

Meeting No. 806

THE MINUTES OF THE BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

Volume XXXII - B

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December 13-14, 1984

El Paso, Texas

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MEETING NO. 806

THURSDAY, DECEMBER 13, 1984.--The members of the Board of Regents of The University of Texas System convened in regular session at 1:05 p.m. on Thursday, December 13, 1984, in The Union-East, Room 308, at The University of Texas at El Paso, El Paso, Texas, with the following in attendance:

ATTENDANCE.--

Present

Chairman Newton, presiding
Vice-Chairman Baldwin
Vice-Chairman (Mrs.) Briscoe
Regent Hay
Regent (Mrs.) Milburn
Regent Powell
Regent Rhodes
Regent Richards
Regent Yzaguirre

Absent

Executive Secretary Dilly

Chancellor Mark
Executive Vice Chancellor Duncan
Executive Vice Chancellor Mullins
Executive Vice Chancellor Patrick

Chairman Newton announced a quorum present and called the meeting to order.

WELCOME AND PRESENTATION BY DR. HASKELL MONROE, PRESIDENT OF THE UNIVERSITY OF TEXAS AT EL PASO.--Chairman Newton stated that the Board was pleased to be meeting in El Paso and then called on Dr. Haskell Monroe, President of The University of Texas at El Paso (the host institution), for a short presentation.

On behalf of the faculty, staff and students of U. T. El Paso, President Monroe welcomed the members of the Board and other guests to El Paso. He then presented a multimedia film entitled "U. T. El Paso: Then and Now" which was delightfully set to music and originally prepared to inform alumni and other friends of the University of the progress and development of that institution. The film outlined the stages of development and the history of the institution from its establishment in 1913 as the Texas School of Mines and Metallurgy and the subsequent name changes to Texas Western College in 1949 and The University of Texas at El Paso in 1967.

(President Monroe's presentation was in accordance with the policy adopted at the September 1977 meeting of the U. T. Board of Regents. No written report was filed.)

U. T. BOARD OF REGENTS: APPROVAL OF MINUTES OF REGULAR MEETING HELD ON OCTOBER 11-12, 1984.--Upon motion of Regent Richards, seconded by Vice-Chairman Briscoe and Regent Powell, the Minutes of the regular meeting of the Board of Regents of The University of Texas System held on October 11-12, 1984, in Richardson, Texas, were approved as distributed by the Executive Secretary. The official copy of these Minutes is recorded in the Permanent Minutes, Volume XXXII, Pages 1 - 666.

INTRODUCTION OF FACULTY AND STUDENT REPRESENTATIVES AND
MR. MICHAEL E. PATRICK, EXECUTIVE VICE CHANCELLOR FOR ASSET
MANAGEMENT.--Chairman Newton called on the chief administra-
tive officers of the component institutions to introduce their
respective faculty and student representatives:

U. T. Arlington

President Nedderman introduced:

Faculty Representative:	Dr. Pedro Lecca, Chairman Faculty Senate
Student Representative:	Ms. Connie Hickman, Reporter <u>The Shorthorn</u>

U. T. Austin

President Flawn introduced:

Faculty Representative:	Dr. Waneen Spirduso, Chairman Faculty Senate
Student Representatives:	Mr. Rodney Schlosser, President Students' Association Ms. Paula Blesner, General Reporter, <u>The Daily Texan</u> Ms. Ellen Williams, General Reporter, <u>The Daily Texan</u>

U. T. Dallas

President Rutford introduced:

Faculty Representative:	Dr. Dennis Kratz, Speaker of the Faculty
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U. T. El Paso

President Monroe introduced:

Faculty Representatives:	Dr. Tom McLean, Chairman-Elect Faculty Senate Dr. Nolene Kelly, Vice Chair- man-Elect, Faculty Senate
Student Representatives:	Mr. David Galyon, President Student Association Ms. Dia'n Villegas, Vice Presi- dent for Internal Affairs, Student Association Mr. David Harvey, Vice Presi- dent for External Affairs, Student Association Ms. Estella Juarez, Executive Assistant, Student Asso- ciation Mr. Damiane Calderon, Reporter <u>The Prospector</u> Ms. Maria Teresa Souza, Reporter <u>The Prospector</u>

U. T. Permian Basin

President Leach introduced:

Faculty Representative:

Dr. Spencer Thompson, President
Faculty Senate

Student Representative:

Ms. Lily Tersero, President
Student Senate

U. T. San Antonio

President Wagener introduced:

Faculty Representative:

Dr. William H. Teale, Assistant
Professor, Division of
Education

U. T. Tyler

President Hamm introduced:

Faculty Representative:

Dr. Robert A. Geffner, President
Faculty Senate

Student Representative:

Mr. Marc Wall, President, Student
Association

U. T. Medical Branch - Galveston

President Levin introduced:

Faculty Representative:

James A. Belli, M.D.
Chairman, Department of
Radiation Therapy, U. T.
Medical School - Galveston

Student Representative:

Mr. W. Clark Ridley, Third Year
Medical Student, U. T.
Medical School - Galveston

U. T. Cancer Center

President LeMaistre introduced:

Faculty Representative:

Dr. Andrew C. von Eschenbach
Chairman, Department of
Urology

Student Representative:

Dr. John Bertini, Resident in
Urology

U. T. Health Center - Tyler

Director Hurst introduced:

Faculty Representative:

Dr. Jerry W. McLarty, Chief,
Department of Epidemiology/
Biomath

Chairman Newton introduced Mr. Michael E. Patrick who joined the U. T. System Administration as Executive Vice Chancellor for Asset Management in late October and welcomed him to the U. T. System.

U. T. BOARD OF REGENTS: (1) RESOLUTION AUTHORIZING THE ISSUANCE OF BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT ARLINGTON COMBINED FEE REVENUE BONDS, SERIES 1985, IN THE AMOUNT OF \$10,000,000 AND AWARDING THE SALE OF THE BONDS TO PRUDENTIAL BACHE SECURITIES, INC. AND ASSOCIATES, DALLAS, TEXAS; (2) DESIGNATION OF MBANK AUSTIN, N.A., AUSTIN, TEXAS, PAYING AGENT/REGISTRAR; AND (3) AWARD OF CONTRACT TO PRINT THE BONDS TO HART GRAPHICS, INC., AUSTIN, TEXAS.--The following written Resolution (Pages 5 - 34) was introduced for the consideration of the U. T. Board of Regents and read in full. It was then duly moved by Regent Hay, seconded by Vice-Chairman Briscoe and Regent Powell, that said Resolution be adopted; and after due discussion, said motion, carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

AYES: All members of said Board listed present on Page 1 voted "Aye."

NOES: None

The adoption of the Resolution authorized issuance of Board of Regents of The University of Texas System, The University of Texas at Arlington Combined Fee Revenue Bonds, Series 1985, in the amount of \$10,000,000 and awarded the sale of the bonds to Prudential Bache Securities, Inc. and Associates, Dallas, Texas, at the price of par and accrued interest to the date of delivery (Page 25) at rates of interest reflected on Pages 6 - 7 . The average effective interest rate is 10.0774%.

Upon motion of Regent Richards, seconded by Vice-Chairman Baldwin, the bid of MBank Austin, N.A., Austin, Texas, as Paying Agent/Registrar for Board of Regents of The University of Texas System, The University of Texas at Arlington Combined Fee Revenue Bonds, Series 1985, in the amount of \$10,000,000 was accepted without objection (Pages 7 , 10). The bank will make no charge for payment of the bonds.

The contract for the printing of the Board of Regents of The University of Texas System, The University of Texas at Arlington Combined Fee Revenue Bonds, Series 1985, in the amount of \$10,000,000 was awarded unanimously to Hart Graphics, Inc., Austin, Texas, upon motion of Regent Richards, seconded by Vice-Chairman Baldwin. These bonds are to be printed according to specifications with lithographed borders for the sum of \$1,213.

RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT ARLINGTON, COMBINED FEE REVENUE BONDS, SERIES 1985, IN THE AGGREGATE PRINCIPAL AMOUNT OF \$10,000,000, AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO

WHEREAS, the Board of Regents of The University of Texas System is authorized to issue the bonds hereinafter authorized pursuant to Chapter 55, Texas Education Code.

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

Section 1. Amount and Purpose of the Bonds. The bond or bonds of the Board of Regents of The University of Texas System (the "Issuer") are hereby authorized to be issued and delivered in the aggregate principal amount of \$10,000,000, FOR THE PURPOSE OF PROVIDING FUNDS FOR CONSTRUCTING AND EQUIPPING A STUDENT UNION BUILDING FOR THE UNIVERSITY OF TEXAS AT ARLINGTON, AND TO PAY THE COSTS OF BOND ISSUANCE, ALL UNDER AND IN STRICT CONFORMITY WITH THE CONSTITUTION AND LAWS OF THE STATE OF TEXAS, INCLUDING PARTICULARLY CHAPTER 55 OF THE TEXAS EDUCATION CODE.

Section 2. Designation of the Bonds. Each bond issued pursuant to this Resolution shall be designated: "BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT ARLINGTON, COMBINED FEE REVENUE BOND, SERIES 1985", and initially there shall be issued, sold, and delivered hereunder a single fully registered bond, without interest coupons, payable in installments of principal (the "Initial Bond"), but the Initial Bond may be assigned and transferred and/or converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, having serial maturities, and in the denomination or denominations of \$5,000 or any integral multiple of \$5,000, all in the manner hereinafter provided. The term "Series 1985 Bonds" as used in this Resolution shall mean and include collectively the Initial Bond and all substitute bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto.

Section 3. Initial Date, Denomination, Number, Maturities, Initial Registered Owner, and Characteristics of the Initial Bond.

(a) The Initial Bond is hereby authorized to be issued, sold, and delivered hereunder as a single fully registered Bond, without interest coupons, dated JANUARY 1, 1985, in the denomination and aggregate principal amount of \$10,000,000, numbered T-1, payable in annual installments of principal to the initial registered owner thereof, to-wit:

Prudential Bache Securities, Inc. and Associates

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

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

Section 5. Form of Initial Bond. The form of the Initial Bond, including the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be endorsed on the Initial Bond, shall be substantially as follows:

FORM OF INITIAL BOND

NO. T-1

\$10,000,000

UNITED STATES OF AMERICA
STATE OF TEXAS
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM,
THE UNIVERSITY OF TEXAS AT ARLINGTON,
COMBINED FEE REVENUE BOND
SERIES 1985

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

Prudential Bache Securities, Inc. and Associates

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

\$10,000,000
(TEN MILLION DOLLARS)

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

<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>	<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>
1986	165,000	1996	450,000
1987	180,000	1997	495,000
1988	200,000	1998	545,000
1989	225,000	1999	605,000
1990	245,000	2000	670,000
1991	270,000	2001	740,000
1992	300,000	2002	815,000
1993	330,000	2003	900,000
1994	365,000	2004	995,000
1995	405,000	2005	1,100,000

and to pay interest, from the date of this Bond hereinafter stated, on the balance of
each such installment of principal, respectively, from time to time remaining
unpaid, at the rates as follows:

- 12.00% per annum on the above installment of
principal due and payable on JULY 1, 1986;
- 12.00% per annum on the above installment of
principal due and payable on JULY 1, 1987;
- 12.00% per annum on the above installment of
principal due and payable on JULY 1, 1988;
- 12.00% per annum on the above installment of
principal due and payable on JULY 1, 1989;
- 12.00% per annum on the above installment of
principal due and payable on JULY 1, 1990;
- 12.00% per annum on the above installment of
principal due and payable on JULY 1, 1991;
- 12.00% per annum on the above installment of
principal due and payable on JULY 1, 1992;
- 12.00% per annum on the above installment of
principal due and payable on JULY 1, 1993;
- 12.00% per annum on the above installment of
principal due and payable on JULY 1, 1994;
- 12.00% per annum on the above installment of
principal due and payable on JULY 1, 1995;
- 9.50% per annum on the above installment of
principal due and payable on JULY 1, 1996;

- 9.50% per annum on the above installment of principal due and payable on JULY 1, 1997;
- 9.70% per annum on the above installment of principal due and payable on JULY 1, 1998;
- 9.80% per annum on the above installment of principal due and payable on JULY 1, 1999;
- 9.85% per annum on the above installment of principal due and payable on JULY 1, 2000;
- 9.90% per annum on the above installment of principal due and payable on JULY 1, 2001;
- 10.00% per annum on the above installment of principal due and payable on JULY 1, 2002;
- 10.00% per annum on the above installment of principal due and payable on JULY 1, 2003;
- 9.90% per annum on the above installment of principal due and payable on JULY 1, 2004;
- 9.50% per annum on the above installment of principal due and payable on JULY 1, 2005;

with said interest being payable on JULY 1, 1985, and semiannually on each JANUARY 1 and JULY 1 thereafter while this Bond or any portion hereof is outstanding and unpaid.

THE INSTALLMENTS OF PRINCIPAL OF AND THE INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The installments of principal and the interest on this Bond are payable to the registered owner hereof through the services of MBank Austin, N.A., Austin, Texas, which is the "Paying Agent/Registrar" for this Bond. Payment of all principal of and interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each principal and/or interest payment date by check or draft, dated as of such date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the resolution authorizing the issuance of this Bond (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States Mail, first-class postage prepaid, on each such principal and/or interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the 15th day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. The Issuer covenants with the registered owner of this Bond that on or before 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" created by the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on this Bond, when due.

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

THIS BOND has been authorized in accordance with the Constitution and laws of the State of Texas in the aggregate principal amount of \$10,000,000, FOR THE PURPOSE OF PROVIDING THE FUNDS FOR CONSTRUCTING AND EQUIPPING A STUDENT UNION BUILDING FOR THE UNIVERSITY OF TEXAS AT ARLINGTON, AND TO PAY THE COSTS OF BOND ISSUANCE, ALL UNDER AND IN STRICT CONFORMITY WITH THE CONSTITUTION AND LAWS OF THE STATE OF TEXAS, INCLUDING PARTICULARLY CHAPTER 55 OF THE TEXAS EDUCATION CODE.

ON JULY 1, 1994, or on any interest payment date thereafter, the unpaid installments of principal of this Bond may be prepaid or redeemed prior to their scheduled due dates, at the option of the Issuer, with funds derived from any available source, as a whole, or in part, and, if in part, the particular portion of this Bond to be prepaid or redeemed shall be selected and designated by the Issuer (provided that a portion of this Bond may be redeemed only in an integral multiple of \$5,000), at the prepayment or redemption price (expressed as a percentage of principal amount) applicable to the date of redemption, as set forth in the following schedule, plus accrued interest to the date fixed for prepayment or redemption:

<u>Redemption Dates</u>	<u>Redemption Prices (%)</u>
July 1, 1994 through January 1, 1996	102
July 1, 1996 through January 1, 1997	101 1/2
July 1, 1997 through January 1, 1998	101
July 1, 1998 through January 1, 1999	100 1/2
July 1, 1999 and thereafter	100

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 standard or customary fees and charges for transferring, converting, and exchanging this Bond or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make any such assignment, conversion, or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or portion thereof called for prepayment or redemption prior to maturity, within 45 days prior to its prepayment or redemption date.

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

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, sold, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is a special obligation of the Issuer, secured by and payable from a first lien on and pledge of the "Pledged Revenues", as defined in the Bond Resolution, which include the specified "Building Use Fee", "General Fee", "Pledged Student Union Fee" imposed on students enrolled at The University of Texas at Arlington, as well as the "Interest Income" and "Interest Subsidy," and certain interest and investment income, all as further defined in the Bond Resolution.

THE ISSUER has reserved the right, subject to the restrictions stated in the Bond Resolution, to issue Additional Bonds payable from and secured by a first lien on and pledge of the "Pledged Revenues" on a parity with this Bond.

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 governing body 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 JANUARY 1, 1985.

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

(BOARD SEAL)

Chairman, Board of Regents,
The University of Texas System

FORM OF REGISTRATION CERTIFICATE OF THE
COMPTROLLER OF PUBLIC ACCOUNTS:

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.

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

Witness my signature and seal this

Comptroller of Public Accounts of the
State of Texas

(COMPTROLLER'S SEAL)

Section 6. Additional Characteristics of the Bonds. Registration and Transfer. (a) The Issuer shall keep or cause to be kept at the principal corporate trust office of MBank Austin, N.A., 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, (i) evidencing the assignment of the Bond, or any portion thereof in any integral multiple of \$5,000, to the assignee or assignees thereof, and (ii) the right of such assignee or assignees to have the Bond or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Bond or any portion thereof, a new substitute Bond or Bonds shall be issued in conversion and exchange therefor in the manner herein provided. The Initial Bond, to the extent of the unpaid or unredeemed principal balance thereof, may be assigned and transferred by the initial registered owner thereof once only, and to one or more assignees designated in writing by the initial registered owner thereof. All Bonds issued and delivered in conversion of and exchange for the Initial Bond shall be in any denomination or denominations of any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated principal maturity date), shall be in the form prescribed in the FORM OF SUBSTITUTE BOND set forth in this Resolution, and shall have the characteristics, and may be assigned, transferred, and converted as hereinafter provided. If the Initial Bond or any portion thereof is assigned and transferred or converted the Initial Bond must be surrendered to the Paying Agent/Registrar for cancellation, and each Bond issued in exchange for any portion of the Initial Bond shall have a single stated principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If only a portion of the Initial Bond is assigned and transferred, there shall be delivered to and registered in the name of the initial registered owner substitute Bonds in exchange for the unassigned balance of the Initial Bond in the same manner as if the initial registered owner were the assignee thereof. If any Bond or portion thereof other than the Initial Bond is assigned and transferred or converted each Bond issued in exchange therefor shall have the same principal maturity date and bear interest

at the same rate as the Bond for which it is exchanged. A form of assignment shall be printed or endorsed on each Bond, excepting the Initial Bond, which shall be executed by the registered owner or its duly authorized attorney or representative to evidence an assignment thereof. Upon surrender of any Bonds or any portion or portions thereof for transfer of registration, an authorized representative of the Paying Agent/Registrar shall make such transfer in the Registration Books, and shall deliver a new fully registered substitute Bond or Bonds, having the characteristics herein described, payable to such assignee or assignees (which then will be the registered owner or owners of such new Bond or Bonds), or to the previous registered owner in case only a portion of a Bond is being assigned and transferred, all in conversion of and exchange for said assigned Bond or Bonds or any portion or portions thereof, in the same form and manner, and with the same effect, as provided in Section 6(d), below, for the conversion and exchange of Bonds by any registered owner of a Bond. The Issuer shall pay the Paying Agent/Registrar's 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 principal or interest payment date, or, (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

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

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

(d) Conversion and Exchange or Replacement; Authentication. Each Bond issued and delivered pursuant to this Resolution, to the extent of the unpaid or unredeemed principal balance or principal amount thereof, may, upon surrender of such Bond at the principal corporate trust office of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, may, at the option of the registered owner or such assignee or assignees, as appropriate, be converted into and exchanged for fully registered bonds, without interest coupons, in the form prescribed in the FORM OF SUBSTITUTE BOND set forth in this Resolution, in the denomination of \$5,000, or any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated maturity date), as requested in writing by such registered owner or such assignee or assignees, in an aggregate principal amount equal to the unpaid or unredeemed principal balance or principal amount of any Bond or Bonds so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If the Initial Bond is assigned and transferred or converted each substitute Bond issued in exchange for any portion of the Initial Bond shall have a single stated principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If a portion of any Bond (other than the Initial Bond) shall be redeemed prior to its scheduled maturity as provided herein, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in the denomination or denominations of any integral multiple of \$5,000 at the request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation. If

any Bond or portion thereof (other than the Initial Bond) is assigned and transferred or converted, each Bond issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Bond for which it is being exchanged. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond. The Paying Agent/Registrar shall convert and exchange or replace Bonds as provided herein, and each fully registered bond delivered in conversion of and exchange for or replacement of any Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Bonds for all purposes of this Resolution, and may again be converted and exchanged or replaced. It is specifically provided that any Bond authenticated in conversion of and exchange for or replacement of another Bond on or prior to the first scheduled Record Date for the Initial Bond shall bear interest from the date of the Initial Bond, but each substitute Bond so authenticated after such first scheduled Record Date shall bear interest from the interest payment date next preceding the date on which such substitute Bond was so authenticated, unless such Bond is authenticated after any Record Date but on or before the next following interest payment date, in which case it shall bear interest from such next following interest payment date; provided, however, that if at the time of delivery of any substitute Bond the interest on the Bond for which it is being exchanged is due but has not been paid, then such Bond shall bear interest from the date to which such interest has been paid in full. THE INITIAL BOND issued and delivered pursuant to this Resolution is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in conversion of and exchange for or replacement of any Bond or Bonds issued under this Resolution there shall be printed a certificate, in the form substantially as follows:

"PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

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

MBANK AUSTIN, N.A.,
Paying Agent/Registrar

Dated

Authorized Representative

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

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

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

(f) Payment of Fees and Charges. The Issuer hereby covenants with the registered owners of the Bonds that it will (i) pay the standard or customary fees and charges 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 7. Form of Substitute Bonds. The form of all Bonds issued in conversion and exchange or replacement of any other Bond or portion thereof, including the form of Paying Agent/Registrar's Certificate to be printed on each of such Bonds, and the Form of Assignment to be printed on each of the Bonds, shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Resolution.

FORM OF SUBSTITUTE BOND

NO. _____ PRINCIPAL AMOUNT
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM,
THE UNIVERSITY OF TEXAS AT ARLINGTON,
COMBINED FEE REVENUE BOND
SERIES 1985

INTEREST RATE MATURITY DATE CUSIP NO.
_____ % _____ _____

ON THE MATURITY DATE specified above the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the "Issuer"), being an agency of the State of Texas, hereby promises to pay to

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

and to pay interest thereon from JANUARY 1, 1985, to the maturity date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; with interest being payable on JULY 1, 1985, and semiannually on each JANUARY 1 and JULY 1 thereafter, except that if the date of authentication of this Bond is later than JUNE 15, 1985, such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date (hereinafter defined) but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of MBank Austin, N.A., Austin, Texas, which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the resolution authorizing the issuance of the Bonds (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States Mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the 15th day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner at the principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of this Bond for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar. The Issuer covenants with the registered owner of this Bond that on or before each principal payment date, interest payment date, and accrued interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

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

THIS BOND is one of an issue of Bonds initially dated JANUARY 1, 1985, authorized in accordance with the Constitution and laws of the State of Texas in the aggregate principal amount of \$10,000,000 FOR THE PURPOSE OF PROVIDING THE FUNDS FOR CONSTRUCTING AND EQUIPPING A STUDENT UNION BUILDING FOR THE UNIVERSITY OF TEXAS AT ARLINGTON, AND TO PAY THE COSTS OF BOND ISSUANCE, ALL UNDER AND IN STRICT CONFORMITY WITH THE CONSTITUTION AND LAWS OF THE STATE OF TEXAS, INCLUDING PARTICULARLY CHAPTER 55 OF THE TEXAS EDUCATION CODE.

ON JULY 1, 1994, or on any interest payment date thereafter, the Bonds of this Series may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the Issuer (provided that a portion of a Bond may be

redeemed only in an integral multiple of \$5,000) at the redemption price (expressed as a percentage of principal amount) applicable to the date of redemption, as set forth in the following schedule, plus accrued interest to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Prices (%)</u>
July 1, 1994 through January 1, 1996	102
July 1, 1996 through January 1, 1997	101 1/2
July 1, 1997 through January 1, 1998	101
July 1, 1998 through January 1, 1999	100 1/2
July 1, 1999 and thereafter	100

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

THIS BOND OR ANY PORTION OR PORTIONS HEREOF IN ANY INTEGRAL MULTIPLE OF \$5,000 may be assigned and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. The form of Assignment printed or endorsed on this Bond shall be executed by the registered owner or its duly authorized attorney or representative, to evidence the assignment hereof. A new Bond or Bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds), or to the previous registered owner in the case of the assignment and transfer of only a portion of this Bond, may be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other Bonds. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of this Bond or any portion hereof (i) during the period commencing with the close of business on any Record Date and ending with

the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date. The registered owner of this Bond shall be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

ALL BONDS OF THIS SERIES are issuable solely as fully registered bonds, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Bond Resolution, this Bond, or any unredeemed portion hereof, may, at the request of the registered owner or the assignee or assignees hereof, be converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date, and bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate registered owner, assignee, or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging any Bond or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not be required to make any such conversion and exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

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

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, 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; that this Bond, along with the previous issued and outstanding parity revenue bonds of the Issuer, is a special obligation of the Issuer, secured by and payable from a first lien on and pledge of the "Pledged Revenues", as defined in the Bond Resolution, which include the specified "Building Use Fee", "General Fee", "Pledged Student Union Fee" imposed on students enrolled at The University of Texas at Arlington, as well as the "Interest Income" and "Interest Subsidy," and certain interest and investment income, all as further defined in the Bond Resolution.

THE ISSUER has reserved the right, subject to the restrictions stated in the Bond Resolution, to issue Additional Bonds payable from and secured by a first lien on and pledge of the "Pledged Revenues" on a parity with this Bond and series of which it is a part.

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 governing body of the Issuer, and agrees that the terms and provisions of this Bond and the Bond Resolution constitute a contract between each registered owner hereof and the Issuer.

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

facsimile signature of the Executive Secretary of the Issuer, and has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Bond.

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

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

(BOARD SEAL)

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

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

MBANK AUSTIN, N.A.,
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

(print or type the name and address of the assignee and any other relevant information)

and authorizes the Paying Agent/Registrar to transfer the registration of this Bond in the Registration Books.

Dated _____

Registered Owner

The signature above is hereby verified as true and genuine.

Section 8. Throughout this Resolution the following terms as used herein shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

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

The terms "Bond Resolution" and "Resolution" mean this resolution authorizing the Bonds.

