FRIDAY, JANUARY 5, 1996.--The members of the Board of Regents of The University of Texas System convened via telephone conference call at 10:05 a.m. on Friday, January 5, 1996, on the ninth floor of Ashbel Smith Hall at 201 West Seventh Street in Austin, Texas, with the following in attendance:

ATTENDANCE.--

<table>
<thead>
<tr>
<th>Present</th>
<th>Absent</th>
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<tr>
<td>Chairman Rapoport, presiding</td>
<td>*Vice-Chairman Hicks</td>
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<td>Vice-Chairman Smiley</td>
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<td>Regent Deily</td>
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<td>Regent Evans</td>
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<td>Regent Holmes</td>
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<td>Regent Lebermann</td>
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<td>Regent Loeffler</td>
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<td>Regent Temple</td>
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<td>Executive Secretary Dilly</td>
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<td>Chancellor Cunningham</td>
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<td>Executive Vice Chancellor Burck</td>
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<td>Executive Vice Chancellor Mullins</td>
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In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Chairman Rapoport called the meeting to order. He announced that the sole purpose of this special meeting was to consider the three items which had been previously distributed to the Board.

1. U. T. Board of Regents: Adoption of Resolution Approving and Authorizing the Issuance of Board of Regents of The University of Texas System Permanent University Fund Refunding Bonds, Series 1996, in an Amount Not to Exceed $280,000,000, and Approval of the Official Statement; Authorization for Sale of the Bonds to J.P. Morgan Securities, Inc., New York, New York, and Morgan Stanley & Co., Incorporated, New York, New York; Appointment of Vinson & Elkins, L.L.P., Austin, Texas, as Bond Counsel; Texas Commerce Bank, N.A., Austin, Texas, as Escrow Agent; Texas Treasury Safekeeping Trust Company, Austin, Texas, as Paying Agent; and KPMG Peat Marwick, L.L.P., Houston, Texas, as Escrow Verification Agent; and Authorization for Officers of U. T. System to Complete All Transactions.--Following opening remarks by Executive Vice Chancellor for Business Affairs Burck and upon motion of Regent Evans, seconded by Regent Lebermann, the Board:

   a. Adopted the Resolution and approved the Official Statement (in the form on file in the Office of the Board of Regents) to authorize the issuance of Board of Regents

*Vice-Chairman Hicks was excused because of a previous commitment.
of The University of Texas System Permanent University Fund Refunding Bonds, Series 1996, in an aggregate principal amount not to exceed $280,000,000, with a final maturity not to exceed 2013 to be used to pay issuance cost and refund up to $246,185,000 of The University of Texas System Permanent University Fund Bonds, Series 1988, 1991, and Refunding Bonds 1992B, with a net present value savings to the U. T. System of at least 4.5% of the refunded bonds.


c. Appointed Vinson & Elkins, L.L.P., Austin, Texas, as Bond Counsel.

d. Appointed Texas Commerce Bank, N.A., Austin, Texas, as Escrow Agent.

e. Appointed the Texas Treasury Safekeeping Trust Company, Austin, Texas, as Paying Agent.

f. Appointed KPMG Peat Marwick, L.L.P., Houston, Texas, as Escrow Verification Agent.

g. Authorized appropriate officers and employees of the U. T. System as set forth in the related documents to take any and all actions necessary to carry out the intentions of the U. T. Board of Regents to complete the transactions as provided in the Resolution.

