Sub-account."

Section 11. RESERVE FUND. There is hereby created and there shall be established on the books of the Board a separate account to be entitled the "General Revenue Bonds Reserve Fund" (herein called the "Reserve Fund"). The Reserve Fund shall be used finally in retiring the last of the outstanding Bonds and Additional Bonds, or for paying principal of and interest on any outstanding Bonds and Additional Bonds, when and to the extent the amount in the Interest and Sinking Fund is insufficient for such purpose.

Section 12. INVESTMENTS. (a) Money in any account or Fund established pursuant to this Resolution may, at the

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

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

Section 13. INTEREST AND SINKING FUND DEPOSITS. (a) Immediately after the delivery of the Initial Bond the Board shall deposit all accrued interest received from the sale and delivery of the Initial Bond, to the credit of the Interest and Sinking Fund.

(b) The Board shall transfer or cause to be transferred from the Pledged Revenues in the Revenue Fund and from the Arlington Use Fee Fund and deposit, or cause to be deposited, to the credit of the Interest and Sinking Fund and, with respect to the Arlington Building Use Fees, the Arlington Use Fee Sub-account, the amounts, at the times, as follows:

(i) on or before February 15, 1987, and semi-annually on or before each August 15 and February 15 thereafter, such amounts as will be sufficient,

together with other amounts, if any, then on hand in the Interest and Sinking Fund and available for such purpose, to pay the interest scheduled to accrue and come due on the Bonds on such interest payment date; and

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

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

(d) In the event that, on any August 15 or February 15, any amounts remain on deposit in the Interest and Sinking Fund following payment pursuant to Section 17 of all interest on and principal of the Bonds due and payable on such date, such amounts first shall be transferred to the Reserve Fund, to the extent the amounts then credited to the Reserve Fund are less than the Required Reserve, and then, to the extent of any remaining amounts, shall be transferred and commingled with the Board's general funds and used for any lawful purposes.

Section 14. RESERVE FUND DEPOSITS. Immediately after the delivery of the Initial Bond the Board shall deposit to the credit of the Reserve Fund an amount equal to the Required Reserve. The deposit of the Required Reserve may be made from any one or more of the following sources or in the following forms: (i) proceeds from the sale of the

Initial Bond, (ii) any other funds available to the Board, or (iii) amounts represented by the Surety Bond Coverage on the Surety Bond held by the Paying Agent/Registrar and deemed to be on deposit in the Reserve Fund. So long as the money and investments credited to the Reserve Fund are not less than the Required Reserve, no deposits shall be credited to the Reserve Fund. For purposes of calculating, from time to time, the amount on deposit in the Reserve Fund, an amount equal to the Surety Bond Coverage on the Surety Bond held by the Paying Agent/Registrar shall be deemed to be on deposit in the Reserve Fund. However, if the Reserve Fund at any time contains less than the Required Reserve, then, subject and subordinate to making the required deposits to the credit of the Interest and Sinking Fund and except as provided below, the Board shall transfer or cause to be transferred from the Pledged Revenues in the Revenue Fund and deposit, or cause to be deposited, to the credit of the Reserve Fund semiannually, on or before the fifteenth day of each February and August thereafter, a sum at least equal to 1/10th of the deficiency in the Required Reserve until the Reserve Fund is restored to the Required Reserve; provided, however, that at any time when the Surety Bond Coverage is less than the Surety Bond Limit, prior to making any deposits to the credit of the Reserve Fund, the Board shall apply the Pledged Revenues in reimbursement of amounts owed the Association under the Financial Guaranty Agreement until the Surety Bond Coverage equals the Surety Bond Limit. So long as the Reserve Fund contains the Required Reserve, any surplus in the Reserve Fund over the Required Reserve shall be transferred and commingled with the Board's general funds and used for any lawful purpose.

Section 15. PLEDGED GENERAL FEE. (a) Subject to the provisions of the resolutions authorizing Prior Encumbered Obligations, the Board covenants and agrees at all times to fix, levy, charge, and collect the Pledged General Fee from each student (excepting any student in a category now exempt by law from paying fees) enrolled at each institution and branch thereof constituting a part of The University of Texas System, respectively, at each regular fall and spring semester and at each term of each summer session, for the use and availability of such institution or branch thereof, respectively, in such amounts, without any limitation whatsoever, as will be at least sufficient at all times to provide, together with other Pledged Revenues, and, with respect to the Bonds, the Arlington Building Use Fees, the money for making when due all deposits required to be made to the credit of the Interest and Sinking Fund and the Reserve Fund in connection with the Bonds and any Additional Bonds, and to pay the Payment Obligations and the principal of and interest on the Bonds and Additional Bonds when and as required. Notwithstanding the foregoing, for so long as

all deposits are made to the credit of the Interest and Sinking Fund and the Reserve Fund as required by Section 13(b) and Section 14, respectively, the Board may fix, levy, charge, and collect the Pledged General Fee in any manner it may determine within its discretion, and in different amounts from students enrolled in different institutions and branches thereof constituting The University of Texas System, respectively, and in addition it may totally suspend the collection of the Pledged General Fee from the students enrolled in any institution or branch.

(b) If, however, for any reason whatsoever, the deposits specified or required in Section 13(b) and Section 14 to be made to the credit of the Interest and Sinking Fund and the Reserve Fund, respectively, have not been made in full, or if for any other reason whatsoever there are, or appear to be, no other Pledged Revenues or, with respect to the Bonds, Arlington Building Use Fees, available to pay the principal of and interest on the Bonds as the same mature and come due, then the Board shall fix, levy, charge, and collect the Pledged General Fee, as provided and required in subsection (c) of this Section 15, effective at the next succeeding regular semester or semesters or summer term or terms, in amounts sufficient to provide and make the deposits specified or required in Section 13 (b) and Section 14, and in such event the amounts so specified or required to be deposited to the credit of the Interest and Sinking Fund and the Reserve Fund shall be so deposited to the extent required from collections of the Pledged General Fee, as provided and required in subsection (c) of this Section 15, on or before the next succeeding interest payment date or dates on the Bonds or Additional Bonds, and the Board shall not be considered to be in default with respect to this Resolution, or the Bonds or any Additional Bonds, if such deposits are so made, unless there has been a default in the payment when due of the principal of or interest on any Bonds or Additional Bonds.

(c) When and as required by subsection (b) of this Section 15, and subject only to the provisions of the resolutions authorizing Prior Encumbered Obligations, the Board covenants and agrees to fix, levy, charge, and collect the Pledged General Fee on a uniformly applied basis from each student (excepting any student in a category now exempt by law from paying fees) regularly enrolled at each institution and branch thereof constituting a part of The University of Texas System, respectively, at each regular fall and spring semester and at each term of each summer session, for the use and availability of such institution or branch thereof, respectively, in such amounts, uniformly applied to each student, without any limitation whatsoever, as will be at least sufficient to provide, together with other Pledged

Revenues and, with respect to the Bonds, the Arlington Building Use Fees, the money for making when due all deposits specified or required in Section 13(b) hereof and Section 14 hereof to be made to the credit of the Interest and Sinking Fund and the Reserve Fund, respectively, in connection with the Bonds and any Additional Bonds, and to pay the Payment Obligations and the principal of and interest on the Bonds and Additional Bonds when and as required by this Resolution.

(d) The Pledged General Fee shall be fixed, levied, charged, and collected pursuant to resolution of the Board when and as permitted or required by this Resolution, and shall be increased if and when permitted or required by this Resolution, and may be decreased or changed so long as all Pledged Revenues are sufficient to provide the money for making when due all deposits specified or required to be made to the credit of the Interest and Sinking Fund and the Reserve Fund in connection with the Bonds and any Additional Bonds. All changes in the Pledged General Fee shall be made by resolution of the Board, but such procedure shall not constitute or be regarded as an amendment of this Resolution, but merely the carrying out of the provisions and requirements hereof.

(e) On each March 1 and November 1 the Executive Vice Chancellor for Asset Management of The University of Texas System shall deliver to the Chairman of the Board a certificate setting forth his estimate as to whether the Pledged Revenues and Arlington Building Use Fees anticipated to be available through the following May 15 or December 31, respectively will be adequate to pay the principal of and interest on the Bonds and Additional Bonds (including any Payment Obligations) coming due on or prior to the next following interest payment date. If such estimate indicates that the Pledged Revenues, and, with respect to the Bonds, the Arlington Building Use Fees, to be collected in such periods respectively, together with funds then on hand in the Revenue Fund, will be insufficient to make the deposits required by Section 13(b) and Section 14 on the next interest payment date, the Chairman shall convene a meeting of the Board within 45 days of the receipt of such certificate to consider adjustments in the Pledged General Fee.

Section 16. ADDITIONAL AND EXCESS FUNDS; STUDENT UNION FEES. (a) If on any occasion there are not sufficient Pledged Revenues to make the required deposits into the Interest and Sinking Fund and the Reserve Fund, then such deficiency shall be made up as soon as possible from the next available Pledged Revenues.

(b) Subject to making the required deposits to the credit of the Interest and Sinking Fund and the Reserve Fund, when and as required by this Resolution, or any resolution authorizing the issuance of Additional Bonds, any excess Pledged Revenues shall first be applied to pay any amounts owed under the Financial Guaranty Agreement and thereafter shall be transferred and commingled with the Board's general funds and used for any lawful purpose.

(c) It is recognized that the Board is now authorized by law to levy and collect student union fees on a per capita basis (rather than on a registered semester credit hour basis) from students enrolled at certain of its institutions, and that the student union facilities with respect to which such fees are imposed constitute parts of the Revenue System. It is specifically covenanted and agreed by the Board that henceforth, and while the Bonds or Additional Bonds are outstanding, it will impose, levy, and collect all such student union fees in the full amounts, respectively, now authorized by law, and that it will apply the collections of such fees first to the payment of the Current Expenses of the student union facilities with respect to which they were collected, and second to the other purposes for which such fees now may be used pursuant to law.

Section 17. PAYMENT OF BONDS. (a) On or before February 15, 1987, and semiannually on or before each August 15 and February 15 thereafter while any of the Bonds are outstanding and unpaid, the Board shall make available to the Paying Agent/Registrar, out of the Interest and Sinking Fund, and/or the Reserve Fund, if necessary, money sufficient to pay such interest on and such principal of the Bonds as will accrue or mature, or be subject to mandatory redemption prior to maturity, on such February 15 or August 15. The Paying Agent/Registrar shall cancel all paid Bonds and shall furnish the Board with an appropriate certificate of cancellation.

(b) At such time as the aggregate amount of money and investments on deposit to the credit of the Interest and Sinking Fund and the Reserve Fund (excluding any amounts attributable to the Surety Bond or any additional surety bonds delivered pursuant to Section 19) are at least sufficient to pay (1) the aggregate principal amount of all unpaid (unmatured and matured) outstanding Bonds and Additional Bonds, plus (2) the aggregate amount of all unpaid interest thereon, no further deposits need be made into the Interest and Sinking Fund or Reserve Fund. In determining the amount of such Bonds and Additional Bonds, and interest thereon, outstanding at any time, there shall be subtracted and excluded the amount of any such Bonds and

Additional Bonds, and interest thereon, which shall have been duly called for redemption and for which funds shall have been deposited with the Paying Agent/Registrar therefor sufficient, including any required redemption premium, for such redemption.

Section 18. SPECIAL OBLIGATIONS. The Bonds, any Additional Bonds, and the interest thereon, and the Payment Obligations will constitute special obligations of the Board payable from the Pledged Revenues and, with respect to the Bonds, Arlington Building Use Fees, and the owners thereof shall never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than specified in this Resolution.

Section 19. ADDITIONAL BONDS. In addition to the right to issue obligations of inferior lien as authorized by the laws of this State, the Board reserves and shall have the right and power to issue or incur additional parity obligations including Credit Agreements entered into in connection with the issuance of Short Term Obligations ("Additional Bonds") for any purpose authorized by law, including the refunding of any Bonds or Additional Bonds, which Additional Bonds, when issued, shall be secured by and payable from a lien on and pledge of the Pledged Revenues equally and ratably with, and in the same manner and to the same extent as, the Bonds and any other then outstanding Additional Bonds; and the Additional Bonds permitted by this Section, when issued, shall be payable from and secured by the Interest and Sinking Fund and the Reserve Fund and shall be in all respects of equal dignity and on a parity with the Bonds and any other then outstanding Additional Bonds; provided, however, that the Arlington Building Use Fees shall not be pledged to or available for the payment of any Additional Bonds. Each resolution under which Additional Bonds are issued shall provide and require that, in addition to the amounts required by the provisions of this Resolution and the provisions of any other resolution or resolutions authorizing Additional Bonds to be deposited to the credit of the Interest and Sinking Fund, the Board shall transfer from Pledged Revenues and deposit to the credit of the Interest and Sinking Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Bonds then being issued, as the same come due; and that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased (if and to the extent necessary) to an amount not less than the Required Reserve; and that the required additional amount shall be so accumulated by the deposit in the Reserve Fund of all or any part of said required additional amount in the form of cash and/or a surety bond, issued by an issuer having a long-term debt rating at least equal to the rating

of the Association's long-term debt, with coverage in an amount that, together with any cash so deposited, is at least equal to said required additional amount. Such required additional amount shall be deposited immediately after the delivery of the then proposed Additional Bonds, or, at the option of the Board, by the deposit, from Pledged Revenues, of said required additional amount (or any balance of said required additional amount not deposited in cash as permitted above) in semiannual installments, made on or before the fifteenth of each February and August following the adoption of the resolution authorizing the issuance of the then proposed Additional Bonds, of not less than 1/10th of said required additional amount (or 1/10th of the balance of said required additional amount not deposited in cash as permitted above). If the Additional Bonds are Short Term Obligations, a pro-forma maturity schedule and interest rates shall be determined as provided in the definition of Required Reserve.

In the issuance of Short Term Obligations, the Credit Agreement, if any, entered into by the Board in connection with such Short Term Obligations, shall, for purposes of this Section, be considered as a part of the obligation incurred by the issuance of the Short Term Obligations even though the obligation under such Credit Agreement that it secured or was executed in connection with extends beyond the term the Short Term Obligation is outstanding, i.e., will be considered as an Additional Bond for the purpose of this section after Short Term Obligations are retired (if an obligation exists thereunder), but the Credit Agreement and the Short Term Obligations are to be treated as a single obligation in the principal amount of the Short Term Obligations during the time Short Term Obligations remain outstanding. In addition, the Credit Agreement and the Payment Obligations thereunder may be secured by and payable from a lien on and pledge of the Pledged Revenues on a parity with the Bonds.

Section 20. REQUIREMENTS FOR ADDITIONAL BONDS. Additional Bonds shall be issued or incurred only in accordance with this Resolution, but notwithstanding any provisions of this Resolution to the contrary, no installment, Series, or issue of Additional Bonds shall be issued, incurred, or delivered unless:

(a) The Executive Vice Chancellor for Asset Management of The University of Texas System or such other officer designated by the Board signs a written certificate to the effect that to the best of his knowledge the Board is not in default as to any covenants, conditions, or obligations in connection with all outstanding Bonds and Additional Bonds, or the resolutions authorizing same, and that the Interest

and Sinking Fund and the Reserve Fund each contains the amount then required to be therein.

(b) The Executive Vice Chancellor for Asset Management or any other designated financial or accounting officer of The University of Texas System, or any certified public accountant, signs a written certificate to the effect that, based upon the best available information, during either the next preceding Fiscal Year of The University of Texas System, or any twelve consecutive calendar month period ending not more than ninety days prior to the adoption of the resolution authorizing the issuance of the then proposed Additional Bonds, the amount of the Pledged Revenues, and, with respect to that portion of the outstanding debt service relating to the Bonds, the Arlington Building Use Fees was at least equal to 1.25 times the average annual principal and interest requirements of all Bonds and Additional Bonds which were then outstanding during such Fiscal Year or period as calculated in the manner described in the definition of Required Reserve.

(c) The Executive Vice Chancellor for Asset Management or any other designated financial or accounting officer of The University of Texas System, signs a written certificate to the effect that, based upon the best available information, during either the next preceding Fiscal Year of The University of Texas System, or any twelve consecutive calendar month period ending not more than ninety days prior to the adoption of the resolution authorizing the issuance of the then proposed Additional Bonds, the amount of the Pledged Revenues, and, with respect to that portion of the outstanding debt service relating to the Bonds, the Arlington Building Use Fees was at least equal to 1.25 times the average annual principal and interest requirements of all then outstanding Bonds and Additional Bonds and the Additional Bonds then proposed to be issued as calculated in the manner described in the definition of Required Reserve; or in the alternative, the Executive Vice Chancellor for Asset Management or any other designated financial or accounting officer of The University of Texas System signs a written certificate to the effect that based upon the best available information, during each of the five Fiscal Years following the Fiscal Year in which the Additional Bonds are issued, the amount of the Pledged Revenues, and, with respect to that portion of the outstanding debt service relating to the Bonds, the Arlington Building Use Fees estimated to be received during each of said Fiscal Years, respectively, will be at least equal to 1.25 times the principal and interest requirements of all Bonds and Additional Bonds scheduled to be outstanding after the issuance of the then proposed Additional Bonds, during each

of said Fiscal Years, respectively as calculated in the manner described in the definition of Required Reserve.

In the event the Additional Bonds are Short Term Obligations or bear interest at a variable (as distinguished from a fixed) rate of interest, the principal and interest requirements of such Additional Bonds shall be calculated as provided in the definition of Required Reserve. In addition, when making the above calculations there shall be taken into account in determining Pledged Revenues for such period (i) the Net Revenues produced in such calculation period by any facility which the Board has made a part of the Revenue System, (ii) the amount of Pledged Tuition Fee collected in such calculation period by any Health Institution with respect to which the Board has determined to pledge the tuition charges to the Bonds and Additional Bonds, and (iii) the amount of Pledged General Fee which would have been collected at each institution at the rate per semester credit hour determined by the Board to be charged at the next regular semester.

Section 21. GENERAL COVENANTS. The Board further covenants and agrees that while any Bonds or Additional Bonds or interest thereon are outstanding and unpaid:

(a) It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution and in each resolution authorizing the issuance of Additional Bonds, and in each and every Bond and Additional Bond, it will promptly pay or cause to be paid from the Pledged Revenues (and with respect to the Bonds only, from the Arlington Building Use Fees) the principal of and interest on every Bond and Additional Bond and all Payment Obligations, on the dates and in the places and in the manner prescribed, it will, at the times and in the manner prescribed, deposit or cause to be deposited from the Pledged Revenues (and with respect to the Bonds only, from the Arlington Building Use Fees) the amounts required to be deposited into the Interest and Sinking Fund and the Reserve Fund, it will duly cause to be called for redemption prior to maturity, and will cause to be redeemed prior to maturity, all Bonds and all Additional Bonds which by their terms are mandatorily required to be redeemed prior to maturity, when and as so required, and any owner of the Bonds or Additional Bonds may require the Board, its officials and employees, and any appropriate official of the State of Texas, to carry out, respect, or enforce the covenants and obligations of this Resolution or any resolution authorizing the issuance of Additional Bonds, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against

the Board, its officials and employees, or any appropriate official of the State of Texas.

(b) It lawfully owns, has title to, and is lawfully possessed of the lands, buildings, and facilities now constituting The University of Texas System and the Revenue System, it warrants that it will defend said title for the benefit of the owners of the Bonds and Additional Bonds against the claims and demands of all persons whomsoever, it is lawfully qualified to pledge the Pledged Revenues and the Arlington Building Use Fees herein pledged in the manner prescribed herein, and has lawfully exercised such right. Notwithstanding anything to the contrary contained herein, it is recognized that certain institutions constituting a part of The University of Texas System may be combined and that so long as such combined institution continues to be governed by the Board and the conditions below are satisfied such action shall not be in violation of the provisions of this resolution. In addition, subject to the conditions set forth below, any institutions may be closed and abandoned by law or may be removed from The University of Texas System pursuant to law without violating the terms of this Resolution if the Board approves a certification by the Executive Vice Chancellor for Asset Management or other designated financial or accounting officer of The University of Texas System to the effect that, to the best of his knowledge:

(1) the Pledged Revenues, together with the Arlington Building Use Fees with respect to the Bonds, for either the preceding Fiscal Year or the 12-month period immediately preceding such combining, closing, abandonment, or removal would have been at least 100% of the average annual principal and interest requirements as calculated in the manner described in the definition of Required Reserve, if such combining, closing, abandonment, or removal had occurred at the beginning of such Fiscal Year or 12-month period; and

(2) beginning with the Fiscal Year next following such combining, closing, abandonment, or removal, the Pledged Revenues, together with the Arlington Building Use Fees with respect to the Bonds, for each Fiscal Year during the scheduled term of all outstanding Bonds and Additional Bonds are estimated, taking into account any revenues and expenses expected to be attributable to any institution to be added to The University of Texas System and any property to be added to the Revenue System, to be at least 100% of the average annual principal and interest requirements as calculated in the manner described in the definition of Required Reserve.

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

(d) It will not do or suffer any act or thing whereby The University of Texas System or the Revenue System might or could be impaired, and that it will at all times maintain, preserve, and keep the real and tangible property of The University of Texas System and the Revenue System and every part thereof in good condition, repair, and working order and operate, maintain, preserve, and keep the facilities, buildings, structures, and equipment pertaining thereto in good condition, repair, and working order.

(e) While the Bonds or Additional Bonds are outstanding and unpaid, it will not sell, convey, mortgage, or in any manner transfer title to, or lease, or otherwise dispose of the property constituting the Revenue System, except that whenever the Board deems it necessary to dispose of any fixtures or equipment of such facilities, it may sell or otherwise dispose of such fixtures or equipment when it has made arrangements to replace the same or provide substitutes therefor, unless the Board finds that such replacement or substitution is unnecessary; provided however, that property constituting part of the Revenue System may be sold at fair market value, permanently abandoned, or otherwise removed from the Revenue System, provided that:

(i) The Executive Vice Chancellor for Asset Management or other designated financial or accounting officer of The University of Texas System certifies that no default exists with respect to any covenant or undertaking in connection with all Bonds and Additional

Bonds then outstanding or the resolution or resolutions authorizing same; and

(ii) The Board approves a certification by the Executive Vice Chancellor for Asset Management or other designated financial or accounting officer of The University of Texas System that, to the best of his knowledge:

(1) the Pledged Revenues, together with the Arlington Building Use Fees with respect to the Bonds, for either the preceding Fiscal Year or the 12-month period immediately preceding such sale, abandonment, or removal would have been at least 100% of the average annual principal and interest requirements as calculated in the manner described in the definition of Required Reserve, if such sale, abandonment, or removal had occurred at the beginning of such Fiscal Year or 12-month period; and

(2) beginning with the Fiscal Year next following such sale, abandonment, or removal, the Pledged Revenues, together with the Arlington Building Use Fees with respect to the Bonds, for each Fiscal Year during the scheduled term of all outstanding Bonds and Additional Bonds are estimated, taking into account any revenues and expenses expected to be attributable to any property to be added to the Revenue System, to be at least 100% of the average annual principal and interest requirement as calculated in the manner described in the definition of Required Reserve.

(f) It will establish and maintain rates and charges for services, use, and availability of all parts of the Revenue System that will produce Gross Revenues sufficient to pay the Current Expenses of the Revenue System, after taking into account the amounts collected pursuant to Section 16(c), and sufficient, together with other Pledged Revenues and, with respect to the Bonds, the Arlington Building Use Fees, to pay the interest on and principal of the Bonds and any Additional Bonds, and maintain the Reserve Fund, all as required by this Resolution.

(g) While any Bonds or Additional Bonds are outstanding and unpaid, the Board shall not additionally encumber the Pledged Revenues, the Arlington Building Use Fees or the Student Union Fees described in Section 16(c) in any manner, except as permitted by this Resolution in connection with the Additional Bonds, unless said encumbrance is made junior and subordinate in all respects

to the liens, pledges, covenants, and agreements of this Resolution.

(h) Proper books of record and account will be kept in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the Revenue System, the Pledged Revenues and the Arlington Building Use Fees, and each year while any of the Bonds are outstanding, the Board will cause to be prepared from such books of record and account a preliminary financial report containing statements of (i) Gross Revenues, Current Expenses, Net Revenues, and the amount of the Arlington Building Use Fees and of the student union fees described in Section 16(c) and (ii) year end balances in funds maintained pursuant to this Resolution and changes in such fund balances from the previous Fiscal Year. Such preliminary reports shall be furnished to the principal municipal bond rating agencies and any owner of the Bonds who shall request same.

(i) Each year, commencing with the Fiscal Year ending August 31, 1987, while any of the Bonds or Additional Bonds are outstanding, an audit will be made of its books and accounts relating to the Revenue System, the Pledged Revenues, the Arlington Building Use Fees and the student union fee described in Section 16(c) by the State Auditor of the State of Texas, or a certified public accountant, such audit to be based on the Fiscal Year of the Board beginning on September 1 of each year and ending on August 31 of the following year. As soon as practicable after the close of each such Fiscal Year, and when said audit has been completed and made available to the Board, a copy of such audit for the preceding Fiscal Year shall be mailed to all bondholders who shall so request. Such annual audit reports shall be open to the inspection of the bondholders and their agents and representatives at all reasonable times.

(k) Any owner or owners of twenty-five (25%) per centum or more of the Outstanding Principal Amount at the time then outstanding, shall have the right at all reasonable times to inspect the Revenue System and all records, accounts, and data of the Board relating thereto.

Section 22. INDIVIDUALS NOT LIABLE. All covenants, stipulations, obligations, and agreements of the Board contained in this Resolution shall be deemed to be covenants, stipulations, obligations, and agreements of The University of Texas System and the Board to the full extent authorized or permitted by the Constitution and laws of the State of Texas. No covenant, stipulation, obligation, or agreement herein contained shall be deemed to be a covenant, stipulation, obligation, or agreement of any member of the Board or

agent or employee of the Board in his individual capacity and neither the members of the Board nor any officer thereof shall be liable personally on the Bonds or Additional Bonds when issued, or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 23. REMEDIES. Any owner or holder of any of the Bonds or Additional Bonds when issued, in the event of default in connection with any covenant contained herein, or default in the payment of said obligations, or of any interest due thereon, shall have the right to institute mandamus proceedings against the Board or any other necessary or appropriate party for the purpose of enforcing payment from the moneys herein pledged or for enforcing any covenant herein contained.

Section 24. DEFEASANCE OF BONDS. (a) Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") within the meaning of this Resolution, except to the extent provided in subsection (d) of this Section, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption), or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations which mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the Board with the Paying Agent/Registrar for the payment of its services until after all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Pledged Revenues, and such principal and interest shall be payable solely from such money or Government Obligations, and shall not be regarded as outstanding for any purposes other than payment, transfer, and exchange.

(b) Any moneys so deposited with or made available to the Paying Agent/Registrar may at the written direction of the Board also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by

the Paying Agent/ Registrar which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Board, or deposited as directed in writing by the Board.

(c) The term "Government Obligations" as used in this Section, shall mean direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, which may be United States Treasury obligations such as its State and Local Government Series, which may be in book-entry form.

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

Section 25. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS. (a) Replacement Bonds. In the event any outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same principal amount or maturity amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

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

(c) Payment in Lieu of Replacement. Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Bond, the

Issuer may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

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

(e) Authority for Issuing Replacement Bonds. In accordance with Section 6 of Vernon's Ann. Tex. Civ. St. Art. 717k-6, this Section of this Resolution shall constitute authority for the issuance of any such replacement bond without necessity of further action by the Issuer or any other body or person, and the duty of the replacement of such Bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 5(d) of this Resolution for Bonds issued in conversion and exchange for other Bonds.

Section 26. AMENDMENT OF RESOLUTION. (a) The owners of Bonds and Additional Bonds aggregating 51% in Outstanding Principal Amount shall have the right from time to time to approve any amendment to any resolution authorizing the issuance of Bonds or Additional Bonds which may be deemed necessary or desirable by the Board, provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the outstanding Bonds and Additional Bonds, the amendment of the terms and conditions in said resolutions or in the Bonds or Additional Bonds so as to:

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

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

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

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

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

(e) Any consent given by the owner of a Bond or Additional Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of

the first publication or other service of the notice provided for in this Section, and shall be conclusive and binding upon all future owners of the same Bond or Additional Bond during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the owner who gave such consent, or by a successor in title, by filing notice thereof with the Paying Agent/Registrar for such Bonds and Additional Bonds and the Issuer, but such revocation shall not be effective if the owners of 51% in Outstanding Principal Amount, prior to the attempted revocation, consented to and approved the amendment.

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

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

Section 27. TAX EXEMPTION. (a) The Board certifies that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Initial Bonds are delivered and paid for, the Board reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds or any portion of the Bonds to be an "arbitrage bond" under Section 103(c)(2) of the Internal Revenue Code of 1954, as amended to the date of delivery and payment of the Initial Bonds (or under Sections 147(g) and 149(d)(2)(D)(i) of the proposed Internal Revenue Code of 1985, if enacted as set forth in H.R. 3838 as passed by the United States House of Representatives on December 17, 1985) (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees and agents of the Board are authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the Board as of the date the Initial Bonds are delivered and paid for. In particular, all or any officers, agents, and employees of the Board are authorized to certify for the Board the facts and circumstances and reasonable expectations of the Board on the date the Initial Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the Board covenants that it will make such use of the proceeds of the Bonds, regulate investments of proceeds of the Bonds and take such other and further actions and follow such procedures, including, without limitation, the method of calculating yield on the Bonds, as may be required so that the Bonds will not be "arbitrage bonds" under the

Code, and the regulations prescribed from time to time thereunder.

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

Section 28. CUSTODY, APPROVAL, AND REGISTRATION OF INITIAL BOND; BOND COUNSEL'S OPINION, AND CUSIP NUMBERS. The Chairman of the Board is hereby authorized to have control of the Board issued hereunder and all necessary records and proceedings pertaining to the Initial Bonds pending their delivery and investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Initial Bonds 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 Bonds, and the seal of said Comptroller shall be impressed, or placed in facsimile, on the Initial Bonds. 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 Bonds 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 29. 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 August 14, 1986. The Chairman of the Board 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 Bonds as set forth in said Bond Purchase Contract are the most advantageous reasonably obtainable.

Section 30. 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 Board. The distribution and use of the Preliminary Official Statement dated August 14, 1986, prior to the date hereof is hereby ratified and confirmed.

Section 31. REFUNDING OF OUTSTANDING BONDS. Concurrently with the delivery of the Initial Bond the Board shall deposit with MBank Austin, National Association, Austin, 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 Bonds 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. It is hereby found and determined (i) that the refunding of such Outstanding Bonds is advisable and necessary in order to restructure the debt service requirements of the Board, to establish a system financing structure by combining all of The University of Texas System institutions for financing purposes to enhance its financial strength, to broaden permitted investments, and to release certain security previously pledged to the Outstanding Bonds; and (ii) that the debt service requirements on the Bonds on an actual and on a present value basis will be less than those on the Outstanding Bonds.

Section 32. ESCROW AGREEMENT. The Issuer hereby appoints MBank Austin, National Association, Austin, Texas, as Escrow Agent in connection with the refunding of the Outstanding Bonds. The Chairman of the Issuer, the Executive Secretary of the Issuer, the Executive Vice Chancellor for Asset Management or the Manager of Debt Administration of The University of Texas System, for and on behalf of the Issuer, are authorized and directed to sign, seal and otherwise execute and deliver an Escrow Agreement dated as of July 15, 1986, in substantially the form and substance attached hereto as an exhibit, between the Issuer and MBank Austin, National Association, Austin, Texas, with the exhibits thereto to contain information concerning the escrow created under the Escrow Agreement that reflects financial results substantially similar to the report submitted at this meeting by Morgan Guaranty Trust Company of New York. The Executive Vice Chancellor for Asset Management of The University of Texas System is authorized hereby to take such steps as may be necessary to purchase the Escrowed Securities, as defined in such Escrow Agreement, on behalf of the Issuer and otherwise to create and fund the escrow fund contemplated by the Escrow Agreement.

Section 33. PAYING AGENT AGREEMENT. The Issuer hereby appoints MBank Austin, National Association, Austin, Texas as Paying Agent/Registrar for the Bonds authorized hereby. The Chairman of the Issuer, the Executive Secretary of the Issuer, the Executive Vice Chancellor for Asset Management or the Manager of Debt Administration of The University of Texas System are hereby authorized to execute and deliver on behalf of the Issuer a Paying Agent/Registrar Agreement, dated as of the date of delivery of the Initial Bond in substantially the form and substance submitted at this meeting, between the Issuer and MBank Austin, National Association.

Section 34. FINANCIAL GUARANTY AGREEMENT. The Executive Vice Chancellor for Asset Management of The University of Texas System is hereby authorized and directed to execute and deliver the Financial Guaranty Agreement in substantially the form attached hereto as Exhibit A with such changes therein as are approved by the Vice Chancellor and General Counsel of The University of Texas System.

Section 35. REDEMPTION OF OUTSTANDING BONDS. That the Issuer hereby directs that the Outstanding Bonds listed in Exhibit B hereto be called for redemption on the respective redemption dates and at the respective redemption prices set forth in said Notice of Redemption. The Executive Vice Chancellor for Asset Management is hereby authorized and directed to issue a Notice of Redemption of said Bonds called for redemption to the respective Paying Agents or Paying Agents/Registrars for said Outstanding Bonds as shown in the Notice of Redemption, which notice is to be mailed or delivered so as to be received by said institutions no later than August 20, 1986, and to have such notice published once, prior to August 20, 1986, in a financial publication published in The City of New York, New York and of general circulation among securities dealers in The City of New York, New York and in the City of Austin.

In addition, at least thirty (30) days prior to each respective redemption date, a Notice of Redemption in substantially the same form as attached hereto but relating only to the series of Outstanding Bonds to be redeemed on such redemption date shall be published in a financial publication published in The City of New York, New York and of general circulation among securities dealers in The City of New York, New York and in the City of Austin and, with respect to those Outstanding Bonds in registered form, shall be mailed by United States Mail, first-class postage prepaid to the registered owner of each Outstanding Bond to be redeemed on the respective redemption date in the manner required by the resolution authorizing said Outstanding Bonds. The Outstanding Bonds described in said Notice of Redemption shall be presented for redemption in accordance

with said notice at the respective Paying Agents or Paying Agents/Registrars for said Outstanding Bonds as shown in the Notice of Redemption and shall not bear interest after the date provided for their respective redemptions. The Notice of Redemption to be issued and published shall be substantially in the form attached hereto as Exhibit "B". The Executive Vice Chancellor for Asset Management shall insure that the provisions of the resolutions authorizing the Outstanding Bonds are complied with and shall make provisions with the Paying Agents or Paying Agents/Registrars, as the case may be, for the respective series of Outstanding Bonds to have the notices described in the second paragraph of this Section published and/or mailed as required.

Section 36. FURTHER PROCEDURES. The Chairman of the Issuer, the Executive Secretary of the Issuer, the Executive Vice Chancellor for Asset Management and the Manager of Debt Administration of The University of Texas System, and all other officers, employees, and agents of the Issuer, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the seal and on behalf of the Issuer all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, the Bonds, the Bond Purchase Contract, the Official Statement, the Paying Agent/Registrar Agreement, the Financial Guaranty Agreement, the Escrow Agreement or the redemption of those Outstanding Bonds being called for redemption prior to their scheduled maturities. 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.

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Exhibit "B"

NOTICE OF REDEMPTION

Board of Regents of The University of Texas System

Notice is hereby given that the Board of Regents of The University of Texas System (the "Board") has called for redemption on the dates and at the redemption prices specified, the below listed Outstanding Bonds of the Board of as follows:

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT ARLINGTON, COMBINED FEE REVENUE BONDS, SERIES 1985, dated January 1, 1985, maturing on July 1 in each of the years 1995 through 2005, and aggregating \$7,720,000 in principal amount. The date fixed for redemption of said Series 1985 Bonds is July 1, 1994, and said Series 1985 Bonds shall be redeemed in whole at MBank Austin, N.A., Austin, Texas, the Paying Agent/Registrar for said Series 1985 Bonds. Upon presentation of said Series 1985 Bonds at the Paying Agent/Registrar on the aforementioned redemption date, the Registered Owner thereof shall be entitled to receive the redemption price equal to par and accrued interest to the redemption date plus a premium equal to two percent (2%) of said par amount.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT ARLINGTON 9% APARTMENT REVENUE BONDS, SERIES 1985, dated July 1, 1985, maturing on July 1 in each of the years 1995 through 2006, and aggregating \$745,000 in principal amount. The date fixed for redemption of said Series 1985 Bonds is July 1, 1994, and said Series 1985 Bonds shall be redeemed in whole at MBank Austin, N.A., Austin, Texas, the Paying Agent/Registrar for said Series 1985 Bonds. Upon presentation of said Series 1985 Bonds at the Paying Agent/Registrar on the aforementioned redemption date, the Registered Owner thereof shall be entitled to receive the redemption price equal to par and accrued interest to the redemption date.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT AUSTIN, MARRIED STUDENT HOUSING REVENUE BONDS, SERIES 1981, dated May 1, 1981, maturing on August 1 in each of the years 1991 through 2007, and aggregating \$4,985,000 in principal amount, and numbered 154 through 1150. The date fixed for redemption of

said Series 1981 Bonds is August 1, 1990, and said Series 1981 Bonds shall be redeemed in whole at BancTexas Dallas, N.A., Dallas, Texas (formerly National Bank of Commerce of Dallas), or, at the option of the bearer, at Chemical Bank, New York, New York, the places of payment for said Series 1981 Bonds. Upon presentation of said Series 1981 Bonds at a place of payment on the aforementioned redemption date, the holder thereof shall be entitled to receive the redemption price equal to par and accrued interest to the redemption date plus a premium equal to one percent (1%) of said par amount.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT AUSTIN, BUILDING REVENUE BONDS, SERIES 1983, dated August 1, 1983, maturing on May 1 in each of the years 1993 through 2006, and aggregating \$25,265,000 in principal amount. The date fixed for redemption of said Series 1983 Bonds is May 1, 1992, and said Series 1983 Bonds shall be redeemed in whole at MBank Austin, N.A., Austin, Texas (formerly The American National Bank of Austin), the Paying Agent/Registrar for said Series 1983 Bonds. Upon presentation of said Series 1983 Bonds at the Paying Agent/Registrar on the aforementioned redemption date, the Registered Owner thereof shall be entitled to receive the redemption price equal to par and accrued interest to the redemption date plus a premium equal to one percent (1%) of said par amount.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT AUSTIN, PARKING FACILITIES REVENUE BONDS, SERIES 1984, dated December 1, 1984, maturing on December 1 in each of the years 1995 through 2003, and aggregating \$2,205,000 in principal amount. The date fixed for redemption of said Series 1984 Bonds is December 1, 1994, and said Series 1984 Bonds shall be redeemed in whole at MBank Austin, Austin, Texas, the Paying Agent/Registrar for said Series 1984 Bonds. Upon presentation of said Series 1984 Bonds at the Paying Agent/Registrar on the aforementioned redemption date, the Registered Owner thereof shall be entitled to receive the redemption price equal to par and accrued interest to the redemption date plus a premium equal to one and one-half percent (1.5%) of said par amount.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT DALLAS, UTILITY REVENUE BONDS, SERIES 1980, dated August 1, 1980,

maturing on August 1 in each of the years 1992 through 1993, and aggregating \$1,075,000 in principal amount, numbered 758 through 972; and maturing on August 1 in each of the years 1997 through 1998, aggregating \$1,545,000 in principal amount, numbered 1360 through 1668. The date fixed for redemption of said Series 1980 Bonds is August 1, 1990, and said Series 1980 Bonds shall be redeemed in whole at BancTexas Dallas N.A., Dallas, Texas (formerly National Bank of Commerce of Dallas), or, at the option of the bearer, at Bankers Trust Company, New York, New York, the places of payment for said Series 1980 Bonds. Upon presentation of said Series 1980 Bonds at a place of payment on the aforementioned redemption date, the holder thereof shall be entitled to receive the redemption price equal to par and accrued interest to the redemption date plus a premium equal to one percent (1%) of said par amount.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT SAN ANTONIO, COMBINED FEE REVENUE BONDS, SERIES 1980, dated March 1, 1980, maturing on March 1 in each of the years 1991 through 2004, and aggregating \$6,635,000 in principal amount, numbered 374 through 1700. The date fixed for redemption of said Series 1980 Bonds is March 1, 1990, and said Series 1980 Bonds shall be redeemed in whole at BancTexas Dallas N.A., Dallas, Texas (formerly National Bank of Commerce of Dallas), or, at the option of the bearer, at Chemical Bank, New York, New York, the places of payment for said Series 1980 Bonds. Upon presentation of said Series 1980 Bonds at a place of payment on the aforementioned redemption date, the holder thereof shall be entitled to receive the redemption price equal to par and accrued interest to the redemption date plus a premium equal to one percent (1%) of said par amount.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT SAN ANTONIO, COMBINED FEE REVENUE BONDS, SERIES 1984, dated March 1, 1984, maturing on March 1 in each of the years 1995 through 2007, and aggregating \$6,725,000 in principal amount. The date fixed for redemption of said Series 1984 Bonds is March 1, 1994, and said Series 1984 Bonds shall be redeemed in whole at First City National Bank of Austin, Austin, Texas, the Paying Agent/Registrar for said Series 1984 Bonds. Upon presentation of said Series 1984 Bonds at the Paying

Agent/Registrar on the aforementioned redemption date, the Registered Owner thereof shall be entitled to receive the redemption price equal to par and accrued interest to the redemption date plus a premium equal to two percent (2%) of said par amount.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT SAN ANTONIO, UTILITY REVENUE BONDS, SERIES 1980, dated August 1, 1980, maturing on August 1 in each of the years 1992 through 1993, and aggregating \$1,040,000 in principal amount, numbered 732 through 939; and maturing on August 1 in each of the years 1997 through 1998, and aggregating \$1,490,000 in principal amount, numbered 1314 through 1611. The date fixed for redemption of said Series 1980 Bonds is August 1, 1990, and said Series 1980 Bonds shall be redeemed in whole at BancTexas Dallas N.A., Dallas, Texas (formerly National Commerce Bank of Dallas), or, at the option of the bearer, at Bankers Trust Company, New York, New York, the places of payment for said Series 1980 Bonds. Upon presentation of said Series 1980 Bonds at a place of payment on the aforementioned redemption date, the holder thereof shall be entitled to receive the redemption price equal to par and accrued interest to the redemption date plus a premium equal to one percent (1%) of said par amount.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT HOUSTON, HOUSING SYSTEM REVENUE BONDS, SERIES 1981, dated May 1, 1981, maturing on May 1 in each of the years 1992 through 1998, and aggregating \$8,890,000 in principal amount, numbered 1023 through 2800. The date fixed for redemption of said Series 1981 Bonds is May 1, 1991, and said Series 1981 Bonds shall be redeemed in whole at Texas Commerce Bank National Association, Houston, Texas, or, at the option of the bearer, at First City National Bank of Houston, Houston, Texas, the places of payment for said Series 1981 Bonds. Upon presentation of said Series 1981 Bonds at a place of payment on the aforementioned redemption date, the Holder thereof shall be entitled to receive the redemption price equal to par and accrued interest to the redemption date plus a premium equal to one percent (1%) of said par amount.

NOTICE IS FURTHER GIVEN that due and proper arrangements have been made for providing the

respective places of payment of said Bonds called for redemption with funds sufficient to pay the principal amount of said Bonds, the interest thereon to the respective redemption dates and the applicable redemption premium. In the event said Bonds, or any of them are not presented for redemption by the date fixed for their redemption, they shall not thereafter bear interest.

THIS NOTICE is issued and given pursuant to the redemption provisions in the proceedings authorizing the issuance of the aforementioned Bonds and in accordance with the recitals and provisions of each of said Bonds.

WITNESS MY OFFICIAL SIGNATURE, this 14th day of August, 1986.

Executive Vice Chancellor for Asset  
Management, Board of Regents of  
The University of Texas System



ESCROW AGREEMENT

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

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THIS ESCROW AGREEMENT, dated as of July 15, 1986 (herein, together with any amendments or supplements hereto, called the "Agreement") is entered into by and between the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (herein called the "Issuer") and MBANK AUSTIN, NATIONAL ASSOCIATION, AUSTIN, TEXAS, as escrow agent (herein, together with any successor in such capacity, called the "Escrow Agent"). The addresses of the Issuer and the Escrow Agent are shown on Exhibit A attached hereto and made a part hereof.

W I T N E S S E T H:

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

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

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

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

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

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

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

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

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

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

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

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

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

## ARTICLE I

### DEFINITIONS AND INTERPRETATIONS

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

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

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

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

purchased with the proceeds thereof pursuant to Section 4.02 or 4.03 of this Agreement.

"Other Paying Agents" means all the entities listed in Exhibit G attached to this Agreement except the Escrow Agent.

"Paying Agents" means the entities acting as Paying Agent/Registrar for any of the Refunded Obligations, including the entities listed in Exhibit G attached to this Agreement, and any other place of payment (paying agent or co-paying agent) for the Refunded Obligations, including any agent of any of such entities that exercises the powers or performs the duties of any such paying agent on its behalf in connection with any of the Refunded Obligations.

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

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

## ARTICLE II

### DEPOSIT OF FUNDS AND ESCROWED SECURITIES

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

ARTICLE III

CREATION AND OPERATION OF ESCROW FUND

Section 3.01. Escrow Fund. The Escrow Agent has created on its books a special trust fund and irrevocable escrow to be known as the Board of Regents of The University of Texas System General Revenue Bonds 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 pledged irrevocably to the payment of the principal of and interest on the Refunded Obligations, which payment shall be made by timely transfers of such amounts at such times as are provided for in Section 3.02 hereof. When the final transfers have been made for the payment of such principal of and interest on the Refunded Obligations, any balance then remaining in the Escrow Fund shall be transferred to the Issuer, and the Escrow Agent thereupon shall be discharged from any further duties hereunder.

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

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

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

Refunded Obligations as the Refunded Obligations mature, all as more fully set forth in Exhibit E attached hereto.

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

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

#### ARTICLE IV

##### LIMITATION ON INVESTMENTS

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

substitutions of the Escrowed Securities, or to sell, transfer, or otherwise dispose of the Escrowed Securities.

Section 4.02. Cash Balances in Escrow. In addition to the Escrowed Securities listed in Exhibit D hereto, the Escrow Agent shall hold for the credit of the Escrow Fund any cash balances deposited therein. The Escrow Agent shall reinvest any cash balances deposited to the credit of the Escrow Fund that are not needed immediately to pay principal of or interest on the Refunded Obligations 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, maturing not later than the next succeeding principal or interest payment date for the Refunded Obligations, in accordance with written instructions to the Escrow Agent from the Issuer. The Issuer's initial instructions regarding such reinvestments are attached hereto as Exhibit H. Such instructions may be changed from time to time by the Issuer so long as any change in such instructions shall be accompanied by an opinion of nationally recognized bond counsel or tax counsel to the effect that investments made in accordance with such instructions will not have an adverse effect on the exemption from federal income tax of the interest on the Refunding Obligations. The Issuer hereby appoints the Escrow Agent as its agent and duly authorized representative for purposes of subscribing to and purchasing such obligations, all of which shall constitute Escrowed Securities. Any income or increment earned from such reinvestment that is not required according to the schedules contained herein for the payment of the Refunded Obligations shall be transferred promptly to the Issuer.

Section 4.03. Substitution for Escrowed Securities. At the written request of the Issuer, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall sell, transfer, otherwise dispose of or request the redemption of the Escrowed Securities and apply the proceeds therefrom to purchase Refunded Obligations or direct obligations of, or obligations the principal of and interest on which is unconditionally guaranteed by, the United States of America, which do not permit the redemption thereof at the option of the obligor, and, if desirable, may amend the provisions of Article IV hereof as a part of such restructuring of the Escrow Fund. Any such transaction may be effected by the Escrow Agent only if: (i) the Escrow

Agent shall have received a written opinion from a nationally recognized firm of certified public accountants that such transaction will not cause the amount of money and securities in the Escrow Fund to be reduced below an amount sufficient to provide for the payment of principal of, redemption premium on and interest on the Refunded Obligations as they become due pursuant to Section 3.02 and 3.03 of this Agreement; and (ii) the Escrow Agent shall have received the unqualified written legal opinion of nationally recognized bond counsel or tax counsel to the effect that such transaction will not cause any of the Refunding Obligations to be an "arbitrage bond" within the meaning of Section 103(c) of the Code.

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 F hereto shall be allocated and applied only to pay the Refunded Obligations listed on Exhibit F hereto.

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

## ARTICLE V

### APPLICATION OF CASH BALANCES

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

## ARTICLE VI

### RECORDS AND REPORTS

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

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

## ARTICLE VII

### CONCERNING THE PAYING AGENTS AND ESCROW AGENT

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

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

for the obligation to notify the Issuer promptly of any such occurrence.

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

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

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

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

Unless it is specifically provided otherwise herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the Issuer with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Escrow Fund, to dispose of and deliver the same in accordance with this Agreement. If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the

occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise reasonable care and diligence, and in event of error in making such determination the Escrow Agent shall be liable only for its own misconduct or its negligence. In determining the occurrence of any such event or contingency the Escrow Agent may request from the Issuer or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquiries of, and consult with, among others, the Issuer at any time.

Section 7.03. Compensation; Other Paying Agents.

(a) Concurrently with the sale and delivery of the Refunding Obligations, the Issuer shall pay to the Escrow Agent, as a fee for performing the services hereunder and for all expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement, the sum of \$33,500, the sufficiency of which, for such purposes, is hereby acknowledged by the Escrow Agent. In the event that the Escrow Agent is requested to perform any extraordinary services hereunder, the Issuer hereby agrees to pay reasonable fees to the Escrow Agent for such extraordinary services and to reimburse the Escrow Agent for all expenses incurred by the Escrow Agent in performing such extraordinary services, and the Escrow Agent hereby agrees to look only to the Issuer for the payment of such fees and reimbursement of such expenses. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses.

(b) Concurrently with the sale and delivery of the Refunding Obligations, the Issuer shall pay to the Escrow Agent the sum of \$44,029.80, in full payment of all future paying agency, registration and transfer agent services to be performed, in connection with the Arlington Combined Fee Bonds, Series 1985, the Arlington 9% Apartment Bonds, Series 1985, the Austin Building Revenue Bonds, Series 1983, and the Austin Parking Bonds, Series 1984, by the Escrow Agent, acting in its capacity as Paying Agent/Registrar for such Refunded Obligations, or by any other Paying Agent/Registrar or Co-Paying Agent/Registrar for such Refunded Obligations. The Escrow Agent shall be obligated to pay all charges of

the Paying Agents for such Refunded Obligations for their paying agency services.

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

(d) The entities listed in Exhibit G attached to this Agreement, including the Escrow Agent acting in its capacity as Paying Agent/Registrar for some of the Refunded Obligations, are the principal places of payment (paying agents) for the respective Refunded Obligations set forth in such Exhibit G.

Concurrently with the sale and delivery of the Refunding Obligations the Issuer shall pay to the Other Paying Agents the respective sums set forth in Exhibit G attached hereto, for all future paying agency services of the Other Paying Agents. The Issuer warrants that it has received from the Other Paying Agents approval of the arrangements herein made and written acknowledgement that the respective sums paid to the Other Paying Agents have been accepted in payment of all future paying agency, registration, and transfer agent services of the Other Paying Agents in connection with the Refunded Obligations.

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

owner of any Refunded Obligation may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

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

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

#### ARTICLE VIII

##### MISCELLANEOUS

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

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

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

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

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

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

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

EXECUTED as of the date first written above.

BOARD OF REGENTS OF THE  
UNIVERSITY OF TEXAS SYSTEM

By \_\_\_\_\_  
M.E. Patrick  
Executive Vice Chancellor  
for Asset Management

MBANK AUSTIN, NATIONAL ASSOCIATION  
AUSTIN, TEXAS

By \_\_\_\_\_  
Title:

ATTEST:

\_\_\_\_\_  
Title:

(CORPORATE SEAL)

EXHIBIT A

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

Escrow Agent:    MBank Austin, National Association  
                  One American Center  
                  600 Congress  
                  Austin, Texas 78701  
                  Attention: Corporate Trust

EXHIBIT B  
REFUNDED OBLIGATIONS

| <u>Bond Issue</u>   | <u>Principal Amount<br/>Outstanding</u> |
|---|---|
| Board of Directors of The Agricultural and Mechanical College of Texas, Arlington State College Student Center Fee Bonds, Series 1960 (the "Arlington Student Center Bonds, Series 1960") | \$ 110,000                              |
| Board of Directors of The Agricultural and Mechanical College of Texas, Arlington State College Gymnasium Fee Bonds, Series 1961 (the "Arlington Gymnasium Fee Bonds, Series 1961")       | \$ 150,000                              |
| Board of Directors of The Texas A&M University System - Arlington State College Student Fee Revenue Bonds, Series 1964 (the "Arlington Student Fee Bonds, Series 1964")                   | \$ 1,470,000                            |
| Board of Regents of The University of Texas - Arlington State College Student Fee Revenue Bonds, Series 1966 (the "Arlington Student Fee Bonds, Series 1966")                             | \$ 880,000                              |
| Board of Regents of The University of Texas System, The University of Texas at Arlington, Student Fee Revenue Bonds, Series 1968 (the "Arlington Student Fee Bonds, Series 1968")         | \$ 680,000                              |
| Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1971-A (the "Arlington Combined Fee Bonds, Series 1971-A")   | \$ 3,530,000                            |
| Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1973 (the "Arlington Combined Fee Bonds, Series 1973")       | \$ 6,480,000                            |
| Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1973-A (the "Arlington Combined Fee Bonds, Series 1973-A")   | \$ 6,365,000                            |

|  |              |
|--|--------------|
| Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1974 (the "Arlington Combined Fee Bonds, Series 1974")                      | \$ 860,000   |
| Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1978 (the "Arlington Combined Fee Bonds, Series 1978")                      | \$ 4,710,000 |
| Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1985 (the "Arlington Combined Fee Bonds, Series 1985")                      | \$ 9,835,000 |
| Board of Directors of The Agricultural and Mechanical College of Texas - Arlington State College Housing System Revenue Refunding Bonds, Series 1963 (the "Arlington Housing System Bonds, Series 1963") | \$ 676,000   |
| Board of Regents of The University of Texas System, The University of Texas at Arlington, Apartment Revenue Bonds, Series 1978 (the "Arlington Apartment Revenue Bonds, Series 1978")                    | \$ 1,155,000 |
| Board of Regents of The University of Texas System, The University of Texas at Arlington, 9% Apartment Revenue Bonds, Series 1985 (the "Arlington 9% Apartment Bonds, Series 1985")                      | \$ 950,000   |
| Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1971 (the "Austin Combined Fee Bonds, Series 1971")                            | \$14,685,000 |
| Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1972 (the "Austin Combined Fee Bonds, Series 1972")                            | \$ 6,755,000 |
| Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1973 (the "Austin Combined Fee Bonds, Series 1973")                            | \$27,710,000 |

|   |              |
|---|--------------|
| Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1978 (the "Austin Combined Fee Bonds, Series 1978")                       | \$12,140,000 |
| Board of Regents of The University of Texas Student Union Revenue Bonds, Series 1958-B (the "Austin Student Union Bonds, Series 1958-B")  | \$ 188,000   |
| Board of Regents of The University of Texas Dormitory Revenue Bonds, Series 1954 (the "Austin Dormitory Bonds, Series 1954")  | \$ 1,182,000 |
| Board of Regents of The University of Texas Housing System Revenue Bonds, Series 1967 (the "Austin Housing System Bonds, Series 1967")  | \$12,245,000 |
| Board of Regents of The University of Texas System, The University of Texas at Austin, Married Student Housing Revenue Bonds, Series 1971 (the "Austin Married Student Housing Bonds, Series 1971") | \$ 2,610,000 |
| Board of Regents of The University of Texas System, The University of Texas at Austin, Married Student Housing Revenue Bonds, Series 1981 (the "Austin Married Student Housing Bonds, Series 1981") | \$ 5,440,000 |
| Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1969 (the "Austin Building Revenue Bonds, Series 1969")                       | \$18,865,000 |
| Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1983 (the "Austin Building Revenue Bonds, Series 1983")                       | \$29,000,000 |
| Board of Regents of The University of Texas System, The University of Texas at Austin, Parking Facilities Revenue Bonds, Series 1984 (the "Austin Parking Bonds, Series 1984")                      | \$ 3,000,000 |
| Board of Regents of The University of Texas System, The University of Texas at Dallas, Combined Fee Revenue Bonds, Series 1978 (the "Dallas Combined Fee Bonds, Series 1978")                       | \$ 7,790,000 |

|   |              |
|---|--------------|
| Board of Regents of The University of Texas System, The University of Texas at Dallas, Utility Revenue Bonds, Series 1980 (the "Dallas Utility Bonds, Series 1980")                     | \$ 8,435,000 |
| Board of Regents of The University of Texas System, The University of Texas at El Paso, Combined Fee Revenue Bonds, Series 1970 (the "El Paso Combined Fee Bonds, Series 1970")         | \$ 4,535,000 |
| Board of Regents of The University of Texas System, The University of Texas at El Paso, Combined Fee Revenue Bonds, Series 1971 (the "El Paso Combined Fee Bonds, Series 1971")         | \$ 3,220,000 |
| Board of Regents of The University of Texas System, The University of Texas at El Paso, Combined Fee Revenue Bonds, Series 1973 (the "El Paso Combined Fee Bonds, Series 1973")         | \$ 3,965,000 |
| Board of Regents of The University of Texas System, The University of Texas at El Paso, Combined Fee Revenue Bonds, Series 1974 (the "El Paso Combined Fee Bonds, Series 1974")         | \$ 975,000   |
| Board of Regents of The University of Texas System, The University of Texas at El Paso, Combined Fee Revenue Bonds, Series 1979 (the "El Paso Combined Fee Bonds, Series 1979")         | \$ 4,290,000 |
| The University of Texas at El Paso, Student Union Building Revenue Bonds, Series A of 1967 (the "El Paso Student Union Bonds, Series 1967A")  | \$ 58,000    |
| The University of Texas at El Paso, Student Union Building Revenue Bonds, Series B of 1967 (the "El Paso Student Union Bonds, Series 1967B")  | \$ 2,005,000 |
| Board of Regents of The University of Texas System, The University of Texas at El Paso, Building Revenue Bonds, Series 1969 (the "El Paso Building Revenue Bonds, Series 1969")         | \$ 6,820,000 |
| Board of Regents of The University of Texas System, The University of Texas at San Antonio, Combined Fee Revenue Bonds, Series 1980 (the "San Antonio Combined Fee Bonds, Series 1980") | \$ 7,610,000 |

|  |              |
|--|--------------|
| Board of Regents of The University of Texas<br>System, The University of Texas at San Antonio,<br>Combined Fee Revenue Bonds, Series 1984<br>(the "San Antonio Combined Fee Bonds, Series 1984")               | \$ 7,865,000 |
| Board of Regents of The University of Texas<br>System, The University of Texas at San Antonio,<br>Utility Revenue Bonds, Series 1980 (the<br>"San Antonio Utility Bonds, Series 1980")                         | \$ 8,145,000 |
| Board of Regents of The University of Texas<br>System, The University of Texas Health Science<br>Center at Houston, Housing System Revenue Bonds,<br>Series 1981 (the "Houston Housing Bonds,<br>Series 1981") | \$12,495,000 |
| Board of Regents of Texas Eastern University<br>Combined Fee Revenue Bonds, Series 1976<br>(the "Tyler Combined Fee Bonds, Series 1976")   | \$ 1,325,000 |

EXHIBIT C  
SCHEDULE OF DEBT SERVICE ON REFUNDED OBLIGATIONS

EXHIBIT D  
DEPOSITS TO ESCROW FUND

Open Market Securities

I. U.S. Treasury Bills

| <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Maturity Date</u> |
|-------------------------|----------------------|----------------------|
| 135,000.00              | 0.000%               | 08/28/86             |
| 225,000.00              | 0.000%               | 09/25/86             |
| 320,000.00              | 0.000%               | 01/29/87             |
| 310,000.00              | 0.000%               | 01/29/87             |
| 620,000.00              | 0.000%               | 10/30/86             |
| 1,105,000.00            | 0.000%               | 04/16/87             |
| 345,000.00              | 0.000%               | 11/28/86             |
| 750,000.00              | 0.000%               | 08/28/86             |
| 185,000.00              | 0.000%               | 10/30/86             |
| 955,000.00              | 0.000%               | 04/16/87             |
| 2,390,000.00            | 0.000%               | 06/11/87             |

II. U.S. Treasury Notes

| <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Maturity Date</u> |
|-------------------------|----------------------|----------------------|
| 120,000.00              | 8.875%               | 07/31/87             |
| 140,000.00              | 8.875%               | 07/31/87             |
| 770,000.00              | 8.875%               | 07/31/87             |
| 50,000.00               | 9.000%               | 09/30/87             |
| 690,000.00              | 8.875%               | 10/31/87             |
| 55,000.00               | 8.125%               | 01/31/88             |
| 45,000.00               | 7.125%               | 03/31/88             |
| 2,985,000.00            | 6.625%               | 04/30/88             |
| 1,330,000.00            | 7.125%               | 05/31/88             |
| 2,440,000.00            | 7.000%               | 06/30/88             |
| 1,115,000.00            | 6.625%               | 07/31/88             |
| 715,000.00              | 15.375%              | 10/15/88             |
| 81,000.00               | 14.625%              | 01/15/89             |
| 42,000.00               | 11.250%              | 03/31/89             |
| 3,214,000.00            | 14.375%              | 04/15/89             |
| 2,557,000.00            | 9.625%               | 06/30/89             |
| 1,181,000.00            | 14.500%              | 07/15/89             |
| 866,000.00              | 11.875%              | 10/15/89             |
| 141,000.00              | 10.500%              | 01/15/90             |

|               |         |          |
|---------------|---------|----------|
| 6,768,000.00  | 11.000% | 02/15/90 |
| 42,000.00     | 7.250%  | 03/31/90 |
| 3,576,000.00  | 10.500% | 04/15/90 |
| 4,194,000.00  | 11.375% | 05/15/90 |
| 11,560,000.00 | 10.750% | 07/15/90 |
| 4,000.00      | 10.750% | 08/15/90 |
| 1,065,000.00  | 11.500% | 10/15/90 |
| 111,000.00    | 13.000% | 11/15/90 |
| 242,000.00    | 11.750% | 01/15/91 |
| 12,811,000.00 | 12.375% | 04/15/91 |
| 4,508,000.00  | 14.500% | 05/15/91 |
| 1,366,000.00  | 13.750% | 07/15/91 |
| 1,363,000.00  | 12.250% | 10/15/91 |
| 322,000.00    | 14.250% | 11/15/91 |
| 305,000.00    | 11.625% | 01/15/92 |
| 28,954,000.00 | 11.750% | 04/15/92 |
| 4,974,000.00  | 13.750% | 05/15/92 |
| 503,000.00    | 10.375% | 07/15/92 |
| 1,801,000.00  | 9.750%  | 10/15/92 |
| 558,000.00    | 10.500% | 11/15/92 |
| 343,000.00    | 8.750%  | 01/15/93 |
| 1,134,000.00  | 10.875% | 02/15/93 |
| 2,043,000.00  | 7.375%  | 04/15/93 |
| 6,130,000.00  | 10.125% | 05/15/93 |
| 1,990,000.00  | 11.875% | 08/15/93 |
| 1,105,000.00  | 11.750% | 11/15/93 |
| 16,232,000.00 | 13.125% | 05/15/94 |
| 1,730,000.00  | 12.625% | 08/15/94 |
| 3,860,000.00  | 11.625% | 11/15/94 |

### III. U.S. Treasury Bonds

| <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Maturity Date</u> |
|-------------------------|----------------------|----------------------|
| 388,000.00              | 15.750%              | 11/15/01             |
| 574,000.00              | 14.250%              | 02/15/02             |
| 66,000.00               | 11.125%              | 08/15/03             |
| 30,000.00               | 13.750%              | 08/15/04             |
| 1,399,000.00            | 11.500%              | 11/15/95             |
| 1,368,000.00            | 11.750%              | 02/15/01             |
| 292,000.00              | 13.125%              | 05/15/01             |
| 409,000.00              | 13.375%              | 08/15/01             |
| 1,479,000.00            | 14.250%              | 02/15/02             |
| 1,248,000.00            | 10.750%              | 02/15/03             |
| 1,240,000.00            | 11.875%              | 11/15/03             |
| 1,433,000.00            | 13.750%              | 08/15/04             |

IV. U.S. Treasury STRIPS

| <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Maturity Date</u> |
|-------------------------|----------------------|----------------------|
| 25,000.00               | 0.000%               | 02/15/97             |
| 5,088,000.00            | 0.000%               | 05/15/97             |
| 986,000.00              | 0.000%               | 08/15/97             |
| 924,000.00              | 0.000%               | 11/15/97             |
| 1,701,000.00            | 0.000%               | 02/15/98             |
| 5,359,000.00            | 0.000%               | 05/15/98             |
| 965,000.00              | 0.000%               | 08/15/98             |
| 799,000.00              | 0.000%               | 11/15/98             |
| 1,721,000.00            | 0.000%               | 02/15/99             |
| 5,434,000.00            | 0.000%               | 05/15/99             |
| 953,000.00              | 0.000%               | 08/15/99             |
| 667,000.00              | 0.000%               | 11/15/99             |
| 1,742,000.00            | 0.000%               | 02/15/00             |
| 5,417,000.00            | 0.000%               | 05/15/00             |
| 931,000.00              | 0.000%               | 08/15/00             |
| 541,000.00              | 0.000%               | 11/15/00             |
| 1,765,000.00            | 0.000%               | 02/15/01             |
| 6,270,000.00            | 0.000%               | 05/15/01             |
| 903,000.00              | 0.000%               | 08/15/01             |
| 1,790,000.00            | 0.000%               | 02/15/02             |
| 5,488,000.00            | 0.000%               | 05/15/02             |
| 706,000.00              | 0.000%               | 08/15/02             |
| 280,000.00              | 0.000%               | 11/15/02             |
| 1,818,000.00            | 0.000%               | 02/15/03             |
| 5,070,000.00            | 0.000%               | 05/15/03             |
| 680,000.00              | 0.000%               | 08/15/03             |
| 143,000.00              | 0.000%               | 11/15/03             |
| 1,851,000.00            | 0.000%               | 02/15/04             |
| 5,218,000.00            | 0.000%               | 05/15/04             |
| 643,000.00              | 0.000%               | 08/15/04             |
| 14,000.00               | 0.000%               | 11/15/04             |
| 1,527,000.00            | 0.000%               | 02/15/05             |
| 234,000.00              | 0.000%               | 05/15/05             |
| 616,000.00              | 0.000%               | 08/15/05             |
| 7,000.00                | 0.000%               | 11/15/05             |
| 1,551,000.00            | 0.000%               | 02/15/06             |
| 242,000.00              | 0.000%               | 05/15/06             |
| 18,000.00               | 0.000%               | 08/15/06             |
| 877,000.00              | 0.000%               | 02/15/07             |
| 23,000.00               | 0.000%               | 05/15/97             |
| 23,000.00               | 0.000%               | 11/15/97             |
| 23,000.00               | 0.000%               | 05/15/98             |
| 21,000.00               | 0.000%               | 11/15/98             |

|               |        |          |
|---------------|--------|----------|
| 22,000.00     | 0.000% | 05/15/99 |
| 21,000.00     | 0.000% | 11/15/99 |
| 21,000.00     | 0.000% | 05/15/00 |
| 20,000.00     | 0.000% | 11/15/00 |
| 20,000.00     | 0.000% | 05/15/01 |
| 19,000.00     | 0.000% | 11/15/01 |
| 19,000.00     | 0.000% | 05/15/02 |
| 27,000.00     | 0.000% | 11/15/02 |
| 375,000.00    | 0.000% | 05/15/03 |
| 14,000.00     | 0.000% | 11/15/03 |
| 439,000.00    | 0.000% | 05/15/04 |
| 61,000.00     | 0.000% | 08/15/97 |
| 4,000.00      | 0.000% | 02/15/98 |
| 129,000.00    | 0.000% | 08/15/98 |
| 38,000.00     | 0.000% | 08/15/97 |
| 37,000.00     | 0.000% | 02/15/98 |
| 36,000.00     | 0.000% | 08/15/98 |
| 35,000.00     | 0.000% | 02/15/99 |
| 35,000.00     | 0.000% | 08/15/99 |
| 34,000.00     | 0.000% | 02/15/00 |
| 33,000.00     | 0.000% | 08/15/00 |
| 33,000.00     | 0.000% | 02/15/01 |
| 30,000.00     | 0.000% | 08/15/01 |
| 31,000.00     | 0.000% | 02/15/02 |
| 30,000.00     | 0.000% | 08/15/02 |
| 24,000.00     | 0.000% | 02/15/03 |
| 654,000.00    | 0.000% | 08/15/03 |
| 19,000.00     | 0.000% | 02/15/04 |
| 699,000.00    | 0.000% | 08/15/04 |
| 20,000.00     | 0.000% | 02/15/98 |
| 20,000.00     | 0.000% | 08/15/98 |
| 19,000.00     | 0.000% | 02/15/99 |
| 19,000.00     | 0.000% | 08/15/99 |
| 18,000.00     | 0.000% | 02/15/00 |
| 18,000.00     | 0.000% | 08/15/00 |
| 18,000.00     | 0.000% | 02/15/01 |
| 24,000.00     | 0.000% | 08/15/01 |
| 339,000.00    | 0.000% | 02/15/02 |
| 12,000.00     | 0.000% | 08/15/02 |
| 402,000.00    | 0.000% | 02/15/03 |
| 15,000.00     | 0.000% | 05/15/87 |
| 1,260,000.00  | 0.000% | 05/15/87 |
| 35,000.00     | 0.000% | 02/15/88 |
| 52,000.00     | 0.000% | 02/15/89 |
| 1,436,000.00  | 0.000% | 05/15/89 |
| 10,340,000.00 | 0.000% | 02/15/94 |
| 3,054,000.00  | 0.000% | 02/15/95 |

|              |        |          |
|--------------|--------|----------|
| 8,132,000.00 | 0.000% | 05/15/95 |
| 1,658,000.00 | 0.000% | 08/15/95 |
| 3,081,000.00 | 0.000% | 02/15/96 |
| 8,394,000.00 | 0.000% | 05/15/96 |
| 1,622,000.00 | 0.000% | 08/15/96 |
| 1,274,000.00 | 0.000% | 11/15/96 |
| 3,089,000.00 | 0.000% | 02/15/97 |
| 1,853,000.00 | 0.000% | 05/15/97 |
| 507,000.00   | 0.000% | 08/15/97 |
| 163,000.00   | 0.000% | 11/15/97 |
| 1,398,000.00 | 0.000% | 02/15/98 |
| 1,553,000.00 | 0.000% | 05/15/98 |
| 400,000.00   | 0.000% | 08/15/98 |
| 124,000.00   | 0.000% | 11/15/98 |
| 1,413,000.00 | 0.000% | 02/15/99 |
| 3,278,000.00 | 0.000% | 05/15/99 |
| 376,000.00   | 0.000% | 08/15/99 |
| 22,000.00    | 0.000% | 11/15/99 |
| 1,423,000.00 | 0.000% | 02/15/00 |
| 2,647,000.00 | 0.000% | 05/15/00 |
| 356,000.00   | 0.000% | 08/15/00 |

EXHIBIT E  
ESCROW FUND CASH FLOW

EXHIBIT F  
ALLOCATION OF CERTAIN ESCROWED SECURITIES

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

I. Allocated to the following Refunded Obligations

Arlington Student Center Bonds, Series 1960  
Arlington Gymnasium Fee Bonds, Series 1961  
Arlington Student Fee Bonds, Series 1964, Series 1966,  
Series 1968  
Arlington Combined Fee Bonds, Series 1971-A, Series  
1973, Series 1973-A, Series 1974  
Arlington Housing System Bonds, Series 1963  
Austin Combined Fee Bonds, Series 1971, Series 1972,  
Series 1973  
Austin Student Union Bonds, Series 1958-B  
Austin Dormitory Bonds, Series 1954  
Austin Housing System Bonds, Series 1967  
Austin Married Student Housing Bonds, Series 1971  
El Paso Combined Fee Bonds, Series 1970, Series 1971,  
Series 1973, Series 1974  
El Paso Student Union Bonds, Series 1967A, Series 1967B  
El Paso Building Revenue Bonds, Series 1969  
Tyler Combined Fee Bonds, Series 1976:

| <u>PRINCIPAL AMOUNT</u> | <u>MATURITY DATE</u> |
|-------------------------|----------------------|
| \$ 135,000.00           | 08/28/86             |
| 225,000.00              | 09/25/86             |
| 388,000.00              | 11/15/01             |
| 25,000.00               | 02/15/97             |
| 5,088,000.00            | 05/15/97             |
| 986,000.00              | 08/15/97             |
| 924,000.00              | 11/15/97             |
| 1,701,000.00            | 02/15/98             |
| 5,359,000.00            | 05/15/98             |
| 965,000.00              | 08/15/98             |
| 799,000.00              | 11/15/98             |
| 1,721,000.00            | 02/15/99             |
| 5,434,000.00            | 05/15/99             |

|              |          |
|--------------|----------|
| 953,000.00   | 08/15/99 |
| 667,000.00   | 11/15/99 |
| 1,742,000.00 | 02/15/00 |
| 5,417,000.00 | 05/15/00 |
| 931,000.00   | 08/15/00 |
| 541,000.00   | 11/15/00 |
| 1,765,000.00 | 02/15/01 |
| 6,270,000.00 | 05/15/01 |
| 903,000.00   | 08/15/01 |
| 1,790,000.00 | 02/15/02 |
| 5,488,000.00 | 05/15/02 |
| 706,000.00   | 08/15/02 |
| 280,000.00   | 11/15/02 |
| 1,818,000.00 | 02/15/03 |
| 5,070,000.00 | 05/15/03 |
| 680,000.00   | 08/15/03 |
| 143,000.00   | 11/15/03 |
| 1,851,000.00 | 02/15/04 |
| 5,218,000.00 | 05/15/04 |
| 643,000.00   | 08/15/04 |
| 14,000.00    | 11/15/04 |
| 1,527,000.00 | 02/15/05 |
| 234,000.00   | 05/15/05 |
| 616,000.00   | 08/15/05 |
| 7,000.00     | 11/15/05 |
| 1,551,000.00 | 02/15/06 |
| 242,000.00   | 05/15/06 |
| 18,000.00    | 08/15/06 |
| 877,000.00   | 02/15/07 |

II. Allocated to Arlington Combined Fee Bonds, Series 1978:

| <u>PRINCIPAL AMOUNT</u> | <u>MATURITY DATE</u> |
|-------------------------|----------------------|
| 23,000.00               | 05/15/97             |
| 23,000.00               | 11/15/97             |
| 23,000.00               | 05/15/98             |
| 21,000.00               | 11/15/98             |
| 22,000.00               | 05/15/99             |
| 21,000.00               | 11/15/99             |
| 21,000.00               | 05/15/00             |
| 20,000.00               | 11/15/00             |
| 20,000.00               | 05/15/01             |
| 19,000.00               | 11/15/01             |
| 19,000.00               | 05/15/02             |
| 27,000.00               | 11/15/02             |
| 375,000.00              | 05/15/03             |
| 14,000.00               | 11/15/03             |
| 439,000.00              | 05/15/04             |

III. Allocated to Arlington Apartment Revenue Bonds,  
Series 1978:

| <u>PRINCIPAL AMOUNT</u> | <u>MATURITY DATE</u> |
|-------------------------|----------------------|
| 61,000.00               | 08/15/97             |
| 4,000.00                | 02/15/98             |
| 129,000.00              | 08/15/98             |

IV. Allocated to Dallas Combined Fee Bonds, Series 1978:

| <u>PRINCIPAL AMOUNT</u> | <u>MATURITY DATE</u> |
|-------------------------|----------------------|
| 38,000.00               | 08/15/97             |
| 37,000.00               | 02/15/98             |
| 36,000.00               | 08/15/98             |
| 35,000.00               | 02/15/99             |
| 35,000.00               | 08/15/99             |
| 34,000.00               | 02/15/00             |
| 33,000.00               | 08/15/00             |
| 33,000.00               | 02/15/01             |
| 30,000.00               | 08/15/01             |
| 31,000.00               | 02/15/02             |
| 30,000.00               | 08/15/02             |
| 24,000.00               | 02/15/03             |
| 654,000.00              | 08/15/03             |
| 19,000.00               | 02/15/04             |
| 699,000.00              | 08/15/04             |

V. Allocated to El Paso Combined Fee Bonds, Series 1979:

| <u>PRINCIPAL AMOUNT</u> | <u>MATURITY DATE</u> |
|-------------------------|----------------------|
| 20,000.00               | 02/15/98             |
| 20,000.00               | 08/15/98             |
| 19,000.00               | 02/15/99             |
| 19,000.00               | 08/15/99             |
| 18,000.00               | 02/15/00             |
| 18,000.00               | 08/15/00             |
| 18,000.00               | 02/15/01             |
| 24,000.00               | 08/15/01             |
| 339,000.00              | 02/15/02             |
| 12,000.00               | 08/15/02             |
| 402,000.00              | 02/15/03             |

VI. Allocated to Austin Building Revenue Bonds, Series 1969:

| <u>PRINCIPAL AMOUNT</u> | <u>MATURITY DATE</u> |
|-------------------------|----------------------|
| 574,000.00              | 02/15/02             |
| 66,000.00               | 08/15/03             |
| 30,000.00               | 08/15/04             |

VII. Allocated to Dallas Utility Revenue Bonds, Series 1980:

| <u>PRINCIPAL AMOUNT</u> | <u>MATURITY DATE</u> |
|-------------------------|----------------------|
| 320,000.00              | 01/29/87             |
| 120,000.00              | 07/31/87             |

VIII. Allocated to San Antonio Utility Revenue Bonds, Series 1980:

| <u>PRINCIPAL AMOUNT</u> | <u>MATURITY DATE</u> |
|-------------------------|----------------------|
| 310,000.00              | 01/29/87             |
| 140,000.00              | 07/31/87             |

IX. Allocated to Houston Housing System Revenue Bonds, Series 1981:

| <u>PRINCIPAL AMOUNT</u> | <u>MATURITY DATE</u> |
|-------------------------|----------------------|
| 620,000.00              | 10/30/86             |
| 1,105,000.00            | 04/16/87             |

X. Allocated to Austin Combined Fee Bonds, Series 1978:

| <u>PRINCIPAL AMOUNT</u> | <u>MATURITY DATE</u> |
|-------------------------|----------------------|
| 345,000.00              | 11/28/86             |
| 15,000.00               | 05/15/87             |

EXHIBIT G

PAYING AGENTS FOR THE REFUNDED OBLIGATIONS

| <u>Paying Agent</u>  | <u>Refunded Obligations</u>  | <u>Paying Agency Fee</u> |
|--|--|--------------------------|
| RepublicBank Dallas, N.A.<br>Dallas, Texas                     | Arlington Student Center<br>Bonds, Series 1960;<br>Arlington Housing System<br>Bonds, Series 1963  | \$951.54                 |
| Texas American Bank/Fort<br>Worth, N.A., Fort Worth,<br>Texas  | Arlington Gymnasium Fee<br>Bonds, Series 1961,<br>Arlington Student Fee<br>Bonds, Series 1964, 1966,<br>1968   | \$5,136.81               |
| MBank Dallas, National<br>Association, Dallas,<br>Texas        | Arlington Combined Fee<br>Bonds, Series 1971-A;<br>Dallas Combined Fee Bonds,<br>Series 1978   | \$5,315.54               |
| MBank Houston, National<br>Association, Houston,<br>Texas      | Arlington Combined Fee<br>Bonds, Series 1973; Austin<br>Combined Fee Bonds, Series<br>1978; Austin Married<br>Student Housing Bonds,<br>Series 1971; El Paso<br>Combined Fee Bonds, Series<br>1971   | \$7,473.00               |
| Texas Commerce Bank<br>National Association,<br>Houston, Texas | Arlington Combined Fee<br>Bonds, Series 1973-A;<br>Arlington Apartment Revenue<br>Bonds, Series 1978; Austin<br>Combined Fee Bonds, Series<br>1971, 1973; El Paso<br>Combined Fee Bonds, Series<br>1973; Houston Housing<br>Bonds, Series 1981 | \$32,000.00              |

| <u>Paying Agent</u>  | <u>Refunded Obligations</u>   | <u>Paying Agency Fee</u> |
|--|---|--------------------------|
| BancTEXAS Dallas, N.A.<br>Dallas, Texas                          | Arlington Combined Fee Bonds, Series 1974; Austin Married Student Housing Bonds, Series 1981; Dallas Utility Bonds, Series 1980; El Paso Combined Fee Bonds, Series 1974; San Antonio Combined Fee Bonds, Series 1980; San Antonio Utility Bonds, Series 1980 | \$6,682.49               |
| MBank Austin, National Association, Austin, Texas                | Arlington Combined Fee Bonds, Series 1985; Arlington 9% Apartment Bonds, Series 1985; Austin Building Revenue Bonds, Series 1983; Austin Parking Bonds, Series 1984   | \$44,029.80              |
| InterFirst Bank Austin, N.A., Austin, Texas                      | Austin Combined Fee Bonds, Series 1972; Austin Student Union Bonds, Series 1958-B; Austin Dormitory Bonds, Series 1954  | \$2,707.46               |
| Texas Commerce Bank-El Paso National Association, El Paso, Texas | Austin Housing System Bonds, Series 1967; El Paso Student Union Bonds, Series 1967B; El Paso Building Revenue Bonds, Series 1969  | \$40,000.00              |
| MBank El Paso, El Paso, Texas                                    | El Paso Combined Fee Bonds, Series 1970   | \$7,256.00               |
| InterFirst Bank Dallas, N.A., Dallas, Texas                      | Austin Building Revenue Bonds, Series 1969  | \$5,285.05               |

| <u>Paying Agent</u>                                  | <u>Refunded Obligations</u>   | <u>Paying Agency Fee</u>   |
|--|---|----------------------------|
| Texas Commerce Bank-Austin,<br>Austin, Texas         | El Paso Combined Fee Bonds,<br>Series 1979, Arlington<br>Combined Fee Bonds, Series<br>1978 | \$4,732.76                 |
| U.S. Department of<br>Education                      | El Paso Student Union<br>Bonds, Series 1967A  | \$00                       |
| First City National Bank of<br>Austin, Austin, Texas | San Antonio Combined Fee<br>Bonds, Series 1984  | \$11,200.00                |
| InterFirst Bank Tyler,<br>N.A., Tyler, Texas         | Tyler Combined Fee Bonds,<br>Series 1976  | \$5,600.00                 |
|  | TOTAL   | <u><u>\$178,370.45</u></u> |

EXHIBIT H

August 21, 1986

LETTER OF INSTRUCTIONS

MBank Austin, National Association  
One American Center  
600 Congress  
Austin, Texas 78701  
Attention: Corporate Trust: Einer Juul

Re: Board of Regents of The University of Texas System  
General Revenue Bonds Escrow Fund

Dear Sir or Madam:

Section 4.02 of the Escrow Agreement dated as of July 15, 1986 (the "Escrow Agreement") entered into by and between the Board of Regents of The University of Texas System (the "Issuer") and MBank Austin, National Association, Austin, Texas (the "Escrow Agent") authorizes the Escrow Agent to reinvest any cash balances deposited to the credit of the Board of Regents of The University of Texas System General Revenue Bonds Escrow Fund, established under the Escrow Agreement (the "Escrow Fund") that are not needed immediately to pay principal of or interest on the Refunded Obligations, as defined in the Escrow Agreement (the "Refunded Obligations") in certain direct obligations of the United States of America, as described therein, in accordance with written instructions to the Escrow Agent from the Issuer. This letter represents the Issuer's initial instructions pursuant to Section 4.02 of the Escrow Agreement, and such instructions shall continue in effect until such time as the Issuer provides new instructions in writing in accordance with such Section 4.02.

The Issuer hereby instructs the Escrow Agent to invest all proceeds of the Escrowed Securities, as defined in the Escrow Agreement (the "Escrowed Securities"), that are attributable to amounts received as principal of or interest on the Escrowed Securities and that are not needed immediately to pay the Refunded Obligations as follows:

THE FOLLOWING INSTRUCTIONS RELATE SOLELY TO THE REINVESTMENT OF AMOUNTS RECEIVED WITH RESPECT TO ESCROWED SECURITIES NOT LISTED ON EXHIBIT F TO THE ESCROW AGREEMENT.

1. Reinvestments for 45 days or less. All proceeds of the Escrowed Securities that are attributable to amounts received as principal of or interest on the Escrowed Securities and that are not needed immediately to pay the Refunded Obligations ("Available Funds"), but that are needed to pay the Refunded Obligations within 45 days of receipt of such amounts shall be invested 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, maturing not later than the next succeeding principal or interest payment date for the Refunded Obligations at a yield not to exceed 7.76%. For this purpose, the term "yield" means the yield that when used in computing the present worth of all payments of principal and interest to be paid on the obligation purchased with the Available Funds produces an amount equal to the purchase price of the obligation. All calculations of yield shall be expressed in terms of semiannual interest compounding. If more than one governmental obligation is purchased with Available Funds, the yield on the reinvestment of the proceeds shall be determined on a combined basis. In making the yield calculation, the purchase price of the obligation shall be the mean of the bid and offered price of the obligation on an established market where the obligations are traded on the date on which the Escrow Agent enters into a binding contract to acquire the obligations. All purchases of obligations must be made in arm's-length transactions with no amount being paid to reduce the yield on the obligations below the market yield. Only obligations that are traded on an established market may be purchased.