The term "Bonds" shall mean collectively the Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1971, authorized by Resolution of the Board on December 4, 1970 (the "Series 1971 Bonds"), the Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1971-A, authorized by Resolution of the Board on March 12, 1971 (the "Series 1971-A Bonds"), the Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1973,

authorized by Resolution of the Board on January 26, 1973 (the "Series 1973 Bonds"), the Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1973-A, authorized by Resolution of the Board on September 14, 1973 (the "Series 1973-A Bonds"), the Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1974, authorized by Resolution of the Board on November 1, 1974 (the "Series 1974 Bonds"), the Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1978, authorized by Resolution of the Board on December 1, 1978 (the "Series 1978 Bonds"), and the Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1985, authorized by this Resolution (the "Series 1985 Bonds").

The term "Building Use Fee" shall mean the gross collections of certain tuition fixed, charged, and collected from all tuition paying students enrolled at the University, out of and as part of the regular general tuition at the University, and allocated to the payment of the interest on and principal of the Bonds and any Additional Bonds, in the manner and to the extent provided in this Resolution, as authorized by Chapter 55 of the Education Code (Section 55.17(d)).

The term "General Fee" shall mean the gross collections of the general fee to be fixed, charged, and collected from all students (excepting any category of students now exempt by law) regularly enrolled at the University for the general use and availability of The University of Texas at Arlington, in the manner and to the extent provided in this Resolution, and pledged to the payment of the Bonds and any Additional Bonds, in accordance with Chapter 55, Texas Education Code.

The term "holder" or "holders" shall mean the registered owner of any one or more of the Series 1985 Bonds as shown on the Registration Books kept by the Paying Agent/Registrar.

The term "Interest Income" shall mean all interest and investment income derived from the deposit and investment of moneys credited to the General Fee Revenue Fund and Combined Fee Revenue Bonds Interest and Sinking Fund.

The term "Interest Subsidy" shall mean all of the annual interest subsidy grants which are received by the Board from the United States Government with respect to the Bonds.

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

The term "Pledged Revenues" shall mean collectively the Building Use Fee, the General Fee, the Pledged Student Union Fee, the Interest Income and the Interest Subsidy, or investment of money credited to the Pledged Revenue Fund and any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter may, at the option of the Issuer, be pledged to the payment of the Bonds or the Additional Bonds.

The term "Pledged Student Union Fee" shall mean the gross collections of not to exceed \$19.50 per student for each regular semester and not to exceed \$9.75 per student for each term of the summer session of the student union fee authorized by Section 68.04 of the Education Code to be fixed, charged, and collected from all students (excepting any category of students now exempt from paying fees by the Education Code) enrolled at the University, for the purpose of financing, constructing, operating, maintaining, and improving a student union building on the campus of the University, in the manner and to the extent provided in this Resolution, and pledged to the payment of the Bonds and Additional Bonds.

The term "University" shall mean The University of Texas at Arlington, in Arlington, Texas.

Section 9. (a) The Bonds and any Additional Bonds and interest thereon are and shall be secured by and payable from an irrevocable first lien on and pledge of the Pledged Revenues, and they shall constitute special obligations of the Issuer, payable solely from the Pledged Revenues, and such obligations shall not constitute a prohibited indebtedness of the University, the Issuer, or the State of Texas, and the holders or owners of the Bonds and Additional Bonds shall never have the right

to demand payment of the principal thereof or interest thereon out of funds raised or to be raised by taxation.

(b) That the Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1985, authorized by this Resolution, are "Additional Bonds" as permitted by Sections 18, 19 and 20, of the resolutions authorizing the issuance of the Series 1971 Bonds, the Series 1971-A Bonds, the Series 1973 Bonds, the Series 1973-A Bonds, the Series 1974 Bonds and the Series 1978 Bonds, respectively, and it is hereby determined, declared, and resolved that all of the Bonds are and shall be secured and payable equally and ratably on a parity, and that Sections 8 through 24 of this Resolution are cumulative of Sections 7 through 22 of the resolutions authorizing the issuance of the Series 1971 Bonds, the Series 1971-A Bonds, the Series 1973 Bonds, the Series 1973-A Bonds, the Series 1974 Bonds and the Series 1978 Bonds, respectively, with said Sections being equally applicable to all of the Bonds.

Section 10. (a) In accordance with Section 55.17(d) of Chapter 55 of the Education Code, the Issuer heretofore has irrevocably assigned and pledged, and hereby irrevocably assigns and pledges, to the payment of the interest on and principal of the Bonds and any Additional Bonds, out of the tuition charges required or permitted by law to be imposed on each tuition paying student enrolled at the University, commencing with the regular fall semester in 1984, the Building Use Fee as follows:

- (i) \$0.42 per registered Semester Credit Hour, with a maximum aggregate of \$5.00, for each regular fall and spring semester for each enrolled student; and
- (ii) \$0.42 per registered Semester Credit Hour, with a maximum aggregate of \$2.50, for each term of each summer session for each enrolled student.

(b) So long as any Bonds or Additional Bonds are outstanding, the Building Use Fee shall not be reduced, and the Issuer covenants and agrees to fix, charge, and collect the above Building Use Fee assigned and pledged as aforesaid, and to credit same as received to the Pledged Revenue Fund, hereinafter created.

(c) The Building Use Fee shall be deposited directly to the credit of the Interest and Sinking Fund, commencing with the regular fall semester in 1984, and used to make part of the payments required to be made into the Interest and Sinking Fund in connection with the Bonds and any Additional Bonds.

Section 11. (a) The Issuer covenants and agrees to fix, levy, charge, and collect the General Fee from all students (excepting any category of students now exempt from paying fees by the Education Code) enrolled at the University at each regular fall and spring semester and at each term of each summer session, for the general use and availability of the University, in such amounts, without any limitation whatsoever, as will be at least sufficient at all times to provide, together with other Pledged Revenues, the money for making all deposits required to be made to the credit of the Interest and Sinking Fund in connection with the Bonds and any Additional Bonds.

(b) Effective with the 1984 regular fall semester a General Fee for the general use and availability of the University has been and is hereby fixed and confirmed, and shall be levied, charged, and collected from each student enrolled in the University (excepting any student in a category now exempt from paying fees by the Education Code), as follows:

- \$5.40 per registered Semester Credit Hour at each of the regular fall and spring semesters, and at each term of each summer session.

(c) The General Fee shall be increased as and when required by this Resolution, and may be decreased so long as all Pledged Revenues are sufficient to provide the money for making all deposits required to be made to the credit of the Interest and Sinking Fund in connection with the Bonds and any Additional Bonds. All changes in such General Fee shall be made by resolution of the Issuer, but such procedure shall not constitute or be regarded as an amendment of this Resolution, but merely the carrying out of the provisions hereof.

(d) It is specifically found and determined by the Issuer that the Bonds are issued pursuant to applicable Sections of the Texas Education Code, including specifically Section 55.17(c) thereof, to be secured by a pledge of an unlimited use fee (the General Fee), and that (1) the estimated maximum amount per semester hour of the pledged General Fee (based on current enrollment and conditions) during any future semester necessary to provide for the payment of the principal of and interest on all the Bonds when due, together with (2) the aggregate amount of all use fees which were levied on a semester hour basis for the current semester to pay the principal of and interest on all other previously issued bonds, do not exceed \$6.00 per semester hour. In arriving at the foregoing conclusion the Issuer has estimated that the aggregate of all available Pledged Revenues and other revenues will be more than sufficient to obviate the necessity of levying any aforesaid use fees based on a semester hour basis in excess of an aggregate of \$6.00 per semester hour.

Section 12. (a) Section 68.04 of the Education Code authorizes the Issuer to levy in addition to all other fees a student union fee (the "Student Union Fee") at the University not to exceed \$39 per student for each regular semester and not to exceed \$19.50 per student for each term of each summer session, for the purpose of financing, constructing, operating, maintaining, and improving a student union building for the University, subject to an affirmative vote of a majority of the student body voting at the University. It is officially found and determined by the Issuer that the aforesaid maximum authorized Student Union Fee of not to exceed \$39 and \$19.50, respectively, were duly approved by the affirmative vote of a majority of the students at the University voting at a student election and referendum called and held for such purpose on October 5 and 6, 1983. Of the total authorized student union fee, the Issuer hereby pledges to the Bonds and Additional Bonds a Student Union Fee not to exceed \$19.50 per student per regular semester and \$9.75 per student for each term of the summer session (the "Pledged Student Union Fee(s)"). It is further found and determined by the Issuer (i) that since the fall semester in 1984 the aforesaid Pledged Student Union Fees have been levied by the Issuer in the aforesaid maximum pledged amount, (ii) that all of the principal amount of each of the Series 1985 Bonds is attributable solely to student union building purposes, (iii) that the continued levy and collection of said Pledged Student Union Fees in the aforesaid maximum amounts authorized will never produce funds sufficient to pay when due the principal of and interest on the Series 1985 Bonds, but that the entire Pledged Revenues will be more than sufficient to pay the principal of and interest on the Series 1985 Bonds, and (iv) that said Pledged Student Union Fees should continue to be levied and collected in the aforesaid maximum amounts while the Series 1985 Bonds are outstanding. Wherefore, said Pledged Student Union Fee has been and is hereby fixed, confirmed, and levied, and shall be charged and collected from each student enrolled at the University (excepting any student in any category now exempt from paying fees by the Education Code), as follows:

- (1) \$19.50 from each student enrolled for each regular semester, and
- (2) \$9.75 from each student enrolled for each term of the summer session,

and such Pledged Student Union Fees shall never be reduced or abrogated while the Series 1985 Bonds are outstanding.

(b) All Pledged Student Union Fees shall be deposited into an account to be known as "The University of Texas at Arlington Student Union Fee Account", and shall be placed under the control of and subject to the order of the student union advisory committee (the "Committee"), which shall be constituted and function as provided and required by law and the Issuer. The Issuer covenants that it will, prior to the commencement of each fiscal year of the University, require such Committee to submit annually to the Issuer a complete and itemized budget for the student union building for the ensuing fiscal year, to be accompanied by a full and complete report of all activities conducted during the past year and all expenditures made incident to those activities. The Issuer annually shall advise the Committee, prior to the preparation of each annual budget, of the amount of Pledged Revenues, exclusive of the Pledged Student Union Fees, which will be available during the ensuing fiscal year for paying during such fiscal year the principal of and interest on the Bonds and any payments required to be made into the Debt Service Reserve in the Interest and Sinking Fund in connection with the Bonds. The Issuer shall advise the Committee that the annual budget for the ensuing fiscal year is required to provide and allocate for such purpose such amount of the collections of the Pledged Student Union Fees as will, together with other available Pledged Revenues, be

sufficient to pay the principal of, interest on, and any Debt Service Reserve requirements in connection with, the Bonds for the ensuing fiscal year, which amount is hereby pledged for such purpose and shall constitute a first charge against the collections of the Pledged Student Union Fees, and a first lien on such amount is hereby granted and confirmed in favor of the owners of the Bonds as security therefor. In the event the Committee fails for any fiscal year to budget the above required amount the Issuer covenants and agrees that it shall, as authorized by Section 68.04 of the Education Code, make such changes in each such budget as are necessary to cause it to provide the above required amount. The Issuer covenants and agrees that, during each fiscal year of the University while the Bonds are outstanding, it will cause to be deposited into the Revenue Fund, hereinafter created, out of The University of Texas at Arlington Student Union Fee Account, such amount of the Pledged Student Union Fees as will be required, in addition to the other Pledged Revenues available during such fiscal year, to pay the principal of, interest on, and any Debt Service Reserve requirements in connection with the Bonds.

Section 13. There has heretofore been created and established and there shall be maintained on the books of the Issuer a separate account to be entitled the General Fee Revenue Fund (the "Revenue Fund"). All Pledged Revenues shall be credited to the Revenue Fund, except Building Use Fees, the interest and investment income derived from the Interest and Sinking Fund and any surplus Pledged Student Union Fees which are not required to be so deposited.

Section 14. To pay the principal of and interest on all outstanding Bonds and any Additional Bonds, as the same come due, there has been created and established, and there shall be maintained at an official depository of the Issuer (which must be a member of the Federal Deposit Insurance Corporation) a separate fund to be entitled the "Combined Fee Revenue Bonds Interest and Sinking Fund" (herein sometimes called the "Interest and Sinking Fund"); and there is hereby created and established and there shall be maintained as a separate account within the Interest and Sinking Fund a Debt Service Reserve (the "Debt Service Reserve") which may be used finally in retiring the last of the outstanding Bonds and any Additional Bonds, or for paying the 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 otherwise insufficient for such purpose. All money and investments in the Interest and Sinking Fund in excess of the principal and interest requirements during the then current fiscal year, on the Bonds and Additional Bonds shall constitute the Debt Service Reserve.

Section 15. Money in any Fund maintained pursuant to this Resolution may, at the option of the Issuer, be placed in time deposits or invested in direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America, and evidences of indebtedness of the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, or Federal National Mortgage Association; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times. Such investments shall be valued in terms of current market value as of the last day of February and August of each year. Interest and income derived from such deposits and investments shall be credited to the Fund from which the deposit or investment was made. Such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds or Additional Bonds.

Section 16. (a) Immediately after the delivery of the Initial Bond all accrued interest and any premium received from the sale of the Initial Bond shall be deposited to the credit of the Interest and Sinking Fund.

(b) On or before June 25, 1985, and semiannually on or before each June 25th and December 25th thereafter, the Issuer shall transfer from the Revenue Fund and deposit to the credit of the Interest and Sinking Fund the amounts as follows:

(1) an amount which, together with any other amounts then on deposit therein and available for such purpose, will be sufficient to pay the interest scheduled to come due on the Bonds on the next succeeding interest payment date; and

(2) an amount which, together with other moneys then on hand therein and available for such purpose, will be sufficient to pay one-half of all principal scheduled to mature and come due on the Bonds on the next succeeding July 1; and

(3) an amount equal to 1/8th of the average annual principal and interest requirements of the Bonds, provided, however, that when the money and investments in the Debt Service Reserve are at least equal in market value to the amount of the average annual principal and interest requirements of the Bonds, then such deposits may be discontinued, unless and until the Debt Service Reserve should be depleted to less than said amount in market value, in which case said deposits shall be resumed and continued until the Debt Service Reserve is restored to said amount.

Section 17. (a) If on any occasion there shall not be sufficient Pledged Revenues to make the required deposits into the Interest and Sinking Fund, then such deficiency shall be made up as soon as possible from the next available Pledged Revenues, or from any other sources available for such purpose.

(b) Subject to making all deposits to the credit of the Interest and Sinking Fund, including the Debt Service Reserve therein, as required by this Resolution, or any resolution authorizing the issuance of Additional Bonds, the surplus Pledged Revenues may be used by the Issuer for any lawful purpose.

Section 18. That all money in all Funds established by this Resolution, to the extent not invested, shall be secured in the manner prescribed by law for securing funds of the Issuer, in principal amounts at all times not less than the amounts of money credited to such Funds, respectively.

Section 19. Whenever the total amount in the Interest and Sinking Fund, including the Debt Service Reserve therein, shall be equivalent to (1) the aggregate principal amount of all Bonds and Additional Bonds, if any, outstanding, plus (2) the aggregate amount of all unpaid interest thereon unmatured and matured, no further payment need be made into the Interest and Sinking Fund. In determining the amount of Bonds or Additional Bonds outstanding, there shall be subtracted the amount of any Bonds or Additional Bonds which shall have been duly called for redemption and for which funds shall have been deposited with the paying agents sufficient for such redemption.

Section 20. The Issuer shall have the right and power at any time and from time to time, and in one or more series or issues, to authorize, issue, and deliver additional parity revenue bonds (herein called "Additional Bonds") in any amounts, for any lawful purpose, [including the refunding of any Bonds or Additional Bonds]. Such Additional Bonds, if and when authorized, issued, and delivered in accordance with this Resolution, shall be secured and payable equally and ratably on a parity with the Bonds, and all other outstanding Additional Bonds, by an irrevocable first lien on and pledge of the Pledged Revenues.

Section 21. (a) Each resolution under which Additional Bonds are issued shall provide that the Interest and Sinking Fund established by this Resolution shall secure and be used to pay all Additional Bonds as well as the Bonds. However, each resolution under which Additional Bonds are issued shall specifically 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 Issuer shall transfer from the 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 comes due, and that the Issuer shall transfer from said Pledged Revenues and deposit to the credit of the Debt Service Reserve in the Interest and Sinking Fund at least such amounts as will, together with any other amounts already required to be deposited in the Debt Service Reserve in connection with the Bonds and any Additional Bonds, be sufficient to cause the Debt Service Reserve to accumulate and contain within a period of not to exceed five years from the date of the then proposed Additional Bonds, a total amount of money and investments at least equal in market value to the average annual principal and interest requirements of all such proposed Additional Bonds, the then outstanding Bonds, and any then outstanding Additional Bonds.

(b) The principal of all Additional Bonds must be scheduled to be paid or mature on July 1 of the years in which such principal is scheduled to be paid or mature; and all interest thereon must be payable on January 1 and July 1.

Section 22. Additional Bonds shall be issued only in accordance with this Resolution, but notwithstanding any provisions of this Resolution to the contrary, no installment, series, or issue of Additional Bonds shall be issued or delivered unless:

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

(b) The State Auditor of the State of Texas, or any certified public accountant, signs a written certificate to the effect that, during either the University's fiscal year, or the twelve calendar month period, next preceding the date of execution of such certificate, the Pledged Revenues were at least equal to 1.25 times the average annual principal and interest requirements of all Bonds and Additional Bonds then outstanding.

(c) The senior financial officer of the University signs a written certificate to the effect that during each University fiscal year while any Bonds or Additional Bonds are scheduled to be outstanding, beginning with the fiscal year next following the date of the then proposed Additional Bonds, the Pledged Revenues 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 then outstanding Bonds and Additional Bonds and the then proposed Additional Bonds, during each of said fiscal years, respectively.

Section 23. On or before the first day of July, 1985, and on or before the first day of each January and of each July thereafter while any of the Bonds and Additional Bonds, if any, are outstanding and unpaid, there shall be made available to the Paying Agent/Registrar therefor, out of the Interest and Sinking Fund, money sufficient to pay such interest on and such principal of the Bonds and Additional Bonds, if any, as will accrue or mature on such January 1 or July 1. The Paying Agent/Registrar shall totally destroy all paid Bonds and Additional Bonds, if any, and any coupons appertaining thereto, and shall furnish the Issuer with an appropriate certificate of destruction.

Section 24. The Issuer covenants and agrees that:

(a) It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution and in each and every Bond and Additional Bond; that it will promptly pay or cause to be paid from the Pledged Revenues the principal of and interest on every Bond and Additional Bond, on the dates and in the places and manner prescribed in such Bonds or Additional Bonds; and that it will, at the times and in the manner prescribed herein, deposit or cause to be deposited, from the Pledged Revenues, the amounts of money specified herein.

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

(c) It lawfully owns and is lawfully possessed of the lands upon which the existing campus, buildings, and facilities constituting the University are located, and has a good and indefeasible estate in such lands in fee simple, that it warrants that it has, and will defend, the title to all the aforesaid lands, and every part thereof and improvements thereon, for the benefit of the holders and owners of the Bonds and Additional Bonds against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Bonds and Additional Bonds in the manner prescribed herein, and has lawfully exercised such rights.

(d) It will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or the campus, buildings, and facilities of the University, 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 thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein, and 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 liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such tax, assessment, or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's,

materialman's, or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the Issuer.

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

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

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

(h) Each year while any of the Bonds or Additional Bonds are outstanding, an audit will be made of its books and accounts relating to the Pledged Revenues by the State Auditor of the State of Texas, or a certified public accountant, such audit to be based on the fiscal year of the University beginning on September 1 of each year and ending on August 31 of each 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 Issuer, a copy of such audit for the preceding fiscal year shall be mailed to the original holders of the Bonds, and to all other 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.

(i) That the Board covenants that it will not permit to be deposited to the credit of any of the Funds created by this Resolution, or applied to the payment of the principal of or interest on the Bonds or any Additional Bonds, any proceeds from any grant, subsidy, donation, or income received from the United States Government, whether pursuant to agreement or otherwise, if such deposit or application would result in interest payable on the Bonds or Additional Bonds being includable in whole or in part in gross income for federal income tax purposes.

(j) That the Board covenants that it will comply with all of the terms and conditions of any and all grant or subsidy agreements applicable to the Bonds or Additional Bonds entered into between the Board and any governmental agency in connection with any grant or debt service subsidy; and the Board will take all action necessary to enforce said terms and conditions.

(k) That the Board certifies that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Series 1985 Bonds are delivered and paid for, the Board reasonably expects that the proceeds of the Series 1985 Bonds will not be used in a manner that would cause the Series 1985 Bonds or any portion of the Series 1985 Bonds to be "arbitrage bonds" under Section 103(c) of the Internal Revenue Code of 1954, as amended, 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 which are material to the reasonable expectations of the Board as of the date the Series 1985 Bonds are delivered and paid for. In particular, all or any officers of The University of Texas System and the University are authorized to certify for the Board the facts and circumstances and reasonable expectations of the Board on the date the Series 1985 Bonds are delivered and paid for regarding the amount and use of the proceeds thereof. Moreover, the Board covenants that it shall make such use of the proceeds of the Series 1985 Bonds, regulate investments of proceeds of the Series 1985 Bonds, and take such other and further action as may be required so that the Series 1985 Bonds shall not be "arbitrage bonds" under Section 103(c) of the Internal Revenue Code of 1954, as amended, and regulations prescribed from time to time thereunder.

(l) That the Board may discharge its obligation to the holders of any or all of the Series 1985 Bonds and interest thereon, to pay principal, interest and redemption premium (if any) thereon by depositing with the State Treasurer or with the paying agent/registrars either: (1) cash equivalent to the principal amount and redemption premium, if any, plus interest to the date of maturity or redemption, or (2) direct obligations of, or obligations the principal and interest of which are

guaranteed by, the United States of America, in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of the principal amount and redemption premium, if any, on such Series 1985 Bonds plus interest to the date of maturity or redemption; provided, however, that if any of such Series 1985 Bonds are to be redeemed prior to their date of maturity, provisions shall have been made for giving notice of redemption as provided herein. Upon such deposit, the Series 1985 Bonds and interest thereon shall no longer be regarded as outstanding and unpaid. Also, whenever provision is made in the above manner for payment of any of the Bonds or Additional Bonds, such bonds shall no longer be deemed outstanding for purposes of any provision contained herein.

Section 25. The Board covenants with the registered owners of the Bonds, that at all times while the Bonds are outstanding the Board will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of the Paying Agent/Registrar (the "Paying Agent/Registrar") for the Bonds under this Resolution, and that the Paying Agent/Registrar will be one entity. The Board 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 Board 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 Board. Upon any change in the Paying Agent/Registrar, the Board 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 26. That there shall be created in a depository of the University a special account which shall be entitled "The University of Texas at Arlington Student Union Building Construction Account" (hereinafter called the "Construction Account"), into which shall be deposited the proceeds from the sale of the Series 1985 Bonds, less (i) bond issuance expenses which shall be paid directly, and (ii) the amount of accrued interest received on the sale of such Series 1985 Bonds, which shall be deposited in the Interest and Redemption Fund. In addition to such proceeds, an amount of lawfully available money which, together with the proceeds of the Series 1985 Bonds, will be sufficient to complete the construction and equipment of the Project, shall be deposited by the University to the credit of the Construction Account. The money in the Construction Account shall be secured by the pledge of direct obligations of the United States Government or obligations unconditionally guaranteed by the United States Government in a principal amount at all times not less than the amount of money on deposit in the Construction Account. Such pledged security shall be deposited with the bank where the Construction Account is maintained. The money in the Construction Account shall be paid out from time to time on estimates and vouchers approved by the manager of construction charged with the supervision of the construction for costs of constructing and equipping the Project. After the completion of the Project any residue of the proceeds of the Series 1985 Bonds remaining in the Construction Account shall be transferred to the Interest and Redemption Fund. The proper officers of the University of Texas System are directed to take all steps necessary to accomplish the transfer of such residue, if any, to the Interest and Sinking Fund.

Section 27. (a) The Series 1985 Bonds have been duly advertised for public sale; bid has been received pursuant thereto, and the Series 1985 Bonds are hereby sold and shall be delivered to Prudential Bache Securities, Inc. and Associates, for a price of par and accrued interest to the date of delivery, plus a premium of S-0-, being the best bid submitted at said public sale.

(b) The Official Notice of Sale and Official Statement, dated November 24, 1984, prepared and distributed in connection with the sale of Series 1985 Bonds have been and are hereby approved, confirmed and adopted as the official

documents and statements of the Board. The use of such Official Statement in the reoffering of the Series 1985 Bonds by the purchaser is hereby approved and authorized. The proper officers of the Board are hereby authorized to execute and deliver a certificate pertaining to such Official Statement as prescribed therein, dated as of the date of payment for and delivery of the Series 1985 Bonds.

Section 28. MBank Austin, N.A., Austin, Texas is hereby appointed by the Board as the initial Paying Agent/Registrar for the Series 1985 Bonds.

Section 29. The Board hereby approves the form and substance of the Agreement submitted by the Paying Agent/Registrar named in Section 12.01 hereof, attached hereto as Exhibit A, and authorizes and directs the Chairman of the Board to execute and deliver the same for and on behalf of the Board.

ADOPTED this _____ day of December, 1984.

BOARD OF REGENTS, THE UNIVERSITY
OF TEXAS SYSTEM

By: _____
Chairman

ATTEST:

By: _____
Executive Secretary

EXHIBIT "A"

PAYING AGENT/REGISTRAR AGREEMENT

THIS AGREEMENT is entered into as of January 1, 1985 (this "Agreement"), by and between the Board of Regents of The University of Texas System (the "Issuer"), and MBank Austin, N.A., Austin, Texas (the "Bank"), a national banking association duly organized and operating under the laws of the United States of America.