The Permanent University Fund ("PUF") Bonds, Series 1988, were issued in April 1988 in the aggregate amount of $100,000,000 with a final maturity of 2001. The outstanding bonds, $50,000,000, carry coupon rates of 6.00% - 7.00%. The bonds are callable July 1, 1998, at par. The PUF Bonds, Series 1991, were issued April 1991 in the aggregate amount of $254,230,000 with a final maturity of 2011. The outstanding bonds, $224,930,000, carry coupon rates of 5.90% - 9.50%. The bonds are callable July 1, 2001, at a price of 102%; July 1, 2002, at 101%; and July 1, 2003, at par. The PUF Refunding Bonds, Series 1992B, were issued in April 1992 in the aggregate amount of $80,000,000 with a final maturity of 2013. The outstanding bonds, $75,370,000, carry coupon rates of 5.10% - 6.25%. The bonds are callable July 1, 2002, at par. With interest rates at current levels, refunding bonds could be issued for selected maturities to create annual debt service savings of up to $800,000 and to produce a net present value savings in excess of 4.5% of the refunded bonds. A minimum percentage of 4.5% is considered appropriate based on industry standards. Under present U. S. Treasury Tax Rules, bonds may be refunded once prior to their call date, normally ten years from issuance.
2. U. T. Board of Regents: Adoption of Fourth Supplemental Resolution Approving and Authorizing the Issuance of Board of Regents of The University of Texas System Revenue Financing System Bonds, Series 1996 A & B, in an Aggregate Amount Not to Exceed $350,000,000, and Approval of the Official Statement; Authorization for Sale of the Bonds to Lehman Brothers, New York, New York; Appointment of McCall, Parkhurst & Horton, L.L.P., Dallas, Texas, as Bond Counsel; Wickliff & Hall, P.C., Austin, Texas, as Special Counsel to the Board; Fulbright & Jaworski, L.L.P., Austin, Texas, as Disclosure Counsel; Texas Commerce Bank, N.A., Austin, Texas, as Escrow Agent; Texas Commerce Bank, N.A., Austin, Texas, as Paying Agent; and KPMG Peat Marwick, L.L.P., Houston, Texas, as Escrow Verification Agent; Authorization for Officers of U. T. System to Complete All Transactions; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Finding of Fact with Regard to Financial Capacity.--The Board, upon motion of Regent Lebermann, seconded by Regent Evans:

a. Adopted the Fourth Supplemental Resolution and approved the Official Statement (in the form on file in the Office of the Board of Regents) to authorize the issuance of Board of Regents of The University of Texas System Revenue Financing System Bonds, Series 1996 A & B, in an aggregate principal amount not to exceed $350,000,000, with a final maturity not to exceed 2017 to be used to refund Revenue Financing System Commercial Paper, Series A, to provide new money to fund construction and acquisition cost of projects in the Capital Improvement Plan, to advance refund a maximum of $62,065,000 of the Board of Regents of The University of Texas System Revenue Financing System Bonds, Series 1991 A & B, and to pay issuance cost. The refunding portion of the bond issue may be sold if the net present value savings to the U. T. System of at least 3.5% of the refunded bonds are realized.

b. Authorized the sale of the Revenue Financing System Bonds, Series 1996 A & B, to Lehman Brothers, New York, New York, and other underwriters to be named by an Authorized Representative

c. Appointed McCall, Parkhurst & Horton, L.L.P., Dallas, Texas, as Bond Counsel; Wickliff & Hall, P.C., Austin, Texas, as Special Counsel to the Board; and Fulbright & Jaworski, L.L.P., Austin, Texas, as Disclosure Counsel

d. Appointed Texas Commerce Bank, N.A., Austin, Texas, as Escrow Agent

e. Appointed Texas Commerce Bank, N.A., Austin, Texas, as Paying Agent
f. Appointed KPMG Peat Marwick, L.L.P., Houston, Texas, as Escrow Verification Agent

g. Authorized appropriate officers and employees of the U. T. System as set forth in the related documents to take any and all actions necessary to carry out the intentions of the U. T. Board of Regents to complete the transactions as provided in the Resolution.

In compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993, and upon delivery of the Certificate of an Authorized Representative as set out on Page 6, the Board resolved that:

a. Parity Debt shall be issued to pay the project's cost including any project costs paid prior to the issuance of such Parity Debt

b. Sufficient funds will be available to meet the financial obligations of the U. T. System including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System

c. The "members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their Direct Obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt

d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

At the May 1995 meeting, the U. T. Board of Regents adopted the Third Supplemental Resolution authorizing the issuance of the Series 1995A Revenue Financing System Bonds and additional bonds to be issued later in the fiscal year. The authorization to issue the additional bonds under the Third Supplemental Resolution is repealed by the Fourth Supplemental Resolution. The Fourth Supplemental Resolution allows the U. T. System to combine several financings and to provide tax-exempt financing for building acquisitions that contain limited private use.