2. Market above 7.76%. If market conditions prohibit the acquisition of direct obligations of the United States of America at yields of 7.76% or less, you are instructed to hold the Available Funds uninvested and to notify the Manager of Debt Administration of The University of Texas System as soon as practical and seek further instructions.

3. Reinvestments for more than 45 days. Available Funds that are not needed to pay the Refunded Obligations within 45 days of the date of receipt of such Available Funds shall be invested in United States Treasury Obligations-State and Local Government Series ("SLGS"), maturing

not later than the next succeeding principal or interest payment date for the Refunded Obligations at a yield not to exceed 7.76%, calculated in the manner provided in paragraph 1 hereof except that for this purpose the "purchase price" shall be the face amount of such SLGS investment.

4. Unavailability of SLGS Investments. If it is determined at the time which you are instructed to invest Available Funds in SLGS pursuant to paragraph 3 hereof, that such investments are not legally available to the Issuer for such purposes, then you shall invest such Available Funds in accordance with paragraph 1 hereof.

5. Earnings in excess of \$2,150,000. At such time as the cumulative earnings on investments of Available Funds pursuant to Section 4.02 of the Escrow Agreement and this letter of instructions reach \$2,150,000, you are instructed to cease all further investments of such Available Funds and to notify the Manager of Debt Administration of The University of Texas system for further instructions.

THE FOLLOWING INSTRUCTIONS RELATE SOLELY TO THE REINVESTMENT OF AMOUNTS RECEIVED WITH RESPECT TO ESCROWED SECURITIES LISTED ON EXHIBIT F TO THE ESCROW AGREEMENT.

6. Except as set out below, all proceeds of the Escrowed Securities that are attributable to amounts received as principal of or interest on the Escrowed Securities and that are not needed immediately to pay the Refunded Obligations to which they are allocable shall be invested 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, maturing not later than the next succeeding principal or interest payment date for the Refunded Obligations to which they are allocable, without regard to the yield on such obligations.

7. In the case of Escrowed Securities listed in sections II through IX of Exhibit F, the "amount invested" pursuant to paragraph 6 when added to the "amount invested"

in other Escrowed Securities listed in such sections II through IX does not exceed the following amounts:

| <u>Section</u> | <u>Amount</u> |
|----------------|---------------|
| II             | \$ 825,000    |
| III            | 225,000       |
| IV             | 1,350,000     |
| V              | 750,000       |
| VI             | 1,035,083     |
| VII            | 462,811       |
| VIII           | 446,899       |
| IX             | 685,575       |

For this purpose, the "amount invested" shall be the cost of Escrowed Securities, except that in the case of securities purchased at a discount, the amount of the discount shall be amortized on a straight-line basis over the remaining term of the security.

If there is an amount available for investment in excess of the foregoing amounts, you are to hold such amount uninvested and request further instructions.

8. In the case of Escrowed Securities listed in section X of Exhibit F, the yield on any investments pursuant to paragraph 1 shall not exceed 5.8403%.

You are hereby requested to include as part of each report to be made to the Issuer pursuant to Section 6.02 of the Escrow Agreement, a summary of all amounts invested pursuant to Section 4.02 thereof and these instructions, as well as the cumulative amount earned on all such investments from the date of the initial deposit of the Escrowed Securities to the Escrow Fund to the date of such report. The Issuer also requests that each report contain a copy of the current instructions pursuant to which such

reinvestments are being made as a means of notifying the Issuer of the continuing effect of such instructions and its right to amend such instructions from time to time.

Very truly yours,

BOARD OF REGENTS OF THE  
UNIVERSITY OF TEXAS SYSTEM

By:

M.E. Patrick  
Executive Vice Chancellor  
for Asset Management



## NEW ISSUE

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

*The University of Texas at Arlington*

*The University of Texas at Austin*

*The University of Texas at Dallas*

*The University of Texas at El Paso*

*The University of Texas of the Permian Basin*

*The University of Texas at San Antonio*

*The University of Texas at Tyler*

*The University of Texas Health Science Center at Dallas*

*The University of Texas Medical Branch at Galveston*

*The University of Texas Health Science Center at Houston*

*The University of Texas System Cancer Center*

*The University of Texas Health Science Center at San Antonio*

*The University of Texas Health Center at Tyler*

*The University of Texas Institute of Texan Cultures at San Antonio*



**\$222,040,000**

## **Board of Regents of The University of Texas System**

### **General Revenue Refunding Bonds, Series 1986**

**Dated: July 15, 1986**

**Due: August 15, as shown herein**

The Bonds will constitute special obligations of the Board of Regents of The University of Texas System (the "Board") and will be payable solely from "Pledged Revenues and Fees" which include, among other things, the "Pledged Tuition Fee," the "Pledged General Fee," the "Net Revenues" of the "Revenue System," and the "Arlington Building Use Fees" (as such terms are defined herein). The Pledged General Fee is a student fee charged at certain component institutions of The University of Texas System (the "System"). The Board covenants that it will levy and collect the Pledged General Fee in such amounts, without limitation, as will be at least sufficient at all times, when added to other Pledged Revenues and Fees, to pay all debt service requirements on the Bonds when due. The Bonds do not constitute general obligations of the Board, the System or any of its component institutions, the State of Texas or any political subdivision thereof. The Board has no taxing power and neither the credit nor the taxing power of the State of Texas or any political subdivision thereof is pledged as security for the payment of the Bonds. See "Security for the Bonds."

The proceeds from the sale of the Bonds, together with other available money of the Board, will be used for the purposes of providing funds to refund certain outstanding obligations of the Board originally issued on behalf of certain of its component institutions and to pay the costs of issuing the Bonds. See "Plan of Financing."

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

*The Bonds are offered when, as and if issued, subject to approval of legality by the Attorney General of the State of Texas and Fulbright & Jaworski, Austin, Texas, McCall, Parkhurst & Horton, Dallas and Austin, Texas, and Vinson & Elkins, Houston and Austin, Texas, Co-Bond Counsel. Certain legal matters will be passed upon for the Underwriters by 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 August 21, 1986, in New York, New York.*

### **Morgan Guaranty Trust Company of New York**

**First Southwest Company**  
**MBank Capital Markets**  
**Rauscher Pierce Refsnes, Inc.**  
**Rotan Mosle Inc.**  
**Texas Commerce Bank**  
National Association

**Goldman, Sachs & Co.**  
**Merrill Lynch Capital Markets**  
**RepublicBank Dallas N.A.**  
**Salomon Brothers Inc**  
**Underwood, Neuhaus & Co.**  
Incorporated

**Daniels & Bell, Inc.**

**Eppler, Guerin & Turner, Inc.**

**Masterson & Company**

Dated: August 14, 1986.

**MATURITY SCHEDULE**

**\$148,240,000 Serial Bonds**

| <u>Due<br/>August 15</u> | <u>Amount</u> | <u>Rate</u> | <u>Price</u> | <u>Due<br/>August 15</u> | <u>Amount</u> | <u>Rate</u> | <u>Price</u> | <u>Yield</u> |
|--------------------------|---------------|-------------|--------------|--------------------------|---------------|-------------|--------------|--------------|
| 1987                     | \$ 6,180,000  | 5.00%       | 100%         | 1995                     | \$11,710,000  | 7.50%       | 100.000%     | 7.50%        |
| 1988                     | 7,885,000     | 5.50        | 100          | 1996                     | 12,430,000    | 7.70        | 100.000      | 7.70         |
| 1989                     | 8,225,000     | 6.00        | 100          | 1997                     | 10,000,000    | 7.75        | 99.633       | 7.80         |
| 1990                     | 8,650,000     | 6.25        | 100          | 1998                     | 10,000,000    | 7.75        | 99.230       | 7.85         |
| 1991                     | 9,120,000     | 6.50        | 100          | 1999                     | 10,000,000    | 7.75        | 98.793       | 7.90         |
| 1992                     | 9,690,000     | 6.75        | 100          | 2000                     | 10,000,000    | 7.75        | 98.327       | 7.95         |
| 1993                     | 10,420,000    | 7.00        | 100          | 2001                     | 13,000,000    | 7.75        | 97.837       | 8.00         |
| 1994                     | 10,930,000    | 7.25        | 100          |                          |               |             |              |              |

**\$55,290,000 8.00% Term Bonds due August 15, 2004 — Price 99.00%  
to yield 8.106%.**

**\$18,510,000 6.50% Term Bonds due August 15, 2007 — Price 85.763%  
to yield 7.90%**

(Plus accrued interest from July 15, 1986)

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

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

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

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# Component Institutions of The University of Texas System

## GENERAL ACADEMIC INSTITUTIONS

### THE UNIVERSITY OF TEXAS AT ARLINGTON

The University of Texas at Arlington School of Architecture and Environmental Design  
The University of Texas at Arlington College of Business Administration  
The University of Texas at Arlington College of Engineering  
The University of Texas at Arlington College of Liberal Arts  
The University of Texas at Arlington School of Nursing  
The University of Texas at Arlington College of Science  
The University of Texas at Arlington Graduate School of Social Work  
The University of Texas at Arlington Graduate School  
The University of Texas at Arlington Institute of Urban Studies

### THE UNIVERSITY OF TEXAS AT AUSTIN

The University of Texas at Austin School of Architecture  
The University of Texas at Austin College of Liberal Arts  
The University of Texas at Austin College of Engineering  
The University of Texas at Austin College of Natural Sciences  
The University of Texas at Austin College of Business Administration  
The University of Texas at Austin LBJ School of Public Affairs  
The University of Texas at Austin College of Communication  
The University of Texas at Austin College of Education  
The University of Texas at Austin College of Fine Arts  
The University of Texas at Austin School of Law  
The University of Texas at Austin Graduate School of Library and Information Science  
The University of Texas at Austin School of Nursing  
The University of Texas at Austin College of Pharmacy  
The University of Texas at Austin School of Social Work  
The University of Texas at Austin Graduate School  
The University of Texas at Austin Marine Science Institute  
The University of Texas at Austin McDonald Observatory at Mount Locke

### THE UNIVERSITY OF TEXAS AT DALLAS

The University of Texas at Dallas Callier Center for Communication Disorders  
The University of Texas at Dallas School of Arts and Humanities  
The University of Texas at Dallas School of General Studies  
The University of Texas at Dallas School of Human Development  
The University of Texas at Dallas School of Management and Administration  
The University of Texas at Dallas School of Natural Sciences and Mathematics  
The University of Texas at Dallas School of Social Sciences

### THE UNIVERSITY OF TEXAS AT EL PASO

The University of Texas at El Paso College of Business Administration  
The University of Texas at El Paso College of Education  
The University of Texas at El Paso College of Engineering  
The University of Texas at El Paso College of Liberal Arts  
The University of Texas at El Paso College of Nursing and Allied Health  
The University of Texas at El Paso College of Science  
The University of Texas at El Paso Graduate School

### THE UNIVERSITY OF TEXAS OF THE PERMIAN BASIN

The University of Texas of the Permian Basin College of Arts and Education  
The University of Texas of the Permian Basin College of Management  
The University of Texas of the Permian Basin College of Science and Engineering

### THE UNIVERSITY OF TEXAS AT SAN ANTONIO

The University of Texas at San Antonio College of Business  
The University of Texas at San Antonio College of Fine Arts and Humanities  
The University of Texas at San Antonio College of Social and Behavioral Science  
The University of Texas at San Antonio College of Sciences and Mathematics

### THE UNIVERSITY OF TEXAS AT TYLER

The University of Texas at Tyler School of Business Administration  
The University of Texas at Tyler School of Education and Psychology  
The University of Texas at Tyler School of Liberal Arts  
The University of Texas at Tyler School of Sciences and Mathematics

### THE UNIVERSITY OF TEXAS INSTITUTE OF TEXAN CULTURES AT SAN ANTONIO

## HEALTH INSTITUTIONS

### THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT DALLAS

The University of Texas Southwestern Medical School at Dallas  
The University of Texas Southern Graduate School of Biomedical Sciences at Dallas  
The University of Texas School of Allied Health Sciences at Dallas

### THE UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON

The University of Texas Medical School at Galveston  
The University of Texas Graduate School of Biomedical Sciences at Galveston  
The University of Texas Marine Biomedical Institute at Galveston  
The University of Texas School of Allied Health Sciences at Galveston  
The University of Texas Institute for the Medical Humanities at Galveston  
The University of Texas Hospitals at Galveston  
The University of Texas School of Nursing at Galveston

### THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT HOUSTON

The University of Texas Medical School at Houston  
The University of Texas Mental Sciences Institute  
The University of Texas Dental Branch at Houston  
The University of Texas Graduate School of Biomedical Sciences at Houston  
The University of Texas School of Allied Health Sciences at Houston  
The University of Texas School of Public Health at Houston  
The University of Texas Speech and Hearing Institute at Houston  
The University of Texas School of Nursing at Houston

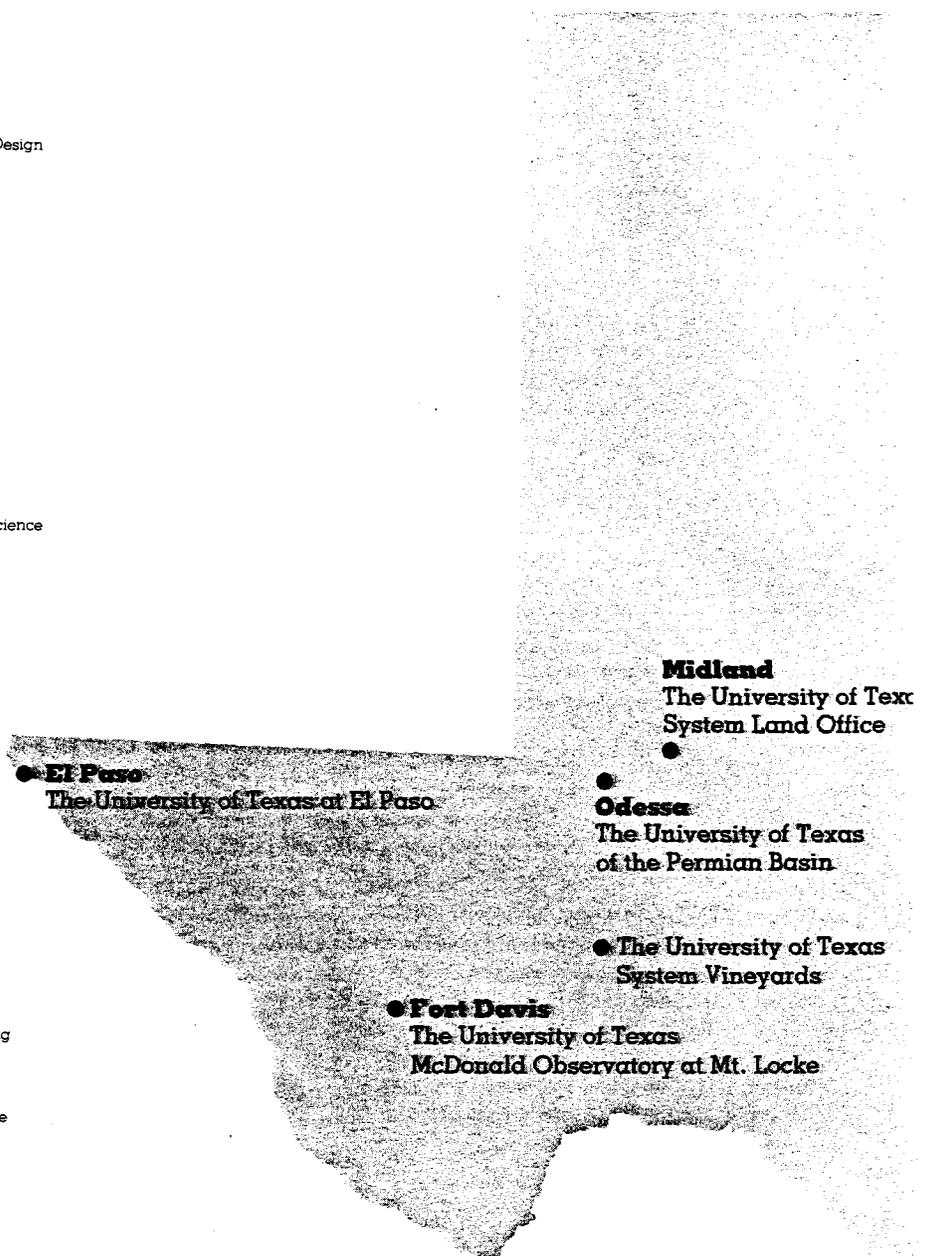
### THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT SAN ANTONIO

The University of Texas Medical School at San Antonio  
The University of Texas Dental School at San Antonio  
The University of Texas Graduate School of Biomedical Sciences at San Antonio  
The University of Texas School of Allied Health Sciences at San Antonio  
The University of Texas School of Nursing at San Antonio

### THE UNIVERSITY OF TEXAS SYSTEM CANCER CENTER

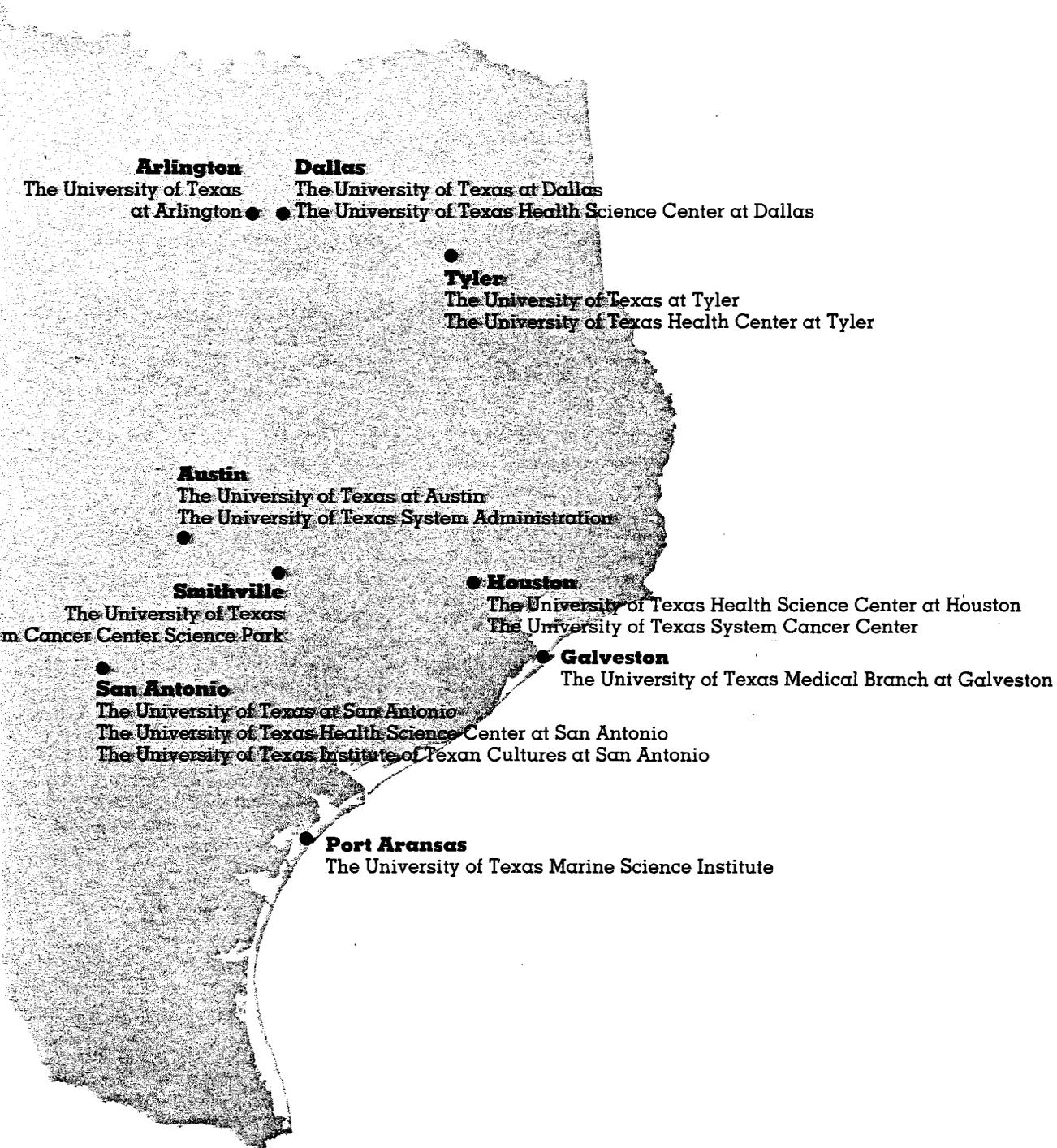
The University of Texas M. D. Anderson Hospital and Tumor Institute at Houston  
The University of Texas Science Park

### THE UNIVERSITY OF TEXAS HEALTH CENTER AT TYLER



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# THE UNIVERSITY OF TEXAS SYSTEM



**Board of Regents of The University of Texas System**

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

Mr. Arthur H. Dilly, Executive Secretary

**Principal Administrative Officers and Staff of The University of Texas System**

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

**Chief Administrative Officers of The University of Texas System Component Institutions**

|   |  |
|---|--|
| The University of Texas at Arlington ("UT-Arlington") .....   | Dr. Wendell Nedderman, President                   |
| The University of Texas at Austin ("UT-Austin") .....   | Dr. William H. Cunningham, President               |
| The University of Texas at Dallas ("UT-Dallas") .....   | Dr. Robert H. Rutford, President                   |
| The University of Texas at El Paso ("UT-El Paso") .....   | Dr. Haskell A. Monroe, President                   |
| The University of Texas of the Permian Basin<br>("UT-Permian Basin") .....                            | Dr. Duane M. Leach, President                      |
| The University of Texas at San Antonio ("UT-San Antonio") .....                                       | Dr. James W. Wagener, President                    |
| The University of Texas at Tyler ("UT-Tyler") .....   | Dr. George F. Hamm, President                      |
| The University of Texas Health Science Center at Dallas<br>("UTHSC-Dallas") .....                     | Dr. Kern Wildenthal, President                     |
| The University of Texas Medical Branch at Galveston<br>("UTMB-Galveston") .....                       | Dr. William C. Levin, President                    |
| The University of Texas Health Science Center at Houston<br>("UTHSC-Houston") .....                   | Dr. Roger J. Bulger, President                     |
| The University of Texas Health Science Center at<br>San Antonio ("UTHSC-San Antonio") .....           | Dr. John P. Howe III, President                    |
| The University of Texas Health Center at Tyler<br>("UTHC-Tyler") .....                                | Dr. George A. Hirsch, Director                     |
| The University of Texas System Cancer Center<br>("UT-Cancer Center") .....                            | Dr. Charles A. LeMaistre, President                |
| The University of Texas Institute of Texan Cultures<br>at San Antonio ("UT-Cultural Institute") ..... | Gen. John R. McGiffert, Interim Executive Director |

## OFFICIAL STATEMENT

relating to

**\$222,040,000**

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

#### INTRODUCTION

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

The University of Texas System (the "System") was created by the Constitution and the laws of the State of Texas (the "State") as an agency of the State. The System was established in 1883 with the opening of The University of Texas at Austin. The System's executive office is located in Austin, Texas. The System consists of 14 State-supported component institutions which are listed on the cover page of this Official Statement and shown on the map on pages (ii) and (iii) hereof. See "Description of the System" and *Appendix E*, System Information and Financial Report for additional information concerning the component institutions. The Board is the governing body of the System, and its members are officers of the State, appointed by the Governor with the advice and consent of the State Senate. The nine regents who compose the Board serve without pay and are appointed to staggered six-year terms.

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

#### PLAN OF FINANCING

##### **Authority for Issuance of the Bonds**

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

##### **Purpose**

The Board is issuing the Bonds on behalf of the System to provide funds to refund 41 of the Board's outstanding bond obligations which originally were issued on behalf of certain of its component institutions and which, in whole or in part, are secured by and payable from liens on and pledges of the "Pledged Revenues" and the "Arlington Building Use Fees." Proceeds of the Bonds will also be used for the purpose of paying the costs of issuing the Bonds. The principal amount of the obligations being refunded is \$251,204,000, and they are herein referred to as the "Refunded Bonds." See *Appendix D*, Schedule of Refunded Bonds.

The issuance of the Bonds will permit the System to reorganize its Refunded Bond obligations on a System-wide basis. In addition, the issuance of the Bonds will (a) lower the overall annual debt service requirements of the Board on an actual basis, (b) permit the restructuring of the Board's debt service requirements, (c) establish uniform dates for principal and interest payments of the Board's bond obligations, and (d) broaden the permitted investments of amounts credited to the Funds created by the Resolution.

#### **Refunded Bonds**

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

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

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

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

## SOURCES AND USES OF FUNDS

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

|   |                                |
|---|--------------------------------|
| <b>Sources of Funds:</b>                  |                                |
| Principal Amount of the Bonds .....       | \$222,040,000.00               |
| Other Available Funds .....               | 33,253,891.00                  |
| Accrued Interest .....                    | 1,611,471.00                   |
| <b>Total Available Funds .....</b>        | <b><u>\$256,905,362.00</u></b> |
| <b>Uses of Funds:</b>                     |                                |
| Credit to Escrow Fund .....               | \$241,966,778.03               |
| Credit to Reserve Fund .....              | 4,669,268.85                   |
| Credit to Interest and Sinking Fund ..... | 1,611,471.00                   |
| Reserve Fund Surety Bond Premium .....    | 743,000.00                     |
| Underwriters' Discount .....              | 3,391,464.25                   |
| Costs of Issuance .....                   | 652,321.17                     |
| Original Issue Discount .....             | 3,871,058.70                   |
| <b>Total Application of Funds .....</b>   | <b><u>\$256,905,362.00</u></b> |

## DESCRIPTION OF THE BONDS

### General

The Bonds will be dated July 15, 1986, and will be issued only as fully registered bonds, without coupons, in the denomination of \$5,000 or any integral multiple thereof within a stated maturity. The Bonds will accrue interest from their dated date, or the most recent interest payment date to which interest has been paid or duly provided for, at the rates shown on the reverse side of the cover page. Interest on the Bonds will be payable semiannually on February 15 and August 15 of each year, commencing February 15, 1987. The Bonds will mature on August 15 in the years and in the principal amounts set forth on the reverse side of the cover page.

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

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 in the city where the principal corporate office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not 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

*Optional Redemption.* Bonds scheduled to mature on August 15 in each of the years 1997 through 2001, and on August 15, 2004, are subject to redemption prior to maturity at the option of the Board on August 15, 1996, or on any date thereafter, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof (and if, in part, the Bonds or portions thereof to be redeemed shall be

selected by the Board) at a price, expressed as a percentage of par, as set forth below, plus accrued interest to the redemption date:

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

The Bonds scheduled to mature on August 15, 2007, are subject to redemption prior to maturity at the option of the Board on August 15, 1996, or on any date thereafter, in whole or in part in principal amounts of \$5,000 on any integral multiple thereof (and if, in part, the Bonds or portions thereof to be redeemed shall be selected by the Board) at the price of par, without premium, plus accrued interest to the redemption date.

*Mandatory Redemption.* Bonds maturing on August 15, 2004, and August 15, 2007, are subject to mandatory sinking fund redemption prior to maturity in the following amounts on the following dates, at the price of par, without premium, plus accrued interest to the redemption date:

| <u>Bonds Maturing August 15, 2004</u> |                         | <u>Bonds Maturing August 15, 2007</u> |                         |
|---------------------------------------|-------------------------|---------------------------------------|-------------------------|
| <u>Redemption Date</u>                | <u>Principal Amount</u> | <u>Redemption Date</u>                | <u>Principal Amount</u> |
| August 15, 1997 .....                 | \$ 3,235,000            | August 15, 2005 .....                 | \$8,840,000             |
| August 15, 1998 .....                 | 4,095,000               | August 15, 2006 .....                 | 7,615,000               |
| August 15, 1999 .....                 | 3,460,000               | August 15, 2007 (maturity) ....       | 2,055,000               |
| August 15, 2000 .....                 | 3,580,000               |                                       |                         |
| August 15, 2001 .....                 | 55,000                  |                                       |                         |
| August 15, 2002 .....                 | 13,145,000              |                                       |                         |
| August 15, 2003 .....                 | 13,515,000              |                                       |                         |
| August 15, 2004 (maturity) ....       | 14,205,000              |                                       |                         |

The sinking fund requirements for the Bonds are subject to reduction with respect to Bonds of such maturities previously called for redemption, and Bonds of such maturities previously acquired by or at the direction of the Board, as provided in the Resolution.

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

#### **Paying Agent/Registrar**

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 competent and legally qualified bank, trust company, financial institution or other agency. In the event that the entity at any time acting as Paying Agent/Registrar should resign or otherwise cease to act as such, the Board covenants to promptly appoint a competent and legally qualified bank, trust company, financial institution or other agency to act as Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Bonds, the Board agrees to promptly 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 together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar. Any such transfer or exchange will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A new Bond or Bonds of like kind 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 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 the denomination of any integral multiple of \$5,000 for any one maturity and shall bear the same rate of interest and have the same aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer.

#### **Limitation on Transfer of Bonds**

Neither the Board nor the Paying Agent/Registrar will be required to assign, transfer, convert or exchange 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 interest payment date, or any Bond called for redemption, within 45 days of the date fixed for redemption.

### **DESCRIPTION OF THE SYSTEM**

#### **Component Institutions**

The System is currently composed of the 14 component institutions listed on the cover page and on pages (ii) and (iii) hereof. See *Appendix E*, System Information and Financial Report, for additional information concerning component institutions. Provided the requirements of the Resolution have been met, one or more component institutions may be combined so long as the combined institutions remain under the control of the Board, and one or more component institutions may be closed, abandoned or removed from the System under certain circumstances. See "Summary of Selected Provisions of the Resolution — General Covenants." Additionally, one or more academic institutions not currently included within the System may be so included at the direction of the State Legislature. See "Description of the System — Texas Select Committee on Higher Education."

#### **System Funding**

The System is supported by State appropriations, private gifts and endowments, federal appropriations and grants, student tuitions and fees, its interest in the available university fund created under the State Constitution, and miscellaneous sources. See *Appendix E*, System Information and Financial Report.

#### **Attendance Costs**

Pursuant to Section 54.0512, Texas Education Code, as amended by the State Legislature in 1985, the tuition charged to Texas residents was increased from \$4.00 per semester credit hour to the current \$12.00 rate for the 1985-86 school year. Section 54.0512 also provides for additional increases in tuition for Texas residents to the following rates per semester credit hour: \$16.00 for the 1986-87 through

1988-89 school years; \$18.00 for the 1989-90 and 1990-91 school years; \$20.00 for the 1991-92 and 1992-93 school years; and \$22.00 for the 1993-94 and 1994-95 school years. Tuition for non-Texas residents increased from \$40.00 to \$120.00 per semester credit hour for the 1985-86 and 1986-87 school years. Beginning with the 1987-88 school year and thereafter, tuition for non-Texas residents will be charged at a rate which is approximately equal to the actual cost of providing education to such students.

The State Legislature recently convened in special session to deal with the State's current budget problems. One proposal being considered by the State Legislature is a reduction of up to 19.5 percent of State appropriations for higher education institutions, including component institutions of the System. Any such reduction could possibly result in additional substantial increases in tuition and fees charged to students enrolled at System institutions. Although the exact effect of proposed budget cuts and future tuition increases cannot be predicted, tuition increases may cause a decline in student enrollment, which would have an adverse effect on Pledged Revenues.

#### **Texas Select Committee on Higher Education**

In 1985, the 69th State Legislature established the Select Committee on Higher Education (the "Committee") as a special interim committee to make a comprehensive study of issues and concerns relating to higher education in the State and to report to the 70th State Legislature before it convenes in Regular Session in January 1987. The Committee includes the Governor, Lieutenant Governor and other public officials of the State and members appointed by such officials. The particular areas to be studied include, among others, funding and cost effective alternatives for maintaining the higher education system, with special emphasis on long-term enrollment projections, the closing or merging of certain universities and changes in governance of existing institutions. The Committee has not adopted recommendations with regard to any of the issues currently being studied. After the Committee's report is sent to the 70th State Legislature, such recommendations may only be implemented by action of the State Legislature. It is not possible to predict what recommendations will be contained in the Committee report, nor is it possible to predict the effect on the System of any Committee recommendations implemented by the State Legislature.

#### **System Financial Information**

The System annually issues a financial report with three basic financial statements: (a) a balance sheet; (b) a statement of current revenues and expenditures; and (c) a statement of changes in fund balances. Such financial statements are audited each year by the State Auditor, although substantial delays sometimes occur in completing such audits. Recent practice indicates that audits may not be completed until 15 months after the end of a fiscal year. The System's audited financial statements for the fiscal years ended August 31, 1984 and 1985 are included in *Appendix E*, System Information and Financial Report.

The Board is authorized to invest moneys in any Fund or account established pursuant to the Resolution with other System funds in common investments or in a common pool of investments. However, the Resolution requires the Board to maintain separate accounts on its books which clearly evidence the investment or the investment pool in which each particular Fund's moneys are invested and the portion of such investment or investment pool purchased with or represented by a particular Fund's moneys. See "Summary of Selected Provisions of the Resolution — Investments" for a complete description of the Board's authority to pool investments.

### **SECURITY FOR THE BONDS**

#### **Pledge Under Resolution**

Under the Resolution, the Bonds, any Additional Bonds and any Payment Obligations are special obligations of the Board and are secured solely by and are payable solely from a pledge of and a first

lien on the Pledged Revenues. In addition, the Board has pledged the Arlington Building Use Fees to the payment of the Bonds but not to the payment of any Additional Bonds or Payment Obligations. Pledged Revenues are additionally pledged to the maintenance of required amounts in the Interest and Sinking Fund and the Reserve Fund.

Pledged Revenues consist of (a) the Pledged Tuition Fee, (b) the Pledged General Fee, (c) Net Revenues of the Revenue System, (d) all interest, income and earnings derived from the deposit and investment of the Interest and Sinking Fund and the Reserve Fund established pursuant to the Resolution and (e) any additional revenues, income, receipts or other resources whatsoever received or to be received from any public or private source, whether pursuant to an agreement or otherwise, which, at the option of the Board, may be subsequently pledged thereto. The Arlington Building Use Fees consist of the Student Center Fee and the Gymnasium Fee charged students enrolled at UT-Arlington. The Pledged Revenues and the Arlington Building Use Fees are collectively referred to herein as the "Pledged Revenues and Fees" and are described in greater detail below.

In the event an academic institution is included within the System by the State Legislature and such institution has outstanding Prior Encumbered Obligations secured by general student fees or the portion of the tuition charges pledged to the Bonds, such amounts will become pledged to the payment of the Bonds pursuant to the terms of the Resolution. However, the pledge of such amounts to the payment of the Bonds will be subordinate to the pledge supporting the outstanding Prior Encumbered Obligations of the additional institution. The Board has covenanted under the Resolution that no additional obligations will be issued on behalf of such institution on a parity with its Prior Encumbered Obligations.

After defeasance of the Refunded Bonds with Bond proceeds, no bonds issued by the Board relating to the System will be secured by the Pledged Revenues and Fees, other than the Bonds and any Additional Bonds.

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

#### **Pledged Tuition Fee**

The Pledged Tuition Fee is that portion of the tuition charges now or hereafter required or permitted by law to be collected at all or any of the System's component institutions from each enrolled student (except students exempt from paying tuition under the Texas Education Code) for each regular semester and summer term which is permitted to be pledged to the payment of bonds such as the Bonds, subject only to the provisions of the Prior Encumbered Obligations. The Pledged Tuition Fee will be charged, collected and pledged at all component institutions of the System except its Health Institutions. The Board may exercise its power to charge, collect and pledge the Pledged Tuition Fee at the Health Institutions if necessary to make the required deposits to the Interest and Sinking Fund and Reserve Fund. The maximum portion of each student's tuition permitted to be pledged as security for the Bonds under the Texas Education Code is \$5.00 per regular semester and \$2.50 per summer term of each summer session. Under the Resolution, the Board pledges the maximum amount of the Pledged Tuition Fee for so long as any of the Bonds, Additional Bonds or Payment Obligations are outstanding.

#### **Pledged General Fee**

Pursuant to the Texas Education Code, the Board has covenanted to charge and collect the Pledged General Fee, to the extent necessary, from all students enrolled at System component institutions (except for students exempt from paying fees under the Texas Education Code) for the

services, use and/or availability of all or any of the institution's property, buildings, activities or other facilities. This fee is presently not imposed on students enrolled at the Health Institutions.

The Pledged General Fee will constitute the primary security for the Bonds and any Additional Bonds. Under the Resolution, the Board has covenanted, subject only to the provisions of the Prior Encumbered Obligations, to increase the Pledged General Fee charged and collected at the respective component institutions by such amount as is necessary to bring the total amount of Pledged Revenues and Fees collected, at any time, to an amount equal to the deposits then required to be made to the Interest and Sinking Fund and Reserve Fund and to pay any Payment Obligations. The amount of the Pledged General Fee, to the extent necessary to pay the principal and interest on the Bonds, is not limited by law or by the Resolution.

The Texas Education Code provides that all student use fees, such as the Pledged General Fee (but not the Arlington Building Use Fees), must be fixed and collected on a semester credit hour basis. The Texas Education Code also provides that the aggregate of all such student use fees charged and collected at any component institution may not be greater than nor be projected to be greater than \$6.00 per semester credit hour at the time of the issuance of any bonds to be secured thereby. After the Bonds are issued, the rate of the Pledged General Fee actually imposed to secure the Bonds is not limited by law or the Resolution. However, no Additional Bonds may be issued when debt service on the Bonds and Additional Bonds will cause the \$6.00 limit to be exceeded on an actual or an estimated basis.

Under the Resolution, on March 1 and November 1 of each year the System's Executive Vice Chancellor for Asset Management will report to the Board on the adequacy of the Pledged Revenues and Fees (both collected and to be collected) to make the next following debt service payments on the Bonds, Additional Bonds and Payment Obligations. In the event the Executive Vice Chancellor's report indicates that the amount of the Pledged Revenues and Fees collected and to be collected by the Board will be insufficient to make the required deposits to the Interest and Sinking Fund and Reserve Fund, the Board must meet within 45 days to consider adjustments to the Pledged General Fee.

In addition, if at any time the deposits required by the Resolution to be made to the credit of the Interest and Sinking Fund and the Reserve Fund have not been made in full, or if for any other reason whatsoever there are, or appear to be, no other Pledged Revenues and Fees available to pay the principal of and interest on the Bonds as they come due, then, subject only to the provisions of the Prior Encumbered Obligations, effective for the next succeeding regular semester or semesters or summer term or terms, the Board must increase the rate at which the Pledged General Fee is assessed and must collect the Pledged General Fee on a uniformly applied basis from each student (except any student exempt by law from paying fees) at all component institutions until the required deposits are made to the Interest and Sinking Fund and the Reserve Fund. So long as the total Pledged Revenues and Fees collected will be sufficient to make the next required deposits to the Interest and Sinking Fund and the Reserve Fund, the Board may increase or decrease the rate at which the Pledged General Fee is assessed at any component institution. If the required deposits are made as provided in the Resolution on or before the next succeeding interest payment date or dates on the Bonds or Additional Bonds, the Board shall not be considered in default unless there has been a default in payment of the principal of or interest on the Bonds or Additional Bonds. See "Summary of Selected Provisions of the Resolution — Pledged General Fee."

#### **Arlington Building Use Fees**

The Arlington Building Use Fees consist of the Student Center Fee and the Gymnasium Fee, each charged in the amount of \$4 per student per regular semester and \$2 per student per summer session at UT-Arlington (except any category of students exempt from paying fees under the Texas Education Code) for the use of certain facilities on the UT-Arlington campus. The Board covenants in the Resolution that it will not reduce the Arlington Building Use Fees so long as any of the Bonds are

outstanding. Such fees shall be used solely for the purpose of paying the principal of and interest on the Bonds. The Student Center Fee is separate and apart from the student union fee hereinafter discussed, which is not being pledged as security for the Bonds. The Arlington Building Use Fees were established prior to June 19, 1975 and are not included within the statutory limitations affecting student use fees.

#### **Net Revenues of the Revenue System**

Under the Resolution, the Revenue System is initially composed of four types of facilities: the Housing System, the Utility Plant System, the Parking System and the Student Union System. The Board may add additional facilities from any of the component institutions to the Revenue System at any time. In addition, upon compliance with certain conditions set forth in the Resolution, the Board may remove any facility from the Revenue System. See "Summary of Selected Provisions of the Resolution — General Covenants."

The Net Revenues of the Revenue System consist of (a) "Gross Revenues" which include all revenues, income, receipts, rentals, rates and charges of every type derived by the Board and the System and each component institution and branch thereof from any sources due to or on account of the ownership or operation of the Revenue System, including, with respect to the Utility Plant System, all State Legislative appropriations and utility revolving fund payments and reimbursements authorized in connection with the Utility Plant System, less (b) "Current Expenses" which include all necessary operating and maintenance expenses of the Revenue System, including all expenses of reasonable upkeep and repair, the properly allocated share of insurance, and all other expenses incident to the operation and maintenance thereof, but shall exclude depreciation and all general administrative expenses of the Board, the System, and each component institution and branch thereof.

The Housing System presently consists of certain designated housing and dining facilities at UT-Austin, housing facilities at UT-Arlington and UT-El Paso, and student apartment facilities at UTHSC-Houston. The Utility Plant System includes the utility power plants together with all equipment, distribution lines, and other related facilities located on the UT-Austin, UT-Dallas and UT-San Antonio campuses. The Parking System includes the parking facilities located on the UT-Austin campus. Included in the Student Union System are the Texas Union Building on the UT-Austin campus, the student union or student activities building on the UT-El Paso campus (including the bookstore, cafeteria and snack bar), the student union building and the University Book Store on the UT-San Antonio campus and the Student Center Building on the UT-Arlington campus. The Revenue System and its component facilities are described in detail in *Appendix A, Description of Pledged Revenues of the Revenue System.*

The Texas Education Code authorizes the Board to levy, in addition to all other fees, a student union fee ("Student Union Fee") at component institutions in amounts specifically approved by the State Legislature for a specified component institution for the purpose of financing, constructing, operating, maintaining and improving student union buildings at such component institution, subject to an affirmative vote of a majority of the student body voting at such component institution. Under the Resolution the Board covenants that, while the Bonds, any Additional Bonds and any Payment Obligations are outstanding, it will impose, levy and collect all Student Union Fees in the maximum amounts now authorized by law, and it will apply the collections of such fees first to the payment of the Current Expenses of the student union facilities with respect to which they are collected and then to the other purposes for which they may now be used pursuant to law.

#### **Additional Bonds**

The Board has reserved the right in the Resolution to issue Additional Bonds (including Credit Agreements entered into in connection with the issuance of Short Term Obligations) on a parity, as to security and payment, with the Bonds in as many separate installments or series as deemed advisable by the Board. However, such Additional Bonds shall not be secured by a lien or pledge of the

Arlington Building Use Fees. The Board covenants in the Resolution that no Additional Bonds will be issued unless:

(a) The Executive Vice Chancellor for Asset Management of the System or such other officer designated by the Board signs a written certificate to the effect that to the best of his knowledge the Board is not in default as to any covenants, conditions, or obligations in connection with all outstanding Bonds and Additional Bonds, or the resolutions authorizing same, and that the Interest and Sinking Fund and the Reserve Fund each contains the amount then required to be therein;

(b) The Executive Vice Chancellor for Asset Management or any other designated financial or accounting officer of the System, signs a written certificate to the effect that, based upon the best available information, during either the next preceding Fiscal Year of the System, or any twelve consecutive calendar month period ending not more than 90 days prior to the adoption of the resolution authorizing the issuance of the then proposed Additional Bonds, the amount of the Pledged Revenues and, with respect to that portion of the outstanding debt service relating to the Bonds, the Arlington Building Use Fees was at least equal to 1.25 times the average annual principal and interest requirements of all Bonds and Additional Bonds which were then outstanding during such Fiscal Year or period as calculated in the manner described in the definition of Required Reserve; and

(c) The Executive Vice Chancellor for Asset Management or any other designated financial or accounting officer of the System signs a written certificate to the effect that, based upon the best available information, during either the next preceding Fiscal Year of the System, or any twelve consecutive calendar month period ending not more than 90 days prior to the adoption of the resolution authorizing the issuance of the then proposed Additional Bonds, the amount of the Pledged Revenues and, with respect to that portion of the outstanding debt service relating to the Bonds, the Arlington Building Use Fees was at least equal to 1.25 times the average annual principal and interest requirements of all then outstanding Bonds and Additional Bonds and the Additional Bonds then proposed to be issued as calculated in the manner described in the definition of Required Reserve; or in the alternative, the Executive Vice Chancellor for Asset Management or any other designated financial or accounting officer of the System signs a written certificate to the effect that based upon the best available information, during each of the five Fiscal Years following the Fiscal Year in which the Additional Bonds are issued, the amount of the Pledged Revenues and, with respect to that portion of the outstanding debt service relating to the Bonds, the Arlington Building Use Fees estimated to be received during each of said Fiscal Years, respectively, will be at least equal to 1.25 times the principal and interest requirements of all Bonds and Additional Bonds scheduled to be outstanding after the issuance of the then proposed Additional Bonds, during each of said Fiscal Years, respectively as calculated in the manner described in the definition of Required Reserve.

In the event the Additional Bonds are Short Term Obligations or bear interest at a variable (as distinguished from a fixed) rate of interest, the principal and interest requirements of such Additional Bonds shall be calculated as provided in the definition of Required Reserve. In addition, when making the above calculations there shall be taken into account in determining Pledged Revenues for such period (a) the Net Revenues produced in such calculation period by any facility which the Board has made a part of the Revenue System, (b) the amount of Pledged Tuition Fee collected in such calculation period by any Health Institution with respect to which the Board has determined to pledge the tuition charges to the Bonds and Additional Bonds, and (c) the amount of Pledged General Fee which would have been collected at each institution at the rate per semester credit hour determined by the Board to be charged at the next regular semester.

### **Reserve Fund**

The Resolution requires that the Board establish a \$19,522,952.61 Reserve Fund concurrently with the delivery of the Bonds. The Board has determined to (a) deposit \$4,669,268.85 to the Reserve Fund and (b) provide a Surety Bond issued by Municipal Bond Insurance Association (the "Association") in the Surety Bond Limit of \$14,853,683.76 in order to meet the balance of the Reserve Fund requirement. The Surety Bond would be issued pursuant to a Financial Guaranty Agreement to be entered into between the Board and the Association. See *Appendix B*, Municipal Bond Insurance Association.

### **Guaranty of the Reserve Fund**

The following discussion under this caption is subject to the actual terms and conditions of the Surety Bond and the Financial Guaranty Agreement.

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

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

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

**DEBT SERVICE REQUIREMENTS AND ANTICIPATED COVERAGE**

**Pledged Revenues and Fees of Component Institutions**

The following table illustrates which types of Pledged Revenues and Fees the Board anticipates will be derived from the component institutions of the System:

| <u>Component Institutions(1)</u> | <u>Student Tuition</u> | <u>General Fee</u> | <u>Housing Revenues</u> | <u>Utility Revenues</u> | <u>Parking Revenues</u> | <u>Student Union Revenues</u> | <u>Arlington Building Use Fees</u> |
|----------------------------------|------------------------|--------------------|-------------------------|-------------------------|-------------------------|-------------------------------|------------------------------------|
| UT-Arlington .....               | X                      | X                  | X                       |                         |                         | X                             | X                                  |
| UT-Austin .....                  | X                      | X                  | X                       | X                       | X                       | X                             |                                    |
| UT-Dallas .....                  | X                      | X                  |                         | X                       |                         |                               |                                    |
| UT-El Paso .....                 | X                      | X                  | X                       |                         |                         | X                             |                                    |
| UT-Permian Basin .....           | X                      | X                  |                         |                         |                         |                               |                                    |
| UT-San Antonio .....             | X                      | X                  |                         | X                       |                         | X                             |                                    |
| UT-Tyler .....                   | X                      | X                  |                         |                         |                         |                               |                                    |
| UTHSC-Dallas .....               |                        |                    |                         |                         |                         |                               |                                    |
| UTHSC-Houston .....              |                        |                    | X                       |                         |                         |                               |                                    |
| UTHSC-San Antonio .....          |                        |                    |                         |                         |                         |                               |                                    |
| UTMB-Galveston .....             |                        |                    |                         |                         |                         |                               |                                    |

(1) Pledged Revenues and Fees are not derived from the UT-Cultural Institute, UT-Cancer Center or UTHC-Tyler which have no student enrollment.

**Summary of Net Revenues of the Revenue System**

The following table is a summary of Net Revenues of the Revenue System collected for the fiscal years ended August 31, 1981 through 1985 and anticipated to be collected for the fiscal years ending August 31, 1986 through 1990:

| <u>Fiscal Year Ending August 31(1)</u> | <u>Housing System Revenues</u> | <u>Utility System Revenues</u> | <u>Student Union System Revenues</u> | <u>Parking System Revenues</u> | <u>Total Net Revenues of the Revenue System</u> |
|--|--------------------------------|--------------------------------|--------------------------------------|--------------------------------|---|
| 1981 .....                             | \$3,063,871                    | \$3,177,940                    | \$ 946,179                           | \$169,565                      | \$ 7,357,555                                    |
| 1982 .....                             | 3,938,322                      | 2,892,998                      | 410,895                              | 89,943                         | 7,331,758                                       |
| 1983 .....                             | 5,443,542                      | 3,193,700                      | 767,730                              | 61,458                         | 9,466,430                                       |
| 1984 .....                             | 6,218,757                      | 3,065,425                      | 1,354,909                            | 71,346                         | 10,710,437                                      |
| 1985 .....                             | 8,082,306                      | 3,012,153                      | 2,321,657                            | 124,286                        | 13,540,402                                      |
| 1986 .....                             | 5,582,913                      | 3,023,487                      | 873,604                              | 386,653                        | 9,866,657                                       |
| 1987 .....                             | 7,093,307                      | 4,784,176                      | 401,156                              | 678,728                        | 12,957,367                                      |
| 1988 .....                             | 7,246,461                      | 6,501,217                      | 1,627,524                            | 673,877                        | 16,049,079                                      |
| 1989 .....                             | 7,450,376                      | 6,504,261                      | 1,647,417                            | 668,832                        | 16,270,886                                      |
| 1990 .....                             | 7,719,680                      | 6,497,167                      | 1,697,354                            | 663,585                        | 16,577,786                                      |

(1) The amounts stated for the fiscal years ending August 31, 1981 through 1985 are actual amounts. The amounts stated thereafter represent estimates prepared by the System under the direction of the Board based on assumptions that the System believes to be reasonable. However, no assurance can be or is given by the Board or the System that such estimates will not materially differ from actual results in the future.

### Summary of Pledged Revenues and Fees of the System

The following table is a summary of Pledged Revenues and Fees of the System collected for the fiscal years ended August 31, 1981 through 1985 and projected collections of Pledged Revenues and Fees for the fiscal years ending August 31, 1986 through 1990:

| Fiscal Year<br>Ending<br>August 31(1) | Pledged<br>Tuition<br>Fee(2) | Pledged<br>General<br>Fee(3) | Net<br>Revenues of<br>the Revenue<br>System | Arlington<br>Building<br>Use Fees | Interest<br>Income | Total<br>Pledged<br>Revenues<br>and Fees |
|---------------------------------------|------------------------------|------------------------------|---|-----------------------------------|--------------------|--|
| 1981.....                             | \$ 951,494                   | \$14,863,019                 | \$ 7,357,555                                | \$343,346                         | \$ —               | \$23,515,414                             |
| 1982.....                             | 985,755                      | 15,449,340                   | 7,331,758                                   | 355,812                           | —                  | 24,122,665                               |
| 1983.....                             | 1,020,966                    | 15,693,023                   | 9,466,430                                   | 428,564                           | —                  | 26,608,983                               |
| 1984.....                             | 1,028,232                    | 15,837,333                   | 10,710,437                                  | 446,636                           | —                  | 28,022,638                               |
| 1985.....                             | 1,044,423                    | 15,783,071                   | 13,540,402                                  | 450,936                           | —                  | 30,818,832                               |
| 1986.....                             | 1,040,383                    | 15,505,581                   | 9,866,657                                   | 447,621                           | —                  | 26,860,242                               |
| 1987.....                             | 1,043,158                    | 15,542,328                   | 12,957,367                                  | 449,837                           | 800,000            | 30,792,690                               |
| 1988.....                             | 1,049,346                    | 15,789,601                   | 16,049,079                                  | 454,366                           | 800,000            | 34,142,392                               |
| 1989.....                             | 1,058,072                    | 15,899,900                   | 16,270,886                                  | 458,702                           | 800,000            | 34,487,560                               |
| 1990.....                             | 1,067,117                    | 16,076,705                   | 16,577,786                                  | 465,640                           | 800,000            | 34,987,248                               |

- (1) The amounts stated for the fiscal years ending August 31, 1981 through 1985 are actual amounts. The amounts stated thereafter represent estimates prepared by the System under the direction of the Board based on assumptions that the System believes to be reasonable. However, no assurance can be or is given by the Board or the System that such estimates will not materially differ from actual results in the future.
- (2) The Pledged Tuition Fee for the fiscal years ended August 31, 1981 through 1985 was assessed and pledged at each of the component institutions of the System at the rate of \$5.00 per student for each semester and \$2.50 per summer term (except for UT-Permian Basin and the Health Institutions at which no student tuition was previously pledged). The amount of the Pledged Tuition Fee for the fiscal years ending August 31, 1986 through 1990 is estimated on the basis of assessing the Pledged Tuition Fee at the same rates at all component institutions of the System except the Health Institutions.
- (3) The amount of the Pledged General Fee for the fiscal years ended August 31, 1981 through 1985 was assessed at each of the component institutions of the System at the rate of \$6.00 per semester credit hour (except for UT-Permian Basin which had a \$4.00 Pledged General Fee for the fiscal years ending August 31, 1981 through 1985, and except for the Health Institutions at which no General Fee was charged). The amount of the Pledged General Fee for the fiscal years ending August 31, 1986 through 1990 is estimated on the basis of a rate of \$6.00 per semester credit hour at all component institutions of the System except the component health institutions.

### Debt Service Requirements and Anticipated Coverage

The following table is a summary of the debt service requirements of the Bonds and the anticipated coverage thereof by the Pledged Revenues and Fees:

| Fiscal<br>Year<br>Ending<br>August 31 | Total<br>Pledged<br>Revenues<br>and Fees(1) | Total<br>Annual<br>Debt<br>Service(2) | Anticipated<br>Debt Service<br>Coverage(3) |
|---------------------------------------|---|---------------------------------------|--|
| 1987                                  | \$30,792,690                                | \$23,637,603                          | 1.30×                                      |
| 1988                                  | 34,142,392                                  | 23,690,710                            | 1.44                                       |
| 1989                                  | 34,487,560                                  | 23,597,035                            | 1.46                                       |
| 1990                                  | 34,987,248                                  | 23,528,535                            | 1.49                                       |
| 1991                                  | 34,987,248                                  | 23,457,910                            | 1.49                                       |
| 1992                                  | 34,987,248                                  | 23,435,110                            | 1.49                                       |
| 1993                                  | 34,987,248                                  | 23,511,035                            | 1.49                                       |
| 1994                                  | 34,987,248                                  | 23,291,635                            | 1.50                                       |
| 1995                                  | 34,987,248                                  | 23,279,210                            | 1.50                                       |
| 1996                                  | 34,987,248                                  | 23,120,960                            | 1.51                                       |
| 1997                                  | 34,987,248                                  | 22,968,850                            | 1.52                                       |
| 1998                                  | 34,987,248                                  | 22,795,050                            | 1.53                                       |
| 1999                                  | 34,987,248                                  | 21,057,450                            | 1.66                                       |
| 2000                                  | 34,987,248                                  | 20,125,650                            | 1.73                                       |
| 2001                                  | 34,987,248                                  | 18,539,250                            | 1.88                                       |
| 2002                                  | 34,987,248                                  | 17,617,350                            | 1.99                                       |
| 2003                                  | 34,987,248                                  | 16,935,750                            | 2.07                                       |
| 2004                                  | 34,987,248                                  | 16,544,550                            | 2.11                                       |
| 2005                                  | 34,987,248                                  | 10,043,150                            | 3.48                                       |
| 2006                                  | 34,987,248                                  | 8,243,550                             | 4.24                                       |
| 2007                                  | 34,987,248                                  | 2,188,575                             | 15.99                                      |

- (1) These amounts represent estimates prepared by the System under the direction of the Board based on assumptions that the System believes to be reasonable. However, no assurance can be or is given by the Board or the System that such estimates will not materially differ from actual results in the future.
- (2) Total Annual Debt Service is based on a net interest rate on the Bonds of 7.78%.
- (3) Represents estimated total Pledged Revenues and Fees available for debt service on the Bonds divided by Total Annual Debt Service on the Bonds.

### SUMMARY OF SELECTED PROVISIONS OF THE RESOLUTION

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

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

The term "Additional Bonds" means those obligations, including bonds and Credit Agreements, which the Board reserves the right to issue or incur under the provisions of Section 19 of the Resolution, which are on a parity with the Bonds insofar as the lien on Pledged Revenues is concerned.

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

The term "Arlington Building Use Fees" means collectively the Student Center Fee and the Gymnasium Fee each charged in the amount of \$4 per enrolled student at each regular term and \$2 per enrolled student at each summer session at UT-Arlington.

The term "Bank" means the financial institution executing a Credit Agreement.

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

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

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

The term "Fiscal Year" means the fiscal year of the Board which currently ends on August 31 of each year.

The term "Health Institutions" means The University of Texas Health Science Center at Dallas, The University of Texas Medical Branch at Galveston, The University of Texas Health Science Center at Houston, The University of Texas Health Science Center at San Antonio, The University of Texas System Cancer Center, and The University of Texas Health Center at Tyler.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The term "Maturity" means the date on which the principal of a Bond or Additional Bond becomes due and payable as provided in the Resolution, whether at Stated Maturity, by redemption, declaration of acceleration or otherwise.

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

The term "Payment Obligations" means all amounts payable by the Board under a Credit Agreement less any amounts of principal or interest payable with respect to any Additional Bonds pledged under a Credit Agreement as collateral for the amounts due thereunder.

The term "Pledged General Fee" means the gross collections of a student use fee to be fixed, charged, and collected from the students (excepting any student in a category now exempt by law from paying fees) regularly enrolled at the institutions and branches thereof now or hereafter constituting a part of the System, respectively, for the general use and availability of such institutions or branches thereof, respectively, in the manner and amounts, at the times, and to the extent provided in the Resolution and including, subject to the provisions of the Prior Encumbered Obligations, the Prior Encumbered General Fee.

The term "Pledged Revenues" means collectively (i) the Pledged Tuition Fee, (ii) the Pledged General Fee, (iii) the Net Revenues, (iv) all interest, income, and earnings derived from the deposit and investment of the Interest and Sinking Fund and the Reserve Fund established pursuant to this Resolution, and (v) any additional revenues, income, receipts, or other resources whatsoever received or to be received from any public or private source, whether pursuant to an agreement or otherwise, which hereafter, at the option of the Board, may be pledged to the payment of the Bonds or the Additional Bonds.

The term "Pledged Tuition Fee" means the following specified amounts out of the tuition charges now or hereafter required or permitted by law to be imposed on each tuition paying student enrolled at each and every institution or branch thereof now or hereafter constituting a part of the System, (excepting the Health Institutions until and unless the Board authorizes the pledge of such tuition charges at any such institution to the payment of the Bonds and any Additional Bonds) and including, subject to the provisions of the Prior Encumbered Obligations, the Prior Encumbered Tuition Fees, respectively:

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

The term "Prior Encumbered General Fee" means that portion of the student use fee charged and collected at an institution which becomes a component of the System after the date of adoption of the Resolution and which are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a component of the System.

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

The term "Prior Encumbered Obligations" means those bonds or other obligations of an institution outstanding on the date it becomes a component of the System and which are secured by a lien on and pledge of the Prior Encumbered General Fee and/or the Prior Encumbered Tuition Fee charged and collected at such institution.

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

The term "Required Reserve" means an amount equal to the average annual debt service requirements with respect to the outstanding Bonds and Additional Bonds, as limited and calculated in the following manner:

(i) Debt service requirements (principal of and interest on outstanding Bonds and Additional Bonds, other than any Credit Agreement and with respect to any Credit Agreement, the Payment Obligations relating thereto) shall be calculated on the basis of a fiscal year;

(ii) In the event the Additional Bonds bear interest at a variable rate of interest but are not governed by (iii) below, the interest rate on such Additional Bonds shall be assumed to be the lesser of the maximum rate allowed by law or the maximum rate allowed by the resolution authorizing the Additional Bonds;

(iii) When the Additional Bonds to be issued are Short Term Obligations which are secured, in whole or in part, by a Credit Agreement, prior to the issuance of such obligations, the Executive Vice Chancellor for Asset Management or any other designated financial or accounting officer of the System, subject to the approval of the Board, shall determine as of the date of the adoption of the resolution authorizing the issuance of such Short Term Obligations:

(a) the maturity schedule of the Additional Bonds that would have been issued in lieu of the Short Term Obligations had the Board determined to issue, as of the proposed date of issuance of such Short Term Obligations, Additional Bonds bearing interest at fixed rates that are not Short Term Obligations, under market conditions as of such date, and

(b) if the Short Term Obligations bear interest at a variable rate of interest, the fixed interest rate that would have been applicable under market conditions at that time to such obligations had they been issued and delivered on such maturity schedule;

The debt service requirements based upon such determinations in (iii) (a) and (b) above shall thereafter be considered as the debt service requirements with respect to such Short Term Obligations; provided, however, with respect to the issuance of Additional Bonds when such Short Term Obligations are considered as outstanding Additional Bonds for the purposes of paragraph (i) of this definition, the calculation shall be made as of the date of the certification required by Section 20(c) of the Resolution; and provided, further, if and when the Credit Agreement referred to in this subparagraph (iii) has a term of less than one year, in making such determinations the Short Term Obligations will be deemed to mature on the earlier of their Stated Maturity or on the earliest date the owners of such Short Term Obligations may tender the Short Term Obligations for payment or redemption after termination of the Credit Agreement and the interest rate will be deemed to be the higher of the rate then in effect or the average rate paid on such Additional Bonds in the immediately preceding twelve months; and

(iv) the arithmetical average annual debt service requirements with respect to the Bonds and Additional Bonds, calculated on the basis of a Fiscal Year (giving effect to the Additional Bonds then proposed to be issued), shall then be determined.

The term "Revenue System" means collectively the following facilities: the Housing System, the Student Union System, the Utility Plant System, and the Parking System and any additional facilities, which hereafter, at the option of the Board, may be made a part of the Revenue System.

The term "Short Term Obligations" shall mean Additional Bonds which have a Stated Maturity of two years or less or with respect to which the owners thereof have the right to demand payment or redemption of such Additional Bonds prior to the Stated Maturities thereof.

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

The term "Student Union System" shall mean the Texas Union Building located on the campus of UT-Austin; the Student Center Building located on the campus of UT-Arlington; the Student Union or Student Activities Building and facilities (including, but not limited to, the book store and cafeteria and snack bar therein) located on UT-El Paso campus; and the student union building and The University Book Store located on the UT-San Antonio campus and any additional facilities which may after the date of the Resolution, at the option of the Board, be made a part of the Student Union System.

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

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

The term "Surety Bond Limit" means \$14,853,683.76.

The term "Utility Plant System" shall mean the Hal C. Weaver Heating and Power Station and the Central Cooling Station, on the campus of UT-Austin; the central utility plant located on the campus of UT-San Antonio; and the central utility plant located on the campus of UT-Dallas, all of which produce and supply chilled water and steam to the buildings and facilities of the System, together with all equipment, distribution lines, and other facilities appurtenant thereto, all improvements and additions thereto, and all extensions and replacements thereof, and all additional facilities which may hereafter, at the option of the Board, be made a part of the Utility Plant System.

**Section 7. SECURITY AND PLEDGE; PLEDGED TUITION FEE; ARLINGTON BUILDING USE FEE.** (a) The Board under the Resolution assigns and pledges the Pledged Revenues to the payment of the principal of and interest on the Bonds and Additional Bonds, including the payment of the Payment Obligations, and the Bonds and any Additional Bonds, and the interest thereon, and the Payment Obligations are and shall be secured by and payable from a first lien on and pledge of the Pledged Revenues, and the Pledged Revenues are further pledged to the establishment and maintenance of the Interest and Sinking Fund and the Reserve Fund as provided in the Resolution. So long as any Bonds, Additional Bonds or Payment Obligations are outstanding the Board covenants and agrees to fix, charge, and collect the Pledged General Fee as provided in Section 15 of the Resolution.

(b) So long as any Bonds, Additional Bonds or Payment Obligations are outstanding, the Pledged Tuition Fee shall not be reduced, and the Board covenants and agrees to fix, charge, and collect the Pledged Tuition Fee assigned and pledged under the Resolution, and to credit same as received to the Revenue Fund created under the Resolution.

(c) Notwithstanding anything to the contrary contained herein, it is recognized that certain institutions may be added to the System and that such institutions may, at such time, have outstanding obligations secured by the Prior Encumbered General Fee and/or the Prior Encumbered Tuition Fee and that therefore the first lien on and pledge of such fees established pursuant to the Resolution and effective when the institution becomes a component of the System will be subject and subordinate only to such institutions outstanding Prior Encumbered Obligations. It is further provided no additional bonds or obligations may be issued or incurred by the Board on a parity with the Prior Encumbered Obligations.

(d) Under the Resolution, the Board additionally assigns and pledges the Arlington Building Use Fees to the payment of the principal of and interest on the Bonds, and the Bonds and the interest thereon are and shall be secured by and payable from a first lien on and pledge of the Arlington Building Use Fees. So long as any Bonds are outstanding, the Arlington Building Use Fees shall not be reduced, and the Board covenants and agrees to fix, charge, and collect the Arlington Building Use Fees assigned and pledged under the Resolution, and to credit same as received to the Arlington Use Fee Fund created under the Resolution.

Section 8. **REVENUE FUND.** The Resolution creates and directs the establishment on the books of the Board of a separate account or accounts which individually or collectively shall be known as the "General Revenue Bonds Revenue Fund" (herein called the "Revenue Fund"). Subject to the provisions of Section 12 of the Resolution and to the provisions of the resolutions authorizing the Prior Encumbered Obligations, all collections of Gross Revenues, the Pledged General Fee, and the Pledged Tuition Fee, shall be credited to the Revenue Fund immediately upon receipt. There shall be paid as a first charge against the Gross Revenues on deposit in the Revenue Fund the Current Expenses.

Section 9. **ARLINGTON BUILDING USE FEES FUND.** The Resolution creates and directs the establishment on the books of the Board of a separate fund which shall be known as the "General Revenue Bonds Arlington Building Use Fees Fund" (herein called the "Arlington Use Fee Fund"). Within the Arlington Use Fee Fund, there are created two subaccounts, the Student Center Fee Account into which the Student Center Fees shall be deposited and the Gymnasium Fee Account into which the Gymnasium Fees shall be deposited. The Arlington Use Fee Fund shall be used, to the extent necessary, for the purpose of paying the principal of and interest on the Bonds as the same mature and come due, or on redemption prior to maturity and any excess in said Fund may be used for any lawful purpose. The Arlington Building Use Fees shall be deposited in said Fund as collected and shall thereafter be transferred to the Arlington Use Fee Sub-account in the Interest and Sinking Fund pursuant to the provisions of Section 13 of the Resolution.

Section 10. **INTEREST AND SINKING FUND.** The Resolution provides that in order to pay the principal of and interest on all outstanding Bonds and any Additional Bonds, as the same come due, there is created and there shall be established on the books of the Board of a separate account to be entitled the "General Revenue Bonds Interest and Sinking Fund" (herein called the "Interest and Sinking Fund"). Within the Interest and Sinking Fund there is created and there shall be established on the books of the Board a subaccount to be entitled the "Arlington Use Fee Sub-account."

Section 11. **RESERVE FUND.** The Resolution creates and directs the establishment on the books of the Board of a separate account to be entitled the "General Revenue Bonds Reserve Fund" (herein called the "Reserve Fund"). The Reserve Fund shall be used finally in retiring the last of the outstanding Bonds and Additional Bonds, or for paying principal of and interest on any outstanding Bonds and Additional Bonds, when and to the extent the amount in the Interest and Sinking Fund is insufficient for such purpose.

Section 12. **INVESTMENTS.** (a) Money in any account or Fund established pursuant to the Resolution may, at the option of the Board, be placed in time deposits secured by Investment Securities, or be invested in Investment Securities; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any such account or Fund will be available at the proper time or times. For all purposes of the Resolution, such investments shall

be valued at their market value as of 30 days prior to the end of each fiscal year. Interest and income derived from such deposits and investments shall be credited to the account or Fund from which the deposit or investment was made and shall be used only for the purpose or purposes for which such account or Fund is required or permitted to be used. Such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds or Additional Bonds. Money in any Fund may be invested, together with money in other Funds or with other money of the Board or the System, in common investments of the kind described above, or in a common pool of such investments which shall be kept and held at an official depository of the System, which shall not be deemed to be or constitute a commingling of such money or Funds provided that the separate accounts maintained on the books of the System, for such Funds clearly evidence the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such Fund or held by or on behalf of each such Fund.

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

Section 13. INTEREST AND SINKING FUND DEPOSITS. (a) The Resolution provides that immediately after the delivery of the Bonds the Board shall deposit all accrued interest received from the sale and delivery of the initial Bond, to the credit of the Interest and Sinking Fund.

(b) The Board shall transfer or cause to be transferred from the Pledged Revenues in the Revenue Fund and from the Arlington Use Fee Fund and deposit, or cause to be deposited, to the credit of the Interest and Sinking Fund and, with respect to the Arlington Building Use Fees, the Arlington Use Fee Sub-account, the amounts, at the times, as follows:

(i) on or before February 15, 1987, and semiannually on or before each August 15 and February 15 thereafter, such amounts as will be sufficient, together with other amounts, if any, then on hand in the Interest and Sinking Fund and available for such purpose, to pay the interest scheduled to accrue and come due on the Bonds on such interest payment date; and

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

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

(d) In the event that, on any August 15 or February 15, any amounts remain on deposit in the Interest and Sinking Fund following payment pursuant to Section 17 of all interest on and principal of the Bonds due and payable on such date, such amounts first shall be transferred to the Reserve Fund, to the extent the amounts then credited to the Reserve Fund are less than the Required Reserve, and then, to the extent of any remaining amounts, shall be transferred and commingled with the Board's general funds and used for any lawful purposes.

Section 14. RESERVE FUND DEPOSITS. The Resolution provides that immediately after the delivery of the Bonds the Board shall deposit to the credit of the Reserve Fund an amount equal to the Required Reserve. The deposit of the Required Reserve may be made from any one or more of the following sources or in the following forms: (i) proceeds from the sale of the Bonds, (ii) any other funds available to the Board, or (iii) amounts represented by the Surety Bond Coverage on the Surety Bond held by the Paying Agent/Registrar and deemed to be on deposit in the Reserve Fund. So long as the money and investments credited to the Reserve Fund are not less than the Required Reserve, no deposits shall be credited to the Reserve Fund. For purposes of calculating, from time to time, the amount on deposit in the Reserve Fund, an amount equal to the Surety Bond Coverage on the Surety Bond held by the Paying Agent/Registrar shall be deemed to be on deposit in the Reserve Fund. However, if the Reserve Fund at any time contains less than the Required Reserve, then, subject and subordinate to making the required deposits to the credit of the Interest and Sinking Fund and except as provided below, the Board shall transfer or cause to be transferred from the Pledged Revenues in the Revenue Fund and deposit, or cause to be deposited, to the credit of the Reserve Fund semiannually, on or before the 15th day of each February and August thereafter, a sum at least equal to 1/10th of the deficiency in the Required Reserve until the Reserve Fund is restored to the Required Reserve; provided, however, that at any time when the Surety Bond Coverage is less than the Surety Bond Limit, prior to making any deposits to the credit of the Reserve Fund, the Board shall apply the Pledged Revenues in reimbursement of amounts owed the Association under the Financial Guaranty Agreement until the Surety Bond Coverage equals the Surety Bond Limit. So long as the Reserve Fund contains the Required Reserve, any surplus in the Reserve Fund over the Required Reserve shall be transferred and commingled with the Board's general funds and used for any lawful purpose.

Section 15. PLEDGED GENERAL FEE. (a) In the Resolution, the Board covenants and agrees at all times to fix, levy, charge, and collect the Pledged General Fee from each student (excepting any student in a category now exempt by law from paying fees) enrolled at each institution and branch thereof constituting a part of the System, respectively, at each regular fall and spring semester and at each term of each summer session, for the use and availability of such institution or branch thereof, respectively, in such amounts, without any limitation whatsoever, as will be at least sufficient at all times to provide, together with other Pledged Revenues, and, with respect to the Bonds, the Arlington Building Use Fees, the money for making when due all deposits required to be made to the credit of the Interest and Sinking Fund and the Reserve Fund in connection with the Bonds and any Additional Bonds, and to pay the Payment Obligations and the principal of and interest on the Bonds and Additional Bonds when and as required. Notwithstanding the foregoing, for so long as all deposits are made to the credit of the Interest and Sinking Fund and the Reserve Fund as required by Section 13(b) and Section 14 of the Resolution, respectively, the Board may fix, levy, charge, and collect the Pledged General Fee in any manner it may determine within its discretion, and in different amounts from students enrolled in different institutions and branches thereof constituting the System, respectively, and in addition it may totally suspend the collection of the Pledged General Fee from the students enrolled in any institution or branch.

(b) If, however, for any reason whatsoever, the deposits specified or required in Section 13(b) and Section 14 of the Resolution to be made to the credit of the Interest and Sinking Fund and the Reserve Fund, respectively, have not been made in full, or if for any other reason whatsoever there are, or appear to be, no other Pledged Revenues or, with respect to the Bonds, Arlington Building Use Fees, available to pay the principal of and interest on the Bonds as the same mature and come due, then the Board shall fix, levy, charge, and collect the Pledged General Fee, as provided and required in subsection (c) of Section 15 of the Resolution, effective at the next succeeding regular semester or semesters or summer term or terms, in amounts sufficient to provide and make the deposits specified or required in Section 13(b) and Section 14 of the Resolution, and in such event the amounts so specified or required to be deposited to the credit of the Interest and Sinking Fund and the Reserve Fund shall be so deposited to the extent required from collections of the Pledged General Fee, as provided and required in subsection (c) of Section 15 of the Resolution, on or before the next succeeding interest payment date or dates on the Bonds or Additional Bonds, and the Board shall not be considered to be

in default with respect to the Resolution, or the Bonds or any Additional Bonds, if such deposits are so made, unless there has been a default in the payment when due of the principal of or interest on any Bonds or Additional Bonds.

(c) When and as required by subsection (b) of Section 15 of the Resolution and subject only to the provisions of the resolutions authorizing Prior Encumbered Obligations, the Board covenants and agrees to fix, levy, charge, and collect the Pledged General Fee on a uniformly applied basis from each student (excepting any student in a category now exempt by law from paying fees) regularly enrolled at each institution and branch thereof constituting a part of the System, respectively, at each regular fall and spring semester and at each term of each summer session, for the use and availability of such institution or branch thereof, respectively, in such amounts, uniformly applied to each student, without any limitation whatsoever, as will be at least sufficient to provide, together with other Pledged Revenues and, with respect to the Bonds, the Arlington Building Use Fees, the money for making when due all deposits specified or required in Section 13(b) and Section 14 of the Resolution to be made to the credit of the Interest and Sinking Fund and the Reserve Fund, respectively, in connection with the Bonds and any Additional Bonds, and to pay the Payment Obligations and the principal of and interest on the Bonds and Additional Bonds when and as required by the Resolution.

(d) The Pledged General Fee shall be fixed, levied, charged, and collected pursuant to resolution of the Board when and as permitted or required by the Resolution, and shall be increased if and when permitted or required by the Resolution, and may be decreased or changed so long as all Pledged Revenues are sufficient to provide the money for making when due all deposits specified or required to be made to the credit of the Interest and Sinking Fund and the Reserve Fund in connection with the Bonds and any Additional Bonds. All changes in the Pledged General Fee shall be made by resolution of the Board, but such procedure shall not constitute or be regarded as an amendment of the Resolution, but merely the carrying out of the provisions and requirements thereof.

(e) On each March 1 and November 1 the Executive Vice Chancellor for Asset Management of the System shall deliver to the Chairman of the Board a certificate setting forth his estimate as to whether the Pledged Revenues and Arlington Building Use Fees, anticipated to be available through the following May 15 or December 31, respectively, will be adequate to pay the principal of and interest on the Bonds and Additional Bonds (including any Payment Obligations) coming due on or prior to the next following interest payment date. If such estimate indicates that the Pledged Revenues, and, with respect to the Bonds, the Arlington Building Use Fees, to be collected in such periods respectively, together with funds then on hand in the Revenue Fund, will be insufficient to make the deposits required by Section 13(b) and Section 14 of the Resolution on the next interest payment date, the Chairman shall convene a meeting of the Board within 45 days of the receipt of such certificate to consider adjustments in the Pledged General Fee.

**Section 16. ADDITIONAL AND EXCESS FUNDS; STUDENT UNION FEES.** The Resolution provides that (a) if on any occasion there are not sufficient Pledged Revenues to make the required deposits into the Interest and Sinking Fund and the Reserve Fund, then such deficiency shall be made up as soon as possible from the next available Pledged Revenues.

(b) Subject to making the required deposits to the credit of the Interest and Sinking Fund and the Reserve Fund, when and as required by the Resolution, or any resolution authorizing the issuance of Additional Bonds, any excess Pledged Revenues shall first be applied to pay any amounts owed under the Financial Guaranty Agreement and thereafter shall be transferred and commingled with the Board's general funds and used for any lawful purpose.

(c) It is recognized in the Resolution that the Board is now authorized by law to levy and collect student union fees on a per capita basis (rather than on a registered semester credit hour basis) from students enrolled at certain of its institutions, and that the student union facilities with respect to which such fees are imposed constitute parts of the Revenue System. It is specifically covenanted and agreed by the Board that from the date of the Resolution, and while the Bonds or Additional Bonds are outstanding, it will impose, levy, and collect all such student union fees in the full amounts,

respectively, now authorized by law, and that it will apply the collections of such fees first to the payment of the Current Expenses of the student union facilities with respect to which they were collected, and second to the other purposes for which such fees now may be used pursuant to law.

Section 17. PAYMENT OF BONDS. (a) On or before February 15, 1987, and semiannually on or before each August 15 and February 15 thereafter while any of the Bonds are outstanding and unpaid, the Board shall make available to the Paying Agent/Registrar, out of the Interest and Sinking Fund, and/or the Reserve Fund, if necessary, money sufficient to pay such interest on and such principal of the Bonds as will accrue or mature, or be subject to mandatory redemption prior to maturity, on such February 15 or August 15. The Paying Agent/Registrar shall cancel all paid Bonds and shall furnish the Board with an appropriate certificate of cancellation.

(b) At such time as the aggregate amount of money and investments on deposit to the credit of the Interest and Sinking Fund and the Reserve Fund (excluding any amounts attributable to the Surety Bond or any additional surety bonds delivered pursuant to Section 19 of the Resolution) are at least sufficient to pay (1) the aggregate principal amount of all unpaid (unmatured and matured) outstanding Bonds and Additional Bonds, plus (2) the aggregate amount of all unpaid interest thereon, no further deposits need be made into the Interest and Sinking Fund or Reserve Fund. In determining the amount of such Bonds and Additional Bonds, and interest thereon, outstanding at any time, there shall be subtracted and excluded the amount of any such Bonds and Additional Bonds, and interest thereon, which shall have been duly called for redemption and for which funds shall have been deposited with the Paying Agent/Registrar therefor sufficient, including any required redemption premium, for such redemption.

Section 18. SPECIAL OBLIGATIONS. The Bonds, any Additional Bonds, and the interest thereon, and the Payment Obligations will constitute special obligations of the Board payable from the Pledged Revenues and, with respect to the Bonds, Arlington Building Use Fees, and the owners thereof shall never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than specified in the Resolution.

Section 19. ADDITIONAL BONDS. The Resolution provides that in addition to the right to issue obligations of inferior lien as authorized by the laws of the State, the Board reserves and shall have the right and power to issue or incur additional parity obligations including Credit Agreements entered into in connection with the issuance of Short Term Obligations ("Additional Bonds") for any purpose authorized by law, including the refunding of any Bonds or Additional Bonds, which Additional Bonds, when issued, shall be secured by and payable from a lien on and pledge of the Pledged Revenues equally and ratably with, and in the same manner and to the same extent as, the Bonds and any other then outstanding Additional Bonds; and the Additional Bonds permitted by Section 19 of the Resolution, when issued, shall be payable from and secured by the Interest and Sinking Fund and the Reserve Fund and shall be in all respects of equal dignity and on a parity with the Bonds and any other then outstanding Additional Bonds; provided, however, that the Arlington Building Use Fees shall not be pledged to or available for the payment of any Additional Bonds. Each resolution under which Additional Bonds are issued shall provide and require that, in addition to the amounts required by the provisions of the Resolution and the provisions of any other resolution or resolutions authorizing Additional Bonds to be deposited to the credit of the Interest and Sinking Fund, the Board shall transfer from Pledged Revenues and deposit to the credit of the Interest and Sinking Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Bonds then being issued, as the same come due; and that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased (if and to the extent necessary) to an amount not less than the Required Reserve; and that the required additional amount shall be so accumulated by the deposit in the Reserve Fund of all or any part of said required additional amount in the form of cash and/or a surety bond, issued by an issuer having a long-term debt rating at least equal to the rating of the Association's long-term debt, with coverage in an amount that, together with any cash so deposited, is at least equal to said required additional amount. Such required additional amount shall be deposited immediately after the delivery of the then proposed Additional Bonds, or, at the option of

the Board, by the deposit, from Pledged Revenues, of said required additional amount (or any balance of said required additional amount not deposited in cash as permitted above) in semiannual installments, made on or before the fifteenth day of each February and August following the adoption of the resolution authorizing the issuance of the then proposed Additional Bonds, of not less than  $\frac{1}{10}$ th of said required additional amount (or  $\frac{1}{10}$ th of the balance of said required additional amount not deposited in cash as permitted above). If the Additional Bonds are Short Term Obligations, a pro forma maturity schedule and interest rates shall be determined as provided in the definition of Required Reserve.

In the issuance of Short Term Obligations as Additional Bonds, the Credit Agreement, if any, entered into by the Board in connection with the Short Term Obligations shall, for purposes of Section 19 of the Resolution, be considered as a part of the obligation incurred by the issuance of the Short Term Obligations even though the obligation under such Credit Agreement that it secured or was executed in connection with extends beyond the term the Short Term Obligation is outstanding, i.e., will be considered as an Additional Bond for the purpose of Section 19 of the Resolution after Short Term Obligations are retired (if an obligation exists thereunder), but the Credit Agreement and the Short Term Obligations are to be treated as a single obligation in the principal amount of the Short Term Obligations during the time Short Term Obligations remain outstanding. In addition, the Credit Agreement and the Payment Obligations thereunder may be secured by and payable from a lien on and pledge of the Pledged Revenues on a parity with the Bonds.

Section 21. GENERAL COVENANTS. Under the Resolution the Board further covenants and agrees that while any Bonds or Additional Bonds or interest thereon are outstanding and unpaid:

(a) It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in the Resolution and in each resolution authorizing the issuance of Additional Bonds, and in each and every Bond and Additional Bond, it will promptly pay or cause to be paid from the Pledged Revenues (and with respect to the Bonds only, from the Arlington Building Use Fees) the principal of and interest on every Bond and Additional Bond and all Payment Obligations, on the dates and in the places and in the manner prescribed, it will, at the times and in the manner prescribed, deposit or cause to be deposited from the Pledged Revenues (and with respect to the Bonds only, from the Arlington Building Use Fees) the amounts required to be deposited into the Interest and Sinking Fund and the Reserve Fund, it will duly cause to be called for redemption prior to maturity, and will cause to be redeemed prior to maturity, all Bonds and all Additional Bonds which by their terms are mandatorily required to be redeemed prior to maturity, when and as so required, and any owner of the Bonds or Additional Bonds may require the Board, its officials and employees, and any appropriate official of the State of Texas, to carry out, respect, or enforce the covenants and obligations of the Resolution or any resolution authorizing the issuance of Additional Bonds, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the Board, its officials and employees, or any appropriate official of the State of Texas.