RECITALS OF THE ISSUER

The Issuer has duly authorized and provided for the issuance of its revenue bonds, entitled "Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1985" (the "Bonds") in an aggregate principal amount of \$10,000,000 to be issued as fully registered bonds without coupons;

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, premium (if any) and interest on the Bonds, in accordance with the terms thereof, and that the Bank act as Registrar for the Bonds;

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

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE ONE

APPOINTMENT OF BANK AS
PAYING AGENT AND REGISTRAR

Section 1.01. Appointment.

The Issuer hereby appoints the Bank to act as Paying Agent with respect to the Bonds, in paying to the Registered Owners of the Bonds in accordance with the terms and provisions of this Agreement and the Bond Resolution, the principal of, premium (if any), 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. Compensation.

As compensation for the Bank's services as Paying Agent/Registrar, the Issuer hereby agrees to pay the Bank the fees and amounts set forth in Annex "A" hereto.

ARTICLE TWO

DEFINITIONS

Section 2.01. Definitions.

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

"Bank" means MBank Austin, N.A., Austin, Texas, a national banking association duly organized and operating under the laws of the United States of America.

"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 approved December 13, 1984, pursuant to which the Bonds are issued, certified by the Executive Secretary or any other officer of the Issuer and delivered to the Bank.

"Bond" or "Bonds" means any one or all of the \$10,000,000 in aggregate principal amount of revenue bonds entitled "Board of Regents of The University of Texas System, The University of Texas at Arlington, Combined Fee Revenue Bonds, Series 1985, initially dated January 1, 1985, in fully registered form, without coupons, in the denomination of \$5,000 and integral multiples thereof.

"Issuer" means the Board of Regents of The University of Texas System.

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

"Legal Holiday" means a day on which the Bank is required or authorized to be closed.

"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.

"Predecessor Bonds" of any particular Bond means every previous Bond evidencing all or a portion of the same obligation as that evidenced by such particular Bond (and, for the purposes of this definition, any Bond registered and delivered under Section 4.06 in lieu of a mutilated, lost, destroyed or stolen Bond shall be deemed to evidence the same obligation as the mutilated, lost, destroyed or stolen Bond).

"Record Date" means with respect to each date upon which interest is due and payable on any Bond, the 15th day of the month preceding such interest payment date.

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

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

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

"Bond Register" means a register in which the Issuer shall provide for the registration and transfers of Bonds.

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

ARTICLE THREE

PAYING AGENT

Section 3.01. Duties of Paying Agent.

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

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

As Paying Agent, the Bank shall, provided adequate funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the interest on each Bond when due, by computing the amount of interest to be paid each Registered Owner, preparing the checks and mailing the checks on the payment date, to the Registered Owner of each Bond (or its Predecessor Bonds) 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.

In lieu of such payment by check the Bank may pay interest on any Bond by such other customary banking arrangements acceptable to the Bank and to the Person to whom such interest is to be paid, provided, however, that such Person shall bear all risk and expense of such alternative method of payment.

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 registered by the Bank in the name of the initial purchaser of the Bonds or his designee pursuant to written instructions of the Issuer. If the Bank is in receipt, at least five (5) days prior to the date of delivery of and payment for the Bonds, of written instructions (on forms to be provided in advance by the Bank) from the initial purchaser of the Bonds, designating the names in which Bonds are to be registered, the addresses of the Registered Owners, the maturities, the interest rates and denominations, then the Bank, upon payment of the Initial Bond, shall cancel the Initial Bond and deliver, without cost, registered Bonds pursuant to such instructions. In absence of such timely instructions, the Bank will deliver Bonds in the denomination of \$5,000 each in the name of such initial purchaser.

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, 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 dated 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 of the Bonds, but the Bank may require the Registered Owner of any Bond to pay such reasonable cost incurred by the Bank in connection with the exchange of a Bond or Bonds for a different denomination where no simultaneous transfer of the Bonds to a new owner also occurs. In addition the Bank may require the owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the registration, transfer, exchange or discharge from registration of such Bond.

Section 4.03. Unauthenticated Bonds.

The Issuer shall provide an adequate inventory of unauthenticated Bonds to facilitate transfers. The Bank covenants that it will maintain such unauthenticated bonds in safekeeping and will use reasonable care in maintaining such Bonds in safekeeping, which shall be not less than the care it maintains for debt securities of other governments or corporations for which it serves as registrar, or which it maintains for its own bonds.

Section 4.04. Form of Bond Register.

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

Section 4.05. List of Bond Holders.

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

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

Section 4.06. Return of Cancelled Bonds.

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

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

Upon the presentation and surrender to the Bank of a mutilated bond, the Bank shall authenticate and deliver in exchange therefor a replacement bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. The Bank may require the Registered Owner of such bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith and any other expenses connected herewith.

In the event that any bond is lost, apparently destroyed or wrongfully taken, the Bank, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such bond has been acquired by a bona fide purchaser, shall authenticate and deliver a replacement bond of like tenor and principal amount,

bearing a number not contemporaneously outstanding, provided that the Registered Owner shall have:

- (a) furnished to the Bank satisfactory evidence of the ownership and circumstances of the loss, destruction or theft of such bond;
- (b) furnished such security or indemnity as may be required by the Bank, and acceptable to the Issuer, to save it harmless;
- (c) paid all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Bank and any tax or other governmental charge that may be imposed; and
- (d) met any other reasonable requirements of the Issuer and the Bank.

If, after delivery of such replacement bond, a bona fide purchaser of the original bond in lieu of which such replacement bond was issued, presents for payment such original bond, the Issuer and the Bank shall be entitled to recover such replacement bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Issuer or the Bank in connection therewith.

In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Bank, in its discretion may, instead of issuing a replacement bond, pay such bond.

Section 4.08. Transaction Information to Issuer.

The Bank will, within a reasonable time after receipt of written request from the Issuer, furnish the Issuer information as to the Bonds it has paid pursuant to 3.01, Bonds it has delivered upon the transfer or exchange of any Bonds pursuant to Section 4.01 and Bonds it has delivered in exchange for or in lieu of mutilated, destroyed, lost or stolen Bonds pursuant to Section 4.06.

ARTICLE FIVE

THE BANK

Section 5.01. Duties of Bank.

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

Section 5.02. Reliance on Documents, Etc.

- (a) The Bank may conclusively rely, as to the trust of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank.
- (b) The Bank shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Bank was negligent in ascertaining the pertinent facts.
- (c) No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.
- (d) The Bank may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Without limiting the generality of the foregoing statement, the Bank need not examine the ownership of any Bonds, but is protected in acting

upon receipt of Bonds containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by a Registered Owner or an attorney-in-fact of the Registered Owner. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security or other paper or document supplied by Issuer.

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

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

Section 5.03. Recitals of Issuer.

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

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

Section 5.04. May Own Bonds.

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

Section 5.05. Moneys Held by Bank.

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

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

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

ARTICLE SIX

MISCELLANEOUS PROVISIONS

Section 6.01. Amendment.

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

Section 6.02. Assignment.

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

Section 6.03. Notices.

Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or delivered to the Issuer or the Bank, respectively, at the addresses shown on page 8.

Section 6.04. Effect of Headings.

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

Section 6.05. Successors and Assigns.

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

Section 6.06. Severability.

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

Section 6.07. Benefits of Agreement.

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

Section 6.08. Entire Agreement.

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

Section 6.09. Counterparts.

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

Section 6.10. Term and Termination.

This Agreement shall be effective from and after its date for a term ending on the Stated Maturity date or Redemption Date of the last Bond to mature or be redeemed whichever first occurs, and may be terminated by the Issuer for cause at any time upon 120 days written notice to the Bank, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event of earlier 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.

The provisions of Section 1.02 and of Article Five shall survive, and remain in full force and effect following the termination of this Agreement.

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,
THE UNIVERSITY OF TEXAS SYSTEM

By _____
Chairman

ATTEST:

Executive Secretary

[SEAL]

By: _____
Title
Address:

ATTEST:

Secretary

[SEAL]

ANNEX "A"

U. T. BOARD OF REGENTS: (1) RESOLUTION AUTHORIZING THE ISSUANCE OF BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT AUSTIN PARKING FACILITIES REVENUE BONDS, SERIES 1984, IN THE AMOUNT OF \$3,000,000 AND AWARDING THE SALE OF THE BONDS TO DEAN WITTER REYNOLDS, INC. AND ASSOCIATES, DALLAS, TEXAS; (2) DESIGNATION OF MBANK AUSTIN, N.A., AUSTIN, TEXAS, PAYING AGENT/REGISTRAR; AND (3) AWARD OF CONTRACT TO PRINT THE BONDS TO HART GRAPHICS, INC., AUSTIN, TEXAS.--The following written Resolution (Pages 36 - 64) was duly introduced for the consideration of the U. T. Board of Regents and read in full. It was then duly moved by Regent Yzaguirre, seconded by Vice-Chairman Briscoe and Regent Powell, that said Resolution be adopted; and after due discussion, said motion, carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

AYES: All members of said Board listed present on Page 1 voted "Aye."

NOES: None

The adoption of the Resolution authorized issuance of Board of Regents of The University of Texas System, The University of Texas at Austin Parking Facilities Revenue Bonds, Series 1984, in the amount of \$3,000,000 and awarded the sale of the bonds to Dean Witter Reynolds, Inc. and Associates, Dallas, Texas, at the price of par and accrued interest to the date of delivery (Page 63) at rates of interest reflected on Page 38. The average effective interest rate is 9.906387%.

Upon motion of Regent Powell, seconded by Vice-Chairman Baldwin, the bid of MBank Austin, N.A., Austin, Texas, as Paying Agent/Registrar for Board of Regents of The University of Texas System, The University of Texas at Austin Parking Facilities Revenue Bonds, Series 1984, in the amount of \$3,000,000 was accepted without objection (Pages 38, 42). The bank will make no charge for payment of the bonds.

The contract for the printing of the Board of Regents of The University of Texas System, The University of Texas at Austin Parking Facilities Revenue Bonds, Series 1984, in the amount of \$3,000,000 was awarded unanimously to Hart Graphics, Inc., Austin, Texas, upon motion of Vice-Chairman Baldwin, seconded by Regent Yzaguirre. These bonds are to be printed according to specifications with lithographed borders for the sum of \$920.

RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT AUSTIN, PARKING FACILITIES REVENUE BONDS, SERIES 1984, \$3,000,000, AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO

WHEREAS, the Board of Regents of The University of Texas System is authorized to issue the bonds hereinafter authorized pursuant to Chapter 55, Texas Education Code.

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

Section 1. AMOUNT AND PURPOSE OF THE BONDS. The bond or bonds of the Board of Regents of The University of Texas System (the "Issuer") are hereby authorized to be issued and delivered in the aggregate principal amount of \$3,000,000, FOR THE PURPOSE OF ACQUIRING AND CONSTRUCTING PARKING FACILITIES ON THE CAMPUS OF THE UNIVERSITY OF TEXAS AT AUSTIN, UNDER AND IN STRICT CONFORMITY WITH THE CONSTITUTION AND LAWS OF THE STATE OF TEXAS, INCLUDING PARTICULARLY CHAPTER 55 OF THE TEXAS EDUCATION CODE.

Section 2. DESIGNATION OF THE BONDS. Each bond issued pursuant to this Resolution shall be designated: "BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT AUSTIN, PARKING FACILITIES REVENUE BOND, SERIES 1984", and initially there shall be issued, sold, and delivered hereunder a single fully registered bond, without interest coupons, payable in installments of principal (the "Initial Bond"), but the Initial Bond may be assigned and transferred and/or converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, having serial maturities, and in the denomination or denominations of \$5,000 or any integral multiple of \$5,000, all in the manner hereinafter provided. The term "Bonds" as used in this Resolution shall mean and include collectively the Initial Bond and all substitute bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term "Bond" shall mean any of the Bonds.

Section 3. INITIAL DATE, DENOMINATION, NUMBER, MATURITIES, INITIAL REGISTERED OWNER, AND CHARACTERISTICS OF THE INITIAL BOND.

(a) The Initial Bond is hereby authorized to be issued, sold, and delivered hereunder as a single fully registered Bond, without interest coupons, dated DECEMBER 1, 1984, in the denomination and aggregate principal amount of \$3,000,000, numbered R-1, payable in annual installments of principal to the initial registered owner thereof, to-wit:

DEAN WITTER REYNOLDS, INC.,
or to the registered assignee or assignees of said 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 be prepaid or redeemed prior to the respective scheduled due dates of installments of principal thereof, (ii) may be assigned and transferred, (iii) may be converted and exchanged for other Bonds, (iv) shall have the characteristics, and (v) shall be signed and sealed, and the principal of and interest on the Initial Bond shall be payable, all as provided, and in the manner required or

indicated, in the FORM OF INITIAL BOND set forth in this Resolution.

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

Section 5. FORM OF INITIAL BOND. The form of the Initial Bond, including the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be endorsed on the Initial Bond, shall be substantially as follows:

FORM OF INITIAL BOND

NO. R-1 \$3,000,000

UNITED STATES OF AMERICA
STATE OF TEXAS
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM,
THE UNIVERSITY OF TEXAS AT AUSTIN,
PARKING FACILITIES REVENUE BOND
SERIES 1984

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

DEAN WITTER REYNOLDS, INC.,

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

\$3,000,000
(THREE MILLION DOLLARS)

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

<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>	<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>
1987	\$ 65,000	1996	\$170,000
1988	75,000	1997	190,000
1989	85,000	1998	215,000
1990	90,000	1999	235,000
1991	100,000	2000	265,000
1992	115,000	2001	290,000
1993	125,000	2002	325,000
1994	140,000	2003	360,000
1995	155,000		

and to pay interest, from the date of this Bond hereinafter stated, on the balance of each such installment of principal, respectively, from time to time remaining unpaid, at the rates as follows:

11-5/8% per annum on the above installment due in 1987
 11-5/8% per annum on the above installment due in 1988
 11-5/8% per annum on the above installment due in 1989
 11-5/8% per annum on the above installment due in 1990
 11-5/8% per annum on the above installment due in 1991
 11-5/8% per annum on the above installment due in 1992
 11-5/8% per annum on the above installment due in 1993
 11-5/8% per annum on the above installment due in 1994
 11.50% per annum on the above installment due in 1995
 9.40% per annum on the above installment due in 1996
 9.60% per annum on the above installment due in 1997
 9.75% per annum on the above installment due in 1998
 9.90% per annum on the above installment due in 1999
 10.00% per annum on the above installment due in 2000
 10.10% per annum on the above installment due in 2001
 10.15% per annum on the above installment due in 2002
 9-1/8% per annum on the above installment due in 2003
 9-1/8% per annum on the above installment due in 2003

with said interest being payable on JUNE 1, 1985, and semi-annually on each DECEMBER 1 and JUNE 1 thereafter while this Bond or any portion hereof is outstanding and unpaid.

THE INSTALLMENTS OF PRINCIPAL OF AND THE INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The installments of principal and the interest on this Bond are payable to the registered owner hereof through the services of MBANK AUSTIN, NATIONAL ASSOCIATION, AUSTIN, TEXAS, which is the "Paying Agent/Registrar" for this Bond. Payment of all principal of and interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each principal and/or interest payment date by check or draft, dated as of such date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the resolution authorizing the issuance of this Bond (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such principal and/or interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the 15th day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. The Issuer covenants with the registered owner of this Bond that on or before 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" created by the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on this Bond, when due.

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

THIS BOND has been authorized in accordance with the Constitution and laws of the State of Texas in the aggregate principal amount of \$3,000,000 FOR THE PURPOSE OF ACQUIRING AND CONSTRUCTING PARKING FACILITIES ON THE CAMPUS OF THE UNIVERSITY OF TEXAS AT AUSTIN, UNDER AND IN STRICT CONFORMITY WITH THE

CONSTITUTION AND LAWS OF THE STATE OF TEXAS, INCLUDING PARTICULARLY CHAPTER 55 OF THE TEXAS EDUCATION CODE.

ON DECEMBER 1, 1994, or on any interest payment date thereafter, the unpaid installments of principal of this Bond may be prepaid or redeemed prior to their scheduled due dates, at the option of the Issuer, with funds derived from any available source, as a whole, or in part, and, if in part, the particular portion of this Bond to be prepaid or redeemed shall be selected and designated by the Issuer (provided that a portion of this Bond may be redeemed only in an integral multiple of \$5,000), at the prepayment or redemption price (expressed as a percentage of principal amount) applicable to the date of redemption, as set forth in the following schedule, plus accrued interest to the date fixed for prepayment or redemption:

<u>Redemption Dates</u>	<u>Redemption Prices (%)</u>
December 1, 1994 through June 1, 1996	101.5
December 1, 1996 through June 1, 1997	101
December 1, 1997 through June 1, 1998	100.5
December 1, 1998 and thereafter	100

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 standard or customary fees and charges for transferring, converting, and exchanging this Bond or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make any such assignment, conversion, or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or portion thereof called for prepayment or redemption prior to maturity, within 45 days prior to its prepayment or redemption date.

IN THE EVENT any Paying Agent/Registrar for this Bond is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Bond Resolution that it promptly will appoint a competent and legally qualified

substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owner of this Bond.

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, sold, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is a special obligation of the Issuer, secured by and payable from a first lien on and pledge of the "Pledged Revenues", as defined in the Bond Resolution, which include (1) the Net Revenues of the Parking Facilities (which term includes interest income from the Revenue Fund, the Interest and Sinking Fund, and the Reserve Fund), (2) the gross collections of the Parking Facilities Fee, and (3) any additional revenues, income, receipts, rentals, rates, charges, fees, or other resources which may hereafter, at the option of the Issuer, be pledged to the payment of the Bond and Additional Bonds, all as further defined in the Bond Resolution.

THE ISSUER has reserved the right, subject to the restrictions stated in the Bond Resolution, to issue Additional Bonds payable from and secured by a first lien on and pledge of the "Pledged Revenues" on a parity with this Bond.

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 governing body 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 DECEMBER 1, 1984.

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

Chairman, Board of Regents,
The University of Texas
System

(BOARD
SEAL)

FORM OF REGISTRATION CERTIFICATE OF THE

COMPTROLLER OF PUBLIC ACCOUNTS:

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.

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

the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this

Comptroller of Public Accounts
of the State of Texas

(COMPTROLLER'S SEAL)

Section 6. ADDITIONAL CHARACTERISTICS OF THE BONDS.
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 (i) the assignment of the Bond, or any portion thereof in any integral multiple of \$5,000, to the assignee or assignees thereof, and (ii) the right of such assignee or assignees to have the Bond or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Bond or any portion thereof, a new substitute Bond or Bonds shall be issued in conversion and exchange therefor in the manner herein provided. The Initial Bond, to the extent of the unpaid or unredeemed principal balance thereof, may be assigned and transferred by the initial registered owner thereof once only, and to one or more assignees designated in writing by the initial registered owner thereof. All Bonds issued and delivered in conversion of and exchange for the Initial Bond shall be in any denomination or denominations of any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated principal maturity date), shall be in the form prescribed in the FORM OF SUBSTITUTE BOND set forth in this Resolution, and shall have the characteristics, and may be assigned, transferred, and converted as hereinafter provided. If the Initial Bond or any portion thereof is assigned and transferred or converted the Initial Bond must be surrendered to the Paying Agent/Registrar for cancellation, and each Bond issued in exchange for any portion of the Initial Bond shall have a single stated principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond

is being exchanged; and each such Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If only a portion of the Initial Bond is assigned and transferred, there shall be delivered to and registered in the name of the initial registered owner substitute Bonds in exchange for the unassigned balance of the Initial Bond in the same manner as if the initial registered owner were the assignee thereof. If any Bond or portion thereof other than the Initial Bond is assigned and transferred or converted each Bond issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Bond for which it is exchanged. A form of assignment shall be printed or endorsed on each Bond, excepting the Initial Bond, which shall be executed by the registered owner or its duly authorized attorney or representative to evidence an assignment thereof. Upon surrender of any Bonds or any portion or portions thereof for transfer of registration, an authorized representative of the Paying Agent/Registrar shall make such transfer in the Registration Books, and shall deliver a new fully registered substitute Bond or Bonds, having the characteristics herein described, payable to such assignee or assignees (which then will be the registered owner or owners of such new Bond or Bonds), or to the previous registered owner in case only a portion of a Bond is being assigned and transferred, all in conversion of and exchange for said assigned Bond or Bonds or any portion or portions thereof, in the same form and manner, and with the same effect, as provided in Section 6(d), below, for the conversion and exchange of Bonds by any registered owner of a Bond. The Issuer shall pay the Paying Agent/Registrar's 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 principal or interest payment date, or, (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

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

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

(d) Conversion and Exchange or Replacement; Authentication. Each Bond issued and delivered pursuant to this Resolution, to the extent of the unpaid or unredeemed principal

balance or principal amount thereof, may, upon surrender of such Bond at the principal corporate trust office of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, may, at the option of the registered owner or such assignee or assignees, as appropriate, be converted into and exchanged for fully registered bonds, without interest coupons, in the form prescribed in the FORM OF SUBSTITUTE BOND set forth in this Resolution, in the denomination of \$5,000, or any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated maturity date), as requested in writing by such registered owner or such assignee or assignees, in an aggregate principal amount equal to the unpaid or unredeemed principal balance or principal amount of any Bond or Bonds so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If the Initial Bond is assigned and transferred or converted each substitute Bond issued in exchange for any portion of the Initial Bond shall have a single stated principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If a portion of any Bond (other than the Initial Bond) shall be redeemed prior to its scheduled maturity as provided herein, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in the denomination or denominations of any integral multiple of \$5,000 at the request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation. If any Bond or portion thereof (other than the Initial Bond) is assigned and transferred or converted, each Bond issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Bond for which it is being exchanged. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond. The Paying Agent/Registrar shall convert and exchange or replace Bonds as provided herein, and each fully registered bond delivered in conversion of and exchange for or replacement of any Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Bonds for all purposes of this Resolution, and may again be converted and exchanged or replaced. It is specifically provided that any Bond authenticated in conversion of and exchange for or replacement of another Bond on or prior to the first scheduled Record Date for the Initial Bond shall bear interest from the date of the Initial Bond, but each substitute Bond so authenticated after such first scheduled Record Date shall bear interest from the interest payment date next preceding the date on which such substitute Bond was so authenticated, unless such Bond is authenticated after any Record Date but on or before the next following interest payment date, in which case it shall bear interest from such next following interest payment date; provided, however, that if at the time of delivery of any substitute Bond the interest on the Bond for which it is being exchanged is due but has not been paid, then such Bond shall bear interest from the date to which such interest has been paid in full. THE INITIAL BOND issued and delivered pursuant to this Resolution is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in conversion of and exchange for or replacement of any Bond or Bonds issued under this Resolution

there shall be printed a certificate, in the form substantially as follows:

"PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

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

MBANK AUSTIN, NATIONAL ASSOCIATION,
AUSTIN, TEXAS
Paying Agent/Registrar

Dated

Authorized Representative"

An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign the above Certificate, and no such Bond shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all Bonds surrendered for conversion and exchange or replacement. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing conversion and exchange or replacement of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be of type composition printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to Vernon's Ann. Tex. Civ. St. Art. 717k-6, and particularly Section 6 thereof, the duty of conversion and exchange or replacement of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the above Paying Agent/Registrar's Authentication Certificate, the converted and exchanged or replaced Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Initial Bond which originally was issued pursuant to this Resolution, approved by the Attorney General, and registered by the Comptroller of Public Accounts. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging any Bond or any portion thereof, but the one requesting any such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not be required to make any such conversion and exchange or replacement of Bonds or any portion thereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

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

be signed and sealed, and (vii) the principal of and interest on the Bonds shall be payable, all as provided, and in the manner required or indicated, in the FORM OF SUBSTITUTE BOND set forth in this Resolution.

(f) Payment of Fees and Charges. The Issuer hereby covenants with the registered owners of the Bonds that it will (i) pay the standard or customary fees and charges 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 7. FORM OF SUBSTITUTE BONDS. The form of all Bonds issued in conversion and exchange or replacement of any other Bond or portion thereof, including the form of Paying Agent/Registrar's Certificate to be printed on each of such Bonds, and the Form of Assignment to be printed on each of the Bonds, shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Resolution.

FORM OF SUBSTITUTE BOND

NO. _____ UNITED STATES OF AMERICA PRINCIPAL AMOUNT
STATE OF TEXAS \$ _____
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM,
THE UNIVERSITY OF TEXAS AT AUSTIN,
PARKING FACILITIES REVENUE BOND
SERIES 1984

INTEREST RATE

MATURITY DATE

CUSIP NO.

_____ %

ON THE MATURITY DATE specified above the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the "Issuer"), being an agency of the State of Texas, hereby promises to pay to

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

_____ and to pay interest thereon from DECEMBER 1, 1984, 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 JUNE 1, 1985, and semiannually on each DECEMBER 1 and JUNE 1 thereafter, except that if the date of authentication of this Bond is later than MAY 15, 1985, such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date (hereinafter defined) but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of MBANK AUSTIN, NATIONAL ASSOCIATION, AUSTIN, TEXAS, which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the resolution authorizing the issuance of the Bonds (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the 15th day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner at the principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of this Bond for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar. The Issuer covenants with the registered owner of this Bond that on or before each principal payment date, interest payment date, and accrued interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the City where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall

be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND is one of an issue of Bonds initially dated DECEMBER 1, 1984, authorized in accordance with the Constitution and laws of the State of Texas in the aggregate principal amount of \$3,000,000 FOR THE PURPOSE OF ACQUIRING AND CONSTRUCTING PARKING FACILITIES ON THE CAMPUS OF THE UNIVERSITY OF TEXAS AT AUSTIN, UNDER AND IN STRICT CONFORMITY WITH THE CONSTITUTION AND LAWS OF THE STATE OF TEXAS, INCLUDING PARTICULARLY CHAPTER 55 OF THE TEXAS EDUCATION CODE.