Proceeds from the Revenue Financing System Bonds, Series 1996A, will be used to fund construction cost of $74,283,000 for projects authorized by Section 55.1714 of the Texas Education Code. These projects are part of the South Texas/Border Initiative.
A portion of the proceeds, $106,855,000, of the Revenue Financing System Bonds, Series 1996B, will be used to refund Revenue Financing System Commercial Paper, Series A Notes. The Notes are used to provide interim financing during the construction of auxiliary projects. This method of financing allows the component institutions to pay short-term rates and does not require any amortization of the debt during the construction phase. Once the project construction is completed, the commercial paper debt is converted to fixed rate debt and amortization begins. In addition, proceeds in the amount of $88,000,000 will be used to acquire the Doctors Center for The University of Texas Health Science Center at Houston for a maximum of $48,000,000 (see Item 3), $32,500,000 will be used to fund construction of the Bertner Complex at The University of Texas M.D. Anderson Cancer Center, and to acquire buildings and land at The University of Texas Southwestern Medical Center at Dallas for a maximum of $7,500,000.

The remaining proceeds would be used to pay issuance cost, provide for an original issue discount, and to advance refund the Revenue Financing System Bonds, Series 1991 A & B, maturing in the years 2002 - 2013 in the aggregate amount of $62,065,000. These bonds were issued in March 1991 in the aggregate amounts of $187,535,000 for the Series 1991A Bonds and $91,045,000 for the Series 1991B Bonds. The outstanding bonds carry coupon rates of 6.00% - 6.75%. The bonds are callable August 15, 2001, at a price of 102% of par. With interest rates at current levels, refunding bonds could be issued for such maturities to create annual debt service savings of up to $260,000 per year. In addition, current rates would produce a net present value savings in excess of 4.5% of the refunded bonds, which normally is the minimum goal, however a ratio of 3.5% was requested as a minimum based on the need to provide flexibility in the financing plan. In the aggregate, the bond sale will enhance the ability of the U. T. System to finance all the projects, including the Doctors Center which has some private use. Under present U. S. Treasury Tax Rules, bonds may only be advance refunded once prior to their call date, normally ten years.
PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the Board on February 14, 1991 and amended on October 8, 1993 (the Master Resolution), do hereby execute this certificate for the benefit of the Board of Regents pursuant to Section 5 (a) (ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" pursuant to the Master Resolution to finance the cost of construction of eligible projects, and do certify that to the best of my knowledge the Board of Regents is in compliance with all covenants contained in the Master Resolution, First Supplemental Resolution Establishing an Interim Financing Program, the Second Supplemental Resolution, and the Third Supplemental Resolution and is not in default of any of the terms, provisions and conditions in said Master Resolution, First Supplemental Resolution, Second Supplemental Resolution, and the Third Supplemental Resolution as amended.

EXECUTED this 5th day of January, 1996

[Signature]
Assistant Vice Chancellor for Finance
3. **U. T. Health Science Center - Houston**: Authorization to Purchase Approximately 2.043 Acres of Land and Improvements Located at 7000 Fannin Street (Doctors Center), Houston, Harris County, Texas; Authorization to Submit the Purchase to the Coordinating Board; Authorization to Sell the Operations Center Building and Associated Land of Approximately 16.78 Acres; Authorization for Executive Vice Chancellor for Business Affairs to Execute Documents; and Approval for Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Finding of Fact with Regard to Financial Capacity. --Executive Vice Chancellor for Business Affairs Burck reported that in August 1995 and November 1995 the Board was informed that negotiations were in progress to purchase the Doctors Center located in the Texas Medical Center at the corner of Fannin Street and Galen Street in Houston, Texas, for the benefit of The University of Texas Health Science Center at Houston. The property contains approximately 2.043 acres of land, a 26-story office building with approximately 342,000 gross square feet of space, and a five-story parking garage of approximately 385,000 square feet with space for 1,000 cars. The U. T. Health Science Center - Houston is currently leasing approximately 183,700 rentable square feet in the building at an annual lease cost of $4,800,000 per year. With the eventual sale of the Operations Center Building and associated acreage, the U. T. Health Science Center - Houston desires to consolidate as much as possible the academic and administrative functions into the Doctors Center, an objective which may require three to five years to complete. Proceeds from the sale of the Operations Center Building will be applied toward a reduction in the debt financing of the Doctors Center.