(b) It lawfully owns, has title to, and is lawfully possessed of the lands, buildings, and facilities now constituting the System and the Revenue System, it warrants that it will defend said title for the benefit of the owners of the Bonds and Additional Bonds against the claims and demands of all persons whomsoever, it is lawfully qualified to pledge the Pledged Revenues and the Arlington Building Use Fees pledged under the Resolution in the manner prescribed therein, and has lawfully exercised such right. Notwithstanding anything to the contrary contained in the Resolution, it is recognized that certain institutions constituting a part of the System may be combined and that so long as such combined institution continues to be governed by the Board and the conditions below are satisfied such action shall not be in violation of the provisions of the Resolution. In addition, subject to the conditions set forth below, any institutions may be closed and abandoned by law or may be removed from the System pursuant to law without violating the terms of the Resolution if the Board approves a certification by the Executive Vice Chancellor for

Asset Management or other designated financial or accounting officer of the System to the effect that, to the best of his knowledge:

(1) the Pledged Revenues, together with the Arlington Building Use Fees with respect to the Bonds, for either the preceding Fiscal Year or the 12-month period immediately preceding such combining, closing, abandonment, or removal would have been at least 100% of the average annual principal and interest requirements as calculated in the manner described in the definition of Required Reserve, if such combining, closing and abandonment, or removal had occurred at the beginning of such Fiscal Year or 12-month period; and

(2) beginning with the Fiscal Year next following such combining, closing, abandonment, or removal the Pledged Revenues, together with the Arlington Building Use Fees with respect to the Bonds, for each Fiscal Year during the scheduled term of all outstanding Bonds and Additional Bonds are estimated, taking into account any revenues and expenses expected to be attributable to any institution to be added to the System and any property to be added to the Revenue System, to be at least 100% of the average annual principal and interest requirements as calculated in the manner described in the definition of Required Reserve.

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

(d) It will not do or suffer any act or thing whereby the System or the Revenue System might or could be impaired, and that it will at all times maintain, preserve, and keep the real and tangible property of the System and the Revenue System and every part thereof in good condition, repair, and working order and operate, maintain, preserve, and keep the facilities, buildings, structures, and equipment pertaining thereto in good condition, repair, and working order.

(e) While the Bonds or Additional Bonds are outstanding and unpaid, it will not sell, convey, mortgage, or in any manner transfer title to, or lease, or otherwise dispose of the property constituting the Revenue System, except that whenever the Board deems it necessary to dispose of any fixtures or equipment of such facilities, it may sell or otherwise dispose of such fixtures or equipment when it has made arrangements to replace the same or provide substitutes therefor, unless the Board finds that such replacement or substitution is unnecessary; provided however, that property constituting part of the Revenue System may be sold at fair market value, permanently abandoned, or otherwise removed from the Revenue System, provided that:

(i) The Executive Vice Chancellor for Asset Management or other designated financial or accounting officer of the System certifies that no default exists with respect to any covenant or undertaking in connection with all Bonds and Additional Bonds then outstanding or the resolution or resolutions authorizing same; and

(ii) The Board approves a certification by the Executive Vice Chancellor for Asset Management or other designated financial or accounting officer of the System that, to the best of his knowledge:

(1) the Pledged Revenues, together with the Arlington Building Use Fees with respect to the Bonds, for either the preceding Fiscal Year or the 12-month period

immediately preceding such sale, abandonment, or removal would have been at least 100% of the average annual principal and interest requirements as calculated in the manner described in the definition of Required Reserve, if such sale, abandonment, or removal had occurred at the beginning of such Fiscal Year or 12-month period; and

(2) beginning with the Fiscal Year next following such sale, abandonment, or removal, the Pledged Revenues, together with the Arlington Building Use Fees with respect to the Bonds, for each Fiscal Year during the scheduled term of all outstanding Bonds and Additional Bonds are estimated, taking into account any revenues and expenses expected to be attributable to any property to be added to the Revenue System, to be at least 100% of the average annual principal and interest requirement as calculated in the manner described in the definition of Required Reserve.

(f) It will establish and maintain rates and charges for services, use, and availability of all parts of the Revenue System that will produce Gross Revenues sufficient to pay the Current Expenses of the Revenue System, after taking into account the amount collected pursuant to Section 16(c) of the Resolution, and sufficient, together with other Pledged Revenues and, with respect to the Bonds, the Arlington Building Use Fees, to pay the interest on and principal of the Bonds and any Additional Bonds, and maintain the Reserve Fund, all as required by the Resolution.

(g) While any Bonds or Additional Bonds are outstanding and unpaid, the Board shall not additionally encumber the Pledged Revenues, the Arlington Building Use Fees or the Student Union Fees described in Section 16(c) of the Resolution in any manner, except as permitted by the Resolution in connection with the Additional Bonds, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of the Resolution.

(h) Proper books of record and account will be kept in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the Revenue System, the Pledged Revenues and the Arlington Building Use Fees, and each year while any of the Bonds are outstanding, the Board will cause to be prepared from such books of record and account a preliminary financial report containing statements of (i) Gross Revenues, Current Expenses, Net Revenues, and the amount of the Arlington Building Use Fees and of the student union fees described in Section 16(c) of the Resolution, and (ii) year end balances in funds maintained pursuant to the Resolution and changes in such fund balances from the previous Fiscal Year. Such preliminary reports shall be furnished to the principal municipal bond rating agencies and any owner of the Bonds who shall request same.

(i) Each year, commencing with the Fiscal Year ending August 31, 1987, while any of the Bonds or Additional Bonds are outstanding, an audit will be made of its books and accounts relating to the Revenue System, the Pledged Revenues, the Arlington Building Use Fees and the student union fee described in Section 16(c) of the Resolution by the State Auditor or a certified public accountant, such audit to be based on the fiscal year of the Board beginning on September 1 of each year and ending on August 31 of the following year. As soon as practicable after the close of each such fiscal year, and when said audit has been completed and made available to the Board, a copy of such audit for the preceding Fiscal Year shall be mailed to all bondholders who shall so request. Such annual audit reports shall be open to the inspection of the bondholders and their agents and representatives at all reasonable times.

(j) Any owner or owners of twenty-five (25%) per centum or more of the Outstanding Principal Amount at the time then outstanding, shall have the right at all reasonable times to inspect the Revenue System and all records, accounts, and data of the Board relating thereto.

Section 22. INDIVIDUALS NOT LIABLE. All covenants, stipulations, obligations, and agreements of the Board contained in the Resolution shall be deemed to be covenants, stipulations, obligations, and agreements of the System and the Board to the full extent authorized or permitted by the

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

Section 23. REMEDIES. Any owner or holder of any of the Bonds or Additional Bonds when issued, in the event of default in connection with any covenant contained in the Resolution, or default in the payment of said obligations, or of any interest due thereon, shall have the right to institute mandamus proceedings against the Board or any other necessary or appropriate party for the purpose of enforcing payment from the moneys pledged in the Resolution or for enforcing any covenant therein contained.

Section 26. AMENDMENT OF RESOLUTION. (a) The owners of Bonds and Additional Bonds aggregating 51% in Outstanding Principal Amount shall have the right from time to time to approve any amendment to any resolution authorizing the issuance of Bonds or Additional Bonds which may be deemed necessary or desirable by the Board, provided, however, that nothing contained in the Resolution shall permit or be construed to permit, without the approval of the owners of all of the outstanding Bonds and Additional Bonds, the amendment of the terms and conditions in said resolutions or in the Bonds or Additional Bonds so as to:

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

(b) If at any time the Board shall desire to amend a resolution under Section 26 of the Resolution, the Board shall cause notice of the proposed amendment to be published in a financial newspaper or journal of general circulation in the City of New York, New York, once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each Paying Agent/Registrar for the Bonds and Additional Bonds for inspection by all owners of Bonds and Additional Bonds. Such publication is not required, however, if notice in writing is given to each owner of Bonds and Additional Bonds.

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

(d) Upon the adoption of any amendatory resolution pursuant to the provisions of Section 26 of the Resolution, the resolution being amended shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the Board and all the owners of then outstanding Bonds and Additional Bonds and all future Additional Bonds shall

thereafter be determined, exercised, and enforced hereunder, subject in all respects to such amendment.

(e) Any consent given by the owner of a Bond or Additional Bond pursuant to the provisions of Section 26 of the Resolution 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 such section, and shall be conclusive and binding upon all future owners of the same Bond or Additional Bond during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the owner who gave such consent, or by a successor in title, by filing notice thereof with the Paying Agent/Registrar for such Bonds and Additional Bonds and the Issuer, but such revocation shall not be effective if the owners of 51% in Outstanding Principal Amount, prior to the attempted revocation, consented to and approved the amendment.

(f) For the purpose of Section 26 of the Resolution, the ownership and other matters relating to all Bonds and Additional Bonds shall be determined from the registration books kept for such bonds by the Paying Agent/Registrar therefor.

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

#### ABSENCE OF LITIGATION

Neither the Board nor the System is a party to any litigation or other proceeding pending or, to the knowledge of such parties, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to such parties, would have a material adverse effect on the Pledged Revenues and Fees or the financial condition of the System, and no litigation of any nature has been filed or, to their 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 and of Fulbright & Jaworski, Austin, Texas, McCall, Parkhurst & Horton, Dallas and Austin, Texas, and Vinson & Elkins, Houston and Austin, Texas, Co-Bond Counsel to the Board, whose approving opinion will be printed on the Bonds in substantially the form attached hereto as *Appendix C*, with such alterations as may be required as a result of changes in or actions on pending legislation that occur following the date of this Official Statement and prior to initial delivery of the Bonds. 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 financial and statistical data under such caption), "Summary of Selected Provisions of the Resolution," "Tax Exemption," "Legal Investments in Texas" and "Tax Accounting Treatment of Original Issue Discount Bonds," in this Official Statement, and such firms are of the opinion that the information relating to the Bonds and the Resolution contained under such captions is a fair and accurate summary of the information purported to be shown. The payment of legal fees to Co-Bond Counsel in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by Hutchison Price Boyle & Brooks, P.C., Dallas, Texas, and Reynolds, Allen & Cook Incorporated, Houston, Texas.

## TAX EXEMPTION

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

The accuracy of the mathematical computations relating to the determination of compliance with the regulations and rulings promulgated under Section 103(c) of the Code will be verified by Ernst & Whinney, independent certified public accountants. Such verification of the accuracy of the mathematical computations will be based upon information and assumptions supplied by the Board, and such verification, information and assumptions will be relied on by Co-Bond Counsel in rendering their opinion described herein.

### Pending Federal Tax Legislation

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

On March 14, 1986, a joint statement (the "Joint Statement") regarding the effective date of certain provisions of the House Bill was made by the chairmen and ranking minority members of the House Committee on Ways and Means and the Senate Committee on Finance, and the Secretary of the Treasury. In this Joint Statement, these individuals endorsed a postponement, until September 1, 1986 (or the date of enactment of tax reform legislation, if earlier), of any application of certain provisions of the House Bill which would affect the Bonds.

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

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

*The Senate Bill.* On June 24, 1986 the U.S. Senate approved tax reform legislation (the "Senate Bill") which includes provisions affecting the tax treatment of interest on bonds issued by state or local governmental units. The Senate Bill would reduce the top individual income tax rate to 27 percent and the top corporate income tax rate to 33 percent. In addition, the Senate Bill would create a new 20 percent alternative minimum tax on corporations (payable in lieu of the regular tax if the amount of minimum tax exceeds the amount of regular tax) for taxable years beginning after December 31, 1986. The Senate Bill would include as a corporate minimum tax preference item 50 percent of the excess of (a) a corporation's adjusted net book income (i.e., the income, including interest on bonds issued by state or local governmental units, used in reports or statements to shareholders/owners, or in reports to creditors) over (b) pre-book alternative minimum taxable income (as defined in the Senate Bill).

The interest on all bonds issued by state or local governmental units, without regard to the date of issuance of such bonds, would be included in adjusted net book income for purposes of calculating the corporate minimum tax preference item described above. Accordingly, if the Senate Bill is adopted,

interest on the Bonds may be included in a corporate taxpayer's adjusted net book income for purposes of computing its alternative minimum tax.

Co-Bond Counsel express no opinion as to the federal income tax exemption of interest on the Bonds in the event that the House Bill, the Senate Bill or other legislation affecting the Bonds is enacted with an effective date earlier than the date provided in the Joint Statement or in the event that other legislation affecting the Bonds is enacted; nor do Co-Bond Counsel express any opinion as to whether any particular congressional action with respect to effective dates of pending tax legislation or the substantive requirements applicable to the Bonds will be enacted into law.

#### **TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT BONDS**

In the opinion of Co-Bond Counsel, under existing law and based upon the assumptions hereinafter stated:

(a) The difference between (i) the principal amount payable at the maturity of each Serial Bond scheduled to mature on August 15 in each of the years 1997 through 2001, and of each term Bond scheduled to mature on August 15 in each of the years 2004 and 2007 (the "Discount Bonds"), and (ii) the initial offering price to the public of such Bond constitutes original issue discount with respect to such Bond in the hands of any owner who has purchased such Bond in the initial public offering of the Bonds; and

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

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

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

Under existing law, the original issue discount on each Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period or shorter period from the date of delivery of the Bonds ending on February 15 and August 15 and ratably within each such six-month period or shorter initial period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price plus the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the sum of the amounts payable as accrued interest during such accrual period.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of

Discount Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, and redemption, sale or other disposition of such Bonds.

The treatment of original issue discount, as discussed above, would not be changed in the event of the enactment of the House Bill or the Senate Bill.

#### **LEGAL INVESTMENTS IN TEXAS**

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

#### **RATINGS**

Ratings on the Bonds have been received from Moody's Investors Service and Standard & Poor's Corporation. 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 are given, and the Board makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of such rating companies, circumstances so warrant. Any such downward revision or withdrawal of either rating may have an adverse effect on the market price of the Bonds.

#### **UNDERWRITING**

The Underwriters have jointly and severally agreed, subject to certain customary conditions to delivery, to purchase the Bonds from the Board at an aggregate underwriting discount of \$3,391,464.25 from the initial public offering prices of the Bonds set forth on the reverse side of the cover page of this Official Statement. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

**OTHER MATTERS**

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

/s/ MICHAEL E. PATRICK

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

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APPENDIX A

DESCRIPTION OF PLEDGED REVENUES OF THE REVENUE SYSTEM

The following information describes the various Revenue System facilities and the historical projected Net Revenues therefrom which are pledged to the payment of the Bonds. With respect to the historical and projected Net Revenues discussed below, amounts stated for the fiscal years ending August 31, 1981 through 1985 are actual amounts, and amounts stated thereafter represent estimates prepared by the System under the direction of the Board based on assumptions that the System believes to be reasonable. However, no assurance can be or is given by the Board or the System that such estimates will not materially differ from actual results in the future.

HOUSING SYSTEM

*The University of Texas at Arlington.* The UT-Arlington housing facilities included in the Housing System consist of 5 residence halls, and 9 apartment complexes. The following table is a summary description of such facilities and the Net Revenues derived therefrom:

UT-Arlington Housing Facilities

| <u>Residence Halls</u>     | <u>Student Capacity</u> | <u>Occupancy Percentage Spring 1986</u> | <u>Rental Rates Per Semester 1985-86</u> |
|----------------------------|-------------------------|---|--|
| Lipscomb (North) Hall..... | 191                     | 97%                                     | \$575                                    |
| Lipscomb (South) Hall..... | 145                     | 97                                      | 525                                      |
| Trinity House.....         | 239                     | 87                                      | 575                                      |
| Brazos House.....          | 108                     | 96                                      | 495                                      |
| Pachl Hall.....            | 139                     | 83                                      | 495                                      |

| <u>Apartment Complexes</u> | <u>Number of Units</u> | <u>Occupancy Percentage Spring 1986</u> | <u>Monthly Rental Rates Per Unit 1985-86</u> |
|----------------------------|------------------------|---|--|
| Border West.....           | 37                     | 100%                                    | \$300-400                                    |
| Cooper South.....          | 29                     | 100                                     | 300-400                                      |
| West.....                  | 14                     | 100                                     | 260-350                                      |
| Pisces.....                | 59                     | 100                                     | 310-400                                      |
| Capricorn.....             | 52                     | 100                                     | 300-310                                      |
| Warwick I.....             | 17                     | 100                                     | 265  |
| Warwick II.....            | 18                     | 85                                      | 320-335                                      |
| Warwick III.....           | 14                     | 85                                      | 250-335                                      |
| Warwick V.....             | 12                     | 85                                      | 250-335                                      |

**UT-Arlington Housing Facilities  
Historical and Projected Net Revenues**

| <u>Fiscal Year<br/>Ending<br/>August 31</u> | <u>Gross<br/>Revenues</u> | <u>Current<br/>Expenses</u> | <u>Net<br/>Revenues<br/>Available<br/>for Debt<br/>Service</u> |
|---|---------------------------|-----------------------------|--|
| 1981 .....                                  | \$1,051,923               | \$ 760,819                  | \$291,104  |
| 1982 .....                                  | 1,276,644                 | 846,245                     | 430,399  |
| 1983 .....                                  | 1,418,223                 | 1,024,801                   | 393,422  |
| 1984 .....                                  | 1,593,490                 | 1,284,283                   | 309,207  |
| 1985 .....                                  | 1,706,313                 | 1,127,806                   | 578,507  |
| 1986 .....                                  | 1,801,691                 | 1,278,370                   | 523,321  |
| 1987 .....                                  | 2,063,770                 | 1,369,790                   | 693,980  |
| 1988 .....                                  | 2,146,300                 | 1,439,800                   | 706,500  |
| 1989 .....                                  | 2,232,300                 | 1,512,600                   | 719,700  |
| 1990 .....                                  | 2,321,500                 | 1,588,200                   | 733,300  |

*The University of Texas at Austin.* The UT-Austin housing facilities included in the Housing System consist of 12 residence halls which provide 5,258 bed spaces. In addition, these housing facilities also include off-campus apartments for married students. The residence halls have been occupied at 100% occupancy since 1980 and subsequent student demand has consistently exceeded available facilities by substantial percentages. The following tables set forth information concerning the UT-Austin housing facilities and the Net Revenues derived therefrom:

**UT-Austin Housing Facilities**

| <u>Residence Halls and Dining Facilities</u> | <u>Student<br/>Capacity</u> | <u>Rental Rates<br/>Per Semester<br/>1985-86</u> |
|--|-----------------------------|--|
| Andrews .....                                | 119                         | \$ 1,385   |
| Blanton Hall (including dining) .....        | 271                         | 1,537  |
| Brackenridge Hall .....                      | 135                         | 1,385-1,762                                      |
| Carothers Dormitory (including dining) ..... | 124                         | 1,385  |
| Jester Center (including dining) .....       | 2,889                       | 1,537-1,645                                      |
| Kinsolving (including dining) .....          | 781                         | 1,537-1,645                                      |
| Littlefield Dormitory .....                  | 164                         | 1,385  |
| Moore Hall .....                             | 321                         | 1,537  |
| Prather Hall .....                           | 160                         | 1,385  |
| Roberts Hall .....                           | 98                          | 1,385-1,762                                      |
| Simkins Hall .....                           | 196                         | 1,537  |
| Texas Union Dining Services .....            | 1,355                       | N/A  |
| Varsity Cafeteria .....                      | 360                         | N/A  |

| <u>Apartment<br/>Complexes</u>   | <u>Number<br/>of Units</u> | <u>Occupancy<br/>Percentage<br/>Spring 1986</u> | <u>Monthly<br/>Rental Rates<br/>Per Unit<br/>1985-86</u> |
|----------------------------------|----------------------------|---|--|
| Gateway Apartments .....         | 200                        | 100%  | \$ 224-289   |
| Colorado Apartments .....        | 200                        | 100   | 224-289  |
| Brackenridge I Apartments .....  | 228                        | 100   | 261-396  |
| Brackenridge II Apartments ..... | 87                         | 100   | 261-396  |

**UT-Austin Housing Facilities  
Historical and Projected Net Revenues**

| <u>Fiscal Year<br/>Ending<br/>August 31</u> | <u>Gross<br/>Revenues</u> | <u>Current<br/>Expenses</u> | <u>Net<br/>Revenues<br/>Available<br/>for Debt<br/>Service</u> |
|---|---------------------------|-----------------------------|--|
| 1981 .....                                  | \$17,224,268              | \$14,388,474                | \$2,835,794  |
| 1982 .....                                  | 19,609,318                | 16,139,241                  | 3,470,077  |
| 1983 .....                                  | 22,314,897                | 17,655,468                  | 4,659,429  |
| 1984 .....                                  | 23,019,227                | 18,530,942                  | 4,488,285  |
| 1985 .....                                  | 24,166,065                | 18,300,764                  | 5,865,301  |
| 1986 .....                                  | 24,895,859                | 21,447,345(1)               | 3,448,514  |
| 1987 .....                                  | 25,325,202                | 20,748,424                  | 4,576,778  |
| 1988 .....                                  | 26,338,175                | 21,578,360                  | 4,759,815  |
| 1989 .....                                  | 27,391,702                | 22,441,495                  | 4,950,207  |
| 1990 .....                                  | 28,487,371                | 23,339,154                  | 5,148,217  |

(1) The increase in current expenses during the fiscal year ending August 31, 1986 was attributable to (a) funding of contributions to employee retirement plans from gross revenues rather than State appropriations and (b) the payment in the fiscal year ending August 31, 1986 of invoices relating to \$1,400,000 in operating, repair and maintenance expenses budgeted for the fiscal year ending August 31, 1985.

*The University of Texas at El Paso.* The UT-El Paso housing facilities included in the Housing System consist of two high-rise co-educational residence halls, Barry Hall and Kelly Hall, a dining hall, University Commons and a student family apartment complex, TWC Village. The following tables describe such facilities and set forth historical and projected Net Revenues therefrom:

**UT-El Paso Housing Facilities**

| <u>Residence Halls</u>   | <u>Student Capacity</u> | <u>Occupancy<br/>Percentage<br/>Spring 1986</u>  | <u>Rental Rates<br/>Per Semester<br/>1985-1986</u> |
|--------------------------|-------------------------|--|--|
| Barry Hall .....         | 852                     | 52%  | \$1,200  |
| Kelly Hall .....         | 632                     | 65   | 1,200  |
| <u>Apartment Complex</u> | <u>Number Units</u>     | <u>Occupancy<br/>Percentage<br/>Spring, 1986</u> | <u>Monthly Rental Rates<br/>Per Unit 1985-86</u>   |
| TWC Village .....        | 60                      | 76%  | \$300  |

**UT-El Paso Housing Facilities  
Historical and Projected Net Revenues**

| <u>Fiscal Year<br/>Ending<br/>August 31</u> | <u>Gross<br/>Revenues</u> | <u>Current<br/>Expenses</u> | <u>Net<br/>Revenues<br/>Available<br/>for Debt<br/>Service</u> |
|---|---------------------------|-----------------------------|--|
| 1981 .....                                  | \$1,320,896               | \$1,383,923                 | \$ (63,027)  |
| 1982 .....                                  | 1,487,262                 | 1,394,311                   | 92,951   |
| 1983 .....                                  | 1,463,854                 | 1,608,651                   | (144,797)  |
| 1984 .....                                  | 1,708,652                 | 1,701,216                   | 7,436  |
| 1985 .....                                  | 1,651,789                 | 1,650,776                   | 1,013  |
| 1986 .....                                  | 1,546,500                 | 1,503,104                   | 43,396   |
| 1987 .....                                  | 1,646,500                 | 1,610,922                   | 35,578   |
| 1988 .....                                  | 1,728,825                 | 1,688,166                   | 40,659   |
| 1989 .....                                  | 1,815,266                 | 1,768,775                   | 46,491   |
| 1990 .....                                  | 1,906,029                 | 1,852,907                   | 53,122   |

*The University of Texas Health Science Center at Houston.* The UTHSC-Houston housing facilities included in the Housing System presently consist of 500 garden-type apartments, a day care center capable of caring for at least 75 children, three laundry rooms and recreational facilities located on approximately 20 acres of land owned by the System and within walking distance of the campus. These facilities were constructed in 1981 to provide housing space for medical and graduate students, residents and newly recruited faculty members. A breakdown of the apartment units by number, type, living area and current rent is shown below:

**UTHSC-Houston Housing Facilities**

| <u>Number of Available Units</u> | <u>Occupancy Percentage Spring, 1986</u> | <u>Description of Units</u> | <u>Living Area Per Unit (square feet)</u> | <u>Monthly Rental Rate Per Unit</u> |
|----------------------------------|--|-----------------------------|---|-------------------------------------|
| 32 .....                         | 98%                                      | one bedroom/one bath        | 570                                       | \$325                               |
| 268 .....                        | 97                                       | one bedroom/one bath        | 680                                       | 350                                 |
| 168 .....                        | 72                                       | two bedroom/two bath        | 960                                       | 475                                 |
| 32 .....                         | 84                                       | two bedroom/two bath        | 1,060                                     | 550                                 |

The following table is a summary of historical and projected Net Revenues of the UTHSC-Houston housing facilities:

**UTHSC-Houston Housing Facilities  
Historical and Projected Net Revenues**

| <u>Fiscal Year Ending August 31</u> | <u>Gross Revenues</u> | <u>Current Expenses</u> | <u>Net Revenues Available for Debt Service</u> |
|-------------------------------------|-----------------------|-------------------------|--|
| 1981 .....                          | \$ —                  | \$ —                    | \$ —   |
| 1982 .....                          | 93,549                | 148,654                 | (55,105)                                       |
| 1983 .....                          | 1,196,758             | 661,270                 | 535,488  |
| 1984 .....                          | 2,234,760             | 820,931                 | 1,413,829                                      |
| 1985 .....                          | 2,487,758             | 850,273                 | 1,637,485                                      |
| 1986 .....                          | 2,523,594             | 955,912                 | 1,567,682                                      |
| 1987 .....                          | 2,837,920             | 1,050,949               | 1,786,971                                      |
| 1988 .....                          | 2,870,683             | 1,131,196               | 1,739,487                                      |
| 1989 .....                          | 2,936,712             | 1,202,734               | 1,733,978                                      |
| 1990 .....                          | 3,059,960             | 1,274,919               | 1,785,041                                      |

**UTILITY PLANT SYSTEM**

*Introduction.* It is the policy of each component institution to establish utility rates which will pay all operating costs and provide additional adequate margins to amortize any construction and equipment borrowing of its utility system. Utility rates are reviewed on a regular basis and the Board has covenanted to revise the rates when necessary to equate revenues and expenses.

Each building on a component institution campus is billed for an allocable portion of the costs of producing the energy source based on the rates established by such institution. The revenues necessary to pay these bills are derived from two separate sources. All revenue producing plant facilities (the "Auxiliary Enterprise Facilities") on the campus pay for the utility and other operation and maintenance costs out of revenues generated by each such facility. All non-revenue producing plant facilities (the "Education and General Facilities") pay for their utility and operation and maintenance expenses from State appropriations. Accordingly, payment of the utility charges for the

Auxiliary Enterprise Facilities is dependent upon the generation of sufficient revenues. Likewise, payment of the utility charges for the Education and General Facilities is dependent upon Legislative approval of budgeted costs and appropriation requests.

*The University of Texas at Austin.* The UT-Austin utility facilities included in the Utility Plant System consist of generating units (the Hal C. Weaver Heating and Power Station and the Central Cooling Station) and associated distribution systems which provide 60 megawatts of electric power, 1,000,000 pounds per hour of steam and 33,000 tons of chilled water. These facilities vary in age from new to approximately 55 years old. A new chilling station, a gas turbine generator and waste heat boiler are under construction. The UT-Austin utility facilities are in normal operating order and condition and are serviced and maintained in accordance with a regular maintenance program.

The following table sets forth a summary of historical and projected Net Revenues of the UT-Austin utility facilities included in the Utility Plant System for the periods indicated:

**UT-Austin Utility Facilities  
Historical and Projected Net Revenues**

| <u>Fiscal Year<br/>Ending<br/>August 31</u> | <u>Gross<br/>Revenues</u> | <u>Current<br/>Expenses</u> | <u>Net Revenues<br/>Available for<br/>Debt Service</u> |
|---|---------------------------|-----------------------------|--|
| 1981 .....                                  | \$25,027,077              | \$23,956,454                | \$1,070,623  |
| 1982 .....                                  | 29,425,146                | 28,340,132                  | 1,085,014  |
| 1983 .....                                  | 35,212,762                | 34,113,554                  | 1,099,208  |
| 1984 .....                                  | 37,091,965                | 35,981,548                  | 1,110,417  |
| 1985 .....                                  | 30,472,549                | 29,352,549                  | 1,120,000  |
| 1986 .....                                  | 32,891,754                | 31,823,754                  | 1,068,000  |
| 1987 .....                                  | 35,930,737                | 33,150,959                  | 2,779,778  |
| 1988 .....                                  | 34,363,449                | 29,872,313                  | 4,491,136  |
| 1989 .....                                  | 35,662,463                | 31,171,327                  | 4,491,136  |
| 1990 .....                                  | 38,351,881                | 33,877,296                  | 4,474,585  |

*The University of Texas at Dallas.* The UT-Dallas utility facilities included in the Utility Plant System consist of a central utility plant and associated distribution system which were put into service on the UT-Dallas campus in 1984. These utility facilities supply the UT-Dallas campus with its chilled water and steam requirements. It is operated by WIN-SAM, INC., the builder and original owner, pursuant to a Service Agreement between WIN-SAM, INC., and the Board. A copy of the Service Agreement may be obtained from the Board. The chillers and steam generator boilers are fueled primarily by natural gas, although the boilers are equipped to operate on fuel oil if necessary. All other equipment of these utility facilities is run on electricity.

The following table sets forth a summary of the historical and projected Net Revenues attributable to the operation and ownership of the UT-Dallas utility facilities included in the Utility Plant System:

**UT-Dallas Utility Facilities  
Historical and Projected Net Revenues**

| <u>Fiscal Year<br/>Ending<br/>August 31</u> | <u>Gross<br/>Revenues</u> | <u>Current<br/>Expenses</u> | <u>Net Revenues<br/>Available for<br/>Debt Service</u> |
|---|---------------------------|-----------------------------|--|
| 1981 .....                                  | \$1,869,929               | \$ 784,615                  | \$1,085,313  |
| 1982 .....                                  | 1,894,534                 | 926,393                     | 968,141  |
| 1983 .....                                  | 1,945,150                 | 966,779                     | 978,371  |
| 1984 .....                                  | 2,042,984                 | 1,003,675                   | 1,039,309  |
| 1985 .....                                  | 2,083,085                 | 989,656                     | 1,093,429  |
| 1986 .....                                  | 2,140,270                 | 1,036,398                   | 1,103,872  |
| 1987 .....                                  | 2,199,230                 | 1,085,348                   | 1,113,882  |
| 1988 .....                                  | 2,259,709                 | 1,136,610                   | 1,123,099  |
| 1989 .....                                  | 2,321,851                 | 1,190,293                   | 1,131,558  |
| 1990 .....                                  | 2,385,702                 | 1,246,510                   | 1,139,191  |

*The University of Texas at San Antonio.* The UT-San Antonio utility facilities included in the Utility Plant System consist of a central utility plant and associated distribution system which were put into service on the UT-San Antonio campus in 1974. The UT-San Antonio utility facilities supply the UT-San Antonio campus with its chilled water and steam requirements. It is operated by WIN-SAM, INC., the builder and original owner, pursuant to a Service Agreement between WIN-SAM, INC., and the Board. A copy of the Service Agreement may be obtained from the Board. The chillers and steam generator boilers are fueled primarily by natural gas, although the boilers are equipped to operate on fuel oil if necessary. All other equipment of the UT-San Antonio utility facilities is run on electricity. The City of San Antonio supplies the natural gas and electricity necessary to operate the utility equipment.

The following table sets forth a summary of the historical and projected Net Revenues attributable to the operation and ownership of the UT-San Antonio utility facilities included in the Utility Plant System:

**UT-San Antonio Utility Facilities  
Historical and Projected Net Revenues**

| <u>Fiscal Year<br/>Ending<br/>August 31</u> | <u>Gross<br/>Revenues</u> | <u>Current<br/>Expenses</u> | <u>Net Revenues<br/>Available for<br/>Debt Service</u> |
|---|---------------------------|-----------------------------|--|
| 1981 .....                                  | \$1,915,516               | \$ 893,512                  | \$1,022,004  |
| 1982 .....                                  | 2,045,402                 | 1,205,969                   | 839,443  |
| 1983 .....                                  | 2,527,341                 | 1,411,220                   | 1,116,121  |
| 1984 .....                                  | 2,240,688                 | 1,324,990                   | 915,699  |
| 1985 .....                                  | 2,053,550                 | 1,254,826                   | 798,724  |
| 1986 .....                                  | 2,106,442                 | 1,254,826                   | 851,615  |
| 1987 .....                                  | 2,208,083                 | 1,317,568                   | 890,516  |
| 1988 .....                                  | 2,270,428                 | 1,383,446                   | 886,982  |
| 1989 .....                                  | 2,334,185                 | 1,452,618                   | 881,567  |
| 1990 .....                                  | 2,408,640                 | 1,525,249                   | 883,391  |

**PARKING SYSTEM**

*The University of Texas at Austin.* The UT-Austin parking facilities included in the Parking System consist of 10,268 permit automobile parking spaces, including 77 designated car pool spaces, regulated by permits designating the specific parking areas which may be used by the various types or classifications of permit holders. These permit parking spaces are currently contained in approximately 94 surface parking lots on the campus. UT-Austin also has 213 surface spaces for short-term metered parking and 644 permitted spaces for motorcycle parking. Free campus parking is limited to 165 official visitor spaces, 188 university vehicle spaces and 108 loading zone spaces. In addition UT-Austin expects to open in September 1986 a multi-level 1,025 car parking structure located in the north central part of the campus for permitted students, staff and faculty and campus visitors.

Parking revenues consist of parking meter charges, campus traffic fines, parking violations and parking permit charges.

The following table sets forth a summary of historical and projected collections of Net Revenues from the UT-Austin parking facilities included in the Parking System:

**UT-Austin Parking Facilities  
Historical and Projected Net Revenues**

| <u>Fiscal Year<br/>Ending<br/>August 31</u> | <u>Gross<br/>Revenues</u> | <u>Current<br/>Expenses</u> | <u>Net Revenues<br/>Available for<br/>Debt Service</u> |
|---|---------------------------|-----------------------------|--|
| 1981 .....                                  | \$ 822,895                | \$ 653,330                  | \$169,565  |
| 1982 .....                                  | 923,331                   | 833,388                     | 89,943   |
| 1983 .....                                  | 992,490                   | 931,032                     | 61,458   |
| 1984 .....                                  | 988,639                   | 917,293                     | 71,346   |
| 1985 .....                                  | 1,057,749                 | 933,463                     | 124,286  |
| 1986 .....                                  | 1,480,378                 | 1,093,725                   | 386,653  |
| 1987 .....                                  | 1,938,066                 | 1,259,338                   | 678,728  |
| 1988 .....                                  | 1,983,589                 | 1,309,712                   | 673,877  |
| 1989 .....                                  | 2,030,933                 | 1,362,101                   | 668,832  |
| 1990 .....                                  | 2,080,170                 | 1,416,585                   | 663,585  |

**STUDENT UNION SYSTEM**

*Introduction.* The student union on the campus of a component institution serves as the community center for that campus and generally provides dining, entertainment and educational facilities, services and programs for students, faculty, staff and alumni. The board of directors of a student union establishes policy for such student union. The voting membership of each board includes six students and three faculty members. The director of such student union and the dean of students serve as *ex officio* members without vote.

*The University of Texas at Austin.* The following table sets forth a summary of the historical and projected Net Revenues from the Texas Union Building located on the UT-Austin campus and included in the Student Union System:

**UT-Austin Student Union Building  
Historical and Projected Net Revenues**

| <u>Fiscal Year<br/>Ending<br/>August 31</u> | <u>Student<br/>Union<br/>Fees</u> | <u>Gross<br/>Revenues</u> | <u>Current<br/>Expenses</u> | <u>Net<br/>Revenues<br/>Available<br/>for Debt<br/>Service</u> |
|---|-----------------------------------|---------------------------|-----------------------------|--|
| 1981 .....                                  | \$1,279,852                       | \$ 1,531,803              | \$ 2,162,006                | \$ 649,649   |
| 1982 .....                                  | 1,349,933                         | 1,682,213                 | 2,954,405                   | 77,741   |
| 1983 .....                                  | 1,467,494                         | 2,086,922                 | 3,167,437                   | 386,979  |
| 1984 .....                                  | 1,885,442                         | 6,306,833                 | 7,078,164                   | 1,114,111  |
| 1985 .....                                  | 1,900,656                         | 11,230,325                | 12,345,746                  | 785,235  |
| 1986 .....                                  | 1,795,000                         | 8,187,000                 | 9,445,000                   | 537,000  |
| 1987 .....                                  | 1,870,000                         | 8,460,000                 | 9,606,535                   | 723,465  |
| 1988 .....                                  | 1,870,000                         | 8,597,078                 | 9,729,014                   | 738,064  |
| 1989 .....                                  | 1,870,000                         | 8,735,308                 | 9,868,794                   | 736,514  |
| 1990 .....                                  | 1,870,000                         | 8,885,783                 | 10,008,231                  | 747,552  |

*The University of Texas at El Paso.* The following table sets forth a summary of historical and projected net revenues from the UT-El Paso Student Union Building (including but not limited to the book store, cafeteria and snack bar therein) included in the Student Union System:

**UT-El Paso Student Union Building  
Historical and Projected Net Revenues (1)**

| <u>Fiscal Year<br/>Ending<br/>August 31</u> | <u>Gross<br/>Revenues (2)</u> | <u>Current<br/>Expenses</u> | <u>Net Revenues<br/>Available<br/>for Debt<br/>Service (2)</u> |
|---|-------------------------------|-----------------------------|--|
| 1981 .....                                  | \$3,167,459                   | \$3,258,220                 | \$ (90,761)  |
| 1982 .....                                  | 3,719,923                     | 3,652,641                   | 67,282   |
| 1983 .....                                  | 3,703,662                     | 3,725,515                   | (21,853)   |
| 1984 .....                                  | 3,056,273                     | 3,321,525                   | (265,252)  |
| 1985 .....                                  | 4,072,274                     | 4,131,186                   | (58,912)   |
| 1986 .....                                  | 4,163,401                     | 4,331,324                   | (167,923)  |
| 1987 .....                                  | 3,987,893                     | 3,982,903                   | 4,990  |
| 1988 .....                                  | 3,908,534                     | 3,903,643                   | 4,891  |
| 1989 .....                                  | 3,908,534                     | 3,903,643                   | 4,891  |
| 1990 .....                                  | 3,929,132                     | 3,924,215                   | 4,917  |

(1) Beginning with the fiscal year ending August 31, 1987, UT-El Paso plans to discontinue its in-house food service operations and to contract instead with an outside food service company involving the receipt by UT-El Paso of a commission based on food sales. Such discontinuance of in-house food services is anticipated to reduce operating expenses.

(2) UT-El Paso does not presently assess or anticipate assessing a student union fee.

*The University of Texas at San Antonio.* The UT-San Antonio student union building will open for operation in the fall semester of 1986. The following table sets forth the projected Net Revenues from the UT-San Antonio student union building included in the Student Union System:

**UT-San Antonio Student Union Building  
Projected Net Revenues**

| <u>Fiscal Year<br/>Ending<br/>August 31</u> | <u>Student<br/>Union<br/>Fees</u> | <u>Gross<br/>Revenues</u> | <u>Current<br/>Expenses</u> | <u>Net<br/>Revenues<br/>Available<br/>for Debt<br/>Service</u> |
|---|-----------------------------------|---------------------------|-----------------------------|--|
| 1986 .....                                  | \$423,585                         | \$ -0-                    | \$235,201                   | 188,384  |
| 1987 .....                                  | 441,233                           | 72,620                    | 408,391                     | 105,462  |
| 1988 .....                                  | 458,882                           | 75,524                    | 424,726                     | 109,680  |
| 1989 .....                                  | 477,238                           | 78,545                    | 441,715                     | 114,068  |
| 1990 .....                                  | 496,327                           | 81,687                    | 459,384                     | 118,630  |

The University Bookstore, owned and operated by UT-San Antonio, is located on the first level of the Science Building adjacent to the Student Lounge. The University Bookstore provides a complete stock of all required and recommended books for UT-San Antonio courses. In addition, the University Bookstore carries a complete line of general school supplies, writing instruments, art materials, soft goods, decals, greeting cards, and a variety of gift items.

The following table sets forth historical and projected Net Revenues from the UT-San Antonio University Bookstore included in the Student Union System:

**UT-San Antonio University Bookstore  
Historical and Projected Net Revenues**

| <u>Fiscal Year<br/>Ending<br/>August 31(1)</u> | <u>Gross<br/>Revenues</u> | <u>Current<br/>Expenses</u> | <u>Net<br/>Revenues<br/>Available<br/>for Debt<br/>Service</u> |
|--|---------------------------|-----------------------------|--|
| 1981 .....                                     | \$1,577,691               | \$1,381,078                 | \$196,613  |
| 1982 .....                                     | 1,876,398                 | 1,704,704                   | 171,694  |
| 1983 .....                                     | 2,104,918                 | 1,845,605                   | 259,314  |
| 1984 .....                                     | 2,268,589                 | 1,964,299                   | 304,290  |
| 1985 .....                                     | 2,476,427                 | 2,110,681                   | 365,746  |
| 1986 .....                                     | 2,050,719                 | 1,804,001                   | 246,718  |
| 1987 .....                                     | 2,625,012                 | 2,237,322                   | 387,690  |
| 1988 .....                                     | 2,703,763                 | 2,304,447                   | 399,316  |
| 1989 .....                                     | 2,784,876                 | 2,373,580                   | 411,296  |
| 1990 .....                                     | 2,868,423                 | 2,444,788                   | 423,635  |

*The University of Texas at Arlington.* The following table sets forth a summary of the historical and projected Net Revenues from the UT-Arlington Student Center Building included in the Student Union System:

**UT-Arlington Student Center Building  
Historical and Projected Net Revenues**

| <u>Fiscal Year<br/>Ending<br/>August 31</u> | <u>Student<br/>Union<br/>Fees</u> | <u>Gross<br/>Revenues</u> | <u>Current<br/>Expenses</u> | <u>Net<br/>Revenues<br/>Available<br/>for Debt<br/>Service</u> |
|---|-----------------------------------|---------------------------|-----------------------------|--|
| 1981 .....                                  | \$ 538,714                        | \$1,396,481               | \$1,744,517                 | \$ 190,678   |
| 1982 .....                                  | 574,601                           | 1,400,213                 | 1,880,636                   | 94,178   |
| 1983 .....                                  | 606,345                           | 1,577,963                 | 2,041,018                   | 143,290  |
| 1984 .....                                  | 616,953                           | 1,799,749                 | 2,214,942                   | 201,760  |
| 1985 .....                                  | 1,632,135                         | 2,004,306                 | 2,406,853                   | 1,229,588  |
| 1986 .....                                  | 1,593,622                         | 2,237,192                 | 3,761,389                   | 69,425   |
| 1987 .....                                  | 1,751,000                         | 1,975,052                 | 4,546,503                   | (820,451) (1)  |
| 1988 .....                                  | 1,803,530                         | 3,250,681                 | 4,678,638                   | 375,573  |
| 1989 .....                                  | 1,857,636                         | 3,510,273                 | 4,987,261                   | 380,648  |
| 1990 .....                                  | 1,913,364                         | 3,779,664                 | 5,290,408                   | 402,620  |

(1) The net loss projected for the fiscal year ending August 31, 1987 is attributable to a \$12,300,000 expansion to be completed in March 1987. The expansion will involve the suspension and conversion of food service operations to the expanded facilities and the development of a food mall in the original facility to be completed in October 1987.

APPENDIX B

MUNICIPAL BOND INSURANCE ASSOCIATION

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

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

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

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

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

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FORM OF OPINION OF CO-BOND COUNSEL

FULBRIGHT & JAWORSKI

McCALL, PARKHURST & HORTON

VINSON & ELKINS

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986,  
 DATED JULY 15, 1986, IN THE PRINCIPAL AMOUNT OF  
 \$222,040,000

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 the issue of bonds described above, initially evidenced by a single fully registered bond, which is the "Initial Bond," as defined and designated in the resolution authorizing the issuance of such bonds (the "Bond Resolution").

THE INITIAL BOND is payable in principal installments due on August 15 in each of the years 1987 through 2001, and on August 15, 2004 and 2007, with the unpaid balance of each installment of principal of the Initial Bond bearing interest from July 15, 1986, to the scheduled due date or to the date of prepayment or redemption, at the following rates per annum for each maturity, respectively:

| <u>Maturity</u> | <u>Interest<br/>Rate</u> | <u>Maturity</u> | <u>Interest<br/>Rate</u> |
|-----------------|--------------------------|-----------------|--------------------------|
| August 15, 1987 | 5.00%                    | August 15, 1997 | 7.75%                    |
| August 15, 1988 | 5.50                     | August 15, 1998 | 7.75                     |
| August 15, 1989 | 6.00                     | August 15, 1999 | 7.75                     |
| August 15, 1990 | 6.25                     | August 15, 2000 | 7.75                     |
| August 15, 1991 | 6.50                     | August 15, 2001 | 7.75                     |
| August 15, 1992 | 6.75                     | * * * *         | *                        |
| August 15, 1993 | 7.00                     | August 15, 2004 | 8.00                     |
| August 15, 1994 | 7.25                     | * * * *         | *                        |
| August 15, 1995 | 7.50                     | August 15, 2007 | 6.50                     |
| August 15, 1996 | 7.70                     |                 |                          |

Interest on the Initial Bond is payable on February 15, 1987, and semiannually on each August 15 and February 15 thereafter. Installments of principal of the Initial Bond are subject to prepayment or redemption prior to the scheduled maturities, at the option of the Issuer, on August 15, 1996, or on any date thereafter, in accordance with the terms and conditions stated on the face of the Initial Bond. The installments of principal of the Initial Bond that are due and payable on August 15, 2004 and 2007, are subject to mandatory sinking fund prepayment or redemption prior to their scheduled maturities on August 15 in each of the years 1997 through 2003, and in 2005 and 2006, respectively, in accordance with the terms and conditions stated on the face of the Initial Bond.

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

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer, and other pertinent instruments relating to the authorization of the Bonds and the issuance and delivery of the Initial

Bond, including the executed Initial Bond and a printed specimen of the forms for the Definitive Bonds initially made available by the Issuer for completion and exchange for the Initial Bond, and we have examined and relied upon the report and mathematical verifications of Ernst & Whinney, certified public accountants, with respect to the adequacy of certain escrowed funds to accomplish the refunding purposes of the Bonds.

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

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

WE CALL YOUR ATTENTION TO THE FACT THAT on December 17, 1985, the U.S. House of Representatives adopted H.R. 3838 (the "House Bill"), which includes proposed amendments to the provisions of the Internal Revenue Code that generally relate to tax-exempt bonds. The proposed amendments as adopted, in general, are to be effective for bonds issued on or after January 1, 1986. On March 14, 1986, however, a joint statement (the "Joint Statement") was made by the chairmen and ranking minority members of the House Committee on Ways and Means and the Senate Committee on Finance and the Secretary of the Treasury, endorsing a postponement until September 1, 1986 (or the date of enactment of tax reform legislation, if earlier), of the application of certain provisions of the House Bill.

FURTHERMORE, WE CALL YOUR ATTENTION TO THE FACT THAT, on June 24, 1986, the U.S. Senate adopted tax reform legislation (the "Senate Bill"), that would create a new alternative minimum tax on corporations for taxable years beginning after December 31, 1986. The Senate Bill would include as a corporate minimum tax preference item a portion of the excess of (i) a corporation's adjusted net book income, including the interest on the tax-exempt bonds such as the Bonds, over (ii) pre-book alternative minimum taxable income (as defined in the Senate Bill).

WE ARE OF THE OPINION THAT (1) If the House Bill is enacted as passed by the House of Representatives, but with effective dates modified in conformity with the Joint Statement, the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes would not be affected adversely, except that interest on Bonds owned by property and casualty insurance companies may be subject to a tax in the nature of an alternative minimum tax on their "net gains from operations," for tax years beginning after 1987; (2) If the Senate Bill is enacted in its present form, interest on the Bonds may be included in a corporate taxpayer's "adjusted net book income" for purposes of computing its alternative minimum tax.

WE EXPRESS NO OPINION as to the federal income tax exemption of interest on the Bonds in the event that the House Bill, the Senate Bill or other legislation affecting the Bonds is enacted with an effective date earlier than the date provided in the Joint Statement; nor do we express any opinion as to whether any particular congressional action with respect to the effective dates of pending tax legislation or the substantive requirements applicable to the Bonds will be enacted into law, or as to any other federal tax consequences of acquiring, owning or disposing of the Bonds.

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

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

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

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

Respectfully,

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## APPENDIX D

## SCHEDULE OF REFUNDED BONDS

| <u>Series</u>  | <u>Amounts<br/>Outstanding<br/>to be<br/>Refunded</u> | <u>Original<br/>Issue<br/>Amount</u> |
|--|---|--------------------------------------|
| Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1971 .....                 | \$ 14,685,000   | \$ 20,000,000                        |
| Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1972 .....                 | 6,755,000   | 10,000,000                           |
| Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1973 .....                 | 27,710,000  | 34,000,000                           |
| Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Refunding Bonds, Series 1978 .....       | 12,140,000  | 16,710,000                           |
| Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1969 .....                     | 18,865,000  | 25,000,000                           |
| Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1983 .....                     | 29,000,000  | 29,000,000                           |
| Board of Regents of The University of Texas Dormitory Revenue Bonds, Series 1954 .....   | 1,182,000   | 3,402,000                            |
| Board of Regents of The University of Texas Student Union Revenue Bonds, Series 1958-B .....   | 188,000   | 1,900,000                            |
| Board of Regents of The University of Texas Housing System Revenue Bonds, Series 1967 .....  | 12,245,000  | 16,500,000                           |
| Board of Regents of The University of Texas System, The University of Texas at Austin, Married Student Housing Revenue Bonds, Series 1971 .....      | 2,610,000   | 3,100,000                            |
| Board of Regents of The University of Texas System, The University of Texas at Austin, Married Student Housing Revenue Bonds, Series 1981 .....      | 5,440,000   | 5,750,000                            |
| Board of Regents of The University of Texas System, The University of Texas at Austin, Parking Facilities Revenue Bonds, Series 1984 .....           | 3,000,000   | 3,000,000                            |
| Board of Directors of The Agricultural and Mechanical College of Texas, Arlington State College Student Center Fee Bonds, Series 1960 .....          | 110,000   | 600,000                              |
| Board of Directors of The Agricultural and Mechanical College of Texas, Arlington State College Gymnasium Fee Bonds, Series 1961 .....               | 150,000   | 650,000                              |
| Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1971-A .....            | 3,530,000   | 5,000,000                            |
| Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1973 .....              | 6,480,000   | 8,500,000                            |
| Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1973-A .....            | 6,365,000   | 7,500,000                            |
| Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1974 .....              | 860,000   | 1,300,000                            |
| Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1978 .....              | 4,710,000   | 5,500,000                            |
| Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1985 .....              | 9,835,000   | 10,000,000                           |
| Board of Directors of The Texas A&M University System — Arlington State College Student Fee Revenue Bonds, Series 1964 .....                         | 1,470,000   | 3,250,000                            |
| Board of Regents of The University of Texas — Arlington State College Student Fee Revenue Bonds, Series 1966 .....                                   | 880,000   | 1,750,000                            |
| Board of Regents of The University of Texas System — The University of Texas at Arlington Student Fee Revenue Bonds, Series 1968 .....               | 680,000   | 1,285,000                            |
| Board of Directors of The Agricultural and Mechanical College of Texas — Arlington State College Housing System Revenue Refunding Bonds, Series 1963 | 676,000   | 1,806,000                            |

| Series  | Amounts<br>Outstanding<br>to be<br>Refunded | Original<br>Issue<br>Amount |
|---|---|-----------------------------|
| Board of Regents of The University of Texas System, The University of Texas at Arlington Apartment Revenue Bonds, Series 1978 .....                           | \$ 1,155,000                                | \$ 1,500,000                |
| Board of Regents of The University of Texas System, The University of Texas at Arlington 9% Apartment Revenue Bonds, Series 1985 .....                        | 950,000                                     | 950,000                     |
| Board of Regents of The University of Texas System, The University of Texas at Dallas, Combined Fee Revenue Bonds, Series 1978 .....                          | 7,790,000                                   | 9,000,000                   |
| Board of Regents of The University of Texas System, The University of Texas at Dallas, Utility Revenue Bonds, Series 1980 .....                               | 8,435,000                                   | 10,125,000                  |
| Board of Regents of The University of Texas System, The University of Texas at El Paso, Combined Fee Revenue Bonds, Series 1970 .....                         | 4,535,000                                   | 5,500,000                   |
| Board of Regents of The University of Texas System, The University of Texas at El Paso, Combined Fee Revenue Bonds, Series 1971 .....                         | 3,220,000                                   | 4,000,000                   |
| Board of Regents of The University of Texas System, The University of Texas at El Paso, Combined Fee Revenue Bonds, Series 1973 .....                         | 3,965,000                                   | 5,000,000                   |
| Board of Regents of The University of Texas System, The University of Texas at El Paso, Combined Fee Revenue Bonds, Series 1974 .....                         | 975,000                                     | 1,500,000                   |
| Board of Regents of The University of Texas System, The University of Texas at El Paso, Combined Fee Revenue Bonds, Series 1979 .....                         | 4,290,000                                   | 5,000,000                   |
| Board of Regents of The University of Texas System, The University of Texas at El Paso, Building Revenue Bonds, Series 1969 .....                             | 6,820,000                                   | 8,500,000                   |
| The University of Texas at El Paso, Student Union Building Revenue Bonds, Series A of 1967 .....  | 58,000                                      | 458,000                     |
| The University of Texas at El Paso, Student Union Building Revenue Bonds, Series B of 1967 .....  | 2,005,000                                   | 2,700,000                   |
| Board of Regents of The University of Texas System, The University of Texas at San Antonio, Combined Fee Revenue Bonds, Series 1980 .....                     | 7,610,000                                   | 8,500,000                   |
| Board of Regents of The University of Texas System, The University of Texas at San Antonio, Combined Fee Revenue Bonds, Series 1984 .....                     | 7,865,000                                   | 8,000,000                   |
| Board of Regents of The University of Texas System, The University of Texas at San Antonio, Utility Revenue Bonds, Series 1980 .....                          | 8,145,000                                   | 9,775,000                   |
| Board of Regents of The University of Texas System, The University of Texas Health Science Center at Houston, Housing System Revenue Bonds, Series 1981 ..... | 12,495,000                                  | 14,000,000                  |
| Board of Regents of Texas Eastern University Combined Fee Revenue Bonds, Series 1976 .....  | 1,325,000                                   | 1,750,000                   |
|   | <u>\$251,204,000</u>                        | <u>\$311,761,000</u>        |

**APPENDIX E**

**SYSTEM INFORMATION AND FINANCIAL REPORT**

The System's component institutions have a long history of providing their students with the opportunity for quality education and research. As mandated by the 1876 State Legislature, UT-Austin has developed programs in the arts and sciences and continues to "establish, organize and provide for the maintenance, support and direction of a university of the first class."

**Enrollment and Semester Credit Hours at Component Institutions**

Tables I and II below set forth the historical and projected enrollment of students and semester credit hours undertaken by students at each of the component institutions for the school years indicated.

**TABLE I**

**Fall Semester Enrollment at Component Institutions<sup>(1)</sup>**

| <u>Fiscal<br/>Year<br/>Ending<br/>August<br/>31 (2)</u> | <u>UT<br/>Arlington</u> | <u>UT<br/>Austin</u> | <u>UT<br/>Dallas</u> | <u>UT<br/>El Paso</u> | <u>UT<br/>Permian<br/>Basin</u> | <u>UT<br/>San<br/>Antonio</u> |
|---|-------------------------|----------------------|----------------------|-----------------------|---------------------------------|-------------------------------|
| 1981  | 20,166                  | 46,148               | 6,368                | 15,750                | 1,578                           | 9,831                         |
| 1982  | 20,952                  | 48,145               | 6,904                | 15,436                | 1,640                           | 10,562                        |
| 1983  | 22,171                  | 48,039               | 7,376                | 15,129                | 1,825                           | 11,145                        |
| 1984  | 23,175                  | 47,631               | 7,450                | 15,268                | 1,975                           | 11,890                        |
| 1985  | 23,397                  | 47,973               | 7,442                | 15,322                | 2,003                           | 12,612                        |
| 1986  | 23,109                  | 47,838               | 7,177                | 14,110                | 1,859                           | 12,137                        |
| 1987  | 23,225                  | 48,000               | 7,421                | 13,550                | 1,859                           | 12,600                        |
| 1988  | 23,341                  | 48,000               | 7,759                | 13,280                | 1,859                           | 13,205                        |
| 1989  | 23,574                  | 48,000               | 8,171                | 13,280                | 1,859                           | 13,810                        |
| 1990  | 23,800                  | 48,000               | 8,740                | 13,350                | 1,859                           | 14,415                        |

| <u>Fiscal<br/>Year<br/>Ending<br/>August<br/>31 (2)</u> | <u>UT<br/>Tyler</u> | <u>UTHSC<br/>Dallas</u> | <u>UTHSC<br/>Houston</u> | <u>UTHSC<br/>San Antonio</u> | <u>UTMB<br/>Galveston</u> | <u>Total Fall<br/>Semester<br/>Enrollment</u> |
|---|---------------------|-------------------------|--------------------------|------------------------------|---------------------------|---|
| 1981  | 1,921               | 1,322                   | 2,711                    | 2,212                        | 1,586                     | 109,593                                       |
| 1982  | 1,955               | 1,313                   | 2,733                    | 2,272                        | 1,599                     | 113,511                                       |
| 1983  | 2,623               | 1,339                   | 2,654                    | 2,332                        | 1,657                     | 116,290                                       |
| 1984  | 3,142               | 1,368                   | 2,679                    | 2,318                        | 1,755                     | 118,651                                       |
| 1985  | 3,541               | 1,398                   | 2,791                    | 2,332                        | 1,729                     | 120,540                                       |
| 1986  | 3,620               | 1,436                   | 2,675                    | 2,205                        | 1,646                     | 117,812                                       |
| 1987  | 3,620               | 1,436                   | 2,675                    | 2,205                        | 1,646                     | 118,237                                       |
| 1988  | 3,656               | 1,436                   | 2,675                    | 2,205                        | 1,646                     | 119,062                                       |
| 1989  | 3,711               | 1,436                   | 2,675                    | 2,205                        | 1,646                     | 120,367                                       |
| 1990  | 3,785               | 1,436                   | 2,675                    | 2,205                        | 1,646                     | 121,911                                       |

(1) The UT-Institute, the UT-Cancer Center and UTHC-Tyler have no student enrollment.

(2) The amounts stated for the fiscal years ending August 31, 1981 through 1985 are actual amounts. The amounts stated thereafter represent estimates prepared by the System under the direction of the Board based on assumptions that the System believes to be reasonable. However, no assurance can be or is given by the Board or the System that such estimates will not materially differ from actual results in the future. Spring semester and summer session enrollments, which are traditionally lower than fall semester enrollment, were 90.2% and 52.7%, respectively, of fall semester enrollment for the 1984-1985 school year.

TABLE II

Semester Credit Hours Undertaken at Component Institutions <sup>(1)</sup>

| Fiscal Year Ending August 31 (2) | UT<br>Arlington | UT<br>Austin | UT<br>Dallas | UT<br>El Paso | UT<br>Permian<br>Basin | UT<br>San<br>Antonio |
|----------------------------------|-----------------|--------------|--------------|---------------|------------------------|----------------------|
| 1981                             | 489,201         | 1,278,486    | 117,947      | 401,668       | 30,982                 | 235,667              |
| 1982                             | 522,115         | 1,332,709    | 129,388      | 383,609       | 32,064                 | 249,043              |
| 1983                             | 546,417         | 1,316,987    | 138,041      | 381,581       | 38,514                 | 260,589              |
| 1984                             | 551,966         | 1,288,778    | 140,863      | 381,054       | 39,911                 | 279,868              |
| 1985                             | 559,189         | 1,296,024    | 138,392      | 378,852       | 37,357                 | 290,491              |
| 1986                             | 552,898         | 1,283,861    | 130,428      | 339,914       | 34,671                 | 278,959              |
| 1987                             | 556,090         | 1,284,000    | 131,210      | 325,400       | 34,671                 | 282,314              |
| 1988                             | 561,650         | 1,284,000    | 136,450      | 320,000       | 34,671                 | 295,862              |
| 1989                             | 567,270         | 1,284,000    | 141,371      | 321,200       | 34,671                 | 309,416              |
| 1990                             | 576,215         | 1,284,000    | 145,958      | 322,900       | 34,671                 | 322,971              |

| Fiscal Year Ending August 31 (2) | UT<br>Tyler | UTHSC<br>Dallas | UTHSC<br>Houston | UTHSC<br>San Antonio | UTMB<br>Galveston | TOTAL     |
|----------------------------------|-------------|-----------------|------------------|----------------------|-------------------|-----------|
| 1981                             | 41,224      | 13,527          | 34,956           | 22,827               | 24,572            | 2,691,057 |
| 1982                             | 46,153      | 14,329          | 36,210           | 23,386               | 26,160            | 2,795,166 |
| 1983                             | 57,249      | 15,455          | 33,205           | 25,659               | 27,486            | 2,841,183 |
| 1984                             | 65,879      | 16,877          | 35,256           | 25,580               | 30,785            | 2,856,817 |
| 1985                             | 72,745      | 16,474          | 37,256           | 26,226               | 26,801            | 2,879,807 |
| 1986                             | 74,368      | 16,922          | 39,436           | 25,428               | 25,268            | 2,802,153 |
| 1987                             | 74,368      | 16,922          | 39,436           | 25,428               | 25,268            | 2,795,107 |
| 1988                             | 75,108      | 16,922          | 39,436           | 25,428               | 25,268            | 2,814,795 |
| 1989                             | 76,238      | 16,922          | 39,436           | 25,428               | 25,268            | 2,841,220 |
| 1990                             | 77,758      | 16,922          | 39,436           | 25,428               | 25,268            | 2,871,527 |

- (1) The UT-Institute, the Cancer Center and UTHC-Tyler have no student enrollment.
- (2) The amounts stated for the fiscal years ending August 31, 1981 through 1985 are actual amounts. The amounts stated thereafter represent estimates prepared by the System under the direction of the Board based on assumptions that the System believes to be reasonable. However, no assurance can be or is given by the Board or the System that such estimates will not materially differ from actual results in the future. Spring Semester and summer session enrollments which are traditionally lower than fall semester enrollment, were 90.2% and 52.7%, respectively, of fall semester enrollment for the 1984-1985 school year.

Results of Operation

Results of system operations for the fiscal year ended August 31, 1985 are presented in the financial statements included in this Appendix. A graphic presentation on pages E-3 and E-4 describes the sources of current operating funds and their applications for such fiscal year. Total sources of revenue increased 8.5% over the previous fiscal year reflecting the continuing stable growth of the System. State appropriations, historically the foundation of university support, increased 8.4% over the previous fiscal year and continue to provide approximately one-half of the System's current operating funds. Revenues generated by the operation of System hospitals and clinics increased 10% over the previous fiscal year while related operating costs rose 7.4%. Notable changes in the patterns of revenue sources and related expenditures include a slight abatement in State contracts and grants. Offsetting this decline was a substantial increase in funds awarded by private agencies for research and educational service agreements. Funds generated by sales and services of auxiliary enterprises increased approximately 13% over the prior fiscal year.

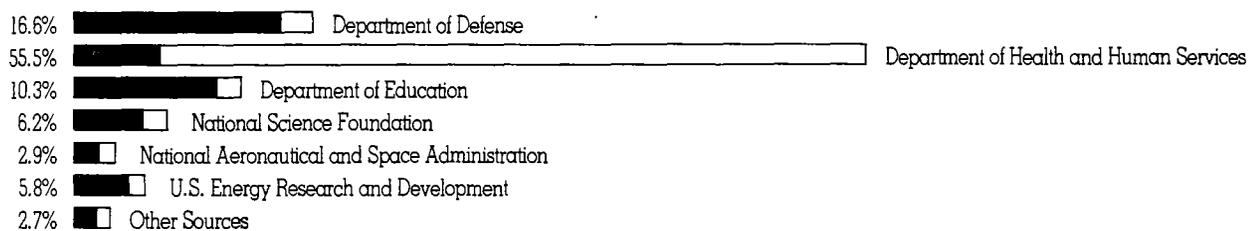
Total expenditures of current funds for all component institutions of the System increased 6.6% in the fiscal year ended August 31, 1985 over the prior fiscal year. Cost elements fluctuating within this total included research increasing 12%, student services and scholarships up 12%, and auxiliary enterprises operating expenditures which rose 11%. Institutional support, operation and maintenance of physical plant, and instruction categories declined slightly as a percentage of total current expenditures.

**Awards Received**  
**Fiscal Year Ended August 31, 1985**

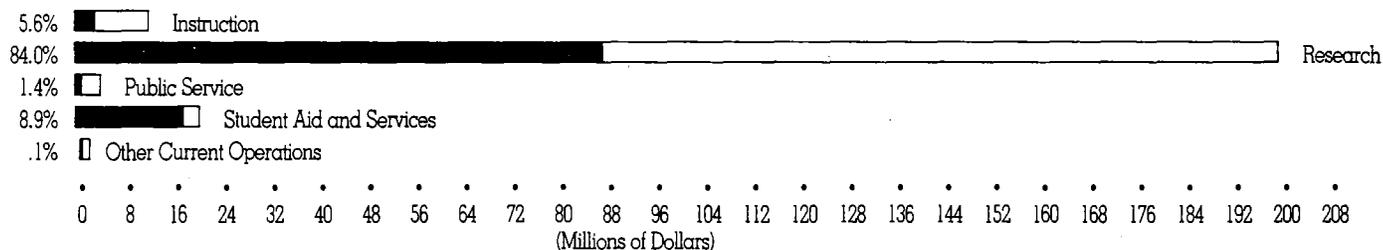
**FEDERAL AWARDS RECEIVED FOR GRANTS AND CONTRACTS: \$239,283,560**

- General Academic Institutions
- Health-Related Institutions

Source:



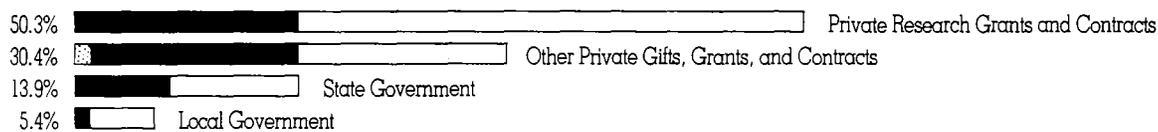
Purpose:



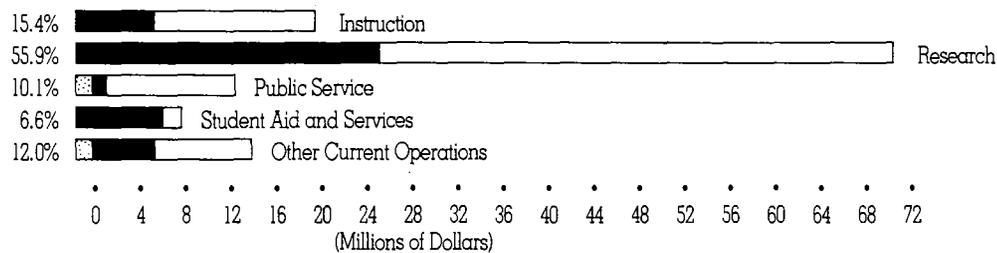
**NON-FEDERAL AWARDS-GIFTS, GRANTS, AND CONTRACTS: \$128,364,543**

- General Academic Institutions
- Health-Related Institutions
- ▣ System Administration

Source:



Purpose:



**Sources of System Funds**  
**Fiscal Year Ended August 31, 1985**

|   |                        |
|---|------------------------|
| STATE APPROPRIATIONS — 49.1% .....  | \$1,005,797,178        |
| Legislative Appropriations for Current Operations at the University. Includes Staff Benefits paid directly by the State amounting to \$130,032,974. |                        |
| STUDENT TUITION AND FEES — 3.4% .....   | 68,739,972             |
| Tuition and Fees except those non-mandatory fees reported in Sales and Services categories below. Includes amounts designated for Plant Expansion.  |                        |
| FEDERAL GRANTS AND CONTRACTS — 11.7% .....  | 239,283,558            |
| Research and educational services agreements awarded during the year by Federal Agencies for current purposes.                                      |                        |
| OTHER GIFTS, GRANTS, AND CONTRACTS — 6.3% .....   | 128,442,476            |
| Gifts received and Contracts and Grants awarded for Current Operations from State, Local, and Private Sources.                                      |                        |
| SALES AND SERVICES OF HOSPITALS — 15.3% .....   | 313,447,998            |
| Funds derived from Hospital Operations, Professional Fees, and other Supplementary Units.   |                        |
| SALES AND SERVICES OF EDUCATIONAL ACTIVITIES — 1.8% .....   | 37,504,639             |
| Revenues generated by the academic departments incidental to their instruction, research, and public service functions.                             |                        |
| SALES AND SERVICES OF AUXILIARY ENTERPRISES — 5.6% .....  | 115,765,775            |
| Funds arising from the operation of self-supporting Auxiliary Enterprises, including non-mandatory fees for such facilities.                        |                        |
| OTHER SOURCES — 4.4% .....  | 90,204,647             |
| Miscellaneous institutional revenues including Endowment and Investment Income.   |                        |
| TRANSFERS FROM AVAILABLE UNIVERSITY FUND — 2.4% .....   | 48,840,331             |
| The portion of State Endowment Income utilized for Current Operations for the year.   |                        |
|   | <u>\$2,048,026,574</u> |

The sources of current System funds becoming available during the fiscal year ended August 31, 1985 include contract and grant awards for which cash may not have been received nor expenditures made, and also include other restricted funds received but not expended during the year; such resources are reported in the financial statements as "Revenues" only to the extent expended during the year. Applications are controlled by operating budgets approved by the Board.

**Applications of System Funds  
Fiscal Year Ended August 31, 1985**

|   |                        |
|---|------------------------|
| INSTRUCTION — 32.3% .....   | \$ 601,001,486         |
| Expenditures for all instructional activities.  |                        |
| RESEARCH — 14.4% .....  | 267,239,059            |
| Expenditures for all separately budgeted research.  |                        |
| PUBLIC SERVICE — 1.8% .....   | 33,259,309             |
| Costs of activities established primarily to provide non-instructional services to groups or individuals external to the institution.                                     |                        |
| HOSPITALS — 19.6% .....   | 363,806,485            |
| Expenditures associated with the patient care operations of the University hospitals.   |                        |
| ACADEMIC SUPPORT — 4.3% .....   | 80,805,935             |
| Costs of libraries and other activities which provide support services for instruction, research, and public service. Includes academic deans.                            |                        |
| STUDENT SERVICES AND SCHOLARSHIPS — 3.2% .....  | 59,742,319             |
| Admissions and Registrar's Office and other services to students. Includes Student Aid exceeding \$32,398,000.  |                        |
| INSTITUTIONAL SUPPORT — 7.0% .....  | 129,504,388            |
| General administrative and institutional expenses. Includes general service operations other than Auxiliary Enterprises.  |                        |
| OPERATION AND MAINTENANCE OF PLANT — 10.5% .....  | 194,261,926            |
| Building and grounds maintenance, utilities, power plants, security, and general services. Excludes such costs which have been charged directly to Auxiliary Enterprises. |                        |
| AUXILIARY ENTERPRISES — 6.9% .....  | 128,544,823            |
| Costs of operation of Auxiliary Enterprises serving students, faculty, and staff. Includes incidental services to hospital patients and to others.                        |                        |
|   | <u>1,858,165,730</u>   |
| Net Transfers to other funds, adjustments, and increases to Fund Balances .....   | 189,860,844            |
|   | <u>\$2,048,026,574</u> |

**System Expenditures — Classified By Object  
Fiscal Year Ended August 31, 1985**

|                                |                 |
|--------------------------------|-----------------|
| Salaries and Wages 54.2% ..... | \$1,008,592,542 |
| Other Expenses 41.2% .....     | \$ 764,630,893  |
| Capital Outlay 4.6% .....      | \$ 84,942,295   |

### The Permanent University Fund

The Permanent University Fund consists of over 2,100,000 acres of land, predominately in West Texas, together with cash and investments. The principal of such Fund cannot be spent for any purpose but must be kept as a permanent endowment. About two-thirds of the income from the Permanent University Fund is available to the System, which is charged with the responsibility for management of the Fund. The Texas A&M University System, since September 1, 1934, has received one-third of the income from the Fund arising from the 1,000,000 acres of land appropriated by the State Constitution of 1876 and additional land appropriated by the State Legislature in 1883.

The income from the Permanent University Fund (the Available University Fund) may be pledged in whole or in part to secure the payment of bonds or notes to be issued for the purpose of acquiring land, constructing and equipping buildings, major repair and rehabilitation of buildings, and acquiring capital equipment and library books at components of The Texas A&M University System and the System.

Net additions to the Permanent University Fund during the fiscal year ended August 31, 1985 amounted to \$234,353,208. This included increases to the Fund of \$135,421,797 from oil, gas, and sulphur royalties, \$1,972,803 from mineral lease rentals and bonuses, \$96,314,235 from gains on sales of securities, and \$644,373 from miscellaneous sources. The total amount of the Fund at August 31, 1985, was \$2,326,902,088. This amount included investments and cash in the amount of \$2,316,874,704 and land carried at a nominal value of \$10,027,384.

### The Available University Fund

The Available University Fund income is pledged to secure the payment of various issues of Permanent University Fund bonds under the authority of Article VII, Section 18, of the State Constitution. Following is a brief summary of transactions relating to all Permanent University Fund bonds for the fiscal year ended August 31, 1985. These outstanding bonds totaling \$471,410,000 amount to less than 30% (as required under Article VII, Section 18, of the State Constitution) of the \$2,316,874,704 book value of the Permanent University Fund, exclusive of real estate, at August 31, 1985.

|                                    | The University<br>of Texas<br>System | The<br>Texas A&M<br>University<br>System |
|------------------------------------|--------------------------------------|--|
| PERMANENT UNIVERSITY FUND BONDS(1) |                                      |  |
| Outstanding August 31, 1984 .....  | \$272,735,000                        | \$135,870,000                            |
| Issued During the Year .....       | 54,000,000                           | 35,000,000                               |
| Paid During the Year .....         | (17,670,000)                         | (8,525,000)                              |
| Outstanding August 31, 1985 .....  | <u>\$309,065,000</u>                 | <u>\$162,345,000</u>                     |

(1) Includes only indebtedness secured by a first lien on the Available University Fund.

The System portion of the Available University Fund not needed to pay debt service on its Permanent University Fund bonds may, under present State Legislative authorization, be used for support and maintenance of certain component institutions of the System.

Because of the preceding facts and some other State Constitutional provisions, the Available University Fund has been classified as a separate fund group rather than as either plant funds or current funds.

Transfers to other funds during the fiscal year ended August 31, 1985 from the System portion of the Available University Fund included \$2,526,403 to the System Administration's general funds and \$39,265,636 for the System Administration's retirement of indebtedness funds. Transfers to UT-Austin

included \$34,000,000 for general funds, \$27,175,000 for designated funds, \$4,991,797 for unexpended plant funds, and \$4,220,310 for retirement of indebtedness funds.

Listed below is a summary of the Available University Fund income for the fiscal year ended August 31, 1985:

|  | Divisible<br>With The<br>Texas A&M<br>University<br>System | Non-<br>Divisible  |
|--|--|--------------------|
| <b>GROSS INCOME</b>                                |  |                    |
| From Invested Funds .....                          | \$190,279,816  | \$ 123,678         |
| From Grazing Leases and Other Surface Leases ..... | 3,170,811  |                    |
| Miscellaneous .....                                | <u>1,738,477</u>   | <u>6,510,938</u>   |
| Total Gross Income .....                           | 195,189,104  | 6,634,616          |
| Less Expenses .....                                | <u>(7,261,800)</u>   | <u>(1,037,141)</u> |
| Net Income .....                                   | <u>\$187,927,304</u>                                       | <u>\$5,597,475</u> |
| Shared by:   |  |                    |
| The Texas A&M University System .....              | \$ 62,642,435  |                    |
| The University of Texas System .....               | \$125,284,869  | \$5,597,475        |

#### Other Endowments

In addition to the State endowment of the Permanent University Fund and its resulting income (the Available University Fund), an increasing number of gifts and bequests to the System are resulting in additional endowment funds, or funds serving temporarily funds, or funds serving temporarily as endowments. Such funds arise basically from the benevolence of private donors and are enhanced by opportune investment. Progress in this type of support is evidenced by more than 700 privately endowed chairs and professorships in the System compared to only four in 1960. These endowment and similar funds are categorized for accounting and investment purposes as "Trust and Special Funds" with centralized supervision of the investments through the Office of Investments and Trusts, System Administration. In the absence of investment restriction, "Trust and Special Funds" are normally pooled for investment under the System "Common Trust Fund," now in excess of \$287,600,000.

#### Investments

The total book value of all investments of the System at August 31, 1985 was \$2,822,569,622, of which 81% was held by the Permanent University Fund and 10% was held by the Common Trust Fund. These figures do not include real estate of the Permanent University Fund (carrying value \$10,027,384) or of the Available University Fund (carrying value \$86,100).

The investments of the Permanent University Fund are administered by the Board under the "prudent man" rule. In recent years the Permanent University Fund has been managed with emphasis on maintaining high investment quality and strengthening the relative position of equities in the portfolio within the bounds of governing provisions of the State Constitution. During the fiscal year ended August 31, 1985, the overall book yield rate decreased from 8.87% to 8.86%. The average yield on new long-term investments in stocks and bonds acquired during such fiscal year was 6.56%. The market value of the Permanent University Fund investments at August 31, 1985 amounted to approximately 110% of book value.

The investment programs for funds other than the Permanent University Fund followed the same general objectives mentioned above if consistent with restrictions imposed upon such funds.

The System Common Trust Fund is a System-wide investment pool for eligible endowment funds of any component institution. The Common Trust Fund provides advantages of simplification and specialization in investment management, and its utilization is encouraged. The \$287,643,211 book

value of the Common Trust Fund investments at August 31, 1985 represented about 76% of all System endowment funds, other than the Permanent University Fund. The market value of Common Trust Fund investments was 107% of book value at August 31, 1985.

**Physical Plant**

Planning the physical plant development of the System remains a challenging objective as patterns of student population and requirements of the educational community continually change. A factor in the recent decline of new physical plant projects is the stabilization of student enrollment. As a result construction objectives have shifted towards the maintenance and modernization of current facilities. This is reflected in the remodeling and renovation of John Sealy Hospital of UTMB-Galveston.

Among projects initiated or underway at August 31, 1985 were the architecture building at UT-Arlington, new parking facilities at UT-Austin, and a multi-purpose recreational facility at UT-San Antonio. Other ongoing projects include the biomedical research building at the UTHSC-Dallas and additional outpatient facilities and a new research building-animal care facility at the Cancer Center. UT-Austin continues the development of expanded research facilities at Balcones Research Center in addition to improvements at the Department of Chemistry and Petroleum Engineering and expansion of the power plant and chilling station.

A major project completion in 1985 was the remodeling and renovation of Ashbel Smith Building at UTMB-Galveston.

**Sources of the Investment in Plant — All Components**

|  |                        |
|--|------------------------|
| 8.7% from Legislative Enactments .....                   | \$ 163,872,735         |
| 6.3% from Private Gifts .....                            | 118,218,140            |
| 5.9% from Federal Grants .....                           | 111,478,226            |
| 7.9% from Available University Fund .....                | 148,373,255            |
| 7.9% from General Tuition Revenue Bond Proceeds .....    | 148,787,707            |
| 19.8% from Other Revenue Bond Proceeds .....             | 372,833,901            |
| 2.3% from Constitutional Tax Bond Proceeds .....         | 43,266,169             |
| 22.7% from Permanent University Fund Bond Proceeds ..... | 428,566,176            |
| 4.8% from Interest Earned on Construction Funds .....    | 90,435,649             |
| 13.7% from Various Sources .....                         | 259,413,389            |
| Total Land, Buildings, and Other Improvements .....      | 1,885,245,347          |
| Equipment and Library Books — From All Sources .....     | 864,347,332            |
| Total Investment in Plant .....                          | <u>\$2,749,592,679</u> |

OFFICE OF  
THE STATE AUDITOR

JOHN H. REAGAN STATE OFFICE BUILDING  
P.O. BOX 12067  
AUSTIN, TEXAS 78711-2067  
512-463-5776

LAWRENCE F. ALWIN, CPA  
Senior Accountant

SHARON W. LEGGETT, CPA  
First Assistant

June 20, 1986

Members of the Board of Regents of  
The University of Texas System  
Honorable Mark White, Governor  
and  
Members of the Legislature  
State of Texas

Ladies and Gentlemen:

We have completed the audit of the financial activities of

THE UNIVERSITY OF TEXAS SYSTEM

including its combined financial statements as of and for the year ended August 31, 1985, and previously for the year ended August 31, 1984. These examinations were made in accordance with generally accepted auditing standards, and, accordingly, included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances.

The University of Texas System issued Permanent University Fund Constitutional Amendment Bonds, Series 1985-A, in the amount of \$75,000,000 in September 1985, and then issued Permanent University Fund Refunding Bonds, Series 1985, in the amount of \$345,970,000 in November 1985, which consequently refunded the Series 1985-A and other bond issues. These subsequent events do not appear in the accompanying Combined Annual Financial Report.

Historically, The University of Texas System has not been accruing certain patient accounts receivable, which in our opinion should be reported on the accrual basis in order to conform with generally accepted accounting principles. If these receivables had been accrued at August 31, 1985, Designated funds assets, fund balance, and the related cumulative revenues would have increased by approximately \$70,000,000.

In our opinion, except for the effects of not accruing patient accounts receivable as discussed in the preceding paragraph, the accompanying combined balance sheets and the related combined statements of changes in fund balances and of current funds revenues and expenditures present fairly the combined financial position of The University of Texas System at August 31, 1985 and August 31, 1984, and the changes in fund balances and the current funds revenues and expenditures for the year ended August 31, 1985, in conformity with generally accepted accounting principles as set forth in *College and University Business Administration*, Fourth Edition, 1982, published by the National Association of College and University Business Officers, and such principles have been applied on a consistent basis.

These examinations were made for the purpose of forming an opinion on the combined financial statements. The accompanying individual financial statements of each respective component institution are presented to facilitate additional analysis and are not necessary to a fair presentation of the combined financial statements. These individual financial statements were subjected to the tests and other auditing procedures applied in the examination of the combined financial statements, and in our opinion, except for the effects of not accruing patient accounts receivable, are fairly stated in all material respects in relation to the combined financial statements taken as whole.