ON DECEMBER 1, 1994, or on any interest payment date thereafter, the Bonds of this Series may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the Issuer (provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000), at the redemption price (expressed as a percentage of principal amount) applicable to the date of redemption, as set forth in the following schedule, plus accrued interest to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price (%)</u>
December 1, 1994 through June 1, 1996	101.5
December 1, 1996 through June 1, 1997	101
December 1, 1997 through June 1, 1998	100.5
December 1, 1998 and thereafter	100

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 reporter of general circulation among securities dealers in The City of New York, New York (including, but not limited to, The Bond Buyer and The Wall Street Journal), or in the State of Texas (including, but not limited to, The Texas Bond Reporter). Such notice also shall be sent by the Paying Agent/Registrar by United States Mail, first-class postage prepaid, not less than 30 days prior to the date fixed for any such redemption, to the registered owner of each Bond to be redeemed at its address as it appeared on the 45th day prior to such redemption date; provided, however, that the failure to send, mail, or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond, and it is hereby specifically provided that the publication of such notice as required above shall be the only notice actually required in connection with or as a prerequisite to the redemption of any Bonds or portions thereof. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such written notice of redemption is published and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price plus accrued interest from the Paying Agent/Registrar out of the funds provided for such payment. If a

portion of any Bond shall be redeemed a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Bond Resolution.

THIS BOND OR ANY PORTION OR PORTIONS HEREOF IN ANY INTEGRAL MULTIPLE OF \$5,000 may be assigned and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. The form of Assignment printed or endorsed on this Bond shall be executed by the registered owner or its duly authorized attorney or representative, to evidence the assignment hereof. A new Bond or Bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds), or to the previous registered owner in the case of the assignment and transfer of only a portion of this Bond, may be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other Bonds. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of this Bond or any portion hereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date. The registered owner of this Bond shall be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

ALL BONDS OF THIS SERIES are issuable solely as fully registered bonds, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Bond Resolution, this Bond, or any unredeemed portion hereof, may, at the request of the registered owner or the assignee or assignees hereof, be converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date, and bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate registered owner, assignee, or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution. The Issuer shall pay the Paying

Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging any Bond or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not be required to make any such conversion and exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

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

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, 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; that this Bond is a special obligation of the Issuer, secured by and payable from a first lien on and pledge of the "Pledged Revenues", as defined in the Bond Resolution, which include (1) the Net Revenues of the Parking Facilities (which term includes interest income from the Revenue Fund, the Interest and Sinking Fund, and the Reserve Fund), (2) the gross collections of the Parking Facilities Fee, and (3) any additional revenues, income, receipts, rentals, rates, charges, fees, or other resources which may hereafter, at the option of the Issuer, be pledged to the payment of the Bonds and Additional Bonds, all as further defined in the Bond Resolution.

THE ISSUER has reserved the right, subject to the restrictions stated in the Bond Resolution, to issue Additional Bonds payable from and secured by a first lien on and pledge of the "Pledged Revenues" on a parity with this Bond and series of which it is a part.

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 governing body of the Issuer, and agrees that the terms and provisions of this Bond and the Bond Resolution constitute a contract between each registered owner hereof and the Issuer.

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

facsimile, on this Bond.

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

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

(BOARD SEAL)

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

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

MBANK AUSTIN, NATIONAL ASSOCIATION,
AUSTIN, TEXAS
Paying Agent/Registrar

Dated

Authorized Representative

FORM OF ASSIGNMENT:

ASSIGNMENT

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

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

and hereby irrevocably constitutes and appoints

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

Dated: _____

Signature Guaranteed:

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

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

Section 8. Throughout this Resolution the following terms as used herein shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

The term "University" shall mean The University of Texas at Austin, in Austin, Texas.

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

The terms "Bond Resolution" and "Resolution" mean this resolution authorizing the Bonds.

The term "Bonds" means collectively the Initial Bond as described and defined in Section 1 of this Resolution, and all substitute bonds authenticated and delivered in exchange therefor and all other substitute bonds and replacement bonds issued pursuant to this Resolution.

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

The term "Project" shall mean the motor vehicle parking facilities to be acquired and constructed on the campus of the University with proceeds from the sale of the Initial Bond, to-wit: a reinforced concrete and steel multi-level parking garage to accommodate approximately 1,011 cars.

The term "Parking Facilities" shall mean and include the following:

- (a) The Project.
- (b) All existing revenue producing parking facilities on the campus of the University, all as described in the "Parking and Traffic Regulations & Information" for the University, effective September 1, 1984, and presently consisting of approximately 11,124 permit surface spaces and approximately 153 metered surface spaces.
- (c) All additions and improvements to and replacements of the foregoing (a) and (b).

The term "Current Expenses" shall mean all necessary operating and maintenance expenses of the Parking Facilities, 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 University.

The term "Gross Revenues" shall mean all revenues, income, receipts, rentals, rates, charges, motor vehicle citation charges (including traffic control violation fines or charges), and fees (other than the Parking Facilities Fees) derived by the Board and/or the University from any sources due to, on account of, and from the operation and ownership of, the Parking Facilities and the parking and traffic control operations and regulations relating thereto, together with all interest income derived from the deposit or investment of money credited to Revenue Fund, the Interest and Sinking Fund, and the Reserve Fund maintained pursuant to this Resolution.

The terms "Net Revenues" and "Net Revenues of the Parking Facilities" shall mean all Gross Revenues derived from the Parking Facilities after deduction of the Current Expenses thereof.

The term "Parking Facilities Fee" shall mean the student fee, which shall be fixed, charged, and collected from all students (excepting any category of students now exempt by law) regularly enrolled at the University, for the general use and availability of the Parking Facilities, in the manner and to

the extent provided in this Resolution, and pledged to the payment of the Bonds and any Additional Bonds, as authorized by Chapter 55 of the Texas Education Code.

The term "Pledged Revenues" shall mean collectively (1) the Net Revenues of the Parking Facilities, (2) the gross collections of the Parking Facilities Fee, and (3) any additional revenues, income, receipts, rentals, rates, charges, fees, or other resources which may hereafter, at the option of the Board, be pledged to the payment of the Bonds and Additional Bonds.

The terms "bondholder" and "holder" shall mean any person or persons who is the registered owner of one or more of the Bonds or Additional Bonds.

Section 7. That the Bonds and any Additional Bonds, and the interest thereon, are and shall be secured by and payable from a first lien on and pledge of the Pledged Revenues, and such Pledged Revenues are further pledged to the establishment and maintenance of the Funds created by this Resolution.

Section 8. That there are hereby created and established the following Funds:

(a) The "Parking Facilities Revenue Fund" (herein called the "Revenue Fund"), which shall be established as a separate account on the books of the University, and to which all Gross Revenues, the Parking Facilities Fee, and all other Pledged Revenues shall be credited, except as otherwise provided herein with respect to interest income from the deposit or investment of other Funds created by this Resolution. The Current Expenses of the Parking Facilities shall be paid from the Gross Revenues in the Revenue Fund as a first charge against the Gross Revenues in the Revenue Fund.

(b) The "Parking Facilities Bonds Interest and Sinking Fund" (herein called the "Interest and Sinking Fund"), which shall be established as a separate fund at an official depository of the University (which must be a member of the Federal Deposit Insurance Corporation). The Interest and Sinking Fund shall be used to provide for the payment of the principal of and interest on the Bonds and Additional Bonds when due.

(c) The "Parking Facilities Bonds Reserve Fund" (herein called the "Reserve Fund"), which shall be established as a separate fund at an official depository of the University (which must be a member of the Federal Deposit Insurance Corporation). The Reserve Fund shall be used to retire the last of the outstanding Bonds and Additional Bonds, or to pay the principal of and interest on the Bonds and Additional Bonds if and to the extent the amounts in the Interest and Sinking Fund are insufficient for such purpose.

The Interest and Sinking Fund and the Reserve Fund shall constitute trust funds which shall be held in trust for the benefit of the holders of the Bonds and Additional Bonds.

Section 9. That money in any Fund established pursuant to this Resolution may, at the option of the Board, be placed in time deposits secured by obligations hereinafter described, or be invested in direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or

represent its general obligation, or in obligations of Federal governmental agencies, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, United States Postal Service, Farmers Home Administration, Federal Home Loan Mortgage Association, Small Business Administration, Federal Housing Association, or Participation Certificates in the Federal Assets Financing Trust; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times. Such investments shall be valued in terms of current market value as of the last day of August of each year. Interest and income derived from such deposits and investments shall be credited to the Fund from which the deposit or investment was made and shall be used only for the purpose or purposes for which such 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.

Section 10. That money in all Funds created by this Resolution, to the extent not invested, shall be secured in the manner prescribed by law for securing funds of the Board, in principal amounts at all times not less than the amounts of money credited to such Funds, respectively.

Section 11. (a) That immediately after the delivery of the Bonds the Board shall deposit all accrued interest and any premium received from the sale and delivery of the Initial Bond, to the credit of the Interest and Sinking Fund.

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

(i) on or before the last day of May, 1985, and semiannually on or before the last day of each November and May thereafter, such amounts as will be sufficient, together with other amounts, if any, then on hand in the Interest and Sinking Fund and available for such purpose, to pay the interest scheduled to accrue and come due on the Bonds on the next succeeding interest payment date; and

(ii) on or before the last day of May, 1987, and semiannually on or before the last day of each November and May thereafter, such amounts, in approximately equal semiannual installments, 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 principal scheduled to mature and come due on the Bonds on the next succeeding December 1.

Section 12. That immediately after the delivery of the Initial Bond the Board shall deposit, from the proceeds received from the sale and delivery of the Initial Bond and/or other University funds then available to the Board, to the credit of the Reserve Fund an amount equal to the average annual principal and interest requirements of the Bonds. So long as the money and investments in the Reserve Fund are not less in market value than a required amount equal to the average annual principal and interest requirements of all then outstanding Bonds and Additional Bonds, no deposits need be made into the Reserve Fund; but if the Reserve Fund at any time contains less than said required amount in market value, then,

subject and subordinate to making the required deposits to the credit of the Interest and Sinking Fund, 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 last days of each May and November thereafter, a sum at least equal to 1/8th of the average annual principal and interest requirements of all then outstanding Bonds and Additional Bonds, until the Reserve Fund is restored to said required amount. So long as the Reserve Fund contains said required amount, any surplus in the Reserve Fund over said required amount shall be transferred and deposited into the Interest and Sinking Fund.

Section 13. (a) That 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, or from any other sources available for such purpose.

(b) Any Pledged Revenues in excess of those required to make the deposits required to be made to the credit of the Interest and Sinking Fund and the Reserve Fund may be used for any lawful purpose.

Section 14. (a) That the Board covenants and agrees to fix, levy, charge, and collect the Parking Facilities Fee on a uniformly applied basis from each student (excepting any student in a category now exempt from paying fees by the Texas Education Code) enrolled in the University at each regular fall and spring semester and at each term of each summer session, for the use and availability of the Parking Facilities, in such amounts, without any limitation whatsoever, as will be at least sufficient at all times to provide, together with other Pledged Revenues, 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 principal of and interest on the Bonds and any Additional Bonds as the same mature and come due, and the Parking Facilities Fee shall be fixed, levied, charged, and collected in the full amounts required by this Resolution without regard to the actual use, availability, or existence of the Parking Facilities.

(b) Effective with the 1984 regular fall semester the Parking Facilities Fee for the general use and availability of the Parking Facilities has been and is hereby fixed and confirmed, and shall be levied, charged, and collected from each student regularly enrolled in the University (excepting any student in a category exempt from paying fees by the Texas Education Code), as follows:

\$0.30 (30¢) per registered Semester Credit Hour at each of the regular fall and spring semesters, and at each term of each summer session.

(c) That the Parking Facilities Fee shall be fixed, levied, charged, and collected pursuant to resolution of the Board when required by this Resolution, and shall be increased if and when required by this Resolution, and may be decreased or abrogated, 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 Parking Facilities 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.

(d) It is specifically found and determined by the Board that the Bonds are issued pursuant to applicable Sections of the Texas Education Code, including specifically Section 55.17 thereof, to be secured by a pledge of an unlimited use fee (the Parking Facilities Fee), and that (1) the estimated maximum amount per semester hour of the pledged Parking Facilities Fee (based on current enrollment and conditions) during any future semester necessary to provide for the payment of the principal of and interest on the Bonds when due, together with (2) the aggregate amount of all use fees which were levied on a semester hour basis for the current semester to pay the principal of and interest on all bonds of any kind previously issued by the Board, do not exceed \$6.00 per semester hour. In arriving at the foregoing conclusion the Board has estimated that the aggregate of all available Pledged Revenues will be more than sufficient to obviate the necessity of levying any aforesaid use fees based on a semester hour basis in excess of an aggregate of \$6.00 per semester hour.

Section 15. On or before June 1, 1985, and on or before each December 1 and June 1 thereafter while any of the Bonds or Additional Bonds, or interest appertaining thereto, is outstanding and unpaid, there shall be made available to the Paying Agent/Registrar, out of the Interest and Sinking Fund, or the Reserve Fund if necessary, money sufficient to pay such interest on and such principal of the Bonds and Additional Bonds as will accrue or mature on each such December 1 and June 1. The Paying Agent/Registrar shall destroy all paid Bonds and Additional Bonds, and shall furnish the Board with an appropriate certificate of destruction.

Section 16. That whenever the total sum in the Interest and Sinking Fund and Reserve Fund shall be equivalent to (1) the aggregate principal amount of all Bonds and Additional Bonds plus (2) the aggregate amount of all unpaid interest thereto appertaining, unmatured and matured, no further payments need be made into the Interest and Sinking Fund or Reserve Fund. In determining the amount of Bonds and Additional Bonds outstanding, there shall be subtracted the amount of any Bonds or Additional Bonds which shall have been duly called for redemption and for which funds shall have been deposited with the Paying Agent/Registrar sufficient for such redemption.

Section 17. That the Bonds and any Additional Bonds, and the interest appertaining thereto, will constitute special obligations of the Board payable solely from the Pledged Revenues, and the holders of the Bonds and Additional Bonds, shall never have the right to demand payment of the principal thereof or interest thereon out of funds raised or to be raised by taxation.

Section 18. (a) The Board reserves and shall have the right and power to issue in one or more series "Additional Bonds" for any purpose authorized by law, including the refunding of any bonds or other obligations, 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. 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 average annual principal and interest requirements of all Bonds and Additional Bonds which will be outstanding after the issuance and delivery of the then proposed Additional Bonds; 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 cash 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 last day of each May and November following the adoption of the resolution authorizing the issuance of the then proposed Additional Bonds, of not less than 1/8th of said required additional amount (or 1/8th of the balance of said required additional amount not deposited in cash as permitted above).

(b) All calculations of average annual principal and interest requirements made pursuant to this Section are made as of and from the date of the Additional Bonds then proposed to be issued.

(c) The principal of all Additional Bonds must be scheduled to be paid or mature on December 1 of the years in which such principal is scheduled to be paid or mature; and all interest thereon must be payable on June 1 and December 1.

(d) Any improvements and/or additions to the Parking Facilities acquired or constructed through the issuance of Additional Bonds shall be made a part of the Parking Facilities, and their revenues or fees charged for the use thereof shall be made Net Revenues pledged as additional security for all Bonds and Additional Bonds.

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

(a) The senior financial officer of the University signs a written certificate to the effect that the Board is not in default as to any covenant, condition, or obligation in connection with all outstanding Bonds and Additional Bonds, and 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 State Auditor of the State of Texas, or any certified public accountant, signs a written certificate to the effect that, during either the next preceding fiscal year of The University of Texas System, or any twelve consecutive calendar month period ending not more than ninety days prior to the adoption of the resolution authorizing the issuance of the then proposed Additional Bonds, the Pledged Revenues were at least equal to 1.25 times the average annual principal and

interest requirements of all Bonds and Additional Bonds which were then outstanding during such period.

(c) The senior financial officer of the University signs a written certificate to the effect that the annual Pledged Revenues, including Net Revenues attributable to any facilities acquired or constructed with the proceeds of such Additional Bonds, are estimated to be at least equal to the greater of (i) the actual principal and interest requirements or (ii) 1.25 times the average annual principal and interest requirements, of all Bonds and Additional Bonds to be outstanding after the delivery of the then proposed Additional Bonds, during each fiscal year of The University of Texas System, respectively, while said Bonds or Additional Bonds are outstanding, commencing with the next complete fiscal year after delivery of the then proposed Additional Bonds, or in case any facilities are added to the Parking Facilities by the resolution authorizing the then proposed Additional Bonds, commencing with the first complete fiscal year after such facilities are estimated to be placed in operation.

Section 20. That it is hereby covenanted and agreed by the Board that while any Bonds or Additional Bonds or interest appertaining thereto 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 and every Bond and Additional Bond executed and delivered hereunder, that it will promptly pay or cause to be paid from the Pledged Revenues the principal of and interest on every Bond and Additional Bond issued hereunder, on the dates and at the places and manner prescribed in such Bond and Additional Bond and that it will, at the times and in the manner prescribed herein, deposit or cause to be deposited, from the Pledged Revenues, the amounts of money specified herein.

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

(c) It lawfully owns and is lawfully possessed of the land upon which the Parking Facilities is located and it has a good and indefeasible estate in such land in fee simple; it warrants that it has, and will defend, the title to the said land and every part thereof and improvements thereon, including the Parking Facilities, for the benefit of the holders and 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 herein pledged in the manner prescribed herein, and has lawfully exercised such right.

(d) It will from time to time, and before the same become delinquent, pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or upon the Parking Facilities, 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 said structures, 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.

(e) It will not do or suffer any act or thing whereby the Parking Facilities might or could be impaired, and that it will at all times maintain, preserve, and keep the real and tangible property of the Parking Facilities and every part thereof in good condition, repair, and working order and operate, maintain, preserve, and keep all buildings, structures, and equipment pertaining thereto and every part and parcel thereof in good condition, repair, and working order; and at all times while the Bonds or Additional Bonds are outstanding, casualty and other insurance will be maintained with respect to the Parking Facilities of such kind and amounts customarily carried by public or governmental agencies operating like properties.

(f) 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 Parking Facilities, 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 Parking Facilities may be sold at fair market value, permanently abandoned, or otherwise removed from the Parking Facilities, provided that:

(i) The senior financial officer of the University 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;

(ii) The net proceeds of any sale of such property are applied to either (1) redemption of outstanding Bonds or Additional Bonds in accordance with the provisions governing prepayment of the Bonds or Additional Bonds in advance of maturity, or (2) replacement of the property so sold by other property which shall be incorporated into the Parking Facilities;

(iii) The senior financial officer of the University certifies, prior to any abandonment or removal of the property, that the property to be abandoned or removed is either of substandard quality, and is no longer capable of producing more than marginal Net Revenues, or that the abandonment or removal is necessary to carry out the University's campus master plan; and

(iv) The Board of Regents approves a certification by the senior financial officer of the University that:

(1) Pledged Revenues for either the preceding fiscal year or the 12-month period immediately preceding such sale, abandonment, or removal would have been at least 125% of the average annual principal and interest requirements on all outstanding Bonds and Additional Bonds, 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, Pledged Revenues 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 Parking Facilities, to be at least 125% of the average annual principal and interest requirement on all outstanding Bonds and Additional Bonds.

(g) It will establish and maintain rates and charges for services, use, and availability of the Parking Facilities that will produce Gross Revenues sufficient to pay the Current Expenses of the Parking Facilities and sufficient, together with other Pledged Revenues, 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. It will fix, charge, and collect the Parking Facilities Fee, if necessary, in amounts which, together with other Pledged Revenues, will be sufficient to pay the interest on and principal of the Bonds and Additional Bonds and maintain the Reserve Fund.

(h) That while any Bonds or Additional Bonds are outstanding and unpaid, the Board shall not additionally encumber the Pledged Revenues 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.

(i) 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 Parking Facilities and the Pledged Revenues, and each year while any of the Bonds is outstanding, the University will prepare from such books of record and account a preliminary financial report containing statements of (i) Gross Revenues, Current Expenses, and Net Revenues, (ii) year end balances in funds maintained pursuant to the Resolution and changes in such fund balances from the previous fiscal year, and (iii) a schedule of insurance policies, based on the fiscal year of the University beginning on September 1 of each year and ending on August 31 of the following year. Such preliminary reports shall be furnished to the original purchasers of the Bonds, the Municipal Advisory Council of Texas, the principal municipal bond rating agencies, and any holder of the Bonds who shall request same.

(j) That each year while any of the Bonds or Additional Bonds is outstanding, an audit will be made of its books and accounts relating to the Parking Facilities and the Pledged Revenues 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 University 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 the original purchasers of the Bonds, and to all other 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) That any holder or holders of twenty-five (25%) per centum in aggregate amount of the Bonds and Additional Bonds at the time then outstanding, shall have the right at all reasonable times to inspect the Parking Facilities and all records, accounts, and data of the Board relating thereto.

(1) That the Board covenants to and with the purchaser of the Bonds that it will make no use of the proceeds of the Bonds at any time throughout the term of this issue of Bonds which, if such use had been reasonably expected on the date of delivery of the Bonds to and payment for the Bonds by the purchasers, would have caused the Bonds to be arbitrage bonds within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended, or any regulations or rulings pertaining thereto and by this covenant the Board is obligated to comply with the requirements of the aforesaid Section 103(c) and all applicable and pertinent Department of the Treasury regulations relating to arbitrage bonds. The Board further covenants that the proceeds of the Bonds will not otherwise be used directly or indirectly so as to cause all or any part of the Bonds to be or become arbitrage bonds within the meaning of the aforesaid Section 103(c), or any regulations or rulings pertaining thereto.

Section 21. (a) That any Bond or Additional Bond shall be deemed to be paid, retired, and no longer outstanding within the meaning of this Resolution when payment of the principal of, redemption premium, if any, on such Bond or Additional Bond, plus interest thereon to the due date thereof (whether such due date 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 by irrevocably depositing with or making available to a Paying Agent/Registrar therefor, in trust and irrevocably set aside exclusively for such payment (1) money 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 make such payment, and all necessary and proper fees, compensation, and expenses of such Paying Agent/Registrar pertaining to the Bonds and Additional Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of such Paying Agent/Registrar. At such time as a Bond or Additional Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits of this Resolution or a lien on and pledge of the Pledged Revenues, and shall be entitled to payment solely from such money or Government Obligations.

(b) That any moneys so deposited with a paying agent may at the direction of the Board also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Government Obligations in the hands of the paying agent pursuant to this Section which is not required for the payment of the Bonds and Additional Bonds, the redemption premium, if any, and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Board or deposited as directed by the Board.

(c) That for the purpose of this Section, the term "Government Obligations" 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 or may not be in book-entry form.

(d) Notwithstanding the foregoing, the Issuer covenants that with respect to the Bonds it will provide a Paying Agent/Registrar to perform the services of Paying Agent/Registrar for the Bonds as provided in this Resolution the same as if they had not been defeased, and the Issuer shall make proper arrangements to provide and pay for such services.

Section 22. 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, 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 by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the registered owner applying 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 registered owner 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 registered owner shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

(c) No Default Occurred. 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 registered owner of such Bond with all legal, printing, and other expenses in connection therewith. Every replacement bond issued pursuant to the provisions of this Section by virtue of the fact that any bond is lost, stolen, or destroyed shall constitute a contractual obligation of the Issuer whether or not the lost, stolen, or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Resolution equally and proportionately with any and all other Bonds duly issued under this Resolution.

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

Section 23. CONSTRUCTION ACCOUNT. That there shall be created in a depository of the University a special account which shall be entitled "The University of Texas at Austin Parking Facilities Construction Account" (hereinafter called the "Construction Account"), into which shall be deposited the proceeds from the sale of the Initial Bond, less (i) bond issuance expenses which shall be paid directly, (ii) the amount

of accrued interest and any premium received on the sale of such Initial Bond, which shall be deposited in the Interest and Sinking Fund, and (iii) any amount required from Bond proceeds to make the required deposit into the Reserve Fund. In addition to such proceeds, an amount of lawfully available money which, together with the proceeds of the Bond, will be sufficient to complete the construction and equipment of the Project, shall be deposited to the credit of the Construction Account. The money in the Construction Account shall be secured by the pledge of direct obligations of the United States Government or obligations unconditionally guaranteed by the United States Government in a principal amount at all times not less than the amount of money on deposit in the Construction Account. Such pledged security shall be deposited with the bank where the Construction Account is maintained. The money in the Construction Account shall be paid out from time to time on estimates and vouchers approved by the manager of construction charged with the supervision of the construction for costs of constructing and equipping the Project. After the completion of the Project any residue of the proceeds of the Bonds remaining in the Construction Account shall be transferred to the Interest and Sinking Fund. The proper officers of the University of Texas System are directed to take all steps necessary to accomplish the transfer of such residue, if any, to the Interest and Sinking Fund.

Section 24. CUSTODY, APPROVAL, AND REGISTRATION OF INITIAL BOND; BOND COUNSEL'S OPINION, AND CUSIP NUMBERS. The Chairman of the Issuer is hereby authorized to have control of the Initial Bond issued hereunder and all necessary records and proceedings pertaining to the Initial Bond pending its delivery and its investigation, examination, and approval by the Attorney General of the State of Texas, and its registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Initial Bond said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate on the Initial Bond, and the seal of said Comptroller shall be impressed, or placed in facsimile, on the Initial Bond. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Initial Bond or on any Parity Bonds 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 Bonds.

Section 25. SALE OF INITIAL BOND. The Initial Bond is hereby sold and shall be delivered to Dean Witter Reynolds, Inc. and Associates, for cash for the par value thereof and accrued interest thereon to date of delivery, plus a premium of \$ - 0 - . It is hereby officially found, determined, and declared that the Initial Bond has been sold at public sale to the bidder offering the lowest interest cost, after receiving sealed bids pursuant to an Official Notice of Sale and Bidding Instructions and Official Statement dated November 12, 1984, prepared and distributed in connection with the sale of the Initial Bond. Said Official Notice of Sale and Bidding Instructions and Official Statement, and any addenda, supplement, or amendment thereto have been and are hereby approved by the Issuer, 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 Notice of Sale and Official Statement are true and correct in all material respects, to the best knowledge and belief of the Issuer.