Following a detailed discussion and upon motion of Regent Temple, seconded by Regent Lebermann, the Board:

a. Authorized the U. T. Health Science Center - Houston to purchase all of Reserve "A" of Doctors Center, Section One (1), approximately 2.043 acres of land and improvements located at 7000 Fannin Street in Houston, Harris County, Texas, for $48,000,000 plus related closing costs

b. Authorized the U. T. Health Science Center - Houston to submit the transaction to the Texas Higher Education Coordinating Board for approval

c. Authorized the U. T. Health Science Center - Houston to sell the Operations Center Building and associated land of approximately 16.78 acres at fair market value as supported by an independent MAI appraisal

d. Authorized the Executive Vice Chancellor for Business Affairs, or his designee, to execute all documents pertaining to the transactions following approval by the Office of General Counsel.
In compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993, and upon delivery of the Certificate of an Authorized Representative as set out on Page 9, the Board resolved that:

a. Parity Debt shall be issued to pay the project's cost including any project costs paid prior to the issuance of such Parity Debt

b. Sufficient funds will be available to meet the financial obligations of the U. T. System including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System

c. U. T. Health Science Center - Houston, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its Direct Obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the amount of $48,000,000

d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

This acquisition is included in the FY 1996-2001 Capital Improvement Plan and the FY 1996 Capital Budget with funding in the amount of up to $50,000,000 from Revenue Financing System Bond Proceeds. However, due to the lower negotiated contract price, financing with bond proceeds will total $48,000,000.

The debt is to be repaid from current fund revenues presently used for payment of annual lease payments totaling $4,800,000 by the U. T. Health Science Center - Houston and lease receipts from other tenants in the building. The forecast assumes a $26 per square foot rate for the U. T. Health Science Center - Houston to be allocated to the various departments occupying space in the building with annual inflation adjustments of 3% through 2000. Additionally, other lease space income is forecasted at existing lease terms with future annual inflation adjustments upon renewal of 3% through 2000. Operating expenses for the facility are based on historical levels and adjusted annually for inflationary growth. The acquisition will be financed with long-term bonds with an expected 6% interest rate, resulting in forecasted annual debt service requirements of $4,184,859.

Net receipts after operating expenses are forecasted to range from $5 - $6 million annually, resulting in debt service coverage ratios between 1.20 times to 1.45 times.
coverage. The analysis reflects a slight decline in lease receipts and debt service coverage during FY 2000, due to expiring lease terms of other tenants whose space will be vacated, but overall the forecast reflects sufficient debt service coverage levels. Plans will be developed to occupy any available space with staff presently in the Operations Center Building or other leased facilities in the Texas Medical Center.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the Board on February 14, 1991 and amended on October 8, 1993 (the "Master Resolution"), do hereby execute this certificate for the benefit of the Board of Regents pursuant to Section 5 (a) (ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" pursuant to the Master Resolution to finance the cost of construction of eligible projects, and do certify that to the best of my knowledge the Board of Regents is in compliance with all covenants contained in the Master Resolution, First Supplemental Resolution Establishing an Interim Financing Program, the Second Supplemental Resolution, and the Third Supplemental Resolution and is not in default of any of the terms, provisions and conditions in said Master Resolution, First Supplemental Resolution, Second Supplemental Resolution, and the Third Supplemental Resolution as amended.

EXECUTED this 3rd day of January, 1996

[Signature]
Assistant Vice Chancellor for Finance
ADJOURNMENT.--Chairman Rapoport announced that the purpose for which this meeting was scheduled had been completed and the meeting was duly adjourned at 10:25 a.m.

/s/ Arthur H. Dilly
Executive Secretary

January 10, 1996