Respectfully,

/s/ LAWRENCE F. ALWIN  
State Auditor

ASSETS

|   | 1985                   | COMPARATIVE<br>1984   |
|---|------------------------|-----------------------|
| <b>CURRENT FUNDS</b>  |                        |                       |
| <b>UNRESTRICTED</b>   |                        |                       |
| <b>GENERAL</b>  |                        |                       |
| Cash and Reimbursement in Transit (Note A)                  | \$ 198,914,216         | \$ 132,465,092        |
| Balance in State Appropriation                              | 51,183,462             | 34,247,601            |
| Investments (Note B)  | 171,148                | 182,270               |
| Accounts Receivable (Net of \$61,525,505 Allowance in 1985) | 56,149,715             | 47,870,528            |
| Accrued Interest Receivable                                 | 1,079,630              | 1,268,139             |
| Other Receivables and Prepayments                           | 600,301                | 15,085                |
| Due from Other Funds  | 15,088,887             | 13,376,737            |
| Inventories (Note K)  | 16,203,339             | 16,337,468            |
| Deposits  | 78,452                 | 73,274                |
| Prepaid Expenses  | <u>2,666,751</u>       | <u>2,145,155</u>      |
| Total General   | <u>342,135,901</u>     | <u>247,981,349</u>    |
| <b>DESIGNATED</b>   |                        |                       |
| Cash (Note A)   | 239,660,595            | 203,002,439           |
| Investments (Note B)  | 259,700                |                       |
| Accounts Receivable (Net of \$827,402 Allowance in 1985)    | 3,059,350              | 2,901,698             |
| Accrued Interest Receivable                                 | 1,427,033              | 1,570,393             |
| Other Receivables and Prepayments                           | 121,199                | 251                   |
| Due from Other Funds  | 31,759,944             | 40,247,143            |
| Inventories (Note K)  | 10,499,150             | 10,084,565            |
| Deposits  | 11,566                 | 9,482                 |
| Prepaid Expenses  | <u>1,247,309</u>       | <u>627,491</u>        |
| Total Designated  | <u>288,045,846</u>     | <u>258,443,462</u>    |
| <b>AUXILIARY ENTERPRISES</b>                                |                        |                       |
| Cash (Note A)   | 53,503,906             | 54,468,833            |
| Investments (Note B)  | 63,067                 | 244,306               |
| Accounts Receivable, Notes Receivable, and Prepayments      | 3,252,464              | 2,996,753             |
| Accrued Interest Receivable                                 | 305,782                | 391,774               |
| Inventories (Note K)  | <u>10,535,853</u>      | <u>10,944,160</u>     |
| Total Auxiliary Enterprises                                 | <u>67,661,072</u>      | <u>69,045,826</u>     |
| Total Unrestricted  | <u>697,842,819</u>     | <u>575,470,637</u>    |
| <b>RESTRICTED</b>   |                        |                       |
| Cash (Note A)   | 108,094,477            | 98,305,157            |
| Investments (Note B)  | 4,817,689              | 437,252               |
| Federal Accounts Receivable                                 | 17,066,025             | 11,877,148            |
| Other Accounts Receivable                                   | 11,114,312             | 8,960,663             |
| Accrued Interest Receivable                                 | 440,117                | 505,344               |
| Other Receivables and Prepayments                           | 2,161,412              | 1,924,291             |
| Federal Contract and Grant Awards                           | 161,654,458            | 148,157,919           |
| Non-Federal Contract and Grant Awards                       | 29,054,284             | 25,196,004            |
| Due from Other Funds  | 16,970                 |                       |
| Funds Held by Sealy and Smith Foundation (Note D)           | <u>14,232</u>          | <u>13,415</u>         |
| Total Restricted  | <u>334,433,976</u>     | <u>295,377,193</u>    |
| Total Current Funds   | <u>\$1,032,276,795</u> | <u>\$ 870,847,830</u> |

**COMBINED BALANCE SHEET**  
AT AUGUST 31, 1985

LIABILITIES AND FUND BALANCES

|                                       | 1985                   | COMPARATIVE<br>1984   |
|---------------------------------------|------------------------|-----------------------|
| <b>CURRENT FUNDS</b>                  |                        |                       |
| <b>UNRESTRICTED</b>                   |                        |                       |
| <b>GENERAL</b>                        |                        |                       |
| Accounts Payable                      | \$ 38,459,899          | \$ 30,508,908         |
| Due to Other Funds                    | 9,464,762              | 8,228,748             |
| Deposits and Deferred Revenue         | 5,405,803              | 4,096,288             |
| Fund Balances                         |                        |                       |
| Allocated                             | 266,353,179            | 187,733,576           |
| Unallocated                           | <u>22,452,258</u>      | <u>17,413,829</u>     |
| Total General                         | <u>342,135,901</u>     | <u>247,981,349</u>    |
| <b>DESIGNATED</b>                     |                        |                       |
| Accounts Payable                      | 7,088,781              | 6,208,625             |
| Accrued Compensable Absences (Note I) | 45,634,248             | 39,368,813            |
| Due to Other Funds                    | 3,071                  |                       |
| Deposits and Deferred Revenue         | 24,185,955             | 15,823,502            |
| Fund Balances                         | <u>211,133,791</u>     | <u>197,042,522</u>    |
| Total Designated                      | <u>288,045,846</u>     | <u>258,443,462</u>    |
| <b>AUXILIARY ENTERPRISES</b>          |                        |                       |
| Accounts Payable                      | 3,730,662              | 4,090,638             |
| Due to Other Funds                    | 1,063,057              | 1,374,560             |
| Deposits and Deferred Revenue         | 15,397,511             | 18,307,105            |
| Fund Balances                         | <u>47,469,842</u>      | <u>45,273,523</u>     |
| Total Auxiliary Enterprises           | <u>67,661,072</u>      | <u>69,045,826</u>     |
| Total Unrestricted                    | <u>697,842,819</u>     | <u>575,470,637</u>    |
| <b>RESTRICTED</b>                     |                        |                       |
| Accounts Payable                      | 3,904,912              | 3,079,010             |
| Due to Other Funds                    | 1,734,882              | 3,002,845             |
| Deferred Revenue                      | 655                    | 18,800                |
| Fund Balances (Unearned)              | <u>328,793,527</u>     | <u>289,276,538</u>    |
| Total Restricted                      | <u>334,433,976</u>     | <u>295,377,193</u>    |
| Total Current Funds                   | <u>\$1,032,276,795</u> | <u>\$ 870,847,830</u> |

ASSETS

|   | 1985                   | COMPARATIVE<br>1984    |
|---|------------------------|------------------------|
| <b>LOAN FUNDS</b>                                       |                        |                        |
| Cash (Note A)   | \$ 4,155,856           | \$ 3,839,791           |
| Investments (Note B)                                    | 132,575                | 133,747                |
| Federal Accounts Receivable                             | 197,563                | 316,477                |
| Other Accounts Receivable                               | 38,176                 | 33,515                 |
| Accrued Interest Receivable                             | 16,497                 | 21,649                 |
| Notes Receivable (Net of \$3,497,461 Allowance in 1985) | 48,234,135             | 44,584,124             |
| Other Receivables                                       | 108,775                | 76,621                 |
| Federal Contract and Grant Awards                       | 569,890                | 474,814                |
| Due from Other Funds                                    | 3,566                  | 512                    |
| Deposits  | <u>25,615</u>          | <u>25,615</u>          |
| Total Loan Funds  | <u>\$ 53,482,648</u>   | <u>\$ 49,506,865</u>   |
| <b>ENDOWMENT AND SIMILAR FUNDS</b>                      |                        |                        |
| STATE (Permanent University Fund) (Note C)              |                        |                        |
| Cash (Note A)   | \$ 15,902,215          | \$ 6,701,296           |
| Investments (Note B)                                    | <u>2,310,999,873</u>   | <u>2,085,847,584</u>   |
| Total State   | <u>2,326,902,088</u>   | <u>2,092,548,880</u>   |
| <b>OTHER THAN STATE</b>                                 |                        |                        |
| Cash (Note A)   | 4,548,772              | 6,533,549              |
| Investments (Note B)                                    | 375,264,982            | 311,834,130            |
| Accounts Receivable                                     | 603,504                | 147,710                |
| Accrued Interest Receivable                             | 73                     | 747                    |
| Funds Held by Sealy and Smith Foundation (Note D)       | <u>1,016,131</u>       | <u>940,635</u>         |
| Total Other Than State                                  | <u>381,433,462</u>     | <u>319,456,771</u>     |
| Total Endowment and Similar Funds                       | <u>\$2,708,335,550</u> | <u>\$2,412,005,651</u> |
| <b>ANNUITY AND LIFE INCOME FUNDS</b>                    |                        |                        |
| Cash (Note A)   | \$ 41,490              | \$ 252,349             |
| Investments (Note B)                                    | <u>4,385,781</u>       | <u>3,974,133</u>       |
| Total Annuity and Life Income Funds                     | <u>\$ 4,427,271</u>    | <u>\$ 4,226,482</u>    |
| <b>AVAILABLE UNIVERSITY FUND</b>                        |                        |                        |
| Cash (Note A)   | \$ 69,581,294          | \$ 72,726,752          |
| Investments (Note B)                                    | 86,100                 | 86,100                 |
| Due from Other Funds                                    | <u>199,141</u>         | <u>152,623</u>         |
| Total Available University Fund                         | <u>\$ 69,866,535</u>   | <u>\$ 72,965,475</u>   |

**COMBINED BALANCE SHEET**  
AT AUGUST 31, 1985

LIABILITIES AND FUND BALANCES

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

ASSETS

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

**COMBINED BALANCE SHEET**  
AT AUGUST 31, 1985

LIABILITIES AND FUND BALANCES

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

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

|   | CURRENT FUNDS      |                |                          |                       |                |
|---|--------------------|----------------|--------------------------|-----------------------|----------------|
|   | UNRESTRICTED FUNDS |                |                          | Total<br>Unrestricted | RESTRICTED     |
|   | General            | Designated     | Auxiliary<br>Enterprises |                       |                |
| BALANCES, September 1, 1984   | \$ 205,147,405     | \$ 197,042,522 | \$ 45,273,523            | \$ 447,463,450        | \$ 289,276,538 |
| REVENUES AND OTHER ADDITIONS  |                    |                |                          |                       |                |
| Unrestricted Current Fund Revenues  | 1,137,251,498      | 250,134,823    | 141,885,517              | 1,529,271,838         |                |
| State Appropriations - Restricted   |                    |                |                          |                       | 130,031,374    |
| Federal Grants and Contracts—Restricted   |                    |                |                          |                       | 239,277,427    |
| State Grants and Contracts—Restricted   |                    |                |                          |                       | 17,929,956     |
| Local Grants and Contracts—Restricted   |                    |                |                          |                       | 6,974,481      |
| Private Gifts, Grants, and<br>Contracts—Restricted  |                    |                |                          |                       | 92,956,920     |
| Proceeds from Sale of Bonds   |                    |                |                          |                       |                |
| Investment Income   |                    |                |                          |                       | 30,422,148     |
| Realized Gains on Investments   |                    |                |                          |                       |                |
| Interest on Loans Receivable  |                    |                |                          |                       |                |
| U.S. Government Advances  |                    |                |                          |                       |                |
| Expended for Plant Facilities<br>(Including \$80,480,195 Charged<br>to Current Fund Expenditures) |                    |                |                          |                       |                |
| Medicare and Medicaid Cost Adjustment   | 18,456,575         |                |                          | 18,456,575            |                |
| Net Change in Bonds, Notes, and Other<br>Payables   |                    |                |                          |                       |                |
| Lease Purchases Capitalized (Note L)  |                    |                |                          |                       |                |
| Other Additions   | 29,279             | 2,779,138      |                          | 2,808,417             | 6,049,168      |
| Total Revenues and Other Additions  | 1,155,737,352      | 252,913,961    | 141,885,517              | 1,550,536,830         | 523,641,474    |
| EXPENDITURES AND OTHER DEDUCTIONS   |                    |                |                          |                       |                |
| Expenditures  | 1,125,999,227      | 186,041,621    | 124,778,507              | 1,436,819,355         | 421,346,375    |
| Appropriations Lapsed   | 8,509,347          |                |                          | 8,509,347             |                |
| Indirect Costs Recovered  |                    |                |                          |                       | 47,677,901     |
| Refunded to Grantor   |                    |                |                          |                       | 6,195,253      |
| Loan Cancellations and Write-Offs   |                    |                |                          |                       |                |
| Administrative and Collection Costs   |                    |                |                          |                       |                |
| Realized Losses on Investments  |                    |                |                          |                       |                |
| Expended for Plant Facilities   |                    |                |                          |                       | 509            |
| Retirement of Indebtedness and<br>Interest Paid   |                    |                |                          |                       |                |
| Disposal of Plant Facilities  |                    |                |                          |                       |                |
| Net Change in Bonds, Notes, and<br>Other Payables (Note L)  |                    |                |                          |                       |                |
| Other Deductions  | 592,837            | 1,819,905      | 69,353                   | 2,482,095             | 3,917,188      |
| Total Expenditures and Other Deductions   | 1,135,101,411      | 187,861,526    | 124,847,860              | 1,447,810,797         | 479,137,226    |
| TRANSFERS   |                    |                |                          |                       |                |
| MANDATORY   |                    |                |                          |                       |                |
| To General Funds (Tuition)  | 13,601,508         | (13,601,508)   |                          |                       |                |
| To Retirement of Indebtedness Funds   |                    |                |                          |                       |                |
| Permanent University Fund Bonds   |                    |                |                          |                       |                |
| General Tuition Revenue Bonds   |                    | (8,000,000)    |                          | (8,000,000)           |                |
| Other Revenue Bonds   |                    | (14,679,279)   | (5,752,150)              | (20,431,429)          |                |
| To Renewals and Replacement Funds   |                    |                | (155,728)                | (155,728)             |                |
| Loan Funds Matching Grants  |                    | (57,564)       |                          | (57,564)              | (28,620)       |
| Endowment and Similar Funds   |                    | (21,117,672)   | (12,000)                 | (21,129,672)          |                |
| NON-MANDATORY   |                    |                |                          |                       |                |
| Between Funds   | 49,421,232         | 5,825,755      | (8,921,460)              | 46,325,527            | (4,935,589)    |
| From (To) Agency Funds  | (649)              | 669,102        |                          | 668,453               | (23,050)       |
| Total Transfers   | 63,022,091         | (50,961,166)   | (14,841,338)             | (2,780,413)           | (4,987,259)    |
| Net Increase (Decrease) for the Year  | 83,658,032         | 14,091,269     | 2,196,319                | 99,945,630            | 39,516,989     |
| BALANCES, August 31, 1985   | \$ 288,805,437     | \$ 211,133,791 | \$ 47,469,842            | \$ 547,409,070        | \$ 328,793,527 |

**COMBINED STATEMENT OF CHANGES  
IN FUND BALANCES**

FOR THE YEAR ENDED AUGUST 31, 1985

| LOAN FUNDS          | ENDOWMENT AND SIMILAR FUNDS |                      | ANNUITY AND LIFE INCOME FUNDS | AVAILABLE UNIVERSITY FUND   | PLANT FUNDS          |                             |                             |                                      |
|---------------------|-----------------------------|----------------------|-------------------------------|-----------------------------|----------------------|-----------------------------|-----------------------------|--------------------------------------|
|                     | State                       | Other Than State     |                               |                             | Unexpended           | Renewals and Replacements   | Retirement of Indebtedness  | Investment in Plant                  |
| <u>\$49,493,565</u> | <u>\$2,092,548,880</u>      | <u>\$319,440,271</u> | <u>\$4,222,122</u>            | <u>\$ 2,447,574</u>         | <u>\$228,727,771</u> | <u>\$ 7,709,931</u>         | <u>\$110,557,471</u>        | <u>\$1,810,899,256</u>               |
|                     |                             |                      |                               |                             |                      |                             | 1,079,260                   |                                      |
| 354                 |                             |                      |                               |                             |                      |                             |                             |                                      |
| 200,773             |                             | 28,772,770           | 12,469                        |                             | 14,629,000           |                             | 1,300,000                   | 10,286,021                           |
| 486,382             | 138,038,973                 | 2,512,791            | 401,947                       | 126,132,344                 | 67,000,000           | 458,532                     | 12,735,380                  |                                      |
| 812,640             | 96,314,235                  | 5,546,071            | 44,840                        |                             | 20,741,506           |                             | 4,637                       |                                      |
| 2,904,033           |                             |                      |                               |                             |                      |                             |                             |                                      |
|                     |                             |                      |                               |                             |                      |                             |                             | 250,469,751                          |
|                     |                             |                      |                               |                             | 4,562,818            |                             |                             |                                      |
| <u>311,796</u>      | <u>                    </u> | <u>54,354</u>        | <u>1</u>                      | <u>                    </u> | <u>3,878,150</u>     | <u>                    </u> | <u>834,073</u>              | <u>4,281,116</u><br><u>8,612,793</u> |
| <u>4,715,978</u>    | <u>234,353,208</u>          | <u>36,885,986</u>    | <u>459,257</u>                | <u>126,132,344</u>          | <u>110,811,474</u>   | <u>458,532</u>              | <u>15,953,350</u>           | <u>273,649,681</u>                   |
|                     |                             |                      | 253,023                       | 831,691                     | 8,081,928            |                             | 5,755                       |                                      |
|                     |                             |                      |                               |                             | 962                  |                             |                             |                                      |
| 30,000              |                             |                      |                               |                             |                      |                             |                             |                                      |
| 385,485             |                             |                      |                               |                             |                      |                             |                             |                                      |
| 43,046              |                             |                      |                               |                             |                      |                             |                             |                                      |
|                     |                             | 907,385              | 1,085                         |                             | 169,792,951          |                             | 138,149                     |                                      |
|                     |                             |                      |                               |                             |                      |                             | 87,835,858                  | 18,712,129                           |
|                     |                             |                      |                               |                             |                      |                             |                             | 32,816,138                           |
| <u>549,197</u>      | <u>                    </u> | <u>793,981</u>       | <u>                    </u>   | <u>                    </u> | <u>3,054,250</u>     | <u>                    </u> | <u>                    </u> | <u>13,146,669</u>                    |
| <u>1,007,728</u>    | <u>                    </u> | <u>1,701,366</u>     | <u>254,108</u>                | <u>831,691</u>              | <u>180,930,091</u>   | <u>                    </u> | <u>87,979,762</u>           | <u>64,674,936</u>                    |
|                     |                             |                      |                               |                             |                      |                             |                             |                                      |
|                     |                             |                      |                               |                             | (39,265,636)         |                             | 39,265,636                  |                                      |
|                     |                             | (953,652)            |                               |                             | (4,220,310)          |                             | 8,000,000                   |                                      |
|                     |                             |                      |                               |                             |                      | 155,728                     | 25,605,391                  |                                      |
| 86,184              |                             |                      |                               |                             |                      |                             |                             |                                      |
|                     |                             | 21,129,672           |                               |                             |                      |                             |                             |                                      |
| 173,366             |                             | 6,617,304            |                               | (68,693,200)                | 18,135,357           | 2,110,866                   | 266,369                     |                                      |
|                     |                             | 10,747               |                               |                             |                      |                             |                             |                                      |
| <u>259,550</u>      | <u>                    </u> | <u>26,804,071</u>    | <u>                    </u>   | <u>(112,179,146)</u>        | <u>18,135,357</u>    | <u>2,266,594</u>            | <u>73,137,396</u>           | <u>                    </u>          |
| <u>3,967,800</u>    | <u>234,353,208</u>          | <u>61,988,691</u>    | <u>205,149</u>                | <u>13,121,507</u>           | <u>(51,983,260)</u>  | <u>2,725,126</u>            | <u>1,110,984</u>            | <u>208,974,745</u>                   |
| <u>\$53,461,365</u> | <u>\$2,326,902,088</u>      | <u>\$381,428,962</u> | <u>\$4,427,271</u>            | <u>\$ 15,569,081</u>        | <u>\$176,744,511</u> | <u>\$10,435,057</u>         | <u>\$111,668,455</u>        | <u>\$2,019,874,001</u>               |

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

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

**COMBINED STATEMENT OF CURRENT FUNDS  
REVENUES AND EXPENDITURES**

FOR THE YEAR ENDED AUGUST 31, 1985

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

## Summary of Significant Accounting Policies

*Principles of Combining.* The combined financial statements include the System Administration and all component institutions of The University of Texas System. Amounts due between component institutions in the same funds, amounts held for component institutions by the System Administration, and other duplications in reporting are eliminated in combining of the individual financial statements.

*Basis of Accounting.* The financial statements of the System are prepared on a modified accrual basis consistent with principles recommended in *College and University Business Administration*, Fourth Edition, (1982).

The Statement of Current Funds Revenues and Expenditures is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of revenues and expenses.

*Fund Accounting.* In order to ensure observance of limitations and restrictions placed on resources available to the System, the accounts of the System are maintained in accordance with the principles of fund accounting as outlined in *College and University Business Administration*, Fourth Edition, (1982). This is the procedure by which resources are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. The System maintains individual accounts for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

To ensure proper stewardship in accordance with stated objectives the following fund groups are employed by the System:

**Current Funds.** "Current Funds" are funds expendable for current operating purposes. Within the Current Fund group, funds are segregated between those for general, designated, auxiliary enterprises, and restricted purposes. Restricted funds refer to resources that have been externally restricted and may only be utilized in accordance with the purposes stipulated by the source of such funds. This is in contrast with general, designated, and auxiliary enterprises funds over which the Board retain full control to use in achieving its institutional purposes. Restricted funds include contract and grant awards for which cash may not have been received nor expenditures made, and also include cash received but not expended; such resources are reported as revenue when expended.

Designated funds are resources arising from sources that have been designated by the Board to be used for special purposes. The separate Current Fund styled "Designated" funds has been established by the System to distinguish such internally designated funds from externally restricted as well as other Current Funds. Included in Designated funds are the service department fund balances. That portion of service department revenues from outside sources is reported as sales and services of educational activities. The remainder of the credits from services are netted against the total service department expenditures. Any excess of expenditures is reported in the institutional support expenditures category on the Statement of Current Funds Revenues and Expenditures (conversely, if credits from services exceed the expenditures for the year, the excess will reduce the institutional support category). These procedures are consistent with, although not specified in *College and University Business Administration*, Fourth Edition, (1982).

Auxiliary Enterprises funds are resources used by institutional entities which provide services for students, faculty, and staff and charge a fee directly related to the cost of service provided.

All other Current Fund resources and activities are recorded in general funds. The fund balance of general funds is subdivided to show the intended use of funds, such as allocations applicable to outstanding encumbrances, State appropriations to be lapsed, inventories, other allocations by operating management, budget balances brought forward from prior fiscal periods, and the unallocated balance.

**Loan Funds.** "Loan Funds" are funds available for loans to students.

**Endowment and Similar Funds.** "Endowment and Similar Funds" are funds subject to restrictions of endowment instruments requiring that principal be maintained in perpetuity and that only the income be utilized. The Permanent University Fund (State endowment) is restricted by the State Constitution, and only the income of such Fund is available for use. The income from the Permanent University Fund is the Available University Fund which is described below. All other endowment income is accounted for in the fund to which it is restricted or designated.

#### *Annuity and Life Income Funds*

**Annuity Funds.** "Annuity Funds" are funds donated to the System on condition that the System pay a stipulated amount to the donor or designated individuals for a specified time or until the time of death of the annuitant.

**Life Income Funds.** "Life Income Funds" are funds similar to annuity funds, except that the System is required to pay to the donor or designated individuals only the income earned by assets of the funds after deduction of appropriate management expenses.

**Available University Fund.** The "Available University Fund" is created by income from the "Permanent University Fund". The primary purpose of this Fund is the payment of debt service on the Permanent University Fund bonds. After these debt service requirements are provided for, under present State Legislative authority, the Fund may be used for the support and maintenance of certain component institutions of the System. Although not specified in *College and University Business Administration*, Fourth Edition, (1982), the System has established a separate "Available University Fund" group because of the unique manner in which it functions.

**Plant Funds.** "Plant Funds" are "Unexpended Plant" funds which account for the unexpended resources derived from various sources to finance the acquisition of long-lived plant assets and the associated liabilities. Construction projects to be funded from Permanent University Fund bond proceeds are established based upon appropriations in the amount necessary to fund the estimated completed costs of the projects. The accounting for such appropriations involves transfer of fund balances from System Administration to component institutions, since all Permanent University Fund bonds are carried as liabilities of System Administration. To the extent that appropriations are made from anticipated proceeds of bonds to be issued in a subsequent fiscal year, fund balances are restored from the component institutions to System Administration at year end for financial reporting purposes. Accordingly, in the individual Statements of Changes in Fund Balances for System Administration and the affected component institutions, appropriations from Permanent University Fund bond proceeds are included in the amounts reported as "Transfers" between System Administration and component institutions, and the net change between the beginning and ending balances of funds appropriated from anticipated bond proceeds are reported as "Reclassifications from/to Other Components." All transactions involving transfers and reclassifications between System Administration and the component institutions have been eliminated in the combined financial statements. "Funds for Renewals and Replacements" which provide for the renewal and replacement of fund assets as distinguished from additions and improvements to plant. "Funds for Retirement of Indebtedness" which account for the accumulation of resources for interest and principal payments and other debt service charges. "Investment in Plant" which includes all long-lived assets in the service of the institution and all construction in progress. However, it does not include any long-lived assets held as investments in the endowment and similar funds and the Available University Fund. Plant fund bonded indebtedness is reported as a liability of unexpended plant funds to the extent that the bond proceeds are unexpended, and the bonded indebtedness represented by expended proceeds is reported as a liability of the investment in plant fund group.

**Agency Funds.** "Agency Funds" are funds in the custody of the System held by the System as custodian or fiscal agent for others.

Depreciation policy follows that which is recommended in *College and University Business Administration*, Fourth Edition, (1982). Accordingly, no depreciation is taken on physical plant and

equipment. However, to maintain the principal of endowments unimpaired, depreciation is recorded on buildings which are the investment of endowment and similar funds.

Investments are carried at cost or, if donated, at fair market value at date of donation, adjusted for amortization of any premium or discount computed on the "scientific" basis. The cost of bond investments reflect "exchanged" cost as described in footnote "B" to the financial statements.

**Footnotes to Financial Statements**

**Note A.** Cash balances at August 31, 1985 reported in the various fund groups amounted to \$821,801,458. Time deposits represent about 97% of the total cash in banks (excluding \$110,822,918 for Cash on Hand, Cash in State Treasury, and Cash and Reimbursement in Transit).

**Note B.** At August 31, 1985 book values of all investments (excluding Permanent University Fund and Available University Fund real estate carried at nominal values of \$10,027,384 and \$86,100, respectively) are classified as follows:

|   |                        |
|---|------------------------|
| Bonds.....                                  | \$1,721,094,085        |
| Stocks .....                                | 721,986,731            |
| Real Estate Mortgages and Other Notes ..... | 325,172,770            |
| U.S. Treasury Bills .....                   | 40,478,550             |
| Real Estate .....                           | 12,500,616             |
| Other Investments .....                     | 1,336,870              |
|   | <u>\$2,822,569,622</u> |

The total market value of these investments at August 31, 1985 was at least \$3,056,000,000. During the year, certain bonds were sold and other bonds of equal par value and greater yield were purchased as replacements; these sales and purchases were treated as "exchanges," thus recognizing no gains or losses. Descriptions of these exchanges are shown in the narrative section of this report.

**Note C.** By acts of the Legislature and provisions of the Constitution, the net income of the Permanent University Fund is divided two-thirds to The University of Texas System and one-third to The Texas A&M University System. Because this distribution is made on the cash basis, in order to reflect consistent reporting of this information, interest on Permanent University Fund investments is not accrued in the financial statements. Accruing this interest would result in an increase in the September 1, 1984 balance of \$32,797,217 and an increase in investment income for fiscal year 84-85 of \$2,722,025 for an overall increase in the Available University Fund of \$35,569,242.

**Note D.** The Special Fund for John Sealy Hospital has been under the joint control of the Board of Regents and the Sealy and Smith Foundation since January 31, 1927, but has always been in the custody of the Foundation.

**Note E.** At August 31, 1985 The University of Texas System had outstanding Bonds, Notes, and Other Payables of \$777,570,506 as detailed below:

|  | <u>Interest Rates</u> | <u>Due Date</u> | <u>Outstanding Principal</u> |
|--|-----------------------|-----------------|------------------------------|
| <b>Bonds Payable</b>                     |                       |                 |                              |
| Permanent University Fund Bonds.....     | 3.60-11.125%          | 1985-2004       | \$309,065,000                |
| General Tuition Revenue Bonds.....       | 4.50-6.50%            | 1985-2002       | 87,125,000                   |
| Building Revenue Bonds .....             | 4.00-11.00%           | 1985-2010       | 98,240,000                   |
| Combined Fee Revenue Bonds .....         | 4.50-9.50%            | 1985-2007       | 125,985,000                  |
| Endowment and Hospital Revenue Bonds ..  | 4.50-6.25%            | 1985-2000       | 42,750,000                   |
| Miscellaneous Revenue and Fee Bonds .... | 2.375-11.90%          | 1985-2020       | 63,223,000                   |
| Advance Refunding Bonds .....            | 5.00-6.00%            | 1985-2000       | 41,735,000                   |
| Notes and Mortgages Payable .....        | 6.00-10.00%           | 1985-1986       | 16,591                       |
| Lease Purchases Payable .....            | 5.44-10.25%           | 1985-1998       | 9,430,915                    |
|  |                       |                 | <u>\$777,570,506</u>         |

Principal and interest requirements on the obligations for the next five years are as follows:

| <u>Fiscal<br/>Year</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|------------------------|----------------------|----------------------|----------------------|
| 1986 .....             | \$ 38,495,427        | \$ 53,549,638        | \$ 92,045,065        |
| 1987 .....             | 39,757,438           | 51,013,517           | 90,770,955           |
| 1988 .....             | 39,192,587           | 48,294,502           | 87,487,089           |
| 1989 .....             | 39,791,863           | 45,598,141           | 85,390,004           |
| 1990 .....             | 40,224,106           | 42,839,961           | 83,064,067           |
|                        | <u>\$197,461,421</u> | <u>\$241,295,759</u> | <u>\$438,757,180</u> |

The above liabilities do not include \$42,610,000 of Bonds Payable at August 31, 1985, which were fully defeased during fiscal years 1978 and 1980. Direct obligations of the United States of America in amounts, maturities, and bearing interest at rates sufficient to provide funds to pay in full principal, redemption premium and interest to maturity, or redemption on the defeased bonds are being held by an escrow agent.

**Note F.** At August 31, 1985 various lawsuits and claims involving The University of Texas System and various of its component institutions were pending. While the ultimate liability with respect to litigation and other claims asserted against the System cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on System accounts.

**Note G.** The financial statements do not reflect the balances or transactions of funds held in trust by others. At August 31, 1985 60 such funds existed for the benefit of The University of Texas System, of which 57 were for five specified component institutions and three for System-wide purposes. Based upon the most recent available information, the assets of these funds held in trust by others are carried by the Trustees at values totaling more than \$187,329,000.

**Note H.** The University of Texas System participates in the State of Texas joint contributory retirement plans which are established for substantially all State employees. The contributory percentages currently provided by the State and by each participant are 7.1% and 6%, respectively, of annual compensation.

The Teacher Retirement System of Texas, one of the primary plans, does not separately account for each of its component governmental agencies, since the Retirement System itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. According to an independent actuarial evaluation as of August 31, 1985, the present value of the Retirement System's actual and projected liabilities, including projected benefits payable to its retired and active members and their beneficiaries, was in excess of the assets of the Retirement System. However, the actuary projected that such assets, augmented by projected future contributions and earnings, would be sufficient to amortize the unfunded difference over a period of 24 years. Further information regarding actuarial assumptions and conclusions, together with audited financial statements, is included in the Retirement System's annual financial report.

The State has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program is in lieu of participation in the Teacher Retirement System. The contributory percentages currently provided by the State and by each participant are 8.5% and 6.65%, respectively, of annual compensation. The optional retirement program provides for the purchase of annuity contracts. Since these are individual annuity contracts, the State has no additional or unfunded liability for this program.

The retirement expense to the State for the University was \$64,496,159 for the fiscal year ended August 31, 1985. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the University.

**Note I.** The University of Texas System employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in S.B. No. 872 of the Sixty-third Legislature. As of August 31, 1985 the University had 264 employees participating in the program. A total of \$413,486 in payroll deductions had been invested in approved plans during the fiscal year, bringing the total of deferred salaries to \$4,271,139 since the inception of the program.

**Note J.** University employees may accrue annual and sick leave based on the length of service and subject to certain limitations regarding the amount which will be paid upon termination. The estimated costs of compensated absences for which employees are vested for the years ending August 31, 1985 and August 31, 1984 were \$45,634,248 and \$39,368,813, respectively.

Prior to August 31, 1983 the University followed the common practice of accounting for the costs of employees' annual leave and sick leave in the period when paid. Effective September 1, 1983 the University changed its method of accounting for such leave from the cash to the accrual basis to comply with Financial Accounting Standards Board Statement 43. Current expenses include \$6,265,435 for increase of the estimated compensated absence liability.

**Note K.** Inventories are valued at cost.

**Note L.** The University has entered into several long-term leases as lessee for financing the purchase of certain equipment. In accordance with Financial Accounting Standards Board Statement 13, these are recorded at the present value of the future minimum lease payments at the date of inception of the lease. Lease purchases payable are recorded on the line "Net Change in Bonds, Notes, and Other Payables."

**Note M.** The Available University Fund is classified as a separate fund group because of the unique manner in which it functions. The amounts shown on this statement represent only the portion of Available University Fund income that was transferred and used for current operating purposes. The amount reported for Comparative 1984 Available University Fund income has been restated for consistency and comparison purposes due to a change in method of calculation.

**Note N.** In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees. Substantially all employees may become eligible for these benefits if they reach normal retirement age while working for the State. These and similar benefits for active employees are provided through an insurance company whose premiums are based on the benefits paid during the previous year. The State recognizes the cost of providing these benefits by expensing the annual insurance premiums. The State's contribution per full-time employee was \$85 per month for the year ended August 31, 1985 and totaled \$39,554,766 for the year. The cost of providing these benefits for 3,109 retirees was \$2,280,298 and for 45,287 active employees was \$37,274,468.



PURCHASE CONTRACT

RELATING TO

\$222,040,000

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

August 14, 1986

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

Ladies and Gentlemen:

The undersigned (the "Representatives"), acting on behalf of themselves and the other underwriters named on the list attached hereto as Exhibit A, as such list may be changed from time to time by the Representatives (the Representatives together with such other underwriters are collectively referred to herein as the "Underwriters"), offer to enter into this Purchase Contract with the Board of Regents of The University of Texas System (the "Issuer"). The Representatives need not advise the Issuer of any change in the Underwriters. This offer is made subject to the Issuer's acceptance of this Purchase Contract on or before 5:00 p.m., Austin, Texas time, on August 14, 1986, and if not so accepted will be subject to withdrawal by the Underwriters upon notice delivered to the Issuer at any time prior to the acceptance hereof by the Issuer. Capitalized terms used herein that are not otherwise defined shall have the meanings assigned to them in the Official Statement (as hereinafter defined).

1. Upon the terms and conditions and upon the basis of the representations set forth herein, the Underwriters, jointly and severally, hereby agree to purchase from the Issuer, and the Issuer hereby agrees to sell and deliver to the Underwriters an aggregate of \$222,040,000 principal amount of the Issuer's General Revenue Refunding Bonds, Series 1986 (the "Bonds"). The Bonds shall be dated July 15, 1986, and shall have the maturities and bear interest from their date at the rate or rates per annum set forth in Exhibit B hereto. The aggregate purchase price for the Bonds shall be \$214,777,477.05, plus interest accrued on the Bonds from their date to the date of Closing (as hereinafter defined). The allocation of such purchase price is set forth in Exhibit C hereto.

2. The Bonds shall be as described in, and shall be issued and secured under the provisions of, the resolution adopted by the Issuer on August 14, 1986 authorizing the issuance of the Bonds (the "Resolution"). The Bonds shall be subject to redemption and shall be payable as provided in the Resolution. The Official Statement with respect to the Bonds, dated August 14, 1986, including the cover page and appendices thereto, as amended in accordance with the terms hereof is hereinafter referred to as the "Official Statement."

3. As set forth in the Official Statement, the proceeds of the Bonds, together with other funds of the Issuer, will be used at Closing to pay certain costs and expenses connected with the issuance of the Bonds and purchase a portfolio of

United States government obligations that will be deposited in escrow, the maturing principal of and interest on which will be sufficient to pay, when due, the principal and interest on the bonds to be refunded (the "Refunded Bonds"). In order to accomplish such advance refunding and defeasance, it will be necessary for the Issuer to subscribe for certain direct obligations of the United States of America (the "Federal Securities") to be purchased at the Closing with proceeds of the Bonds, the maturing principal of and interest on which will be sufficient to provide for the full and timely payment of the Refunded Bonds.

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

5. It shall be a condition of the obligation of the Issuer to sell and deliver the Bonds to the Underwriters, and of the obligation of the Underwriters to purchase and accept delivery of the Bonds, that the entire \$222,040,000 principal amount of the Bonds authorized by the Resolution shall be sold and delivered by the Issuer and accepted and paid for by the Underwriters at the Closing. The Underwriters agree to make a bona fide public offering of all of the Bonds at prices not in excess of the initial public offering prices as set forth on the reverse side of the cover page of the Official Statement, plus interest accrued thereon from the date of the Bonds.

6. On behalf of the Underwriters, Morgan Guaranty Trust Company of New York hereby delivers to the Issuer its corporate check payable to the order of the Issuer in the amount of \$2,220,400 (the check hereinafter referred to as the "Good Faith Deposit"). In the event that the Issuer does not accept this offer, the Good Faith Deposit shall be immediately returned to Morgan Guaranty Trust Company of New York. In the event that the Issuer does accept this offer, the Issuer shall retain the Good Faith Deposit uncashed pending the Closing. The Good Faith Deposit shall be returned to Morgan Guaranty Trust Company of New York at the time of delivery of the Bonds and the payment of the purchase price of the Bonds as provided in Paragraph 9 hereof. In the event the Issuer fails to deliver the Bonds at the Closing, or in the event the Issuer is unable to satisfy the conditions to the obligations of the Underwriters to purchase, accept delivery of and pay for the Bonds, as set forth in this Purchase Contract (unless waived by the Underwriters), or in the event such obligations of the Underwriters are terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and the Good Faith Deposit shall immediately be returned to Morgan Guaranty Trust Company of New York. In the event that the Underwriters fail (other than for a reason permitted hereunder) to purchase, accept delivery of and pay for the Bonds at the Closing as herein provided, the Good Faith Deposit shall be retained by the Issuer and cashed as and for full liquidated damages for such failure and for any defaults hereunder on the part of the Underwriters and, except as set forth in Paragraphs 12 and 14 hereof, neither party hereto shall have any further rights against the other hereunder.

7. The Issuer hereby authorizes the Underwriters to use the Resolution, the Official Statement and the information contained in either of those documents in connection with the public offering and sale of the Bonds. The Issuer confirms its consent to the use by the Underwriters prior to the date hereof of the Preliminary

Official Statement for the Bonds, dated July 15, 1986 (the "Preliminary Official Statement") (a copy of which has been previously provided by the Representatives to the Issuer, the receipt of which is hereby acknowledged), in connection with the public offering of the Bonds.

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

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

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

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

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

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

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

(g) Between the date of this Purchase Contract and the Closing, neither the Issuer nor the System will, without the prior written consent of the Underwriters, issue any additional bonds, notes or other obligations for

borrowed money, and neither the Issuer nor the System will incur any material liabilities, direct or contingent, nor will there be any material adverse change in the financial position or condition of the System or the Pledged Revenues;

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

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

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

(k) If prior to the Closing any event occurs affecting the Issuer, the System or the Pledged Revenues and Fees which is materially adverse for the purpose for which the Official Statement is to be used and is not disclosed in the Official Statement, the Issuer shall notify the Underwriters, and if in the opinion of the Underwriters such event requires a supplement or amendment to the Official Statement, the Issuer will supplement or amend the Official Statement in a form and in a manner approved by the Underwriters, counsel to the Underwriters and Bond Counsel.

9. At 10:00 a.m., New York, New York time, on or about August 21, 1986, at the offices of Morgan Guaranty Trust Company of New York at 23 Wall Street, New York, New York, or at such other time, date and place as may be mutually agreed upon by the parties (the "Closing"), the Issuer will deliver fully registered Bonds in definitive form in the denomination of \$5,000 each or any integral multiple thereof within a maturity, to the Underwriters, duly executed and authenticated, approved by the Attorney General of Texas and registered by the Comptroller of Public Accounts of the State of Texas, together with the other documents hereinafter mentioned, and the Underwriters will accept such delivery and pay to the Issuer with immediately available funds in the amount of the purchase price of such Bonds as set forth in Paragraph 1 hereof, plus accrued

interest on the Bonds from their dated date to the date of Closing. The Bonds shall initially be delivered as one Bond per maturity. The definitive Bonds shall be printed or lithographed on lithographed or steel engraved borders; shall be fully registered in such name or names as the Underwriters shall have specified to MBank Austin, National Association, Austin, Texas (the "Paying Agent/Registrar") provided such specification is made not less than five business days prior to the Closing; shall be prepared and delivered in definitive form bearing CUSIP numbers, executed by the Issuer by manual or facsimile signature and authenticated by the Paying Agent/Registrar; and, if the Underwriters shall so request, shall be made available to the Underwriters at least one business day before the Closing for the purpose of inspection, but in any event, such definitive Bonds shall remain under the control of the Issuer pending payment therefor.

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

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

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

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

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

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

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

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

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

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

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

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

(7) A certificate, dated the date of Closing, signed by the Chairman of the System, the Executive Vice Chancellor for Asset Management of the System and the Vice Chancellor and General Counsel to the System, to the effect that to the best of their knowledge (a) the representations and warranties of the Issuer contained herein are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing; (b) except to the extent disclosed in the Official Statement, no litigation is pending or threatened in any court to restrain or enjoin the issuance or delivery of the Bonds, or the collection or receipt of the Pledged Revenues and Fees pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity of the Bonds, the Resolution, or this Purchase Contract, or contesting the powers of the Issuer or contesting the authorization of the Bonds, the Refunded Bonds, the Resolution or the Prior Resolutions, or contesting in any way the accuracy, completeness or fairness of the Preliminary Official Statement or the Official Statement; (c) the Official Statement does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (d) no event affecting the Issuer, the System or the Pledged Revenues and Fees has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is

necessary to disclose therein in order to make the statements and information therein not misleading in any respect; and (e) there has not been any material adverse change in the financial condition of the System or the Pledged Revenues and Fees from that reflected in the unaudited and audited financial statements and other financial information contained in the Official Statement;

(8) A fully executed escrow agreement between the Issuer and MBank Austin, National Association, Austin, 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;

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

(10) A report of Ernst & Whinney, independent certified public accountants, stating that such firm has verified the mathematical accuracy of certain computations based upon assumptions provided to them relating to (a) the adequacy of the maturing principal amounts of the United States government obligations and the interest thereon held in the escrow fund established by the Escrow Agreement to pay when due all of the principal of and interest and redemption premiums, if any, on the Refunded Bonds, and (b) certain mathematical computations used by Bond Counsel to support its opinion that the Refunding Bonds are not arbitrage bonds within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended;

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

all instances for changes or decreases which the Official Statement discloses have occurred or may occur or which are described in such certificate;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) The Underwriters shall pay: (i) the cost of the preparation, printing and distribution of the Resolution, the Preliminary Official Statement, the final Official Statement and the Bonds; (ii) the cost of the preparation and printing of the Agreement Among Underwriters, this Purchase Contract and the Blue Sky and Legal Investment Surveys; (iii) all advertising expenses in connection with the offering of the Bonds; (iv) all other expenses incurred by them or any of them in connection with their offering and distribution of the Bonds, including the fees and disbursements of counsel retained by them; and (v) the fees and disbursements for the accountant certifying escrow adequacy.

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

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

operative and in full force and effect, regardless of any termination of this Purchase Contract.

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

Very truly yours,

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

By: Morgan Guaranty Trust Company of New York

By: \_\_\_\_\_  
Vice President

ACCEPTED:

This 14th day of August, 1986.

BOARD OF REGENTS OF THE UNIVERSITY  
OF TEXAS SYSTEM

By: \_\_\_\_\_  
Chairman

ATTEST:

\_\_\_\_\_  
Executive Secretary

EXHIBIT A

UNDERWRITERS

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

Daniels & Bell, Inc.  
Eppler, Guerin & Turner, Inc.  
Masterson & Company

EXHIBIT B

\$222,040,000  
Board of Regents of The University of Texas System  
General Revenue Refunding Bonds,  
Series 1986

\$148,240,000 Serial Bonds

| <u>Due</u> | <u>Amount</u> | <u>Rate</u> | <u>Yield</u> |
|------------|---------------|-------------|--------------|
| 1987       | \$ 6,180,000  | 5.00 %      | 5.00 %       |
| 1988       | 7,885,000     | 5.50        | 5.50         |
| 1989       | 8,225,000     | 6.00        | 6.00         |
| 1990       | 8,650,000     | 6.25        | 6.25         |
| 1991       | 9,120,000     | 6.50        | 6.50         |
| 1992       | 9,690,000     | 6.75        | 6.75         |
| 1993       | 10,420,000    | 7.00        | 7.00         |
| 1994       | 10,930,000    | 7.25        | 7.25         |
| 1995       | 11,710,000    | 7.50        | 7.50         |
| 1996       | 12,430,000    | 7.70        | 7.70         |
| 1997       | 10,000,000    | 7.75        | 7.80         |
| 1998       | 10,000,000    | 7.75        | 7.85         |
| 1999       | 10,000,000    | 7.75        | 7.90         |
| 2000       | 10,000,000    | 7.75        | 7.95         |
| 2001       | 13,000,000    | 7.75        | 8.00         |

\$55,290,000 8.00% Term Bonds due August 15, 2004 -- Price 99.00%  
\$18,510,000 6.50% Term Bonds due August 15, 2007 -- Price 85.763%

(Plus accrued interest from July 15, 1986).

EXHIBIT C

\$222,040,000  
Board of Regents of The University of Texas System  
General Revenue Refunding Bonds,  
Series 1986

The purchase price of the Bonds is computed as follows:

|   |                         |
|---|-------------------------|
| Aggregate principal amount of Bonds               | \$222,040,000.00        |
| Less:   |                         |
| Aggregate Underwriters' Discount<br>for all Bonds | [3,391,464.25]          |
| Original Issue Discount ("OID"):                  |                         |
| <u>Year</u>                                       | <u>Amount of OID</u>    |
| 2001 (parallel serial)                            | \$ 682,890.00           |
| 2004 (term)                                       | 552,900.00              |
| 2007 (term)                                       | <u>2,635,268.70</u>     |
| Total OID   | <u>[3,871,058.70]</u>   |
| Purchase Price                                    | \$214,777,477.05        |
| Plus Accrued Interest                             | <u>\$ 1,611,471.00</u>  |
| Total Payable to Issuer                           | <u>\$216,388,948.05</u> |

EXHIBIT D

August 21, 1986

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

Re: \$222,040,000 Board of Regents of The University of Texas System,  
General Revenue Refunding Bonds, Series 1986

Gentlemen:

We have acted as counsel for you as the Underwriters of the above-captioned bonds (the "Bonds"), dated July 15, 1986, issued by the Board of Regents of The University of Texas System (the "Issuer"), pursuant to a resolution adopted by the Issuer on August 14, 1986 (the "Resolution"). You are purchasing the Bonds pursuant to a certain Purchase Contract (the "Purchase Contract") with respect thereto, dated August 14, 1986.

We have examined such documents and satisfied ourselves as to such matters as we have deemed necessary in order to enable us to express the opinions set forth below. We have not examined the Bonds, except a specimen thereof, and have relied upon a certificate of the Issuer as to the execution thereof. As to various questions of fact material to these opinions, we have relied upon representations of the Issuer and statements in the Official Statement (the "Official Statement") of the Issuer related to the Bonds.

Based upon the foregoing, in our opinion:

1. The Purchase Contract has been duly authorized, executed and delivered by the Underwriters and constitutes a valid and enforceable agreement of the Underwriters in accordance with its terms;

2. The requirements contained in the Purchase Contract which are conditions precedent to the obligations of the Underwriters to accept and pay for the Bonds have been met or waived by the Underwriters; and

3. The Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and it is not necessary in connection with the sale of the Bonds to the public to register the Bonds under the Securities Act of 1933, as amended, or the Resolution under the Trust Indenture Act of 1939, as amended.

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

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

Respectfully submitted,

EXHIBIT E

SCHEDULE OF REFUNDED BONDS

DATE: 8/04/86 15:23

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (1) ARLINGTON - STUDENT CENTER FEE BONDS, SERIES 1960

DEBT REFUNDING SELECTION REPORT  
 .....

THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND MATURITY DATE | BOND MATURITY AMOUNT | BOND COUPON RATE | ACTUAL REDEMPTION DATE | ACTUAL REDEMPTION PRICE | REFUNDING ESCROW TYPE |
|--------------------|----------------------|------------------|------------------------|-------------------------|-----------------------|
| 7.0187             | 35,000               | 4.375            | 7.0187                 | 100.000                 | E.T.M.                |
| 7.0188             | 27,000               | 4.375            | 7.0188                 | 100.000                 | E.T.M.                |
| 7.0189             | 38,000               | 4.375            | 7.0189                 | 100.000                 | F.T.M.                |
|                    | 110,000              | .000             | .0000                  | .000                    | .000                  |

DATE: 8/04/86 15:23

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
(2) ARLINGTON - GYMNASIUM FEE BONDS, SERIES 1961

DEBT REFUNDING SELECTION REPORT  
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THE MORGAN BANK  
PUBLIC FINANCE DEPARTMENT  
INVESTMENT BANKING GROUP

| BOND<br>MATURITY<br>DATE | BOND<br>MATURITY<br>AMOUNT | BOND<br>COUPON<br>RATE | ACTUAL<br>REDEMPTION<br>DATE | ACTUAL<br>REDEMPTION<br>PRICE | REFUNDING<br>ESCROW<br>TYPE |
|--------------------------|----------------------------|------------------------|------------------------------|-------------------------------|-----------------------------|
| 7.0187                   | 35,000                     | 4.250                  | 7.0187                       | 100.000                       | E.T.M.                      |
| 7.0188                   | 37,000                     | 4.250                  | 7.0188                       | 100.000                       | E.T.M.                      |
| 7.0189                   | 39,000                     | 4.250                  | 7.0189                       | 100.000                       | E.T.M.                      |
| 7.0190                   | 39,000                     | 4.250                  | 7.0190                       | 100.000                       | E.T.M.                      |
| .0000                    | 150,000                    | .000                   | .0000                        | .000                          | .000                        |

DATE: 8/04/86 15:24

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1980  
 (3) ARLINGTON - STUDENT FEE REVENUE BONDS, SERIES 1964

DEBT REFUNDING SELECTION REPORT

THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND MATURITY DATE | BOND MATURITY AMOUNT | BOND COUPON RATE | ACTUAL REDEMPTION DATE | ACTUAL REDEMPTION PRICE | REFUNDING ESCROW TYPE |
|--------------------|----------------------|------------------|------------------------|-------------------------|-----------------------|
| 7.0187             | 125,000              | 3.750            | 7.0187                 | 100.000                 | E.T.M.                |
| 7.0188             | 130,000              | 3.750            | 7.0188                 | 100.000                 | E.T.M.                |
| 7.0189             | 135,000              | 3.750            | 7.0189                 | 100.000                 | E.T.M.                |
| 7.0190             | 140,000              | 3.900            | 7.0190                 | 100.000                 | E.T.M.                |
| 7.0191             | 145,000              | 3.900            | 7.0191                 | 100.000                 | E.T.M.                |
| 7.0192             | 150,000              | 3.900            | 7.0192                 | 100.000                 | E.T.M.                |
| 7.0193             | 155,000              | 3.900            | 7.0193                 | 100.000                 | E.T.M.                |
| 7.0194             | 160,000              | 3.900            | 7.0194                 | 100.000                 | E.T.M.                |
| 7.0195             | 165,000              | 3.900            | 7.0195                 | 100.000                 | E.T.M.                |
| 7.0196             | 165,000              | .100             | 7.0196                 | 100.000                 | E.T.M.                |
| .0000              | 1,470,000            | .000             | .0000                  | .000                    | .000                  |

DATE: 8/04/86 15:24

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
(4) ARLINGTON - STUDENT FEE REV BND\$ SERIES 1966

DEBT REFUNDING SELECTION REPORT  
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THE MORGAN BANK  
PUBLIC FINANCE DEPARTMENT  
INVESTMENT BANKING GROUP

| BOND<br>MATURITY<br>DATE | BOND<br>MATURITY<br>AMOUNT | BOND<br>COUPON<br>RATE | ACTUAL<br>REDEMPTION<br>DATE | ACTUAL<br>REDEMPTION<br>PRICE | REFUNDING<br>ESCROW<br>TYPE |
|--------------------------|----------------------------|------------------------|------------------------------|-------------------------------|-----------------------------|
| 7.0187                   | 65,000                     | 4.250                  | 7.0187                       | 100.000                       | E.T.M.                      |
| 7.0188                   | 70,000                     | 4.400                  | 7.0188                       | 100.000                       | E.T.M.                      |
| 7.0189                   | 70,000                     | 4.400                  | 7.0189                       | 100.000                       | E.T.M.                      |
| 7.0190                   | 75,000                     | 4.400                  | 7.0190                       | 100.000                       | E.T.M.                      |
| 7.0191                   | 75,000                     | 4.400                  | 7.0191                       | 100.000                       | E.T.M.                      |
| 7.0192                   | 80,000                     | 4.400                  | 7.0192                       | 100.000                       | E.T.M.                      |
| 7.0193                   | 85,000                     | 4.400                  | 7.0193                       | 100.000                       | E.T.M.                      |
| 7.0194                   | 85,000                     | 4.400                  | 7.0194                       | 100.000                       | E.T.M.                      |
| 7.0195                   | 90,000                     | 4.400                  | 7.0195                       | 100.000                       | E.T.M.                      |
| 7.0196                   | 90,000                     | 4.400                  | 7.0196                       | 100.000                       | E.T.M.                      |
| 7.0197                   | 95,000                     | 4.400                  | 7.0197                       | 100.000                       | E.T.M.                      |
| .0000                    | 880,000                    | .000                   | .0000                        | .000                          | .000                        |

DATE: 8/04/86 15:24

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (5) ARLINGTON - STUDENT FEE REV BND, SERIES 1968

DEBT REFUNDING SELECTION REPORT  
 .....

THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND MATURITY DATE | BOND MATURITY AMOUNT | BOND COUPON RATE | ACTUAL REDEMPTION DATE | ACTUAL REDEMPTION PRICE | REFUNDING ESCROW TYPE |
|--------------------|----------------------|------------------|------------------------|-------------------------|-----------------------|
| 7.0187             | 50,000               | 3.000            | 7.0187                 | 100.000                 | E.T.M.                |
| 7.0188             | 50,000               | 3.000            | 7.0188                 | 100.000                 | E.T.M.                |
| 7.0189             | 50,000               | 3.000            | 7.0189                 | 100.000                 | E.T.M.                |
| 7.0190             | 55,000               | 3.000            | 7.0190                 | 100.000                 | E.T.M.                |
| 7.0191             | 55,000               | 3.000            | 7.0191                 | 100.000                 | E.T.M.                |
| 7.0192             | 55,000               | 3.000            | 7.0192                 | 100.000                 | E.T.M.                |
| 7.0193             | 60,000               | 3.000            | 7.0193                 | 100.000                 | E.T.M.                |
| 7.0194             | 60,000               | 3.000            | 7.0194                 | 100.000                 | E.T.M.                |
| 7.0195             | 60,000               | 3.000            | 7.0195                 | 100.000                 | E.T.M.                |
| 7.0196             | 60,000               | 3.000            | 7.0196                 | 100.000                 | E.T.M.                |
| 7.0197             | 60,000               | 3.000            | 7.0197                 | 100.000                 | E.T.M.                |
| 7.0198             | 65,000               | 3.000            | 7.0198                 | 100.000                 | E.T.M.                |
| .0000              | 660,000              | .000             | .0000                  | .000                    | .000                  |

DATE: 8/04/86 15:25

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (6) ARLINGTON - COMB FEE REV BONDS, SERIES '71-A

DEBT REFUNDING SELECTION REPORT  
 .....

THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND MATURITY DATE | BOND MATURITY AMOUNT | BOND COUPON RATE | ACTUAL REDEMPTION DATE | ACTUAL REDEMPTION PRICE | REFUNDING ESCROW TYPE |
|--------------------|----------------------|------------------|------------------------|-------------------------|-----------------------|
| 7.0187             | 150,000              | 5.300            | 7.0187                 | 100.000                 | E.T.M.                |
| 7.0188             | 160,000              | 5.300            | 7.0188                 | 100.000                 | E.T.M.                |
| 7.0189             | 170,000              | 5.300            | 7.0189                 | 100.000                 | E.T.M.                |
| 7.0190             | 180,000              | 5.700            | 7.0190                 | 100.000                 | E.T.M.                |
| 7.0191             | 190,000              | 5.700            | 7.0191                 | 100.000                 | E.T.M.                |
| 7.0192             | 205,000              | 5.700            | 7.0192                 | 100.000                 | E.T.M.                |
| 7.0193             | 215,000              | 5.700            | 7.0193                 | 100.000                 | E.T.M.                |
| 7.0194             | 230,000              | 5.900            | 7.0194                 | 100.000                 | E.T.M.                |
| 7.0195             | 240,000              | 5.900            | 7.0195                 | 100.000                 | E.T.M.                |
| 7.0196             | 255,000              | 5.900            | 7.0196                 | 100.000                 | E.T.M.                |
| 7.0197             | 270,000              | 6.000            | 7.0197                 | 100.000                 | E.T.M.                |
| 7.0198             | 290,000              | 6.000            | 7.0198                 | 100.000                 | E.T.M.                |
| 7.0199             | 305,000              | 6.000            | 7.0199                 | 100.000                 | E.T.M.                |
| 7.0100             | 325,000              | 5.000            | 7.0100                 | 100.000                 | E.T.M.                |
| 7.0101             | 345,000              | 5.000            | 7.0101                 | 100.000                 | E.T.M.                |
| .0000              | 3,530,000            | .000             | .0000                  | .000                    | .000                  |

DATE: 8/04/86 15:25

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (7) ARLINGTON - COMB FEE REV BOND, SERIES '73

DEBT REFUNDING SELECTION REPORT  
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THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND MATURITY DATE | BOND MATURITY AMOUNT | BOND COUPON RATE | ACTUAL REDEMPTION DATE | ACTUAL REDEMPTION PRICE | REFUNDING ESCROW TYPE |
|--------------------|----------------------|------------------|------------------------|-------------------------|-----------------------|
| 7.0187             | 260,000              | 6.000            | 7.0187                 | 100.000                 | E.T.M.                |
| 7.0188             | 275,000              | 5.300            | 7.0188                 | 100.000                 | E.T.M.                |
| 7.0189             | 290,000              | 5.000            | 7.0189                 | 100.000                 | E.T.M.                |
| 7.0190             | 305,000              | 5.000            | 7.0190                 | 100.000                 | E.T.M.                |
| 7.0191             | 325,000              | 5.000            | 7.0191                 | 100.000                 | E.T.M.                |
| 7.0192             | 340,000              | 5.100            | 7.0192                 | 100.000                 | E.T.M.                |
| 7.0193             | 360,000              | 5.100            | 7.0193                 | 100.000                 | E.T.M.                |
| 7.0194             | 380,000              | 5.100            | 7.0194                 | 100.000                 | E.T.M.                |
| 7.0195             | 400,000              | 5.100            | 7.0195                 | 100.000                 | E.T.M.                |
| 7.0196             | 425,000              | 5.200            | 7.0196                 | 100.000                 | E.T.M.                |
| 7.0197             | 445,000              | 5.200            | 7.0197                 | 100.000                 | E.T.M.                |
| 7.0198             | 470,000              | 5.200            | 7.0198                 | 100.000                 | E.T.M.                |
| 7.0199             | 495,000              | 5.200            | 7.0199                 | 100.000                 | E.T.M.                |
| 7.0100             | 525,000              | 5.200            | 7.0100                 | 100.000                 | E.T.M.                |
| 7.0101             | 550,000              | 4.500            | 7.0101                 | 100.000                 | E.T.M.                |
| 7.0102             | 635,000              | 4.500            | 7.0102                 | 100.000                 | E.T.M.                |
| <b>.0000</b>       | <b>6,480,000</b>     | <b>.000</b>      | <b>.0000</b>           | <b>.000</b>             | <b>.000</b>           |

DATE: 8/04/86 15:26

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (8) ARLINGTON - COMB FEE REV BONDS, SERIES '73-A

DEBT REFUNDING SELECTION REPORT  
 .....

THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND MATURITY DATE | BOND MATURITY AMOUNT | BOND COUPON RATE | ACTUAL REDEMPTION DATE | ACTUAL REDEMPTION PRICE | REFUNDING ESCROW TYPE |
|--------------------|----------------------|------------------|------------------------|-------------------------|-----------------------|
| 7.0187             | 185,000              | 6.500            | 7.0187                 | 100.000                 | E.T.M.                |
| 7.0188             | 175,000              | 6.500            | 7.0188                 | 100.000                 | E.T.M.                |
| 7.0189             | 185,000              | 6.000            | 7.0189                 | 100.000                 | E.T.M.                |
| 7.0190             | 195,000              | 5.400            | 7.0190                 | 100.000                 | E.T.M.                |
| 7.0191             | 200,000              | 5.400            | 7.0191                 | 100.000                 | E.T.M.                |
| 7.0192             | 210,000              | 5.400            | 7.0192                 | 100.000                 | E.T.M.                |
| 7.0193             | 225,000              | 5.400            | 7.0193                 | 100.000                 | E.T.M.                |
| 7.0194             | 230,000              | 5.400            | 7.0194                 | 100.000                 | E.T.M.                |
| 7.0195             | 250,000              | 5.400            | 7.0195                 | 100.000                 | E.T.M.                |
| 7.0196             | 260,000              | 5.400            | 7.0196                 | 100.000                 | E.T.M.                |
| 7.0197             | 275,000              | 5.500            | 7.0197                 | 100.000                 | E.T.M.                |
| 7.0198             | 290,000              | 5.500            | 7.0198                 | 100.000                 | E.T.M.                |
| 7.0199             | 310,000              | 5.600            | 7.0199                 | 100.000                 | E.T.M.                |
| 7.0100             | 325,000              | 5.600            | 7.0100                 | 100.000                 | E.T.M.                |
| 7.0101             | 340,000              | 5.700            | 7.0101                 | 100.000                 | E.T.M.                |
| 7.0102             | 660,000              | 5.700            | 7.0102                 | 100.000                 | E.T.M.                |
| 7.0103             | 1,000,000            | 5.700            | 7.0103                 | 100.000                 | E.T.M.                |
| 7.0104             | 1,070,000            | 5.000            | 7.0104                 | 100.000                 | E.T.M.                |
| -----              |                      |                  |                        |                         |                       |
| .0000              | 6,385,000            | .000             | .0000                  | .000                    | .000                  |
| -----              |                      |                  |                        |                         |                       |

DATE: 8/04/86 15:28

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (9) ARLINGTON - COMB FEE REV BONDS, SERIES '74

DEBT REFUNDING SELECTION REPORT

THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND<br>MATURITY<br>DATE | BOND<br>MATURITY<br>AMOUNT | BOND<br>COUPON<br>RATE | ACTUAL<br>REDEMPTION<br>DATE | ACTUAL<br>REDEMPTION<br>PRICE | REFUNDING<br>ESCROW<br>TYPE |
|--------------------------|----------------------------|------------------------|------------------------------|-------------------------------|-----------------------------|
| 7.0187                   | 65,000                     | 7.300                  | 7.0187                       | 100.000                       | E.T.M.                      |
| 7.0188                   | 65,000                     | 7.300                  | 7.0188                       | 100.000                       | E.T.M.                      |
| 7.0189                   | 70,000                     | 7.300                  | 7.0189                       | 100.000                       | E.T.M.                      |
| 7.0190                   | 75,000                     | 7.500                  | 7.0190                       | 100.000                       | E.T.M.                      |
| 7.0191                   | 80,000                     | 7.500                  | 7.0191                       | 100.000                       | E.T.M.                      |
| 7.0192                   | 80,000                     | 7.600                  | 7.0192                       | 100.000                       | E.T.M.                      |
| 7.0193                   | 80,000                     | 7.700                  | 7.0193                       | 100.000                       | E.T.M.                      |
| 7.0194                   | 85,000                     | 7.850                  | 7.0194                       | 100.000                       | E.T.M.                      |
| 7.0195                   | 85,000                     | 7.850                  | 7.0195                       | 100.000                       | E.T.M.                      |
| 7.0196                   | 85,000                     | 7.850                  | 7.0196                       | 100.000                       | E.T.M.                      |
| 7.0197                   | 90,000                     | 7.850                  | 7.0197                       | 100.000                       | E.T.M.                      |
| .0000                    | 860,000                    | .000                   | .0000                        | .000                          | .000                        |

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BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (10) ARLINGTON - COMB FEE REV BONDS, SERIES '78

DEBT REFUNDING SELECTION REPORT  
 .....

THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND<br>MATURITY<br>DATE | BOND<br>MATURITY<br>AMOUNT | BOND<br>COUPON<br>RATE | ACTUAL<br>REDEMPTION<br>DATE | ACTUAL<br>REDEMPTION<br>PRICE | REFUNDING<br>ESCROW<br>TYPE |
|--------------------------|----------------------------|------------------------|------------------------------|-------------------------------|-----------------------------|
| 7.0187                   | 135,000                    | 6.750                  | 7.0187                       | 100.000                       | E.T.M.                      |
| 7.0188                   | 155,000                    | 6.250                  | 7.0188                       | 100.000                       | E.T.M.                      |
| 7.0189                   | 160,000                    | 6.250                  | 7.0189                       | 100.000                       | E.T.M.                      |
| 7.0190                   | 170,000                    | 6.250                  | 7.0190                       | 100.000                       | E.T.M.                      |
| 7.0191                   | 185,000                    | 5.500                  | 7.0191                       | 100.000                       | E.T.M.                      |
| 7.0192                   | 195,000                    | 5.500                  | 7.0192                       | 100.000                       | E.T.M.                      |
| 7.0193                   | 210,000                    | 5.700                  | 7.0193                       | 100.000                       | E.T.M.                      |
| 7.0194                   | 220,000                    | 5.700                  | 7.0194                       | 100.000                       | E.T.M.                      |
| 7.0195                   | 235,000                    | 5.700                  | 7.0195                       | 100.000                       | E.T.M.                      |
| 7.0196                   | 255,000                    | 6.000                  | 7.0196                       | 100.000                       | E.T.M.                      |
| 7.0197                   | 275,000                    | 6.000                  | 7.0197                       | 100.000                       | E.T.M.                      |
| 7.0198                   | 305,000                    | 6.000                  | 7.0198                       | 100.000                       | E.T.M.                      |
| 7.0199                   | 320,000                    | 6.300                  | 7.0199                       | 100.000                       | E.T.M.                      |
| 7.0100                   | 335,000                    | 6.300                  | 7.0100                       | 100.000                       | E.T.M.                      |
| 7.0101                   | 355,000                    | 6.300                  | 7.0101                       | 100.000                       | E.T.M.                      |
| 7.0102                   | 375,000                    | 6.500                  | 7.0102                       | 100.000                       | E.T.M.                      |
| 7.0103                   | 400,000                    | 6.500                  | 7.0103                       | 100.000                       | E.T.M.                      |
| 7.0104                   | 425,000                    | 6.500                  | 7.0104                       | 100.000                       | E.T.M.                      |
| .0000                    | 4,710,000                  | .000                   | .0000                        | .000                          | .000                        |

DATE: 8/04/88 15:27

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (11) ARLINGTON - COMB FEE REV BGS, SERIES '86

DEBT REFUNDING SELECTION REPORT  
 .....

THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND<br>MATURITY<br>DATE | BOND<br>MATURITY<br>AMOUNT | BOND<br>COUPON<br>RATE | ACTUAL<br>REDEMPTION<br>DATE | ACTUAL<br>REDEMPTION<br>PRICE | REFUNDING<br>ESCROW<br>TYPE |
|--------------------------|----------------------------|------------------------|------------------------------|-------------------------------|-----------------------------|
| 7.0187                   | 180,000                    | 12.000                 | 7.0187                       | 100.000                       | E.T.M.                      |
| 7.0188                   | 200,000                    | 12.000                 | 7.0188                       | 100.000                       | E.T.M.                      |
| 7.0189                   | 225,000                    | 12.000                 | 7.0189                       | 100.000                       | E.T.M.                      |
| 7.0190                   | 245,000                    | 12.000                 | 7.0190                       | 100.000                       | E.T.M.                      |
| 7.0191                   | 270,000                    | 12.000                 | 7.0191                       | 100.000                       | E.T.M.                      |
| 7.0192                   | 300,000                    | 12.000                 | 7.0192                       | 100.000                       | E.T.M.                      |
| 7.0193                   | 330,000                    | 12.000                 | 7.0193                       | 100.000                       | E.T.M.                      |
| 7.0194                   | 365,000                    | 12.000                 | 7.0194                       | 100.000                       | E.T.M.                      |
| 7.0195                   | 405,000                    | 12.000                 | 7.0194                       | 102.000                       | E.T.C.                      |
| 7.0196                   | 450,000                    | 9.500                  | 7.0194                       | 102.000                       | E.T.C.                      |
| 7.0197                   | 495,000                    | 9.500                  | 7.0194                       | 102.000                       | E.T.C.                      |
| 7.0198                   | 545,000                    | 9.700                  | 7.0194                       | 102.000                       | E.T.C.                      |
| 7.0199                   | 605,000                    | 9.800                  | 7.0194                       | 102.000                       | E.T.C.                      |
| 7.0100                   | 670,000                    | 9.850                  | 7.0194                       | 102.000                       | E.T.C.                      |
| 7.0101                   | 740,000                    | 9.900                  | 7.0194                       | 102.000                       | E.T.C.                      |
| 7.0102                   | 815,000                    | 10.000                 | 7.0194                       | 102.000                       | E.T.C.                      |
| 7.0103                   | 900,000                    | 10.000                 | 7.0194                       | 102.000                       | E.T.C.                      |
| 7.0104                   | 995,000                    | 9.900                  | 7.0194                       | 102.000                       | E.T.C.                      |
| 7.0105                   | 1,100,000                  | 9.500                  | 7.0194                       | 102.000                       | E.T.C.                      |
| .0000                    | 9,835,000                  | .000                   | .0000                        | .000                          | .000                        |

DATE: 8/04/86 15:27

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
GENERAL REVENUE REFUNDING BONDS, SERIES 1988  
(12) ARLINGTON - HSMG SYS REV REF BDS, SERIES '63

DEBT REFUNDING SELECTION REPORT  
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THE MORGAN BANK  
PUBLIC FINANCE DEPARTMENT  
INVESTMENT BANKING GROUP

| BOND<br>MATURITY<br>DATE | BOND<br>MATURITY<br>AMOUNT | BOND<br>COUPON<br>RATE | ACTUAL<br>REDEMPTION<br>DATE | ACTUAL<br>REDEMPTION<br>PRICE | REFUNDING<br>ESCROW<br>TYPE |
|--------------------------|----------------------------|------------------------|------------------------------|-------------------------------|-----------------------------|
| 7.0187                   | 75,000                     | 3.500                  | 7.0187                       | 100.000                       | E.T.M.                      |
| 7.0188                   | 75,000                     | 3.750                  | 7.0188                       | 100.000                       | E.T.M.                      |
| 7.0189                   | 75,000                     | 3.750                  | 7.0189                       | 100.000                       | E.T.M.                      |
| 7.0190                   | 80,000                     | 3.750                  | 7.0190                       | 100.000                       | E.T.M.                      |
| 7.0191                   | 85,000                     | 3.750                  | 7.0191                       | 100.000                       | E.T.M.                      |
| 7.0192                   | 90,000                     | 3.750                  | 7.0192                       | 100.000                       | E.T.M.                      |
| 7.0193                   | 196,000                    | 3.750                  | 7.0193                       | 100.000                       | E.T.M.                      |
| .0000                    | 676,000                    | .000                   | .0000                        | .000                          | .000                        |

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BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
(13) ARLINGTON - APT REV BDS, SERIES '78

DEBT REFUNDING SELECTION REPORT  
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THE MORGAN BANK  
PUBLIC FINANCE DEPARTMENT  
INVESTMENT BANKING GROUP

| BOND<br>MATURITY<br>DATE | BOND<br>MATURITY<br>AMOUNT | BOND<br>COUPON<br>RATE | ACTUAL<br>REDEMPTION<br>DATE | ACTUAL<br>REDEMPTION<br>PRICE | REFUNDING<br>ESCROW<br>TYPE |
|--------------------------|----------------------------|------------------------|------------------------------|-------------------------------|-----------------------------|
| 11.0186                  | 60,000                     | 6.250                  | 11.0186                      | 100.000                       | E.T.M.                      |
| 11.0187                  | 65,000                     | 6.250                  | 11.0187                      | 100.000                       | E.T.M.                      |
| 11.0188                  | 70,000                     | 6.250                  | 11.0188                      | 100.000                       | E.T.M.                      |
| 11.0189                  | 75,000                     | 6.250                  | 11.0189                      | 100.000                       | E.T.M.                      |
| 11.0190                  | 75,000                     | 6.250                  | 11.0190                      | 100.000                       | E.T.M.                      |
| 11.0191                  | 80,000                     | 6.250                  | 11.0191                      | 100.000                       | E.T.M.                      |
| 11.0192                  | 85,000                     | 6.250                  | 11.0192                      | 100.000                       | E.T.M.                      |
| 11.0193                  | 90,000                     | 6.250                  | 11.0193                      | 100.000                       | E.T.M.                      |
| 11.0194                  | 100,000                    | 6.250                  | 11.0194                      | 100.000                       | E.T.M.                      |
| 11.0195                  | 105,000                    | 6.250                  | 11.0195                      | 100.000                       | E.T.M.                      |
| 11.0196                  | 110,000                    | 6.250                  | 11.0196                      | 100.000                       | E.T.M.                      |
| 11.0197                  | 115,000                    | 6.250                  | 11.0197                      | 100.000                       | E.T.M.                      |
| 11.0198                  | 125,000                    | 6.250                  | 11.0198                      | 100.000                       | E.T.M.                      |
| .0000                    | 1,155,000                  | .000                   | .0000                        | .000                          | .000                        |

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BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
(14) ARLINGTON - 9% APARTMENT REVENUE BONDS, SERIES 1986

DEBT REFUNDING SELECTION REPORT  
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THE MORGAN BANK  
PUBLIC FINANCE DEPARTMENT  
INVESTMENT BANKING GROUP

| BOND<br>MATURITY<br>DATE | BOND<br>MATURITY<br>AMOUNT | BOND<br>COUPON<br>RATE | ACTUAL<br>REDEMPTION<br>DATE | ACTUAL<br>REDEMPTION<br>PRICE | REFUNDING<br>ESCROW<br>TYPE |
|--------------------------|----------------------------|------------------------|------------------------------|-------------------------------|-----------------------------|
| 7.0187                   | 20,000                     | 9.000                  | 7.0187                       | 100.000                       | E.T.M.                      |
| 7.0188                   | 20,000                     | 9.000                  | 7.0188                       | 100.000                       | E.T.M.                      |
| 7.0189                   | 20,000                     | 9.000                  | 7.0189                       | 100.000                       | E.T.M.                      |
| 7.0190                   | 25,000                     | 9.000                  | 7.0190                       | 100.000                       | E.T.M.                      |
| 7.0191                   | 25,000                     | 9.000                  | 7.0191                       | 100.000                       | E.T.M.                      |
| 7.0192                   | 30,000                     | 9.000                  | 7.0192                       | 100.000                       | E.T.M.                      |
| 7.0193                   | 30,000                     | 9.000                  | 7.0193                       | 100.000                       | E.T.M.                      |
| 7.0194                   | 35,000                     | 9.000                  | 7.0194                       | 100.000                       | E.T.M.                      |
| 7.0195                   | 35,000                     | 9.000                  | 7.0194                       | 100.000                       | E.T.C.                      |
| 7.0196                   | 40,000                     | 9.000                  | 7.0194                       | 100.000                       | E.T.C.                      |
| 7.0197                   | 45,000                     | 9.000                  | 7.0194                       | 100.000                       | E.T.C.                      |
| 7.0198                   | 50,000                     | 9.000                  | 7.0194                       | 100.000                       | E.T.C.                      |
| 7.0199                   | 50,000                     | 9.000                  | 7.0194                       | 100.000                       | E.T.C.                      |
| 7.0100                   | 55,000                     | 9.000                  | 7.0194                       | 100.000                       | E.T.C.                      |
| 7.0101                   | 60,000                     | 9.000                  | 7.0194                       | 100.000                       | E.T.C.                      |
| 7.0102                   | 70,000                     | 9.000                  | 7.0194                       | 100.000                       | E.T.C.                      |
| 7.0103                   | 75,000                     | 9.000                  | 7.0194                       | 100.000                       | E.T.C.                      |
| 7.0104                   | 80,000                     | 9.000                  | 7.0194                       | 100.000                       | E.T.C.                      |
| 7.0105                   | 90,000                     | 9.000                  | 7.0194                       | 100.000                       | E.T.C.                      |
| 7.0106                   | 95,000                     | 9.000                  | 7.0194                       | 100.000                       | E.T.C.                      |
| .0000                    | 950,000                    | .000                   | .0000                        | .000                          | .000                        |

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BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (15) AUSTIN - COMBINED FEE REV BDS, SERIES '71

DEBT REFUNDING SELECTION REPORT

THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND MATURITY DATE | BOND MATURITY AMOUNT | BOND COUPON RATE | ACTUAL REDEMPTION DATE | ACTUAL REDEMPTION PRICE | REFUNDING ESCROW TYPE |
|--------------------|----------------------|------------------|------------------------|-------------------------|-----------------------|
| 6.0187             | 585,000              | 5.250            | 6.0187                 | 100.000                 | E.T.M.                |
| 6.0188             | 625,000              | 5.250            | 6.0188                 | 100.000                 | E.T.M.                |
| 6.0189             | 670,000              | 5.250            | 6.0189                 | 100.000                 | E.T.M.                |
| 6.0190             | 715,000              | 5.500            | 6.0190                 | 100.000                 | E.T.M.                |
| 6.0191             | 765,000              | 5.500            | 6.0191                 | 100.000                 | E.T.M.                |
| 6.0192             | 820,000              | 5.750            | 6.0192                 | 100.000                 | E.T.M.                |
| 6.0193             | 875,000              | 5.750            | 6.0193                 | 100.000                 | E.T.M.                |
| 6.0194             | 940,000              | 5.750            | 6.0194                 | 100.000                 | E.T.M.                |
| 6.0195             | 1,005,000            | 5.750            | 6.0195                 | 100.000                 | E.T.M.                |
| 6.0196             | 1,075,000            | 6.000            | 6.0196                 | 100.000                 | E.T.M.                |
| 6.0197             | 1,150,000            | 6.000            | 6.0197                 | 100.000                 | E.T.M.                |
| 6.0198             | 1,230,000            | 6.000            | 6.0198                 | 100.000                 | E.T.M.                |
| 6.0199             | 1,315,000            | 6.000            | 6.0199                 | 100.000                 | E.T.M.                |
| 6.0100             | 1,410,000            | 5.250            | 6.0100                 | 100.000                 | E.T.M.                |
| 6.0101             | 1,505,000            | 5.250            | 6.0101                 | 100.000                 | E.T.M.                |
| .0000              | 14,685,000           | .000             | .0000                  | .000                    | .000                  |

DATE: 8/04/86 15:29

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (15) AUSTIN - COMBINED FEE REV BDS, SERIES '72

DEBT REFUNDING SELECTION REPORT  
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THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND MATURITY DATE | BOND MATURITY AMOUNT | BOND COUPON RATE | ACTUAL REDEMPTION DATE | ACTUAL REDEMPTION PRICE | REFUNDING ESCROW TYPE |
|--------------------|----------------------|------------------|------------------------|-------------------------|-----------------------|
| 6.0187             | 325,000              | 5.200            | 6.0187                 | 100.000                 | E.T.M.                |
| 6.0188             | 335,000              | 5.200            | 6.0188                 | 100.000                 | E.T.M.                |
| 6.0189             | 345,000              | 5.200            | 6.0189                 | 100.000                 | E.T.M.                |
| 6.0190             | 355,000              | 5.200            | 6.0190                 | 100.000                 | E.T.M.                |
| 6.0191             | 365,000              | 5.200            | 6.0191                 | 100.000                 | E.T.M.                |
| 6.0192             | 375,000              | 5.200            | 6.0192                 | 100.000                 | E.T.M.                |
| 6.0193             | 395,000              | 5.200            | 6.0193                 | 100.000                 | E.T.M.                |
| 6.0194             | 400,000              | 5.200            | 6.0194                 | 100.000                 | E.T.M.                |
| 6.0195             | 415,000              | 5.250            | 6.0195                 | 100.000                 | E.T.M.                |
| 6.0196             | 430,000              | 5.250            | 6.0196                 | 100.000                 | E.T.M.                |
| 6.0197             | 445,000              | 5.250            | 6.0197                 | 100.000                 | E.T.M.                |
| 6.0198             | 465,000              | 5.300            | 6.0198                 | 100.000                 | E.T.M.                |
| 6.0199             | 475,000              | 5.300            | 6.0199                 | 100.000                 | E.T.M.                |
| 6.0100             | 490,000              | 4.500            | 6.0100                 | 100.000                 | E.T.M.                |
| 6.0101             | 540,000              | 4.500            | 6.0101                 | 100.000                 | E.T.M.                |
| 6.0102             | 600,000              | 4.500            | 6.0102                 | 100.000                 | E.T.M.                |
| .0000              | 6,755,000            | .000             | .0000                  | .000                    | .000                  |

DATE: 8/04/86 15:29

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (17) AUSTIN - COMBINED FEE REV BDS, SERIES '73

DEBT REFUNDING SELECTION REPORT  
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THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND MATURITY DATE | BOND MATURITY AMOUNT | BOND COUPON RATE | ACTUAL REDEMPTION DATE | ACTUAL REDEMPTION PRICE | REFUNDING C/S CROW TYPE |
|--------------------|----------------------|------------------|------------------------|-------------------------|-------------------------|
| 6.0187             | 720,000              | 5.400            | 6.0187                 | 100.000                 | E.T.M.                  |
| 6.0188             | 760,000              | 5.400            | 6.0188                 | 100.000                 | E.T.M.                  |
| 6.0189             | 805,000              | 5.400            | 6.0189                 | 100.000                 | E.T.M.                  |
| 6.0190             | 850,000              | 5.400            | 6.0190                 | 100.000                 | E.T.M.                  |
| 6.0191             | 905,000              | 5.400            | 6.0191                 | 100.000                 | E.T.M.                  |
| 6.0192             | 960,000              | 5.400            | 6.0192                 | 100.000                 | E.T.M.                  |
| 6.0193             | 1,010,000            | 5.400            | 6.0193                 | 100.000                 | E.T.M.                  |
| 6.0194             | 1,075,000            | 5.400            | 6.0194                 | 100.000                 | E.T.M.                  |
| 6.0195             | 1,135,000            | 5.400            | 6.0195                 | 100.000                 | E.T.M.                  |
| 6.0196             | 1,215,000            | 5.400            | 6.0196                 | 100.000                 | E.T.M.                  |
| 6.0197             | 1,280,000            | 5.500            | 6.0197                 | 100.000                 | E.T.M.                  |
| 6.0198             | 1,350,000            | 5.500            | 6.0198                 | 100.000                 | E.T.M.                  |
| 6.0199             | 1,440,000            | 5.600            | 6.0199                 | 100.000                 | E.T.M.                  |
| 6.0100             | 1,520,000            | 5.600            | 6.0100                 | 100.000                 | E.T.M.                  |
| 6.0101             | 2,285,000            | 5.700            | 6.0101                 | 100.000                 | E.T.M.                  |
| 6.0102             | 3,000,000            | 5.700            | 6.0102                 | 100.000                 | E.T.M.                  |
| 6.0103             | 3,800,000            | 5.700            | 6.0103                 | 100.000                 | E.T.M.                  |
| 6.0104             | 3,800,000            | 5.000            | 6.0104                 | 100.000                 | E.T.M.                  |
| .0000              | 27,710,000           | .000             | .0000                  | .000                    | .000                    |

DATE: 8/04/86 15:30

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
(18) AUSTIN - COMBINED FEE REV REF BDS, SERIES '78

DEBT REFUNDING SELECTION REPORT

THE MORGAN BANK  
PUBLIC FINANCE DEPARTMENT  
INVESTMENT BANKING GROUP

| BOND<br>MATURITY<br>DATE | BOND<br>MATURITY<br>AMOUNT | BOND<br>COUPON<br>RATE | ACTUAL<br>REDEMPTION<br>DATE | ACTUAL<br>REDEMPTION<br>PRICE | REFUNDING<br>ESCROW<br>TYPE |
|--------------------------|----------------------------|------------------------|------------------------------|-------------------------------|-----------------------------|
| 6.0187                   | 690,000                    | 5.100                  | 6.0187                       | 100.000                       | E.T.M.                      |
| 6.0188                   | 720,000                    | 5.100                  | 6.0188                       | 100.000                       | E.T.M.                      |
| 6.0189                   | 745,000                    | 5.250                  | 6.0189                       | 100.000                       | E.T.M.                      |
| 6.0190                   | 785,000                    | 5.300                  | 6.0190                       | 100.000                       | E.T.M.                      |
| 6.0191                   | 815,000                    | 5.400                  | 6.0191                       | 100.000                       | E.T.M.                      |
| 6.0192                   | 845,000                    | 5.500                  | 6.0192                       | 100.000                       | E.T.M.                      |
| 6.0193                   | 885,000                    | 5.600                  | 6.0193                       | 100.000                       | E.T.M.                      |
| 6.0194                   | 925,000                    | 5.750                  | 6.0194                       | 100.000                       | E.T.M.                      |
| 6.0195                   | 970,000                    | 5.800                  | 6.0195                       | 100.000                       | E.T.M.                      |
| 6.0196                   | 1,005,000                  | 5.950                  | 6.0196                       | 100.000                       | E.T.M.                      |
| 6.0197                   | 1,050,000                  | 6.000                  | 6.0197                       | 100.000                       | E.T.M.                      |
| 6.0198                   | 1,085,000                  | 6.000                  | 6.0198                       | 100.000                       | E.T.M.                      |
| 6.0199                   | 1,145,000                  | 6.000                  | 6.0199                       | 100.000                       | E.T.M.                      |
| 6.0100                   | 475,000                    | 6.000                  | 6.0100                       | 100.000                       | E.T.M.                      |
| .0000                    | 12,140,000                 | .000                   | .0000                        | .000                          | .000                        |

DATE: 8/04/86 15:30

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
(19) AUSTIN - STUDENT UNION REV BGS, SERIES 1988-8

DEBT REFUNDING SELECTION REPORT  
.....