Section 26. FURTHER PROCEDURES. The Chairman of the Issuer, the Executive Secretary of the Issuer, 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 corporate 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 Bond Resolution, the Bonds, the sale of the Bonds, and the Notice of Sale and Official Statement. In case any officer whose signature shall appear 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 such officer had remained in office until such delivery.

U. T. SYSTEM: PERMISSION FOR DR. HANS MARK TO SERVE AS A MEMBER OF (1) THE NAVAL RESEARCH ADVISORY COMMITTEE AND (2) THE EXECUTIVE BOARD OF THE CHIEF OF NAVAL OPERATIONS, AND TO BECOME A CONSULTANT TO THE CENTER FOR NAVAL ANALYSES [REGENTS' RULES AND REGULATIONS, PART ONE, CHAPTER III, SECTION 13, SUBSECTIONS 13.(10) AND 13.(11)].--Permission was granted for Dr. Hans Mark, Chancellor of The University of Texas System, to serve as a member of the Naval Research Advisory Committee and the Executive Board of the Chief of Naval Operations, and to become a consultant to the Center for Naval Analyses.

The holding of these offices by Dr. Mark is of benefit to the State of Texas, creates no conflict with his regular duties, and 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.

RECESS FOR COMMITTEE MEETINGS AND COMMITTEE REPORTS TO THE BOARD.--At 1:30 p.m., the Board recessed for the meetings of the Standing Committees and Chairman Newton announced that at the conclusion of each committee meeting, the Board would reconvene to approve the report and recommendations of that committee.

The meetings of the Standing Committees were conducted in open session and the reports and recommendations thereof are set forth on the following pages.

REPORT AND RECOMMENDATIONS OF STANDING COMMITTEES

REPORT OF EXECUTIVE COMMITTEE (Pages 65 - 71).--In compliance with Section 7.14 of Chapter I of Part One of the Regents' Rules and Regulations, Chairman Newton reported to the Board for ratification and approval all actions taken by the Executive Committee since the last meeting. Unless otherwise indicated, the recommendations of the Executive Committee were in all things approved as set forth below:

1. Permanent University Fund: Authorization to Reduce Minimum Rental on Seven Flexible Grazing Leases Effective July 1, 1984, Because of the Extreme Drought Conditions in West Texas (Exec. Com. Letter 85-3).--Due to the extreme drought conditions in West Texas, the Executive Committee recommended and the Board authorized the reduction of the minimum annual rental on the following flexible grazing leases on Permanent University Fund Lands in West Texas to one-half effective July 1, 1984. These rates will remain in effect until the University's lessees are able to restock their pastures.

<u>Lessee</u>	<u>Lease No.</u>	<u>Reduced Rates</u>
Weatherby, John	84	\$1,339.61
Weatherby, John	94	159.07
Hodge, Bill	120	1,189.71
Hodge, Hubert	51	943.00
Lindsey, Dwayne	132	3,897.09
O'Bryan, Jim	123	246.14
Kiehne, Jim	121	2,374.56

2. Permanent University Fund: Authorization for Surface Lease on Approximately One Acre in Big Lake, Reagan County, Texas, to Mr. Jim Hardy and Mr. Jimmy Martin, Big Lake, Texas (Exec. Com. Letter 85-5).--The Board, upon recommendation of the Executive Committee, authorized a surface lease covering approximately one acre of Permanent University Fund Lands located in Big Lake, Reagan County, Texas, to Mr. Jim Hardy and Mr. Jimmy Martin, both of Big Lake, Texas. This surface lease will be for a term of ten years at an annual rental of \$6,000.

The lessees plan to construct a 36-unit motel on this land.

3. U. T. Austin: Permission for Dr. Patrick L. Parker to Serve on the Governor's Advisory Panel on Offshore Oil and Chemical Spill Responses [Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)] (Exec. Com. Letter 85-5).-- Upon recommendation of the Executive Committee, the Board granted permission for Dr. Patrick L. Parker, Research Scientist, The University of Texas at Austin Marine Science Institute and Professor of Chemistry at The University of Texas at Austin, to serve on the Governor's Advisory Panel on Offshore Oil and Chemical Spill Responses.

The appointment of Dr. Parker is of benefit to the State of Texas, creates no conflict with his regular duties, and 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.

It was noted that Dr. Parker's appointment and his service on this advisory panel are to be without compensation.

4. U. T. Austin: Salary Increases Requiring Advance Regental Approval Under Budget Rules and Procedures No. 2 (Exec. Com. Letters 85-2 and 85-3).--The Board, upon recommendation of the Executive Committee, approved the following salary increases at The University of Texas at Austin:

College of Liberal Arts

Increased the annual budget rate of Dean and Rapoport Centennial Professor Robert D. King (Tenure) from \$79,000 to \$86,667, and the academic budget rate from \$59,250 to \$65,000. There will be no change in the \$7,000 Professorship stipend.

(RBC#s 17, 18, 19, 20, 21)

Increased the academic budget rate of Associate Professor Judith P. Langlois (Tenure) from \$30,400 to \$35,000 effective September 1, 1984.

(RBC# 2)

College of Engineering

Increased the academic budget rate of Professor Bob E. Schutz (Tenure) from \$40,700 to \$46,000 effective September 1, 1984.

(RBC# 5)

Changed the status and increased the academic budget rate of Professor Byron D. Tapley (Tenure), holder of the Clare Cockrell Williams Centennial Chair in Engineering, from \$66,000 with an additional \$6,000 stipend from the Chair to an academic rate of \$72,000 effective September 1, 1984. (On September 1, 1984, Professor Tapley relinquished the W. R. Woolrich Professorship in Engineering.)

(RBC#s 147, 148, 149)

5. U. T. Dallas: Transfer from Unappropriated Educational and General Funds Balance that Under Budget Rules and Procedures No. 2 Requires Advance Regental Approval (Exec. Com. Letter 85-5).--The Executive Committee recommended and the Board approved the following transfer of funds at The University of Texas at Dallas:

Educational and General Funds

Amount of Transfer - \$100,000

From: Unappropriated Balance (via Estimated Income) - 1984-85

To: Callier Center

(RBC# 81)

6. U. T. El Paso: Salary Increase Requiring Advance Regental Approval Under Budget Rules and Procedures No. 2 (Exec. Com. Letter 85-5).--Upon recommendation of the Executive Committee, the Board approved the following salary increase at The University of Texas at El Paso:

Center for Professional Development

Increased the annual salary rate of Director Erma Lee Nelsen from \$18,282 to \$25,900 effective October 1, 1984.

7. U. T. Tyler: Sam A. Lindsey Endowment Fund - Authorization for Oil and Gas Lease Covering an Undivided 1/2 Mineral Interest in Section 368, Block 44, H & TC RR Survey, Moore County, Texas, to Mr. Chris H. Negem, Tyler, Texas (Exec. Com. Letter 85-4).--The Board, upon recommendation of the Executive Committee, granted an oil and gas lease covering an undivided 1/2 mineral interest in Section 368, Block 44, H & TC RR Survey, Moore County, Texas (Sam A. Lindsey Endowment Fund - The University of Texas at Tyler), to Mr. Chris H. Negem, Tyler, Texas. The lease provides for an annual delay rental of \$5 per net mineral acre, a \$25 per net mineral acre bonus, a 3/16 royalty, and a term of two years.

It was noted that three grandsons of Mrs. Louise Lindsey Merrick, who own the remaining undivided 1/2 mineral interest, had already leased their interest on these terms.

8. U. T. Institute of Texan Cultures - San Antonio: Remodeling for Life Safety Requirements - Report of Bids, Rejection of All Bids, and Authorization to Rebid the Work (Exec. Com. Letter 85-4).--The Executive Committee reported that all bids received for Remodeling for Life Safety Requirements at The University of Texas Institute of Texan Cultures at San Antonio exceeded the funds available for the project. Therefore, upon recommendation of the Executive Committee, the Board rejected all the bids and authorized the rebidding of the work.

9. U. T. Health Science Center - Dallas (U. T. Southwestern Medical School - Dallas): Dr. Fouad A. Bashour Appointed Initial Holder of the Fouad A. Bashour Chair in Cardiovascular Physiology Effective October 12, 1984 (Exec. Com. Letter 85-4).--Upon recommendation of the Executive Committee, the Board appointed Dr. Fouad A. Bashour, Professor of Medicine, initial holder of the Fouad A. Bashour Chair in Cardiovascular Physiology at the U. T. Southwestern Medical School - Dallas of The University of Texas Health Science Center at Dallas effective October 12, 1984.

10. U. T. Health Science Center - Dallas: Salary Increases Requiring Advance Regental Approval Under Budget Rules and Procedures No. 2 (Exec. Com. Letter 85-5).--The Executive Committee recommended and the Board approved the following salary increases at The University of Texas Health Science Center at Dallas:

Family Practice and Community Medicine

Increased the annual compensation rate of Dr. Clifford Burross, M.D., Clinical Associate Professor (Nontenure) and Program Director, U. T. Southwestern Medical School - Wichita Falls Family Practice Residency Program, from \$62,700 to \$80,600 effective October 1, 1984.

Source of Funds:

State:	\$52,700	Family Practice and Community Medicine Faculty Salaries
Other:	<u>27,900</u>	North Central Texas Medical Foundation
	<u>\$80,600</u>	Total Compensation

(RBC# 207)

Obstetrics and Gynecology

Increased the annual compensation rate of Assistant Professor Thomas W. Lowe (Nontenure) from \$68,000 to \$79,000 effective October 1, 1984.

Source of Funds:

State:	\$53,100	Obstetrics and Gynecology Faculty Salaries
Other:	<u>7,900</u>	Family Planning Operating Funds
	<u>\$61,000</u>	Total Salary
Augmentation:	<u>18,000</u>	MSRDP
	<u>\$79,000</u>	Total Compensation

(RBC# 147)

Increased the annual compensation rate of Assistant Professor David S. Guzick (Nontenure) from \$68,000 to \$74,000 effective October 1, 1984.

Source of Funds:

State:	\$53,600	Obstetrics and Gynecology Faculty Salaries
Other:	<u>7,400</u>	Family Planning Operating Fund
	<u>\$61,000</u>	Total Salary
Augmentation:	<u>13,000</u>	MSRDP
	<u>\$74,000</u>	Total Compensation

(RBC# 148)

Internal Medicine

Increased the annual compensation rate of Associate Professor Brian G. Firth (Tenure) from \$85,000 to \$97,000 effective October 1, 1984.

Source of Funds:

State:	\$69,172	Internal Medicine Faculty Salaries
Other:	<u>10,828</u>	NIH Grant
	\$80,000	Total Salary
Augmentation:	<u>17,000</u>	MSRDP
	<u>\$97,000</u>	Total Compensation

(RBC# 213)

Increased the annual compensation rate of Assistant Professor Michael D. Winniford (Nontenure) from \$62,700 to \$70,300 effective October 1, 1984.

Source of Funds:

State:	\$42,202	Internal Medicine Faculty Salaries
Other:	<u>17,498</u>	NIH Grant
	\$59,700	Total Salary
Augmentation:	<u>10,600</u>	MSRDP
	<u>\$70,300</u>	Total Compensation

(RBC# 214)

Increased the annual compensation rate of James T. Willerson, M.D., Marynell and Ralph B. Rogers Professor in Cardiology, Professor of Internal Medicine and Radiology, (Tenure) from \$123,500 to \$131,100 effective October 1, 1984.

Source of Funds:

State:	\$ 81,500	Internal Medicine Faculty Salaries
Other:	18,064	NIH Grant
	6,500	Rogers Foundation Grant
	7,436	Harry S. Moss Estate
	<u>5,000</u>	MSRDP Grant
	\$118,500	Total Salary
Augmentation:	<u>12,600</u>	MSRDP
	<u>\$131,100</u>	Total Compensation

(RBC# 179)

11. U. T. Medical Branch - Galveston (U. T. Hospitals - Galveston) - Remodeling of John Sealy Hospital (Old Building) - Remodeling of First Floor of Clinical Science Building for the Departments of Pharmacy and Social Services (Project No. 601-578): Award of Construction Contract to Stone Construction Company, Inc., Houston, Texas, and Approval of Revised Total Project Cost (Exec. Com. Letter 85-4).--The Executive Committee recommended and the Board:
- a. Awarded a construction contract for Remodeling of John Sealy Hospital (Old Building) - Remodeling of the First Floor of Clinical Science Building for the Departments of Pharmacy and Social Services at The University of Texas Medical Branch at Galveston, to the lowest responsible bidder, Stone Construction Company, Inc., Houston, Texas, in the amount of \$1,265,000
 - b. Approved a revised total project cost of \$1,700,000 to cover the contract award, fees, furniture and equipment, and related expenses. (The previously authorized total project cost was \$2,300,000 funded by a grant from The Sealy & Smith Foundation.)
12. U. T. Medical Branch - Galveston (U. T. Medical School - Galveston): Agnes Thelma Anderson Fund for Student Aid - Authorization for Oil and Gas Lease Covering an Undivided 2.12% Mineral Interest in 4,428.4 Acres, B. Escobeda Survey, A-30, Polk County, Texas, to Black Stone Oil Company, Houston, Texas (Exec. Com. Letter 85-4).--Upon recommendation of the Executive Committee, the Board approved an oil and gas lease covering an undivided 2.12% mineral interest in 4,428.4 acres, B. Escobeda Survey, A-30, Polk County, Texas (Agnes Thelma Anderson Fund for Student Aid - The University of Texas Medical Branch at Galveston), to Black Stone Oil Company, Houston, Texas. The lease provides for an annual delay rental of \$15 per net mineral acre, a bonus of \$50 per net mineral acre plus an additional \$50 per net mineral acre if title is determined to be in the Thomas heirs, a 1/5 royalty until payout of each well, at which time the royalty will increase to 1/4, and a term of three years.
13. U. T. Medical Branch - Galveston: Transfer from Unappropriated Educational and General Funds Balance that Under Budget Rules and Procedures No. 2 Requires Advance Regental Approval (Exec. Com. Letter 85-2).--The Board, upon recommendation of the Executive Committee, approved the transfer of funds at The University of Texas Medical Branch at Galveston set forth on Page 71.

Educational and General Funds

Amount of Transfer - \$8,500,000

From: Unappropriated Balance (via Estimated
Income) - 1983-84

To:	Hospital Equipment	\$3,000,000
	Hospital Renovations (Minor)	1,000,000
	Department of Pathology - Laboratory Renovation and Teaching Equipment	1,500,000
	Department of Internal Medicine - Medicine Laboratory Renovation and Teaching Equipment	2,500,000
	Hurricane Alicia Damage	500,000
		<u>\$8,500,000</u>

(RBC# 574)

14. U. T. Health Science Center - Houston: Salary Increase Requiring Advance Regental Approval Under Budget Rules and Procedures No. 2 (Exec. Com. Letter 85-5).--Upon recommendation of the Executive Committee, the Board approved the following salary increase at The University of Texas Health Science Center at Houston:

Microbiology

Increased the annual salary rate of Assistant Professor John J. Mathewson (Nontenure) from \$25,000 to \$34,000 effective September 1, 1984.

Source of Funds:

State:	\$25,740	Microbiology Faculty Salaries
Other:	<u>8,260</u>	Grant Funds
	<u>\$34,000</u>	Total Salary

(RBC# 95)

REPORT AND RECOMMENDATIONS OF THE FINANCE AND AUDIT COMMITTEE (Pages 72 - 89).--Committee Chairman Rhodes reported that the Finance and Audit Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, all actions set forth in the Minute Orders which follow were recommended by the Finance and Audit Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. System: Docket No. 19 of the Office of the Chancellor (Catalog Change).--Upon the recommendation of the Finance and Audit Committee, the Board approved Docket No. 19 of the Office of the Chancellor in the form distributed by the Executive Secretary. It is attached following Page 236 in the official copies of the Minutes and is made a part of the record of this meeting.

It was expressly authorized that any contracts or other documents or instruments approved therein had been or shall be executed by the appropriate officials of the respective institution involved.

It was ordered that any item included in the Docket that normally is published in the institutional catalog be reflected in the next appropriate catalog published by the respective institution.

2. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Amendments to Chapter V, Section 2, Subsection 2.2 (Maternity Leave).--Approval was given to amend Part Two, Chapter V, Section 2, Subsection 2.2 (Maternity Leave) of the Regents' Rules and Regulations to read as set forth below.

These amendments bring the Regents' Rules and Regulations into compliance with the Pregnancy Discrimination Act which requires, among other things, that pregnancy be treated in the same manner by employers as other temporary disabilities.

2.2 Medical Disability Leave.

2.21 Temporary disabilities caused or contributed to by pregnancy, childbirth, or related medical conditions shall be treated in the same manner as other temporary medical disabilities. Except as provided under Subsection 2.220 of this Section, any employee, whether faculty, classified, or administrative, who expects to be, or who becomes temporarily disabled as a result of injury, illness or pregnancy, may request and receive a leave of absence without pay for a "reasonable period" of time, provided the request is made under the following terms and conditions:

2.211 The employee shall provide the department head with a physician's certification establishing the medical disability and the anticipated period of absence.

2.212 The employee and the department head will submit a request to the chief administrative officer through proper channels. The request will include a statement

- from the department head detailing the manner in which the responsibilities of the employee will be assumed. A statement encompassing the details of the medical disability leave shall be entered in the remarks section of the appropriate personnel action form.
- 2.213 "Reasonable period," as used in this Section, is defined as the length of the leave as determined by the employee's medical disability. The period shall normally not exceed six (6) weeks, following incapacitation or after delivery in the case of maternity. Leave without pay shall be authorized only after the employee has exhausted all accumulated paid leave entitlements (sick leave and then vacation leave). Following a six week absence, the chief administrative officer may authorize an additional reasonable period of time for medical disability leave without pay on an individual basis after review of the merits of each particular case, and subject to the requirement of exhaustion of accumulated paid leave. Total leave without pay for medical disability shall not exceed twelve months.
- 2.214 Vacation leave and sick leave do not accrue while on medical disability leave without pay.
- 2.215 Subject to fiscal constraints, approval of medical disability leave shall constitute a guarantee of employment for the period of the medical disability leave.
- 2.216 The employee returning from medical disability leave will furnish a statement from a duly licensed physician certifying that the employee is medically capable of resuming normal working duties.
- 2.217 In the case of faculty on medical disability leave, the date for return to work will coincide with the beginning of the next semester, following the period of absence, if the chief administrative officer, or his/her delegate, determines that such beginning date is necessary in order to obtain a temporary replacement or to maintain the integrity of the academic program of the institution.
- 2.218 A replacement may be provided on a temporary basis during the absence of an employee on medical disability leave.
- 2.219 An employee on medical disability leave without pay is entitled to continue optional group insurance coverages at his/her own expense.

2.220 If an employee is unable to return to work because of an on-the-job injury covered by Workers' Compensation Insurance, the employee may remain on the payroll until vacation and sick leave are exhausted, or may designate in writing that a portion of such leave may be used for this purpose.

3. U. T. System: Approval of Amended Standard Trademark License Agreement.--On June 12, 1981, the U. T. Board of Regents established a program to protect and license the trademarks of the component institutions of The University of Texas System and approved a standard trademark license agreement permitting commercial firms to use University trademarks on imprinted goods in exchange for a royalty to be negotiated. In order to incorporate into the agreement matters that have previously been included in attachments to the agreement and to clarify provisions that have been misinterpreted by licensees, the Finance and Audit Committee recommended that the standard agreement be amended as presented in the Material Supporting the Agenda. The Board concurred in this recommendation and the Standard Trademark License Agreement as amended is set forth in its entirety on Pages 74 - 89.

LICENSE AGREEMENT

This License Agreement ("agreement") is entered into effective as of the ____ day of _____, 198____, between the parties hereto, who agree as follows in consideration of the mutual promises contained herein:

1. PARTIES

1.1 The Board of Regents of The University of Texas System (hereinafter referred to as BOARD OF REGENTS) has its principal office at 201 West 7th Street, Austin, Texas, 78701.

1.2 _____
(hereinafter referred to as LICENSEE) has a principal place of business at _____.

1.3 BOARD OF REGENTS and LICENSEE are the parties to this agreement.

2. BACKGROUND

2.1 BOARD OF REGENTS owns rights in certain marks now and previously used by THE UNIVERSITY OF TEXAS _____, identified in Attachment A hereto, and has acquired public recognition and goodwill through the use of such marks.

2.2 LICENSEE recognizes the goodwill appurtenant to use of the marks and desires to obtain a nonexclusive license to utilize such marks. BOARD OF REGENTS is willing to grant such a license under the terms and conditions of this agreement.

3. DEFINITIONS

3.1 MARKS includes trademarks and service marks.

3.2 LICENSED MARKS means those marks listed in Attachment A, including common law rights, as well as any applications for registration which may be filed by BOARD OF REGENTS or registrations which may be issued to BOARD OF REGENTS covering such marks, whether state or federal.

3.3 LICENSED PRODUCTS means those products specified in Attachment B hereto on or in connection with which any of the LICENSED MARKS are used.

3.4 TERRITORY means the United States of America.

3.5 GROSS SALES PRICE means LICENSEE'S billing price to customers or distributors, less (1) discounts which are given and which are customary in the trade, (2) returns, (3) transportation charges on returns if paid by LICENSEE, (4) taxes, and (5) prepaid transportation charges on LICENSED PRODUCTS shipped by LICENSEE.

3.6 EFFECTIVE DATE means the date specified in the first paragraph of this agreement.

3.7 SOLD (or SALE) means that a LICENSED PRODUCT is shipped, distributed, paid for, or billed or invoiced (whichever occurs first).

3.8 TERM means the effective period of this agreement, which shall commence on the EFFECTIVE DATE and which shall terminate, unless sooner terminated pursuant to the provisions of this agreement, on _____.

3.9 QUALITY means an acceptable level of quality to BOARD OF REGENTS. QUALITY for LICENSED PRODUCTS is more specifically defined in paragraph 11.1 hereof.

3.10 CONTRACT YEAR shall mean the consecutive twelve month period commencing each January 1 and terminating the following December 31, except that the first CONTRACT YEAR may be less than twelve months, commencing on the EFFECTIVE DATE and terminating the next December 31.

4. LICENSE GRANT

Subject to the terms and conditions of this agreement, BOARD OF REGENTS grants to LICENSEE the nonexclusive right and license to utilize the LICENSED MARKS in the TERRITORY solely on and in connection with the LICENSED PRODUCTS of QUALITY during the TERM hereof.

5. PAYMENTS TO BOARD OF REGENTS

5.1 On or before the EFFECTIVE DATE, LICENSEE shall pay to BOARD OF REGENTS a License Issue Fee of \$_____. Said Issue Fee is not an advance toward royalties that may become due during any calendar quarter of the TERM and LICENSEE shall not deduct the amount of the License Issue Fee from any royalties that may become due from the sale of LICENSED PRODUCTS.

5.2 In addition to the License Issue Fee, LICENSEE shall pay to BOARD OF REGENTS a continuing royalty of _____% of the GROSS SALES PRICE of all LICENSED PRODUCTS SOLD by LICENSEE or any of its subsidiaries, divisions, or affiliates. If LICENSED PRODUCTS are sold to an entity that is owned or controlled by BOARD OF REGENTS for the purpose of resale, LICENSEE shall pay the royalty on such sales. If LICENSEE sells any LICENSED

PRODUCTS to any party affiliated with LICENSEE, or in any way directly or indirectly related to or under common control with LICENSEE, at a price less than the regular price charged to other parties, the royalties payable hereunder shall be computed on the basis of the regular price charged to other parties. There shall be no deduction from the royalties owed for uncollectible accounts or for advertising or other expenses of any kind which may be incurred or paid by LICENSEE, except those specifically enumerated in paragraph 3.5 above.

5.3 LICENSEE agrees to pay to BOARD OF REGENTS a Minimum Royalty of \$ _____ during each CONTRACT YEAR of the TERM, other than a CONTRACT YEAR of less than six months, as a minimum guarantee against royalties to be paid during each CONTRACT YEAR. The remedy of BOARD OF REGENTS for failure of LICENSEE to make payment of said Minimum Royalty shall be limited to termination of this agreement pursuant to the termination provisions below.

6. STATEMENTS AND BOOKS OF ACCOUNT

6.1 LICENSEE shall submit quarterly statements to BOARD OF REGENTS in the format and containing the information specified in Attachment C hereto. LICENSEE may use an alternate form for the quarterly statement provided that it contains all information specified in Attachment C and has been approved by the Trademark Licensing Department, Office of General Counsel, The University of Texas System. Such a statement shall be submitted to BOARD OF REGENTS within thirty (30) days after the end of each calendar quarter and shall be accompanied by payment of continuing royalties payable pursuant to paragraph 5.2 above for that calendar quarter. If in any CONTRACT YEAR the Minimum Royalty specified in paragraph 5.3 above has not been met by payments of continuing royalty during such CONTRACT YEAR, then the balance due shall accompany the statement submitted for the fourth quarter of the CONTRACT YEAR.

6.2 All delinquent amounts not paid when due pursuant to paragraph 6.1 above shall be charged the maximum rate of interest permitted under applicable state law, not to exceed one and one-half percent (1½%) per month or any portion thereof during which said amounts remain delinquent.

6.3 LICENSEE agrees to keep accurate books of account and records covering all transactions relating to the LICENSED PRODUCTS. BOARD OF REGENTS and its authorized representative shall have the right at all reasonable hours of the day at LICENSEE'S usual place of business, upon ten (10) days' notice, to examine and copy said books of account and records and all other documents and material in the possession or under the control of LICENSEE, insofar as they relate to the LICENSED PRODUCTS, in order to determine the accuracy of the statements delivered by LICENSEE to BOARD OF REGENTS. If any such examination shall reveal an error in royalties paid or payable hereunder of more than five percent (5%) or if such examination is made because of the LICENSEE'S failure to pay any amounts due hereunder, then LICENSEE shall bear all costs incurred by BOARD OF REGENTS in connection with the examination. Upon demand of BOARD OF REGENTS, LICENSEE shall, at its own expense, furnish to BOARD OF REGENTS a detailed statement, signed by LICENSEE (where applicable, LICENSEE'S Chief Financial Officer), showing the number, description, GROSS SALES PRICE, and itemized deductions from GROSS SALES PRICE of the LICENSED PRODUCTS covered by this agreement SOLD by LICENSEE to the date of BOARD OF REGENTS' demand. All such books of account and records shall be kept available during the TERM of this license and for at least one year thereafter.

7. DEFAULT, TERMINATION

7.1 In the event LICENSEE fails to submit timely statements and payments to BOARD OF REGENTS as provided in this agreement, or in the event LICENSEE becomes insolvent, makes any assignment for the benefit of creditors, or is subject to

any bankruptcy or receivership proceedings, or in the event either party fails to comply with any of its obligations under this agreement, the other party may serve on the defaulting party a notice of default specifying the nature of the default. If the default is not cured within thirty (30) days from service of the notice of default, the other party may then serve its Notice of Termination, and this agreement shall be automatically terminated upon service of said Notice of Termination.

7.2 LICENSEE may terminate this agreement at any time without cause after serving upon BOARD OF REGENTS two (2) months' Notice of Intent to Terminate. In such event, this agreement shall be automatically terminated two (2) months after service by LICENSEE of said Notice of Intent to Terminate.

7.3 Unless sooner terminated pursuant to the above provisions, this agreement shall remain in effect throughout the TERM described in paragraph 3.8 above.

8. EFFECT OF EXPIRATION OR TERMINATION

8.1 Upon expiration or termination of this agreement, all rights granted to LICENSEE hereunder shall cease, and LICENSEE will refrain from further use of the LICENSED MARKS, or any mark or name reasonably deemed by BOARD OF REGENTS to be similar to the LICENSED MARKS, in connection with the manufacture, sale, distribution, or promotion of products or services. LICENSEE acknowledges that failure to comply with this provision will result in immediate and irreparable harm affording injunctive and any and all other appropriate relief to BOARD OF REGENTS.

8.2 Upon expiration or termination of this agreement, LICENSEE shall not operate its business in any manner which would falsely suggest to the public that this agreement is still in force or that any relationship exists between LICENSEE and BOARD OF REGENTS. LICENSEE shall have the right, after

expiration or termination of this agreement, to ship and distribute those LICENSED PRODUCTS of QUALITY which were manufactured and in LICENSEE'S inventory prior to expiration or termination, provided that no such products shall be shipped more than one hundred twenty (120) days after date of expiration or termination.

8.3 Expiration or termination of this agreement shall not relieve LICENSEE from the obligation to pay BOARD OF REGENTS any payments due and owing at the time of termination.

9. PERSONAL LICENSE

9.1 The license granted to LICENSEE is personal, and no rights hereunder may be transferred by LICENSEE without the express written approval of BOARD OF REGENTS. LICENSEE shall immediately notify BOARD OF REGENTS of any change or proposed change in ownership or control of LICENSEE during the TERM hereof.

9.2 LICENSEE shall grant no sublicenses under this agreement, but this shall not prevent LICENSEE from having products made for it to its specifications, provided all provisions of this agreement are satisfied.

10. GOODWILL IN LICENSED MARKS

10.1 LICENSEE agrees that the essence of this agreement is founded on the goodwill associated with the LICENSED MARKS and the value of that goodwill in the minds of the consuming public. LICENSEE agrees that it is critical that such goodwill be protected and enhanced and, toward this end, LICENSEE shall not during the TERM or thereafter:

(a) attack the title or any rights of BOARD OF REGENTS in or to the LICENSED MARKS;

(b) apply to register or maintain any application or registration of the LICENSED MARKS or any other mark confusingly similar thereto in any jurisdiction, domestic or foreign;

(c) use any colorable imitation of any of the LICENSED MARKS, or any variant form (including variant design forms, logos, colors, or typestyles) of the LICENSED MARKS not specifically approved by BOARD OF REGENTS;

(d) misuse the LICENSED MARKS;

(e) take any action that would bring the LICENSED MARKS into public disrepute;

(f) use the LICENSED MARKS, or any mark or name confusingly similar thereto, in its corporate or trade name; or

(g) take any action that would tend to destroy or diminish the goodwill in the LICENSED MARKS.

10.2 All use by LICENSEE of the LICENSED MARKS inures to the benefit of BOARD OF REGENTS.

10.3 In order to facilitate enhanced protection by registration of the LICENSED MARKS, LICENSEE agrees, if requested, to provide BOARD OF REGENTS, after initial SALE by LICENSEE of each different type of LICENSED PRODUCT within one

(1) month after requested in writing by BOARD OF REGENTS:

(a) ten (10) originals of each label, tag, container, and advertising or promotional piece bearing a LICENSED MARK (or, if the LICENSED MARK does not appear on a label or tag, ten (10) copies of a photograph showing appearance of the LICENSED MARK on the LICENSED PRODUCT); and

(b) a copy of the invoice or shipping ticket indicating the first SALE of that LICENSED PRODUCT.

Within ten (10) days after the first SALE by LICENSEE of said LICENSED PRODUCT in a state other than Texas [or in Texas, if the sale evidenced by item (b) above was to a state other than Texas], LICENSEE shall provide to BOARD OF REGENTS a copy of the invoice or shipping ticket indicating said first SALE.

The items required in paragraph 10.3 shall be provided to BOARD OF REGENTS by mailing or shipping them, postage or

shipping costs prepaid, to:

Office of General Counsel
Attn: Trademark Licensing Department
THE UNIVERSITY OF TEXAS SYSTEM
201 West 7th Street
Austin, Texas 78701

10.4 LICENSEE agrees to cooperate fully with BOARD OF REGENTS in securing and maintaining the goodwill of BOARD OF REGENTS in the LICENSED MARKS.

11. QUALITY CONTROL; PACKAGING AND ADVERTISING APPROVAL

11.1 All LICENSED PRODUCTS shall be QUALITY goods. LICENSEE acknowledges that if LICENSED PRODUCTS manufactured and sold by it were of inferior quality in design, material or workmanship, the substantial goodwill which BOARD OF REGENTS possesses in MARKS would be impaired. Accordingly, LICENSEE agrees that all LICENSED PRODUCTS shall be of high quality. To this end, LICENSEE shall, before it sells or distributes any of the LICENSED PRODUCTS, furnish to BOARD OF REGENTS, free of cost, for its approval, a sample of each LICENSED PRODUCT, together with any carton or container, packing or wrapping material. BOARD OF REGENTS shall have two (2) weeks from receipt of each LICENSED PRODUCT in which to reject the sample. In absence of rejection, or upon earlier written acceptance the sample shall be deemed as accepted as an example of the quality for that LICENSED PRODUCT. The LICENSED MARKS may be applied by LICENSEE only to such LICENSED PRODUCTS as are manufactured in accordance with the corresponding samples accepted hereunder and which have substantially the same relative quality position in the market place as do the samples thereof; provided, however, that LICENSEE may furnish to BOARD OF REGENTS a further sample of any LICENSED PRODUCT of which it desires to change the quality, style and/or appearance and BOARD OF REGENTS shall have two (2) weeks from receipt thereof in which to reject in writing said further sample. Failure to reject shall be deemed as approval thereof as an example of quality for that LICENSED PRODUCT. BOARD OF REGENTS

shall have the right through its employee(s) or designated representative(s) during normal business hours to inspect the facilities and product inventory of LICENSEE to assure itself that QUALITY is being maintained at all times.

11.2 All packaging and advertising bearing the LICENSED MARKS shall be subject to the approval of BOARD OF REGENTS. LICENSEE shall furnish packaging and promotional materials to BOARD OF REGENTS in accordance with paragraph 10.3. In addition, LICENSEE shall furnish to BOARD OF REGENTS one (1) copy of any advertisement of LICENSED PRODUCT used by LICENSEE. BOARD OF REGENTS shall have two (2) weeks from receipt thereof in which to reject in writing the packaging or advertising materials. In the absence of rejection, or upon earlier written acceptance, the packaging and advertising materials will be deemed as accepted. LICENSEE shall furnish to BOARD OF REGENTS a further sample of packaging and advertising if it desires to change the packaging or advertising. BOARD OF REGENTS will have two (2) weeks to reject the packaging and advertising. Failure to reject will be deemed acceptance.

12. MARKING

LICENSEE agrees that it will designate the LICENSED PRODUCTS in a manner as specified from time to time in writing by BOARD OF REGENTS to indicate the rights of BOARD OF REGENTS in the LICENSED MARKS, including registration status of the LICENSED MARKS and that the products are manufactured pursuant to license.

13. INDEMNITY/HOLD HARMLESS

13.1 LICENSEE agrees that it is wholly responsible for all products manufactured or SOLD by it, including all LICENSED PRODUCTS, and that BOARD OF REGENTS shall have no liability for any items, including any LICENSED PRODUCT, manufactured or SOLD by LICENSEE.

13.2 LICENSEE indemnifies and holds harmless BOARD OF REGENTS and the officers, employees and agents thereof, from any claims, demands, causes of action, and damages, including

reasonable attorney's fees, caused by or arising out of use of any LICENSED MARK or workmanship, material or design of any LICENSED PRODUCT, including without limitation, claims or actions for product liability and patent or copyright infringement.

13.3 BOARD OF REGENTS shall, to the extent allowed under the Constitution and laws of the State of Texas, defend with competent counsel, indemnify, and hold LICENSEE harmless from any claims of trademark infringement arising out of the use by LICENSEE of the LICENSED MARKS.

14. NOTICES

All notices or demands required to be made or permitted under this agreement shall be in writing and shall be deemed served when deposited in the United States mail, first class postage prepaid, certified or registered mail, return receipt requested, addressed as provided in paragraphs 10.3 and 1.2 of this agreement, or to such other address as either party may from time to time designate in writing.

15. STATUS OF PARTIES

This agreement is not intended to create, and shall not be interpreted or construed as creating, a partnership, joint venture, agency, employment, master and servant, or similar relationship between BOARD OF REGENTS and LICENSEE, and no representation to the contrary shall be binding upon BOARD OF REGENTS.

16. BINDING EFFECT

This agreement shall be binding upon and inure to the benefit of BOARD OF REGENTS and LICENSEE and, subject to

paragraph 9.1 above, their respective successors, assigns, executors, heirs, and personal representatives.

17. LAW GOVERNING

This agreement shall for all purposes be governed by and interpreted and enforced in accordance with the laws of the State of Texas. LICENSEE hereby agrees that any action arising out of this agreement shall be litigated under the laws of the State of Texas in a court of competent jurisdiction in Travis County, Texas, and LICENSEE hereby agrees to submit to the jurisdiction of the courts of the State of Texas, and that service of process by certified mail, return receipt requested, shall be sufficient to confer in personam jurisdiction over LICENSEE.

18. MISCELLANEOUS

18.1 The provisions of this agreement are severable, and if any provision shall be held illegal, invalid, or unenforceable, such holding shall not affect the legality, validity, or enforceability of any other provision. Any such illegal, invalid, or unenforceable provision shall be deemed stricken herefrom as if it had never been contained herein, but all other provisions shall continue in full force and effect.

18.2 As used herein, the term LICENSEE shall include the plural as well as the singular, the masculine and feminine genders, and corporations, partnerships, and other business entities as well as individuals.

18.3 This agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes any prior agreements between the parties, written or oral, with respect to such subject matter.

18.4 This agreement may not be amended, modified, or rescinded except by a written agreement executed by BOARD OF REGENTS and LICENSEE.

EXECUTED by BOARD OF REGENTS and LICENSEE on the day and year first above written, in duplicate copies, each of which shall be deemed an original.

THE BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

LICENSEE

By: _____
Hans Mark, Chancellor

(name of firm or
individual)

(signature of person
authorized to sign)

Approved as to Form:

(typed name and title)

Office of General Counsel

LICENSED MARKS ARE:

ATTACHMENT A

LICENSED PRODUCTS ARE:

ATTACHMENT B

REPORT AND RECOMMENDATIONS OF THE ACADEMIC AFFAIRS COMMITTEE (Pages 90 - 99).--Committee Chairman Baldwin reported that the Academic Affairs Committee had met in open session to consider those items on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, all actions set forth in the Minute Orders which follow were recommended by the Academic Affairs Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. Board of Regents - Regents' Rules and Regulations, Part One: Amendments to Chapter VI, Section 3, Concerning Student Conduct and Discipline.--Upon recommendation of the Academic Affairs and Health Affairs Committees, approval was given to amend Part One, Chapter VI, Section 3 of the Regents' Rules and Regulations concerning student conduct and discipline as set forth below.

These amendments clarify the application of current disciplinary procedures within The University of Texas System.

- a. A new Subsection 3.3 was added to read as follows:

3.3 Individuals who are not currently enrolled at a component institution of The University of Texas System remain subject to the disciplinary process for conduct that occurred during any period of enrollment, and for statements, acts or omissions related to application for enrollment or the award of a degree.

- b. Subsection 3.5 was amended to read as follows:

3.5 No former student who has been suspended or expelled for disciplinary reasons from a component institution of the System shall be permitted on the campus of any component institution during the period of such suspension or expulsion without the prior written approval of the chief administrative officer of that institution.

- c. Subsection 3.(10) was amended to read as follows:

3.(10) The Dean of Students shall have primary authority and responsibility for the administration of student discipline at each institution. It shall be the Dean's duty to investigate allegations that a student has violated the Regents' Rules and Regulations, the rules and regulations of the institution, or specific orders and instructions issued by an administrative official of the institution in the course of his or her duties.

3.(10)1 If the Dean of Students determines that such allegations are not unfounded, the Dean shall prepare a written statement of charges, a statement of the evidence supporting such charges, including a list of witnesses and brief summary of the testimony to be given by each, and shall send such

charges and statement to the accused student by certified mail, return receipt requested, addressed to the address appearing in the registrar's records.

- 3.(10)2 In any case where the accused student does not dispute the facts upon which the charges are based and executes a written waiver of the hearing procedures specified in Subsection 3.(11), the Dean of Students shall assess a penalty pursuant to Subsection 3.(13) that is appropriate to the charges and inform the student of such action in writing. The decision of the Dean of Students on penalty may be appealed as in the case of a decision rendered subsequent to a hearing in accordance with Subsection 3.(11). The appeal is limited to the issue of penalty and no transcript will be required.

d. Subsection 3.(13) was amended to read as follows:

- 3.(13) The Hearing Officer shall render and send to both parties a written decision which shall contain findings of facts and conclusions as to the guilt or innocence of the accused student and shall assess a penalty or penalties in accordance with the published disciplinary penalties of the institution or in accordance with the following prescribed penalties:
- 3.(13)1 Disciplinary probation.
 - 3.(13)2 Withholding of grades, official transcript or degree.
 - 3.(13)3 Bar against readmission.
 - 3.(13)4 Restitution or reimbursement for damage to or misappropriation of institutional property.
 - 3.(13)5 Suspension of rights and privileges, including participation in athletic or extracurricular activities.
 - 3.(13)6 Failing grade.
 - 3.(13)7 Denial of degree.
 - 3.(13)8 Suspension from the institution for a period of time not to exceed one calendar year.
 - 3.(13)9 Expulsion from the institution for a specific period of time not less than one year. Expulsion may be permanent.
 - 3.(13)10 Revocation of degree and withdrawal of diploma.
 - 3.(13)11 Other penalty as deemed appropriate under the circumstances.

e. Subsection 3.(14) was amended to read as follows:

3.(14) Within fourteen (14) days after the decision has been mailed to the parties, either or both parties may give notice of appeal to the chief administrative officer of the institution. The decision or decisions will be reviewed upon the basis of the transcript of the hearing. Both parties may, at the discretion of the chief administrative officer, submit oral or written arguments to support their position. In order for the appeal to be considered, all the necessary documentation to be filed by the appealing party, including written arguments, when appropriate, must be filed with the chief administrative officer within twenty-one (21) days after notice of appeal is given.

f. Subsection 3.(15) was amended to read as follows:

3.(15) The chief administrative officer of the institution may approve, reject, or modify the decision in question, or may require that the original hearing be reopened for the presentation of additional evidence and reconsideration of the decision.

The action of each reviewing authority shall be communicated in writing to the accused student and the Dean of Students. The decision of the chief administrative officer shall be the final appellate review.

g. Subsection 3.(18) was amended to read as follows:

3.(18) The Dean of Students or the chief administrative officer of the institution may take immediate interim disciplinary action, including suspension pending a hearing, against a student for violation of a rule and regulation of the System or of the institution at which the accused is a student when the continuing presence of the student poses a danger to persons or property or an ongoing threat of disrupting the academic process. The Dean may authorize interim withholding of the student's grades, degree or official transcript when such withholding would be in the best interest of the institution.

h. Subsection 3.(20) was amended to read as follows:

3.(20) Every student is expected to obey all federal, state, and local laws and is expected to familiarize himself/herself with the requirements of such laws. Any student who engages in conduct that violates any provision of those laws is subject to disciplinary action, including expulsion, notwithstanding any

action taken by civil authorities or agencies charged with the enforcement of criminal laws on account of the violation. If disciplinary action is taken, the Dean of Students shall proceed with action in the same manner as in the case of a violation of any other provision of these Rules and Regulations or a provision of any institutional rule.

- i. Subsection 3.(22) was deleted.
2. U. T. Austin: Proposed Appointment to the Eugene McDermott Centennial Visiting Professorship, School of Architecture, for the Spring Semester 1985 Effective January 16, 1985 (Withdrawn).--The item regarding the proposed appointment to the Eugene McDermott Centennial Visiting Professorship in the School of Architecture at The University of Texas at Austin for the Spring Semester 1985, to be effective January 16, 1985, was withdrawn.
3. U. T. Austin: Appointments to Endowed Academic Positions in the (a) College of Business Administration and Graduate School of Business, (b) College of Engineering, (c) School of Law, and (d) College of Liberal Arts.--The Board approved the following appointments to endowed academic positions at The University of Texas at Austin with the understanding that the individuals would vacate any currently held endowed positions on the effective date of the new appointments:
 - (a) College of Business Administration and Graduate School of Business effective January 16, 1985

Dr. Timothy Ruefli, Professor of Management and Fayez Sarofim and Company Centennial Professor in Business, initial holder of the Rex A. and Dorothy B. Sebastian Centennial Professorship in Business Administration
 - (b) College of Engineering
 - (1) Dr. Delbert Tesar, currently Graduate Research Professor of Mechanical Engineering and Director of the Center for Intelligent Machines and Robotics at the University of Florida, to The Carol Cockrell Curran Chair in Engineering effective January 16, 1985

It was noted that on that date Dr. Tesar will join the U. T. Austin faculty in the Department of Mechanical Engineering.
 - (2) Mr. Lincoln F. Elkins, Visiting Professor and holder of the Getty Oil Company Centennial Professorship in Petroleum Engineering, to the W. A. "Monty" Moncrief Centennial Chair in Petroleum Engineering effective January 16, 1985, for the Spring Semester 1985 only

(3) Dr. Morris E. Fine, currently Walter P. Murphy Professor of Materials Science and Engineering and Associate Dean for Graduate Studies and Research at Northwestern University, Evanston, Illinois, to the Robert B. Trull Chair in Engineering effective February 1, 1985 through February 28, 1985

(c) School of Law effective January 16, 1985

Dr. John F. Sutton, Jr., currently Earl Sheffield Centennial Professor in Law, School of Law, initial holder of the A. W. Walker Centennial Chair in Law

(d) College of Liberal Arts effective January 16, 1985

(1) Dr. Lee Willerman, Professor, Department of Psychology, and Director of the Clinical Psychology Training Program, initial holder of the Sarah M. and Charles E. Seay Regents Professorship in Clinical Psychology

(2) Dr. Elspeth D. Rostow, Professor, Lyndon B. Johnson School of Public Affairs and the Department of Government, to the Stiles Professorship in American Studies

4. U. T. Austin: Approval of Memorandum of Affiliation with the Kerrville Veterans Administration Medical Center, Kerrville, Texas.--Approval was given to the Memorandum of Affiliation set out on Pages 94 - 96 by and between The University of Texas at Austin and the Kerrville Veterans Administration Medical Center, Kerrville, Texas.

This agreement, executed by the appropriate officials of the institution and facility to become effective upon approval by the U. T. Board of Regents, will allow students in U. T. Austin's Master of Science in Social Work program to participate in clinical training activities.

MEMORANDUM OF AFFILIATION

BETWEEN

THE UNIVERSITY OF TEXAS AT AUSTIN

AND

KERRVILLE V. A. MEDICAL CENTER

It is mutually agreed by The University of Texas at Austin and the Kerrville V. A. Medical Center, Kerrville, Texas, that educational experience will be provided at the VA facility for students in the Social Work, M.S. (Clinical) Program.

The faculty of The University of Texas at Austin will assume responsibility in coordination with the VA staff for the assignment of students. There will be coordinated planning by the facility and the faculty members. While in the VA facility, students will be subject to VA rules and regulations.

The facility will retain full responsibility for the care of patients and will maintain administrative and professional supervision of students insofar as their presence affects the operation of the facility and/or the direct and indirect care of patients.

Students will receive an orientation to the facility. Faculty members and facility staff supervisors will evaluate the student's performance in mutual consultation and according to the guidelines outlined in the approved curriculum.

The University of Texas at Austin 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 employee or applicant for employment or registration in the course of study because of race, color, sex, national origin, handicap, or age under any program or activity receiving Federal financial assistance from the Veterans Administration.

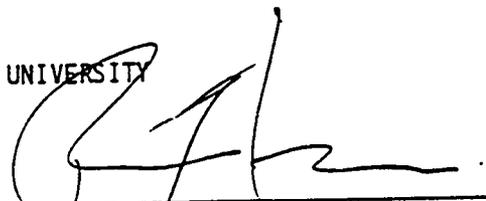
Nothing in the agreement is intended to be contrary to State or Federal laws. In the event of conflict between terms of this agreement and any applicable State or Federal law, that State or Federal law will supersede the terms of this agreement. In the event of conflict between State or Federal laws, Federal laws will govern.

A periodic review of program and policies will be conducted under the auspices of the Office of Academic Affairs.

This Memorandum of Affiliation may be terminated by either party on written notice to the other six months in advance of the next training agreement.

Date Signed: 8-22-84

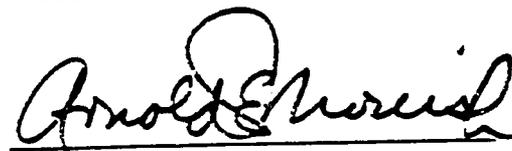
UNIVERSITY



Peter T. Flawn, President
The University of Texas at Austin

FACILITY:

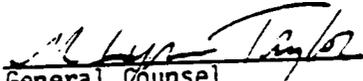
Date Signed: 7-20-84



ARNOLD E. MOUSH
Director, VA Medical Center
Kerrville, Texas

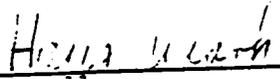
FORM APPROVED

CONTENT APPROVED:


General Counsel
The University of Texas System

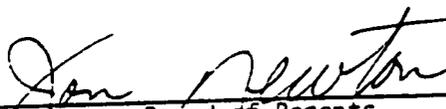

Executive Vice Chancellor for
Academic Affairs
The University of Texas System

ATTEST:


Chancellor
The University of Texas System

THE BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM


Executive Secretary, Board of
Regents
The University of Texas System
ARTHUR H. DUFFY


Chairman, Board of Regents
The University of Texas System
JON P. NEWTON

5. U. T. Austin: Approval of Nominees to (a) Development Board and (b) McDonald Observatory and Department of Astronomy Board of Visitors.--Nominees for membership to the Development Board and McDonald Observatory and Department of Astronomy Board of Visitors at The University of Texas at Austin were approved as set forth below:
- a. Development Board - one nominee for a term expiring in 1986
 - b. McDonald Observatory and Department of Astronomy Board of Visitors - one nominee for a term expiring in 1987

The names of the nominees will be reported for the record after they have been contacted and acceptances have been received.

6. U. T. El Paso: Approval of Memorandum of Understanding with The University of Texas at El Paso El Dorados Organization, El Paso, Texas.--Approval was given to the Memorandum of Understanding set out on Pages 97 - 99 by and between The University of Texas at El Paso and The University of Texas at El Paso El Dorados Organization, El Paso, Texas, a non-profit corporation formed to support U. T. El Paso Inter-collegiate Athletics programs.

This Memorandum of Understanding, executed by the appropriate officials of the institution and facility to become effective upon approval by the U. T. Board of Regents, sets out in writing the practice whereby the El Dorados Organization provides direct support to U. T. El Paso's Athletics Department as well as the obligations of the University under the agreement.

MEMORANDUM OF UNDERSTANDING

By this Memorandum of Understanding, The University of Texas at El Paso ("University") and The University of Texas at El Paso El Dorados Organization ("Organization") agree as follows:

1. The Organization has engaged in development activities for the Intercollegiate Athletics programs of The University of Texas at El Paso ("University") and has provided various and substantial support for the Intercollegiate Athletics program of the University and other services to the University. The continuation of these activities is essential to the maintenance of the Intercollegiate Athletics program of the University. The University and Organization deem it appropriate to, and do hereby, memorialize the nature of the relationship between the Organization and the University, ratify and approve these past activities by the Organization, and agree mutually for the future regarding the respective roles, rights, and obligations of the University and the Organization in this relationship.

2. The Organization is a nonprofit corporation chartered in Texas, for the purposes of supporting the athletic programs of the University by soliciting, accepting and investing contributions received by it for the University. The policy of the Board of Directors of the Organization includes the activities of securing, holding in trust, and administering funds for the benefit of the Intercollegiate Athletics program of the University.