THE MORGAN BANK  
PUBLIC FINANCE DEPARTMENT  
INVESTMENT BANKING GROUP

| BOND<br>MATURITY<br>DATE | BOND<br>MATURITY<br>AMOUNT | BOND<br>COUPON<br>RATE | ACTUAL<br>REDEMPTION<br>DATE | ACTUAL<br>REDEMPTION<br>PRICE | REFUNDING<br>ESCROW<br>TYPE |
|--------------------------|----------------------------|------------------------|------------------------------|-------------------------------|-----------------------------|
| 10.0186                  | 80,000                     | 2.875                  | 10.0186                      | 100.000                       | E.T.M.                      |
| 10.0187                  | 83,000                     | 2.875                  | 10.0187                      | 100.000                       | E.T.M.                      |
| 10.0188                  | 25,000                     | 2.875                  | 10.0188                      | 100.000                       | E.T.M.                      |
| .0000                    | 188,000                    | .000                   | .0000                        | .000                          | .000                        |

DATE: 8/04/86 15:31

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
(20) AUSTIN - DORM REV BDS, SERIES 54

DEBT REFUNDING SELECTION REPORT  
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THE MORGAN BANK  
PUBLIC FINANCE DEPARTMENT  
INVESTMENT BANKING GROUP

| BOND<br>MATURITY<br>DATE | BOND<br>MATURITY<br>AMOUNT | BOND<br>COUPON<br>RATE | ACTUAL<br>REDEMPTION<br>DATE | ACTUAL<br>REDEMPTION<br>PRICE | REFUNDING<br>ESCROW<br>TYPE |
|--------------------------|----------------------------|------------------------|------------------------------|-------------------------------|-----------------------------|
| 9.0186                   | 114,000                    | 3.000                  | 9.0186                       | 100.000                       | E.T.M.                      |
| 9.0187                   | 119,000                    | 3.000                  | 9.0187                       | 100.000                       | E.T.M.                      |
| 9.0188                   | 126,000                    | 3.000                  | 9.0188                       | 100.000                       | E.T.M.                      |
| 9.0189                   | 125,000                    | 3.000                  | 9.0189                       | 100.000                       | E.T.M.                      |
| 9.0190                   | 131,000                    | 3.000                  | 9.0190                       | 100.000                       | E.T.M.                      |
| 9.0191                   | 136,000                    | 3.000                  | 9.0191                       | 100.000                       | E.T.M.                      |
| 9.0192                   | 137,000                    | 3.000                  | 9.0192                       | 100.000                       | E.T.M.                      |
| 9.0193                   | 147,000                    | 3.000                  | 9.0193                       | 100.000                       | E.T.M.                      |
| 9.0194                   | 148,000                    | 3.000                  | 9.0194                       | 100.000                       | E.T.M.                      |
| .0000                    | 1,182,000                  | .000                   | .0000                        | .000                          | .000                        |

DATE: 8/04/86 15:31

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (21) AUSTIN - MSNG SYS REV BDS, SERIES '67

DEBT REFUNDING SELECTION REPORT  
 .....

THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND MATURITY DATE | BOND MATURITY AMOUNT | BOND COUPON RATE | ACTUAL REDEMPTION DATE | ACTUAL REDEMPTION PRICE | REFUNDING ESCROW TYPE |
|--------------------|----------------------|------------------|------------------------|-------------------------|-----------------------|
| 5.0187             | 370,000              | 4.000            | 5.0187                 | 100.000                 | E.T.M.                |
| 5.0188             | 390,000              | 4.000            | 5.0188                 | 100.000                 | E.T.M.                |
| 5.0189             | 405,000              | 4.000            | 5.0189                 | 100.000                 | E.T.M.                |
| 5.0190             | 420,000              | 4.100            | 5.0190                 | 100.000                 | E.T.M.                |
| 5.0191             | 440,000              | 4.100            | 5.0191                 | 100.000                 | E.T.M.                |
| 5.0192             | 460,000              | 4.100            | 5.0192                 | 100.000                 | E.T.M.                |
| 5.0193             | 480,000              | 4.100            | 5.0193                 | 100.000                 | E.T.M.                |
| 5.0194             | 500,000              | 4.100            | 5.0194                 | 100.000                 | E.T.M.                |
| 5.0195             | 520,000              | 4.100            | 5.0195                 | 100.000                 | E.T.M.                |
| 5.0196             | 540,000              | 4.100            | 5.0196                 | 100.000                 | E.T.M.                |
| 5.0197             | 565,000              | 4.100            | 5.0197                 | 100.000                 | E.T.M.                |
| 5.0198             | 590,000              | 4.100            | 5.0198                 | 100.000                 | E.T.M.                |
| 5.0199             | 615,000              | 4.100            | 5.0199                 | 100.000                 | E.T.M.                |
| 5.0100             | 640,000              | 4.150            | 5.0100                 | 100.000                 | E.T.M.                |
| 5.0101             | 665,000              | 4.150            | 5.0101                 | 100.000                 | E.T.M.                |
| 5.0102             | 695,000              | 4.150            | 5.0102                 | 100.000                 | E.T.M.                |
| 5.0103             | 725,000              | 4.150            | 5.0103                 | 100.000                 | E.T.M.                |
| 5.0104             | 755,000              | 4.150            | 5.0104                 | 100.000                 | E.T.M.                |
| 5.0105             | 790,000              | 4.150            | 5.0105                 | 100.000                 | E.T.M.                |
| 5.0106             | 820,000              | 4.150            | 5.0106                 | 100.000                 | E.T.M.                |
| 5.0107             | 860,000              | 4.150            | 5.0107                 | 100.000                 | E.T.M.                |
| .0000              | 12,245,000           | .000             | .0000                  | .000                    | .000                  |

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DATE: 8/04/86 15:31

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (22) AUSTIN - MARRIED STUDENT HSG RE BONDS, SERIES '71

DEBT REFUNDING SELECTION REPORT

THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND MATURITY DATE | BOND MATURITY AMOUNT | BOND COUPON RATE | ACTUAL REDEMPTION DATE | ACTUAL REDEMPTION PRICE | REFUNDING ESCROW TYPE |
|--------------------|----------------------|------------------|------------------------|-------------------------|-----------------------|
| 8.0187             | 60,000               | 6.750            | 8.0187                 | 100.000                 | E.T.M.                |
| 8.0188             | 65,000               | 6.750            | 8.0188                 | 100.000                 | E.T.M.                |
| 8.0189             | 70,000               | 6.750            | 8.0189                 | 100.000                 | E.T.M.                |
| 8.0190             | 75,000               | 6.750            | 8.0190                 | 100.000                 | E.T.M.                |
| 8.0191             | 80,000               | 6.750            | 8.0191                 | 100.000                 | E.T.M.                |
| 8.0192             | 90,000               | 6.750            | 8.0192                 | 100.000                 | E.T.M.                |
| 8.0193             | 95,000               | 6.750            | 8.0193                 | 100.000                 | E.T.M.                |
| 8.0194             | 100,000              | 6.750            | 8.0194                 | 100.000                 | E.T.M.                |
| 8.0195             | 110,000              | 6.750            | 8.0195                 | 100.000                 | E.T.M.                |
| 8.0196             | 115,000              | 6.750            | 8.0196                 | 100.000                 | E.T.M.                |
| 8.0197             | 125,000              | 6.750            | 8.0197                 | 100.000                 | E.T.M.                |
| 8.0198             | 135,000              | 6.750            | 8.0198                 | 100.000                 | E.T.M.                |
| 8.0199             | 145,000              | 6.700            | 8.0199                 | 100.000                 | E.T.M.                |
| 8.0100             | 155,000              | 6.700            | 8.0100                 | 100.000                 | E.T.M.                |
| 8.0101             | 165,000              | 6.700            | 8.0101                 | 100.000                 | E.T.M.                |
| 8.0102             | 175,000              | 6.750            | 8.0102                 | 100.000                 | E.T.M.                |
| 8.0103             | 190,000              | 6.750            | 8.0103                 | 100.000                 | E.T.M.                |
| 8.0104             | 205,000              | 6.750            | 8.0104                 | 100.000                 | E.T.M.                |
| 8.0105             | 220,000              | 6.000            | 8.0105                 | 100.000                 | E.T.M.                |
| 8.0106             | 235,000              | 6.000            | 8.0106                 | 100.000                 | E.T.M.                |
| .0000              | 2,610,000            | .000             | .0000                  | .000                    | .000                  |

DATE: 8/04/86 15:32

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (23) AUSTIN - MARRIED STUDENT HSNG REF BONDS, SERIES '81

DEBT REFUNDING SELECTION REPORT  
 .....

THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND MATURITY DATE | BOND MATURITY AMOUNT | BOND COUPON RATE | ACTUAL REDEMPTION DATE | ACTUAL REDEMPTION PRICE | REFUNDING ESCROW TYPE |
|--------------------|----------------------|------------------|------------------------|-------------------------|-----------------------|
| 8.0187             | 100,000              | 11.900           | 8.0187                 | 100.000                 | E.T.M.                |
| 8.0188             | 110,000              | 11.900           | 8.0188                 | 100.000                 | E.T.M.                |
| 8.0189             | 115,000              | 11.900           | 8.0189                 | 100.000                 | E.T.M.                |
| 8.0190             | 130,000              | 11.900           | 8.0190                 | 100.000                 | E.T.M.                |
| 8.0191             | 140,000              | 11.900           | 8.0190                 | 101.000                 | E.T.C.                |
| 8.0192             | 150,000              | 11.900           | 8.0190                 | 101.000                 | E.T.C.                |
| 8.0193             | 165,000              | 11.900           | 8.0190                 | 101.000                 | E.T.C.                |
| 8.0194             | 180,000              | 11.900           | 8.0190                 | 101.000                 | E.T.C.                |
| 8.0195             | 195,000              | 11.900           | 8.0190                 | 101.000                 | E.T.C.                |
| 8.0196             | 215,000              | 11.900           | 8.0190                 | 101.000                 | E.T.C.                |
| 8.0197             | 235,000              | 10.500           | 8.0190                 | 101.000                 | E.T.C.                |
| 8.0198             | 255,000              | 10.600           | 8.0190                 | 101.000                 | E.T.C.                |
| 8.0199             | 280,000              | 10.800           | 8.0190                 | 101.000                 | E.T.C.                |
| 8.0100             | 305,000              | 10.800           | 8.0190                 | 101.000                 | E.T.C.                |
| 8.0101             | 335,000              | 11.000           | 8.0190                 | 101.000                 | E.T.C.                |
| 8.0102             | 365,000              | 11.000           | 8.0190                 | 101.000                 | E.T.C.                |
| 8.0103             | 400,000              | 11.000           | 8.0190                 | 101.000                 | E.T.C.                |
| 8.0104             | 415,000              | 11.000           | 8.0190                 | 101.000                 | E.T.C.                |
| 8.0105             | 450,000              | 11.000           | 8.0190                 | 101.000                 | E.T.C.                |
| 8.0106             | 450,000              | 11.000           | 8.0190                 | 101.000                 | E.T.C.                |
| 8.0107             | 450,000              | 11.000           | 8.0190                 | 101.000                 | E.T.C.                |
| .0000              | 5,440,000            | .000             | .0000                  | .000                    | .000                  |

DATE: 8/04/86 15:32

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (24) AUSTIN - BLOC REV BONDS, SERIES '89

DEBT REFUNDING SELECTION REPORT  
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THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND MATURITY DATE | BOND MATURITY AMOUNT | BOND COUPON RATE | ACTUAL REDEMPTION DATE | ACTUAL REDEMPTION PRICE | REFUNDING ESCROW TYPE |
|--------------------|----------------------|------------------|------------------------|-------------------------|-----------------------|
| 5.0187             | 800,000              | 5.400            | 5.0187                 | 100,000                 | E.T.M.                |
| 5.0188             | 635,000              | 5.400            | 5.0188                 | 100,000                 | E.T.M.                |
| 5.0189             | 670,000              | 5.400            | 5.0189                 | 100,000                 | E.T.M.                |
| 5.0190             | 700,000              | 5.400            | 5.0190                 | 100,000                 | E.T.M.                |
| 5.0191             | 740,000              | 5.400            | 5.0191                 | 100,000                 | E.T.M.                |
| 5.0192             | 780,000              | 5.400            | 5.0192                 | 100,000                 | E.T.M.                |
| 5.0193             | 820,000              | 5.400            | 5.0193                 | 100,000                 | E.T.M.                |
| 5.0194             | 865,000              | 5.400            | 5.0194                 | 100,000                 | E.T.M.                |
| 5.0195             | 910,000              | 5.400            | 5.0195                 | 100,000                 | E.T.M.                |
| 5.0196             | 955,000              | 5.400            | 5.0196                 | 100,000                 | E.T.M.                |
| 5.0197             | 1,000,000            | 5.400            | 5.0197                 | 100,000                 | E.T.M.                |
| 5.0198             | 1,060,000            | 5.400            | 5.0198                 | 100,000                 | E.T.M.                |
| 5.0199             | 1,115,000            | 5.400            | 5.0199                 | 100,000                 | E.T.M.                |
| 5.0100             | 1,170,000            | 5.400            | 5.0100                 | 100,000                 | E.T.M.                |
| 5.0101             | 1,235,000            | 5.400            | 5.0101                 | 100,000                 | E.T.M.                |
| 5.0102             | 1,300,000            | 5.400            | 5.0102                 | 100,000                 | E.T.M.                |
| 5.0103             | 1,370,000            | 5.400            | 5.0103                 | 100,000                 | E.T.M.                |
| 5.0104             | 1,440,000            | 5.400            | 5.0104                 | 100,000                 | E.T.M.                |
| 5.0105             | 1,500,000            | 4.250            | 5.0105                 | 100,000                 | E.T.M.                |
| .0000              | 18,865,000           | .000             | .0000                  | .000                    | .000                  |

DATE: 8/04/88 15:33

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (25) AUSTIN - BLDG REV BDS SER '83

DEBT REFUNDING SELECTION REPORT

THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND MATURITY DATE | BOND MATURITY AMOUNT | BOND COUPON RATE | ACTUAL REDEMPTION DATE | ACTUAL REDEMPTION PRICE | REFUNDING ESCROW TYPE |
|--------------------|----------------------|------------------|------------------------|-------------------------|-----------------------|
| 5.0187             | 485,000              | 11.000           | 5.0187                 | 100.000                 | E.T.M.                |
| 5.0188             | 535,000              | 11.000           | 5.0188                 | 100.000                 | E.T.M.                |
| 5.0189             | 585,000              | 11.000           | 5.0189                 | 100.000                 | E.T.M.                |
| 5.0190             | 645,000              | 11.000           | 5.0190                 | 100.000                 | E.T.M.                |
| 5.0191             | 705,000              | 11.000           | 5.0191                 | 100.000                 | E.T.M.                |
| 5.0192             | 780,000              | 11.000           | 5.0192                 | 100.000                 | E.T.M.                |
| 5.0193             | 850,000              | 11.000           | 5.0192                 | 101.000                 | E.T.C.                |
| 5.0194             | 940,000              | 9.600            | 5.0192                 | 101.000                 | E.T.C.                |
| 5.0195             | 1,030,000            | 9.500            | 5.0192                 | 101.000                 | E.T.C.                |
| 5.0196             | 1,135,000            | 9.600            | 5.0192                 | 101.000                 | E.T.C.                |
| 5.0197             | 1,250,000            | 9.700            | 5.0192                 | 101.000                 | E.T.C.                |
| 5.0198             | 1,365,000            | 9.800            | 5.0192                 | 101.000                 | E.T.C.                |
| 5.0199             | 1,505,000            | 9.900            | 5.0192                 | 101.000                 | E.T.C.                |
| 5.0100             | 1,655,000            | 10.000           | 5.0192                 | 101.000                 | E.T.C.                |
| 5.0101             | 1,815,000            | 10.000           | 5.0192                 | 101.000                 | E.T.C.                |
| 5.0102             | 1,990,000            | 10.100           | 5.0192                 | 101.000                 | E.T.C.                |
| 5.0103             | 2,190,000            | 10.100           | 5.0192                 | 101.000                 | E.T.C.                |
| 5.0104             | 2,405,000            | 10.100           | 5.0192                 | 101.000                 | E.T.C.                |
| 5.0105             | 2,655,000            | 10.100           | 5.0192                 | 101.000                 | E.T.C.                |
| 5.0106             | 4,480,000            | 10.100           | 5.0192                 | 101.000                 | E.T.C.                |
| .0000              | 29,000,000           | .000             | .0000                  | .000                    | .000                  |

DATE: 8/04/86 15:33

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (26) AUSTIN - PKG FAC REV BOS SER '84

DEBT REFUNDING SELECTION REPORT

THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND MATURITY DATE | BOND MATURITY AMOUNT | BOND COUPON RATE | ACTUAL REDEMPTION DATE | ACTUAL REDEMPTION PRICE | REFUNDING ESCROW TYPE |
|--------------------|----------------------|------------------|------------------------|-------------------------|-----------------------|
| 12.0187            | 65,000               | 11.625           | 12.0187                | 100.000                 | E.T.M.                |
| 12.0188            | 75,000               | 11.625           | 12.0188                | 100.000                 | E.T.M.                |
| 12.0189            | 85,000               | 11.625           | 12.0189                | 100.000                 | E.T.M.                |
| 12.0190            | 90,000               | 11.625           | 12.0190                | 100.000                 | E.T.M.                |
| 12.0191            | 100,000              | 11.625           | 12.0191                | 100.000                 | E.T.M.                |
| 12.0192            | 115,000              | 11.625           | 12.0192                | 100.000                 | E.T.M.                |
| 12.0193            | 125,000              | 11.625           | 12.0193                | 100.000                 | E.T.M.                |
| 12.0194            | 140,000              | 11.500           | 12.0194                | 100.000                 | E.T.M.                |
| 12.0195            | 155,000              | 9.400            | 12.0194                | 101.500                 | E.T.C.                |
| 12.0196            | 170,000              | 9.600            | 12.0194                | 101.500                 | E.T.C.                |
| 12.0197            | 190,000              | 9.750            | 12.0194                | 101.500                 | E.T.C.                |
| 12.0198            | 215,000              | 9.900            | 12.0194                | 101.500                 | E.T.C.                |
| 12.0199            | 235,000              | 10.000           | 12.0194                | 101.500                 | E.T.C.                |
| 12.0100            | 265,000              | 10.100           | 12.0194                | 101.500                 | E.T.C.                |
| 12.0101            | 290,000              | 10.150           | 12.0194                | 101.500                 | E.T.C.                |
| 12.0102            | 325,000              | 9.125            | 12.0194                | 101.500                 | E.T.C.                |
| 12.0103            | 360,000              | 9.125            | 12.0194                | 101.500                 | E.T.C.                |
| .0000              | 3,000,000            | .000             | .0000                  | .000                    | .000                  |

DATE: 8/04/86 15:34

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (27) DALLAS - COMB FEE REV BDS SER'78

DEBT REFUNDING SELECTION REPORT  
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THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND MATURITY DATE | BOND MATURITY AMOUNT | BOND COUPON RATE | ACTUAL REDEMPTION DATE | ACTUAL REDEMPTION PRICE | REFUNDING ESCROW TYPE |
|--------------------|----------------------|------------------|------------------------|-------------------------|-----------------------|
| 11.0186            | 220,000              | 6.750            | 11.0186                | 100.000                 | E.T.M.                |
| 11.0187            | 235,000              | 6.750            | 11.0187                | 100.000                 | E.T.M.                |
| 11.0188            | 250,000              | 6.750            | 11.0188                | 100.000                 | E.T.M.                |
| 11.0189            | 255,000              | 6.750            | 11.0189                | 100.000                 | E.T.M.                |
| 11.0190            | 285,000              | 5.300            | 11.0190                | 100.000                 | E.T.M.                |
| 11.0191            | 300,000              | 5.400            | 11.0191                | 100.000                 | E.T.M.                |
| 11.0192            | 320,000              | 5.500            | 11.0192                | 100.000                 | E.T.M.                |
| 11.0193            | 340,000              | 5.600            | 11.0193                | 100.000                 | E.T.M.                |
| 11.0194            | 366,000              | 5.700            | 11.0194                | 100.000                 | E.T.M.                |
| 11.0195            | 385,000              | 5.800            | 11.0195                | 100.000                 | E.T.M.                |
| 11.0196            | 410,000              | 5.900            | 11.0196                | 100.000                 | E.T.M.                |
| 11.0197            | 440,000              | 6.000            | 11.0197                | 100.000                 | E.T.M.                |
| 11.0198            | 465,000              | 6.000            | 11.0198                | 100.000                 | E.T.M.                |
| 11.0199            | 495,000              | 6.050            | 11.0199                | 100.000                 | E.T.M.                |
| 11.0100            | 530,000              | 6.100            | 11.0100                | 100.000                 | E.T.M.                |
| 11.0101            | 565,000              | 6.200            | 11.0101                | 100.000                 | E.T.M.                |
| 11.0102            | 600,000              | 6.300            | 11.0102                | 100.000                 | E.T.M.                |
| 11.0103            | 640,000              | 6.400            | 11.0103                | 100.000                 | E.T.M.                |
| 11.0104            | 680,000              | 6.500            | 11.0104                | 100.000                 | E.T.M.                |
| .0000              | 7,790,000            | .000             | .0000                  | .000                    | .000                  |

DATE: 8/04/86 15:34

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (20) DALLAS - UTIL REV BOS SER '80

DEBT REFUNDING SELECTION REPORT

THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND<br>MATURITY<br>DATE | BOND<br>MATURITY<br>AMOUNT | BOND<br>COUPON<br>RATE | ACTUAL<br>REDEMPTION<br>DATE | ACTUAL<br>REDEMPTION<br>PRICE | REFUNDING<br>ESCROW<br>TYPE |
|--------------------------|----------------------------|------------------------|------------------------------|-------------------------------|-----------------------------|
| 8.0187                   | 360,000                    | 8.250                  | 8.0187                       | 100.000                       | E.T.M.                      |
| 8.0188                   | 390,000                    | 8.250                  | 8.0188                       | 100.000                       | E.T.M.                      |
| 8.0189                   | 415,000                    | 8.250                  | 8.0189                       | 100.000                       | E.T.M.                      |
| 8.0190                   | 450,000                    | 8.250                  | 8.0190                       | 100.000                       | E.T.M.                      |
| 8.0191                   | 480,000                    | 8.250                  | 8.0191                       | 100.000                       | E.T.M.                      |
| 8.0192                   | 520,000                    | 8.250                  | 8.0190                       | 101.000                       | E.T.C.                      |
| 8.0193                   | 555,000                    | 8.250                  | 8.0190                       | 101.000                       | E.T.C.                      |
| 8.0194                   | 600,000                    | 7.400                  | 8.0194                       | 100.000                       | E.T.M.                      |
| 8.0195                   | 645,000                    | 7.400                  | 8.0195                       | 100.000                       | E.T.M.                      |
| 8.0196                   | 690,000                    | 7.600                  | 8.0196                       | 100.000                       | E.T.M.                      |
| 8.0197                   | 745,000                    | 7.800                  | 8.0190                       | 101.000                       | E.T.C.                      |
| 8.0198                   | 800,000                    | 8.000                  | 8.0190                       | 101.000                       | E.T.C.                      |
| 8.0199                   | 860,000                    | 6.750                  | 8.0199                       | 100.000                       | E.T.M.                      |
| 8.0100                   | 925,000                    | 6.750                  | 8.0100                       | 100.000                       | E.T.M.                      |
| .0000                    | 8,435,000                  | .000                   | .0000                        | .000                          | .000                        |

DATE: 8/04/86 15:35

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (29) EL PASO - COMB FEE REV BDS SER '70

DEBT REFUNDING SELECTION REPORT

THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND MATURITY DATE | BOND MATURITY AMOUNT | BOND COUPON RATE | ACTUAL REDEMPTION DATE | ACTUAL REDEMPTION PRICE | REFUNDING ESCROW TYPE |
|--------------------|----------------------|------------------|------------------------|-------------------------|-----------------------|
| 5.0187             | 110,000              | 6.700            | 5.0187                 | 100.000                 | E.T.M.                |
| 5.0188             | 120,000              | 6.900            | 5.0188                 | 100.000                 | E.T.M.                |
| 5.0189             | 125,000              | 6.900            | 5.0189                 | 100.000                 | E.T.M.                |
| 5.0190             | 135,000              | 6.900            | 5.0190                 | 100.000                 | E.T.M.                |
| 5.0191             | 145,000              | 6.900            | 5.0191                 | 100.000                 | E.T.M.                |
| 5.0192             | 155,000              | 6.900            | 5.0192                 | 100.000                 | E.T.M.                |
| 5.0193             | 165,000              | 7.000            | 5.0193                 | 100.000                 | E.T.M.                |
| 5.0194             | 180,000              | 7.000            | 5.0194                 | 100.000                 | E.T.M.                |
| 5.0195             | 190,000              | 7.000            | 5.0195                 | 100.000                 | E.T.M.                |
| 5.0196             | 205,000              | 7.000            | 5.0196                 | 100.000                 | E.T.M.                |
| 5.0197             | 215,000              | 7.000            | 5.0197                 | 100.000                 | E.T.M.                |
| 5.0198             | 235,000              | 7.000            | 5.0198                 | 100.000                 | E.T.M.                |
| 5.0199             | 250,000              | 7.100            | 5.0199                 | 100.000                 | E.T.M.                |
| 5.0100             | 265,000              | 7.100            | 5.0100                 | 100.000                 | E.T.M.                |
| 5.0101             | 285,000              | 7.100            | 5.0101                 | 100.000                 | E.T.M.                |
| 5.0102             | 305,000              | 7.100            | 5.0102                 | 100.000                 | E.T.M.                |
| 5.0103             | 325,000              | 7.100            | 5.0103                 | 100.000                 | E.T.M.                |
| 5.0104             | 350,000              | 7.100            | 5.0104                 | 100.000                 | E.T.M.                |
| 5.0105             | 375,000              | 7.100            | 5.0105                 | 100.000                 | E.T.M.                |
| 5.0106             | 400,000              | 7.100            | 5.0106                 | 100.000                 | E.T.M.                |
| .0000              | 4,535,000            | .000             | .0000                  | .000                    | .000                  |

DATE: 8/04/86 15:35

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (30) EL PASO - COMB FEE REV BGS SER '71

DEBT REFUNDING SELECTION REPORT  
 .....

THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND MATURITY DATE | BOND MATURITY AMOUNT | BOND COUPON RATE | ACTUAL REDEMPTION DATE | ACTUAL REDEMPTION PRICE | REFUNDING ESCROW TYPE |
|--------------------|----------------------|------------------|------------------------|-------------------------|-----------------------|
| 5.0187             | 85,000               | 5.000            | 5.0187                 | 100.000                 | E.T.M.                |
| 5.0188             | 90,000               | 5.000            | 5.0188                 | 100.000                 | E.T.M.                |
| 5.0189             | 95,000               | 5.000            | 5.0189                 | 100.000                 | E.T.M.                |
| 5.0190             | 100,000              | 5.000            | 5.0190                 | 100.000                 | E.T.M.                |
| 5.0191             | 105,000              | 5.000            | 5.0191                 | 100.000                 | E.T.M.                |
| 5.0192             | 115,000              | 5.100            | 5.0192                 | 100.000                 | E.T.M.                |
| 5.0193             | 120,000              | 5.100            | 5.0193                 | 100.000                 | E.T.M.                |
| 5.0194             | 130,000              | 6.100            | 5.0194                 | 100.000                 | E.T.M.                |
| 5.0195             | 135,000              | 5.100            | 5.0195                 | 100.000                 | E.T.M.                |
| 5.0196             | 145,000              | 5.200            | 5.0196                 | 100.000                 | E.T.M.                |
| 5.0197             | 155,000              | 5.200            | 5.0197                 | 100.000                 | E.T.M.                |
| 5.0198             | 165,000              | 5.200            | 5.0198                 | 100.000                 | E.T.M.                |
| 5.0199             | 175,000              | 5.200            | 5.0199                 | 100.000                 | E.T.M.                |
| 5.0100             | 190,000              | 5.200            | 5.0100                 | 100.000                 | E.T.M.                |
| 5.0101             | 200,000              | 5.200            | 5.0101                 | 100.000                 | E.T.M.                |
| 5.0102             | 215,000              | 5.250            | 5.0102                 | 100.000                 | E.T.M.                |
| 5.0103             | 225,000              | 5.250            | 5.0103                 | 100.000                 | E.T.M.                |
| 5.0104             | 240,000              | 5.250            | 5.0104                 | 100.000                 | E.T.M.                |
| 5.0105             | 260,000              | 5.250            | 5.0105                 | 100.000                 | E.T.M.                |
| 5.0106             | 275,000              | 4.500            | 5.0106                 | 100.000                 | E.T.M.                |
| .....              | .....                | .....            | .....                  | .....                   | .....                 |
| .0000              | 3,220,000            | .000             | .0000                  | .000                    | .000                  |
| .....              | .....                | .....            | .....                  | .....                   | .....                 |

DATE: 8/04/86 15:36

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (31) EL PASO - COMB FEE REV BDS SER '73

DEBT REFUNDING SELECTION REPORT  
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THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND MATURITY DATE | BOND MATURITY AMOUNT | BOND COUPON RATE | ACTUAL REDEMPTION DATE | ACTUAL REDEMPTION PRICE | REFUNDING ESCROW TYPE |
|--------------------|----------------------|------------------|------------------------|-------------------------|-----------------------|
| 5.0187             | 125,000              | 5.300            | 5.0187                 | 100.000                 | E.T.M.                |
| 5.0188             | 135,000              | 5.300            | 5.0188                 | 100.000                 | E.T.M.                |
| 5.0189             | 140,000              | 5.300            | 5.0189                 | 100.000                 | E.T.M.                |
| 5.0190             | 150,000              | 5.300            | 5.0190                 | 100.000                 | E.T.M.                |
| 5.0191             | 160,000              | 5.300            | 5.0191                 | 100.000                 | E.T.M.                |
| 5.0192             | 170,000              | 5.300            | 5.0192                 | 100.000                 | E.T.M.                |
| 5.0193             | 180,000              | 5.300            | 5.0193                 | 100.000                 | E.T.M.                |
| 5.0194             | 190,000              | 5.300            | 5.0194                 | 100.000                 | E.T.M.                |
| 5.0195             | 205,000              | 5.400            | 5.0195                 | 100.000                 | E.T.M.                |
| 5.0196             | 215,000              | 5.400            | 5.0196                 | 100.000                 | E.T.M.                |
| 5.0197             | 230,000              | 5.500            | 5.0197                 | 100.000                 | E.T.M.                |
| 5.0198             | 245,000              | 5.500            | 5.0198                 | 100.000                 | E.T.M.                |
| 5.0199             | 260,000              | 5.600            | 5.0199                 | 100.000                 | E.T.M.                |
| 5.0100             | 275,000              | 5.600            | 5.0100                 | 100.000                 | E.T.M.                |
| 5.0101             | 295,000              | 5.700            | 5.0101                 | 100.000                 | E.T.M.                |
| 5.0102             | 310,000              | 5.700            | 5.0102                 | 100.000                 | E.T.M.                |
| 5.0103             | 330,000              | 5.700            | 5.0103                 | 100.000                 | E.T.M.                |
| 5.0104             | 350,000              | 5.000            | 5.0104                 | 100.000                 | E.T.M.                |
| .0000              | 3,965,000            | .000             | .0000                  | .000                    | .000                  |

DATE: 8/04/86 15:36

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
(32) EL PASO - COMB FEE REV BGS SER'74

DEBT REFUNDING SELECTION REPORT  
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THE MORGAN BANK  
PUBLIC FINANCE DEPARTMENT  
INVESTMENT BANKING GROUP

| BOND<br>MATURITY<br>DATE | BOND<br>MATURITY<br>AMOUNT | BOND<br>COUPON<br>RATE | ACTUAL<br>REDEMPTION<br>DATE | ACTUAL<br>REDEMPTION<br>PRICE | REFUNDING<br>ESCROW<br>TYPE |
|--------------------------|----------------------------|------------------------|------------------------------|-------------------------------|-----------------------------|
| 5.0187                   | 70,000                     | 8.250                  | 5.0187                       | 100.000                       | E.T.M.                      |
| 5.0188                   | 70,000                     | 8.250                  | 5.0188                       | 100.000                       | E.T.M.                      |
| 5.0189                   | 80,000                     | 7.900                  | 5.0189                       | 100.000                       | E.T.M.                      |
| 5.0190                   | 80,000                     | 7.800                  | 5.0190                       | 100.000                       | E.T.M.                      |
| 5.0191                   | 85,000                     | 7.600                  | 5.0191                       | 100.000                       | E.T.M.                      |
| 5.0192                   | 85,000                     | 7.600                  | 5.0192                       | 100.000                       | E.T.M.                      |
| 5.0193                   | 95,000                     | 7.600                  | 5.0193                       | 100.000                       | E.T.M.                      |
| 5.0194                   | 95,000                     | 7.600                  | 5.0194                       | 100.000                       | E.T.M.                      |
| 5.0195                   | 100,000                    | 7.800                  | 5.0195                       | 100.000                       | E.T.M.                      |
| 5.0196                   | 105,000                    | 6.750                  | 5.0196                       | 100.000                       | E.T.M.                      |
| 5.0197                   | 110,000                    | 6.750                  | 5.0197                       | 100.000                       | E.T.M.                      |
| .0000                    | 975,000                    | .000                   | .0000                        | .000                          | .000                        |

DATE: 8/04/86 15:37

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
(34) EL PASO - STUD UNION BLDG REV BDS SER-A '67

DEBT REFUNDING SELECTION REPORT  
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THE MORGAN BANK  
PUBLIC FINANCE DEPARTMENT  
INVESTMENT BANKING GROUP

| BOND MATURITY DATE | BOND MATURITY AMOUNT | BOND COUPON RATE | ACTUAL REDEMPTION DATE | ACTUAL REDEMPTION PRICE | REFUNDING ESCROW TYPE |
|--------------------|----------------------|------------------|------------------------|-------------------------|-----------------------|
| 10.0186            | 29,000               | 2.875            | 10.0186                | 100.000                 | E.T.M.                |
| 10.0187            | 29,000               | 2.875            | 10.0187                | 100.000                 | E.T.M.                |
| .0000              | 58,000               | .000             | .0000                  | .000                    | .000                  |

DATE: 8/04/86 15:37

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (35) EL PASO - STUD UNION BLDG REV BOS SER-B '67

DEBT REFUNDING SELECTION REPORT

THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND<br>MATURITY<br>DATE | BOND<br>MATURITY<br>AMOUNT | BOND<br>COUPON<br>RATE | ACTUAL<br>REDEMPTION<br>DATE | ACTUAL<br>REDEMPTION<br>AMOUNT | REFUNDING<br>ESCROW<br>TYPE |
|--------------------------|----------------------------|------------------------|------------------------------|--------------------------------|-----------------------------|
| 10.0186                  | 60,000                     | 5.000                  | 10.0186                      | 100,000                        | E.T.M.                      |
| 10.0187                  | 65,000                     | 5.000                  | 10.0187                      | 100,000                        | E.T.M.                      |
| 10.0188                  | 100,000                    | 5.100                  | 10.0188                      | 100,000                        | E.T.M.                      |
| 10.0189                  | 100,000                    | 5.100                  | 10.0189                      | 100,000                        | E.T.M.                      |
| 10.0190                  | 105,000                    | 5.100                  | 10.0190                      | 100,000                        | E.T.M.                      |
| 10.0191                  | 110,000                    | 5.100                  | 10.0191                      | 100,000                        | E.T.M.                      |
| 10.0192                  | 120,000                    | 5.100                  | 10.0192                      | 100,000                        | E.T.M.                      |
| 10.0193                  | 125,000                    | 5.200                  | 10.0193                      | 100,000                        | E.T.M.                      |
| 10.0194                  | 130,000                    | 5.200                  | 10.0194                      | 100,000                        | E.T.M.                      |
| 10.0195                  | 140,000                    | 5.200                  | 10.0195                      | 100,000                        | E.T.M.                      |
| 10.0196                  | 140,000                    | 5.200                  | 10.0196                      | 100,000                        | E.T.M.                      |
| 10.0197                  | 150,000                    | 5.200                  | 10.0197                      | 100,000                        | E.T.M.                      |
| 10.0198                  | 155,000                    | 5.200                  | 10.0198                      | 100,000                        | E.T.M.                      |
| 10.0199                  | 165,000                    | 5.200                  | 10.0199                      | 100,000                        | E.T.M.                      |
| 10.0100                  | 170,000                    | 5.200                  | 10.0100                      | 100,000                        | E.T.M.                      |
| 10.0101                  | 170,000                    | 5.200                  | 10.0101                      | 100,000                        | E.T.M.                      |
| .0000                    | 2,005,000                  | .000                   | .0000                        | .000                           | .000                        |

DATE: 8/04/86 15:38

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (35) EL PASO - BLDG REV BDS SER '89

DEBT REFUNDING SELECTION REPORT  
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THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND MATURITY DATE | BOND MATURITY AMOUNT | BOND COUPON RATE | ACTUAL REDEMPTION DATE | ACTUAL REDEMPTION PRICE | REFUNDING ESCROW TYPE |
|--------------------|----------------------|------------------|------------------------|-------------------------|-----------------------|
| 11.0186            | 180,000              | 6.500            | 11.0186                | 100.000                 | E.T.M.                |
| 11.0187            | 190,000              | 6.500            | 11.0187                | 100.000                 | E.T.M.                |
| 11.0188            | 200,000              | 6.500            | 11.0188                | 100.000                 | E.T.M.                |
| 11.0189            | 220,000              | 6.500            | 11.0189                | 100.000                 | E.T.M.                |
| 11.0190            | 235,000              | 6.500            | 11.0190                | 100.000                 | E.T.M.                |
| 11.0191            | 250,000              | 6.500            | 11.0191                | 100.000                 | E.T.M.                |
| 11.0192            | 280,000              | 6.500            | 11.0192                | 100.000                 | E.T.M.                |
| 11.0193            | 275,000              | 6.000            | 11.0193                | 100.000                 | E.T.M.                |
| 11.0194            | 290,000              | 5.600            | 11.0194                | 100.000                 | E.T.M.                |
| 11.0195            | 310,000              | 5.600            | 11.0195                | 100.000                 | E.T.M.                |
| 11.0196            | 335,000              | 5.600            | 11.0196                | 100.000                 | E.T.M.                |
| 11.0197            | 355,000              | 5.600            | 11.0197                | 100.000                 | E.T.M.                |
| 11.0198            | 375,000              | 5.600            | 11.0198                | 100.000                 | E.T.M.                |
| 11.0199            | 400,000              | 5.600            | 11.0199                | 100.000                 | E.T.M.                |
| 11.0100            | 425,000              | 5.600            | 11.0100                | 100.000                 | E.T.M.                |
| 11.0101            | 450,000              | 5.600            | 11.0101                | 100.000                 | E.T.M.                |
| 11.0102            | 480,000              | 5.600            | 11.0102                | 100.000                 | E.T.M.                |
| 11.0103            | 510,000              | 5.600            | 11.0103                | 100.000                 | E.T.M.                |
| 11.0104            | 530,000              | 4.000            | 11.0104                | 100.000                 | E.T.M.                |
| 11.0105            | 550,000              | 4.000            | 11.0105                | 100.000                 | E.T.M.                |
| .0000              | 6,820,000            | .000             | .0000                  | .000                    | .000                  |

DATE: 8/04/86 15:38

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (37) SAN ANTONIO - COMBINED FEE REV BGS SER '80

DEBT REFUNDING SELECTION REPORT  
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THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND<br>MATURITY<br>DATE | BOND<br>MATURITY<br>AMOUNT | BOND<br>COUPON<br>RATE | ACTUAL<br>REDEMPTION<br>DATE | ACTUAL<br>REDEMPTION<br>PRICE | REFUNDING<br>ESCROW<br>TYPE |
|--------------------------|----------------------------|------------------------|------------------------------|-------------------------------|-----------------------------|
| 3.0187                   | 220,000                    | 9.500                  | 3.0187                       | 100.000                       | E.T.M.                      |
| 3.0188                   | 235,000                    | 9.500                  | 3.0188                       | 100.000                       | E.T.M.                      |
| 3.0189                   | 250,000                    | 9.500                  | 3.0189                       | 100.000                       | E.T.M.                      |
| 3.0190                   | 270,000                    | 8.750                  | 3.0190                       | 100.000                       | E.T.M.                      |
| 3.0191                   | 290,000                    | 8.750                  | 3.0190                       | 101.000                       | E.T.C.                      |
| 3.0192                   | 310,000                    | 8.750                  | 3.0190                       | 101.000                       | E.T.C.                      |
| 3.0193                   | 335,000                    | 8.750                  | 3.0190                       | 101.000                       | E.T.C.                      |
| 3.0194                   | 355,000                    | 8.750                  | 3.0190                       | 101.000                       | E.T.C.                      |
| 3.0195                   | 380,000                    | 8.750                  | 3.0190                       | 101.000                       | E.T.C.                      |
| 3.0196                   | 410,000                    | 8.750                  | 3.0190                       | 101.000                       | E.T.C.                      |
| 3.0197                   | 440,000                    | 8.750                  | 3.0190                       | 101.000                       | E.T.C.                      |
| 3.0198                   | 470,000                    | 8.750                  | 3.0190                       | 101.000                       | E.T.C.                      |
| 3.0199                   | 505,000                    | 8.900                  | 3.0190                       | 101.000                       | E.T.C.                      |
| 3.0100                   | 545,000                    | 9.000                  | 3.0190                       | 101.000                       | E.T.C.                      |
| 3.0101                   | 580,000                    | 9.000                  | 3.0190                       | 101.000                       | E.T.C.                      |
| 3.0102                   | 625,000                    | 9.000                  | 3.0190                       | 101.000                       | E.T.C.                      |
| 3.0103                   | 670,000                    | 9.000                  | 3.0190                       | 101.000                       | E.T.C.                      |
| 3.0104                   | 720,000                    | 9.000                  | 3.0190                       | 101.000                       | E.T.C.                      |
| .0000                    | 7,610,000                  | .000                   | .0000                        | .000                          | .000                        |

DATE: 8/04/86 15:39

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (38) SAN ANTONIO - COMBINED FEE REVENUE BONDS SERIES 1984

DEBT REFUNDING SELECTION REPORT  
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THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND MATURITY DATE | BOND MATURITY AMOUNT | BOND COUPON RATE | ACTUAL REDEMPTION DATE | ACTUAL REDEMPTION PRICE | REFUNDING ESCROW TYPE |
|--------------------|----------------------|------------------|------------------------|-------------------------|-----------------------|
| 3.0187             | 85,000               | 12.200           | 3.0187                 | 100.000                 | E.T.M.                |
| 3.0188             | 95,000               | 12.200           | 3.0188                 | 100.000                 | E.T.M.                |
| 3.0189             | 115,000              | 12.200           | 3.0189                 | 100.000                 | E.T.M.                |
| 3.0190             | 130,000              | 12.200           | 3.0190                 | 100.000                 | E.T.M.                |
| 3.0191             | 150,000              | 12.200           | 3.0191                 | 100.000                 | E.T.M.                |
| 3.0192             | 165,000              | 12.200           | 3.0192                 | 100.000                 | E.T.M.                |
| 3.0193             | 185,000              | 12.200           | 3.0193                 | 100.000                 | E.T.M.                |
| 3.0194             | 215,000              | 12.200           | 3.0194                 | 100.000                 | E.T.M.                |
| 3.0195             | 245,000              | 12.200           | 3.0194                 | 102.000                 | E.T.C.                |
| 3.0196             | 265,000              | 10.900           | 3.0194                 | 102.000                 | E.T.C.                |
| 3.0197             | 305,000              | 9.700            | 3.0194                 | 102.000                 | E.T.C.                |
| 3.0198             | 340,000              | 9.700            | 3.0194                 | 102.000                 | E.T.C.                |
| 3.0199             | 380,000              | 9.800            | 3.0194                 | 102.000                 | E.T.C.                |
| 3.0100             | 425,000              | 9.800            | 3.0194                 | 102.000                 | E.T.C.                |
| 3.0101             | 480,000              | 9.900            | 3.0194                 | 102.000                 | E.T.C.                |
| 3.0102             | 535,000              | 9.900            | 3.0194                 | 102.000                 | E.T.C.                |
| 3.0103             | 600,000              | 10.000           | 3.0194                 | 102.000                 | E.T.C.                |
| 3.0104             | 675,000              | 10.000           | 3.0194                 | 102.000                 | E.T.C.                |
| 3.0105             | 745,000              | 10.000           | 3.0194                 | 102.000                 | E.T.C.                |
| 3.0106             | 825,000              | 10.000           | 3.0194                 | 102.000                 | E.T.C.                |
| J.U.U.U/           | 909,000              | 10.000           | 3.0194                 | 102.000                 | E.T.C.                |
| .0000              | 7,865,000            | .000             | .0000                  | .000                    | .000                  |

DATE: 8/04/86 15:39

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (39) SAN ANTONIO - UTIL REV BOS SER '80

DEBT REFUNDING SELECTION REPORT  
 .....

THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND MATURITY DATE | BOND MATURITY AMOUNT | BOND COUPON RATE | ACTUAL REDEMPTION DATE | ACTUAL REDEMPTION PRICE | REFUNDING ESCROW TYPE |
|--------------------|----------------------|------------------|------------------------|-------------------------|-----------------------|
| 8.0187             | 350,000              | 8.250            | 8.0187                 | 100.000                 | E.T.M.                |
| 8.0188             | 375,000              | 8.250            | 8.0188                 | 100.000                 | E.T.M.                |
| 8.0189             | 400,000              | 8.250            | 8.0189                 | 100.000                 | E.T.M.                |
| 8.0190             | 435,000              | 8.250            | 8.0190                 | 100.000                 | E.T.M.                |
| 8.0191             | 465,000              | 8.250            | 8.0191                 | 100.000                 | E.T.M.                |
| 8.0192             | 500,000              | 8.250            | 8.0190                 | 101.000                 | E.T.C.                |
| 8.0193             | 540,000              | 8.250            | 8.0190                 | 101.000                 | E.T.C.                |
| 8.0194             | 580,000              | 7.400            | 8.0194                 | 100.000                 | E.T.M.                |
| 8.0194             | 620,000              | 7.400            | 8.0195                 | 100.000                 | E.T.M.                |
| 8.0196             | 670,000              | 7.600            | 8.0196                 | 100.000                 | E.T.M.                |
| 8.0197             | 720,000              | 7.800            | 8.0190                 | 101.000                 | E.T.C.                |
| 8.0198             | 770,000              | 8.000            | 8.0190                 | 101.000                 | E.T.C.                |
| 8.0199             | 830,000              | 6.750            | 8.0199                 | 100.000                 | E.T.M.                |
| 8.0100             | 890,000              | 6.750            | 8.0100                 | 100.000                 | E.T.M.                |
| .0000              | 8,145,000            | .000             | .0000                  | .000                    | .000                  |

DATE: 8/04/86 15:39

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (40) H.S.C. HOUSTON - HSNB SYS REV B03 SER '81

DEBT REFUNDING SELECTION REPORT

THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND MATURITY DATE | BOND MATURITY AMOUNT | BOND COUPON RATE | ACTUAL REDEMPTION DATE | ACTUAL REDEMPTION PRICE | REFUNDING ESCROW TYPE |
|--------------------|----------------------|------------------|------------------------|-------------------------|-----------------------|
| 5.0187             | 595,000              | 9.500            | 5.0187                 | 100.000                 | E.T.M.                |
| 5.0188             | 655,000              | 9.500            | 5.0188                 | 100.000                 | E.T.M.                |
| 5.0189             | 715,000              | 9.500            | 5.0189                 | 100.000                 | E.T.M.                |
| 5.0190             | 785,000              | 9.500            | 5.0190                 | 100.000                 | E.T.M.                |
| 5.0191             | 855,000              | 9.750            | 5.0191                 | 100.000                 | E.T.M.                |
| 5.0192             | 940,000              | 9.750            | 5.0191                 | 101.000                 | E.T.C.                |
| 5.0193             | 1,035,000            | 9.750            | 5.0191                 | 101.000                 | E.T.C.                |
| 5.0194             | 1,135,000            | 9.750            | 5.0191                 | 101.000                 | E.T.C.                |
| 5.0195             | 1,245,000            | 10.000           | 5.0191                 | 101.000                 | E.T.C.                |
| 5.0196             | 1,370,000            | 10.000           | 5.0191                 | 101.000                 | E.T.C.                |
| 5.0197             | 1,505,000            | 10.250           | 5.0191                 | 101.000                 | E.T.C.                |
| 5.0198             | 1,660,000            | 10.250           | 5.0191                 | 101.000                 | E.T.C.                |
| .0000              | 12,495,000           | .000             | .0000                  | .000                    | .000                  |

DATE: 8/04/96 15:40

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
 (41) TYLER - COMBINED FEE REV BDS SER '76

DEBT REFUNDING SELECTION REPORT  
 .....

THE MORGAN BANK  
 PUBLIC FINANCE DEPARTMENT  
 INVESTMENT BANKING GROUP

| BOND<br>MATURITY<br>DATE | BOND<br>MATURITY<br>AMOUNT | BOND<br>COUPON<br>RATE | ACTUAL<br>REDEMPTION<br>DATE | ACTUAL<br>REDEMPTION<br>PRICE | REFUNDING<br>ESCROW<br>TYPE |
|--------------------------|----------------------------|------------------------|------------------------------|-------------------------------|-----------------------------|
| 8.0187                   | 65,000                     | 7.000                  | 8.0187                       | 100.000                       | E.T.M.                      |
| 8.0188                   | 70,000                     | 7.000                  | 8.0188                       | 100.000                       | E.T.M.                      |
| 8.0189                   | 75,000                     | 7.000                  | 8.0189                       | 100.000                       | E.T.M.                      |
| 8.0190                   | 80,000                     | 6.000                  | 8.0190                       | 100.000                       | E.T.M.                      |
| 8.0191                   | 85,000                     | 6.250                  | 8.0191                       | 100.000                       | E.T.M.                      |
| 8.0192                   | 90,000                     | 6.250                  | 8.0192                       | 100.000                       | E.T.M.                      |
| 8.0193                   | 100,000                    | 6.400                  | 8.0193                       | 100.000                       | E.T.M.                      |
| 8.0194                   | 105,000                    | 6.400                  | 8.0194                       | 100.000                       | E.T.M.                      |
| 8.0195                   | 115,000                    | 6.500                  | 8.0195                       | 100.000                       | E.T.M.                      |
| 8.0196                   | 120,000                    | 6.700                  | 8.0196                       | 100.000                       | E.T.M.                      |
| 8.0197                   | 130,000                    | 6.700                  | 8.0197                       | 100.000                       | E.T.M.                      |
| 8.0198                   | 140,000                    | 5.500                  | 8.0198                       | 100.000                       | E.T.M.                      |
| 8.0199                   | 150,000                    | 5.500                  | 8.0199                       | 100.000                       | E.T.M.                      |
| .0000                    | 1,325,000                  | .000                   | .0000                        | .000                          | .000                        |



## PAYING AGENT/REGISTRAR AGREEMENT

THIS AGREEMENT is entered into as of August , 1986 (the "Agreement"), by and between the Board of Regents of The University of Texas System (the "Issuer"), and MBANK AUSTIN, NATIONAL ASSOCIATION, 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 General Revenue Refunding Bonds, Series 1986" (the "Bonds") in an aggregate principal amount of \$222,040,000 to be issued as fully registered bonds without coupons, in the denomination of any integral multiple of \$5,000 of principal amount, pursuant to a Resolution adopted by the Issuer on August 14, 1986 (the "Bond Resolution");

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

The Issuer is desirous that the Bank act as the Paying Agent of the Issuer in paying the principal of and interest on the Bonds, in accordance with the terms thereof, 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 THE BANK AS PAYING AGENT AND REGISTRAR

Section 1.01. Appointment.

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

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

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

Section 1.02. Consideration.

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

ARTICLE TWO

DEFINITIONS

Section 2.01. Definitions.

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

"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 August 14, 1986, pursuant to which the Bonds are

issued, certified by the Executive Secretary of the Issuer or any other officer of the Issuer and delivered to the Bank.

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

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

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

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

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

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

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

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

ARTICLE THREE

THE PAYING AGENT

Section 3.01. Duties of the Paying Agent.

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

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

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

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

Section 3.02. Payment Date.

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

## ARTICLE FOUR

### REGISTRAR

#### Section 4.01. Initial Registration of Bonds.

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

#### Section 4.02. Transfer and Exchange of Bonds.

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

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

All Bonds shall be exchangeable upon the presentation and surrender thereof at the Bank for a Bond or Bonds of the same maturity and interest rate and in any authorized

denomination, in an aggregate principal amount equal to the unpaid principal amount of the Bond presented for exchange. All Bonds delivered in exchange for other Bonds shall be authenticated and registered so that neither gain nor loss in interest shall result from such exchange. The Bank shall authenticate and deliver exchange Bonds in accordance with the provisions hereof and the Bond Resolution.

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

Section 4.03. Unauthenticated Bonds.

The Issuer shall provide an adequate inventory of unauthenticated Bonds to facilitate transfers. The Bank covenants that it will maintain such unauthenticated Bonds in safekeeping and will use reasonable care in maintaining such Bonds in safekeeping, which shall be not less than the care it maintains for debt securities of other governments or corporations for which it serves as registrar, or which it maintains for its own bonds.

Section 4.04. Form of Bond Register.

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

Section 4.05. List of Bond Owners.

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

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

Section 4.06. Return of Cancelled Bonds.

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

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

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

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

Section 4.08. Transaction Information to the Issuer.

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

ARTICLE FIVE

THE BANK

Section 5.01. Duties of the Bank.

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

Section 5.02. Reliance on Documents, Etc.

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

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

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

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

Registered Owner or an attorney-in-fact of the Registered Owner. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document supplied by the Issuer.

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

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

Section 5.03. Recitals of the Issuer.

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

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

Section 5.04. May Own Bonds.

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

Section 5.05. Moneys Held by the Bank.

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

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

Any money deposited with the Bank for the payment of the principal, premium (if any), or interest on any Bond and

remaining unclaimed for two years after the date of such deposit will be paid by the Bank to the Issuer, and the Registered Owner of such Bond shall thereafter look only to the Issuer for payment thereof, and all liability of the Bank with respect to such moneys shall thereupon cease.

## ARTICLE SIX

### MISCELLANEOUS PROVISIONS

#### Section 6.01. Amendment.

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

#### Section 6.02. Assignment.

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

#### Section 6.03. Notices.

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

#### Section 6.04. Effect of Headings.

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

#### Section 6.05. Successors and Assigns.

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

#### Section 6.06. Severability.

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

Section 6.07. Benefits of Agreement.

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

Section 6.08. Entire Agreement.

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

Section 6.09. Counterparts.

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

Section 6.10. Term and Termination.

This Agreement shall be effective from and after its date for a term ending on the earlier to occur of the Stated Maturity or Redemption Date of the last Bond to mature or be redeemed, and may be terminated by the Issuer for cause at any time upon 120 days written notice to the Bank, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. The Bank shall not have the right to resign from the obligations and duties imposed on it hereunder as Paying Agent/Registrar for the Bonds or to assign or transfer such obligations or duties except as permitted under Section 6.02 hereof.

In the event of early termination, regardless of circumstances, the Bank shall deliver to the Issuer or its designee all books and records pertaining to the Bank's role as Paying Agent/Registrar with respect to the Bonds, including, but not limited to, the Bond Register.

Section 6.11. Governing Law.

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

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

BOARD OF REGENTS OF THE  
UNIVERSITY OF TEXAS SYSTEM

By \_\_\_\_\_  
M. E. Patrick  
Executive Vice Chancellor  
for Asset Management

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

MBANK AUSTIN, NATIONAL ASSOCIATION  
AUSTIN, TEXAS

By \_\_\_\_\_  
Title:

Address:  
One American Center  
600 Congress  
Austin, Texas 78701  
Attention: Corporate Trust

ATTEST:

\_\_\_\_\_  
Title:

(SEAL)

ANNEX A

The Board of Regents will pay to the Bank \$22,000.00 as a one-time lump sum to act as Paying Agent/Registrar for the Bonds. This fee includes compensation for any duties under this Agreement to be performed (i) by any co-paying agent for the Bonds appointed by or through the Bank, and (ii) any agent or attorney of the Bank acting on its behalf pursuant to Section 5.02(f) of this Agreement.



BIDS FOR PAYING AGENT/REGISTRAR  
 \$220,000,000\*  
 BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986

Tabulation of Bids Received:  
 July 18, 1986 - 12:00 Noon, C.S.T.

| BIDDER  | BID  |
|---|--|
| MBank Austin, N.A.<br>Austin, Texas                 | Will charge Board of Regents<br>\$22,000 one time up front to<br>be paid at closing.   |
| MBank Houston, N.A.<br>Houston, Texas               | Will charge Board of Regents<br>\$23,000 one time up front to<br>be paid at closing.   |
| InterFirst Bank Dallas, N.A.<br>Dallas, Texas       | Will charge Board of Regents<br>\$30,450 one time up front fee<br>and to be reimbursed for all<br>out of pocket expenses such<br>as but not limited to: travel<br>and expenses to attend closing,<br>postage, registered mail and<br>insurance costs, supplies, etc. |
| First City National Bank of Austin<br>Austin, Texas | Will charge Board of Regents<br>\$105,000 one time up front<br>to be paid at closing.  |
| Republic Bank Austin<br>Austin, Texas               | Will charge Board of Regents<br>\$187,500 one time up front<br>to be paid at closing.  |
|   |  |
|   |  |

\*Subject to change.



BIDS FOR ESCROW AGENT  
 \$220,000,000\*  
 BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
 GENERAL REVENUE REFUNDING BONDS, SERIES 1986

Tabulation of Bids Received:  
 July 18, 1986 - 12:00 Noon, C.S.T.

| BIDDER  | BID  |
|---|--|
| MBank Austin, N.A.<br>Austin, Texas                 | Will charge Board of Regents<br>\$33,500 one time up front fee.  |
| InterFirst Bank Dallas<br>Dallas, Texas             | Will charge Board of Regents<br>\$33,000 one time up front fee<br>and to be reimbursed for all<br>out of pocket expenses such as<br>but not limited to: travel and<br>expenses to attend closing,<br>postage, registered mail and<br>insurance costs, supplies, etc. |
| First City National Bank of Austin<br>Austin, Texas | Will charge Board of Regents<br>\$42,000 one time up front fee.  |
| MBank Houston, N.A.<br>Houston, Texas               | Will charge Board of Regents<br>\$59,750 one time up front fee.  |
| Republic Bank Austin<br>Austin, Texas               | Will charge Board of Regents<br>\$64,200 one time up front fee.  |
|   |  |
|   |  |

\*Subject to change.



FINANCIAL GUARANTY AGREEMENT

FINANCIAL GUARANTY AGREEMENT made as of August 21, 1986 by and between the Board of Regents of The University of Texas System, (the "Obligor"); and MUNICIPAL BOND INSURANCE ASSOCIATION (the "Association"), an unincorporated voluntary association of insurance companies organized under the laws of the State of New York.

W I T N E S S E T H :

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

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

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

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

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

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

ARTICLE I

DEFINITIONS; SURETY BOND

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

Section 1.02. Surety Bond.

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

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

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

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

ARTICLE II

REIMBURSEMENT OBLIGATIONS OF OBLIGOR AND SECURITY THEREFOR

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

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

(ii) Notwithstanding anything contained herein to the contrary:

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

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

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

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

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

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

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

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

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

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

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

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

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

### ARTICLE III

#### AMENDMENTS TO DOCUMENT

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

### ARTICLE IV

#### EVENTS OF DEFAULT; REMEDIES

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

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

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

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

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

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

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

Section 4.02. Remedies. If an Event of Default shall occur and be continuing, then the Association may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under this Agreement or to enforce performance of any obligation of the Obligor to the Association under the Document or any related instrument, and any obligation, agreement or covenant of the Obligor under this Agreement; provided, however, that the Association may not take any action to direct or require acceleration or other early redemption of the Obligations or adversely affect the rights of the Owners. All rights and remedies of the Association under this Section 4.02 are cumulative and the exercise of any one remedy does not preclude the exercise of one or more of the other available remedies.

## ARTICLE V

### SETTLEMENT

The Association shall have the exclusive right to decide and determine whether any claim, liability, suit or judgment made or brought against the Association, the Obligor or any other party on the Surety Bond shall or shall not be paid, compromised, resisted, defended, tried or appealed, and the Association's decision thereon, if made in good faith, shall be final and binding upon the Obligor. An itemized statement of payments made by the Association, certified by an officer of the Association, with a copy of the

voucher or vouchers for such payments attached, shall be prima facie evidence of the liability of the Obligor, and if the Obligor fails to immediately reimburse the Association upon the receipt of such statement of payments, interest shall be computed on such amount from the date of any payment made by the Association at the rate set forth in subsection (a) of Section 2.01 hereof.

The Obligor shall submit annually to the Association its records of Surety Bond Payments received and remaining unpaid, the respective dates such Surety Bond Payments were made, the interest accrued at the Reimbursement Rate on each Surety Bond Payment and the aggregate of such interest due by the Obligor to the Association.

## ARTICLE VI

### MISCELLANEOUS

Section 6.01. Computations. All computations of premium, interest and fees hereunder shall be made on the basis of the actual number of days elapsed over a year of 360 days.

Section 6.02. Exercise of Rights. No failure or delay on the part of the Association to exercise any right, power or privilege under this Agreement and no course of dealing between the Association and the Obligor or any other party shall operate as a waiver of any such right, power or privilege, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Association would otherwise have pursuant to law or equity. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances, or constitute a waiver of the right of the other party to any other or further action in any circumstances without notice or demand.

Section 6.03. Amendment and Waiver. Any provision of this Agreement may be amended, waived, supplemented, discharged or terminated only with the prior written consent of the Obligor and the Association. The Obligor hereby agrees that upon the written request of the Paying Agent, the Association may make or consent to issue any substitute for the Surety Bond to cure any ambiguity or formal defect or omission in the Surety Bond which does not materially change the terms of the Surety Bond nor adversely affect the rights of the Owners, and this Agreement shall apply to such substituted surety bond. The Association agrees to deliver to the Obligor and to the company or companies, if any, rating the Obligations, a copy of such substituted surety bond.

Section 6.04. Successors and Assigns; Descriptive Headings.

(a) This Agreement shall bind, and the benefits thereof shall inure to, the Obligor and the Association and their respective successors and assigns; provided, that the Obligor may not transfer or assign any or all of its rights and obligations hereunder without the prior written consent of the Association.

(b) The descriptive headings of the various provisions of this Agreement are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

Section 6.05. Other Sureties. If the Association shall procure any other surety to reinsure the Surety Bond, this Agreement shall inure to the benefit of such other surety, its successors and assigns, so as to give to it a direct right of action against the Obligor to enforce this Agreement, and "the Association," wherever used herein, shall be deemed to include such reinsuring surety, as its respective interests may appear.

Section 6.06. Signature on Bond. The Obligor's liability shall not be affected by its failure to sign the Surety Bond nor by any claim that other indemnity or security was to have been obtained nor by the release of any indemnity, nor the return or exchange of any collateral that may have been obtained.

Section 6.07. Waiver. The Obligor waives any defense that this Agreement was executed subsequent to the date of the Surety Bond, admitting and covenanting that such Surety Bond was executed pursuant to the Obligor's request and in reliance on the Obligor's promise to execute this Agreement.

Section 6.08. Notices, Requests, Demands. Except as otherwise expressly provided herein all written notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been given or made when actually received, or in the case of telex or telecopier notice sent over a telex or a telecopier machine owned or operated by a party hereto, when sent, addressed as specified below or at such other address as any of the parties hereto or the Obligor may hereafter specify in writing to the others:

|                         |   |
|-------------------------|---|
| If to the Obligor:      | The Board of Regents of The University of Texas System<br>201 West 7th St.<br>Austin, Texas 78701<br>Attention: Michael E. Patrick<br>Executive Vice Chancellor for Asset Management                  |
| If to the Paying Agent: | MBank Austin, N.A.<br>Corporate Trust Dept.<br>600 Congress Ave.<br>Austin, Texas 78780<br>Attention: Einer Juul  |
| If to the Association:  | Municipal Bond Insurance Association<br>c/o Municipal Issuers Service Corporation<br>34 South Broadway<br>White Plains, New York 10602<br>Attention: President, Municipal Issuers Service Corporation |

Section 6.09. Limitation on Optional Redemption. The Obligor agrees that it will not call any Obligations for optional redemption at any time when it owes any amount to the Association under this Agreement.

Section 6.10. Amendments of Document; Additional Obligations. The Obligor shall not amend the Document without the prior written consent of the Association, which consent shall not be unreasonably withheld. Prior to the issuance of any additional obligations under the Document, the Obligor shall provide to the Association signed copies of the certificates required by Section 20 of the Document.

Section 6.11. Notice of Redemption. The Obligor agrees to provide the Association with copies of any notice of redemption which is given pursuant to the Document.

Section 6.12. Third Party Beneficiary. The Obligor agrees that the Association shall be a third party beneficiary to the Document and that the terms, conditions and obligations contained in the Document which benefit the Association are specifically enforceable by the Association.

Section 6.13. Survival of Representations and Warranties. All representations, warranties and obligations contained herein shall survive the execution and delivery of this Agreement and the Surety Bond.

Section 6.14. Governing Law. This Agreement and the rights and obligations of the parties under this Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of Texas.

Section 6.15. Counterparts. This Agreement may be executed in any number of copies and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument. Complete counterparts of this Agreement shall be lodged with the Obligor and the Association.

Section 6.16. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

The Board of Regents of The University  
of Texas System

By \_\_\_\_\_  
Title \_\_\_\_\_

MUNICIPAL BOND INSURANCE ASSOCIATION  
The Aetna Casualty and Surety Company  
Fireman's Fund Insurance Company  
The Travelers Indemnity Company  
Aetna Insurance Company  
The Continental Insurance Company

By MUNICIPAL ISSUERS SERVICE CORPORATION

By \_\_\_\_\_  
President of Municipal Issuers  
Service Corporation

By \_\_\_\_\_  
Secretary of Municipal Issuers  
Service Corporation

Annex A  
SURETY BOND

Municipal Bond Insurance Association  
White Plains, New York 10601

Surety Bond No. \_\_\_\_\_

The insurance companies comprising the Municipal Bond Insurance Association (the "Association"), each of which participates and is liable hereunder severally and not jointly in the respective percentage set forth opposite its name, in consideration of the payment of the premium and subject to the terms of this Surety Bond, hereby unconditionally and irrevocably guarantee the full and complete payments which are to be applied to payment of principal of and interest on the Obligations (as hereinafter defined) and which are required to be made by or on behalf of \_\_\_\_\_ (the "Issuer") under the \_\_\_\_\_

\_\_\_\_\_ (the "Document") to \_\_\_\_\_ (the "Paying Agent"), as such payments are due but shall not be so paid, in connection with the issuance by the Issuer of \_\_\_\_\_

\_\_\_\_\_ [(the "Obligations")] or [together with any bonds issued on a parity therewith, (the "Obligations")]; provided, that the amount available hereunder for payment pursuant to any one Demand for Payment (as hereinafter defined) shall not exceed \$ (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein. In no event shall the Surety Bond Coverage exceed the Surety Bond Limit.

1. As used herein, the term "Owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the applicable paying agent, the Issuer or any designee of the Issuer for such purpose. The term "Owner" shall not include the Issuer or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment for the Obligations.

2. The insurance companies constituting the members of the Association are as follows:

|                                       |     |
|---------------------------------------|-----|
| The Aetna Casualty and Surety Company | 33% |
| Fireman's Fund Insurance Company      | 30% |
| The Travelers Indemnity Company       | 15% |
| Aetna Insurance Company               | 12% |
| The Continental Insurance Company     | 10% |

3. Upon the later of: (i) three (3) days after receipt by the General Manager of the Association of a demand for payment in the form attached hereto as Attachment 1 (the "Demand for Payment"), duly executed by the Paying Agent; or (ii) the payment date of the Obligations as specified in the Demand for Payment presented by the Paying Agent to the Association, the Association, on behalf of its members, will make a deposit of funds in an account with Citibank, N.A., in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts which are then due to the Paying Agent (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

4. Demand for Payment hereunder may be made by prepaid telecopy, telex, TWX or telegram of the executed Demand for Payment c/o the General Manager of the Association. If a Demand for Payment made hereunder does not, in any instance, conform to the terms and conditions of this Surety Bond, the Association shall give notice to the Paying Agent, as promptly as reasonably practicable that such Demand for Payment was not effected in accordance with the terms and conditions of this Surety Bond and briefly state the reason(s) therefor. Upon being notified that such Demand for Payment was not effected in accordance with this Surety Bond, the Paying Agent may attempt to correct any such nonconforming Demand for Payment if, and to the extent that, the Paying Agent is entitled and able to do so.

5. The amount payable by the Association under this Surety Bond pursuant to a particular Demand for Payment shall be limited to the Surety Bond Coverage. The Surety Bond Coverage shall be reduced automatically to the extent of each payment made by the Association hereunder and will be reinstated to the extent of each reimbursement of the Association pursuant to the provisions of Article II of the Financial Guaranty Agreement; provided, that in no event shall such reinstatement exceed the Surety Bond Limit. The Association will notify the Paying Agent, in writing within five (5) days of such reimbursement, that the Surety Bond Coverage has been reinstated to the extent of such reimbursement pursuant to the Financial Guaranty Agreement and such reinstatement shall be effective as of the date the Association gives such notice. The notice to the Paying Agent will be substantially in the form attached hereto as Attachment 2.

6. Any service of process on the members of the Association may be made to the Association, one of the members of the Association or the General Manager of the Association or the General Agent of the Association and such service of process shall be valid and binding as to the Association and each of its members. During the term of its appointment, Municipal Issuers Service Corporation will act as the General Manager of the Association and its offices are located at 34 South Broadway, White Plains, New York 10601.



DEMAND FOR PAYMENT

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Municipal Bond Insurance Association  
c/o Municipal Issuers Service Corporation  
34 South Broadway  
White Plains, New York 10601

Attention: President

Reference is made to the Surety Bond No. \_\_\_\_\_ (the "Surety Bond") issued by the Municipal Bond Insurance Association (the "Association"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

The Paying Agent hereby certifies that:

(a) In accordance with the provisions of the Document (attached hereto as Exhibit A), payment is due to the Owners of the Obligations on \_\_\_\_\_ (the "Due Date") in an amount equal to \$\_\_\_\_\_ (the "Amount Due").

(b) The amounts legally available to the Paying Agent on the Due Date will be \$\_\_\_\_\_ less than the Amount Due (the "Deficiency").

(c) The Paying Agent has not heretofore made demand under the Surety Bond for the Amount Due or any portion thereof.

The Paying Agent hereby requests that payment of the Deficiency (subject to the Surety Bond Coverage) be made by the Association under the Surety Bond and directs that payment under the Surety Bond be made to the following account by bank wire transfer of federal or other immediately available funds in accordance with the terms of the Surety Bond:

\_\_\_\_\_ [Paying Agent's Account]

[PAYING AGENT]

By \_\_\_\_\_

Its \_\_\_\_\_

Attachment 2  
Surety Bond No. \_\_\_\_\_

NOTICE OF REINSTATEMENT

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[Paying Agent]  
[Address]

Reference is made to the Surety Bond No. \_\_\_\_\_ (the "Surety Bond") issued by the Municipal Bond Insurance Association (the "Association"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

The Association hereby delivers notice that it is in receipt of payment pursuant to Article II of the Financial Guaranty Agreement and as of the date hereof the Surety Bond Coverage is \$ \_\_\_\_\_.

MUNICIPAL BOND INSURANCE ASSOCIATION

The Aetna Casualty and Surety Company  
Fireman's Fund Insurance Company  
The Travelers Indemnity Company  
Aetna Insurance Company  
The Continental Insurance Company

By MUNICIPAL ISSUERS SERVICE CORPORATION

\_\_\_\_\_  
President

**ANNEX A**

**DEFINITIONS**

(To be provided - should be identical  
to Annex B of Financial Guaranty Agreement)

0099h  
0725a

ANNEX B

DEFINITIONS

TERM SHEET

\$14,853,683.76 Average Annual Debt Service less \$4,669,268.85  
University's contribution of \$222,040,000 Total Par  
Debt Service Reserve Fund for the \$222,040,000 Board of Regents  
of The University of Texas System, General Revenue Refunding Bonds  
Series 1986

A. DEFINITIONS

The terms listed below shall have the following meanings for the purposes of this Term Sheet:

"Association" means Municipal Bond Insurance Association, a voluntary unincorporated association of insurance companies organized under the laws of the State of New York.

"Commitment" means the commitment to issue Municipal Bond Guaranty Insurance delivered by the Association to the Obligor.

"Debt Service Payments" shall have the meaning assigned to it in the Financial Guaranty Agreement.

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

"Document" means Resolution.

"Financial Guaranty Agreement" means the Financial Guaranty Agreement by and between the Obligor and the Association.

"Issuer" means of The Board of Regents of The University of Texas System.

"Obligor" means The Board of Regents of The University of Texas System.

"Obligations" means \$222,040,000 Board of Regents of The University of Texas System, General Revenue Refunding Bonds, Series 1986, together with any bonds issued on a parity therewith.

"Owners" means the registered owners of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer or any assignee of the Issuer for such purpose.

"Paying Agent" means MBank Dallas, National Association, Dallas, Texas.

"Premium" means \$743,000, payable at closing.

"Reimbursement Period" means one year.

"Reimbursement Rate" means Citibank's prime rate plus two (2) percent per annum, as of the date of such Surety Bond Payment, said "prime rate" being the rate of interest announced from time to time by Citibank, N.A., New York, New York, as its prime rate. The rate of interest shall be calculated on the basis of a 360-day year.

"Reserve Requirement" means the "Required Amount" as defined in the Document.

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

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

"Surety Bond Limit" means \$14,853,683.76 Average Annual Debt Service less \$4,669,268.85 University's contribution of \$222,040,000 Total Par.

"Surety Bond Payment" means the deficiency amount set forth in the Obligor's notice to the Paying Agent delivered pursuant to the Document, all as certified by the Paying Agent in a Demand for Payment.

Where applicable, defined terms such as those set forth above should be incorporated in the the Document. Other revisions to definitions in the Document may be necessary to reflect the provisions of the Commitment.

I. OTHER MATTERS

1. Report by Chancellor Mark on the U. T. System Response to Executive Order MW-36
2. Presentation of Certificate of Appreciation
3. Appointment of Advisory Committee

J. SCHEDULED MEETINGS AND EVENTS

1. Board of Regents' Meetings, 1986

| <u>Dates</u>       | <u>Locations/Hosts</u>                    |
|--------------------|---|
| October 9-10, 1986 | U. T. Health Science Center - Dallas      |
| December 4-5, 1986 | U. T. Health Science Center - San Antonio |

2. PROPOSED 1987 MEETINGS OF THE BOARD OF REGENTS.--The designation of meeting dates and locations well in advance has proved to be helpful for both personal scheduling and the processing of agenda related materials. The proposed schedule for 1987 set forth below continues, except for December, the regular meeting dates as the second Thursday and Friday of the even-numbered months:

| <u>Dates</u>   | <u>Locations</u>  |
|----------------|---|
| February 12-13 | Regents' Room, Austin                                   |
| April 9-10     | U. T. Science Park, Smithville<br>Regents' Room, Austin |
| June 11-12     | U. T. Tyler   |
| August 13-14   | Regents' Room, Austin                                   |
| October 8-9    | U. T. Dallas  |
| December 3-4   | U. T. El Paso   |

3. Holidays

September 1, 1986 (Labor Day)  
November 27, 1986 (Thanksgiving Day)  
November 28, 1986 (Thanksgiving Holiday)  
December 22, 1986 (Christmas Holiday)  
December 23, 1986 (Christmas Holiday)  
December 24, 1986 (Christmas Holiday)  
December 25, 1986 (Christmas Day)  
December 26, 1986 (Christmas Holiday)  
December 29, 1986 (Christmas Holiday)  
December 30, 1986 (Christmas Holiday)  
December 31, 1986 (Christmas Holiday)  
January 1, 1987 (New Year's Day)  
January 2, 1987 (New Year's Holiday)  
July 3, 1987 (Independence Day Holiday - afternoon)

4. The 1986 football schedule for U. T. Austin and U. T. El Paso is set out on Page B of R - 6.

K. RECESS TO EXECUTIVE SESSION

The Board will convene in Executive Session pursuant to Vernon's Texas Civil Statutes, Article 6252-17, Sections 2(e), (f) and (g), to consider those matters set out in the Material Supporting the Agenda.

L. RECONVENE IN OPEN SESSION

M. CONSIDERATION OF ACTION ON ANY ITEMS DISCUSSED IN THE EXECUTIVE SESSION OF THE BOARD OF REGENTS PURSUANT TO V.T.C.S., ARTICLE 6252-17, SECTIONS 2(e), (f) and (g)

1. Pending and/or Contemplated Litigation - Section 2(e)

a) U. T. Board of Regents: Consideration of matters related to collection of royalties on Permanent University Fund Oil and Gas Leases

b) U. T. Medical Branch - Galveston: Proposed Settlement of Medical Malpractice Litigation

2. Land Acquisition, Purchase, Exchange, Lease or Value of Real Property and Negotiated Contracts for Prospective Gifts or Donations - Section 2(f)

U. T. System: Consideration of negotiative sale of certain real estate in Travis County, Texas

3. Personnel Matters [Section 2(g)] Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees

U. T. Health Science Center - Dallas: Consideration of Recommendation from a Special Hearing Tribunal for Termination of Employment for Good Cause of Non-tenured Faculty Member During Term of Appointment

N. OTHER BUSINESS

O. ADJOURNMENT

1986 Football Schedule for U. T. Austin

|              |            |             |                  |
|--------------|------------|-------------|------------------|
| September 13 | 7:00 p.m.  | Stanford    | at Austin        |
| September 20 | 1:30 p.m.  | Missouri    | at Columbia, Mo. |
| October 4    | 12:05 p.m. | *Rice       | at Houston       |
| October 11   | 2:00 p.m.  | Oklahoma    | at Dallas        |
| October 18   | 1:00 p.m.  | *Arkansas   | at Austin        |
| October 25   | 1:00 p.m.  | *SMU        | at Austin        |
| November 1   | 12:05 p.m. | *Texas Tech | at Lubbock       |
| November 8   | 1:00 p.m.  | *Houston    | at Austin        |
| November 15  | 2:00 p.m.  | *TCU        | at Fort Worth    |
| November 22  | 2:00 p.m.  | *Baylor     | at Waco          |
| November 27  | 1:00 p.m.  | *Texas A&M  | at Austin        |

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\*Denotes Southwest Conference Games

Game times subject to change by Network Television Contract

1986 Football Schedule for U. T. El Paso

|              |               |                           |                |
|--------------|---------------|---------------------------|----------------|
| August 30    | 7:00 p.m.     | Northern Michigan         | at El Paso     |
| September 6  | 7:00 p.m.     | *Air Force                | at El Paso     |
| September 13 | 6:30 p.m.     | New Mexico State          | at Las Cruces  |
| September 20 | 7:30 p.m. HST | Hawaii                    | at Honolulu    |
| September 27 | 1:05 p.m. CDT | Iowa                      | at Iowa City   |
| October 4    | 1:30 p.m. CDT | Tennessee                 | at Knoxville   |
| October 11   | 7:00 p.m.     | *University of New Mexico | at Albuquerque |
| October 18   | 7:00 p.m.     | *San Diego State          | at El Paso     |
| October 25   | 1:30 p.m.     | *Brigham Young            | at Provo       |
| November 1   |               | OPEN                      |                |
| November 8   | 1:00 p.m.     | *Wyoming                  | at Laramie     |
| November 15  |               | OPEN                      |                |
| November 22  | 7:00 p.m.     | *Colorado State           | at El Paso     |
| November 29  | 7:00 p.m.     | *Utah                     | at El Paso     |

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\*Denotes WAC Conference Games

# 1986

# 1987

July

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August

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September

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October

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November

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December

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January

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February

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March

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April

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May

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June

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July

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August

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September

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October

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November

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December

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# Executive Committee

EXECUTIVE COMMITTEE  
COMMITTEE CHAIRMAN HAY

Date: August 14, 1986  
Time: Following the 10:30 a.m. Session of the Board of Regents  
Place: Regents' Meeting Room, Ninth Floor, Ashbel Smith Hall

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| 2. U. T. System: Recommendation to Continue Present Systemwide Comprehensive Dishonesty, Disappearance and Destruction Policy Through June 1, 1987 (Exec. Com. Letter 86-21)  | 4                          |
| 3. U. T. Arlington: Transfer of Funds Requiring Advance Regental Approval Under Budget Rules and Procedures No. 2 (Exec. Com. Letter 86-21)   | 5                          |
| 4. U. T. Austin: Proposed Appointments to Endowed Academic Positions in the College of Engineering Effective July 1, 1986 (Exec. Com. Letter 86-20)   | 6                          |
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| 6. U. T. Austin - Residence Halls - Emergency Lighting System: Recommended Award of Construction Contract to C. F. Weise Corporation, Austin, Texas, and Revised Total Project Cost (Exec. Com. Letter 86-18)   | 8                          |
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10. U. T. Health Science Center - Houston (U. T. Dental Branch - Houston) - Facilities Improvements for the Dental Branch Building and Dental Science Institute (Project No. 701-393): Recommended Award of Construction Contract to Manhattan Construction Company, Houston, Texas, and Approval of Plaque Inscription (Exec. Com. Letter 86-22) 22
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1. Permanent University Fund Lands: Recommendation to Reduce Damage Payments for Well Locations and Geophysical Operations to Encourage Continued Exploration Activities on Permanent University Fund Lands During the Depressed Oil Market (Exec. Com. Letter 86-19).--

RECOMMENDATION

The Executive Committee concurs in the recommendation of the Office of the Chancellor to change Sections A and E of The University of Texas Lands Damage Schedule to be effective June 1, 1986, as set out below in congressional style:

|  | <u>RATES</u>      |                         |
|--|-------------------|-------------------------|
| A. WELL LOCATIONS (As permitted by Railroad Commission)  |                   |                         |
| 1. 15,000 feet or less (drilling depth)/location   | <u>\$2,000.00</u> | <del>[\$3,000.00]</del> |
| 2. In excess of 15,000 feet (drilling depth)/location  | <u>3,000.00</u>   | <del>[4,000.00]</del>   |
| 3. Re-entry (no charge until expiration or release of lease, then rates shown under 1 and 2 are to be followed)  |                   |                         |
| (THE ABOVE RATES INCLUDED SPACE FOR TANK BATTERIES, FUEL GAS, FLOW LINES, TEMPORARY WATER LINES, ELECTRIC LINES, SALT WATER DISPOSAL LINES, COMPRESSORS, AND ROADS ON YOUR OWN LEASE.) |                   |                         |
| 4. Skidding of rig/rod   |                   | 8.50                    |
| 5. New road construction (except on own lease) or use of existing ranch road/rod (No charge on pre-existing oil field roads)   |                   | 6.00                    |
| E. GEOPHYSICAL OPERATIONS  |                   |                         |
| Damage payments for geophysical operations shall be as follows:  |                   |                         |
| 1. Seismic weight-dropping, vibrators, dinoseis operations per mile  | <u>850.00</u>     | <del>[1,000.00]</del>   |
| 2. Shooting crews per mile   | <u>900.00</u>     | <del>[1,100.00]</del>   |
| 3. Gravity meter and magnetometer survey operations per crew per day   | <u>200.00</u>     | <del>[250.00]</del>     |
| 4. Single shot (reflection or refraction shooting) per shot hole   | <u>150.00</u>     | <del>[200.00]</del>     |
| 5. Velocity survey (when off pad)  |                   | Negotiated              |
| 6. Experimental work   |                   | Negotiated              |
| 7. On revegetated land, the operator will pay an additional \$300 per mile in damages to the U. T. System.   |                   |                         |

BACKGROUND INFORMATION

The U. T. Board of Regents, at its December 1985 meeting, increased the damage rates for drilling sites and geophysical operations on Permanent University Fund Lands effective February 1, 1986. However, due to the presently depressed oil market, drilling and seismic operations on Permanent University Fund Lands have significantly declined. In April, 1985, the University collected \$105,400 in drilling site damages, and \$45,300 for seismic operations. In April, 1986, the University collected \$20,000 in drilling site damages and \$6,900 in seismic operations. It is hoped that a decrease in rates will stimulate activity and increase the net return on damage payments to the University.

2. U. T. System: Recommendation to Continue Present System-wide Comprehensive Dishonesty, Disappearance and Destruction Policy Through June 1, 1987 (Exec. Com. Letter 86-21).--

RECOMMENDATION

The Executive Committee concurs with the recommendation of the Office of the Chancellor that authorization be given to continue through June 1, 1987, the Comprehensive Dishonesty, Disappearance and Destruction Policy for The University of Texas System with the National Union Fire Insurance Company, Pittsburgh, Pennsylvania, a member of the American International Group, with a one-year premium charge of \$55,000.

BACKGROUND INFORMATION

The National Union Fire Insurance Company has underwritten The University of Texas System Comprehensive Dishonesty, Disappearance and Destruction Policy since June 1, 1985, when the previous carrier declined to renew coverage.