3. The Organization agrees that, during the term of this Memorandum of Understanding, the Organization will:

- (1) continue to invest and administer the funds presently on hand for the benefit of the University;
- (2) continue to accept gifts for the benefit of the University and its Intercollegiate Athletics programs, and by other reasonable means to enhance the prestige of, and to advance the University and utilize its expertise, resources, and personnel for such purposes;

- (3) continue to render other assistance to the University of the general nature of the assistance it has rendered in the past and to render other assistance to the University in the future as may mutually appear desirable; and
- (4) continue to recognize the University as the sole beneficiary of its development policy and its educational support.

4. The University agrees that, during the term of this Memorandum of Understanding, the University will:

- (1) provide reasonable space in or near its buildings, as approved by the University President, to the Organization for the purpose of carrying out its obligations hereunder and for its general operations on behalf of the University;
- (2) provide the utilities and telephone services reasonably needed by the Organization in carrying out its activities under this Memorandum of Understanding;
- (3) permit reasonable use of University equipment and personnel as needed to coordinate the activities of the Organization with the operations of the School and hereby expressly recognizes that the University President, officers, and employees may reasonably assist from time to time in development programs as may be needed or helpful in coordinating those Organization activities with the operations of the University; and
- (4) in conjunction with the Organization, execute annual written agreements specifying the use of University personnel to directly assist in the operation of the Organization, setting forth a reasonable sum to be paid by the Organization to the University for the assistance rendered by such personnel.

5. All funds, whether endowed, restricted, or unrestricted, accepted by the Organization shall be held, invested and managed by the Organization for the sole benefit of the University, subject to any restrictions placed thereon by particular donors.

This agreement is effective immediately upon execution by the parties and approval by the Board of Regents of The University of Texas System, and it shall remain in effect from year to year unless modified in writing by mutual agreement of the Organization and the University or terminated by either the Organization or the University upon giving notice twelve (12) months prior to the end of a fiscal year of the University.

APPROVED by the Board of Regents of The University of
Texas System on the _____ day of _____, 1984.

APPROVED by the Organization on the _____ day of
_____, 1984.

THE UNIVERSITY OF TEXAS AT EL PASO,

By: _____
Haskell M. Monroe, President

THE UNIVERSITY OF TEXAS AT EL PASO
EL DORADOS

By: _____
President

Dated: _____, 1984

7. U. T. Tyler: Approval of Nominee to Development Board.--
A nominee for membership on the Development Board at The
University of Texas at Tyler was approved for a term expir-
ing in 1985.

The name of the nominee will be reported for the record
after he has been contacted and an acceptance has been
received.

REPORT AND RECOMMENDATIONS OF THE HEALTH AFFAIRS COMMITTEE
(Pages 100 - 147).--Committee Chairman Briscoe reported that the Health Affairs Committee had met in open session to consider those items on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, all actions set forth in the Minute Orders which follow were recommended by the Health Affairs Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. Health Science Center - Dallas: Subject to Certain Contingencies, Authorization of Affiliation Agreement with University Medical Center, Inc., Dallas, Texas, for the Operation of University Hospital.--Approval was given to the affiliation agreement set out on Pages 100 - 110 by and between University Medical Center, Inc., Dallas, Texas, and The University of Texas System, for and on behalf of The University of Texas Health Science Center at Dallas. It was noted that the affiliation agreement is contingent upon University Medical Center, Inc. obtaining a Certificate of Need from the Texas Health Facilities Commission and upon the proposed hospital being constructed.

The proposed hospital, to be owned by the University Medical Center, Inc., and operated in conjunction with a U. T. Health Science Center Clinical Science Building now in the process of being planned, will provide facilities through which the U. T. Health Science Center - Dallas can strengthen and enhance its program of medical education, research, and patient care through utilization of a non-owned but jointly directed hospital facility.

University Medical Center, Inc. is a nonprofit hospital corporation being formed by a group of philanthropic members of the Dallas community in response to the existing need for a university-related facility. At its October 11-12, 1984 meeting, the U. T. Board of Regents approved a request for project planning authorization for a Clinical Science Building at the U. T. Health Science Center - Dallas.

See Page 176, Item 9 related to the lease of land from Dallas County Hospital District for the construction of the Clinical Science Building.

AFFILIATION AGREEMENT

This Affiliation Agreement (this "Agreement") is entered into and effective upon the date of the last execution below between the Board of Regents of The University of Texas System (the "University"), for and on behalf of its component institution, The University of Texas Health Science Center at Dallas (the "Health Science Center"), and University Medical Center, Inc., a Texas non-profit corporation ("UMC"), in multiple counterparts, each of which shall be deemed an original.

W I T N E S S E T H:

WHEREAS, UMC was organized for the purpose of constructing, equipping and operating a hospital (the "Hospital") for the benefit of the people of Dallas County, the State of Texas, and other citizens as may from time to time have need of its services; and

WHEREAS, UMC was organized for the additional purpose of providing hospital facilities to support and extend programs of excellence at the Health Science Center in patient care, education and research; and

WHEREAS, the University operates at the Health Science Center: the Southwestern Medical School (the "School"); a graduate school; and a school of allied health sciences for the education of physicians and other health care professionals, which schools engage in research and other activities incident to their operation; and

WHEREAS, through the Hospital, the University desires to strengthen and enhance its programs of medical education, research and patient care; and

WHEREAS, the University and UMC contemplate that UMC will enter into a Management Agreement with the Dallas County Hospital District (the "District") to manage the operations of the Hospital,

IT IS, THEREFORE, MUTUALLY AGREED AS FOLLOWS:

Section 1: GOVERNANCE OF HOSPITAL

Notwithstanding anything to the contrary in this Agreement, the parties agree that UMC shall be the governing body of the Hospital and shall be accountable and responsible for the operations of the Hospital and for the development of policies with respect to the Hospital.

Section 2: HOSPITAL CONSTRUCTION

- (a) UMC hereby agrees to construct the Hospital on land leased from the District, subject to obtaining all necessary approvals and funding.
- (b) The Hospital shall be constructed without cost to the State of Texas, operated as a teaching hospital fully integrated with the medical program of University and shall be made available as a full-time teaching facility of the School in Dallas, Texas.
- (c) University shall not be obligated to expend any funds for the construction, equipment, maintenance or operation of the Hospital.

Section 3: PATIENTS

- (a) All patients of the Hospital shall be available to University's teaching programs.
- (b) UMC shall retain final decision-making authority over the admission of patients and the assignment of beds.

Section 4: RESPONSIBILITIES OF UMC

For purposes of this Agreement, UMC shall:

- (a) contract with the District to manage the operations of the Hospital through a Hospital Administrator (so called herein), appointed pursuant to Section 6 below;
- (b) review credentials and annually appoint the Hospital's Organized Staff (as described in Article 7 of the Bylaws of UMC) in accordance with the provisions of Section 11 below;
- (c) approve Bylaws of the Organized Staff;
- (d) appoint, with the concurrence of the University and the District, a director of medical affairs of the Hospital (the "Director of Medical Affairs"), who

shall serve as chairman of the Organized Staff; such Director of Medical Affairs shall be a member of the full-time faculty of the School; the salary and benefits of such Director of Medical Affairs shall be funded equally by UMC and the University in amounts determined annually by them;

- (e) assign as chairman or chief of each department or division of the Hospital such person who is the chairman or chief of the corresponding department or division of the School, unless otherwise determined by the dean of the School (the "Dean"); and
- (f) consult with the University prior to approval of the annual budget.

Section 5: RESPONSIBILITIES OF THE UNIVERSITY

For purposes of this Agreement, the University shall:

- (a) continue to maintain and operate the Health Science Center as an accredited, non-sectarian educational institution, consisting of the School, a graduate school and a school of allied health sciences, and make those schools available to UMC pursuant to the terms of this Agreement;
- (b) assign to the Hospital a sufficient number of qualified physicians, who are members of the University faculty and who shall constitute the Organized Staff, to provide, direct and supervise medical services to all patients of the Hospital;
- (c) assign to the Hospital an appropriate number of resident physicians in training (the "House Staff") to participate in patient care under the direction of the Organized Staff;
- (d) support the enforcement of the Bylaws of the Organized Staff;

(e) consult with UMC regarding:

- (i) all assignments of the House Staff and students by the Dean;
- (ii) all clinical teaching program sites; and
- (iii) all other affiliation agreements between the Health Science Center and other entities that may have an impact on the relationship between UMC and the University;

to assure that the Hospital will maintain operational viability while pursuing its mission which is as follows:

Mission of Hospital

As soon as possible and given the necessary resources, the standard of patient care, education and research conducted at the Hospital will become comparable to that of the best university hospitals in the United States; and

- (f) perform its obligations hereunder in such a manner so as to assist UMC in (i) maintaining the Hospital as a tax-exempt hospital under applicable provisions of the Internal Revenue Code, and (ii) maintaining the accreditation of the Hospital.

Section 6: HOSPITAL ADMINISTRATOR

The appointment of the Hospital Administrator by the District shall be with the concurrence of UMC and the President of the Health Science Center. Such appointment shall continue unless and until UMC withdraws its approval. In the event that the Health Science Center shall request that UMC withdraw its approval, UMC agrees that it will withdraw its approval of the Hospital Administrator upon presentation to UMC by the Health Science Center of facts that are compelling in that regard.

Section 7: COOPERATION AMONG UMC, UNIVERSITY AND DISTRICT

UMC and the University recognize the mutually interdependent relationship among UMC, the University and the District in carrying out the terms of this Agreement and the Management Agreement, and agree that there shall be consultation and good faith cooperation among all persons representing each entity.

Section 8: JOINT CONFERENCE COMMITTEE

- (a) In accordance with requirements of the Joint Commission on Accreditation of Hospitals, and pursuant to the Bylaws of UMC, UMC shall appoint a Joint Conference Committee to recommend policies to UMC concerning all matters affecting the Hospital, other than its management, and, in this connection, to act as liaison between UMC and the Organized Staff.
- (b) The Joint Conference Committee shall consist of the following eight (8) persons:
 - (i) four (4) persons who shall be members of the Board of Directors of UMC; and
 - (ii) four (4) active members of the Organized Staff.In addition, the following five (5) persons shall serve as ex-officio members of the Joint Conference Committee:
 - (i) the President of UMC;
 - (ii) the Dean of the School;
 - (iii) the Chief Executive Officer of the District;
 - (iv) the Hospital Administrator; and
 - (v) the Director of Medical Affairs of the Hospital.

Section 9: OPERATIONS REVIEW COMMITTEE

- (a) Consistent with the terms of the Management Agreement between UMC and the District, UMC shall appoint an Operations Review Committee to recommend policies to

UMC affecting the management of the Hospital, and in this connection, act as liaison among UMC, the University and the District.

- (b) The Operations Review Committee shall consist of the following eight (8) persons:
- (i) the President of UMC;
 - (ii) the Director of Medical Affairs of the Hospital;
 - (iii) the President of the Health Science Center;
 - (iv) the Dean of the School;
 - (v) the Chairman of the Board of Managers of the District;
 - (vi) the Chief Executive Officer of the District;
 - (vii) the Director of Medical Affairs of Parkland Memorial Hospital; and
 - (viii) the Hospital Administrator.

Section 10: FACULTY COUNCIL

The Hospital Administrator shall serve as an ex-officio member of the Faculty Council of the School.

Section 11: HOUSE STAFF; STUDENT ASSIGNMENTS; TEACHING

Subject to procedural policies of UMC, the School shall make all decisions relative to the following matters:

- (a) appointments to the House Staff;
- (b) rotation of the House Staff;
- (c) the number of medical students assigned to the Hospital; and
- (d) teaching assignments in the Hospital.

Section 12: COSTS OF HOUSE STAFF AND SUPPORT PERSONNEL

UMC shall bear all costs of the House Staff and required support personnel.

Section 13: CONSULTATION AND SUPPORT DEPARTMENTS

UMC agrees to maintain or provide appropriate consultation and support departments (i.e., facilities, equipment and non-physician personnel) including, but not limited to: pathology, radiology, physical medicine and anesthesiology.

Section 14: APPOINTMENTS TO ORGANIZED STAFF

Appointments to the Organized Staff shall be made by UMC only upon nomination by the Dean. No person shall be appointed to the Organized Staff unless such person is a faculty member of the University. UMC may suspend or dismiss any member of the Organized Staff pursuant to the provisions of the Bylaws of UMC and the Organized Staff.

Section 15: COSTS OF ORGANIZED STAFF

Except as stated herein and unless otherwise mutually agreed, the University shall bear all costs of the Organized Staff. To the extent that UMC requires members of the Organized Staff to perform certain management or administrative services, or patient care services for which hospitals may receive reimbursement, UMC shall engage the University to arrange for the performance of such services for fees to be mutually agreed upon in advance. In this connection, UMC and the Dean shall agree in advance on a list of such services, the members of the Organized Staff to render such services and the fees involved in rendering such services. All such services shall be documented or otherwise substantiated to the reasonable satisfaction of UMC.

Section 16: JOINT EMPLOYMENT

Nothing contained in this Agreement shall prohibit additional agreements providing for the joint employment of physicians and other personnel and for the pro rata apportionment of their salaries.

Section 17: TERM

- (a) This Agreement shall be for an initial term commencing upon the date of issuance of a certificate of need issued by the Texas Health Facilities Commission authorizing construction of the Hospital and expiring on September 30, 1994, after which it shall continue for successive terms of ten (10) years each, subject to the termination provision of subparagraph (b) below.
- (b) This Agreement may be terminated at any time by either party upon three (3) year's prior written notice.

Section 18: NONASSIGNABILITY

Neither party hereto shall assign its interests hereunder without the prior written consent of the other party.

Section 19: NO PARTNERSHIP OR JOINT VENTURE

No partnership or joint venture is intended or created by this Agreement.

Section 20: NOTICES

- (a) All notices required or permitted to be given hereunder must be made in writing to be effective and shall be deemed to have been received on the earlier of (i) the date of actual receipt or (ii) five (5) days after the same are deposited in the U.S. mail, registered or certified, postage prepaid, return receipt requested, addressed as follows:

University

The University of Texas Health Science
Center at Dallas
5323 Harry Hines Boulevard
Dallas, Texas 75235
Attention: President

with a copy to:

John L. Darrouzet, Attorney
Office of the General Counsel
The University of Texas System
201 West 7th Street
Austin, Texas 78701

UMC

University Medical Center, Inc.
c/o Bruce A. Lipsky
Zale Corporation
901 W. Walnut Hill Lane
Irving, Texas 75038-1003

with a copy to:

Dolph B. H. Simon, Esq.
Zale Corporation
901 W. Walnut Hill Lane
Irving, Texas 75038-1003

- (b) The parties hereto may from time to time and at any time change their respective addresses by written notice to the other party in the manner provided under this Section.

Section 21: AMENDMENTS

This Agreement may be amended only by written instrument executed by authorized signatories for UMC and the University.

Section 22: CONSTRUCTION OF AGREEMENT

- (a) If any term or provision of this Agreement is found to be invalid for any reason, the remainder of this Agreement shall not be affected thereby.
- (b) This Agreement shall be construed according to the laws of the State of Texas.
- (c) This Agreement shall be construed consistent with the Bylaws of UMC, the Rules and Regulations of the Board of Regents of The University of Texas System and the Handbook of Operating Procedures of the Health Science Center.

EXECUTED by the parties hereto on the date set below their names.

ATTEST:

UNIVERSITY MEDICAL CENTER, INC.

By: Bruce A. Lipsky, Secretary/
Treasurer

By: Ben A. Lipsky, Chairman of the
Board

Dated: _____

THE UNIVERSITY OF TEXAS SYSTEM
for and on behalf of THE
UNIVERSITY OF TEXAS HEALTH
SCIENCE CENTER AT DALLAS

RECOMMENDED FOR APPROVAL:

By: President of The University
of Texas Health Science
Center at Dallas

Dated: _____

FORM APPROVED:

By: Office of the General Counsel
The University of Texas System

Dated: _____

CONTENT APPROVED:

By: Office of the Chancellor
The University of Texas System

Dated: _____

ATTEST:

APPROVED:

Secretary

By: Chairman, Board of Regents
The University of Texas System

Dated: _____

2. U. T. Medical Branch - Galveston: Permission for Dr. William C. Levin to Become a Member of the Board of Scientific Counselors, Division of Cancer Prevention and Control, National Cancer Institute [Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)].--Permission was granted for Dr. William C. Levin, President of The University of Texas Medical Branch at Galveston, to become a member of the Board of Scientific Counselors, Division of Cancer Prevention and Control, National Cancer Institute. It was noted that Dr. Levin's service will involve attendance at four to five meetings a year for which he will receive reimbursement for all travel expenses and an honorarium of \$100 per day.

The holding of this office by Dr. Levin is of benefit to the State of Texas, creates no conflict with his regular duties, and 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.

3. U. T. Medical Branch - Galveston: Approval of Affiliation Agreement with St. Paul Hospital, Dallas, Texas.--Approval was given to the affiliation agreement set out on Pages 111 - 115 by and between The University of Texas Medical Branch at Galveston and St. Paul Hospital, Dallas, Texas.

This agreement, executed by the appropriate officials of the institution and facility to become effective upon approval by the U. T. Board of Regents, will provide training opportunities for students in the U. T. Allied Health Sciences School - Galveston.

ALLIED HEALTH CARE
EDUCATIONAL EXPERIENCE PROGRAM
AFFILIATION AGREEMENT

THIS AGREEMENT is made and entered into by and between ST. PAUL HOSPITAL ("St. Paul"), a Texas nonprofit corporation having its principal office at 5909 Harry Hines Blvd., Dallas, Dallas County, Texas, 75235, and The Univ. of Texas Medical Branch at Galveston ("University"), a component institution of The University of Texas ("System"), located at the City of Galveston, County of Galveston, State of Texas.

WITNESSETH:

WHEREAS, St. Paul now operates a tertiary care hospital and other facilities located in Dallas, Texas, and therein provides health care services for persons in need of such services, and University provides an academic program with respect to health care; and

WHEREAS, University periodically desires to provide health care related educational experiences for its students, which are not otherwise available to them under the existing program of University, by utilization of appropriate facilities and personnel of St. Paul; and

WHEREAS, St. Paul is committed to a goal of providing the best obtainable supply of personnel educated in the field of health care as being in the best interests of the community, and believes that achievement of such goal can best be accomplished by affording health care students the opportunity to participate in meaningful educational experiences as part of an academic health care program, through utilization of appropriate facilities and personnel of St. Paul; and

WHEREAS, in order to accomplish such goals and objectives, St. Paul and University intend to establish and implement from time to time, one or more educational experience programs which will involve the facilities and personnel of St. Paul, and the students and personnel of University;

NOW, THEREFORE, in consideration of the premises and of the benefits derived and to be derived therefrom and from the program or programs established and implemented by said parties, St. Paul and University agree that any program agreed to by and between St. Paul and University, during the term of this Agreement, for purposes of achieving the above described goals and objectives of said parties (hereinafter called "Student Educational Experience Program" or "Program") shall be covered by and subject to the following terms and conditions:

1. Each respective Program shall not become effective until all agreements between the parties with respect to such Program have been reduced to writing ("Program Agreement"), and executed by the duly authorized representatives of St. Paul and University.
2. Each respective Program may be cancelled by either party by giving such written notice to the other of its intention to terminate the Program as provided in the Program Agreement; provided, however, that the Program shall automatically terminate upon termination of this Agreement.
3. In the event of conflict between the text of a Program Agreement and the text of this Agreement, this Agreement shall govern.
4. After each Program Agreement becomes effective, no amendments thereto shall be valid unless in writing and executed by the duly authorized representatives of St. Paul and University.
5. Except for certain acts to be performed by University pursuant to express provisions of this Agreement, St. Paul hereby agrees to furnish the premises, personnel, services, and all other things necessary for each Educational Experience Program, as specified in each Program Agreement, and, in connection with such Program, further agrees:
 - (a) To use good faith efforts to comply with Federal, State and Municipal laws, ordinances, rules and regulations applicable to performance by St. Paul of its obligations under this Agreement, and applicable accreditation requirements, and to certify such accreditation compliance to University or other entity when requested to do so by University.
 - (b) To permit the authority responsible for accreditation of University's curriculum to inspect such facilities, services and other things provided by St. Paul pursuant to this Agreement as are necessary for accreditation evaluation.

- (c) To appoint a person to serve for St. Paul as liaison (Liaison) to the faculty and students engaged in the program; provided, however, that no person not having the prior written approval of University shall be appointed Liaison; and, in such connection, St. Paul shall furnish in writing to University (not later than thirty (30) days prior to the date the Liaison appointment is to become effective) the name and professional and academic credentials of the person proposed by St. Paul to be Liaison, and within ten days after receipt of same, University shall notify St. Paul of University's approval or disapproval of such person. In the event the Liaison becomes unacceptable to University after appointment, and University so notifies St. Paul in writing, St. Paul will appoint another person to serve as Liaison in accordance with the procedure stated in the first sentence of this sub-paragraph (c).

6. University hereby agrees:

- (a) To furnish St. Paul with the names of the students assigned by University to participate in the Program.
- (b) To assign for participation in each Program only those students (1) who have satisfactorily completed those portions of its curriculum which, according to each Program Agreement, are prerequisite to such participation, all as determined by University in its sole discretion, and (2) who have entered into a written agreement with University and St. Paul that they will not publish any material relating to the Program, or their experience in participating therein, without the prior written approval of University and St. Paul.
- (c) To designate a member of the University faculty to coordinate with St. Paul through its Liaison the learning assignment to be assumed by each student participating in the Program, and to furnish St. Paul in writing the name of such faculty member.

7. All notices under this Agreement shall be provided to the party to be notified in writing, either by personal delivery or by United States mail. All notices under this Agreement shall be deemed given to a party when received by such party's designated representative.

8. All the agreements between the parties on the subject matter hereof have been reduced to writing herein. No amendments to this Agreement shall be valid unless in writing and signed by the duly authorized representatives of the parties.

9. No oral representations of any officer, agent, or employee of St. Paul or the System, or any of its component institutions, (including, but not limited to University), either before or after the effective date of this Agreement, shall affect or modify any obligations of either party hereunder or under any Program Agreement.

10. University shall, to the extent authorized under the constitution and laws of the State of Texas, hold St. Paul harmless from liability resulting from University's (including Student's and Faculty's) acts or omissions resulting in injury, loss or damage arising in connection with the performance of or terms of this agreement, including, but not limited to, damage to hospital property or property of others, or injury to hospital employees or any other person; provided, however, University shall not hold St. Paul harmless from any claims, demands, or causes of action arising in favor of any person or entity, growing out of, incident to, or resulting directly or indirectly from the sole

negligence of St. Paul, its officers or employees, or any person or entity not subject to University's supervision or control. University shall maintain both professional liability insurance and personal injury insurance with an insurance carrier and in amount which are satisfactory to St. Paul. Proof of such insurance shall be provided upon request of St. Paul.

11. This Agreement shall be binding on and shall inure to the benefit of the parties and their respective successors and assignees; provided, however, that no assignment by either party shall be effective without prior written approval of the other party. A delay or failure of performance of either party shall not constitute default hereunder, or give rise to any claim for damages, if and to the extent such delay or failure is caused by occurrences beyond the control of either party.

12. This Agreement shall not become effective unless and until approved by St. Paul. If so approved, this Agreement shall become effective on the date of such approval, and shall continue in effect for an initial term ending one (1) year after the date and year of execution by St. Paul, and after such initial term, from year to year unless one party shall have given one hundred eighty (180) days' prior written notice to the other party of intention to terminate this Agreement. If such notice is given, this Agreement shall terminate: (a) at the end of term of this Agreement during which the last day of such one hundred eighty (180) day notice period falls; or, (b) when all students enrolled in each Program at the end of the term of this Agreement have completed their respective courses of study under each Program; whichever event last occurs.

EXECUTED BY St. Paul and University on the day and year written below in duplicate copies, each of which shall be deemed an original.

UNIVERSITY
The University of Texas Medical Branch
at Galveston

By William C. Levin Date
William C. Levin, M.D.
President

ST. PAUL

By Sister Damian Sketzel 7/20/84 Date
Administrator

ATTEST:

CONTENT APPROVED:

Charles M. Phillips
Executive Vice Chancellor for Health Affairs
The University of Texas System

Effective date: _____

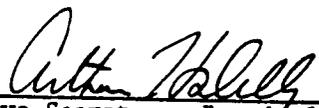
ATTEST:

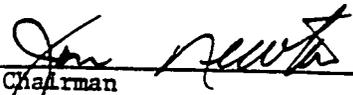
FORM APPROVED:


Office of the General Counsel
The University of Texas System

ATTEST:

THE BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM


Executive Secretary, Board of Regents
The University of Texas System
ARTHUR H. DILLEY


Chairman
JON P. NEWTON

4. U. T. Health Science Center - Houston: Dr. William J. Schull Appointed Ashbel Smith Professor Effective Immediately.--The Board appointed Dr. William J. Schull, Professor at the U. T. G.S.B.S. - Houston and the U. T. Public Health School - Houston of The University of Texas Health Science Center at Houston, Ashbel Smith Professor effective immediately.

5. U. T. Health Science Center - Houston (U. T. Medical School - Houston): Approval of Amendment to the 1981 Research Affiliation Agreement with the Clayton Foundation for Research, Houston, Texas.--At its meeting on February 12-13, 1981, the U. T. Board of Regents approved a research affiliation agreement by and between the Clayton Foundation for Research, Houston, Texas, and The University of Texas Health Science Center at Houston (U. T. Medical School - Houston) which provided for the funding of joint medical research programs through subsequent individual research program agreements. Upon the recommendation of the Health Affairs Committee, the Board approved an amendment to this research affiliation agreement as set out on Pages 116 - 121.

This amended agreement, executed by the appropriate officials of the institution and facility to become effective upon approval by the U. T. Board of Regents, obtains for the U. T. Health Science Center - Houston a five-fold increase in the royalties that would have been realized under the 1981 agreement.