U. T. System Administration has carefully reviewed the insurance market but has been unsuccessful in locating any other carrier that would provide equal or better coverage at a more competitive rate. The market review and negotiation process has caused the policy to run past the anniversary date, although without any lapse in coverage, but necessitating policy renewal via the Executive Committee Letter. As a result of policy renewal negotiations, the present carrier will provide the following changes and improvements to the policy:

| <u>Insuring Agreement</u>                                  | <u>Amount of Coverage</u> |             |
|--|---------------------------|-------------|
|  | <u>Previous</u>           | <u>New</u>  |
| Employee Dishonesty Coverage                               | \$1,000,000               | \$2,000,000 |
| Loss Inside the Premises (other than employee dishonesty)  | \$100,000                 | \$250,000   |
| Loss Outside the Premises (other than employee dishonesty) | \$100,000                 | \$250,000   |
| Depositors Forgery Coverage                                | \$100,000                 | \$2,000,000 |

| <u>Insuring Agreement</u>                                  |                | <u>Amount of Deductible</u> |            |
|--|----------------|-----------------------------|------------|
|  |                | <u>Previous</u>             | <u>New</u> |
| Employee Dishonesty Coverage                               | Academic Units | \$10,000                    | \$10,000   |
|  | Medical Units  | \$25,000                    | \$10,000   |
| Loss Inside the Premises (other than employee dishonesty)  | Academic Units | \$10,000                    | \$10,000   |
|  | Medical Units  | \$25,000                    | \$15,000   |
| Loss Outside the Premises (other than employee dishonesty) | Academic Units | \$10,000                    | \$10,000   |
|  | Medical Units  | \$25,000                    | \$15,000   |

The premium for the policy period ending June 1, 1986, was \$30,442. The premium charged for this policy is prorated among the component institutions of the U. T. System.

3. U. T. Arlington: Transfer of Funds Requiring Advance Regental Approval Under Budget Rules and Procedures No. 2 (Exec. Com. Letter 86-21).--

#### RECOMMENDATION

The Executive Committee concurs with the recommendation of President Nedderman and the Office of the Chancellor that the U. T. Board of Regents approve the following transfer of funds at U. T. Arlington:

#### Educational and General Funds

Amount of Transfer - \$395,000

From: Unappropriated Balance (via Estimated Income) - 1985-86

To: Continuing Education Operating Expenses (RBC #363)

#### BACKGROUND INFORMATION

U. T. Arlington anticipates exceeding Estimated Educational and General Income from continuing education fees by \$395,000 during the current fiscal year. It is recommended that this amount be budgeted to provide for increased continuing education operations.

4. U. T. Austin: Proposed Appointments to Endowed Academic Positions in the College of Engineering Effective July 1, 1986 (Exec. Com. Letter 86-20).--

RECOMMENDATION

The Executive Committee concurs in the recommendation of President Cunningham and the Office of the Chancellor to approve the following appointments to endowed academic positions in the College of Engineering at U. T. Austin effective July 1, 1986:

| <u>Name of Proposed Appointee</u>   | <u>Endowed Academic Position</u>  |
|---|---|
| Dr. Al F. Tasch, Jr., Vice President of Technical Staff at Motorola and Director of the Motorola Advanced Research and Development Laboratory | Fourth Cockrell Family Regents Chair in Engineering, established February 1985; initial appointment |
| Dr. Stephen A. Szygenda, President, Small Business Incubators, Inc.   | Clint W. Murchison, Sr. Chair of Free Enterprise, established August 1985; initial appointment      |

BACKGROUND INFORMATION

These two appointments were submitted via Executive Committee Letter since the desired effective date necessitated their approval by the U. T. Board of Regents prior to its August meeting. The timing of negotiations with both individuals precluded their consideration at the June U. T. Board of Regents' meeting.

Dr. Tasch's appointment as Professor in the Department of Electrical and Computer Engineering at U. T. Austin has been approved effective July 1, 1986. He is internationally recognized for his research contributions in the areas of microelectronics, very large scale silicon integrated circuits, and semiconductors, and is the author or coauthor of more than sixty research publications. He has made more than seventy major presentations at research colloquia, has eighty patent disclosures and thirty issued patents, and has presented research seminars in U. T. Austin's Departments of Physics and Electrical and Computer Engineering. Dr. Tasch worked at the Central Research Laboratories of Texas Instruments (TI) in Dallas from 1969 to 1982 and was honored as a TI Fellow in 1978. He joined Motorola in 1982 and under his leadership, Motorola's Advanced Products Research and Development Laboratory has successfully developed technologies for several new products. Dr. Tasch was elected a Fellow of the Institute of Electrical and Electronics Engineers (IEEE) in 1983.

Dr. Szygenda's appointment as Professor in the Department of Electrical and Computer Engineering at U. T. Austin has been approved effective July 1, 1986. Dr. Szygenda is internationally recognized for his pioneering work in developing logic simulation systems in the field of computer-aided design and for his entrepreneurial effectiveness in transferring technology into the business community. He held an appointment as Professor of Electrical Engineering and Computer Sciences at U. T. Austin from 1973 to 1980 and has served as Assistant Chairman of the Department of Electrical Engineering.

Dr. Szygenda founded and served as President of Comprehensive Computing Systems and Services, Inc. (CCSS), and after CCSS was purchased by COMSAT, he served as President of COMSAT General Integrated Systems. He founded The RUBICON Group, where he was President and Chief Executive Officer. Dr. Szygenda is currently a member of the Governor's Council for Science and Technology in Texas and has served as a member of the Board of Governors of the IEEE. He has authored or coauthored more than fifty refereed journal articles and research conference publications. Dr. Szygenda is an excellent teacher and has received awards for outstanding teaching and supervision of 45 M.S. degree students and 21 Ph.D. degree students.

5. U. T. Austin - Athletic Facilities South of Memorial Stadium - Football Facility (Project No. 102-494): Recommended Award of Contracts for Furniture and Furnishings to The Video Store, Inc., Austin, Texas; and Request for Authorization for the Chancellor to Sign the Contracts (Exec. Com. Letter 86-18).--

#### RECOMMENDATION

The Executive Committee concurs in the recommendation of President Cunningham and the Office of the Chancellor that the U. T. Board of Regents award a contract for furniture and furnishings for the Athletic Facilities South of Memorial Stadium - Football Facility at U. T. Austin to the following lowest responsible bidder:

The Video Store, Inc.  
Austin, Texas

|  |          |
|--|----------|
| Base Proposal "A", System "A"<br>Lecture Room Systems (Video, Audio,<br>Motion Analysis, Film)       | \$31,855 |
| Base Proposal "B", System "B"<br>Weight Room Systems (Video, Audio, Film)                            | 12,795   |
| Base Proposal "C", System "C"<br>Treatment Area & Trainer's Locker Room<br>(TV & Public Address)     | 2,495    |
| Base Proposal "D", System "D"<br>Equipment Room and "A" and "B" Team Rooms<br>(TV, Paging, Sound)    | 2,237    |
| Base Proposal "E", System "E"<br>Head Coach's Office and Coaches' Locker<br>Room (TV, Paging, Sound) | 1,930    |
| Base Proposal "F", System "F"<br>Three Conference Rooms (Video, Motion<br>Analysis)                  | 10,758   |
| Base Proposal "G", System "G"<br>Reception Area (TV)   | 836      |
| Base Proposal "H", System "H"<br>RF Distribution System  | 2,158    |

|  |            |
|--|------------|
| Base Proposal "I", System "I"              |            |
| Mini-CCTV (Surveillance of Equipment Area) | \$2,051    |
| Base Proposal "J", System "J"              |            |
| TV Lighting (Interview Area)               | <u>773</u> |
| GRAND TOTAL RECOMMENDED CONTRACT AWARD     | \$67,888   |

It is further recommended that the Chancellor be authorized to sign the contracts awarding these bids based on the results of the Executive Committee circularization.

#### BACKGROUND INFORMATION

In accordance with authorization of the U. T. Board of Regents on October 12, 1984, bids were called for and were received, opened and tabulated on April 22, 1986, as shown above, for furniture and furnishings for the Athletic Facilities South of Memorial Stadium - Football Facility at U. T. Austin. Funds for the contract award are available in the Furnishings and Equipment Account.

With regard to the bids listed herein, only one bid was received for each proposal, all from the same company. Of four other firms which could have submitted bids, one firm stated that it could not perform the installation work in this trade area without charging what it considered to be costs which would be prohibitive to awarding a contract. A second firm stated that the work was complex beyond the normal capabilities of its installation mechanics. A third firm indicated that it could not obtain all of the equipment required by the specifications. A fourth firm indicated that it was too busy to submit a bid at this time. The total combined bids of The Video Store, Inc., are less than the estimated total cost of \$70,000. It is believed that rebidding would not improve these results.

6. U. T. Austin - Residence Halls - Emergency Lighting System: Recommended Award of Construction Contract to C. F. Weise Corporation, Austin, Texas, and Revised Total Project Cost (Exec. Com. Letter 86-18).--

#### RECOMMENDATION

The Executive Committee concurs in the recommendation of President Cunningham and the Office of the Chancellor that the U. T. Board of Regents:

- a. Award a construction contract for an Emergency Lighting System for Residence Halls at U. T. Austin to C. F. Weise Corporation, Austin, Texas, in the amount of \$667,000
- b. Approve a construction contingency allowance of \$60,000 and authorize U. T. Austin Administration to increase the construction contract by a maximum of this amount to cover change orders during construction
- c. Approve a revised total project cost of \$1,154,274. The previously approved total project cost was \$1,812,000 with funding from the Housing and Food Service Reserves Account.

BACKGROUND INFORMATION

Following the December 1985 authorization of the U. T. Board of Regents, bids were received on April 22, 1986, for an Emergency Lighting System for Residence Halls at U. T. Austin. The results of the bid opening are tabulated below:

|  |           |
|--|-----------|
| C. F. Weise Corporation<br>Austin, Texas             | \$667,000 |
| Texas Electrical Construction, Inc.<br>Austin, Texas | \$825,000 |
| Hill Electric Company<br>Austin, Texas               | \$879,600 |

It is recommended that a construction contract be awarded to the lowest responsible bidder, C. F. Weise Corporation, in the amount of \$667,000.

This project was bid without the normal construction contingency allowance. It is therefore recommended that U. T. Austin be authorized to administer a construction contingency allowance of \$60,000 to cover change orders during construction. It is estimated that this is the maximum amount needed to cover unforeseen conditions.

With this recommended award, the total project cost can be reduced from the previously approved \$1,812,000 to \$1,154,274.

The revised total project cost is composed of the following cost elements:

|   |               |
|---|---------------|
| Construction Cost                                   | \$ 667,000    |
| Construction Contingency Allowance                  | <u>60,000</u> |
| Maximum Construction Contract                       | \$ 727,000    |
| U. T. Austin Equipment Purchase<br>and Installation | 300,000       |
| Engineering Fees                                    | 72,274        |
| Project Contingency                                 | 50,000        |
| Miscellaneous Expenses                              | <u>5,000</u>  |
|   | \$1,154,274   |

This project is funded from the U. T. Austin Housing and Food Service Reserves Account and was approved by the Coordinating Board, Texas College and University System in January 1986.

7. U. T. San Antonio: Recommendation for Approval to Enter Into an Amendment to a Ground Lease with a Private Entity for the Provision of Student Housing (Exec. Com. Letter 86-21).--

#### RECOMMENDATION

The Executive Committee concurs in the recommendation of President Wagener and the Office of the Chancellor that the U. T. Board of Regents:

- a. Authorize the Chancellor, after approval by the Office of General Counsel, to execute an amendment to a ground lease agreement between the U. T. Board of Regents and Mr. Clarence T. Bach, San Antonio, Texas, providing the U. T. Board of Regents an option to have leasehold improvements demolished upon abandonment or expiration of ground lease in the form set out in Attachment 1.
- b. Authorize the Chancellor, after approval by the Office of General Counsel, to execute a joinder of lessor concerning an amendment to a sublease agreement between Mr. Clarence T. Bach, San Antonio, Texas, and "UTSA Phase I Dormitory Partnership," providing sublessor an option to have leasehold improvements demolished upon abandonment or expiration of sublease in the form set out in Attachment 2.

#### BACKGROUND INFORMATION

At its February 1986 meeting, the U. T. Board of Regents authorized the Chancellor to execute a (a) Ground Lease Agreement with Mr. Clarence T. Bach, (b) Management Agreement with Sandalwood Management, Inc. and "UTSA Phase I Dormitory Partnership" for operation of a student dormitory, (c) Management Agreement with Sandalwood Management, Inc., and Mr. Clarence T. Bach for operation of a recreation center, (d) Statement of Policy and Undertaking to be delivered to Lloyds Bank International, Ltd., and (e) form of consent to sublease a portion of the leased premises between Mr. Clarence T. Bach as landlord and "UTSA Phase I Dormitory Partnership" as tenant. All contracts in this matter have been fully executed.

Construction of the dormitory facilities by Mr. Bach on his leasehold tract is in progress, the groundbreaking having taken place on January 28, 1986.

It has been determined that it is in the best interest of the U. T. System to amend the ground lease to provide the U. T. Board of Regents with the option to require demolition of all improvements on the leasehold tract upon abandonment or expiration of the lease. The proposed amendment, attached hereto as Attachment 1, would provide such an option to require the lessee to demolish all improvements at his sole cost, after notice from the U. T. Board of Regents of its decision to exercise this option. A similar option provision is proposed to be added to the sublease agreement between Mr. Clarence T. Bach, sublessor, and "UTSA Phase I Dormitory Partnership," sublessee. As lessor under the ground lease, the U. T. Board of Regents would execute

a joinder agreement, giving consent to the amendment of the sub-lease which would authorize Mr. Clarence T. Bach to require his sublessee to demolish the improvements, should this option be exercised by the U. T. Board of Regents.

Approval of the proposed amendments to the ground lease and sub-lease would provide the U. T. Board of Regents the option to decline the acquisition by reversion of any improvements which may be located on the leased tract upon reversion of the leasehold to the U. T. Board of Regents.

AMENDMENT OF GROUND LEASE AGREEMENT

STATE OF TEXAS  
COUNTY OF BEXAR

§  
§  
§

This Amendment of Lease Agreement ("First Amendment") is made and effective on and as of \_\_\_\_\_, 1986 ("Effective Date") by and between the Board of Regents of The University of Texas System ("Lessor"), for the use and benefit of The University of Texas at San Antonio, acting by and through its authorized officers, and Clarence T. Bach ("Lessee"), an individual who resides in Bexar County, Texas.

RECITALS

As of December 1, 1985, Lessor and Lessee entered into that certain Ground Lease Agreement (the "Lease") under which Lessee leased a tract of land containing approximately 5.8865 acres ("Leased Premises") in Bexar County, Texas on the campus of The University of Texas at San Antonio, as more particularly described by metes and bounds in Exhibit A attached to the Lease for the purpose of developing, constructing, owning and operating campus housing facilities and related facilities for students at The University of Texas at San Antonio.

Lessor has requested that the Lease be amended to add a provision to require Lessee to demolish the improvements constructed on the Leased Premises if certain events have not occurred when the Lease terminates or if the Leased Premises should be "abandoned" by Lessee as such term is hereinafter defined.

AGREEMENTS

Now, Therefore, for and in consideration of the premises, the agreements, duties, covenants, obligations and other undertakings of the other party hereto, and upon and subject to the terms, conditions and provisions herein set forth, Lessor and Lessee do hereby agree as follows:

1. The following provision is hereby added to Article Fifteen of the Lease as Section 15.03:

Section 15.03 Lessor's Option to Require Demolition.

Lessor shall have the option to require Lessee to demolish the Facilities at Lessee's sole cost and expense upon the occurrence of either (a) the "abandonment" (as hereinafter defined) of the Facilities by Lessee or (b) the Expiration Date, provided that:

- (1) Lessor has not exercised the option to purchase the Facilities after approval by the Coordinating Board, Texas College and University System, as provided for in Section 15.02;
- (2) Lessee has not donated the Facilities to Lessor and Lessor has accepted them after approval by the Coordinating Board, Texas College and University System; and
- (3) Prior to the Expiration Date, Lessee has not submitted a written proposal to Lessor requesting that Lessor enter into a renewal of this Lease Agreement or an amendment to this Lease Agreement upon reasonable terms and conditions which would give Lessee the right to own and operate the Facilities for a period of time beyond the

Expiration Date and Lessor and Lessee have not executed such a renewal or amendment to extend the time period for Lessee's ownership and operation of the Facilities within one hundred twenty (120) days after the Expiration Date.

As used herein, the term "abandonment" shall mean (i) Lessee's voluntary surrender of the Leased Premises to Lessor prior to the Expiration Date, or (ii) Lessee's failure to operate and maintain the Facilities as required under Section 4.01 for a period of at least two (2) consecutive years; provided, however, that Lessee shall not be deemed to have "abandoned" the Facilities for purposes of this Section 15.03 if any holder of a mortgage of the Lessee's leasehold estate in the Leased Premises exercises its rights under Section 8.02 hereof to succeed to Lessee's leasehold interest or to enter into a new lease of the Leased Premises.

Lessor shall give Lessee written notice of its exercise of such option no later than thirty (30) days after the occurrence of either (a) the "abandonment" of the Facilities by the Lessee as hereinabove defined or (b) the Expiration Date if none of the events specified in subparagraphs (1), (2) and (3) has occurred. If Lessor fails to give such notice within said time period, Lessor shall be deemed to have waived its option to have Lessee demolish the Facilities. Lessee shall demolish the Facilities within two hundred seventy (270) days after the receipt of such notice."

2. Except as expressly modified hereby, all terms and provisions of the Lease shall remain in full force and effect, and Lessor and Lessee do hereby ratify, confirm and adopt the Lease as modified hereby.

THE BOARD OF REGENTS OF THE  
UNIVERSITY OF TEXAS SYSTEM  
FOR THE USE AND BENEFIT OF  
THE UNIVERSITY OF TEXAS AT  
SAN ANTONIO

BY: \_\_\_\_\_  
Dr. Hans Mark  
Chancellor, The University  
of Texas System

"LESSOR"

APPROVED AS TO CONTENT:

APPROVED AS TO FORM:

\_\_\_\_\_  
Executive Vice Chancellor  
for Academic Affairs,  
The University of Texas  
System

\_\_\_\_\_  
Office of General Counsel,  
The University of Texas  
System

CERTIFICATE OF APPROVAL

I hereby certify that the foregoing First Amendment to Ground Lease Agreement was approved by The Board of Regents of The University of Texas System on the \_\_\_\_\_ day of \_\_\_\_\_, 1986, and that the person whose signature appears above is authorized to execute such amendment on behalf of the Board.

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

---

CLARENCE T. BACH

"LESSEE"

1971A

AMENDMENT OF SUBLEASE AGREEMENT

STATE OF TEXAS

§  
§  
§

COUNTY OF BEXAR

This Amendment of Sublease Agreement ("First Amendment") is made and effective on and as of \_\_\_\_\_, 1986 ("Effective Date") by and between Clarence T. Bach ("Landlord"), an individual who resides in Bexar County, Texas and Phase I Dormitory Partnership, ("Tenant") a Texas general partnership of which Clarence T. Bach is the managing general partner.

RECITALS

As of December 1, 1985, The Board of Regents of The University of Texas System ("Lessor"), for the use and benefit of The University of Texas at San Antonio, acting by and through its authorized officers and Clarence T. Bach entered into that certain ground lease agreement ("Ground Lease") under which Clarence T. Bach leased a tract of land containing approximately 5.8865 acres ("Leased Premises") in Bexar County, Texas on the campus of The University of Texas at San Antonio, as more particularly described by metes and bounds in Exhibit A attached to the Ground Lease for the purpose of developing, constructing, owning and operating campus housing facilities and related facilities for students at The University of Texas at San Antonio.

As of December 1, 1985, Landlord and Tenant entered into that certain Sublease Agreement (the "Lease") under which Tenant subleased a portion of the Leased Premises containing approximately 4.623 acres ("Subleased Premises") in Bexar County, Texas on the campus of The University of Texas at San Antonio, as more particularly described by metes and bounds in Exhibit A attached to the Sublease for the purpose of developing, constructing, owning and operating a portion of the campus housing facilities and related facilities for students at The University of Texas at San Antonio to be constructed pursuant to the Ground Lease.

Lessor requested that the Ground Lease be amended to add a provision to require that the improvements constructed on the Subleased Premises be demolished if certain events have not occurred when the Ground Lease terminates or if the Subleased Premises should be "abandoned" as such term is hereinafter defined and Landlord desires to amend the Sublease to add such a provision thereto.

AGREEMENTS

Now, Therefore, for and in consideration of the premises, the agreements, duties, covenants, obligations and other undertakings of the other party hereto, and upon and subject to the terms, conditions and provisions herein set forth, Landlord and Tenant do hereby agree as follows:

1. The following provision is hereby added to Article Fifteen of the Sublease as Section 15.03:

Section 15.03 Landlord's Option to Require Demolition.

Landlord shall have the option to require Tenant to demolish the Facilities at Tenant's sole cost and expense upon the occurrence of either (a) the "abandonment" (as hereinafter defined) of the Facilities by Tenant or (b) the Expiration Date, provided that:

- (1) Landlord has not exercised the option to purchase the Facilities as provided for in Section 15.02;
- (2) The Facilities have not been donated to Lessor and Lessor has accepted them after approval by the Coordinating Board, Texas College and University System; and
- (3) Prior to the Expiration Date, Tenant has not submitted a written proposal to Landlord that Landlord enter into a renewal of this Sublease Agreement or an amendment to this Sublease Agreement upon reasonable terms and conditions which would give Tenant the right to own and operate the Facilities for a period of time beyond the Expiration Date and Landlord and Tenant have not executed such a renewal or amendment to extend the time period for Tenant's ownership and operation of the Facilities within one hundred fifty (150) days after the Expiration Date.

As used herein, the term "abandonment" shall mean (i) Tenant's voluntary surrender of the Subleased Premises to Landlord prior to the Expiration Date or (ii) Tenant's failure to operate and maintain the Facilities as required under Section 4.01 for a period of at least two (2) consecutive years; provided, however, that Tenant shall not be deemed to have "abandoned" the Facilities for purposes of this Section 15.03 if any holder of a mortgage on the Tenant's leasehold estate in the Subleased Premises exercises its rights under Section 8.02 hereof to succeed to Tenant's subleasehold interest or to enter into a new sublease of the Subleased Premises.

Landlord shall give Tenant written notice of his exercise of such option no later than forty-five (45) days after the occurrence of either (a) the "abandonment" of the Facilities by the Tenant or (b) the Expiration Date if none of the events specified in subparagraphs (1), (2) and (3) has occurred. If Landlord fails to give such notice within said time period, Landlord shall be deemed to have waived his option to have Tenant demolish the Facilities. Tenant shall demolish the Facilities within two hundred twenty-five (225) days after the receipt of such notice."

2. Except as expressly modified hereby, all terms and provisions of the Sublease shall remain in full force and effect, and Landlord and Tenant do hereby ratify, confirm and adopt the Sublease as modified hereby.

---

Clarence T. Bach

"LANDLORD"

PHASE I DORMITORY PARTNERSHIP

By \_\_\_\_\_  
Clarence T. Bach,  
Managing General Partner

By \_\_\_\_\_  
General Partner

By \_\_\_\_\_  
General Partner

By \_\_\_\_\_  
General Partner

"TENANT"

1974A

JOINDER OF LESSOR

In its capacity as the lessor (the "Lessor") under that certain Ground Lease Agreement by and between The Board of Regents of The University of Texas System as lessor and Clarence T. Bach as lessee by which Clarence T. Bach ground leased certain real property on the campus of The University of Texas at San Antonio from Lessor, Lessor hereby consents to the execution and delivery of that certain First Amendment to Sublease Agreement dated \_\_\_\_\_, 1986 which amends that certain Sublease Agreement (the "Sublease") dated as of December 1, 1985 by and between Clarence T. Bach as sublessor and Phase I Dormitory Partnership as sublessee covering and relating to a 4.623 acre tract of real property more particularly described in Exhibit A attached to the Sublease.

This Joinder of Lessor is executed this \_\_\_\_ day of May, 1986 and is hereby attached to and made a part of the First Amendment to Sublease Agreement for all purposes.

THE BOARD OF REGENTS OF THE  
UNIVERSITY OF TEXAS SYSTEM  
FOR THE USE AND BENEFIT OF  
THE UNIVERSITY OF TEXAS AT  
SAN ANTONIO

BY: \_\_\_\_\_  
Dr. Hans Mark  
Chancellor, The University  
of Texas System  
  
"LESSOR"

APPROVED AS TO CONTENT:

APPROVED AS TO FORM:

\_\_\_\_\_  
Executive Vice Chancellor  
for Academic Affairs,  
The University of Texas  
System

\_\_\_\_\_  
Office of General Counsel,  
The University of Texas  
System

CERTIFICATE OF APPROVAL

I hereby certify that the foregoing First Amendment to Sublease Agreement was approved by The Board of Regents of The University of Texas System on the \_\_\_\_ day of \_\_\_\_\_, 1986, and that the person whose signature appears above is authorized to execute the Joinder of Lessor on behalf of the Board.

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

1972A

8. U. T. Medical Branch - Galveston: Transfer of Funds Requiring Advance Regental Approval Under Budget Rules and Procedures No. 2 (Exec. Com. Letter 86-21).--

RECOMMENDATION

The Executive Committee concurs with the recommendation of President Levin and the Office of the Chancellor that the U. T. Board of Regents approve the following transfers of funds at the U. T. Medical Branch - Galveston:

Educational and General Funds

Amount of Transfer - \$7,075,000

From: Unappropriated Balance (via Estimated Income) - 1985-86

|   |                    |
|---|--------------------|
| To: Hazardous Waste Material Incinerator                          | \$ 250,000         |
| Replace Roof on Keiller Building                                  | 750,000            |
| Replace Mechanical Room Equipment in Keiller Building             | 400,000            |
| Hospital Equipment Fund   | 3,000,000          |
| School of Medicine Educational Equipment Fund                     | 1,000,000          |
| Remodel Area for Department of Anatomy and Neurosciences Facility | 400,000            |
| Campus Street and Sidewalk Repairs                                | 225,000            |
| Roof and Exterior Repairs - Multiple Buildings                    | 700,000            |
| Underground Utility Repairs                                       | 350,000            |
| Total   | <u>\$7,075,000</u> |

(RBC #501)

BACKGROUND INFORMATION

- |  |            |
|--|------------|
| a. Hazardous Waste Material Incinerator  | \$ 250,000 |
| Provision for this facility will eliminate storage area, reduce transportation cost to a disposal area and will reduce the cost of our overall operation by approximately \$100,000 per year.  |            |
| b. Replace Roof on Keiller Building  | 750,000    |
| This building was originally constructed in 1925, with an addition in 1932. The original roof is still in place. Continuing effort to stop leaks is now impossible. This barrel tile roof must be replaced.                                  |            |
| c. Replace Mechanical Room Equipment in Keiller Building   | 400,000    |
| The original air handling units, pumps, valves and other heating and air-conditioning equipment is currently in operation, and performing ineffectively. Maintenance costs are far beyond reasonable and average costs of similar equipment. |            |

|    |   |                    |
|----|---|--------------------|
| d. | Hospital Equipment Fund<br>Replacement of worn out and obsolete<br>equipment throughout the hospital opera-<br>tion.  | \$3,000,000        |
| e. | School of Medicine Educational Equipment<br>Fund<br>Teaching equipment for the various<br>schools.  | 1,000,000          |
| f. | Remodel Area for Department of Anatomy<br>and Neurosciences Facility<br>The amalgamation of the Departments of<br>Anatomy and Neurosciences requires some<br>remodeling to join the facilities into<br>one unit of operation. | 400,000            |
| g. | Campus Street and Sidewalk Repairs<br>A continuing project on an annual basis<br>to maintain the streets and sidewalks<br>in good condition and provide handicap<br>ramps where needed.                                       | 225,000            |
| h. | Roof and Exterior Repairs for the Graves,<br>Clinical Sciences, J. W. McCullough,<br>Microbiology, Hendrix, Surgical Research,<br>Laundry, and Pharmacology Buildings   | 700,000            |
| i. | Underground Utility Repairs<br>Install lining to damaged 18" and 24"<br>sanitary sewer lines and replace dam-<br>aged underground steam lines.  | <u>350,000</u>     |
|    | TOTAL   | <u>\$7,075,000</u> |

9. U. T. Medical Branch - Galveston - Remodeling of John Sealy Hospital (Old Building) - Remodeling of Seventh Floor for Department of Otolaryngology (Project No. 601-594): Recommended Award of Construction Contract to W. J. Hessert Construction Co., Inc., Houston, Texas (Exec. Com. Letter 86-22).--

#### RECOMMENDATION

The Executive Committee concurs in the recommendation of President Levin and the Office of the Chancellor that the U. T. Board of Regents award a construction contract for Remodeling the Seventh Floor of John Sealy Hospital (Old Building) for the Department of Otolaryngology at the U. T. Medical Branch - Galveston to the lowest responsible bidder, W. J. Hessert Construction Co., Inc., Houston, Texas, for the Base Bid in the amount of \$576,000.

BACKGROUND INFORMATION

In accordance with authorization of the U. T. Board of Regents in August 1985, bids for the Remodeling of Seventh Floor for the Department of Otolaryngology of John Sealy Hospital at the U. T. Medical Branch - Galveston were received and opened on July 2, 1986, as shown below.

| <u>Bidder</u>   | <u>Base Bid</u> |
|---|-----------------|
| W. J. Hessert Construction Co., Inc.<br>Houston, Texas      | \$576,000       |
| E. G. Lowry Company, Inc.<br>Houston, Texas                 | 596,800         |
| Mc/Star, Inc.<br>Houston, Texas                             | 599,079         |
| Bandini Const. Co., Inc.<br>Galveston, Texas                | 606,000         |
| Comex Corporation<br>Deer Park, Texas                       | 614,900         |
| Brae Burn Construction Company<br>Houston, Texas            | 623,000         |
| Pyramid Constructors, Inc.<br>Houston, Texas                | 635,000         |
| Don Tarpey Construction Company<br>Texas City, Texas        | 673,400         |
| Peaceful Construction International, Inc.<br>Huffman, Texas | 695,900         |

A contract award to W. J. Hessert Construction Co., Inc., Houston, Texas, in the amount of the Base Bid for \$576,000 can be made within the authorized total project cost of \$750,000.

This project for the remodeling of 8,300 square feet on the seventh floor of John Sealy Hospital (Old Building) will provide for expansion of the Department of Otolaryngology, including research laboratories and faculty offices to support the patient care activities of the U. T. Medical Branch - Galveston. The total project cost is composed of the following cost elements:

|   |              |
|---|--------------|
| Construction Cost   | \$576,000    |
| Furniture and Equipment   | 50,000       |
| Future Work (Air Balancing and Relocate<br>Plumbing for Future Expansion) | 65,000       |
| Fees and Administrative Expenses  | 48,500       |
| Project Contingency   | 7,500        |
| Miscellaneous Expenses  | <u>3,000</u> |
| Total Project Cost  | \$750,000    |

10. U. T. Health Science Center - Houston (U. T. Dental Branch - Houston) - Facilities Improvements for the Dental Branch Building and Dental Science Institute (Project No. 701-393): Recommended Award of Construction Contract to Manhattan Construction Company, Houston, Texas, and Approval of Plaque Inscription (Exec. Com. Letter 86-22).--

RECOMMENDATION

The Executive Committee concurs in the recommendation of President Bulger and the Office of the Chancellor that the U. T. Board of Regents:

- a. Award a construction contract for Facilities Improvements for the Dental Branch Building and Dental Science Institute at the U. T. Health Science Center - Houston to the lowest responsible bidder, Manhattan Construction Company, Houston, Texas, for the Base Bid and Additive Alternates One and Two in the amount of \$9,103,000
- b. Approve the inscription set out below for a plaque to be placed on the building. The inscription follows the standard pattern approved by the U. T. Board of Regents in June 1979.

DENTAL BRANCH BUILDING AND  
DENTAL SCIENCE INSTITUTE ADDITION  
1986

BOARD OF REGENTS

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

Hans Mark  
Chancellor, The  
University of Texas System  
Roger J. Bulger  
President, The University  
of Texas Health Science  
Center at Houston  
  
MacKie and Kamrath  
Project Architect  
Manhattan Construction Company  
Contractor

BACKGROUND INFORMATION

In accordance with authorization of the U. T. Board of Regents in February 1986, bids for the Facilities Improvements for the Dental Branch Building and Dental Science Institute at the U. T. Health Science Center - Houston were received and opened on June 24, 1986, as shown on Pages Ex.C 24 - 25. A contract award to Manhattan Construction Company, Houston, Texas, in the amount of \$9,103,000 for the Base Bid and Additive Alternates One and Two can be made within the authorized total project cost of \$10,695,000.

The total project cost is composed of the following:

|                                  |               |
|----------------------------------|---------------|
| Construction Cost                | \$ 9,103,000  |
| Fees and Administrative Expenses | 1,054,000     |
| Future Work                      | 460,000       |
| Miscellaneous Expenses           | 46,000        |
| Project Contingency              | <u>32,000</u> |
| Total Project Cost               | \$10,695,000  |

This project is within the scope of the Capital Improvement Program approved by the U. T. Board of Regents in October 1985.

IMPROVEMENTS FOR THE DENTAL BRANCH BUILDING AND DENTAL SCIENCE INSTITUTE  
 THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT HOUSTON  
 Bids Received June 24, 1986 at  
 The University of Texas Health Science Center at Houston

| <u>CONTRACTOR</u>  | <u>Manhattan Construction<br/>Company<br/>Houston, TX</u> | <u>Warrior Builders, Inc.<br/>Houston, TX</u> | <u>Tribble &amp; Stephens Co.<br/>Houston, TX</u> |
|--|---|---|---|
| BASE BID   | \$8,895,000   | \$9,149,000                                   | \$9,245,000                                       |
| Alt. No. 1 - Casework - 4th Floor  | 38,000  | 228,000                                       | 219,132   |
| Alt. No. 2 - Casework - 3rd Floor  | 170,000   | 145,000                                       | 135,774   |
| Alt. No. 3 - Casework - 2nd Floor  | 368,000   | 326,000                                       | 324,250   |
| Alt. No. 4 - Casework - 1st Floor  | 207,000   | 199,000                                       | 192,647   |
| Alt. No. 5 - Casework - Basement   | 217,000   | N.B.  | 204,850   |
| Alt. No. 6 - Additional Elevators  |   |   |   |
| Elevator No. 5   | 86,000  | 90,000  | 79,150  |
| Elevator No. 6   | 76,000  | 90,000  | 79,150  |
| Elevator No. 7   | <u>76,000</u>   | <u>90,000</u>                                 | <u>79,150</u>                                     |
| Total Recommended Contract Award -<br>Base Bid Plus Alternates No. 1 and No. 2 | \$9,103,000   | \$9,522,000                                   | \$9,599,000                                       |

EX. C - 24

IMPROVEMENTS FOR THE DENTAL BRANCH BUILDING AND DENTAL SCIENCE INSTITUTE  
 THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT HOUSTON  
 (Construction Bids Continued)

| <u>CONTRACTOR</u>  | <u>Northwest/Orient &amp;<br/>Pacific, Inc.<br/>Dallas, TX</u> | <u>Spaw-Glass<br/>Construction, Inc.<br/>Houston, TX</u> | <u>W. S. Bellows<br/>Construction Corporation<br/>Houston, TX</u> |
|--|--|--|---|
| BASE BID   | \$9,383,941  | \$10,050,000   | \$10,038,000  |
| Alt. No. 1 - Casework - 4th Floor  | 275,000  | 151,000  | 221,000   |
| Alt. No. 2 - Casework - 3rd Floor  | 200,000  | 140,000  | 148,000   |
| Alt. No. 3 - Casework - 2nd Floor  | 225,000  | 56,000   | 223,000   |
| Alt. No. 4 - Casework - 1st Floor  | 200,000  | 48,000   | 162,000   |
| Alt. No. 5 - Casework - Basement   | 100,000  | 25,500   | 170,000   |
| Alt. No. 6 - Additional Elevators  |  |  |   |
| Elevator No. 5   | 150,000  | 91,000   | 86,000  |
| Elevator No. 6   | 150,000  | 91,000   | 76,000  |
| Elevator No. 7   | <u>150,000</u>   | <u>91,000</u>  | <u>76,000</u>   |
| <br>Total Recommended Contract Award -<br>Base Bid Plus Alternates No. 1 and No. 2 | <br>\$9,858,941  | <br>\$10,341,000   | <br>\$10,407,000  |

EX. C - 25

11. U. T. Cancer Center: Transfer of Funds Requiring Advance Regental Approval under Budget Rules and Procedures No. 2 (Exec. Com. Letter 86-23).--

RECOMMENDATION

The Executive Committee concurs in the recommendation of President LeMaistre and the Office of the Chancellor that the U. T. Board of Regents approve the following transfer of funds at the U. T. Cancer Center:

Educational and General Funds

Amount of Transfer - \$10,000,000

From: Unappropriated Balance (via Estimated Income) -  
1985-86

To:

|  |                            |
|--|----------------------------|
| a. Remodeling Main Hospital<br>and Clinic Facility | \$ 4,000,000               |
| b. Research and Service Computing<br>Equipment     | 1,000,000                  |
| c. Patient Care Equipment                          | 2,000,000                  |
| d. Research Laboratory Expansion,<br>Science Park  | 2,000,000                  |
| e. Financial Information Systems                   | <u>1,000,000</u>           |
| Total  | <u><u>\$10,000,000</u></u> |

(RBC #223)

BACKGROUND INFORMATION

- a. Provision for Remodeling - \$4,000,000  
The institution has initiated a remodeling program for the main hospital and clinic facility which is anticipated to continue for several years. The first two phases of this program, which include renovation of vacated space in the old research laboratories and the old clinic facility and an upgrade of mechanical systems in the Bates-Freeman Wing, have been previously funded and approved by the U. T. Board of Regents and are either underway or are in the final development phase. The need exists to continue the remodeling program throughout the hospital and clinic facility to keep pace with advancing technological changes in health care delivery, to ensure compliance with ever changing code requirements, and to maintain mechanical and engineering systems operating at maximum efficiency. This need has also been recognized by the Board via its recent allocation of Permanent University Fund bond proceeds for such work. In order to supplement such proceeds as planned, it is requested that \$4,000,000 be allocated for this much

needed on-going program of remodeling, with the understanding that as projects exceeding the local approval limit are identified (now \$300,000), that the same will be forwarded for appropriate approvals by the U. T. Board of Regents and U. T. System Administration.

b. Provision for Purchase of Institution-wide Computing Equipment - \$1,000,000

Funding in the amount of \$1,000,000 is needed to supplement a provision for the purchase of computing equipment which will be used throughout the institution in various divisions and departments. During the last several years, computer systems have been installed and effectively utilized in the Division of Diagnostic Imaging, the Department of Veterinary Medicine and Surgery, the Division of Pathology, the Division of Surgery, and many other areas. Because of the successful operation of these systems and the resulting benefits which have been derived, it is now appropriate to install similar systems in other areas consistent with our overall institutional plan to expand the use of automation. A need also exists to replace computer equipment in various departments which has been in use for several years.

c. Provision for the Purchase of Patient Care Equipment - \$2,000,000

In order to provide our patients with access to the most optimal patient care available, supplemental funding is requested to allow the procurement of state-of-the-art diagnostic and treatment equipment. Technological advancements and changes in treatment modalities are occurring at a very rapid rate, and it is essential that the institution keep pace with these changes if we are to remain as an international leader in the care and treatment of patients with cancer. In addition, an on-going need exists to replace equipment on hand which is becoming old or obsolete, and which cannot be budgeted in the routine budget cycle. For all of these needs, a provision in the amount of \$2,000,000 is considered necessary.

d. Provision for Science Park, Research Division Expansion - \$2,000,000

There has been a significant increase in the amount of grant funding for carcinogenic research due to a heightened awareness of the environmental causes of cancer. As a result, the current laboratory facilities at the Research Division are being used at maximum capacity at the present time, and are thus in need of expansion. Additional research laboratory space is essential for the recruitment of leading scientists in carcinogenic research and to expand the research programs and activities at the Science Park; this matter is of course addressed in our Strategic Plan for the period 1987-1993. In order to begin the provision for funds to construct additional research laboratory facilities at the Research Division of the Science Park, we wish to establish an account in the amount of \$2,000,000. We will then work with the Office of Facilities Planning and Construction to identify the estimated total cost of the project, will identify other sources of funds as needed, and will then submit the project for approval via the appropriate review methods to the U. T. Board of Regents for its consideration.

- e. Provision for Financial Information Systems - \$1,000,000  
During the past two years, the U. T. Cancer Center has been working on the development of an expanded financial information system. During this development, it has been recognized that additional enhancements to the system are needed as it relates to cost accounting and medical records documentation for reimbursement under the DRG System for Medicare and for monitoring of costs of services rendered for qualification as a Preferred Provider Organization. In addition, the need exists to develop an information system for the procurement function which includes Purchasing, Receiving and Accounts Payable, and for a Payroll information system to be developed for automatic time and attendance reporting. It is estimated that \$1,000,000 will be needed to fully develop and implement the above information systems and we wish to establish an account in such amount. As necessary, individual project requests from this account will be submitted through U. T. System Administration and the appropriate State reviewing agency as required by policy.

# Finance and Audit Com.

FINANCE AND AUDIT COMMITTEE  
COMMITTEE CHAIRMAN YZAGUIRRE

Date: August 14, 1986  
Time: Following the meeting of the Executive Committee  
Place: Regents' Meeting Room, Ninth Floor, Ashbel Smith Hall

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1. U. T. System: Docket No. 29 of the Office of the Chancellor.--

#### RECOMMENDATION

It is recommended that Docket No. 29 of the Office of the Chancellor be approved.

It is requested that the Committee confirm that authority to execute contracts, documents, or instruments approved therein has been delegated to the officer or official executing same.

2. U. T. System: Recommendation to Approve Additional Depository Banks.--

#### RECOMMENDATION

The Office of the Chancellor recommends approval of the following banks as additional depositories for the U. T. System, subject to execution of the standard Bank Depository Agreement by the banks:

InterFirst Bank El Paso, N.A.  
Cullen/Frost Bank - Dallas  
Texas Commerce Bank - Dallas  
RepublicBank Greenville Ave. - Dallas  
RepublicBank Houston  
RepublicBank Spring Branch - Houston  
RepublicBank San Antonio  
RepublicBank Ridglea - Fort Worth  
RepublicBank Waco  
RepublicBank Lufkin

#### BACKGROUND INFORMATION

The U. T. System currently uses 46 banks in which to deposit institutional funds. No additional banks have been added since June 1982, as the depository banks have adequately served our needs. The collateralization requirement of certain eligible securities for all U. T. System deposits and the current economic condition have caused some of our current depository banks not to bid on our deposits.

The ten banks recommended above represent a group selected from banks which have requested to become depositories since the last addition in 1982. The addition of depository banks requires the expansion of collateral records, trustee bank certifications of safekeeping and quotation solicitations.

3. U. T. System: Recommended Acceptance of Health Maintenance Organization Contracts with Coastal Bend Health Plan (Austin), Maxicare North Texas, Inc. (Irving), PruCare (San Antonio), Sanus Texas Health Plan (Houston), Sanus Texas Health Plan (Irving), Share Health Plan (Austin), South Texas Health Plan (San Antonio), Southwest Health Plan (Dallas), United Medical Plan of Texas, Inc. (Houston), Whittaker Health Plan (Austin), Whittaker Health Plan (Houston), Whittaker Health Plan (San Antonio); and Renewal Rates for Central Texas Health Plan (Austin), CIGNA Health Plan of Texas, Inc. (Dallas), CIGNA Health Plan of Texas, Inc. (Houston), HealthAmerica Corporation of Texas (San Antonio), Kaiser Foundation Health Plan of Texas (Dallas), Maxicare Texas, Inc. (Houston), PruCare (Austin), and PruCare (Houston).--

RECOMMENDATION

The Office of the Chancellor recommends acceptance of twelve (12) additional Health Maintenance Organization contracts with Coastal Bend Health Plan (Austin), Maxicare North Texas, Inc. (Irving), PruCare (San Antonio), Sanus Texas Health Plan (Houston), Sanus Texas Health Plan (Irving), Share Health Plan (Austin), South Texas Health Plan (San Antonio), Southwest Health Plan (Dallas), United Medical Plan of Texas, Inc. (Houston), Whittaker Health Plan (Austin), Whittaker Health Plan (Houston), Whittaker Health Plan (San Antonio); and renewal rates for existent contracts with Central Texas Health Plan (Austin), CIGNA Health Plan of Texas, Inc. (Dallas), CIGNA Health Plan of Texas, Inc. (Houston), HealthAmerica Corporation of Texas (San Antonio), Kaiser Foundation Health Plan of Texas (Dallas), Maxicare Texas, Inc. (Houston), PruCare (Austin), and PruCare (Houston).

Proposed monthly rates for 1986-87 for new contracts and renewals are as follows, with 1985-86 comparison rates presented in parentheses for renewal rates:

|                   | -Initial Acceptance-<br>Monthly Rates |                             |                           |                          |
|-------------------|---------------------------------------|-----------------------------|---------------------------|--------------------------|
|                   | Coastal Bend<br>Health Plan<br>Austin | Maxicare<br>North<br>Irving | PruCare<br>San<br>Antonio | Sanus<br>Houston         |
| Employee          | \$ 95.91                              | \$ 81.94                    | \$ 84.07                  | \$ 88.33                 |
| Employee/Spouse   | 192.58                                | 163.89                      | 168.13                    | 185.49                   |
| Employee/Children | 178.98                                | 156.39                      | 120.00                    | 158.99                   |
| Employee/Family   | 300.57                                | 254.38                      | 225.00                    | 273.82                   |
|                   | Sanus<br>Irving                       | Share<br>Austin             | STHP<br>San<br>Antonio    | South-<br>west<br>Dallas |
| Employee          | \$ 85.25                              | \$ 77.75                    | \$ 81.16                  | \$ 68.60                 |
| Employee/Spouse   | 179.02                                | 171.00                      | 178.55                    | 143.08                   |
| Employee/Children | 153.45                                | 155.50                      | 175.24                    | 130.34                   |
| Employee/Family   | 264.28                                | 240.95                      | 255.60                    | 214.62                   |

-Initial Acceptance-  
Monthly Rates

|                   | United<br>Medical<br>Houston | Whittaker<br>Austin | Whittaker<br>Houston | Whittaker<br>San<br>Antonio |
|-------------------|------------------------------|---------------------|----------------------|-----------------------------|
| Employee          | \$ 78.86                     | \$ 71.37            | \$ 72.74             | \$ 72.89                    |
| Employee/Spouse   | 177.45                       | 179.56              | 163.68               | 169.05                      |
| Employee/Children | 157.73                       | 149.87              | 147.67               | 138.23                      |
| Employee/Family   | 260.25                       | 234.80              | 233.85               | 202.21                      |

-Renewal-  
Monthly Rates

|                   | CTHP<br>Austin      | CIGNA<br>Dallas     | CIGNA<br>Houston    | HealthAm.<br>San Antonio |
|-------------------|---------------------|---------------------|---------------------|--------------------------|
| Employee          | \$ 87.50<br>(92.66) | \$ 80.18<br>(75.40) | \$ 80.29<br>(78.59) | \$ 83.92<br>(84.58)      |
| Employee/Spouse   | 189.78<br>(195.51)  | 190.82<br>(179.52)  | 184.67<br>(172.81)  | 153.57<br>(154.78)       |
| Employee/Children | 184.21<br>(175.45)  | 169.97<br>(160.06)  | 156.57<br>(149.27)  | 138.47<br>(139.56)       |
| Employee/Family   | 280.46<br>(291.88)  | 241.86<br>(237.27)  | 260.94<br>(245.11)  | 237.49<br>(239.36)       |

|                   | Kaiser<br>Dallas    | Maxicare<br>Houston | PruCare<br>Austin   | PruCare<br>Houston  |
|-------------------|---------------------|---------------------|---------------------|---------------------|
| Employee          | \$ 85.23<br>(80.44) | \$ 81.82<br>(87.04) | \$ 82.76<br>(84.92) | \$ 79.50<br>(78.33) |
| Employee/Spouse   | 204.54<br>(201.07)  | 162.22<br>(172.57)  | 172.25<br>(186.82)  | 171.39<br>(168.94)  |
| Employee/Children | 170.45<br>(160.88)  | 155.72<br>(165.24)  | 143.52<br>(165.60)  | 151.61<br>(149.45)  |
| Employee/Family   | 255.68<br>(241.32)  | 244.08<br>(259.65)  | 224.80<br>(254.76)  | 243.64<br>(240.13)  |

BACKGROUND INFORMATION

Coastal Bend Health Plan (Austin), Maxicare North Texas, Inc. (Irving), PruCare (San Antonio), Sanus Texas Health Plan (Houston), Sanus Texas Health Plan (Irving), Share Health Plan (Austin), South Texas Health Plan (San Antonio), Southwest Health Plan (Dallas), United Medical Plan of Texas, Inc. (Houston), Whittaker Health Plan (Austin), Whittaker Health Plan (Houston), and Whittaker Health Plan (San Antonio) are twelve additional Health Maintenance Organizations recommended for acceptance in 1986-87. The proposals submitted by these twelve Health Maintenance Organizations have been reviewed by the U. T. System Personnel Office and the Office of General Counsel and have been approved by the Executive Director for Finance and Administration based upon the concurrence of the Executive Vice Chancellors for Academic and Health Affairs. They are consistent with "Procedures for Inclusion of Health Maintenance Organizations" approved by the U. T. Board of Regents at the February 1983 meeting. Contracts for HealthAmerica (San Antonio) and Kaiser Foundation Health Plan of Texas (Dallas) were first approved for 1983-84. CIGNA Health

Plan of Texas, Inc. (Dallas and Houston), and PruCare (Austin) contracts were approved initially for 1984-85, and Central Texas Health Plan (Austin), Maxicare Texas, Inc. (Houston) and PruCare (Houston) contracts were approved initially for 1985-86.

Academic Affairs Com.

ACADEMIC AFFAIRS COMMITTEE  
COMMITTEE CHAIRMAN BALDWIN

Date: August 14, 1986  
Time: Following the meeting of the Finance and Audit Committee  
Place: Regents' Meeting Room, Ninth Floor, Ashbel Smith Hall

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1. U. T. System - Academic Component Institutions: Recommendation to Approve Program Agreement with the Texas International Education Consortium (TIEC).--

#### RECOMMENDATION

The Office of the Chancellor recommends:

- a. Approval of an agreement as set out on Pages AAC 6 - 18 with the Texas International Education Consortium (TIEC) on behalf of U. T. Arlington, U. T. Austin, and U. T. El Paso, whereby faculty and/or staff members from these institutions may, under an assignment or agreement between the participating institutions and TIEC, serve as faculty and/or staff to provide college level instruction and related services to Malaysian students at the Institut Teknologi MARA (ITM) Shah Alam Center in Kuala Lumpur, Malaysia
- b. That other U. T. academic component institutions who elect to do so be authorized to participate in this program under the same general agreement upon prior approval by the Executive Vice Chancellor for Academic Affairs and execution of appropriate assignment agreements
- c. That the Executive Vice Chancellor for Academic Affairs be authorized to execute the agreement, or one substantially equivalent, on behalf of the U. T. Board of Regents and the participating institutions.

#### BACKGROUND INFORMATION

The Texas International Education Consortium (TIEC) is a Texas nonprofit corporation composed of individuals who have a common interest in international education and who are employed in the State of Texas in the field of international education.

TIEC has as part of its purposes the following: (a) to help coordinate international education activities for institutions of higher education in the State of Texas by working cooperatively with the administrations of these educational institutions and to engage in the separate and joint pursuit of international education exchange; (b) to aid institutions of higher education in Texas to build better international education programs for students, faculty, visitors, and participants of other nations; and (c) to establish and maintain educational programs in other nations in collaboration with associated Texas institutions of higher education and public and independent educational authorities of other nations.

TIEC has entered into a joint venture with the Institut Teknologi MARA (ITM), a multi-campus institution of higher learning under the Ministry of Education of Malaysia, whereby the beginning of the first two years of course work leading

to baccalaureate degrees are to be provided to Malaysian students at the ITM/TIEC Shah Alam Center in Kuala Lumpur, Malaysia, by faculty assigned to the Center by TIEC. The program began in January 1986, and several other Texas institutions are currently participating.

U. T. Arlington and U. T. El Paso entered into assignment agreements in early 1986 whereby several faculty or staff members were assigned to work with the program in the Spring and Summer of 1986. These assignment contracts have been approved by the Executive Vice Chancellor for Academic Affairs and submitted to the U. T. Board of Regents through institutional dockets pending negotiation of the program agreement included in this agenda item. U. T. Austin has also provided some staff on site for prerequisite instruction in English, Natural Sciences, Social Sciences, and Speech and logistical and facility support to TIEC in Austin under similar arrangements on an interim basis.

This agreement is essentially a one-year contract with provisions for subsequent renewals for faculty or staff services between the Board and TIEC whereby faculty or staff can be assigned to the program. Should TIEC offer other programs in the future, new contracts would have to be drawn, subject to approval by the U. T. Board of Regents.

All costs associated with reassignment of faculty or staff are to be paid in advance to the participating institution by TIEC. Appropriate protective conditions are provided in Section 1, where the nature of the relationship is delineated, and in Section 14. The program offers an opportunity for some of our faculty to be involved internationally and on a viable economic basis while also contributing to Malaysia's commitment to improve higher education opportunities for its students.

This agreement was drafted by the Office of General Counsel and has the concurrence of Presidents Nedderman, Cunningham and Monroe.

**AGREEMENT  
between**

**Texas International  
Education Consortium**

**and**

**Board of Regents  
The University of  
Texas System**

**on behalf of  
The University of Texas System  
Academic Component Institutions**

**Concerning:  
The Institut Teknologi MARA (ITM)  
Shah Alam Center and Texas International Education  
Consortium (TIEC) Cooperative Program in Malaysia**

**August, 1986**

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AGREEMENT

Parties

This Agreement, made and entered into on the \_\_\_\_\_ day of \_\_\_\_\_, 1986, by Texas International Education Consortium, (TIEC), a Texas nonprofit corporation, and the Board of Regents of The University of Texas System, (U. T. Board of Regents), an agency of the State of Texas, acting on behalf of The University of Texas at Arlington (U. T. Arlington), The University of Texas at Austin (U. T. Austin), The University of Texas at El Paso (U. T. El Paso), and other general academic components of the U. T. System as may elect to participate at a future date.

WITNESSETH:

Recitals

WHEREAS, TIEC is a consortium composed of individuals who have a common interest in international education and who are employed in the State of Texas in the field of international education, and

WHEREAS, TIEC has a part of its purposes the following: (a) to help coordinate international education activities for institutions of higher education in the State of Texas by working cooperatively with the administrations of these educational institutions and to engage in the separate and joint pursuit of international education exchange; (b) to aid institutions of higher education in Texas to build better international education programs for students, faculty, visitors, and participants of other nations; and (c) to establish and maintain educational programs in other nations in collaboration with associated Texas institutions of higher education and public and independent educational authorities of other nations; and

WHEREAS, TIEC has entered into a joint venture with the Institut Teknologi MARA (ITM), a multi-campus institution of higher learning under the Ministry of Education of Malaysia, whereby the beginning of the first two years of course work leading to baccalaureate degrees are to be provided to Malaysian students at the ITM/TIEC Shah Alam Center in Kuala Lumpur by faculty assigned to the Center by TIEC, and

WHEREAS, TIEC is desirous of making its services and program available to U. T. System academic component institutions,

WHEREAS, U. T. Board of Regents is desirous of authorizing the Office of Academic Affairs of The University of Texas System and interested component institutions to take such actions as are necessary for official participation in the ITM/TIEC Shah Alam Center Cooperative Program,

NOW, THEREFORE, THE TEXAS INTERNATIONAL EDUCATION CONSORTIUM, AND THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, ON BEHALF OF U. T. ARLINGTON, U. T. AUSTIN, U. T. EL PASO, AND OTHER INTERESTED COMPONENT INSTITUTIONS, MUTUALLY AGREE AS FOLLOWS:

Part One: Nature of Relationship and Definitions

Section 1. Nature of Relationship

- (a) TIEC and U. T. Board of Regents hereby contract for the benefit of U. T. Arlington, U. T. Austin, and U. T. El Paso, and other academic component institutions interested in the ITM/TIEC Shah Alam Center Cooperative Program to the extent, for the length of time, and for the purposes indicated herein, subject to the terms, provisions, and conditions set out below.
- (b) Neither TIEC nor U. T. Board of Regents intends or creates by this Agreement any partnership or joint venture and neither party assumes the liabilities, responsibilities, debts, or obligations of the other as a result of this Agreement. TIEC agrees to hold U. T. Board of Regents, its component institutions, officers, employees, and agents, harmless from liability resulting from TIEC's acts or omissions within the terms, provisions and conditions of this Agreement; provided, however, TIEC shall not hold same harmless from any claims, demands, or causes of action arising in favor of any person or entity, growing out of, incident to, or resulting from acts or omissions of U. T. Board of Regents, its component institutions, officers, employees, or agents subject to their supervision

or control and not subject to TIEC's supervision or control.

- (c) Anything to the contrary herein notwithstanding, this Agreement shall be subject to the Rules and Regulations of the Board of Regents of The University of Texas System, the laws of the State of Texas and of the United States of America.
- (d) Anything to the contrary herein notwithstanding, this Agreement shall not be interpreted to confer any unusual status on any student application for admission or student application for transfer of academic credits. Such applications shall remain reviewable under the criteria and standards established by U. T. Arlington, U. T. Austin, U. S. El Paso, other participating U. T. System academic components, and U. T. Board of Regents.

## Section 2. Definitions

The following definitions apply throughout this Agreement unless expressly indicated otherwise or unless the context clearly indicates another meaning:

"Academic component institutions" mean the following academic component institutions of higher education within The University of Texas System, including the Office of Academic Affairs of The University of Texas System and the U. T. System Administration:

- (1) The University of Texas at Arlington;
- (2) The University of Texas at Austin;
- (3) The University of Texas at Dallas;
- (4) The University of Texas at El Paso;
- (5) The University of Texas at Permian Basin;
- (6) The University of Texas at San Antonio, including the Institute of Texas Cultures;
- (7) The University of Texas at Tyler.

"Assignment Agreements" are documents defining the specific terms and conditions under which faculty or staff members of participating academic component institutions are assigned to perform services for the ITM/TIEC cooperative program under this agreement between TIEC and the U. T. Board of Regents.

"Program" means ITM/TIEC Shah Alam Center Cooperative Program, located at Kuala Lumpur, Malaysia.

"TIEC" means the Texas International Education Consortium, located at 2210 San Gabriel, Austin, Texas 78705.

"U. T. Board of Regents" means the Board of Regents of The University of Texas System, located at 201 W. 7th Street, Austin, Texas 78701.

## Part Two: Assignment Agreements

### Section 3. Assignment Agreements

- (a) The chief executive officers of U. T. Arlington, U. T. Austin, U. T. El Paso, and other U. T. System components who subsequently choose to participate, under separate arrangements, may negotiate with TIEC the terms, provisions, and conditions of written assignment contracts concerning the ITM/TIEC Shah Alam Center Cooperative Program, subject to the provisions of this Agreement. Chief executive officers of other component institutions that are interested in participating in this Program must first obtain written approval from the Executive Vice Chancellor for Academic Affairs prior to the negotiation of specific assignment agreements.
- (b) As to all written materials to be used by TIEC in negotiating with component institutions, TIEC shall be responsible for preparation and approval of such papers prior to such use and copies of all of such papers shall be timely furnished to the President of the participating U. T. System component institution with which such negotiations are to take place and shall also be timely furnished to the Executive Vice Chancellor for Academic Affairs for prior approval. Such papers shall include all blank forms and policy statements; brochures; and the following forms: assignment agreement, salary, fringe benefits, travel and shipping, allowances, pre-departure information, terms and conditions of assignment and letter of extension of assignment agreement. If during such negotiations the recipients of these materials wish to make any changes in any of

these materials, the parties agree to discuss in good faith the need for such changes and to make any which are agreed upon.

(c) The assignment agreements:

- (1) shall identify the faculty or staff member to be assigned under the assignment agreement;
- (2) shall indicate the assignee's current position with the component institution;
- (3) shall list the position and location to which the assignee will be assigned;
- (4) shall briefly indicate the type of assignment;
- (5) shall recite the standards of conduct to which the assignee shall be held personally responsible;
- (6) shall indicate expressly or by reference the options which the assignee may individually exercise under the assignment agreement;
- (7) shall indicate expressly or by reference any other benefits to which the assignee will be entitled under the assignment agreement;
- (8) shall refer to the Rules and Regulations of U. T. Board of Regents as remaining applicable to the assignee while assigned duties under the assignment agreement;
- (9) shall indicate the duration of the assignment and provide a place for the assignee to indicate any intent to extend a tour of duty under the assignment agreement;
- (10) shall provide for travel and transportation, including emergency exit plans;
- (11) shall indicate the payment to the component institution for the services of the assignee; provided, however, that such payment to the component institution shall include an amount of money to cover all costs associated with

the assignment of faculty or staff to duties under this Program and shall provide total payment to the component institution of all such monies in advance;

- (12) shall include a certificate, to be executed by the assignee, that indicates that the assignee understands the terms, conditions, and provisions of the assignment agreement and agrees to comply with the rules, regulations, and policies of TIEC, U. T. Board of Regents, the component institution, and the entity to which the assignee is assigned.
- (d) The chief executive officer of the component institution shall review each assignment agreement and make appropriate recommendations to the Executive Vice Chancellor for Academic Affairs.
- (e) No assignment agreement may be recommended to the Office of Academic Affairs unless and until it is fully executed by TIEC, the assignee, and the chief executive officer of the component institution.
- (f) Upon the chief executive officer's recommendation of any assignment agreement, the Office of Academic Affairs shall review the agreement and may approve it on behalf of U. T. Board of Regents, acting on behalf of the component institution.
- (g) Assignment agreements that have been recommended for approval by the chief executive officer of the component institution and that are approved by the Office of Academic Affairs shall be deemed approved by U. T. Board of Regents so long as they have been presented to the Board via the component's institutional docket.
- (h) Any and all assignment agreements shall be subject to the terms and conditions, and provisions of this Agreement; should there be any conflict between an assignment agreement and this Agreement, this Agreement shall prevail.

### Part Three: General Provisions

#### Section 4. Health Insurance

U. T. Board of Regents shall make good faith efforts to negotiate, maintain, and make available health insurance programs for its faculty or staff to permit them to undertake an assignment under this TIEC program.

#### Section 5. Use of Names

The names "Board of Regents of The University of Texas System," "The University of Texas at Arlington," "The University of Texas at Austin," or "The University of Texas at El Paso," or abbreviated forms thereof, as well as logos, or any other symbols or marks of these entities, or of other component institutions, may not be used by TIEC in any advertisement, prospectus, or in any solicitation materials (in connection with the "Program" as defined in Section 2 hereof) without the prior written approval of the full text of the materials by the Executive Vice Chancellor for Academic Affairs of the University of Texas System.

#### Section 6. Force Majeure

The time within which either party shall be required to perform any act under this Agreement, any program agreement, or any assignment agreement, shall be extended by a period of time equal to the number of days during which performance of such act is delayed unavoidably by strikes, lockouts, Acts of God, governmental restrictions, failure or inability to secure materials or labor by reason of priority or similar regulations or order of any governmental or regulatory body, enemy action, civil disturbance, fire, unavoidable casualties or any other causes beyond the reasonable control of either party hereto; provided, however, that written notice of the cause of such delay shall be given a reasonable time period following the event or events relied upon as cause. If such cause is of such a nature that the party receiving such notice should remedy the cause, that party shall have a reasonable time within which to do so.

Section 7. Waivers

No variations, modifications, or changes herein or hereof shall be binding upon the parties unless reduced to writing and executed by the parties. No waiver of any breach of any term, condition, or provision of this Agreement shall be deemed a waiver thereof in the future.

Section 8. Applicable Law

This Agreement shall be construed according to and be enforceable in accordance with the laws of the State of Texas.

Section 9. Partial Invalidity

If any term, provision, or condition of this Agreement, or any assignment agreement shall, to any extent, be held invalid or unenforceable, the remainder of it shall not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law.

Section 10. Amendments

This Agreement or any assignment agreement may be amended only by written instrument executed by both the chief executive officer of the participating U. T. System component institution and the Executive Vice Chancellor for Academic Affairs; provided, however, that this Agreement may not be amended to expand its scope to other programs. Any future contracts for services for other programs between TIEC and U. T. Board of Regents for the benefit of any of its component institutions shall require a new agreement.

Section 11. Notices

Any notice, communication, request, reply or advice, or duplicate thereof (hereinafter severally and collectively, for convenience, called "Notice") in this Agreement provided or permitted to be given, made or accepted by the parties must be in writing, and may, unless otherwise in this instrument expressly provided, be given or be served by depositing the same in the United States mail, postpaid and registered or certified and addressed to the party to be notified, with return receipt requested; or by delivering the same in person to such party; or if the party or parties to be notified be incorporated, to an officer of such party; or by prepaid telegram when appropriately addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be effective from

and after the expiration of five (5) days after it is so deposited. Notice given in any other manner shall be effective only if and when actually received by the party to be notified. For purposes of this Section the addresses of the persons to be notified on behalf of the parties shall, until changed as hereinafter provided, be as follows:

If to TIEC, addressed to:

Chairman and Executive Director  
Texas International Education Consortium  
P.O. Box 7667  
Austin, Texas 78713-7667

with a copy to:

Gibson R. Randle  
1700 InterFirst Bank Tower  
Austin, Texas 78701

If to U. T. Board of Regents, addressed to:

Executive Vice Chancellor for Academic Affairs  
The University of Texas System  
601 Colorado Street  
Austin, Texas 78701  
Attention: Dr. James P. Duncan

with copies to:

The Board of Regents of The University of Texas System  
The University of Texas System  
201 West Seventh Street  
Austin, Texas 78701  
Attention: Arthur H. Dilly, Executive Director

Office of General Counsel  
The University of Texas System  
201 West Seventh Street  
Austin, Texas 78701  
Attention: John L. Darrouzet, Attorney

However, the parties hereto shall have the right from time to time and at any time to change the names and addresses of the person or persons to be notified on their behalf by at least fifteen (15) days written notice to the other party.

Part Four: Term, Nonassignability, and Conditions

Section 12. Term

This Agreement shall be for the initial term of one year, beginning September 1, 1986, and continuing thereafter until August 31, 1987. Any subsequent renewal of this Agreement shall come only after review and recommendation for approval by the president of the participating U. T. System component institution and the review and approval of the Executive Vice Chancellor for Academic Affairs.

Section 13. Nonassignability

Neither TIEC or U. T. Board of Regents may assign its interests or obligations under this Agreement unless the written consent of the other is obtained first.

Section 14. Conditions

This agreement is subject to the fulfillment of the following conditions which shall be continuing conditions of this agreement, and if for any reason and at any time during the term of this agreement any party considers that the agreement is not being fulfilled in a reasonable and timely manner, such failure shall be described by written notice to the other party, which party shall then have a reasonable time to cure such failure:

- (1) All necessary approvals required under this agreement shall be obtained prior in time to assigning faculty or staff of any participating U. T. System component institution to any duties on or off campus after August 31, 1986.
- (2) The parties agree to negotiate in good faith and keep in force written contracts for all facilities and services which either party proposes to use at any participating component institutions of The University of Texas System.

Section 15. Entire Agreement

This Agreement constitutes the entire agreement between the parties and supersedes all previous agreements, understandings, and negotiations, whether oral or in writing.

EXECUTION

Executed on the day first noted above in duplicate originals.

ATTEST: TEXAS INTERNATIONAL EDUCATION CONSORTIUM

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FORM APPROVED: THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

Attorney for TIEC By: \_\_\_\_\_  
James P. Duncan  
Executive Vice Chancellor for  
Academic Affairs

Office of General Counsel  
The University of Texas System

CERTIFICATE OF APPROVAL  
BY U. T. BOARD OF REGENTS

I hereby certify that the foregoing Agreement was approved by the Board of Regents of The University of Texas System on the \_\_\_\_\_ day of \_\_\_\_\_, 1986, and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.

Executive Secretary, Board of Regents  
The University of Texas System

2. U. T. Arlington: Request for Authorization to Establish a New Post Baccalaureate Teacher Certification Program and a Master of Education in Teaching Degree and to Submit the Proposed Master of Education in Teaching Degree to the Coordinating Board for Approval (Catalog Change).--

#### RECOMMENDATION

The Office of the Chancellor concurs with President Nedderman's request for authorization to establish a new Post-Baccalaureate Teacher Certification Program and a Master of Education in Teaching degree at U. T. Arlington. Upon Regental approval, the proposed Master of Education will be submitted to the Coordinating Board for approval. If approved by the Coordinating Board, implementation will be limited to resources on hand until the 1988-89 biennium. Description of the proposed Master of Education degree and teacher certification program follows.

#### Program Descriptions

This proposal will establish a Master of Education in Teaching (M.E.T.) degree and a Post-Baccalaureate Teacher Certification Program. The proposed degree and certification program will be administered within the existing structure of the Center for Professional Teacher Education. The Center Director reports to the Vice-President for Academic Affairs and serves as a member of the Academic Deans Council.

The Post-Baccalaureate Teacher Certification Program is a course sequence in the Master of Education Teaching Degree. Qualified individuals holding a bachelors degree in an academic discipline can enroll in this program and, upon successful completion of the course sequence, apply for certification and employment as a teacher in the State of Texas. As the certification program coursework also applies toward completion of the M.E.T. degree, individuals completing this sequence also have the option to continue their study in the M.E.T. degree program. In general, students enrolling in the masters degree program will be practicing career teachers. Individuals seeking the advanced professional preparation required of a Master Teacher will also enroll in the M.E.T. degree program which emphasizes subject mastery and professional development.

#### BACKGROUND INFORMATION

At its April 1983 meeting, the U. T. Board of Regents approved a U. T. Arlington proposal for a Master of Education in Teaching which was subsequently submitted to the Coordinating Board. The 1983 proposal received commendations from teachers and teacher educators and was supported by the Texas Education Agency 1984 visiting accreditation team. In June 1986, U. T. Arlington withdrew the 1983 proposal from Coordinating Board consideration with the understanding that a revised proposal was under consideration.

The revised proposal essentially shifts teacher education from the undergraduate to the graduate level. This proposal is consistent with the 1982 U. T. System Teacher Education Task Force recommendation to move teacher certification and preparation coursework to the post-baccalaureate level. It also reflects the philosophy of the Holmes Group (a consortium of research oriented education deans) and the 1986 Carnegie Forum on Education and the Economy. Both of these groups endorse the concept that future teachers should first earn a bachelor's degree in an academic field and then enroll in teacher preparation courses.

No additional resources will be required to implement this proposal. The current faculty of the Center for Professional Teacher Education will be able to support the new program. Most of the undergraduate teacher education courses will be replaced with somewhat fewer graduate courses. During the transition, when both undergraduate and graduate courses must be taught, the faculty will absorb a slight overload. Library and other resources are adequate to support the new program.

The proposed degree is included in the mission, role and scope of U. T. Arlington as approved by the U. T. Board of Regents in December 1985 and is consistent with the U. T. Arlington strategic plan as submitted to the Office of the Chancellor.

Upon Regental approval, the Minute order will reflect that the next catalog published will conform to this action.

3. U. T. Austin: Proposed Appointments to Endowed Academic Positions in the School of Architecture Effective September 1, 1986.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to approve the following appointments to endowed academic positions in U. T. Austin's School of Architecture effective September 1, 1986. Professors will vacate any currently held endowed positions on the effective date of the new appointment.

| <u>Name of Proposed Appointee</u>  | <u>Endowed Academic Position</u>   |
|--|--|
| Mr. Richard L. Dodge,<br>Associate Dean and The Sid W.<br>Richardson Centennial Professor<br>in Architecture | Bartlett Cocke Regents<br>Professorship in Archi-<br>tecture, established<br>August 1985; initial holder |
| Mr. M. Wayne Bell, Professor<br>of Architecture  | Meadows Foundation Centen-<br>nial Professorship in<br>Architecture, established<br>June 1983            |

BACKGROUND INFORMATION

Professor Dodge joined the U. T. Austin faculty in 1967 and has been an Associate Dean of the School of Architecture since 1977. He is an excellent teacher, researcher, administrator, and practicing architect and has guided the School of Architecture's ten-year facility renovation program as

chairman of the ad hoc Building Committee. Professor Dodge has authored or coauthored several architecture design studies and has served as a consulting architect for residential and commercial design assignments throughout Texas. He teaches design and studio courses at both the undergraduate and graduate levels, and he received the Texas Excellence Teaching Award in the School of Architecture in 1986.

Professor Bell is nationally recognized for his contributions to historic preservation. He was elected to the College of Fellows of the American Institute of Architecture in 1985 and received the Texas Historical Commission Citation for contributions to historic preservation awarded this year during the Texas Sesquicentennial. During his twenty years as architect and educator, he has initiated the basic elements of the historic preservation movement in Texas and fostered its growth nationally. He is responsible for such major restoration projects as the Winedale Historical Center and the Littlefield Home. He is director of the Graduate Program in Historic Preservation in the U. T. Austin School of Architecture and teaches both undergraduate and graduate courses on preservation. He organized and served as the first director of the Office of National Register for the Texas Historical Commission and served as chief of the Historic Sites and Restoration Branch of the Texas Parks and Wildlife Commission. He has personally supervised the measured drawings and documentation of more than sixty structures which have been entered into the U. S. Library of Congress. Professor Bell was one of twenty preservationists to tour China in 1985 as guests of the Minister of Culture under the United Nations Committee on Monuments and Sites.

4. U. T. Austin: Proposed Appointment of Three Distinguished Faculty Members as Ashbel Smith Professors Effective September 1, 1986.--

#### RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation that the following individuals be appointed Ashbel Smith Professors at U. T. Austin effective September 1, 1986:

- a. Dr. Frank D. Bean, Professor of Sociology
- b. Dr. Ira Iscoe, Professor of Psychology, Director of the Plan II Honors Program, and Director of the Institute of Human Development and Family Studies
- c. Dr. H. Eldon Sutton, Professor of Zoology and Director of The Genetics Institute and The Genetics Foundation.

#### BACKGROUND INFORMATION

Dr. Bean, a faculty member at U. T. Austin since 1972, is internationally recognized for his scholarly contributions in the areas of Mexican immigration and migrants, minority group households and family structures, and fertility patterns. He has authored or coauthored six books and monographs and more

than seventy articles, book chapters, and other publications. Dr. Bean has served with distinction as the chairman of the U. T. Austin Department of Sociology, the associate director of the Population Research Center, and on numerous other department, college, and university committees and councils. Dr. Bean currently serves as associate editor of Social Science Quarterly and is a member of the Sociological Research Association, the Public Affairs Committee and the Nominating Committee of the Population Association of America; the Population Research Committee, Center for Population Research, National Institute of Child Health and Human Development; and the Advisory Committee of the Carnegie Foundation Project on Fertility Behavior Among Hispanic Adolescents. He is an excellent teacher at both the undergraduate and graduate levels.

Dr. Iscoe joined the U. T. Austin faculty in 1951 and is internationally recognized for his scholarly contributions in gerontology, mental health, community psychology, and related areas. He has authored or coauthored five books, more than ten book chapters, and more than fifty scholarly articles. Dr. Iscoe is a Fellow of the American Psychological Association and has presented an average of two scholarly papers per year at national and regional psychology meetings for the past twenty years. Dr. Iscoe has directed the Psychological Clinic and the Counseling-Psychological Services Center at U. T. Austin and the U. T. Austin Graduate Training Program in Community Psychology funded by the National Institute of Mental Health. He received the Distinguished Psychologist Award from the Texas Psychological Association in 1974, and in 1978 he held a six-month appointment as Distinguished Visiting Scientist, National Institute of Mental Health. Dr. Iscoe is an excellent teacher and has supervised more than fifty doctoral dissertations.

Dr. Sutton, a faculty member at U. T. Austin since 1960, is internationally recognized for his scholarly contributions to the field of genetics. He has authored or coauthored six books and over 90 experimental research and review articles. Dr. Sutton is an elected Fellow of the American Association for the Advancement of Science and has served as an officer of numerous professional organizations. He is currently the U. S. representative on the Permanent Committee on International Congresses of Human Genetics and a member of the National Academy of Sciences (NAS) - National Research Council (NRC) Board on Radiation Effects Research, Committee on Epidemiology and Veterans Follow-up Studies, Subcommittee on Twins, Subcommittee on Exposure at Tests of Nuclear Weapons, and Graduate Fellowship Panel in Biology. Dr. Sutton is highly regarded as a teacher and has served with distinction in numerous U. T. Austin administrative positions, including Vice President for Research, Associate Dean of Graduate Studies, Chairman of the Department of Zoology, and Associate Dean of the Graduate School.

In July 1963, the U. T. Board of Regents authorized the designation of ten nonendowed professorships at U. T. Austin as Ashbel Smith Professors effective September 1, 1963. The number of these professorships was increased to 15 by Regental action in April 1980. These proposed appointments will fill currently vacant Ashbel Smith Professorships.

5. U. T. Austin: Proposed Appointments to Endowed Academic Positions in the College of Business Administration and the Graduate School of Business Effective As Indicated.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to approve the following appointments to endowed academic positions in U. T. Austin's College of Business Administration and the Graduate School of Business effective September 1, 1986, as indicated.

| <u>Name of Proposed Appointee</u>  | <u>Endowed Academic Position</u>   |
|--|--|
| Dr. Robert C. Solomon,<br>Professor of Philosophy  | Quincy Lee Centennial Professorship in Business, established June 1983; initial holder; effective September 1, 1986                                      |
| Dr. William R. Kinney, Jr.,<br>Price Waterhouse Auditing Professor, University of Michigan | Charles and Elizabeth Prothro Regents Chair in Business, established June 1984; initial holder; effective January 16, 1987; 1986-87 Spring Semester only |

BACKGROUND INFORMATION

Dr. Solomon, a faculty member at U. T. Austin since 1973, is a nationally recognized scholar of philosophy, with particular emphasis in the field of business ethics. He is the author of over 100 articles, abstracts, and book reviews and has served on the editorial board of the Journal of Philosophy and Medicine and the Journal of the Theory of Social Behavior. Dr. Solomon is frequently invited to lecture at symposia and conferences and has held visiting faculty appointments at the University of Auckland in New Zealand, Harvard University, the University of Michigan and La Trobe University in Australia. He received the Standard Oil Outstanding Teaching Award in 1973 and the U. T. Austin President's Associates Teaching Excellence Award in 1985 in recognition of his outstanding teaching skills.

Dr. Kinney's appointment as Visiting Professor at U. T. Austin has been approved for the Spring Semester only effective January 16, 1987. Dr. Kinney is internationally recognized for his innovative research in auditing theory and practice. He is the author or coauthor of more than fifty scholarly articles and monographs and has served on the editorial boards of several scholarly journals. Dr. Kinney received the John L. Wildman Award from the American Accounting Association in 1983 and was appointed Director of Research for this association in 1984. He is an outstanding teacher at both the undergraduate and graduate levels and has supervised more than ten Ph.D. degree dissertations.

6. U. T. Austin: Proposed Appointment to the Philip G. Warner Regents Professorship in Communication in the College of Communication Effective September 1, 1986.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation that Dr. Martin L. Gibson, DeWitt Carter Reddick Centennial Professor in Journalism Education, be appointed as initial holder of the Philip G. Warner Regents Professorship in Communication in the College of Communication at U. T. Austin effective September 1, 1986. Dr. Gibson will relinquish the DeWitt Carter Reddick Centennial Professorship in Journalism Education on the effective date of his new appointment.

BACKGROUND INFORMATION

Dr. Gibson joined the U. T. Austin faculty in 1969 and is nationally recognized for his contributions to journalism education and the adaptation of computers to the editing process. He has served as the head of the News and Public Affairs sequence in the U. T. Austin Department of Journalism developing an undergraduate program area that is a model for similar programs in other universities since 1977. He has published one book which continues to be the leading textbook in electronic editing. Dr. Gibson was the first recipient of the national competition for the Ottaway Fellowship for Study at the American Press Institute and the first U. S. recipient of a Fulbright award to teach journalism in New Zealand.

The Philip G. Warner Regents Professorship in Communication was established by the U. T. Board of Regents in December 1984.

7. U. T. Austin: Proposed Appointments to Endowed Academic Positions in the College of Engineering Effective September 1, 1986.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to approve the following appointments to endowed academic positions in U. T. Austin's College of Engineering effective September 1, 1986:

| <u>Name of Proposed Appointee</u>  | <u>Endowed Academic Position</u>  |
|--|---|
| Dr. Richard W. Miksad,<br>Professor of Civil Engineering   | Hussein M. Alharthy Centennial Professorship in Civil Engineering, established June 1983; for the 1986-87 academic year only  |
| Dr. Leif N. Persen, Professor and Chairman, Applied Mechanics Department, Norwegian Institute of Technology (Norway) | W. A. "Monty" Moncrief Centennial Chair in Petroleum Engineering, established August 1982; for the 1986-87 Fall Semester only |

### BACKGROUND INFORMATION

Dr. Miksad, a faculty member at U. T. Austin since 1974, is internationally recognized for his research in fluid mechanics as applied to environmental and offshore engineering problems. He is the author or coauthor of one book, more than fifty refereed research papers and twelve other research papers, and forty published technical reports. Dr. Miksad is an effective and energetic classroom teacher and advisor of both undergraduate and graduate students and has supervised ten master's and four Ph.D. degree students. He is active in professional and technical societies and, during 1986-87, will serve as Program Director of the Fluid Mechanics and Hydraulics Division of Mechanics, Structures, and Materials Engineering of the National Science Foundation.

Dr. Persen's appointment as Visiting Professor at U. T. Austin has been approved effective September 1, 1986. Dr. Persen has been a member of the faculty at the Norwegian Institute of Technology since 1960 and is internationally recognized for his expertise in the field of petroleum engineering and turbulent fluid flow. He has held appointments in the U. S. as a visiting senior scientist at the University of Rhode Island, as a visiting professor at Brown University, and as a research scientist at Wright Patterson Air Force Base. Dr. Persen is a member of the Royal Norwegian Society of Science and has been the secretary general of the Norwegian Academy of Engineering Sciences for six years. He has authored or coauthored more than 90 research papers and has written or edited three books in Norwegian and English.

8. U. T. Austin: Proposed Appointment to the Effie Marie Cain Regents Chair in Fine Arts in the College of Fine Arts Effective September 1, 1986.--

### RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation that Dr. J. Robert Wills, Dean of the College of Fine Arts and Professor of Drama, be appointed initial holder of the Effie Marie Cain Regents Chair in Fine Arts in the College of Fine Arts at U. T. Austin effective September 1, 1986.

This appointment is contingent upon establishment of the Chair as proposed in Item 3, Page L&I - 10.

### BACKGROUND INFORMATION

Dr. Wills joined U. T. Austin in 1981 as Dean of the College of Fine Arts and Professor of Drama after having served for four years as Dean of the College of Fine Arts and Professor of Theatre at the University of Kentucky. He is internationally recognized for his contributions as a theatre and drama scholar, playwright, producer, director, and fine arts administrator. He has authored ten plays, three books, 39 articles,

and numerous drama reviews. Dr. Wills is active in State, national, and international professional associations and is listed in Who's Who in America and Who's Who in Theatre. He is invited to present approximately ten lectures annually at local, State, or national seminars and colloquia and is an excellent teacher.

9. U. T. Austin: Proposed Appointments to Endowed Academic Positions in the School of Law Effective September 1, 1986.--

#### RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to approve the following appointments to endowed academic positions in U. T. Austin's School of Law effective September 1, 1986. Professors will vacate any currently held endowed positions on the effective date of the new appointment unless otherwise indicated.

| <u>Name of Proposed Appointee</u>  | <u>Endowed Academic Position</u>  |
|--|---|
| Dr. Kenneth R. Simmonds,<br>Professor of International Law,<br>University of London at Queen<br>Mary College (Great Britain) | The Florence Thelma Hall<br>Visiting Centennial Pro-<br>fessorship in Law, estab-<br>lished June 1982; for the<br>1986-87 academic year only                                  |
| Mr. Alan S. Rau, Professor<br>of Law   | Liddell, Sapp, Zivley &<br>LaBoon Professorship in<br>Banking, Financial,<br>Commercial and Corporate<br>Law, established June 1978;<br>for the 1986-87 academic<br>year only |

#### BACKGROUND INFORMATION

Dr. Simmonds' appointment as Visiting Professor at U. T. Austin has been approved effective September 1, 1986. Dr. Simmonds is internationally recognized for his contributions to international and comparative law. He formerly directed the British Institute of International and Comparative Law in London, England, and assumed his current position as holder of the Chair of International Law at Queen Mary College in 1976. Dr. Simmonds has served as chairman of the United Kingdom National Committee of Comparative Law, president of the International Association of Legal Science, and general editor or editor of the International and Comparative Law, the Common Market Law Review, and the Encyclopedia of European Community Law. He has held visiting professor appointments in Canada, the U. S., and Europe. Dr. Simmonds was made Chevalier de l'Ordre National de Merite for services to the French Republic in 1973 and was decorated in 1983 with the Commander's Cross of the Order of Merit for services to the Federal Republic of Germany.

Professor Rau, a faculty member at U. T. Austin since 1971, is nationally recognized for his expertise in the areas of contracts, contract negotiations and drafting, copyrights and unfair competition, and business torts. He is a 1967 graduate of Harvard University Law School and former editor of the

Harvard Law Review. Professor Rau was an associate with the Paris law firm of Coudert Freres before joining the U. T. Austin faculty. He is the recipient of many honors including a Fulbright scholarship to study at the University of Bordeaux in France, the Frank Knox Memorial Fellowship of the London School of Economics, and a Fulbright grant to teach at the China University of Political Science and Law in Beijing. He has authored or coauthored numerous scholarly articles, a case-book on contracts and the Uniform Commercial Code and is an outstanding classroom instructor.

10. U. T. Austin: Proposed Appointments to Endowed Academic Positions in the College of Liberal Arts Effective September 1, 1986.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to approve the following appointments to endowed academic positions in U. T. Austin's College of Liberal Arts effective September 1, 1986. Professors will vacate any currently held endowed positions on the effective date of the new appointment.

| <u>Name of Proposed Appointee</u>  | <u>Endowed Academic Position</u>   |
|--|--|
| Dr. Joseph J. Moldenhauer,<br>Professor of English   | Mody C. Boatright Regents<br>Professorship in American<br>and English Literature,<br>established June 1985;<br>initial holder                              |
| Dr. John C. Middleton,<br>Professor of Germanic<br>Languages   | David Bruton, Jr. Centen-<br>nial Professorship in Modern<br>Languages, established<br>February 1983; initial holder                                       |
| Dr. Stephen L. McDonald,<br>Professor of Economics and<br>Jack S. Josey Professor in<br>Energy Studies | Addison Baker Duncan Cen-<br>tennial Professorship in<br>Economics, established<br>October 1983; initial holder  |
| Dr. Melvin J. Hinich,<br>Frank C. Erwin, Jr. Centennial<br>Professor in Government                     | Mike Hogg Professorship of<br>Local Government, established<br>August 1981; initial holder   |
| Dr. William O. S. Sutherland,<br>Professor and Chairman,<br>Department of English                      | Robert Adger Law and Thos. H.<br>Law Centennial Professorship<br>in Humanities, established<br>June 1983 and name changed<br>February 1984; initial holder |
| Dr. William J. Scheick,<br>Professor of English  | J. R. Millikan Centennial<br>Professorship in English<br>Literature, established<br>February 1984; initial<br>holder                                       |
| Dr. James B. Ayres,<br>Professor of English  | Shakespeare at Winedale<br>Regents Professorship,<br>established August 1985<br>and redesignated Octo-<br>ber 1985; initial holder                         |

Name of Proposed Appointee

Endowed Academic Position

Dr. James I. Wimsatt,  
Professor of English

Louann and Larry Temple  
Centennial Professorship  
in English Literature,  
established April 1983;  
initial holder

BACKGROUND INFORMATION

Dr. Moldenhauer, a faculty member at U. T. Austin for more than 25 years, is nationally recognized for his scholarly contributions as editor of the works of Henry David Thoreau. He has produced definitive editions of three of Thoreau's major works, as well as authored or coauthored more than 25 book chapters and articles on Thoreau and other nineteenth-century American authors. Dr. Moldenhauer's honors include a John Simon Guggenheim Fellowship. He is an active board member of six different editorial projects and journals devoted to authors of the nineteenth century. Dr. Moldenhauer's departmental service at U. T. Austin includes four years as Chairman of the Department of English.

Dr. Middleton joined the U. T. Austin faculty in 1966 and is a distinguished scholar and teacher of German language. He is a prolific poet with an established international reputation, having authored nineteen books of poems or prose, translated four books into German or Dutch and more than forty-five books, book sections, and articles into English, and having produced numerous other essays and related writings. Dr. Middleton is a regular participant in the Cambridge International Poetry Festival in England, has received a National Endowment for the Arts Poetry Fellowship, and has received numerous awards including election as an extraordinary member of the German Academy of Arts. He currently serves as director of the Comparative Literature Program at U. T. Austin and has chaired or co-chaired eleven Ph.D. degree dissertations.

Dr. McDonald has been a faculty member at U. T. Austin for over 30 years and is an internationally recognized energy and natural resources economist. He has authored or coauthored five books or monographs and more than eighty other scholarly publications. He is an excellent teacher both in undergraduate and graduate courses and received the U. T. Austin President's Associates teaching excellence award in economics in 1982. Dr. McDonald has served in numerous administrative capacities at U. T. Austin including service as Chairman of the Department of Economics. In 1984, he was selected as a member of the U. S. delegation to the People's Republic of China on petroleum technology organized by the Interstate Oil Compact Commission and has been a member of the Board of Editors of The Energy Journal since 1979.

Dr. Hinich, a faculty member at U. T. Austin since 1982, is nationally recognized for his scholarly contributions in the area of formal theory and public choice. He has authored or coauthored three books and more than seventy research articles and other technical reports. Dr. Hinich, who currently holds appointments as Professor of Economics and Research Scientist at the Applied Research Laboratories, formerly held faculty appointments at Carnegie-Mellon University and Virginia Polytechnic Institute and State University and was appointed as the Sherman Fairchild Distinguished Scholar at the California

Institute of Technology. He is frequently invited to present seminars at other universities or at professional meetings and serves as associate editor of the Journal of The American Statistical Association. He is an excellent teacher at both the undergraduate and graduate levels and has supervised numerous doctoral degree students.

Dr. Sutherland joined the U. T. Austin faculty in 1954 and has an excellent record of teaching, scholarship, and administrative service. His research area is eighteenth-century literature and his publications include original and edited works on the novel, language and ideas, and on satire. He has been Chairman of the Department of English since 1983 and has served as Director of the Program in Humanities. Dr. Sutherland is an excellent teacher and received a President's Associates Teaching Excellence Award for his English composition instruction in 1982. He has held appointments as Director of Freshman English, Associate Dean of the U. T. Austin Graduate School, and Chairman of the Graduate Assembly and is active in numerous educational associations including the National Endowment for the Humanities.

Dr. Scheick, a faculty member at U. T. Austin since 1969, is one of the most accomplished and widely recognized scholars in American literature. He has authored or edited ten books, approximately 100 articles, and thirty reviews on topics ranging from the early Puritans to contemporary women writers, and he serves as editor or editorial board member of several scholarly journals. He is a master teacher at both the undergraduate and graduate levels and has provided extensive administrative service to the Department of English and the U. T. Austin Graduate School.

Dr. Ayres joined the U. T. Austin faculty in 1964 and is the founder and director of the U. T. Austin Shakespeare-at-Winedale program. He is a creative and excellent teacher and received the Harry Ransom Award for Teaching Excellence in 1985. Dr. Ayres' administrative service includes membership on the U. T. Austin Men's Athletics Council, the College of Liberal Arts Scholarship Committee, and the Plan II Scholarship Committee.

Dr. Wimsatt, a U. T. Austin faculty member since 1977, is an internationally recognized scholar of medieval studies. He is author or coauthor of four books and more than twenty scholarly articles. His honors include a John Simon Guggenheim Fellowship. Dr. Wimsatt has held faculty appointments at Université Paul Valéry in Montpellier, France, University of North Carolina at Greensboro, and Texas Christian University. Dr. Wimsatt has actively served on Modern Language Association of America and Medieval Academy of America committees and has served as a Graduate Advisor at U. T. Austin.

11. U. T. Austin: Proposed Appointments to Endowed Academic Positions in the College of Natural Sciences Effective September 1, 1986.--

#### RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to approve the appointments set out on the following page to endowed academic positions in U. T. Austin's College of Natural Sciences effective September 1, 1986.

Name of Proposed Appointee

Endowed Academic Position

Dr. Amir Pnueli, Professor  
of Computer Science, The  
Weizmann Institute of Science,  
Israel

Professorship in Computer  
Sciences (No. 3), estab-  
lished February 1984; initial  
holder; for the 1986-87  
Fall Semester only

Dr. James L. Erskine,  
Associate Professor,  
Department of Physics

Trull Centennial Professor-  
ship in Physics, established  
August 1983

BACKGROUND INFORMATION

Dr. Pnueli's appointment as Visiting Professor at U. T. Austin has been approved for the Fall Semester only effective September 1, 1986. Dr. Pnueli is internationally recognized for his computer science research contributions in the area of program verification. His work on aspects of temporal logic applied to concurrent processing and parallelism place him in the forefront of theorists in this field. He is the author or coauthor of more than fifty scholarly publications, is an excellent speaker and is frequently invited to present seminars on his research.

Dr. Erskine, a faculty member at U. T. Austin since 1977, is an experimental, solid-state scientist who is internationally recognized for his contributions in the area of surface physics. He has been instrumental in gaining major National Science Foundation funding for a Materials Research Group in chemistry and physics at U. T. Austin and has recently received a funding commitment from the National Science Foundation for a Materials Research Group in magnetic structures. He has authored or coauthored more than forty scholarly publications in refereed journals and annually is invited to present lectures at research seminars and conferences. Dr. Erskine is active in numerous professional organizations and is an excellent and effective classroom teacher.

12. U. T. Austin: Proposed Appointment to the James E. Bauerle Centennial Professorship in Drug Dynamics in the College of Pharmacy Effective September 1, 1986.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation that Dr. Laurence H. Hurley, Henry M. Burlage Centennial Endowed Professor in Pharmacy, be appointed to the James E. Bauerle Centennial Professorship in Drug Dynamics in the College of Pharmacy at U. T. Austin effective September 1, 1986. Dr. Hurley will relinquish the Henry M. Burlage Centennial Endowed Professorship in Pharmacy effective August 31, 1986.

### BACKGROUND INFORMATION

Dr. Hurley joined the U. T. Austin faculty in 1981 and is internationally recognized for his scholarly contributions in the area of biosynthesis, mechanism of action, and drug development of antitumor antibiotics. He has authored more than fifty scientific publications and has been awarded more than \$2.5 million in research funds for his research programs. He heads the medicinal chemistry program and the Laboratory for Drug Design in the Drug Dynamics Institute at U. T. Austin.

Dr. Hurley is active in a variety of professional scientific associations including the Academy of Pharmaceutical Sciences, American Society for Pharmacognosy, American Association for Cancer Research, and the Chemical Society of Great Britain.

Dr. Hurley is an excellent teacher, both in the classroom and in his research work with graduate students.

The James E. Bauerle Centennial Professorship in Drug Dynamics was established by the U. T. Board of Regents in April 1982.

13. U. T. Austin: Proposed Appointment to the Louis and Ann Wolens Centennial Chair in Gerontology in the School of Social Work Effective September 1, 1986, for the 1986-87 Academic Year Only.--

### RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation that Dr. Laura B. Wilson, Chairman of the Department of Gerontology and Geriatric Services at the U. T. Health Science Center - Dallas, be appointed to the Louis and Ann Wolens Centennial Chair in Gerontology in the School of Social Work at U. T. Austin for the 1986-87 academic year only effective September 1, 1986. Dr. Wilson's appointment as Visiting Professor in the School of Social Work at U. T. Austin has been approved effective September 1, 1986.

### BACKGROUND INFORMATION

Dr. Wilson, a faculty member at the U. T. Health Science Center - Dallas since 1980, is nationally recognized for her contributions in the field of gerontology. She is the author or coauthor of 46 scholarly articles, book chapters, and books; has served as principal investigator, project director, or co-investigator for sixteen major gerontology research grants; and has received funding through various contracts and awards for five additional projects. The Southwest Long Term Care Gerontology Center was established at the U. T. Health Science Center - Dallas by the Administration on Aging under Dr. Wilson's leadership. She currently directs this Center. She is an excellent teacher and is active in such professional associations as the Gerontological Society of America, the American Public Health Association, the Southwest Society on Aging, and the Texas Society of Health Professions.

The Louis and Ann Wolens Centennial Chair in Gerontology was established by the U. T. Board of Regents in August 1983.

14. U. T. Austin: Recommendation to Name Rooms in The V. F. 'Doc' Neuhaus-Darrell K. Royal Athletic Center (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings).--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to name the rooms and the field listed below in The V. F. 'Doc' Neuhaus-Darrell K. Royal Athletic Center at U. T. Austin to recognize substantial and significant donors to U. T. Austin athletic programs. This recommendation is in accordance with the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, relating to the naming of facilities other than buildings.

| <u>Room Number</u> | <u>Proposed Name</u>                                    |
|--------------------|---|
| NRC 1.100          | The James R. Moffett/B. M. Rankin, Jr. Reception Area   |
| NRC 1.102          | The Nasser Al-Rashid Strength Training Facility         |
| NRC 1.108          | The L. R. French, Jr. Conference Room                   |
| NRC 1.110          | The Robert K. Moses, Jr. Locker Room                    |
| NRC 1.112          | The Louis M. Pearce, Jr. Auditorium                     |
| NRC 1.114          | The Hal Hillman Conference Room                         |
| NRC 1.116          | The Mike Myers Conference Room                          |
| NRC 1.118          | The Howard L. Terry Varsity Locker Room                 |
| NRC 1.124          | The Thompson Equipment Room                             |
| NRC 1.128          | The H. L. Brown Family Coaches Locker Room              |
| NRC 1.130          | The Robert L. Edge Medical Training/Rehabilitation Room |
| NRC (Field)        | The Walter W. Fondren III Field                         |

BACKGROUND INFORMATION

At its December 1982 meeting, when the U. T. Board of Regents authorized preparation of preliminary plans for the new football facility referenced above, it also authorized U. T. Austin to initiate fund-raising activities for the proposed facility. The ultimate financing package, approved when construction was authorized in June 1984, consisted of a combination of funding sources totaling \$7 million, and included \$3,412,000 in private gifts. A significant portion of these gift dollars was raised through the fund-raising campaign authorized in 1982. The proposed naming of the rooms and field in the football facility is to recognize the generosity and special contributions to the fund-raising efforts for this facility.

15. U. T. Austin: Recommendation to Name Three Rooms in the College of Engineering (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings).--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to name the rooms listed below in the new Chemical and Petroleum Engineering Building, College of Engineering at U. T. Austin, in accordance with the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, relating to the naming of facilities other than buildings:

- a. Room 5.412 - The Dow Chemical Company Foundation Process Control Laboratory
- b. Room 1.150 - Phillips Petroleum Drilling Fluids Properties Laboratory
- c. Room 1.480 - Phillips Chemical Engineering Projects Laboratory

BACKGROUND INFORMATION

At its December 1981 meeting, the U. T. Board of Regents approved the naming of facilities other than buildings as part of a special private fund development campaign for the College of Engineering, in accordance with Part One, Chapter VII, Section 2, Subsection 2.44 of the Regents' Rules and Regulations.

The proposed room names are in recognition of gifts and pledges for the College of Engineering endowment program for the new Chemical and Petroleum Engineering Building. The income will be used to maintain and improve equipment and to support the research and teaching functions of the named laboratories. Acceptance of these gifts and pledges and establishment of permanent endowment accounts is provided for in Item 7, Page L&I - 12 and Item 14, Page L&I - 16.

16. U. T. Austin: College of Liberal Arts Foundation Advisory Council - Proposed Nominees Thereto (NO PUBLICITY UNTIL ACCEPTANCES ARE RECEIVED).--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Cunningham for approval of the following nominations to the U. T. Austin College of Liberal Arts Foundation Advisory Council for two-year terms to expire in 1988:

- Mr. T. Drew Cauthorn, San Antonio, Business:  
Attorney
- Mrs. Macey Hodges Reasoner, Houston, Business:  
Civic Leader

### BACKGROUND INFORMATION

The above nominations are to unfilled vacancies on the College of Liberal Arts Foundation Advisory Council.

In accordance with usual procedures, no publicity will be given to these nominations until acceptances are received and reported for the record at a subsequent meeting of the U. T. Board of Regents.

17. U. T. Austin: Request for Permission for Individual to Serve on the Southern Regional Education Board [Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)].--

### RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation that approval be given to Governor Mark White's appointment of Mr. Max R. Sherman, Dean of the Lyndon B. Johnson School of Public Affairs at U. T. Austin, to the Southern Regional Education Board.

It is further recommended that the U. T. Board of Regents find that: (1) the holding of this office by Dean Sherman is of benefit to the State of Texas, and (2) there is no conflict between Dean Sherman's position at U. T. Austin and his membership on this board.

### BACKGROUND INFORMATION

The Southern Regional Education Board was established in 1943 and consists of four members from each of fourteen states and their governors who serve without remuneration. The Board studies issues such as quality and testing, relationships between higher education and economic development, remedial education at the college level, and educational standards. Dean Sherman's appointment, which is effective immediately, expires in June 1990.

This recommendation is in accordance with approval requirements for positions of honor, trust, or profit provided in Article 6252-9a of Vernon's Texas Civil Statutes, and Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11) of the Regents' Rules and Regulations.

18. U. T. Dallas: Recommended Approval of Contract with Collin County Community College District for District Use of Classroom Space and Related Services.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Rutford that the U. T. Board of Regents:

- a. Agree on behalf of U. T. Dallas to a written contract substantially equivalent to an agreement which, though currently under negotiation, will be available before or at the August 1986 meeting of the Board, whereby:
- (1) the Collin County Community College District will use certain U. T. Dallas classroom space and related services (including parking, library, computational, media, and recreational services) for District instructional activities for its students for a one to two year period, beginning September 1, 1986, with contract costs for classroom space being calculated on a per student per class per semester basis plus additional designated use fees;
  - (2) U. T. Dallas will bill the District, and not the District's students, for the costs to be reimbursed;
  - (3) costs under the contract for District students will be substantially equivalent to fees paid by U. T. Dallas students; and
  - (4) administration and control of U. T. Dallas facilities and services will continue to be subject to the Rules and Regulations of the U. T. Board of Regents and its authorized representatives.
- b. Authorize the Executive Vice Chancellor for Academic Affairs to execute the contract, or one substantially equivalent to it, on behalf of the U. T. Board of Regents.

BACKGROUND INFORMATION

The Collin County Community College District desires to use classroom space on the U. T. Dallas campus for instruction of its students, as well as related services. President Rutford and his staff have entered into preliminary negotiations whereby the District would be required to reimburse U. T. Dallas on a per student per class per semester basis. Final negotiations are in process.

ACADEMIC AFFAIRS COMMITTEE

SUPPLEMENTAL MATERIAL

AUGUST 14, 1986

18. U. T. Dallas: Recommended Approval of Contract with Collin County Community College District for District Use of Classroom Space and Related Services.--

AGREEMENT  
between

Collin County  
Community College District

and

Board of Regents of  
The University of Texas  
System on behalf of The  
University of Texas at  
Dallas

Concerning:  
Use of Space and Related Maintenance Services  
and Equipment at  
The University of Texas at Dallas

August 1986

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| Exhibits   |             |
| Exhibit 1:    Payment Schedule for Use of Spaces,<br>Related Maintenance Services, Equipment,<br>Library Privileges, Parking Permits,<br>Emergency Health Services, and Recreation<br>Facilities |             |
| Exhibit 2:    Authorized Representatives   |             |

## AGREEMENT

This Agreement is entered into and made on this \_\_\_\_\_ day of \_\_\_\_\_, 1986, by and between the Collin County Community College District (the "District") and the Board of Regents of The University of Texas System ("U. T. Board of Regents") on behalf of the U. T. System component institution, The University of Texas at Dallas ("U. T. Dallas").

### Recitals

WHEREAS, Collin County Community College District offers instruction, through courses on the first and second year level of college to its students, and

WHEREAS, U. T. Dallas offers instruction through courses on the third and fourth year and post graduate level of college and graduate school to its students, and

WHEREAS, the Collin County Community College District desires to use classroom space and related maintenance services of U. T. Dallas for the District's 1986-1987 Fall, Spring, and Summer terms, and

WHEREAS, U. T. Dallas has such space and related maintenance services available during such time period and desires to grant permission for such use, and

WHEREAS, the District and U. T. Dallas desire to reduce their agreement to writing,

NOW, THEREFORE, IT IS MUTUALLY AGREED BETWEEN THE COLLIN COUNTY COMMUNITY COLLEGE DISTRICT AND THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM ON BEHALF OF THE UNIVERSITY OF TEXAS AT DALLAS:

#### Section 1. Permission to Use Space and Related Services and Equipment

- (a) The Board of Regents of The University of Texas System on behalf of U. T. Dallas hereby grants Collin County Community College District permission, subject to the terms, provisions, and conditions of this Agreement, to use the space and related maintenance services listed at Exhibit 1.
- (b) Collin County Community College District hereby grants U. T. Dallas permission, subject to the terms,

provisions, and conditions of this Agreement, to use the District's computer, media, and self-paced instruction equipment brought on to the U. T. Dallas campus.

Section 2.        Responsibility of Collin County Community College District

In consideration of the permission granted in Section 1(a), above, the District:

- (a) may use the spaces and related maintenance services listed for the payments required in Exhibit 1 only for the purposes of offering first and second year level college courses, from the list on file at the Office of the Vice President for Academic Affairs at U. T. Dallas, to students of the District during the hours of 7:30 a.m. to 2:30 p.m. on weekdays other than holidays observed by U. T. Dallas, beginning September 1, 1986, and ending August 31, 1987;
- (b) shall register and enroll its own students in space provided by U. T. Dallas as indicated in Exhibit 1;
- (c) shall provide its own faculty and staff for the courses and shall provide its own media equipment and personnel to operate same during the times provided in (a), above;
- (d) shall maintain its own academic standards and its own academic disciplinary processes;
- (e) shall pay U. T. Dallas those amounts of money in the manner and at the times indicated in Exhibit 1;
- (f) shall provide its own computer, media, and self-paced instruction equipment;
- (g) shall provide or require faculty and students, where appropriate, to have liability insurance in amounts of coverage as evidenced by the District's liability insurance policy on file at the Office of the Vice President for Business Affairs of U. T. Dallas; and
- (h) shall provide its computer equipment for use in U. T. Dallas space allocated for a computing lab and shall provide supervision, maintenance, and operating supplies during the times provided in (a), above.

Section 3. Responsibilities of U. T. Dallas

In consideration of the permission granted in Section 1(b) and the payments provided for in Section 2(f), above, U. T. Dallas:

- (a) shall make available, at the times and places stated in Exhibit 1, the spaces and related maintenance services;
- (b) may use at no charge the computer equipment of the District in conjunction with its course offerings, only for the purposes of offering third and fourth year and post graduate level courses to U. T. Dallas students during the hours of 5:00 p.m. to midnight on weekdays and 7:30 a.m. to midnight on weekends and holidays observed by U. T. Dallas, beginning September 1, 1986, and ending August 31, 1987;
- (c) may use at no charge the computer equipment the District has provided in the U. T. Dallas space allocated for a computing lab and shall provide supervision, maintenance, and operating supplies during the times provided in (b), above;
- (d) shall grant library privileges, as set forth in Exhibit 1, and issue identification cards to faculty and students of the District who respectively will teach or are currently registered in classes offered by the District on the U. T. Dallas campus;
- (e) shall provide parking to faculty and staff upon the terms set out in Exhibit 1; and
- (f) shall provide parking to District students who pay the same parking rate at time of registration as U. T. Dallas students do for the same time periods.

Section 4. Nonacademic Discipline

- (a) The District agrees that it, its faculty, staff, and students shall comply with all applicable rules and regulations of the District and of the U. T. Board of Regents regarding matters of nonacademic discipline in the use of the spaces and the related services and equipment.

(b) U. T. Dallas agrees that it, its faculty, staff, and students shall comply with all applicable rules and regulations of the District and of the U. T. Board of Regents regarding nonacademic discipline in the use of District equipment.

Section 5. Force Majeure

The time within which either the District or U. T. Dallas hereto shall be required to perform any act under this Agreement shall be extended by a period of time equal to the number of days during which performance of such act is delayed unavoidably by strikes, lockouts, Acts of God, governmental restrictions, failure or inability to secure materials or labor by reason of priority or similar regulations or order of any governmental or regulatory body, enemy action, civil disturbance, fire, unavoidable casualties or any other cause beyond the reasonable control of either the District or U. T. Dallas; provided, however, that written notice of the cause for the delay shall be given to each other within a reasonable time period.

Section 6. Waivers

No variations, modifications or changes herein or hereof shall be binding upon either the District or U. T. Dallas hereto unless executed by the District or U. T. Dallas or by a duly authorized officer, agent, or representative. No waiver or waivers of any breach or default or any breaches or defaults by either the District or U. T. Dallas of any term, condition or liability of or a performance by the other party of any duty or obligation hereunder shall be deemed a waiver thereof or of any waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver or waivers of subsequent breaches or defaults of any kind, character or description under any circumstances.

Section 7. Applicable Law

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

Section 8. Partial Invalidity

If any term, provision, or condition of this Agreement or the application thereof to either party or circumstances shall, to any extent, be held invalid or unenforceable, the

remainder of this Agreement, or the application of such term, provision, or condition to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

Section 9. Construction of Agreement

- (a) This Agreement shall be construed consistent with the Rules and Regulations of the Board of Regents of The University of Texas System; and the Handbook of Operating Procedures of The University of Texas at Dallas.
- (b) Nothing in this Agreement shall be construed as limiting the right of the District or U. T. Dallas to contract with any other institution of higher education on either a limited or general basis, while this Agreement is in effect.

Section 10. No Partnership or Joint Venture

No partnership or joint venture is intended or created by this Agreement and neither the District nor U. T. Dallas nor U. T. Board of Regents shall assume any liabilities or obligations of the others as a result of this Agreement.

Section 11. Notices

Any notice, communication, request, reply or advice, or duplicate thereof (hereinafter severally and collectively, for convenience, called "notice") in this Agreement provided or permitted to be given, made or accepted by one party to the other party must be in writing, and may, unless otherwise in this instrument expressly provided, be given or be served by depositing the same in the United States mail, postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same in person to such party. Notice deposited in the mail in the manner hereinabove described shall be effective from and after the expiration of five (5) days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For purposes of notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:

If to Collin County Community College District,  
addressed to:

Dr. John Anthony, President  
Collin County Community College District  
2200 West University  
McKinney, Texas 75069

With copies to:

Dr. Herb Peebles  
Vice President for Academic Affairs  
Collin County Community College District  
2200 West University  
McKinney, Texas 75069

Mr. Walter Pike  
Vice President of Administration  
Collin County Community College District  
2200 West University  
McKinney, Texas 75069

If to the Board of Regents of The University of Texas  
System, addressed to:

Executive Vice Chancellor for Academic Affairs  
The University of Texas System  
601 Colorado Street  
Austin, Texas 78701  
Attention: Dr. James P. Duncan

with copies to:

The Board of Regents of The University of Texas  
System  
c/o The University of Texas System  
Office of the Board of Regents  
201 West Seventh Street  
Austin, Texas 78701  
Attention: Arthur H. Dilly, Executive Secretary

The University of Texas at Dallas  
P. O. Box 830688  
Richardson, Texas 75083-0688  
Attention: Dr. Robert H. Rutherford, President

Office of General Counsel  
The University of Texas System  
201 West Seventh Street  
Austin, Texas 78701  
Attention: John L. Darrouzet, Attorney

However, the parties hereto and their legal representatives shall have the right from time to time and at any time to change their respective addresses by giving written notice thereof 15 days prior to the effective change.

Section 12. Amendments

This Agreement may be amended by written instrument executed by the authorized representatives of the District and the authorized representative of the U. T. Board of Regents, as listed at Exhibit 2.

Section 13. Term, Termination, and Renewal

- (a) This Agreement shall be in effect for term of one year, beginning September 1, 1986, and ending August 31, 1987.
- (b) This Agreement may be terminated by either the District or U. T. Dallas at the end of any academic term so long as the party desiring termination gives 45 days prior notice as provided in Section 11.
- (c) This Agreement may be renewed or extended by mutual written agreement of the authorized representatives of the District and U. T. Dallas, subject to any necessary approvals by the District or U. T. Board of Regents.

EXECUTION

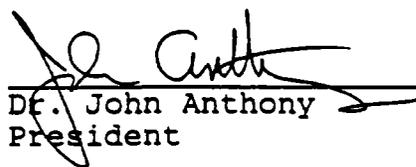
Executed as of the date first written above.

ATTEST:

\_\_\_\_\_  
Secretary

COLLIN COUNTY COMMUNITY  
COLLEGE DISTRICT

by

  
\_\_\_\_\_  
Dr. John Anthony  
President

BOARD OF REGENTS OF THE  
UNIVERSITY OF TEXAS SYSTEM  
on behalf of  
THE UNIVERSITY OF TEXAS AT  
DALLAS  
by

\_\_\_\_\_  
Dr. James P. Duncan  
Executive Vice Chancellor  
for Academic Affairs

FORM APPROVED:

\_\_\_\_\_  
Office of General Counsel  
The University of Texas  
System

RECOMMENDED FOR APPROVAL:

\_\_\_\_\_  
Dr. Robert H. Rutford  
President

CERTIFICATE OF APPROVAL  
BY COLLIN COUNTY  
COMMUNITY COLLEGE DISTRICT

I hereby certify that the foregoing Agreement was approved by the Collin County Community College District on the \_\_\_\_ day of \_\_\_\_\_, 1986, and that the person whose signature appears above is authorized to execute such agreement on behalf of the District.

---

Walter Pike  
Vice President for Administration

CERTIFICATE OF APPROVAL  
BY U. T. BOARD OF REGENTS

I hereby certify that the foregoing Agreement was approved by the Board of Regents of The University of Texas System on the \_\_\_\_ day of \_\_\_\_\_, 1986, and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.

---

Executive Secretary, Board of Regents  
The University of Texas System

EXHIBIT 1.

PAYMENT SCHEDULE FOR  
USE OF SPACES, RELATED MAINTENANCE SERVICES,  
EQUIPMENT, LIBRARY PRIVILEGES, PARKING PERMITS,  
EMERGENCY HEALTH SERVICES, AND RECREATION FACILITIES

|   | <u>Basis/manner<br/>of payment</u> |
|---|------------------------------------|
| <u>A. Spaces and related maintenance</u>  | a/1                                |
| (1) no more than 20 classrooms  |                                    |
| (2) one general purpose classroom for District faculty use  |                                    |
| (3) 100 square feet with U. T. Dallas library for self-paced instruction  |                                    |
| (4) one dedicated computer instruction classroom (400-600 sqft.)  |                                    |
| (5) appropriate space for registration and enrollment   |                                    |
| (6) storage space for District media equipment  |                                    |
| <u>B. Services at U. T. Dallas</u>  |                                    |
| (1) general library privileges  | c/1                                |
| (2) emergency health services   | e/3                                |
| (3) recreational facility use services  | e/4                                |
| (4) approximately 600 student parking permits   | d/2                                |
| (5) approximately 40 faculty/staff parking permits  | b/1                                |
| <u>Basis</u>  |                                    |
| (a) \$10 per classroom seat per semester per course   |                                    |
| (b) same parking rate for District faculty and staff as U. T. Dallas requires of its faculty and staff  |                                    |
| (c) \$5 per registered student per semester for general library privileges  |                                    |
| (d) same rate as U. T. Dallas students for designated term  |                                    |
| (e) same rate as general public   |                                    |
| <u>Manner of Payment</u>  |                                    |
| (1) U. T. Dallas shall bill the District for their registered students' use of U. T. Dallas library facilities after registration is complete. U. T. Dallas shall bill the District for classroom seats after the official census each semester. U. T. Dallas shall bill the District for faculty and staff parking after the beginning of the term of this Agreement. The District shall pay the balance due within 30 days of receipt of the U. T. Dallas bill. |                                    |
| (2) U. T. Dallas shall collect parking fees directly from students upon registration.   |                                    |
| (3) U. T. Dallas shall collect from individual at time service is rendered to individual or bill as appropriate.  |                                    |
| (4) U. T. Dallas shall collect prior to use.  |                                    |

EXHIBIT 2.

AUTHORIZED REPRESENTATIVES

Collin County Community College District

Vice President for Academic Affairs  
Vice President of Administration

U. T. Dallas

Vice President for Academic Affairs  
Vice President for Business Affairs

It is anticipated that a written contract will be forthcoming before or by the time of the U. T. Board of Regents' August meeting in order to have the agreement in place before the start of the Fall Semester 1986. The contract will likely include provisions for space to hold classes and provisions for related services such as parking, library, computational, media, and recreational needs of the District's students. To the extent possible, the District will be effectively charged the same amounts for its students to use the facilities and services as U. T. Dallas students have to pay. U. T. Dallas will bill the District under the contract and not the District's students.

The facilities and services will continue to be administered and controlled by U. T. Dallas and will remain under the jurisdiction of the U. T. Board of Regents and thus subject to their Rules and Regulations.

Upon authorization by the U. T. Board of Regents, the Executive Vice Chancellor for Academic Affairs will execute a contract substantially equivalent to the one that will be presented to the Board.

Copies of the proposed contract will be made available before or at the meeting of the U. T. Board of Regents.

19. U. T. Dallas: Request for Permission for Individual to Serve on the Scientific Committee on Antarctic Research (SCAR) [Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)].--

#### RECOMMENDATION

The Office of the Chancellor recommends that approval be given to the appointment of President Robert H. Rutford to a four year term as the United States Delegate to the Scientific Committee on Antarctic Research (SCAR).

It is further recommended that the U. T. Board of Regents find that: (1) the holding of this office by Dr. Rutford is of benefit to the State of Texas, and (2) there is no conflict between Dr. Rutford's position at U. T. Dallas and his membership on this Board.

#### BACKGROUND INFORMATION

The Scientific Committee on Antarctic Research (SCAR) is an international committee, organized under the International Council of Scientific Unions, whose members represent the seventeen countries who have been granted membership. SCAR coordinates Antarctic science, with a view to the development of scientific programs of circumpolar scope and significance. President Rutford is well qualified for the post having served as Director of the Division of Polar Programs, National Science Foundation and Director of the Ross Ice Shelf Project and the Polar Ice Coring Office.

This recommendation is in accordance with approval requirements for positions of honor, trust, or profit provided in Article 6252-9a of Vernon's Texas Civil Statutes, and Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11) of the Regents' Rules and Regulations.

20. U. T. Dallas: Request for Approval to Grant a Third-Year Leave of Absence Without Pay to Dr. John W. Sommer, School of Social Sciences, for the 1986-87 Academic Year (Subsection 16.4, Section 16, Chapter III, Part One, of the Regents' Rules and Regulations).--

RECOMMENDATION

The Office of the Chancellor concurs with President Rutford's request for approval to grant a third-year leave of absence without pay to Dr. John W. Sommer, Associate Professor in the School of Social Sciences at U. T. Dallas, for the 1986-87 academic year.

BACKGROUND INFORMATION

Dr. Sommer has been on leave for the past two years to serve as a Senior Program Associate in the National Science Foundation's Division of Policy Research and Analysis developing strategies for the improvement of the relevance of policy science research to the needs of the decision and policy making communities. This leave is requested to enable Dr. Sommer to complete this project. Dr. Sommer's continuing public service reflects great credit on U. T. Dallas, will enhance his subsequent contributions on return to the School of Social Sciences, and justifies the granting of a third consecutive leave of absence in accordance with Subsection 16.4, Section 16, Chapter III, Part One, of the Regents' Rules and Regulations. Dr. Sommer's request for this leave is conditional on the assurance that a fourth year will not be requested.

21. U. T. Dallas: Request for Approval to Grant a Two-Year Leave of Absence for the 1986-87 and 1987-88 Academic Years (Subsection 16.3, Section 16, Chapter III, Part One, of the Regents' Rules and Regulations).--

RECOMMENDATION

The Office of the Chancellor concurs with President Rutford's request for approval to grant a two-year leave of absence without pay to Dr. Brian A. Tinsley, School of Natural Sciences and Mathematics at U. T. Dallas, for the 1986-87 and 1987-88 academic years. This unusual request for a two-year leave will permit Dr. Tinsley to accept an appointment as Program Director of Aeronomy at the National Science Foundation.

BACKGROUND INFORMATION

Dr. Tinsley has served with distinction on the U. T. Dallas faculty for more than twenty years. Acceptance of this position will enhance his subsequent contributions on return to the School of Natural Sciences and Mathematics. Subsection 16.3,

Section 16, Chapter III, Part One, of the Regents' Rules and Regulations requires U. T. Board of Regents' approval for a second-year leave. That approval is sought now since Dr. Tinsley's appointment requires advance commitment to the second year.

22. U. T. El Paso: Request for Approval to Teach Electrical Engineering Courses at U. T. Permian Basin and to Offer a Cooperative Master of Science Degree in Electrical Engineering with U. T. Permian Basin (Catalog Change).--

#### RECOMMENDATION

The Office of the Chancellor concurs with President Monroe's recommendations that approval be given for U. T. El Paso to:

- a. offer electrical engineering courses at U. T. Permian Basin under the Coordinating Board guidelines which permit offering courses on the campus of another institution within the same system
- b. offer a cooperative Master of Science in Electrical Engineering degree with U. T. Permian Basin, using existing U. T. El Paso courses in electrical engineering and existing U. T. Permian Basin courses in control engineering.

Upon approval by the U. T. Board of Regents, and prior to implementation, the Office of the Chancellor will inform the Coordinating Board staff of the proposed cooperative endeavor.

#### BACKGROUND INFORMATION

The leaders of local industry in the Midland/Odessa area have expressed a strong need for a master's degree program in electrical engineering. U. T. Permian Basin does not have Coordinating Board or U. T. Board of Regents' authority to offer an electrical engineering degree, nor does it have the capacity to do so. However, several of the master's level courses in U. T. Permian Basin's Control Engineering program cover the same material as is covered in electrical engineering programs.

Under this proposed arrangement, credit earned in these courses will be accepted by U. T. El Paso toward meeting up to twelve hours of credit in the Master's in Electrical Engineering at U. T. El Paso. U. T. El Paso will offer at least twelve additional credit hours of course work in the Midland/Odessa area so that it will be possible for people in that region to earn a U. T. El Paso master's degree without attending classes in El Paso.

The proposed arrangement will require satisfactory completion of a master's thesis which will be supervised by U. T. El Paso. As appropriate, U. T. Permian Basin faculty will be appointed to the graduate faculty of U. T. El Paso for that purpose. The additional cost of transporting faculty from U. T. El Paso to U. T. Permian Basin will be paid from local contributions to U. T. Permian Basin. The first year additional cost of \$10,000 is to be covered by private gifts to U. T. Permian Basin. It

is anticipated that one faculty member will make one trip per week to teach a single course each semester. All courses will be taught by regular faculty from U. T. Permian Basin or U. T. El Paso with no adjunct faculty expected to be used in this program. Under normal circumstances, students will be able to complete the course requirements for this program in four semesters, taking one U. T. El Paso course and one U. T. Permian Basin course each semester.

Upon Regental approval, the Minute order will reflect that the next appropriate catalog published will be amended to conform to this action.

23. U. T. El Paso: Recommendation for Approval to Increase Rates for University Housing Effective Fall Semester 1986 (Catalog Change).--

RECOMMENDATION

The Office of the Chancellor concurs with President Monroe's recommendation that the U. T. Board of Regents approve increases in rental rates to be assessed occupants of University-Owned Residence Halls and Student Family Housing at U. T. El Paso effective with the Fall Semester 1986.

The University of Texas at El Paso  
Proposed Housing Rate Schedule for 1986-1987

|  | <u>1985-86</u><br>Rate | <u>1986-87</u><br>Proposed Rate <sup>2</sup> |
|--|------------------------|--|
| <u>University-Owned Residence Halls<sup>1</sup></u><br><u>(Dormitories) - Room and Board</u> |                        |  |
| Semester Contract (4½ Months)  |                        |  |
| Double Room (Community Bath)   | \$1,330                | \$1,405                                      |
| Suite Double (Connecting Bath)   | 1,415                  | 1,490  |
| Private Room (Community Bath)  | 1,630                  | 1,705  |
| Long Session Contract (9 Months)   |                        |  |
| Double Room (Community Bath)   | \$2,400                | \$2,550                                      |
| Suite Double (Connecting Bath)   | 2,700                  | 2,850  |
| Private Room (Community Bath)  | 3,000                  | 3,150  |
| Summer Session (Each Term)   |                        |  |
| Double Room (Community Bath)   | \$ 520                 | \$ 533                                       |
| Suite Double (Connecting Bath)   | n/a                    | 584  |
| Private Room (Community Bath)  | 627                    | 643  |
| Security Deposit   | \$ 75                  | \$ 75  |
| <u>Student Family Apartments<sup>3</sup></u>   |                        |  |
| Apartment (Per Month)  | \$ 300                 | \$ 300                                       |
| Security Deposit   | \$ 100                 | \$ 150                                       |
| Conference Housing <sup>4</sup>  |                        |  |
| Double Room  | \$5/person<br>per day  | \$7/person<br>per day                        |
| Suite Double   | \$6/person<br>per day  | \$8/person<br>per day                        |

|               | <u>1985-86</u><br><u>Rate</u> | <u>1986-87</u><br><u>Proposed Rate</u> <sup>2</sup> |
|---------------|-------------------------------|---|
| Private Room  | \$10/person<br>per day        | \$10/person<br>per day                              |
| Private Suite | \$11/person<br>per day        | \$12/person<br>per day                              |

<sup>1</sup> Each double room, suite, or private room in residence halls is provided with a telephone. The listed rate includes twenty meals per week. For 1986-87, a 15 meal option will be offered students at a reduction of \$25.00 per semester and a 10 meal option at a reduction of \$50.00 per semester. Adjustments for 15 and 10 meal options for Summer Sessions will include adjustments of \$17.00 and \$26.00 respectively.

<sup>2</sup> A \$75.00 per semester rate reduction will be offered students who pay the entire semester charge in advance as opposed to the normal four (4) payments per semester plan.

<sup>3</sup> Monthly rental rates for Student Family Apartments include utilities.

<sup>4</sup> Linen service is provided with Conference Housing for an additional charge of \$1 per person per day.

#### BACKGROUND INFORMATION

Rates for University-Owned Housing at U. T. El Paso have not been increased since 1984. Thus, the proposed increases, approximating 6 percent, are consistent with the increases in labor, utilities, and maintenance costs since rates were last adjusted. University rates for 1986-87 will still be competitive with private housing rates in the area.

Expanded features of this proposed rate structure include a 15 and 10 meal per week option in addition to the 20 meal per week option traditionally offered. Additionally, a discount incentive of \$75 per semester is offered students who make their housing payment in one (1) advance payment as opposed to the four (4) payments per semester plan traditionally elected by students at the institution. The proposed increase in the security deposit for Student Family Housing is necessary because the present deposit has frequently failed to cover the actual cost of damages or delinquent rent.

Upon Regental approval, the Minute order will reflect that the next appropriate catalog published will be amended to conform to this action.

24. U. T. El Paso: Request for Approval in Concept to Establish an Institute for Advanced Manufacturing in El Paso (IAMEP) and Authorization of a Fund-Raising Campaign (Regents' Rules and Regulations, Part One, Chapter VII, Section 2.44).--

#### RECOMMENDATION

The Office of the Chancellor concurs with President Monroe's recommendation that the U. T. Board of Regents approve in concept establishment of an Institute for Advanced Manufacturing in El Paso (IAMEP) and that a fund-raising campaign in conjunction with the institution's 75th anniversary celebration be authorized pursuant to the Regents' Rules and Regulations, Part One, Chapter VII, Section 2.44, for the purpose of raising private funds to support establishment of this Institute. A more specific program proposal outlining organizational structure and operational details will be submitted for U. T. Board of Regents' approval at a future meeting consistent with progress of the fund campaign.

#### Proposed Institute Purpose

Drawing upon resources in its Colleges of Business Administration and Engineering, as well as key departments in other colleges (e.g. chemistry, geological sciences, physics, and psychology), U. T. El Paso proposes to establish an Institute for Advanced Manufacturing in El Paso. This Institute would simultaneously serve the El Paso-Juarez region and further the teaching, research, and service roles of U. T. El Paso. Activities to be conducted will include basic and applied research, development and problem solving, applications of computer technology, technology transfer, and engineering and business services. Initially, the Institute is expected to focus on three major areas:

- a. Manufacturing Engineering including research development, industrial application, technology transfer, and engineering services in computer integrated manufacturing, robotics, computer-aided design, and flexible manufacturing. The Institute will assist existing, expanding, and new industry in the solution of actual, on-line manufacturing problems.
- b. Advanced materials technology, including research, development, technology transfer, and analytic services in the evaluation and characterization of materials and in materials handling technology.
- c. Systems Management to assist regional industries. Activity in this area will include addressing the following specific needs:
  1. Manufacturing and Business Resource Planning
  2. Distribution Resource Planning
  3. Acculturation of Business Interests.

## Projected Funding

Initial funding for the proposed Institute will be sought from a variety of public and private sources. Some start up operations funding will be requested from the State through a special item request entitled, "Border Technology Development Program." Other operating funds will come from contracts and grants for specific Institute projects. It is anticipated that the Institute will eventually operate without State support. U. T. El Paso and its Development Board expect to raise as much as \$7.5 million, exclusive of a gift of land, construct a factory to house the Institute and to endow its basic operation.

## BACKGROUND INFORMATION

El Paso, a city of 500,000 inhabitants, and Ciudad Juarez, with its estimated population of 1.2 million, are the largest and most extensively developed twin cities on the United States-Mexico border. The industry of this international community is largely light manufacturing, primarily in the areas of electronic components, apparel, food processing, and hospital supplies. El Paso also has several large installations which process petroleum and base metals. Much of the industry is based upon a special agreement between the United States and Mexico which permits parts and materials to be exported to Mexico, further processed, and subsequently reimported into the United States with duty paid only on the value added. This is known as the in-bond or maquila industry.

The in-bond (maquila) industry concept is nowhere more successfully implemented than in these twin cities. It is estimated that up to \$10 billion in manufactured goods move between El Paso and Ciudad Juarez annually. Manufacturing in this region is moving in the direction of higher technology, capital-intensive industries, as labor intensive processes shift to interior cities in the Mexican state of Chihuahua. U. T. El Paso is uniquely situated to facilitate the further growth, development, and diversification of this major international industrial region.

Funds for the lands and building in which the Institute will be housed and for sustaining basic operational expenses will be vigorously sought from the private sector. Upon approval of this concept and authorization to establish a fund-raising campaign, U. T. El Paso's Development Board will initiate a major fund-raising campaign. In this fund-raising campaign, cooperation is anticipated from such organizations as the El Paso Foreign Trade Association, the Industrial Development Corporation, the Maquila Association, and the El Paso and Juarez Chambers of Commerce. The concept of an Institute has already been endorsed by the El Paso City Council, the El Paso County Commissioner's Court, and the El Paso Chamber of Commerce.

25. U. T. Permian Basin: Recommended Rates for University-Owned Housing Effective Fall Semester 1986 (Catalog Change).--

RECOMMENDATION

The Office of the Chancellor concurs in the recommendation of President Leach that the U. T. Board of Regents approve rate changes for University-Owned housing at U. T. Permian Basin, as set out below, to be effective with the Fall Semester 1986.

The University of Texas of the Permian Basin,<sup>1</sup>  
Proposed Housing Rate Schedule for 1986-87

|   | <u>1986-87<br/>Proposed Rate</u> |
|---|----------------------------------|
| Efficiency Units<br>(available 1985-86 at \$125/month)                      | \$150/month <sup>2</sup>         |
| Single Bedroom Apartment<br>(Recent conversion-not<br>previously available) | 250/month <sup>2</sup>           |
| Double Bedroom Apartment<br>(Recent conversion-not<br>previously available) | 350/month <sup>2</sup>           |
| Security Deposit<br>(\$150 for 1985-86)                                     | 75                               |
| Trailer Space Rental<br>(\$85/month for 1985-86)                            | 75/month                         |

<sup>1</sup> Since acquisition of the 20 new mobile home units (Lancer) authorized by the U. T. Board of Regents in April 1983, the older (Trailways) units have been gradually removed from service thereby simplifying the U. T. Permian Basin housing options and corresponding rate structure for 1986-87. Previously existent rate options are not repeated herein since they are no longer available at U. T. Permian Basin.

<sup>2</sup> Includes electricity

BACKGROUND INFORMATION

The proposed U. T. Permian Basin rate increase for the Lancer Efficiency Units and the decrease in Security Deposit are related to changes in University Housing billing procedures. Currently, U. T. Permian Basin pays Texas Electric Service Company for electricity consumed in student housing and then bills the residents. This procedure required that the residents' security deposit be adequate to cover electric charges billed after the resident has vacated University-Owned Housing. U. T. Permian Basin plans to include electrical charges as part of the monthly rental charge in the future allowing for a decrease in the security deposit.

U. T. Permian Basin has phased out the use of older mobile homes used for student and faculty housing. These units do not meet current safety standards and are being sold at auction. The new rates being proposed include the existent efficiency

units and Lancer units which are being converted to single and double bedroom apartments to replace the phased out mobile homes. The decrease in trailer space rental rates is requested in order that these spaces be made more competitive with the Odessa/Midland market.

Upon Regental approval, the Minute order will reflect that the next appropriate catalog published will be amended to conform to this action.

26. U. T. San Antonio: Proposed Agreement with the Texas Engineering Experiment Station (TEES), a Component of The Texas A&M University System.--

#### RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Wagener that approval be given to the agreement set out on Pages AAC 45 - 47 by and between U. T. San Antonio and the Texas Engineering Experiment Station (TEES), a component of The Texas A&M University System. The purpose of this agreement is to formalize a continuing cooperative relationship between TEES and U. T. San Antonio in areas of mutual interest in technology development and transfer, environmental effects of hazardous waste, computer-aided engineering, and the manufacturing sciences and biotechnology.

#### BACKGROUND INFORMATION

The Texas Engineering Experiment Station (TEES) coordinates research and grants in various fields of science and engineering. This facility does not accept the standard affiliation agreement used by the U. T. System, but the proposed agreement is similar to an agreement between TEES and U. T. Arlington approved by the U. T. Board of Regents in February 1984.

The proposed agreement has been reviewed and approved by the Office of General Counsel and will become effective upon approval by the U. T. Board of Regents and The Texas A&M University System Board of Regents.

AGREEMENT

THIS AGREEMENT made this the \_\_\_\_\_ day of \_\_\_\_\_, 1985, by and between The University of Texas at San Antonio, a component of The University of Texas System (hereinafter "UT San Antonio"), and The Texas Engineering Experiment Station, a component of The Texas A&M University System (hereinafter "TEES").

WITNESSETH:

WHEREAS, UT San Antonio, through its College of Sciences and Engineering, conducts studies and experimental programs in various fields of science and engineering; and,

WHEREAS, TEES coordinates research and grants for such research in various fields of science and engineering; and,

WHEREAS, UT San Antonio and TEES have a mutual interest in technology development and transfer, environmental effects of hazardous waste, computer-aided engineering and the manufacturing sciences and biotechnology and now desire to create a framework for further cooperative efforts on specific engineering and engineering related science research projects.

NOW THEREFORE, in consideration of the premises and of the benefits to be derived therefrom, UT San Antonio and TEES, for purposes of achieving the above-stated objectives of said parties, agree as follows:

1. TEES will from time to time advise the College of Sciences and Engineering of UT San Antonio of the availability of research projects and grants which are to be administered or coordinated through TEES.
2. UT San Antonio will submit project or grant proposals in a form acceptable to TEES for those projects which UT San Antonio desires to conduct.
3. Separate contracts will be executed for each project in which TEES and UT San Antonio agree to cooperate. Said contracts will include a statement of

the services to be performed by UT San Antonio, contract amounts, bases for calculating costs, payment method, term of contract, and any special provisions dealing with equipment procurement and ownership.

4. To accomplish the cooperative agreement described in paragraph 3. above, the parties understand and contemplate that they may find it mutually beneficial to establish the College of Sciences and Engineering at the University of Texas at San Antonio as an operating division of TEES. As an operating division of TEES, the College of Sciences and Engineering at The University of Texas at San Antonio may work with and include as a part of the TEES division activities in San Antonio any of the educational and/or research institutions associated with the Southwest Research Consortium (the Southwest Research Institute, the Southwest Foundation for Biomedical Research, The University of Texas Health Science Center at San Antonio, and The University of Texas at San Antonio) as and when desired by the institutions in this Consortium. A separate agreement will describe the conditions of the establishment of such a division, including any arrangements for sharing of facilities and joint appointment of personnel.

5. In said contracts, UT San Antonio will be designated as the Performing Agency and TEES will be designated as the Receiving Agency.

6. This Agreement and any contracts executed pursuant to the provisions contained herein are subject to the laws of the State of Texas and the Rules and Regulations of the Board of Regents of The University of Texas System and the Board of Regents of The Texas A&M University System.

7. This Agreement shall become effective upon the approval and execution by the Board of Regents of The University of Texas System and the Board of Regents of The Texas A&M University System. If so approved and executed, this Agreement shall continue in effect for an initial term of five (5) years after the date and year first above written, and after such initial term shall continue

in effect from year to year unless one party shall have given one hundred and eighty (180) days' prior written notice to the other party of intention to terminate this Agreement. This Agreement and any specific project or grant contracts executed pursuant thereto shall terminate for all purposes one hundred and eighty (180) days after such notice is given.

EXECUTED by the Board of Regents of The University of Texas System and the Board of Regents of The Texas A&M University System on the day and year first above written, in duplicate copies, each of which shall be deemed an original.

ATTEST:

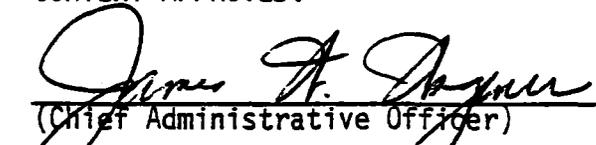
THE TEXAS A&M UNIVERSITY SYSTEM

\_\_\_\_\_

By \_\_\_\_\_  
Chairman, Board of Regents  
The Texas A&M University System

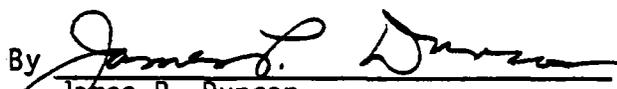
CONTENT APPROVED:

FORM APPROVED:

  
\_\_\_\_\_  
(Chief Administrative Officer)  
The University of Texas  
at San Antonio  
\_\_\_\_\_  
(Name of U. T. Component)

  
\_\_\_\_\_  
Office of General Counsel  
The University of Texas System

BOARD OF REGENTS OF THE UNIVERSITY  
OF TEXAS SYSTEM

By   
\_\_\_\_\_  
James P. Duncan  
Executive Vice Chancellor  
for Academic Affairs

CERTIFICATE OF APPROVAL

I hereby certify that the foregoing Agreement was approved by the Board of Regents of The University of Texas System on the \_\_\_\_ day of \_\_\_\_\_, 1986, and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.

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

# Health Affairs Committee

HEALTH AFFAIRS COMMITTEE  
COMMITTEE CHAIRMAN BRISCOE

Date: August 14, 1986  
Time: Following the meeting of the Academic Affairs Committee  
Place: Regents' Meeting Room, Ninth Floor, Ashbel Smith Hall

|  | <u>Page</u><br><u>HAC</u> |
|--|---------------------------|
| 1. U. T. Health Science Center - Dallas:<br>Proposed Appointment to the Jan and Henri<br>Bromberg Professorship in Internal Medicine<br>Effective August 14, 1986 (NO PUBLICITY)   | 3                         |
| 2. U. T. Health Science Center - Dallas:<br>Proposed Appointment to the William Kemp<br>Clark Chair in Neurological Surgery Effec-<br>tive August 14, 1986   | 3                         |
| 3. U. T. Medical Branch - Galveston: Request<br>for Approval of Exception to Section 31.1,<br>Chapter III, Part One, of the Regents' <u>Rules</u><br><u>and Regulations</u> , (Retirement and Modified<br>Service)   | 4                         |
| 4. U. T. Medical Branch - Galveston: Recommen-<br>dation to Approve Naming the Analytical<br>Chemistry Center the M.D. Anderson Analytical<br>Chemistry Center (Regents' <u>Rules and Regula-</u><br><u>tions</u> , Part One, Chapter VIII, Section 1,<br>Subsection 1.2, Naming of Facilities Other<br>Than Buildings)              | 4                         |
| 5. U. T. Medical Branch - Galveston: Recommen-<br>dation to Approve Naming the Nuclear Magnetic<br>Resonance Unit Laboratory as The F. Marie<br>Hall Magnetic Resonance Laboratory (Regents'<br><u>Rules and Regulations</u> , Part One, Chapter VIII,<br>Section 1, Subsection 1.2, Naming of Facili-<br>ties Other Than Buildings) | 5                         |
| 6. U. T. Medical Branch - Galveston (U. T.<br>Allied Health Sciences School - Galveston):<br>Proposed Memorandum of Affiliation with the<br>Veterans Administration Medical Center,<br>Temple, Texas   | 5                         |
| 7. U. T. Health Science Center - San Antonio:<br>Proposed Appointment to the Hugo A. Auler<br>Professorship of Psychiatry Effective<br>August 14, 1986   | 8                         |
| 8. U. T. Health Science Center - San Antonio:<br>Proposed Appointment to the Jane and Roland<br>Blumberg Professorship in Gynecology and<br>Obstetrics Effective September 1, 1986   | 8                         |
| 9. U. T. Cancer Center: Proposed Appointment<br>to the Abell-Hanger Foundation Professorship<br>Effective September 1, 1986  | 9                         |

10. U. T. Cancer Center: Proposed Redesignation to Ashbel Smith Professor Emeritus and Proposed Appointments to Ashbel Smith Professorships for Five Years Effective September 1, 1986 9
11. U. T. Cancer Center: Proposed Appointment to the John S. Dunn, Sr., Chair in Diagnostic Imaging Effective September 1, 1986 10
12. U. T. Cancer Center: Proposed Appointment to The Robert F. Fly Professorship of Surgical Oncology Effective September 1, 1986 11
13. U. T. Cancer Center: Proposed Appointment to the Anise J. Sorrell Professorship Effective September 1, 1986 11

1. U. T. Health Science Center - Dallas: Proposed Appointment to the Jan and Henri Bromberg Professorship in Internal Medicine Effective August 14, 1986 NO PUBLICITY).--

#### RECOMMENDATION

The Office of the Chancellor concurs with the recommendation by President Sprague to appoint Daniel W. Foster, M.D., Professor of Internal Medicine, as initial holder of the Jan and Henri Bromberg Professorship in Internal Medicine at the U. T. Health Science Center - Dallas effective August 14, 1986. This appointment is contingent upon establishment of the Professorship as proposed in Item 28, Page L&I - 24.

#### BACKGROUND INFORMATION

Daniel W. Foster, M.D., received his medical degree in 1955 from the U. T. Southwestern Medical School - Dallas. He joined the U. T. Health Science Center - Dallas Department of Internal Medicine faculty in 1962. Dr. Foster is exemplary in caring for his patients and is an inspiring and dedicated teacher. In 1984, he received the Banting Award for excellence in diabetes research. Appointment to this Professorship is appropriate recognition of Dr. Foster as an outstanding clinician and scholar.

#### NO PUBLICITY

2. U. T. Health Science Center - Dallas: Proposed Appointment to the William Kemp Clark Chair in Neurological Surgery Effective August 14, 1986).--

#### RECOMMENDATION

The Office of the Chancellor concurs with the recommendation by President Sprague to appoint Duke S. Samson, M.D., Professor of Surgery, as initial holder of the William Kemp Clark Chair in Neurological Surgery at the U. T. Health Science Center - Dallas effective August 14, 1986.

#### BACKGROUND INFORMATION

Duke S. Samson, M.D., Professor and Chairman, Division of Neurological Surgery, joined the U. T. Health Science Center - Dallas in 1975. Dr. Samson is currently researching blood flow to the brain and spasms within cerebral vessels. He is recognized as a master teacher, clinician, and neurosurgeon. It is fitting that one of Dr. Kemp Clark's outstanding pupils be appointed as initial holder of this distinguished Chair.

The William Kemp Clark Chair in Neurological Surgery was established by the U. T. Board of Regents in February 1985.

3. U. T. Medical Branch - Galveston: Request for Approval of Exception to Section 31.1, Chapter III, Part One, of the Regents' Rules and Regulations (Retirement and Modified Service).--

#### RECOMMENDATION

The Office of the Chancellor concurs with President Levin's request to make an exception to Part One, Chapter III, Section 31.1 of the Regents' Rules and Regulations (Retirement and Modified Service) to allow the full-time employment of Dr. J. Palmer Saunders, Dean of the U. T. G.S.B.S. - Galveston, for a period not to exceed one year.

#### BACKGROUND INFORMATION

Dr. Saunders has served as Dean of the U. T. G.S.B.S. - Galveston since 1974. Under his guidance, the graduate program has been strengthened and its scope broadened. A search is in progress to select a Dean to replace Dr. Saunders, and it is vital that continuous leadership be maintained until a successor is selected. Dr. Saunders will be 71 on September 15, 1986.

4. U. T. Medical Branch - Galveston: Recommendation to Approve Naming the Analytical Chemistry Center the M.D. Anderson Analytical Chemistry Center (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings).--

#### RECOMMENDATION

The Office of the Chancellor concurs with the recommendation by President Levin to approve the naming of the Analytical Chemistry Center at the U. T. Medical Branch - Galveston as the M.D. Anderson Analytical Chemistry Center. This recommendation is in accordance with the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, relating to the naming of facilities other than buildings.

#### BACKGROUND INFORMATION

Since 1982, the M.D. Anderson Foundation has awarded over a million dollars in grants for the purchase of equipment to establish the Analytical Chemistry Center. The Center has proven invaluable as it provides highly complex analytical capabilities to faculty in basic and clinical services. The naming of this Center as the M.D. Anderson Analytical Chemistry Center provides recognition of the significant role the Foundation has played in the development of this Center.

5. U. T. Medical Branch - Galveston: Recommendation to Approve Naming the Nuclear Magnetic Resonance Unit Laboratory as The F. Marie Hall Magnetic Resonance Laboratory (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings).--

#### RECOMMENDATION

The Office of the Chancellor concurs with the recommendation by President Levin to approve the naming of the Nuclear Magnetic Resonance Unit Laboratory at the U. T. Medical Branch - Galveston as The F. Marie Hall Magnetic Resonance Laboratory. This recommendation is in accordance with the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, relating to the naming of facilities other than buildings.

#### BACKGROUND INFORMATION

Ms. F. Marie Hall of Big Spring, Texas, has been a most generous benefactor to the U. T. Medical Branch - Galveston and has provided the total funding to purchase the nuclear magnetic resonance imaging system. The naming of this laboratory for Ms. Hall is an appropriate tribute to her continuing support of the U. T. Medical Branch - Galveston.

6. U. T. Medical Branch - Galveston (U. T. Allied Health Sciences School - Galveston): Proposed Memorandum of Affiliation with the Veterans Administration Medical Center, Temple, Texas.--

#### RECOMMENDATION

The Office of the Chancellor concurs with the recommendation by President Levin that approval be given to the memorandum of affiliation set out on Pages HAC 6 - 7 between the U. T. Medical Branch - Galveston, and the Veterans Administration Medical Center, Temple, Texas.

#### BACKGROUND INFORMATION

The Veterans Administration Medical Center, Temple, Texas, will provide clinical and didactic experiences for students enrolled in the Occupational Therapy Bachelor Degree Program at the U. T. Medical Branch - Galveston.

This memorandum of affiliation has been reviewed and approved by the Office of General Counsel.

MEMORANDUM OF AFFILIATION  
BETWEEN  
THE UNIVERSITY OF TEXAS MEDICAL BRANCH  
SCHOOL OF ALLIED HEALTH SCIENCES  
GALVESTON, TEXAS  
AND  
VETERANS ADMINISTRATION MEDICAL CENTER, TEMPLE, TEXAS

It is mutually agreed by The University of Texas Medical Branch, School of Allied Health Sciences, Galveston, Texas, and the Veterans Administration Medical Center (VAMC), Temple, Texas, that practical and didactic experiences for students in the Physical Therapy Bachelor's Degree Program will be provided at this VAMC.

The faculty of The University of Texas Medical Branch, School of Allied Health Sciences, will assume responsibility, in accordance with the VAMC staff, for the assignments of students. There will be coordinated planning by the VAMC and the faculty members. While in the VAMC students will be subject to and will conduct themselves in accordance with the rules and regulations of the VAMC.

The VAMC will retain full responsibility for the care of patients and will maintain administrative and professional supervision of the students insofar as their presence affects its operation and/or the direct or indirect care of the patients. The faculty is responsible for the supervision of the education of undergraduate and graduate students and residents.

Students will receive a thorough orientation to the VAMC. The VAMC faculty members and staff supervisors will evaluate the student's performance in mutual consultation and according to the guidelines outlined in the approved curriculum.

The University of Texas Medical Branch, School of Allied Health Sciences, complies with Title VI of the Civil Rights Act of 1964, Title IX of the Education Amendments of 1972, section 504 of the Rehabilitation Act of 1973, and Title II of the Older Americans Amendments of 1975, and all related regulations, and assures that it does not, and will not, discriminate against any person on the basis of race, color, sex, creed, national origin, age or handicap, under any program or activity receiving federal financial assistance.

Nothing in the Agreement is intended to be contrary to state or federal laws. In the event of conflict between terms of this Agreement and any applicable state or federal law, that state or federal law will supersede the terms of this Agreement. In the event of conflict between state and federal laws, federal laws will govern.

Protection for faculty members, students, interns, and residents of the affiliated institution from personal liability, when furnishing professional services covered by this agreement while at the VAMC health care facility will be that which is provided under the Federal Tort Claims Act as implemented by 38 U.S.C. 4116.

Periodic reviews of program and policies will be conducted under the auspices of the Office of Academic Affairs.

ATTEST:

UNIVERSITY

By:   
(Title) William C. Levin, M.D.  
President

\_\_\_\_\_

CONTENT APPROVED:

FACILITY

By:   
(Title) E. A. BORRELL  
Director

  
The University of Texas System  
Charles B. Mullins, M.D., Exec. Vice  
Chancellor for Health Affairs

FORM APPROVED:

By: \_\_\_\_\_  
(Title)

  
Office of General Counsel  
The University of Texas System

BOARD OF REGENTS OF THE UNIVERSITY  
OF TEXAS SYSTEM

By:   
(Title) Chancellor

CERTIFICATE OF APPROVAL

I hereby certify that the foregoing Agreement was approved by the Board of Regents of The University of Texas System on the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.

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

7. U. T. Health Science Center - San Antonio: Proposed Appointment to the Hugo A. Auler Professorship of Psychiatry Effective August 14, 1986.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation by President Howe to appoint James W. Maas, M.D., as initial holder of the Hugo A. Auler Professorship of Psychiatry at the U. T. Health Science Center - San Antonio effective August 14, 1986.

BACKGROUND INFORMATION

James W. Maas, M.D., received his medical degree in 1954 from Washington University, St. Louis, Missouri. He joined the U. T. Health Science Center - San Antonio in 1982 as Professor of Psychiatry and Pharmacology. Dr. Maas is a pioneer in the study of neurochemistry of behavior and his research is often cited in publications in the field of depression. Since 1971, he has directed a study sponsored by the National Institute of Mental Health on the psychobiology of depressive illnesses. Dr. Maas is exceptionally qualified to receive this distinguished appointment.

The Hugo A. Auler Professorship of Psychiatry was established by the U. T. Board of Regents in February 1985.

8. U. T. Health Science Center - San Antonio: Proposed Appointment to the Jane and Roland Blumberg Professorship in Gynecology and Obstetrics Effective September 1, 1986.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation by President Howe to appoint Ronald S. Gibbs, M.D., to the Jane and Roland Blumberg Professorship in Gynecology and Obstetrics at the U. T. Health Science Center - San Antonio effective September 1, 1986.

BACKGROUND INFORMATION

Ronald S. Gibbs, M.D., joined the U. T. Health Science Center - San Antonio in 1976 and is currently Professor and Chief of the Obstetrics Division, Department of Obstetrics and Gynecology. He has developed a distinguished career in medicine, specifically in infectious diseases, and has been an important contributor to the continuing development of the Health Science Center. Dr. Gibbs, an outstanding faculty member, is eminently qualified to hold this appointment.

The Jane and Roland Blumberg Professorship in Gynecology and Obstetrics was established by the U. T. Board of Regents in February 1981.

9. U. T. Cancer Center: Proposed Appointment to the Abell-Hanger Foundation Professorship Effective September 1, 1986.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation by President LeMaistre to appoint Dr. Ralph B. Arlinghaus, Professor of Pathology and Chairman of the Department of Molecular Pathology at the U. T. Cancer Center, as initial holder of the Abell-Hanger Foundation Professorship for five years, effective September 1, 1986.

BACKGROUND INFORMATION

Dr. Ralph B. Arlinghaus received his Ph.D. in Biology from the University of Cincinnati, Cincinnati, Ohio, in 1961. He served with distinction on the U. T. Cancer Center faculty from 1969 to 1983, attaining the rank of Professor of Biology. Since 1983, he has been associated with the Johnson and Johnson Biotechnology Center, San Diego, California, and Scripps Clinic and Research Foundation of La Jolla, California. In July 1986, he rejoined the U. T. Cancer Center as Chairman of the Department of Molecular Biology and Professor of Pathology. Dr. Arlinghaus is a brilliant scientist who possesses a great deal of expertise in tumor viruses and molecular biology. He is eminently qualified to hold this appointment.

The Abell-Hanger Foundation Professorship was established by the U. T. Board of Regents in April 1983.

10. U. T. Cancer Center: Proposed Redesignation to Ashbel Smith Professor Emeritus and Proposed Appointments to Ashbel Smith Professorships for Five Years Effective September 1, 1986.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation by President LeMaistre to change the title of J. Leslie Smith, M.D., from Ashbel Smith Professor to Ashbel Smith Professor Emeritus and to appoint David E. Anderson, Ph.D., James G. Butler, M.D., Grady F. Saunders, Ph.D., and Margaret P. Sullivan, M.D., as Ashbel Smith Professors at the U. T. Cancer Center for five years effective September 1, 1986.

BACKGROUND INFORMATION

J. Leslie Smith, Jr., M.D., Professor of Pathology at the U. T. Cancer Center, was appointed to an Ashbel Smith Professorship by the U. T. Board of Regents at its December 1980 meeting. After 22 years of distinguished service, Dr. Smith will retire from the U. T. Cancer Center on August 31, 1986.

David E. Anderson, Ph.D., Professor of Genetics, began his career at the U. T. Cancer Center in 1954, as a postdoctoral fellow. He is currently serving as Chief, Section of Human Genetics.

James G. Butler, M.D., Professor of Pathology, joined the U. T. Cancer Center staff in 1962, as Assistant Professor of Pathology. Since 1975, he has served as Head of the Section of Hematopathology.

Grady F. Saunders, Ph.D., Professor of Biochemistry, joined the U. T. Cancer Center staff in 1966 as Assistant Professor of Biochemistry. Graduates from Dr. Saunders' laboratory are recruited nationally by institutions specializing in molecular biology.

Margaret P. Sullivan, M.D., Professor of Pediatrics, joined the U. T. Cancer Center staff in 1955 as Assistant Pediatrician. In 1985, she received the American Leukemia Service to Mankind Award.

Each of the proposed nominees have met the selection criteria for appointment to an Ashbel Smith Professorship as outlined by the U. T. Board of Regents at its April 1980 meeting. Each candidate is a professor, has demonstrated excellence in teaching and scholarship, has brought distinction and recognition to the U. T. Cancer Center as a result of their academic accomplishments, and possess personal characteristics which serve as an example to students and faculty.

The U. T. Board of Regents established Ashbel Smith Professorships for all component institutions at its April 1980 meeting.

11. U. T. Cancer Center: Proposed Appointment to the John S. Dunn, Sr., Chair in Diagnostic Imaging Effective September 1, 1986.--

#### RECOMMENDATION

The Office of the Chancellor concurs with the recommendation by President LeMaistre to appoint Sidney Wallace, M.D., Professor of Radiology at the U. T. Cancer Center, as initial holder of the John S. Dunn, Sr., Chair in Diagnostic Imaging effective September 1, 1986 for five years. This appointment is contingent upon establishment of the Chair as proposed in Item 37, Page L&I - 30.

#### BACKGROUND INFORMATION

Sidney Wallace, M.D., received his medical degree from Temple University, Philadelphia, Pennsylvania, in 1954. He began his distinguished career with the U. T. Cancer Center in 1966. He has received numerous awards and certificates of merit for his work in diagnostic radiology and is the author or coauthor of over one hundred fifty publications. Dr. Wallace is most deserving of this prestigious appointment.

12. U. T. Cancer Center: Proposed Appointment to The Robert F. Fly Professorship of Surgical Oncology Effective September 1, 1986.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation by President LeMaistre to appoint Frederick C. Ames, M.D., Associate Professor of Surgery at the U. T. Cancer Center, as initial holder of The Robert F. Fly Professorship of Surgical Oncology effective September 1, 1986.

BACKGROUND INFORMATION

Frederick C. Ames, M.D., graduated from the U. T. Medical Branch - Galveston in 1969. Dr. Ames joined the U. T. Cancer Center staff in 1977 and is recognized by his patients and peers as a devoted physician and outstanding surgeon. He is the author or coauthor of numerous publications and has held offices in several professional organizations. He is exceptionally qualified to hold this prestigious professorship.

The Robert F. Fly Professorship of Surgical Oncology was established by the U. T. Board of Regents in August 1983.

13. U. T. Cancer Center: Proposed Appointment to the Anise J. Sorrell Professorship Effective September 1, 1986.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation by President LeMaistre to appoint Darrell N. Ward, Ph.D., Professor of Biochemistry at the U. T. Cancer Center, as initial holder of the Anise J. Sorrell Professorship effective September 1, 1986. This appointment is contingent upon establishment of the Professorship as proposed in Item 40, Page L&I - 31.

BACKGROUND INFORMATION

Darrell N. Ward, Ph.D., received his doctoral degree in 1953 from Stanford University, Stanford, California, and began his career with the U. T. Cancer Center in 1955. Dr. Ward is recognized as a leading authority on the structure and sequence of protein hormones. He maintains membership in numerous professional organizations and has published extensively. He is extremely well qualified to hold this Professorship.

# Buildings and Grounds Com.

BUILDINGS AND GROUNDS COMMITTEE  
COMMITTEE CHAIRMAN RHODES

Date: August 14, 1986  
Time: Following the meeting of the Health Affairs Committee  
Place: Regents' Meeting Room, Ninth Floor, Ashbel Smith Hall

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12. U. T. Cancer Center (U. T. Science Park): Recommendation to Approve Naming the Research Animal Facility the A. Clark Griffin Research Facility and to Waive the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.1 16

1. U. T. Austin - Balcones Research Center: Request for Approval of Street Name.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Cunningham that the U. T. Board of Regents approve the name "West Balcones Center Drive" for the street in the west tract of the U. T. Austin Balcones Research Center that serves the facilities for Microelectronics and Computer Technology Corporation (MCC).

BACKGROUND INFORMATION

The facilities for Microelectronics and Computer Technology Corporation (MCC) will soon be completed and ready for occupancy. There is now a need to name the street which serves these facilities to establish the official MCC address. In selecting the name "West Balcones Center Drive," every effort was made to avoid conflicts with street names already in use in Austin or which might be confusing with other areas of the city.

2. U. T. Austin - Balcones Research Center - Microelectronics, Materials Science, and Related Research Areas: Request for Project Analysis and Appropriation Therefor.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Cunningham that the U. T. Board of Regents:

- a. Authorize a project analysis for a new facility at the U. T. Austin Balcones Research Center for microelectronics, materials science, and related research areas
- b. Authorize the Office of Facilities Planning and Construction and U. T. Austin Administration to prepare the project analysis with their own staffs together with such outside professional consulting services as may be required
- c. Appropriate \$60,000 from balances on hand from U. T. Austin General Fees for administrative expenses for preparation of the project analysis.

## BACKGROUND INFORMATION

U. T. Austin proposes that the U. T. Board of Regents authorize a project analysis to consider ways in which critical facility needs in microelectronics, materials science, and related areas of research might best be met. The proposed study would focus on an assessment of logical ground sites at Balcones Research Center on which to construct a new facility to serve these needs. The study would determine the general characteristics of the desired facility; analyze the technical requirements of the proposed new facility in light of academic commitments and State needs; develop preliminary cost estimates and construction schedules (including the integration of schedules to minimize instruction and research disruptions); and consider such other related matters as may be appropriate. The study would be the initial step toward a second phase of facilities development at the Balcones Research Center.

The economy of Texas already has begun to rely significantly on high-technology industries. During the next several decades, integrated circuits, optoelectronics, and advanced communications systems will have dominant roles in the national and state economies. This will require even greater research and instructional commitments in these areas by U. T. Austin and other research universities, with special emphasis on structures and fabrication methods required as a foundation for new industrial applications of computing and communications systems, materials science, design automation, computer-aided design and manufacturing, robotics, computer vision, and large-scale quality software. The economic importance of materials science also extends beyond its applications related to microelectronics. Materials science research, which is the study of the physical and mechanical properties and performances of metal, ceramic, polymer, electronic, composite, biomedical, and other materials, is directed at establishing the knowledge base underlying the relationship of atomic structure and interactions with these materials' properties and performances. Building upon its generous faculty endowments and the exceptional supercomputing capability available through the U. T. System Center for High Performance Computing at the Balcones Research Center, U. T. Austin is now poised to contribute even more significantly to the development of scientific and technological knowledge bases in these areas and to the Texas economy.

Adequate new facilities for research and instruction in the fields of microelectronics, materials science, and related areas are essential for the education and training of students, the recruitment of outstanding faculty, and the further expansion of grant and contract research program funding from the government and the private sector. The proposed facility analysis will enable U. T. Austin to develop recommendations for future Board consideration under the Capital Improvement Plan for construction needs in these areas.

3. U. T. Austin - Balcones Research Center: Recommendation to Grant a Roadway Easement Involving 4.744 Acres, to Travis County, Texas, for the Extension of Stonelake Boulevard Across the West Tract of Balcones Research Center.--

#### RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Cunningham that the U. T. Board of Regents grant a roadway easement and right-of-way to Travis County, Texas, involving 4.744 acres, for the extension of Stonelake Boulevard south of Braker Lane across the Balcones Research Center West Tract as shown on the map set out on Page B&G - 6, subject to approval of the metes and bounds and the easement document by the U. T. Austin Administration and the Office of General Counsel.

#### BACKGROUND INFORMATION

The Travis County Commissioners and several property owners near the U. T. Austin Balcones Research Center West Tract have requested that the University grant a roadway easement and right-of-way approximately 120 feet in width and 1700 feet in length across the Balcones Research Center West Tract for a proposed extension of Stonelake Boulevard south of Braker Lane. As proposed, Stonelake Boulevard will divide the Balcones Research Center West Tract approximately as shown on the map.

The Stonelake Boulevard extension is a part of the recently created Northwest Travis County Road District No. 3, or the "Golden Triangle County Road District." The cost of the improvements for the roadway will be paid by the Northwest Travis County Road District No. 3, Austin, Texas. The Balcones Research Center West Tract lies within the road district; however, U. T. Austin will not be subject to taxation.

As proposed, the Stonelake Boulevard extension is a six-lane divided arterial, with flaring at intersections for turn lanes, which is intended to serve as an alternative to U.S. 183 and MoPac Boulevard. Further study is needed to determine whether fewer lanes will be sufficient to serve the area. U. T. Austin wishes to reserve the right to ask for curb cuts to serve University property, as well as the right to install underground utilities within the easement.



NORTHWEST TRAVIS  
 COUNTY ROAD DISTRICT NO. 3  
 (GOLDEN TRIANGLE)

DISTRICT BOUNDARY MAP  
 WITH PROPOSED ROADWAYS

**JHE**

JERYL HART ENGINEERS, INC.  
 ENGINEERING - PLANNING - SURVEYING  
 AUSTIN, TEXAS  
 FOUNDED - 1958

4. U. T. Austin - Biological Sciences: Request for Project Analysis and Appropriation Therefor.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Cunningham that the U. T. Board of Regents:

- a. Authorize a project analysis for facilities at U. T. Austin to meet critical needs in the biological sciences
- b. Authorize the Office of Facilities Planning and Construction and U. T. Austin Administration to prepare the project analysis with their own staffs together with such outside professional consulting services as may be required
- c. Appropriate \$75,000 from balances on hand from U. T. Austin General Fees for administrative expenses for preparation of the project analysis.

BACKGROUND INFORMATION

U. T. Austin proposes that the U. T. Board of Regents authorize a project analysis to consider ways in which the critical facilities needs in the biological sciences might best be met. The proposed study would examine the main campus to determine practical sites for prospective new construction; assess renovation possibilities for buildings currently housing biological sciences faculty, laboratories, and classrooms; determine the general characteristics of proposed renovated and new facilities; analyze the technical requirements of the proposed renovations and new construction in light of academic commitments and State needs; develop preliminary cost estimates and construction/renovation schedules (including the integration of schedules to minimize instruction and research disruptions); and consider such other related matters as may be appropriate.

The biological sciences have undergone a revolution in the past two decades, transforming the ways in which living organisms are understood, students are educated, and university research is linked to economic development and the improvement of societal conditions. As a result of dramatically increased understanding of basic biological processes, areas such as molecular/cellular biology and molecular genetics are emerging as major areas of interest to industry and agriculture as well as to such applied fields as epidemiology and toxicology. New biological entities are leading to greater yields of existing agricultural products, to new medical drugs and drug delivery systems, and to applications of living systems to industrial processes such as pollution-consuming bacteria. Just beginning to be understood are the potential technological applications of gene splicing, recombinant DNA, and other biological processes, but initial developments point to exceptionally important applications in numerous industries. The agricultural, chemical, pharmaceutical, and energy industries are beginning to invest heavily in applications of biological sciences



research and technology, and the effectiveness with which their investments will be able to contribute to the State's well-being is directly related to the biological sciences research and instructional activities of Texas research universities. Building upon its generous faculty endowments and the exceptional supercomputing capability available through the U. T. System Center for High Performance Computing at the Balcones Research Center, U. T. Austin is now poised to contribute even more significantly to the development of scientific and technological knowledge bases in these areas and to the Texas economy.

Adequate new and renovated facilities for research and instruction in the biological sciences areas are essential for the education and training of students, the recruitment of outstanding faculty, and the further expansion of grant and contract research program funding from the government and the private sector. The proposed facilities analysis will enable U. T. Austin to develop the most effective recommendations for future Board consideration under the Capital Development Plan relative to construction and renovation needs to meet this critical instruction and research need.

5. U. T. El Paso - Mass Communications Building: Request for Approval to Designate as Jack C. Vowell Hall.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Monroe that the U. T. Board of Regents approve the renaming of the Mass Communications Building at U. T. El Paso as Jack C. Vowell Hall, in honor of a long time supporter of the University, who died in 1969.

BACKGROUND INFORMATION

The "Mass Communications" Building is one of the original structures on the current campus site, being first occupied in 1920. For many years it was known as Kelly Hall after former El Paso mayor C. E. Kelly, but this name was transferred to one of the University's new high-rise dormitories in 1971. The building was then designated as "Mass Communications" to denote the departmental occupant at that time. This department moved into remodeled quarters in the late 1970's, and the building has since been known locally as "Old Kelly Hall" for the lack of a more appropriate name. It has had several occupants since that time and currently houses a portion of the Department of Geological Sciences, a U. S. Department of Education grant program, and space leased by the Economic Geology publishing house, which publishes the National Economic Geology Journal.

The University Heritage Commission recommended last year that Old Kelly Hall (officially carried as "Mass Communications" on the U. T. El Paso inventory) be renamed in honor of Jack C. Vowell. In addition to the recommendation from the University Heritage Commission, which represents campus retirees as well as faculty and staff, members of the Kelly family also endorsed this proposal.



Jack C. Vowell, prominent El Paso businessman and civic leader, attended Virginia Military Institute and The University of Texas at Austin, but maintained an unusually keen interest in the institution now known as The University of Texas at El Paso, serving it in many capacities for almost 50 years to further its programs. Beginning in the early 1920's, while working full-time for the City of El Paso, he also served as Physical Director for the College of Mines and coached both football and basketball. For the next 40 years, his interest in the institution remained strong as he perceived the unique interdependency of the community and the College and their importance to mutually beneficial growth and prosperity. As a member of the Cotton Estate Advisory Committee for the College, he was instrumental in the successful fund drive that built an athletic dormitory for the College teams in 1951. Mr. Vowell was also a founding member of the Advisory Council to the University, which subsequently became the University's Development Board. In 1961, while president of the El Paso Chamber of Commerce, he initiated the very significant community drive to examine the future and establish goals for what was then Texas Western College and led the call to change its name to The University of Texas at El Paso.

6. U. T. Medical Branch - Galveston - Gail Borden Building - M. D. Anderson Analytical Chemistry Center/Human Biological Chemistry and Genetics Department Renovation: Request for Project Authorization; Appointment of Project Architect to Prepare Final Plans; Authorization for Submission to Coordinating Board; Authorization to Advertise for Bids and for Executive Committee to Award Contracts; and Appropriation Therefor.--

#### RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Levin that the U. T. Board of Regents:

- a. Authorize a project for the renovation of space in the Gail Borden Building at the U. T. Medical Branch - Galveston to provide facilities for the M. D. Anderson Analytical Chemistry Center and the Department of Human Biological Chemistry and Genetics at an estimated total project cost of \$480,000
- b. Appoint the firm of Hightower-Alexander, Bellaire, Texas, as Project Architect to prepare final plans and specifications
- c. Authorize submission of the project to the Coordinating Board, Texas College and University System
- d. Subject to approval by the Coordinating Board, authorize the U. T. Medical Branch - Galveston Administration to advertise for bids, in consultation with the Office of Facilities Planning and Construction, and the Executive Committee to award construction contracts within the authorized total project cost
- e. Appropriate \$480,000 from Permanent University Fund Bond Proceeds for total project funding.

## BACKGROUND INFORMATION

This project will consist of the renovation of approximately 3,660 square feet on the third and fourth floors of the Gail Borden Building. The M. D. Anderson Foundation has provided U. T. Medical Branch - Galveston with \$1,000,000 for equipment to establish the M. D. Anderson Analytical Chemistry Center as a central resource for investigators at the U. T. Medical Branch - Galveston. An NMR spectrometry facility and a High Pressure Liquid Chromatography facility have been established using U. T. Medical Branch - Galveston funds. An X-ray diffractometer has also been purchased and is operating in inadequate space in the hospital complex. This project would provide adequate space for the X-ray diffractometer and the faculty member who operates this machine.

The Department of Human Biological Chemistry and Genetics (HBC&G) has agreed to operate the M. D. Anderson Analytical Chemistry Center for the U. T. Medical Branch - Galveston and in support of all of its investigators.

This project is within the scope of the Capital Improvement Program approved by the U. T. Board of Regents in October 1985, and the allocation of Permanent University Fund Bond Proceeds for repair and rehabilitation projects approved in June 1986.

7. U. T. Medical Branch - Galveston - John Sealy Hospital - New Emergency Department and Trauma Center Facility: Request for Project Authorization; Appointment of Project Architect to Prepare Preliminary Plans; and Appropriation Therefor.--

## RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Levin that the U. T. Board of Regents:

- a. Authorize a project to construct a New Emergency Department and Trauma Center Facility for John Sealy Hospital at the U. T. Medical Branch - Galveston at a total project cost of \$10,000,000
- b. Appoint a Project Architect from the list set forth on Page B&G - 11 to prepare preliminary plans, specifications, and cost estimate to be presented to the U. T. Board of Regents at a future meeting
- c. Appropriate \$10,000,000 from a grant awarded by The Sealy & Smith Foundation for the John Sealy Hospital designated for this project and payable over the period ending December 1988.

See related Item 32 on Page L&I - 27.

BACKGROUND INFORMATION

In a letter to the Office of the Chancellor, President Levin relates the following:

"The construction of a new Emergency Department and Trauma Center facility has been identified by UTMB as having high priority.

The Emergency Department is one of our front doors to the community. Through it UTMB provides care 24 hours a day, 365 days each year, in the management of illnesses ranging from relatively minor medical emergencies occurring outside normal working hours to the most critical and immediately life-threatening conditions resulting from disease or injury. Approximately one-third of all the admissions to our hospitals come through our Emergency Department.

Over the last several years, internal systems have been developed to improve our program, and physicians have been recruited who are expert in the management of these problems. We currently are seeking Trauma Center designation as a result of these changes. Our existing facility is inadequate for our current mission even without the expansion that will occur at UTMB as such services as trauma and burn care are regionalized. Sufficient space is not available to address these needs by renovating the current facility. The current facility also is located inappropriately for convenient access either from a main thoroughfare by ambulances or by our Life Flight helicopter. We have identified an appropriate site just north of the current facility which would provide direct access from The Strand and functional patient flow opportunities from this new facility location into the Radiology Department, the operating suites, and the intensive care units.

The Sealy & Smith Foundation for the John Sealy Hospital has awarded to the Medical Branch a \$10 million grant for the purpose of funding the construction of this new facility."

List of Firms for Consideration

| <u>Project Architect</u>                   | <u>Representative Projects</u>  |
|--|---|
| 3D/International<br>Houston, Texas         | Harris County Psychiatric<br>Center<br>V.A. Medical Center,<br>Houston<br>Children's Nutrition Research<br>Center, Houston                                  |
| Hightower - Alexander<br>Bellaire, Texas   | St. Mary's Hospital,<br>Galveston<br>St. Joseph Hospital, Houston<br>Mainland Center Hospital,<br>Texas City  |
| Pierce Goodwin Alexander<br>Houston, Texas | U. T. Cancer Center<br>Outpatient Clinic Facilities<br>U.T.M.B. - Galveston:<br>John Sealy Hospital Addition<br>Montgomery County Medical<br>Center, Conroe |

8. U. T. Medical Branch - Galveston - Keiller Building - Development of Laboratory Space for Division of Nutrition: Request for Project Authorization; Appointment of Project Architect to Prepare Final Plans; Authorization for Submission to Coordinating Board; Authorization to Advertise for Bids and for Executive Committee to Award Contracts; and Appropriation Therefor.--

#### RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of Present Levin that the U. T. Board of Regents:

- a. Authorize a project for the renovation of space in the Keiller Building to provide research laboratories for the Division of Nutrition of the Department of Preventive Medicine and Community Health at an estimated total project cost of \$750,000
- b. Appoint the firm of Hightower-Alexander, Bellaire, Texas, as Project Architect to prepare final plans and specifications
- c. Authorize submission of the project to the Coordinating Board, Texas College and University System
- d. Subject to approval by the Coordinating Board, authorize the Office of Facilities Planning and Construction to advertise for bids and the Executive Committee to award construction contracts within the authorized total project cost
- e. Appropriate \$750,000 from Permanent University Fund Bond Proceeds for total project funding.

#### BACKGROUND INFORMATION

This project will consist of the renovation of approximately 5,160 assignable square feet on the third floor of the Keiller Building previously occupied by the Gross Anatomy laboratory. The renovated space will provide research laboratories for the newly created Division of Nutrition of the Department of Preventive Medicine and Community Health. This project is within the scope of the Capital Improvement Program approved by the U. T. Board of Regents in October 1985, and the allocation of Permanent University Fund Bond Proceeds for repair and rehabilitation projects approved in June 1986.

Harold Sanstead, M.D., joined U. T. Medical Branch - Galveston as Chairman of the Department of Preventive Medicine and Community Health in Fall 1985. Dr. Harold Sandstead is a nationally recognized leader in nutrition research, particularly with regard to trace metals in human nutrition. He has started a Division of Nutrition and U. T. Medical Branch - Galveston has allocated nine vacant faculty positions to this effort. Active recruitment is underway, and a number of senior investigators in nutrition research have visited U. T. Medical Branch - Galveston as faculty candidates. Space for Dr. Sanstead's laboratories has been borrowed from the Department of Pharmacology, but that department is growing rapidly

toward a full complement of 20 faculty and will need the borrowed research labs for its own investigators in the next eighteen months. Therefore, this project will provide the needed laboratory space for the newly formed Division of Nutrition.

9. U. T. Medical Branch - Galveston - Libby Moody Thompson Basic Science Building - Renovation for Department of Physiology: Request for Project Authorization; Appointment of Project Architect to Prepare Final Plans; Authorization for Submission to Coordinating Board; Authorization to Advertise for Bids and for Executive Committee to Award Contracts; and Appropriation Therefor.--

#### RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Levin that the U. T. Board of Regents:

- a. Authorize a project for the renovation of space in the Libby Moody Thompson Basic Science Building at the U. T. Medical Branch - Galveston for the Department of Physiology at an estimated total project cost of \$400,000
- b. Appoint the firm of Hightower-Alexander, Bellaire, Texas, as Project Architect to prepare final plans and specifications
- c. Authorize submission of the project to the Coordinating Board, Texas College and University System
- d. Subject to approval by the Coordinating Board, authorize the U. T. Medical Branch - Galveston Administration to advertise for bids, in consultation with the Office of Facilities Planning and Construction, and the Executive Committee to award construction contracts within the authorized total project cost
- e. Appropriate \$400,000 from Permanent University Fund Bond Proceeds for total project funding.

#### BACKGROUND INFORMATION

This project will consist of the renovation of approximately 4,300 square feet of space in the Libby Moody Thompson Basic Science Building assigned to the Department of Physiology. Renovation of the space will allow consolidation of the department's administrative functions and enlarge the laboratory areas. The Department of Physiology has operated with insufficient space for a number of years, and this renovation will accommodate the needs of the new chairman who will join the faculty in late Summer 1986.

This project is within the scope of the Capital Improvement Program approved by the U. T. Board of Regents in October 1985, and the allocation of Permanent University Fund Bond Proceeds for repair and rehabilitation projects approved in June 1986.

10. U. T. Medical Branch - Galveston - Expansion of Thermal Energy Plant: Request for Project Authorization; Appointment of Project Engineer to Prepare Preliminary Plans and Cost Estimate; and Appropriation Therefor.--

#### RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Levin that the U. T. Board of Regents:

- a. Authorize a project for an addition to the existing Thermal Energy Plant at the U. T. Medical Branch - Galveston and additions to the campus thermal energy distribution system in order to serve anticipated future buildings, at a preliminary construction cost of \$7,950,000
- b. Appoint the engineering firm of Lockwood, Andrews and Newnam, Inc., Houston, Texas, as Project Engineer to prepare preliminary plans and a detailed cost estimate to be presented to the U. T. Board of Regents for consideration at a future meeting
- c. Appropriate \$100,000 from U. T. Medical Branch - Galveston Local Funds for fees and related expenses through the preparation of preliminary plans.

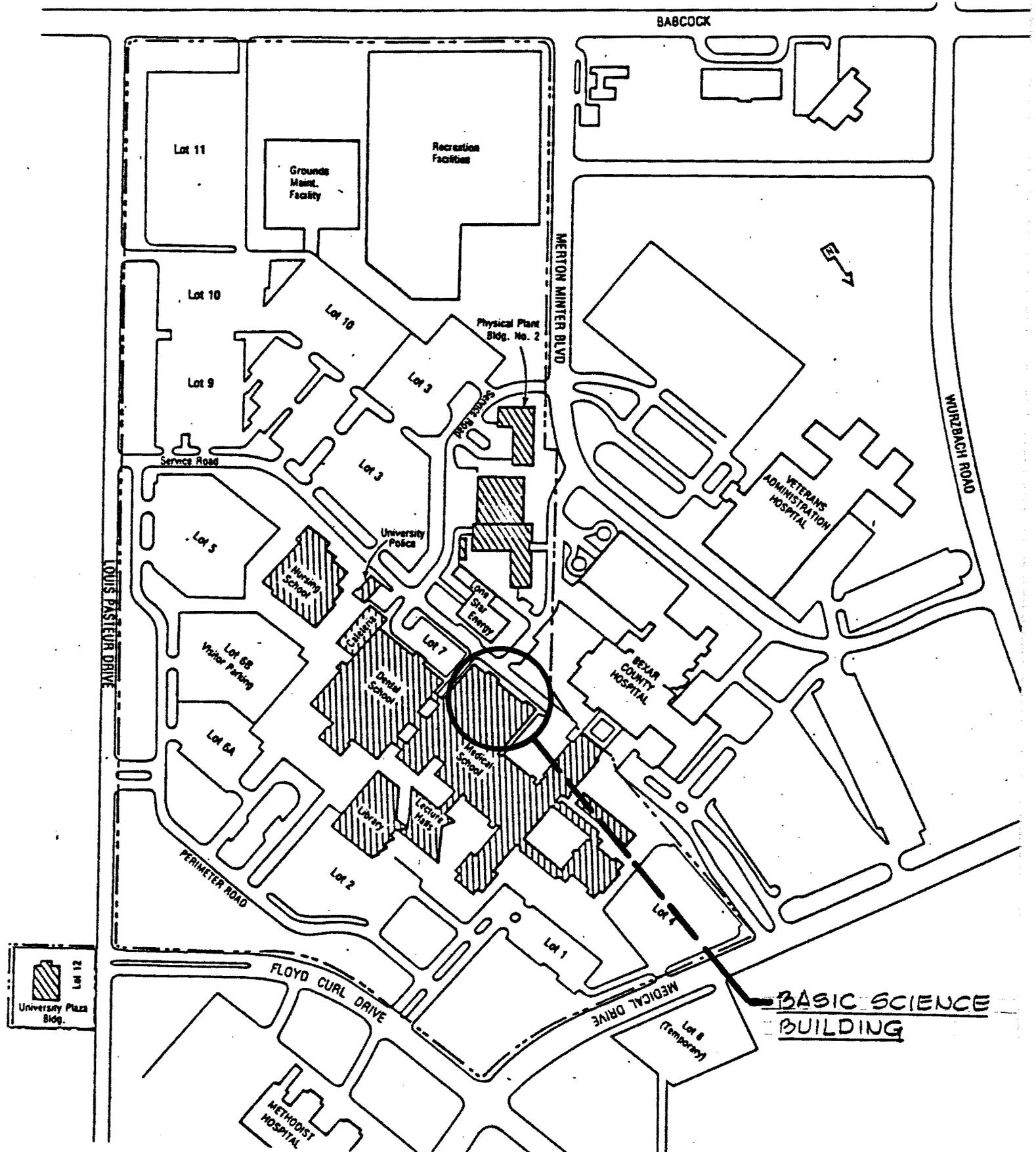
#### BACKGROUND INFORMATION

With the completion of the Building for the School of Allied Health Sciences and School of Nursing and the ongoing remodeling of John Sealy Hospital, the cooling loads on the existing plant are nearing maximum production capability. Several of the existing chillers are twenty-five years old, inefficient and costly to operate, and require continual maintenance, potentially exposing U. T. Medical Branch - Galveston to a deficient cooling capacity. It is important to increase the cooling capacity of the plant by at least 3,000 tons, and preferably 6,000 tons, in the near future. In order to assure completion of the expanded facilities to meet increased loads, it is appropriate to begin engineering and design and to prepare for purchase of lead-time equipment.

This proposed expansion provides a unique opportunity to install cogeneration equipment at the same time that the additional chilling equipment is added. Cogeneration would improve the efficiency of the thermal plant and substantially reduce electrical operating costs.

Initial economic studies, based upon projected costs of natural gas and electricity in the next five years, indicate that the cogeneration equipment would pay for itself in approximately three years after it is put into operation. To these savings must be added the value of having a 6 megawatt source of emergency power if commercial power is lost.

# U. T. HEALTH SCIENCE CENTER AT SAN ANTONIO



The thermal energy plant at U. T. Medical Branch - Galveston is owned and operated by Lone Star Energy Company, a wholly owned subsidiary of Enserch Corporation, Dallas, Texas. The Service Agreement between Lone Star Energy Company and the U. T. Board of Regents to provide chilled water and steam is for a period of twenty-five years, which expires on August 31, 1996. On that date, ownership of the plant and all installed equipment will vest in the U. T. Board of Regents. It is anticipated that in the interim Lone Star Energy Company will operate the expanded plant under an amended Service Agreement, the terms and rate schedule of which will be negotiated at a later date.

There is an excellent possibility that this project would be eligible for a substantial grant based on energy conservation and cogeneration. The grant would come from money refunded to the State by oil companies that have overcharged customers. The grant will be allocated to deserving projects by the State Legislature in the next regular session. If the preliminary design were to be completed by the time that the Legislature meets, it will strengthen the University's grant request. However, should funding be difficult to obtain, construction could be carried out in phases, spreading the work over several years.

The firm of Lockwood, Andrews and Newnam, Inc. is the proposed engineering firm because it has participated in the design of the existing plant and has the confidence of Lone Star Energy Company which must operate and maintain the plant. Familiarity with the existing plant will permit the design to be accomplished in a shorter period of time.

Funding for design and preliminary planning will be provided by the U. T. Medical Branch - Galveston from Local Funds.

Upon completion of preliminary plans, the project will be submitted to the U. T. Board of Regents for further approval.

11. U. T. Health Science Center - San Antonio - Basic Science Building Fifth Level Completion (Project No. 402-608): Presentation of Preliminary Plans; Authorization for Submission to Coordinating Board; Request for Authorization to Complete Final Plans; and Additional Appropriation Therefor.--

#### RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Howe that the U. T. Board of Regents:

- a. Approve the preliminary plans and specifications for the Basic Science Building Fifth Level Completion at the U. T. Health Science Center - San Antonio at an estimated total project cost of \$3,400,000
- b. Authorize submission of the project to the Coordinating Board, Texas College and University System
- c. Authorize the Project Architect to prepare final plans and specifications to be presented to the U. T. Board of Regents for consideration at a future meeting

- d. Appropriate \$75,000 from Permanent University Fund Bond Proceeds for fees and administrative expenses through completion of final plans. Previous appropriations have been \$100,000 from the same source.

#### BACKGROUND INFORMATION

In accordance with authorization of the U. T. Board of Regents in December 1985, preliminary plans and a detailed cost estimate for the Basic Science Building Fifth Level Completion at the U. T. Health Science Center - San Antonio have been prepared by the Project Architect, Phelps Garza Bomberger, San Antonio, Texas.

This project will complete approximately 30,000 gross square feet of existing shell space constructed in 1979-80 at the Fifth Level of the Basic Science Building. Completion of this space has been needed for several years as a result of increase in the medical school enrollment from 100 to 200 students per class. These facilities will provide laboratories and offices for basic science teaching and research.

This project is within the scope of the Capital Improvement Program approved by the U. T. Board of Regents in October 1985.

12. U. T. Cancer Center (U. T. Science Park): Recommendation to Approve Naming the Research Animal Facility the A. Clark Griffin Research Facility and to Waive the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.1.--

#### RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President LeMaistre that the U. T. Board of Regents authorize an exception to the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.1, which requires that persons in whose honor a building is to be named "shall have been deceased at least five years," and approve the naming of the Research Animal Facility at the Research Division of the U. T. Science Park as the A. Clark Griffin Research Facility.

#### BACKGROUND INFORMATION

Dr. A. Clark Griffin was an outstanding biochemist and administrator at the U. T. Cancer Center from 1954 until his retirement in 1980. In 1981, he was asked to direct the U. T. Science Park, which he did until his death in December 1982. It is appropriate that this facility be named in honor of Dr. Griffin's distinguished service at the U. T. Cancer Center and in recognition of his fight against cancer.

# Land and Investment Com.

LAND AND INVESTMENT COMMITTEE  
COMMITTEE CHAIRMAN MILBURN

Date: August 14, 1986  
Time: Following the meeting of the Buildings and  
Grounds Committee  
Place: Regents' Meeting Room, Ninth Floor, Ashbel Smith Hall

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U. T. ARLINGTON

2. Recommendation to Accept Transfer of  
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U. T. AUSTIN

3. Recommendation to Accept Gift and  
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U. T. SYSTEM

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I. PERMANENT UNIVERSITY FUND

A. INVESTMENT MATTERS

Report on Clearance of Monies to Permanent University Fund for May and June 1986, and Report on Oil and Gas Development as of June 30, 1986.--The following reports with respect to (a) certain monies cleared to the Permanent University Fund for May and June 1986, and (b) Oil and Gas Development as of June 30, 1986, are submitted by the Executive Vice Chancellor for Asset Management:

| <u>Permanent University Fund</u>            | <u>May 1986</u>        | <u>June 1986</u>       | <u>Cumulative Through June of this Fiscal Year (1985-1986)</u> | <u>Cumulative Through June of Preceding Fiscal Year (1984-1985)</u> | <u>Per Cent Change</u> |
|---|------------------------|------------------------|--|---|------------------------|
| Royalty                                     |                        |                        |  |   |                        |
| Oil   | \$ 4,711,411.63        | \$ 4,070,402.50        | \$ 71,617,476.67   | \$ 84,962,081.78  | (15.71%)               |
| Gas   | 2,049,758.55           | 1,885,075.35           | 25,285,259.46  | 27,182,579.81   | (6.98%)                |
| Sulphur                                     | 10,000.00              | 10,000.00              | 194,561.84   | 457,476.43  |                        |
| Water                                       | 75,883.66              | 78,280.06              | 583,097.34   | 345,940.21  |                        |
| Brine                                       | 2,781.17               | 1,620.88               | 73,175.24  | 83,461.45   |                        |
| Rental                                      |                        |                        |  |   |                        |
| Oil and Gas Leases                          | (6,459.55)             | 857.55                 | 806,739.97   | 1,729,399.38  |                        |
| Other                                       | 1,970.10               | 6,461.90               | 10,666.00  | 24,110.67   |                        |
| Sale of Sand, Gravel, Etc.                  | -0-                    | 1,964.40               | 37,318.70  | 18,142.00   |                        |
| Gain or (Loss) on Sale of Securities        | 6,781,633.87           | 16,792,393.68          | 124,823,167.49   | 80,114,813.86   |                        |
| Subtotal                                    | <u>13,626,979.43</u>   | <u>22,847,056.32</u>   | <u>223,431,462.71</u>  | <u>194,918,005.59</u>   | <u>14.63%</u>          |
| Bonuses                                     |                        |                        |  |   |                        |
| Oil and Gas Lease Sales                     | -0-                    | 28,858.05              | 5,942,458.05   | -0-   |                        |
| Amendments and Extensions to Mineral Leases | (2,425.88)             | (5,041.13)             | 196,916.66   | 227,270.46  |                        |
| Total Bonuses                               | <u>(2,425.88)</u>      | <u>23,816.92</u>       | <u>6,139,374.71</u>  | <u>227,270.46</u>   |                        |
| TOTAL CLEARANCES                            | <u>\$13,624,553.55</u> | <u>\$22,870,873.24</u> | <u>\$229,570,837.42</u>  | <u>\$195,145,276.05</u>   | <u>17.64%</u>          |

Oil and Gas Development - June 30, 1986

Acreage Under Lease - 766,073

Number of Producing Acres - 570,440

Number of Producing Leases - 2,285

II. TRUST AND SPECIAL FUNDS

A. GIFTS, BEQUESTS AND ESTATES

1. U. T. System: Recommendation to Accept Transfer of Funds to Establish the Chancellor's Endowment.--

RECOMMENDATION

The Office of the Chancellor recommends the acceptance of a \$11,589.85 transfer of current restricted funds to establish the Chancellor's Endowment at the U. T. System.

Income from the endowment will be used at the discretion of the Chancellor.

BACKGROUND INFORMATION

Proceeds from the sale of property in Tahitian Village, Bastrop County, Texas, a gift of Mr. Louis R. Scarnato, Mt. Prospect, Illinois, have been designated for The Chancellor's Council. The sale of the land was reported at the June 1986 meeting of the U. T. Board of Regents.

2. U. T. Arlington: Recommendation to Accept Transfer of Funds to Establish the Richard Jack Marquis Physics Scholarship Fund.--

RECOMMENDATION

The Office of the Chancellor concurs with President Nedderman's recommendation to accept a \$10,574.37 transfer of current restricted funds to establish the Richard Jack Marquis Physics Scholarship Fund at U. T. Arlington.

Income from the endowment will be used to provide one or more scholarships to outstanding students enrolled at U. T. Arlington with a major in physics. Selection is to be determined by the Awards Committee from applications of entering students and nominations by the faculty of the Department of Physics.

BACKGROUND INFORMATION

Dr. Marquis, who died in May 1983, began teaching at U. T. Arlington in 1939 as an assistant professor in the Department of Physics and became a professor in 1945. He also served as Assistant and then Associate Dean of Science. Dr. Marquis retired in 1980 and was elected Professor Emeritus in April 1981.

3. U. T. Austin: Recommendation to Accept Gift and Pledge to Establish the Effie Marie Cain Regents Chair in Fine Arts in the College of Fine Arts and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program to Establish the Effie Marie Cain Regents Chair in Art in the College of Fine Arts and Increase the Endowment of the Effie Marie Cain Regents Chair in Fine Arts.--

#### RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a \$300,000 gift and a \$300,000 pledge, payable prior to December 31, 1986, from The Effie and Wofford Cain Foundation, Dallas, Texas, for a total of \$600,000 to establish the Effie Marie Cain Regents Chair in Fine Arts in the College of Fine Arts at U. T. Austin.

It is further recommended that the gift and pledge, as received, be matched under The Regents' Endowed Teachers and Scholars Program to establish the Effie Marie Cain Regents Chair in Art in the Department of Art in the College of Fine Arts with \$500,000 of the matching funds and use the remaining \$100,000 to increase the endowment of the Effie Marie Cain Regents Chair in Fine Arts in the College of Fine Arts.

#### BACKGROUND INFORMATION

The Effie and Wofford Cain Foundation is funding this chair in honor of Ms. Effie Marie Cain, President of the Foundation.

See related Item 8 set out on Page AAC - 25.

4. U. T. Austin: Recommendation to Accept Transfer of Funds to Establish the Barbara Conrad Endowed Scholarship in Fine Arts in the College of Fine Arts.--

#### RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a \$10,000 transfer of previously reported gifts from current restricted funds to establish the Barbara Conrad Endowed Scholarship in Fine Arts in the College of Fine Arts at U. T. Austin.

Income earned from the endowment will be used to provide scholarships to outstanding and deserving students in the College of Fine Arts.

#### BACKGROUND INFORMATION

Ms. Barbara Conrad, New York, New York, received a B.M. in 1959 from U. T. Austin. She was awarded the Distinguished Alumnus Award in 1985 from The Ex-Students' Association. Ms. Conrad is currently a mezzo-soprano with the Metropolitan Opera in New York.

5. U. T. Austin: Recommendation to Accept Gifts and Pledges to Establish the Walter Cronkite Regents Chair in Communication in the College of Communication and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program to Increase the DeWitt Carter Reddick Centennial Professorship in Journalism Education in the College of Communication and Redesignate as the DeWitt C. Reddick Regents Chair in Communication.--

#### RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept gifts of \$226,999 and pledges of \$275,000, payable prior to August 31, 1989, from various donors for a total of \$501,999 to establish the Walter Cronkite Regents Chair in Communication in the College of Communication at U. T. Austin.

It is further recommended that the gifts and pledges, as received, be matched under The Regents' Endowed Teachers and Scholars Program. Matching funds of \$358,000 are to be used to increase the endowment of the DeWitt Carter Reddick Centennial Professorship in Journalism Education in the College of Communication for a total endowment exceeding \$500,000 and redesignate this professorship as the DeWitt C. Reddick Regents Chair in Communication. The remaining funds of \$143,999 are to be designated at a later date.

#### BACKGROUND INFORMATION

Mr. Walter L. Cronkite, Jr., New York, New York, studied journalism at U. T. Austin during 1933-35 and is a Life Member of the College of Communication Foundation Advisory Council. Mr. Cronkite has received national recognition as a newscaster on the CBS News.

The DeWitt Carter Reddick Centennial Professorship in Journalism Education was established at the June 1982 meeting of the U. T. Board of Regents with a \$100,000 gift from the Hobby Foundation, Houston, Texas, and subsequent gifts have increased the endowment to in excess of \$142,000.

6. U. T. Austin: Recommendation to Accept Pledge to Establish the Jack R. Crosby Regents Chair in Business Administration in the College of Business Administration and the Graduate School of Business and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program to Establish the Joanne Crosby Regents Chair.--

#### RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a \$500,000 pledge, payable prior to August 31, 1989, from Mr. Robert W. Hughes, Austin, Texas, to establish the Jack R. Crosby Regents Chair in Business Administration in the College of Business Administration and the Graduate School of Business at U. T. Austin.

It is further recommended that the pledge, as received, be matched under The Regents' Endowed Teachers and Scholars Program to establish the Joanne Crosby Regents Chair with the college to be designated at a later date.

#### BACKGROUND INFORMATION

Mr. Jack R. Crosby received his B.B.A. in General Business from U. T. Austin in 1949 and is Chairman of the Board of Rust Capital Limited, Austin, Texas. He is a member of The Chancellor's Council, the U. T. Austin Development Board, and The President's Associates.

Mr. Robert W. Hughes is Chairman and President of Prime Cable Corporation, Austin, Texas, and is a member of The President's Associates.

7. U. T. Austin: Recommendation to Accept Gift and Pledge to Establish the Dow Chemical Endowment for Computer Process Control and The Dow Chemical Company Foundation Process Control Laboratory Endowment in the College of Engineering.--

#### RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a \$50,000 gift and \$50,000 pledge, payable prior to December 31, 1988, from Dow Chemical U.S.A., Freeport, Texas, and The Dow Chemical Company Foundation, Midland, Michigan, to establish the Dow Chemical Endowment for Computer Process Control and The Dow Chemical Company Foundation Process Control Laboratory Endowment in the College of Engineering at U. T. Austin for a total of \$50,000 in each endowment.

Income from the endowments will be used to maintain computer process control equipment and to support the activities and facilities necessary for the research and teaching functions of the designated room to be named in honor of the donor.

#### BACKGROUND INFORMATION

This gift is part of a special private fund development campaign for the College of Engineering in accordance with Part One, Chapter VII, Section 2, Subsection 2.44, of the Regents' Rules and Regulations.

A companion agenda item naming a room in the new Chemical and Petroleum Engineering Building is on Page AAC - 33, Item 15.

8. U. T. Austin: Earnest F. Gloyna Scholarship in Environmental and Water Resources Engineering - Recommendation to Redesignate as the Earnest and Agnes Gloyna Endowed Presidential Scholarship in Environmental and Water Resources Engineering.--

#### RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to redesignate the Earnest F. Gloyna Scholarship in Environmental and Water Resources Engineering in the Department of Civil Engineering, College of Engineering, at U. T. Austin as the Earnest and Agnes Gloyna Endowed Presidential Scholarship in Environmental and Water Resources Engineering.

This recommendation is being made in accordance with the donor's request.

#### BACKGROUND INFORMATION

The Earnest F. Gloyna Scholarship in Environmental and Water Resources Engineering was established at the February 1986 meeting of the U. T. Board of Regents with a \$3,000 gift from Dr. Earnest F. Gloyna, Austin, Texas, and an \$8,000 gift from Mr. Joe C. Walter, Jr., Houston, Texas, for a total of \$11,000. Additional gifts have raised the current balance in the endowment to \$31,000.

Dr. Earnest F. Gloyna, Dean of the College of Engineering, and holder of the Bettie Margaret Smith Chair, received his M.S. in Environmental Engineering from U. T. Austin in 1949. He joined the U. T. Austin faculty in 1947 as an instructor in civil engineering and became a professor in 1959. Dr. Gloyna has served as dean since 1970.

9. U. T. Austin: Recommendation to Accept Transfer of Funds to Establish the Corrie Herring Hooks Publications Endowment Fund.--

#### RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a \$44,609.99 transfer of previously reported gifts from current restricted funds to establish the Corrie Herring Hooks Publications Endowment Fund at U. T. Austin.

Income earned from the endowment will be used to subsidize books in the natural sciences published by the U. T. Press.

### BACKGROUND INFORMATION

Mrs. Verna May Hooks McLean, deceased March 5, 1981, gave an initial gift of \$25,000 in 1961 and a total of \$93,000 by 1973 to establish and fund the Corrie Herring Hooks Fund at U. T. Austin for use by the U. T. Press in honor of her mother, Corrie Herring Hooks, for her interest in the natural sciences. Mrs. McLean studied Arts and Sciences at U. T. Austin in 1915. Mrs. McLean's daughter, Mrs. Ruth Bowers, San Antonio, Texas, in an attempt to maintain the Funds' finances and original purpose, has requested the Fund be made a perpetual endowment.

10. U. T. Austin: Recommendation to Accept Bequest and Transfer of Funds to Establish the Lloyd A. Jeffress Memorial Fellowship Fund in the College of Liberal Arts.--

### RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a \$10,000 bequest from the Estate of Lloyd A. Jeffress, Austin, Texas, and a \$29,980.71 transfer of previously reported gifts from current restricted funds for a total of \$39,980.71, to establish the Lloyd A. Jeffress Memorial Fellowship Fund in the Department of Psychology, College of Liberal Arts, at U. T. Austin.

Income earned from the endowment will be used for awards to graduate students in the Department of Psychology.

### BACKGROUND INFORMATION

Dr. Lloyd A. Jeffress, who died April 2, 1986, began as an adjunct professor at U. T. Austin in 1926, became an associate professor in 1927, and then professor from 1937 until 1977. He was Professor Emeritus when he died and a member of The Chancellor's Council. Dr. Jeffress had been making monthly contributions prior to his death to establish the Lloyd A. Jeffress Memorial Fellowship Fund and had named U. T. Austin as beneficiary in a life insurance policy valued at \$22,000 which will be added later to this endowment.

11. U. T. Austin: Recommendation to Accept Gift of Securities to Establish the Carolyn Frost Keenan Endowed Scholarship in the College of Natural Sciences.--

### RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a gift of 185 shares of Anderson Clayton common stock valued at approximately \$10,001.56 from Ms. Carolyn Frost Keenan, Houston, Texas, to establish the Carolyn Frost Keenan Endowed Scholarship in the Department of Home Economics, College of Natural Sciences, at U. T. Austin.

Income earned from the endowment will be used to provide scholarships for students entering their senior year in home economics pursuing a degree in child development.

#### BACKGROUND INFORMATION

Ms. Keenan received a B.S. in Home Economics in 1976 and an M.A. in Communications/Advertising in 1978 from U. T. Austin. She is a Life Member of The Ex-Students' Association and a member of the Longhorn Associates.

12. U. T. Austin: Recommendation to Accept Gift of Real Estate Being 2719 Mountain Laurel Lane (Lot 33, Mountain Laurel Addition) in Austin, Travis County, Texas, from Mr. and Mrs. James A. Michener, Austin, Texas.--

#### RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Cunningham to accept a gift of real estate being 2719 Mountain Laurel Lane (Lot 33, Mountain Laurel Addition) in Austin, Travis County, Texas, from Mr. and Mrs. James A. Michener of Austin, Texas, for the benefit of U. T. Austin. Mr. and Mrs. Michener have retained the right to full possession, use and benefit of the property for Mr. Michener's life plus one year in the event that Mr. Michener should predecease Mrs. Michener. A recommendation regarding the use of the proceeds from the sale of the property will be submitted at a later date.

#### BACKGROUND INFORMATION

Mr. Michener, well-known author, is the Jack G. Taylor Centennial Professor Emeritus at U. T. Austin and a member of The Chancellor's Council.

13. U. T. Austin: The George M. Oliver Charitable Trust - Report of Termination of Charitable Trust and Recommendation to Establish The Leaton Thomas Oliver Scholarship Fund in Chemical Engineering in the College of Engineering (No Publicity).--

#### REPORT AND RECOMMENDATION

The Office of the Chancellor reports that with the death of Mr. George M. Oliver on February 4, 1986, The George M. Oliver Charitable Trust was terminated with a book value in excess of \$100,000. The Office of the Chancellor concurs with President Cunningham's recommendation to establish The Leaton Thomas Oliver Scholarship Fund in Chemical Engineering in the College of Engineering at U. T. Austin with the funds as prescribed by the trust agreement.

### BACKGROUND INFORMATION

The George M. Oliver Charitable Trust and The Leila A. Oliver Charitable Trust were established at the June 1971 meeting of the U. T. Board of Regents with 15,000 shares of Farah Manufacturing Co., Inc. common stock valued at \$734,062.50 from Mr. and Mrs. George M. Oliver, El Paso, Texas. The terms of both trusts include a request that upon the demise of either party, funds would be used to establish The Leaton Thomas Oliver Scholarship Fund in Chemical Engineering in memory of their son, Leaton Thomas Oliver, who received his B.S. in Chemical Engineering from U. T. Austin in 1962.

### NO PUBLICITY

14. U. T. Austin: Recommendation to Accept Gift and Pledge to Establish the Phillips Petroleum Drilling Fluids Properties Laboratory Endowment and the Phillips Chemical Engineering Projects Laboratory Endowment in the College of Engineering.--

### RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a \$25,000 gift and a \$25,000 pledge, payable prior to December 31, 1988, from Phillips Petroleum Foundation, Inc., Bartlesville, Oklahoma, to establish the Phillips Petroleum Drilling Fluids Properties Laboratory Endowment and the Phillips Chemical Engineering Projects Laboratory Endowment in the College of Engineering at U. T. Austin for a total of \$25,000 in each endowment.

Income earned from the endowments will be used to maintain and improve equipment and to support the research and teaching functions of rooms to be named in honor of the donor.

### BACKGROUND INFORMATION

This gift and pledge are part of a special private fund development campaign for the College of Engineering in accordance with Part One, Chapter VII, Section 2, Subsection 2.44 of the Regents' Rules and Regulations.

A companion agenda item naming the rooms in the new Chemical and Petroleum Engineering Building is on Page AAC - 33, Item 15.

15. U. T. Austin: Audre and Bernard Rapoport Centennial Chair in Economics and Public Affairs in the College of Liberal Arts and Lyndon B. Johnson School of Public Affairs - Recommendation to Accept Pledge and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program to Increase the Rapoport Centennial Professorship of Liberal Arts in the College of Liberal Arts and Redesignate as the Audre and Bernard Rapoport Regents Chair of Liberal Arts.--

#### RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a pledge of \$300,000, payable prior to December 31, 1988, from Mr. Bernard Rapoport, Waco, Texas, for addition to the Audre and Bernard Rapoport Centennial Chair in Economics and Public Affairs in the College of Liberal Arts and Lyndon B. Johnson School of Public Affairs at U. T. Austin.

It is further recommended that the pledge, as received, be matched under The Regents' Endowed Teachers and Scholars Program with funds used to increase the first Rapoport Centennial Professorship of Liberal Arts in the College of Liberal Arts for a total endowment of \$500,000 and redesignate as the Audre and Bernard Rapoport Regents Chair of Liberal Arts.

#### BACKGROUND INFORMATION

The Bernard Rapoport Centennial Chair in Economics and Public Affairs was established at the February 1982 meeting of the U. T. Board of Regents with a gift and pledge totaling \$500,000 from Mr. Bernard Rapoport and was redesignated as the Audre and Bernard Rapoport Centennial Chair in Economics and Public Affairs at the June 1985 meeting. Matching funds from The Centennial Teachers and Scholars Program of \$100,000 were used to establish the first Rapoport Centennial Professorship of Liberal Arts.

16. U. T. Austin: Recommendation to Accept Pledge to Establish the Sid W. Richardson Regents Chair in Community College Leadership in the College of Education and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--

#### RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a \$500,000 pledge, payable prior to August 31, 1989, from the Sid W. Richardson Foundation, Fort Worth, Texas, to establish the Sid W. Richardson Regents Chair in Community College Leadership in the College of Education at U. T. Austin.

It is further recommended that the pledge, as received, be matched under The Regents' Endowed Teachers and Scholars Program and used to double the endowment.

### BACKGROUND INFORMATION

The Sid W. Richardson Foundation was founded in 1947 by the late Mr. Sid W. Richardson. The Foundation supports programs involved with arts, humanities, civic and public affairs, education, health, and social services. Mr. Perry R. Bass, nephew of the late Mr. Richardson, is the current president of the Foundation.

17. U. T. Austin: William T. Stokes Centennial Teaching Fellowship in Geological Sciences in the College of Natural Sciences - Recommendation to Accept Additional Gift and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program to Increase the Fiona D. Stokes Centennial Teaching Fellowship in Petroleum Land Management in the College of Business Administration.--

### RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a \$10,000 gift from William T. and Fiona D. Stokes, Dallas, Texas, for addition to the William T. Stokes Centennial Teaching Fellowship in Geological Sciences in the Department of Geological Sciences, College of Natural Sciences, at U. T. Austin for a total endowment of \$100,000.

It is further recommended that the gift be matched under The Regents' Endowed Teachers and Scholars Program with funds used to increase the Fiona D. Stokes Centennial Teaching Fellowship in Petroleum Land Management in the College of Business Administration for a total endowment of \$60,000.

### BACKGROUND INFORMATION

The William T. Stokes Centennial Teaching Fellowship in Geological Sciences was established at the August 1982 meeting of the U. T. Board of Regents with a \$50,000 gift from Mr. and Mrs. Stokes and an additional \$20,000 was accepted at the April 1985 meeting with \$20,000 in The Regents' Endowed Teachers and Scholars Program funds added to the endowment. Matching funds of \$50,000 from The Centennial Teachers and Scholars Program established the Fiona D. Stokes Centennial Teaching Fellowship in Petroleum Land Management in August 1982.

18. U. T. Austin: Fleet and Chester Wynne Endowed Scholarship in the College of Education - Recommendation to Redesignate as the Fleet and Chester Wynne Endowed Presidential Scholarship in Education.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to redesignate the Fleet and Chester Wynne Endowed Scholarship in the College of Education at U. T. Austin as the Fleet and Chester Wynne Endowed Presidential Scholarship in Education.

This recommendation is being made in accordance with the donor's request.

BACKGROUND INFORMATION

The Fleet and Chester Wynne Endowed Scholarship was established at the February 1986 meeting of the U. T. Board of Regents with a \$25,000 gift from Mrs. Jo Alice Tomforde, Tyler, Texas, in memory of her parents, Fleet and Chester Wynne. Mrs. Tomforde received a B.A. in arts and sciences from U. T. Austin in 1946 and is a member of the College of Education Foundation Advisory Council.

19. U. T. Austin: Recommendation to Establish the Richard W. Yarborough Native American Indian Scholarship in the School of Law.--

RECOMMENDATION

The Office of the Chancellor reports that The University of Texas Law School Foundation (an external foundation) has expressed the desire that the Richard W. Yarborough Native American Indian Scholarship be established in the School of Law at U. T. Austin. The Office of the Chancellor concurs with President Cunningham's recommendation that the endowment, to be funded by The University of Texas Law School Foundation, be established in accordance with the Regents' Rules and Regulations. The funds for the endowment will be held and administered by The University of Texas Law School Foundation and will assist American Indians attending the School of Law.

BACKGROUND INFORMATION

The University of Texas Law School Foundation has received a gift of \$1,000 from Senator Ralph W. Yarborough, Austin, Texas, and \$9,000 from various donors to establish an endowment in the School of Law in honor of Senator Yarborough's son, Richard Warren Yarborough, deceased March 5, 1986. Mr. Richard Yarborough received his B.A. in Arts and Sciences and his L.L.B. in Law in 1955 from U. T. Austin. He was appointed to the Indian Claims Commission by President Johnson in 1967 and the Foreign Claims Settlement Commission by President Carter from 1978 to 1981.

Senator Ralph W. Yarborough received his J.D. in Law in 1927 from U. T. Austin. He is a member of The Chancellor's Council and a Life Member of The Ex-Students' Association.

20. U. T. Dallas: Recommendation to Accept Pledge to Establish the Arnold A. Jaffe Holocaust Collection Endowment Fund.--

#### RECOMMENDATION

The Office of the Chancellor concurs with President Rutford's recommendation to accept a \$10,000 pledge from Mr. Michael Jaffe, New York, New York, to establish the Arnold A. Jaffe Holocaust Collection Endowment Fund at U. T. Dallas.

#### BACKGROUND INFORMATION

Arnold A. Jaffe received his B.G.S. in 1982 at age 67, his master's degree in Interdisciplinary Studies in 1984, and was working toward his doctorate at U. T. Dallas at the time of his death. Mr. Jaffe served on the Executive Committee of the Alumni Association from its inception in 1982 and had an active interest in Jewish Studies. He was instrumental in helping establish the Holocaust Library at U. T. Dallas. This endowment is being funded by Mr. Jaffe's son, Michael Jaffe.

21. U. T. El Paso: Recommendation to Accept Gifts to Establish the Patrick H. DeWitt Memorial Presidential Scholarship Fund.--

#### RECOMMENDATION

The Office of the Chancellor concurs with President Monroe's recommendation to accept gifts of \$10,000 from Mr. and Mrs. Harry O. Rearick, and \$15,000 from DeWitt and Rearick, Inc., both of El Paso, Texas, for a total endowment of \$25,000 to establish the Patrick H. DeWitt Memorial Presidential Scholarship Fund at U. T. El Paso.

Income earned from the endowment will be used to award an annual scholarship of \$1,500 or more per academic year, renewable for four years, in accordance with the U. T. El Paso Presidential Endowed Scholarship Program to a qualified student majoring in real estate in the College of Business Administration.

### BACKGROUND INFORMATION

Mr. and Mrs. Harry O. Rearick are funding this endowment in honor of the late Mr. Patrick H. DeWitt, a long-time partner in the real estate firm of DeWitt and Rearick, Inc. Mr. Rearick is a former member of the Development Board at U. T. El Paso and helped establish the Real Estate Development Program and secure a matching grant from the Texas Association of Realtors. Mr. and Mrs. Rearick are both strong supporters of U. T. El Paso.

22. U. T. El Paso: Recommendation to Accept Transfer of Funds to Establish the C. H. Gladman Scholarship Fund.--

### RECOMMENDATION

The Office of the Chancellor concurs with President Monroe's recommendation to accept a \$10,200.39 transfer of current restricted funds to establish the C. H. Gladman Scholarship Fund at U. T. El Paso.

Income earned from the endowment will be used to provide scholarships for outstanding undergraduate mathematics students at U. T. El Paso.

### BACKGROUND INFORMATION

Alumni, faculty, and friends of U. T. El Paso are funding this endowment in honor of Professor Emeritus Charles Herman Gladman, who was a member of the Mathematics Department faculty at U. T. El Paso from 1948 until his retirement in 1983. Professor Gladman served as the first chairman of the Mathematics Department from 1965 to 1968, and has distinguished himself in teaching, counseling, and dedication to U. T. El Paso.

23. U. T. El Paso: Helen O'Shea Keleher Presidential Scholarship Fund - Recommendation to Accept Bequest and Redesignate as the Helen O'Shea Keleher Memorial Presidential Endowed Scholarship Fund.--

### RECOMMENDATION

The Office of the Chancellor concurs with President Monroe's recommendation to accept a distribution of \$600,000 from the Estate of Helen O'Shea Keleher, El Paso, Texas, for addition to the Helen O'Shea Keleher Presidential Scholarship Fund at U. T. El Paso for a total endowment of \$625,143.75 and to redesignate as the Helen O'Shea Keleher Memorial Presidential Endowed Scholarship Fund. Additional distributions are anticipated at a later date.

### BACKGROUND INFORMATION

The Helen O'Shea Keleher Presidential Scholarship Fund was established at the April 1983 meeting of the U. T. Board of Regents with a gift of 900 shares of Mercantile Texas Corporation common stock valued at \$25,143.75. Mrs. Keleher passed away on November 17, 1985, and had made U. T. El Paso a beneficiary in her Will and four Codicils to receive one-third of her residual estate to be added to the Helen O'Shea Keleher Presidential Endowed Scholarship Fund. She was a long-time supporter of U. T. El Paso and a member of The Chancellor's Council and The President's Associates of U. T. El Paso.

24. U. T. El Paso: Recommendation to Accept Gift to Establish the Ruben Montiel, Jr. Memorial Scholarship Fund for Civil Engineering.--

### RECOMMENDATION

The Office of the Chancellor concurs with President Monroe's recommendation to accept a \$10,500 gift from Mrs. M. Lorraine Montiel, El Paso, Texas, to establish the Ruben Montiel, Jr. Memorial Scholarship Fund for Civil Engineering at U. T. El Paso.

Income earned from the endowment will be used to award an annual scholarship of \$750 or more per academic year, renewable for four years, to a qualified student recommended by the Civil Engineering Department in accordance with the U. T. El Paso Presidential Scholarship Program.

### BACKGROUND INFORMATION

Mrs. Montiel is funding this endowment in honor of her husband, Ruben Montiel, Jr., who died April 9, 1986. He received his B.S. in Civil Engineering in 1980 and his M.A. in Civil Engineering in 1986, both at U. T. El Paso. Mr. Montiel was employed as a senior project engineer for Texaco, Inc. in El Paso, Texas. Mrs. Montiel received a B.S. in 1980, an M.S. in 1982, and a B.S. in Medical Technology in 1985, all from U. T. El Paso. She is currently an instructor in the Medical Technology Program.

25. U. T. Tyler: Recommendation to Accept and Sell Gift to Establish the Art Department Endowed Fund for Academic Enrichment.--

RECOMMENDATION

The Office of the Chancellor concurs with President Hamm's recommendation to accept a gift of 100 lithographs valued at \$155 each from Mr. Ancel E. Nunn, Palestine, Texas, and requests authority to sell the lithographs to establish the Art Department Endowed Fund for Academic Enrichment at U. T. Tyler with the proceeds. Proceeds of \$15,500, less projected sales expenses of \$2,000, for an approximate yield of \$13,500 are anticipated.

BACKGROUND INFORMATION

Mr. Nunn, a native of Seymour, Texas, has been an adjunct faculty member in the Department of Art at U. T. Tyler since 1979, where he teaches painting, drawing, and print-making. He was the recipient of the Texas Arts Alliance Award and the Chicago '76 Certificate of Excellence. His paintings are displayed in many Texas museums and private collections. Mr. Nunn's donation of 100 lithographs is designed to commemorate the Texas Sesquicentennial.

26. U. T. Tyler: Recommendation to Accept Gift of Securities to Establish the George S. Rogers Endowed Presidential Scholarship.--

RECOMMENDATION

The Office of the Chancellor concurs with President Hamm's recommendation to accept 1,350 shares of TCA Cable TV, Inc. common stock valued at \$25,650 from Mr. and Mrs. Robert Rogers, Tyler, Texas, to establish the George S. Rogers Endowed Presidential Scholarship at U. T. Tyler.

BACKGROUND INFORMATION

Mr. Robert Rogers is Chairman, President, and Chief Executive Officer of the TCA Cable TV, Inc., Tyler, Texas. He and his wife, Lou, are members of The President's Associates of U. T. Tyler and are funding this endowment in honor of Mr. Rogers' father, George Rogers.

27. U. T. Health Science Center - Dallas (U. T. Southwestern Medical School - Dallas): Dr. Charles T. Ashworth Professorship in Pathology, William Kemp Clark Chair of Neurological Surgery, Robert W. Lackey Visiting Professorship, and Robert L. Moore Chair in Pediatrics - Recommendation to Accept Additional Gifts and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Sprague that additional gifts from various donors as shown below be accepted for previously established endowed academic positions at the U. T. Southwestern Medical School - Dallas of the U. T. Health Science Center - Dallas and that the actual income which will be earned by these gifts be certified to the appropriate State authorities for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code, when matching funds are made available under that act:

| <u>Endowed Academic Position</u>                   | <u>Additional Gifts</u> | <u>Total Endowment</u> |
|--|-------------------------|------------------------|
| Dr. Charles T. Ashworth Professorship in Pathology | \$1,375                 | \$103,585.00           |
| William Kemp Clark Chair of Neurological Surgery   | \$2,700                 | \$249,712.65           |
| Robert W. Lackey Visiting Professorship            | \$1,040                 | \$ 70,329.14           |
| Robert L. Moore Chair in Pediatrics                | \$1,000                 | \$501,000.00           |

BACKGROUND INFORMATION

These endowed academic positions were established by previous Regental actions, and the purpose of this recommendation is to certify these additional gifts for matching funds when available.

28. U. T. Health Science Center - Dallas: Recommendation to Accept Gift to Establish The Jan and Henri Bromberg Professorship in Internal Medicine and Eligibility for Matching Funds Under the Texas Eminent Scholars Program (No Publicity).--

RECOMMENDATION

The Office of the Chancellor concurs with President Sprague's recommendation to accept a \$100,000 gift from Mr. and Mrs. Henri L. Bromberg, Jr., Dallas, Texas, through The Brookview Foundation, to establish The Jan and Henri Bromberg Professorship in Internal Medicine at the U. T. Health Science Center - Dallas.

It is further recommended that the actual income which will be earned on the \$100,000 gift be certified to the appropriate State authorities for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code, when matching funds are made available under that act.

#### BACKGROUND INFORMATION

The Brookview Foundation was founded in 1983 by Mr. and Mrs. Henri L. Bromberg, Jr., with the purpose of promoting higher education and research in the areas of health, science, religion, community development, and legal issues.

See related Item 1 on Page HAC - 3.

#### NO PUBLICITY

29. U. T. Health Science Center - Dallas: Recommendation to Accept Gift and Pledge to Establish the Golden Charity Guild Charles R. Baxter, M.D. Chair.--

#### RECOMMENDATION

The Office of the Chancellor reports that the Southwestern Medical Foundation (an external foundation) has expressed the desire that the Golden Charity Guild Charles R. Baxter, M.D. Chair be established at the U. T. Health Science Center - Dallas. The Office of the Chancellor concurs with President Sprague's recommendation that the endowment, to be funded by the Southwestern Medical Foundation, be established in accordance with the Regents' Rules and Regulations with the discipline to be defined at a later date. The funds for the chair will be held and administered by the Southwestern Medical Foundation per the agreement with the Foundation.

#### BACKGROUND INFORMATION

The Southwestern Medical Foundation has received a gift of \$468,689.33 and a pledge of \$31,310.67, payable prior to December 31, 1986, for a total of \$500,000 from the Golden Charity Guild, Dallas, Texas, to establish the Golden Charity Guild Charles R. Baxter, M.D. Chair at the U. T. Health Science Center - Dallas. The Golden Charity Guild was established in 1980. Funds from the Guild have supported burn programs, patient care, and tissue transplant at the Burn Research Center at the U. T. Health Science Center - Dallas.

Dr. Charles R. Baxter, internationally recognized burn surgeon, received his B.A. from U. T. Austin in 1952 and his M.D. from the U. T. Southwestern Medical School - Dallas in 1954. As one of the pioneers in burn care, Dr. Baxter was instrumental in establishing a human skin bank at the U. T. Health Science Center - Dallas, one of the first such installations in the country. He is presently Professor of Surgery,

Director of the National Institute of Health Burn Research Center, and Director of the Skin Transplant Center for Burns, all at the U. T. Health Science Center - Dallas.

30. U. T. Health Science Center - Dallas: Recommendation to Accept Gift and Pledge to Establish the Rosemary Haggar Professorship in Urology and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--

#### RECOMMENDATION

The Office of the Chancellor concurs with President Sprague's recommendation to accept a \$20,000 gift and an \$80,000 pledge payable over five years for a total of \$100,000 from the Haggar Foundation, Dallas, Texas, to establish the Rosemary Haggar Professorship in Urology at the U. T. Health Science Center - Dallas.

It is further recommended that the actual income earned on the gift and pledge totaling \$100,000 be certified to the appropriate State authorities for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code, when matching funds are made available under that act.

#### BACKGROUND INFORMATION

The Haggar Foundation, Dallas, Texas, was founded in 1950 by Mr. and Mrs. J. M. Haggar as a charitable private foundation. Mrs. Rosemary Haggar Vaughan, Executive Director of the Haggar Foundation, is naming this endowment in honor of her mother, Rosemary Haggar.

31. U. T. Health Science Center - Dallas (U. T. Southwestern Medical School - Dallas): The Berta M. and Cecil O. Patterson Professorship for Research in Digestive Diseases - Recommendation to Accept Additional Gifts and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--

#### RECOMMENDATION

The Office of the Chancellor concurs with President Sprague's recommendation to accept additional gifts totaling \$55,705 from various donors for addition to The Berta M. and Cecil O. Patterson Professorship for Research in Digestive Diseases at the U. T. Southwestern Medical School - Dallas of the U. T. Health Science Center - Dallas for a total endowment of \$205,705.

It is further recommended that the actual income which will be earned on the gifts of \$55,705 be certified to the appropriate State authorities for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code, when matching funds are made available under that act.

### BACKGROUND INFORMATION

The Berta M. and Cecil O. Patterson Professorship for Research in Digestive Diseases was established at the April 1985 meeting of the U. T. Board of Regents with gifts of \$100,000 from Mrs. Lowell H. Lebermann, Dallas, Texas, and \$25,000 from Mrs. Cecil O. Patterson, Dallas, Texas. An additional gift of \$25,000 from the Margaret J. and George V. Charlton Foundation, Dallas, Texas, was approved at the April 1986 meeting of the U. T. Board of Regents. The current gift of \$55,705 brings the total endowment to \$205,705.

Mrs. Lowell H. Lebermann established this professorship in honor of her parents, Berta M. Patterson and Cecil O. Patterson, M.D., Dallas, Texas.

The Margaret J. and George V. Charlton Foundation is a small family foundation that was established in July 1982 to support general purposes.

32. U. T. Medical Branch - Galveston: Recommendation to Accept Grant from The Sealy & Smith Foundation for the John Sealy Hospital to Fund Construction of an Emergency Department and Trauma Center Facility.--

### RECOMMENDATION

The Office of the Chancellor concurs with President Levin's recommendation to accept a \$10,000,000 grant from The Sealy & Smith Foundation for the John Sealy Hospital, Galveston, Texas, to fund construction of a new Emergency Department and Trauma Center facility at the U. T. Medical Branch - Galveston.

### BACKGROUND INFORMATION

The Emergency Department at the U. T. Medical Branch - Galveston provides care 24 hours a day, 365 days each year. Approximately one-third of all admissions to the U. T. Medical Branch - Galveston hospitals come through the Emergency Department. The existing facility is inadequate, and renovating the current facility would not yield sufficient space.

A companion agenda item for construction of a new Emergency Department and Trauma Center facility is set out on Page B&G - 10, Item 7.

33. U. T. Medical Branch - Galveston: Recommendation to Accept Gifts to Establish the Curtis W. Lambert Scholarship Fund.--

### RECOMMENDATION

The Office of the Chancellor concurs with President Levin's recommendation to accept \$12,469.53 in gifts from various donors to establish the Curtis W. Lambert Scholarship Fund at the U. T. Medical Branch - Galveston.

Income earned from the endowment will be used to provide scholarships of at least \$200 to students from the U. T. Medical School - Galveston or the U. T. G.S.B.S. - Galveston on the basis of superior academic merit and financial need.

#### BACKGROUND INFORMATION

Mr. Curtis W. Lambert was employed at the U. T. Medical Branch - Galveston for 14 years. During his tenure, he was Assistant to the Chairman of the Department of Human Biological Chemistry and Genetics, Assistant to the Chairman of the Department of Internal Medicine, and immediately preceding his resignation in January 1986, he served as Director of Development at the U. T. Medical Branch - Galveston.

34. U. T. Medical Branch - Galveston: Recommendation to Accept Gift to Establish the Josefina Santos Lectureship in Orthopaedics.--

#### RECOMMENDATION

The Office of the Chancellor concurs with President Levin's recommendation to accept a gift of \$22,000 from Dr. Ray E. Santos, Lubbock, Texas, to establish the Josefina Santos Lectureship in Orthopaedics at the U. T. Medical Branch - Galveston.

#### BACKGROUND INFORMATION

Dr. Santos is funding this endowment in honor of his mother, Mrs. Josefina Santos. Dr. Santos is a 1958 graduate of the U. T. Medical School - Galveston and has served as a member of the U. T. Medical Branch - Galveston Development Board since 1982. He is presently in private orthopaedic practice in Lubbock, Texas.

35. U. T. Health Science Center - Houston: Recommendation to Accept Gift to Establish The Harris County Medical Society Auxiliary Award for Clinical Excellence in Nursing.--

#### RECOMMENDATION

The Office of the Chancellor concurs with President Bulger's recommendation to accept a \$10,000 gift from the Harris County Medical Society Auxiliary, Christmas Collection Fund, Houston, Texas, to establish The Harris County Medical Society Auxiliary Award for Clinical Excellence in Nursing at the U. T. Health Science Center - Houston.

Income earned from the endowment will be used to award an outstanding student, selected by faculty and classmates, who exemplifies excellence in clinical nursing. Awards will be given three times a year at each Nursing School graduation ceremony.

#### BACKGROUND INFORMATION

The Harris County Medical Society Auxiliary was chartered in 1919. The primary project, sponsored and coordinated by the Auxiliary, is the annual Christmas Collection where exhibitors display a variety of arts and crafts for Christmas shoppers. Proceeds from the sale are used to support loans and scholarships.

36. U. T. Cancer Center (M.D. Anderson Hospital and Tumor Institute - Houston): Recommendation to Accept Property and Mineral Interests Being 2,350 Acres, More or Less, in Cameron County, Texas, from Mrs. Virginia Jones Mullin, Tucson, Arizona.--

#### RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President LeMaistre to accept a donation of property and mineral interests in Cameron County, Texas, from Mrs. Virginia Jones Mullin, Tucson, Arizona. The donation deed conveys all of Mrs. Mullin's interest in 2,350 acres, more or less, together with all present and future accretions, relictions, and other alluvial additions to said donated lands on the eastern boundary thereof, and her 22.5 percent interest in the mineral rights for this tract. The deed includes a 1,600 acre tract of land which was previously donated to the U. T. M.D. Anderson Hospital - Houston and clarifies the University's ownership of the entire 2,350 acres and its 22.5 percent mineral interest. The 1986 tax assessed value of this property is \$500 per acre which equals a total book value on the 2,350 acres of \$1,175,000.

#### BACKGROUND INFORMATION

At its April 1982 meeting, the U. T. Board of Regents accepted a gift of an undivided 11.25 percent interest in the surface of approximately 10,200 acres of land located in Cameron County, Texas, from Mrs. Virginia Jones Mullin, Tucson, Arizona, for the benefit of the U. T. M.D. Anderson Hospital - Houston. This property was subsequently partitioned in June 1982 and U. T. M.D. Anderson Hospital - Houston received ownership in the surface rights of approximately 1,600 acres. The mineral rights for the original gift were reserved by Mrs. Mullin.

37. U. T. Cancer Center: Recommendation to Accept Gift and Transfer of Funds to Establish the John S. Dunn, Sr., Chair in Diagnostic Imaging and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--

RECOMMENDATION

The Office of the Chancellor concurs with President LeMaistre's recommendation to accept a \$500,000 gift from the John S. Dunn Research Foundation, Houston, Texas, and a \$500,000 transfer from the Anderson Clinical Professorships Account for a total endowment of \$1,000,000 to establish the John S. Dunn, Sr., Chair in Diagnostic Imaging at the U. T. Cancer Center.

It is further recommended that the actual income earned on the \$500,000 gift be certified to the appropriate State authorities for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code, when matching funds are made available under that act.

BACKGROUND INFORMATION

Mr. Dunn was associated with the U. T. Cancer Center for many years and was a member of The University Cancer Foundation Board of Visitors and served as President. He provided funds for the Freeman-Dunn Sanctuary and has provided considerable support to research programs at the U. T. Cancer Center.

See related Item 11 set out on Page HAC - 10.

38. U. T. Cancer Center - Amanda Marie Whittle Professorship in Tumor Virology: Recommendation to Accept Additional Gift and Transfer of Funds and to Redesignate as the Paul and Mary Haas Chair in Honor of Amanda Marie Whittle and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--

RECOMMENDATION

The Office of the Chancellor concurs with President LaMaistre's recommendation to accept an additional gift of \$135,000 from the Paul and Mary Haas Foundation, Corpus Christi, Texas, and a transfer of \$149,862.22 from Anderson Clinical Professorships Fund, plus \$134,519.09 in interim earnings, for addition to the Amanda Marie Whittle Professorship in Tumor Virology at the U. T. Cancer Center for a total endowment of \$800,000. It is also recommended that the Professorship be redesignated as the Paul and Mary Haas Chair in Honor of Amanda Marie Whittle.

It is further recommended that the actual income earned on the \$135,000 gift be certified to the appropriate State authorities for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code, when matching funds are made available under that act.

### BACKGROUND INFORMATION

The Amanda Marie Whittle Professorship in Tumor Virology was established at the April 1981 meeting of the U. T. Board of Regents with a \$250,000 gift from the Paul and Mary Haas Foundation of Corpus Christi, Texas, in memory of the Haas' granddaughter who died as a result of cancer. Mr. Haas has been a member of The University Cancer Foundation Board of Visitors of the U. T. Cancer Center.

39. U. T. Cancer Center: Recommendation to Accept Gift of Securities to Establish the Julie and Ben Rogers Award for Excellence.--

### RECOMMENDATION

The Office of the Chancellor concurs with President LeMaistre's recommendation to accept a \$150,000 Certificate of Deposit bearing 6.45% simple interest payable quarterly, issued by the Parkdale Bank of Beaumont, Texas, maturing on April 25, 1987, from Mr. and Mrs. Ben Rogers and their daughter Regina Rogers, all of Beaumont, Texas, to establish the Julie and Ben Rogers Award for Excellence at the U. T. Cancer Center.

Income earned from the endowment will be used to annually award \$10,000 in cash and a Certificate of Merit to recognize employees of the U. T. Cancer Center who have demonstrated excellence in the area of patient care, education, cancer research, prevention or administration. The award will rotate among the five areas and will be presented at The University Cancer Foundation Board of Visitors Annual Dinner. The recipient will be selected by a committee of the institutional vice presidents.

### BACKGROUND INFORMATION

Mr. Ben Rogers, a member of The University Cancer Foundation Board of Visitors for many years, has contributed greatly to the U. T. Cancer Center. Ms. Regina Rogers is requesting this endowment be established in honor of her parents.

40. U. T. Cancer Center: Recommendation to Accept Transfer of Funds to Establish the Anise J. Sorrell Professorship.--

### RECOMMENDATION

The Office of the Chancellor concurs with President LeMaistre's recommendation to accept a \$200,000 transfer of current restricted funds to establish the Anise J. Sorrell Professorship at the U. T. Cancer Center.

## BACKGROUND INFORMATION

At the June 1986 meeting, the U. T. Board of Regents accepted a report of a sale of 425 acres of land in Montgomery County, Alabama, from the Estate of Anise J. Sorrell, Pike County, Alabama, with net proceeds of \$192,520.97. Funds provided from the sale, plus earnings, bring the current balance in the designated account to \$200,632.50.

See related Item 13 set out on Page HAC - 11.

### B. Real Estate Matters

1. U. T. Austin: Gift of Real Estate from Mrs. Charlotte M. Brown, Ladue, Missouri, and Mr. Paul H. Myer, Chesterfield, Missouri - Request for Authorization to Sell Real Property Being the West 60 Feet of Lot 1, Block D, Westmoreland Estates #2, City of Dallas, Dallas County, Texas, to the City of Dallas, and Authorization for the Executive Vice Chancellor for Asset Management to Execute Documents.--

## RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Cunningham for authorization for the Office of Asset Management to sell the property being the West 60 feet of Lot 1, Block D, Westmoreland Estates #2, City of Dallas, Dallas County, Texas (Gift of Real Estate from Mrs. Charlotte M. Brown, Ladue, Missouri, and Mr. Paul H. Myer, Chesterfield, Missouri - The University of Texas at Austin), to the City of Dallas, for \$2,700 with closing costs to be paid by the buyer. The market value of the property is 43 cents per square foot or \$2,148. The 4,995 square foot lot is adjacent to a newly designated aircraft approach zone at Redbird Airport and if the property is not considered for sale, it may be subject to condemnation proceedings.

It is further requested that the Executive Vice Chancellor for Asset Management be authorized to execute all documents required for the transaction. Proceeds from the sale of the lot are to be for the unrestricted use of The University of Texas at Austin.

## BACKGROUND INFORMATION

The property was a gift of Mrs. Charlotte M. Brown, Ladue, Missouri, and Mr. Paul H. Myer, Chesterfield, Missouri, and was accepted by the U. T. Board of Regents at its February 1984 meeting.

2. U. T. Austin: E. W. and Helen Franke Fund - Recommendation to Grant an Oil and Gas Lease Covering an Undivided 50 Percent Interest in 640 Mineral Acres, Being All of Section 12, G. C. Gifford Survey, H&TCRR Company Survey, A-662, Wharton County, Texas, to Ladd Petroleum Corporation, Houston, Texas.--

#### RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Cunningham to grant an oil and gas lease covering an undivided 50 percent interest in 640 mineral acres, being all of Section 12, G. C. Gifford Survey, H&TCRR Company Survey, A-662, Wharton County, Texas, to Ladd Petroleum Corporation, Houston, Texas. This mineral interest is held in trust for The University of Texas at Austin - E. W. and Helen Franke Fund. The terms of the lease provide for a \$50 per acre bonus, a 1/5 royalty, and \$10 per acre rental and a three-year term. The total bonus for the lease is \$16,000.

#### BACKGROUND INFORMATION

Ladd Petroleum Corporation was granted a lease by the U. T. Board of Regents at its August 1983 meeting. This is a renewal of that lease which expires on August 22, 1986. This mineral interest was accepted by the U. T. Board of Regents on July 9, 1966, from Mr. E. W. Franke, Corpus Christi, Texas, and Ms. Helen Franke, San Antonio, Texas.

3. U. T. Austin: W. C. Hogg Fund - Recommendation to Grant Four Oil and Gas Leases Covering an Undivided 3/16 Interest in 189.498375 Net Mineral Acres Out of 1010.658 Acres Out of 3-1/6 Leagues Grant, A-2, Wharton County, Texas, to Hagen-Greenbriar Exploration Corp., Houston, Texas.--

#### RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Cunningham to grant four oil and gas leases covering an undivided 3/16 interest in 189.498375 acres out of 1010.658 acres out of 3-1/6 Leagues Grant, A-2, Wharton County, Texas, to Hagen-Greenbriar Exploration Corp., Houston, Texas. This mineral interest is held in trust for the W. C. Hogg Memorial Fund - The University of Texas at Austin. The terms of the leases provide for a \$50 per acre bonus, a \$25 per acre rental, a two-year term, a 22.5 percent royalty and a 180 day continuous development provision. Gas pooling of 320 acres is included in each lease. The total bonus for the lease is \$9,474.96.

#### BACKGROUND INFORMATION

Hagen-Greenbriar previously leased 167.45 net mineral acres. The additional 22.05 net mineral acres are being leased for the first time.

4. U. T. El Paso: Estate of Josephine Clardy Fox - Recommendation to Lease the Land and Improvements at 5020-5036 Paisano, El Paso, Texas, to Calvary Chapel of El Paso, Inc., El Paso, Texas.--

#### RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Monroe to approve a lease covering the land and improvements at 5020-5036 Paisano, El Paso, Texas (Estate of Josephine Clardy Fox - The University of Texas at El Paso), to Calvary Chapel of El Paso, Inc., El Paso, Texas. Terms of the lease provide for a rental of \$900 per month for a one-year term and the tenant will pay all insurance. Taxes will be paid from the rents collected.

#### BACKGROUND INFORMATION

This property has been vacant since December 1985, when the American Automobile Association declined to renew its lease. This property is held in trust for the Josephine Clardy Fox Fund at The University of Texas at El Paso. Proceeds from the fund are to be used for general support of the institution at the discretion of the President.

5. U. T. El Paso: Estate of Josephine Clardy Fox - Recommendation to Renew Lease Covering the Land and Improvements at 5040 Paisano, El Paso, Texas, to the Circle K Corporation, Phoenix, Arizona.--

#### RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Monroe to approve a lease covering the land and improvements at 5040 Paisano, El Paso, Texas (Estate of Josephine Clardy Fox - The University of Texas at El Paso), to the Circle K Corporation, Phoenix, Arizona. The terms of the lease provide for a one-year term effective July 8, 1986, at a rental of \$700 per month plus two percent of gross sales in excess of \$420,000 per year. The lessee is responsible for payment of all taxes and insurance on the property.

## BACKGROUND INFORMATION

Circle K Corporation has leased this property since 1973. This property is held in trust for the Josephine Clardy Fox Fund at The University of Texas at El Paso. Proceeds from the fund are used for general support of the institution at the discretion of the President.

6. U. T. Cancer Center: Recommendation to Accept a Partnership Interest in Pfeiffer Road-Hwy 87 Partnership, Kendall County, Texas, from Mr. and Mrs. Philip M. Timmins, Boerne, Texas, and to Authorize the Office of Asset Management to Negotiate a Fair Market Value Sale and Execute All Appropriate Documents.--

## RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President LeMaistre to accept an undivided five percent interest of an undivided fifty percent interest in Pfeiffer Road-Hwy 87 Partnership owning seven lots of Townsend Crossing in Kendall County, Texas, from Mr. and Mrs. Philip M. Timmins, Boerne, Texas. These lots have been independently appraised at \$1,463,000 with the donative interest having a value of \$36,575.

It is further requested that the Office of Asset Management be authorized to negotiate for the sale of the interest at fair market value and that the Executive Vice Chancellor for Asset Management be authorized to execute all documents pertaining to the transaction.

## BACKGROUND INFORMATION

At its April 1986 meeting, the U. T. Board of Regents accepted a similar gift of interest in another partnership from Mr. and Mrs. Timmins. The proceeds from the sale of the lots owned by both partnerships will be used to establish a professorship to be used solely for research in children's leukemia in the name of their daughter, Shannon Timmins.

### III. OTHER MATTERS

1. U. T. System: Recommendation to (a) Adopt Medical Malpractice Self-Insurance Fund Investment Policy Statement, and (b) Amend Regents' Rules and Regulations, Part Two, Chapter IX, Section 3, Subsection 3.1.--

#### RECOMMENDATION

The Office of the Chancellor recommends the following actions with regard to investment matters:

- a. Adoption of the following policy statement with regard to management and investment of the Medical Malpractice Self-Insurance Fund:

#### MEDICAL MALPRACTICE SELF-INSURANCE FUND INVESTMENT POLICY STATEMENT

##### FUND CHARACTERISTICS

The University of Texas System Professional Medical Malpractice Self-Insurance Plan, authorized by Chapter 59 of the Texas Education Code, went into effect on April 1, 1977, to provide malpractice insurance coverage for staff physicians, medical students, residents, and fellows at the U. T. System health components. The Self-Insurance Plan's assets, excluding the assets held in an operating account, constitute the "Medical Malpractice Self-Insurance Fund." Internal growth of the Fund may occur through capital appreciation and retention of income in excess of settlement payments.

##### RESPONSIBILITY AND MANAGEMENT OF THE FUND

Fiduciary responsibility for the Plan and the Fund rests with the Board of Regents of The University of Texas System. Pursuant to the Board of Regents Order of April 15, 1977, and the Regents' Rules and Regulations, the Office of General Counsel administers the Plan. As administrator of the Plan, the Office of General Counsel has the responsibility for interpretation and implementation of the Plan; investigation of all medical malpractice claims; decisions regarding the trial or settlement of claims; retention of outside defense counsel for malpractice litigation; selection of insurance actuaries and consultants to review and make recommendations regarding premium changes, reserve procedures, and loss experiences; coordinating and participating in all risk management programs at health components; and performing such other functions as are appropriate for administration of the Plan. The Office of Finance and Administration has responsibility for the accounting for the Plan, the Plan's operating account monies, and the cash receipts and disbursements of the Plan.

The Office of the Executive Vice Chancellor for Asset Management administers the investment of the Self-Insurance Fund. Specific investment decisions are handled by the investment staff of the Asset Management Office as well as unaffiliated investment managers, who are employed from time to time. The Board retains an Investment Advisory Committee to provide counsel concerning portfolio and economic issues affecting the Fund.

## CONFLICT OF INTEREST

Members of the Board and the Investment Advisory Committee are frequently persons of wide-ranging business interests. Therefore, a prudent, independent investment decision process may result in investments in firms or organizations with which a member of the Board or the Investment Advisory Committee is affiliated. Affiliation shall be interpreted within this section to mean an employee, officer, director, or owner of five percent or more of the voting stock of a firm or organization. The investment staff or an unaffiliated investment manager may invest in such securities. However, the following restrictions shall apply:

- ° A member of the Board or the Investment Advisory Committee shall not direct nor participate in the decision to purchase or sell securities of a firm with which such member is affiliated.
- ° Investments will not be purchased from or sold to a member of the Board or the Investment Advisory Committee.
- ° All members of The University of Texas System investment and administrative staff must report any affiliation with another firm or organization to the Regents' Land and Investment Committee. On an annual basis the staff will report the nature and extent of any investments in or business transacted with such firms.

## INVESTMENT OBJECTIVES

The primary investment objective is to appreciate the total value of the Fund, over time, through capital appreciation and income generation. Management of the Fund attempts to meet this objective by maximizing the return on the Fund's investments, consistent with an appropriate level of risk and subject to maintaining adequate cash equivalent-short term investments to meet potential near-term settlement payments. Additionally, the Fund shall be diversified at all times to provide reasonable assurance that investment in a single security, a class of securities, or industry will not have an excessive impact on the Fund.

## ASSET MIX

Asset mix is the primary determinant of Fund performance, and is the responsibility of the Regents' Land and Investment Committee. Asset mix may be changed from time to time based on the economic and security market outlook.

In establishing asset mix, recognition of the role of short term investments must be considered. Cash equivalent-short term investments provide current income, but their principal purposes are to store purchasing power to fund longer term investments and to store the ability to meet potential near-term settlement payments. In order to insure that the Fund is able to meet settlement payments without suffering principal exposure, the following levels of short term investments will be maintained:

- ° A minimum of 2 times the difference between the maximum and the minimum amount to be maintained in the operating account will be held in cash equivalent-short term investments.
- ° A minimum of .50 times the total of the reserves for legal expenses plus the reserves for claim liabilities will be held in investments with a maturity of six months or less.

Other investments will be held based on their potential risk-adjusted total return.

#### PERFORMANCE GOALS

To accomplish the investment objectives for the Fund and recognizing the critical role of asset mix, specific performance goals exist for the total Fund as well as separate categories of assets. Achievement of these goals is most appropriately determined over a full market cycle time period ... generally four to five years.

Specific performance goals for the Fund are:

- ° Common Stocks - Performance equal to or greater than the Standard & Poor's 500 Index.
- ° Bonds - Performance equal to or greater than the Shearson Lehman Government/Corporate Bond Index or other appropriate bond index.
- ° Total Fund Return - Performance equal to or greater than that of other comparable funds.

Active trading of bonds is necessary to prevent deterioration of portfolio market value and may result in the realization of book losses from time to time.

#### PERFORMANCE MEASUREMENT

The investment performance of the Fund will be measured by an unaffiliated organization with recognized expertise in this field, and compared against the stated investment objectives of the Fund. Such measurement will occur at least annually, and will contain data on the results of the total Fund, major classes of investment assets, and individual management organizations.

#### INVESTMENT GUIDELINES

The Fund must be invested at all times in strict compliance with the Texas Trust Code (Subtitle B, Title 9, Texas Property Code) and other applicable law. The primary and constant standard for making investment decisions is the "Prudent Person Rule."

Investment restrictions include the following:

- ° All investments must be U. S. dollar denominated unless held by an investment manager retained to manage an international portfolio.
- ° No investments may be made in securities of the South African government, government agencies, or firms.
- ° Commercial paper must be rated in the two highest quality classes by Moody's Investors Service, Inc. (P1 or P2), or Standard & Poor's Corporation (A1 or A2).
- ° Negotiable certificates of deposit must be with a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.
- ° Bankers' Acceptances must be guaranteed by an accepting bank with a minimum certificate of deposit rating of 1 by Duff & Phelps.

- Repurchase Agreements and Reverse Repurchase Agreements must be with a domestic dealer selected by the Federal Reserve as a primary dealer in U. S. Treasury securities; or a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.
- Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by the Executive Director for Investments and Trusts and the Executive Vice Chancellor for Asset Management prior to investment of Fund monies in such liquid investment fund. No requirement exists that such funds conform to the above restrictions on money market instruments.
- Corporate bonds and preferred stocks must be rated a minimum of Baa3 by Moody's Investors Service, Inc., or BBB- by Standard & Poor's Corporation, respectively, when purchased. Bonds rated below A3 and A- shall not constitute an excessive portion of the total bond portfolio. Unrated bonds or preferred stocks may be purchased prior to review by the Land and Investment Committee if, in the opinion of the System's investment staff, they are at least equal in quality to publicly offered securities eligible for purchase. The cost of unrated bonds and preferred stocks which have not been reviewed by the Land and Investment Committee may not exceed 1% of the book value of the Fund.
- No more than five percent of the voting securities of a corporation may be owned.
- No securities may be purchased or held which would jeopardize the Fund's tax exempt status.
- No securities may be purchased on margin or leverage.
- No transactions in short sales will be made.
- Transactions in financial futures and options (other than those received as part of an investment unit) may only occur as part of a hedging program authorized by the Land and Investment Committee.
- Unaffiliated investment managers transacting solely within their assigned assets:
  - shall hold no more than 25% of their managed portfolio in any one industry at cost unless the manager was retained to concentrate in an industry or industries.
  - shall hold no more than 10% of their managed portfolio in the securities of one corporation at cost.
  - shall not hold investment in real estate, partnerships, and other such illiquid assets unless retained to manage this type of asset and shall hold no more than 10% of their managed portfolio in any other asset category different than the type they were retained to manage. Short-term liquid investments are excluded from this limitation. Convertible securities are considered to be equity equivalents for purposes of this restriction.
  - shall hold no securities traded only in foreign markets unless they were retained to manage an international portfolio.

#### INVESTMENT MANAGEMENT FIRMS

Unaffiliated investment managers may be hired from time to time to provide the Fund with increased diversity through their unique style and approach to investing. Their purpose is to improve the Fund's return and to alter its volatility. Other than as limited by this Policy, investment managers

shall have complete investment discretion. In addition to performance, investment managers shall be monitored for adherence to their investment style, and shall be available as reasonably requested for open communication with the Board of Regents and The University of Texas System's investment and administrative staff.

#### FUND ADMINISTRATION

Administration of the Fund is recognized as vital to Fund stability and fulfillment of objectives. Areas of emphasis shall include record keeping, internal controls, protection of assets, cash management and processing efficiency.

Transaction and accounting records shall be complete and prepared on a timely basis with consideration at all times to the adequacy of an audit trail.

Internal controls will assure responsible separation of duties and diminish the real and prospective burden on individual employees.

Custody of the Fund's assets shall be in compliance with applicable law and arranged to provide as much security, trading speed and flexibility as possible. Adequate insurance levels will be maintained by any custodian or transportation agent employed by the Fund.

The daily cash position will be monitored to insure that non-interest bearing cash is minimized. The collection time of all dividend and interest payments will be accelerated to the extent possible.

Operational efficiency is imperative, and computer capabilities shall be extensively used to reduce manual processing and duplication of activities.

System investment and administrative staff will conduct business for the Fund with organizations which, after review, are believed to exercise professional integrity and have financial substance judged adequate in light of the size and nature of the business involved. Normal business entertainment of the staff is recognized as a customary medium for conducting this type of business. Acceptance of material gifts from unaffiliated vendors is prohibited.

Additionally, transactions to purchase or sell securities shall be entered into on the basis of "best execution," which normally means best realized net price for the security. Commissions may be paid for investment services rendered to the Fund including securities research.

#### INVESTOR RESPONSIBILITY

The Fund provides financial support to activities related to higher education institutions which have a special and unique role in society. It follows that, subject to the "Prudent Person Rule," investment of the Fund must be sensitive to major issues affecting its constituency including the State of Texas and supporters of higher education.

As a significant shareholder, the Fund has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the Fund.

The primary basis for all investment decisions is the "Prudent Person Rule" (see Investment Guidelines). The Fund shall not be invested to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

b. Amendment of the Regents' Rules and Regulations, Part Two, Chapter IX, Section 3, Subsection 3.1 as follows:

Sec. 3. Policy for Investment and Management of Trust and Special Funds.

3.1 [~~Investments-Authorized-for-Purchase---~~]Unless otherwise limited by the terms of the instrument by which the fund was created, trust and special funds under the control of the Board shall be invested and reinvested in such securities and investments as are permitted by the Texas Trust Code (Subtitle B, Title 9, Texas Property Code) as legal investments for funds held by trustees. The policies for the investment of funds for the Professional Medical Malpractice Self-Insurance Plan shall be those outlined in the Medical Malpractice Self-Insurance Fund Investment Policy Statement.

#### BACKGROUND INFORMATION

The transfer of the financial operations of The University of Texas System Professional Medical Malpractice Self-Insurance Plan to the Office of the Executive Vice Chancellor for Asset Management and Office of Finance and Administration was approved at the October 1985 U. T. Board of Regents meeting.

The Executive Vice Chancellor for Asset Management has held discussions with members of the Investment Advisory Committee to develop an Investment Policy Statement for the Medical Malpractice Self-Insurance Fund as shown above. The investment policy statement for the Medical Malpractice Fund is similar to the policy statement recommended on Common Trust Fund investments except that the additional liquidity needs of the Medical Malpractice Fund are reflected in the proposed Policy Statement. The proposed amendment to the Regents' Rules and Regulations recognizes the adoption of this policy statement.

# Executive Session of the Board

BOARD OF REGENTS  
EXECUTIVE SESSION  
Pursuant to Vernon's Texas Civil Statutes  
Article 6252-17, Sections 2(e), (f) and (g)

Date: August 14, 1986

Time: Following the meeting of the Land and Investment Committee and consideration of those matters set forth on Pages B of R 3 - 4 at G., H., I., and J.

Place: Regents' Conference Room, Ninth Floor  
Ashbel Smith Hall

1. Pending and/or Contemplated Litigation - Section 2(e)
  - a) U. T. Board of Regents: Consideration of matters related to collection of royalties on Permanent University Fund Oil and Gas Leases
  - b) U. T. Medical Branch - Galveston: Proposed Settlement of Medical Malpractice Litigation
  
2. Land Acquisition, Purchase, Exchange, Lease or Value of Real Property and Negotiated Contracts for Prospective Gifts or Donations - Section 2(f)

U. T. System: Consideration of negotia-  
tive sale of certain real estate in Travis  
County, Texas
  
3. Personnel Matters [Section 2(g)] Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees

U. T. Health Science Center - Dallas: Con-  
sideration of Recommendation from a Special  
Hearing Tribunal for Termination of Employ-  
ment for Good Cause of Non-tenured Faculty  
Member During Term of Appointment