AMENDMENT TO
RESEARCH AFFILIATION AGREEMENT

This Amendment to the Research Affiliation Agreement, which is dated February 13, 1981 (the "Research Affiliation Agreement") between the Clayton Foundation for Research, a Texas non-profit corporation (the "Foundation"), and The University of Texas Medical School at Houston ("UTMSH"), a component institution of The University of Texas Health Science Center at Houston, hereby makes the following two amendments to the Research Program Agreement:

AMENDMENT ONE

The last sentence of paragraph 5 entitled "Conduct of Medical Research" of the Research Affiliation Agreement is completely amended and rewritten to read as follows:

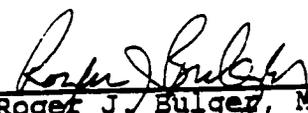
Any inventions or discoveries made, and any technology or know-how developed, during the course of research under this Agreement, which may, or may not, be patentable, or copyrightable, shall be treated in the manner prescribed in Appendix A attached hereto.

AMENDMENT TWO

Appendix A to the Research Affiliation Agreement is completely amended and rewritten to read as provided in the revised Appendix A attached hereto and made a part hereof, and such revised Appendix A shall be substituted in its entirety for the present Appendix A.

IN WITNESS WHEREOF, the parties have executed this agreement effective as of the ____ day of _____, 1984.

THE UNIVERSITY OF TEXAS HEALTH
SCIENCE CENTER AT HOUSTON

By: 
Roger J. Bulger, M.D.
President

CLAYTON FOUNDATION FOR RESEARCH

By: _____
M. T. Launius, Jr.
President

Form approved:

Content approved:

By: _____
Office of General Counsel

By: *Charles M. ...*
Vice Chancellor for Health
Affairs

By: _____
Board of Regents
University of Texas System

By: _____
Chancellor

CERTIFICATE OF APPROVAL

I hereby certify that the foregoing Amendment to the 1981 Research
Affiliation Agreement was approved by the Board of Regents of
The University of Texas System on the _____ day of _____,
19____.

By: _____
Executive Secretary, Board of
Regents, The University of
Texas System

APPENDIX A
PROPRIETARY PROPERTY

1. Policy

The inventions and discoveries made and the know-how and technology developed by Clayton investigators during the course of research under this Agreement, either solely or jointly with the Hospital investigators, are valuable assets arising out of such research. These assets include inventions, discoveries, technology, know-how, and programs subject, or not subject, to being patented, or copyrighted, all of which are hereinafter referred to as "Proprietary Property." The Foundation recognizes that rights to this Proprietary Property, either limited or exclusive, can be a strong incentive for a private company to risk the money and effort needed to change research and Proprietary Property into a commercial product, or procedure, which is widely available to the public. Accordingly, the Foundation desires to obtain title to such Proprietary Property and when feasible, to seek patent or copyright protection on such Proprietary Property resulting from research projects under this Agreement. The Hospital is prepared to assist the Foundation in its desire to seek patent, or copyright, protection for certain of such Proprietary Property, and its desire to use such Proprietary Property in hastening the public enjoyment of the benefits of its research.

2. Proprietary Property

Proprietary Property developed solely by the Foundation, or solely by the Hospital, shall belong to such party. Due to the close cooperation between personnel of the Foundation and the Hospital in the research projects under this Agreement, it is contemplated that some Proprietary Property may be produced jointly by Foundation and Hospital

investigators. In this regard, where at the time the investigator is acting solely in the capacity as an employee of one party, such Proprietary Property shall nevertheless be deemed to have been made "jointly" if the other party has made some substantial contribution to the research project out of which such joint Proprietary Property arose, such as funds, equipment, space, overhead, staff, etc. In the case of Proprietary Property capable of being copyrighted or patented made jointly by the Foundation and the Hospital, either party may request that a patent or copyright application be filed therefor. The Foundation shall have the right to file patent applications, including utility models, and copyrights and to secure ownership to the same in the name of the Foundation in every country of the world and shall have the right to make the final decision with respect to the subject matter thereof reserving the right to abandon or cease maintaining the same. In the event that the Foundation elects not to file such a patent application, or copyright, or to abandon any such patent application, or ceases maintaining such a patent, the Foundation shall give thirty (30) days notice prior to such election and the Hospital shall have the right to file for, assume the prosecution of, or maintain the same, and the Foundation agrees to assign title thereto to the Hospital. The party filing the patent application, or copyright, prosecuting the application or maintaining the application shall have full control over the same; however, such party shall provide the other party with copies of all documents with respect thereto. The parties further agree that all expenses thereof shall be apportioned according to the respective contributions of the parties to the funding of the research project out of which the Proprietary Property arose.

3. Royalties

- (a) Royalties received from licensing the Proprietary Property which belongs

solely to one of the parties shall be the property of such party. Royalties received from licensing joint Proprietary Property shall be apportioned according to the respective contributions of the parties to the funding of the research project out of which the Proprietary Property arose.

(b) The patent policy of the Foundation for the use of any royalty income received by the Foundation from a patent or copyright arising out of a research project under this Agreement is as follows:

- (1) The investigator shall receive the same percentage of the royalty that he would have received as an investigator under the then existing patent policy of the Hospital; and
- (2) The balance of such royalty will normally be dedicated to further research at the Hospital on the same or a related project out of which the Proprietary Property arose; provided, however, that the Foundation, in the sole discretion of its trustees, reserves the right to utilize part or all of such balance of the royalty on other research projects at the Hospital or at any other institution or for any other purpose.

(c) The Foundation shall receive and disburse royalty income pursuant to subparagraph (a) above with respect to joint Proprietary Property of the Foundation and the Hospital and shall keep accurate records detailing the basis for such disbursements. The Foundation shall, before the end of the calendar quarter next succeeding the close of each fiscal year, provide a written report to the Hospital detailing royalty receipts and disbursements for the immediately preceding fiscal year and shall thereupon make the payments declared therein to be due.

4. Litigation

It may become necessary to enforce one or more of the patents, or copyrights, contained in the Proprietary Property obtained under Paragraph 2 above against infringers. In the event of joint Proprietary Property, all costs of litigation, including attorney's fees, shall be deducted from any royalties received on the joint Proprietary Property in suit before distribution in accordance with the provisions of Paragraph 3, subparagraph (a) above. If such costs exceed royalties, such costs shall be borne by the parties in proportion to their respective interests in the patent or copyright.

6. U. T. Health Science Center - San Antonio: Approval of Patent License Agreement with Aquebogue Machine & Repair Shop, Long Island, New York, Effective September 1, 1984.---
The Board approved the patent license agreement set out on Pages 122 - 132 by and between the Aquebogue Machine & Repair Shop, Long Island, New York, and The University of Texas Health Science Center at San Antonio wherein Aquebogue Machine & Repair Shop will be granted a license under U. S. Patent No. 4,294,684 with an effective date of September 1, 1984.

This agreement provides an exclusive license, in the United States only, to make, use, and sell an electrophoresis template. The first fifty units sold by Aquebogue within a year after the effective date will be on a royalty-free basis. Thereafter, sales will be on the basis of a 10% royalty of gross sales.

PATENT LICENSE AGREEMENT

THIS AGREEMENT is made by and between the BOARD OF REGENTS, THE UNIVERSITY OF TEXAS SYSTEM, an agency of the State of Texas, whose address is 201 West 7th Street, Austin, Texas 78701, (hereinafter referred to as "UNIVERSITY") and AQUEBOGUE MACHINE AND REPAIR SHOP, a _____ corporation, whose address is Box 205, Main Road, Aquebogue, Long Island, New York, 11931, (hereinafter referred to as "LICENSEE"),

W I T N E S S E T H:

Whereas UNIVERSITY owns U. S. Patent #4,294,684 entitled "Template for Forming Multiple-Concentration for Agarose Gels" which is part of the LICENSED SUBJECT MATTER described in Attachment A;

Whereas UNIVERSITY also owns TECHNOLOGY related to the LICENSED SUBJECT MATTER;

Whereas UNIVERSITY wishes to have the inventions covered by the Patent and included in the TECHNOLOGY developed and used for the benefit of the inventor, UNIVERSITY, and the public as outlined in the Patent Policy promulgated by the aforementioned Board of Regents; and

Whereas LICENSEE wishes to obtain a license under such Patent and TECHNOLOGY to practice such inventions.

NOW, THEREFORE, in consideration of the mutual covenants and premises herein contained, the parties hereto agree as follows:

I. EFFECTIVE DATE

This Agreement shall be effective as of September 1, 1984.

II. DEFINITIONS

As used in this Agreement, the following terms shall have the meanings indicated:

2.1 LICENSED SUBJECT MATTER shall be as described in Attachment A.

2.2 PATENT RIGHTS shall mean UNIVERSITY'S rights under said U.S. Patent 4,294,684, including any division, continuation, continuation-in-part or reissue thereof, or substitute therefor, and the letters patent that may be issued thereon.

2.3 TECHNOLOGY RIGHTS shall mean the rights to maintain TECHNOLOGY in confidence and to prevent others, under the law of unfair competition, trade secret or confidential relationship from appropriating such TECHNOLOGY.

2.4 TECHNOLOGY shall mean any invention, discovery, know-how, process, procedure, method, protocol, formula, technique, software, design, drawing, data, or other valuable technical information relating to the LICENSED SUBJECT MATTER.

2.5 LICENSED PRODUCT shall mean any product covered by one or more claims of the PATENT RIGHTS or produced by a method covered by one or more claims of such PATENT RIGHTS, or utilizing any TECHNOLOGY.

2.6 LICENSED FIELD shall mean use for medical analysis and diagnosis.

2.7 SALE(S) (or SOLD) shall mean any disposition of a LICENSED PRODUCT for value to a party other than LICENSEE or a sublicensee hereunder.

2.8 GROSS SALES shall mean LICENSEE'S billings (not less than cost) or SALES of LICENSED PRODUCT and any components or replacement parts therefor less any customary discounts allowed and actually taken, sales and/or use tax, import or export duties or their equivalent, outbound transportation prepaid or allowed, insurance, installation charges or charges for extended warranty or service contracts, amounts allowed or credited due to returns (not exceeding the original billing) and the imputed interest factor under any lease. GROSS SALES shall not be reduced due to commissions, taxes other than sales and/or use taxes, or import or export duties.

III. WARRANTY; SUPERIOR RIGHTS

3.1 Except for the rights of the Government of the United States, as set forth hereinbelow, UNIVERSITY represents and warrants that it is the owner of the entire right, title, and interest in and to PATENT RIGHTS and TECHNOLOGY, and that it has the sole right to grant licenses under such PATENT RIGHTS and TECHNOLOGY and that it has not granted licenses thereunder to any other person.

3.2 LICENSEE understands that the PATENT RIGHTS and TECHNOLOGY licensed hereunder were developed under a funding agreement with the Government of the United States of America and that the Government has certain rights relative thereto. This Agreement is explicitly made subject to the Government's rights under such agreement and the applicable Public Law such as 96-517 or its predecessor. To the extent that there is a conflict between any such agreement or applicable Public Law and this Agreement, the terms of such Government agreement or the Public Law shall prevail.

IV. LICENSE

4.1 UNIVERSITY hereby grants to LICENSEE an exclusive license only in the United States under its PATENT RIGHTS and TECHNOLOGY RIGHTS to make, have made for it, use, and sell LICENSED PRODUCT in the LICENSED FIELD during the Term of this Agreement.

4.2 LICENSEE shall have the right to grant sublicenses consistent with this Agreement provided that LICENSEE shall be responsible for the operations of its sublicensee relevant to this Agreement as if such operations were carried out by LICENSEE, including the payment of royalties whether or not paid to LICENSEE by the sublicensee. LICENSEE further agrees to deliver to UNIVERSITY a true and correct copy of each sublicense granted by LICENSEE, and any modification or termination thereof, within thirty (30) days after execution, modification, or termination. Upon termination of this agreement, any and all existing sublicenses granted by LICENSEE shall be assigned to UNIVERSITY.

4.3 The parties recognize that LICENSEE may encounter patents held by third parties which dominate LICENSEES operating under either or both of UNIVERSITY'S and LICENSEE'S PATENT RIGHTS and that a cross-license between LICENSEE and such a third party may be necessary in order to enable LICENSEE to market LICENSED PRODUCT. In that event LICENSEE has the right to enter into cross-licensing agreements with third parties and to grant cross-licenses under the PATENT RIGHTS, provided:

(a) UNIVERSITY is consulted beforehand and is reasonably satisfied that the third party does in fact hold a patent that limits LICENSEE'S competitiveness in marketing LICENSED PRODUCT;

(b) The rights received by LICENSEE under such a cross-licensing agreement cover only LICENSED PRODUCT and are not directed to other products;

(c) UNIVERSITY incurs no financial or legal liabilities under the cross-license;

(d) Any money or the value of any equipment received by LICENSEE in exchange for such cross-license is treated as GROSS SALES for LICENSED PRODUCT;

(e) The cross-license provides that UNIVERSITY has the option of terminating any rights thereunder for any reason.

(f) Nothing contained in this paragraph 4.3 shall prevent LICENSEE from granting a sublicense under paragraph 4.2 of this Agreement.

4.4 UNIVERSITY specifically retains the right to:

(a) Publish the general scientific findings from research related to TECHNOLOGY; and

(b) use any information contained in TECHNOLOGY for research, publication, teaching, and other UNIVERSITY purposes, including finding and licensing other licensees in the event this license becomes non-exclusive or terminated.

4.5 UNIVERSITY shall have the right at any time after three years from the date of this Agreement, to convert the exclusivity of the license granted herein to non-exclusive if LICENSEE, within ninety days after written notice from UNIVERSITY of such intended termination of exclusivity, fails to provide written evidence that it has commercialized or is actively attempting to commercialize an invention hereunder, and shall have the right at any time after four (4) years from the date of this Agreement to terminate the license completely if LICENSEE within ninety days after written notice from UNIVERSITY of such intended termination, fails to provide written evidence that it has commercialized or is actively attempting to commercialize an invention licensed hereunder. Evidence provided by LICENSEE that it has an ongoing and active research, developmental, manufacturing, marketing or licensing program as appropriate, directed toward production and sale of products based on the invention disclosed and claimed in PATENT RIGHTS or incorporating TECHNOLOGY shall be deemed satisfactory evidence.

4.6 After two (2) years from the date of this Agreement, UNIVERSITY shall have the right, upon thirty (30) days written notice, to convert the license granted hereunder to non-exclusive in any national political jurisdiction in which LICENSEE has failed to commercialize or continue to commercialize a LICENSED PRODUCT.

4.7 During the term of this Agreement and for a period of five (5) years thereafter, LICENSEE shall not disclose any TECHNOLOGY to third parties without the express written consent of UNIVERSITY except to the extent that such TECHNOLOGY:

(a) is or later becomes part of the public domain through no fault of LICENSEE.

(b) was in the possession of LICENSEE prior to receipt from UNIVERSITY; or

(c) is received from a third party having no obligations of confidentiality to UNIVERSITY. This provision shall survive termination of this Agreement.

(d) is sublicensed under the terms of this Agreement.

V. PAYMENTS AND REPORTS

5.1 LICENSEE shall pay UNIVERSITY a royalty of ten percent (10%) of its or its sublicensee's GROSS SALES. Such royalty shall be due every six months after the effective date for the calendar quarter in which the LICENSED PRODUCT is delivered, except that the first fifty (50) LICENSED PRODUCT shall be royalty-free so long as they are sold within one year of the effective date of this Agreement.

5.2 Upon execution of this Agreement LICENSEE is under no obligation to pay UNIVERSITY any money until the end of one year after the effective date, unless LICENSEE sells more than fifty (50) LICENSED PRODUCT as provided in Paragraph 5.1 above.

5.3 During the Term of this Agreement and for one (1) year thereafter, LICENSEE shall keep complete and accurate records of its and its sublicensee's SALES of LICENSED PRODUCT under the license granted in this Agreement in sufficient detail to enable the royalties payable hereunder to be determined. LICENSEE shall permit UNIVERSITY or its representatives, at UNIVERSITY'S expense, to periodically examine its books, ledgers, and records during regular business hours for the purpose of and to the extent necessary to verify any report required under this Agreement. In

the event that the difference between the amount of royalty due and the amount of royalty actually paid exceeds five percent (5%), LICENSEE shall pay the cost of such examination.

5.4 Within thirty (30) days after June 30, and December 31, LICENSEE shall deliver to UNIVERSITY a true and accurate report, giving such particulars of the business conducted by LICENSEE and its sublicensees, if any exist, during the preceding six (6) calendar months under this License Agreement as are pertinent to an accounting for royalty payments hereunder. Such report shall include at least (a) the quantities of LICENSED PRODUCT that it has SOLD; (b) the billings thereon that comprise GROSS SALES, (c) the calculation of royalties thereon; and (d) the total royalties so computed and due UNIVERSITY. Simultaneously with the delivery of each such report, LICENSEE shall pay to UNIVERSITY the amount, if any, due for the period of such report. If no payments are due, it shall be so reported.

5.5 Upon the request of UNIVERSITY, but not more often than once per calendar year, LICENSEE shall deliver to UNIVERSITY a written report as to LICENSEE'S efforts and accomplishment during the preceding year in commercializing LICENSED PRODUCT in various parts of the licensed territory and its commercialization plans for the upcoming year.

5.6 All amounts payable hereunder by LICENSEE shall be payable in United States funds without deductions for taxes, assessments, fees, or charges of any kind.

5.7 If LICENSEE, during any full calendar year commencing after one (1) year after the effective date of this Agreement, fails to pay royalties in the minimum amount of \$1,000 for the first calendar year royalty obligations of this license are in effect, \$2,000 for the second and third calendar years royalty obligations under this license are in effect, and \$2,500 for each subsequent year this license is in effect, the following shall be applicable. For the first three (3) calendar years the above

royalty obligations of this Agreement are in effect, LICENSEE is permitted to make a cash payment to cover any deficit in such royalties below such minimum amount. Otherwise, UNIVERSITY shall have the right upon 30 days written notice to convert the license granted hereunder to non-exclusive. But, such non-exclusive shall be subject to the right of termination of Paragraph 4.5.

VI. TERM AND TERMINATION

6.1 At any time within (12) twelve months after the effective date hereof, LICENSEE or LICENSOR can terminate this Agreement without cause upon written notice.

6.2 The term of this Agreement shall extend from the effective date set forth hereinabove to the full end of the term or terms for which any patent or extensions thereof in PATENT RIGHTS is granted (determined on a country-by-country basis).

6.3 This Agreement will earlier terminate:

(a) automatically if LICENSEE shall become bankrupt or insolvent and/or if the business of LICENSEE shall be placed in the hands of a receiver, assignee, or trustee, whether by voluntary act of LICENSEE or otherwise;

(b) upon ninety (90) days written notice if LICENSEE shall breach or default on any obligation under this License Agreement; provided, however, LICENSEE may avoid such termination if before the end of such period LICENSEE notifies UNIVERSITY that such breach has been cured and states the manner of such cure.

6.4 Upon termination of this Agreement for any cause, nothing herein shall be construed to release either party of any obligation matured prior to the effective date of such termination, and LICENSEE may, after the effective date of such termination, sell all LICENSED PRODUCT and parts therefor that it may have on hand at the date of termination, provided that it pays earned royalty thereon as provided in this Agreement.

VII. INFRINGEMENT

7.1 LICENSEE shall have the option of enforcing at its expense any patent exclusively licensed hereunder against infringement by third parties and shall be entitled to retain any recovery from such enforcement. LICENSEE shall pay UNIVERSITY royalty on any monetary recovery to the extent that such monetary recovery by LICENSEE exceeds its expenses. In the event that LICENSEE chooses not to file suit against a substantial infringer of a patent within two (2) months of knowledge thereof, it shall then promptly notify UNIVERSITY which shall have the right to reduce the license granted hereunder to non-exclusive if it brings suit.

7.2 In any suit or dispute involving an infringer, the parties shall cooperate fully, and upon the request and at the expense of the party bringing suit, the other party shall make available to the party bringing suit all relevant records, papers, information, samples, specimens, and the like which may be relevant and in its possession.

VIII. ASSIGNMENT

This Agreement may not be assigned by LICENSEE without the prior written consent of UNIVERSITY; provided that LICENSEE may assign this Agreement to any purchaser or transferee of all or substantially all of LICENSEE'S business upon prior written notice to UNIVERSITY.

IX. PATENT MARKING

LICENSEE agrees to mark permanently and legibly all LICENSED PRODUCT manufactured or sold by it under this Agreement including those fifty (50) units made royalty-free hereunder with the number of each issued Patent applicable thereto.

X. GENERAL

10.1 This Agreement constitutes the entire and only agreement between the parties relating to PATENT RIGHTS and TECHNOLOGY, and all prior negotiations, representations,

agreements, and understandings are superseded hereby. No agreements altering or supplementing the terms hereof may be made except by means of written documents signed by the duly authorized representatives of the parties.

10.2 Any notice required by this License Agreement shall be given by prepaid, first class, certified mail, return receipt requested, addressed in the case of UNIVERSITY to:

BOARD OF REGENTS
The University of Texas System
201 West 7th Street
Austin, Texas 78701

ATTN: System Intellectual Property
Office

or in the case of LICENSEE to:

Robert W. Dillingham
Aquebogue Machine and Repair Shop
Box 205 Main Road
Aquebogue, L.I., N.Y. 11931

or such other addresses as may be given from time to time under the terms of this notice provision.

10.3 This License Agreement shall be construed and enforced in accordance with the laws of the United States of America and of the State of Texas.

10.4 Failure of UNIVERSITY to enforce a right under this Agreement shall not act as a waiver of that right or the ability to later assert that right relative to the particular situation involved.

10.5 Headings included herein are for convenience only and shall not be used to construe this Agreement.

10.6 If any provision of this Agreement shall be found by a court to be void, invalid or unenforceable, the same shall either be reformed to comply with applicable law or stricken if not so conformable, so as not to affect the validity or enforceability of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized representatives to execute this Agreement.

ATTEST:

AQUEBOGUE MACHINE & REPAIR
SHOP

Secretary

President

FORM APPROVED:

CONTENT APPROVED:

General Counsel, The University
of Texas System

President, The University of
Texas Health Science Center
at San Antonio

Executive Vice Chancellor for
Health Affairs, The University
of Texas System

Chancellor, The University of
Texas System

ATTEST:

THE BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

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

Chairman, Board of Regents of
The University of Texas System

7. U. T. Health Center - Tyler: Approval of Affiliation Agreement with Good Shepherd Hospital, Longview, Texas.---
Approval was given to the affiliation agreement set out on Pages 133 - 140 by and between The University of Texas Health Center at Tyler and Good Shepherd Hospital, Longview, Texas.

This agreement, executed by the appropriate officials of the institution and facility to become effective upon approval by the U. T. Board of Regents, will provide health care related educational experience to residents of the proposed Family Practice Residency program at the U. T. Health Center - Tyler.

HEALTH CARE EDUCATIONAL
AFFILIATION AGREEMENT

THIS AGREEMENT made the _____ day of _____, 1984, by and between The University of Texas Health Center at Tyler ("University"), a component institution of The University of Texas ("System"), and Good Shepherd Hospital ("Facility"), a non-profit corporation organized and existing under the laws of the State of Texas, having its principal office at 621 North Fifth Street, Longview, State of Texas.

W I T N E S S E T H :

WHEREAS, Facility now operates hospital facilities located at 621 North Fifth Street, in the city of Longview, State of Texas, and therein provides health care services for persons in need of such services; and University provides an academic program with respect to health care;

WHEREAS, University periodically desires to provide health care related educational experiences for its residents which are not otherwise available to them under the existing program of University, by utilization of appropriate facilities and personnel of Facility;

WHEREAS, Facility is committed to a goal of providing the best obtainable supply of personnel educated in the field of health care as being in the best interest of Facility, and believes that achievement of such goal can best be accomplished by affording health care residents the opportunity to participate in meaningful educational experiences as a part of an academic health care program, through utilization of appropriate facilities and personnel of Facility; and

WHEREAS, in order to accomplish such objectives, University and Facility will establish a Family Practice Residency Program

("Program") which involves the residents, students, and personnel of University, and the facilities and personnel of Facility;

NOW, THEREFORE, in consideration of these premises and of the benefits derived and to be derived therefrom and from the Program established and implemented by said parties, University and Facility agree that such Program shall be governed by the following terms and conditions:

1. Facility hereby agrees to furnish the premises necessary to carry out this Agreement, and such personnel, services, and other things mutually agreed to by the parties hereto which are necessary to carry out the provisions of this Agreement. For purposes of this agreement, premises will be defined as sleeping quarters for one resident and the general facilities in use at the facility's principal place of business. In connection with the Program, Facility further agrees:

a. To comply with all Federal, State and Municipal laws, ordinances, rules and regulations applicable to performance by Facility of its obligations under this Agreement, and to maintain accreditation with the appropriate accrediting bodies and to certify such compliance to University or other entity when requested to do so by University.

b. To permit the authority responsible for accreditation of University's curriculum to inspect such facilities, services and other things provided by Facility pursuant to this Agreement as are necessary for accreditation evaluation.

c. To appoint a person to serve for Facility as Hospital Liaison to the faculty and residents engaged in the Program; provided, however, that no person not having prior written approval of University shall be appointed Hospital Liaison; and, in such connection, Facility shall furnish in writing to University (not later than thirty (30) days prior to the date the Hospital Liaison appointment is to become effective) the name and professional and academic credentials of the person proposed by Facility to be Hospital Liaison, and within ten (10) days after receipt of same, University shall notify Facility of University's

approval or disapproval of such person. In the event the Hospital Liaison becomes unacceptable to University after appointment, and University so notifies Facility in writing, Facility will appoint another person to serve as Hospital Liaison in accordance with the procedure stated in the first sentence of this Paragraph 1(c).

d. To provide space and associated services for the program. Space and associated services will be defined as access to the normal business premises of the facility.

2. University hereby agrees:

a. To furnish Facility with the names and other identifying information as may be requested by the facility of residents assigned by University to participate in the Program. Prior to assigning a resident or admitting a student to the residency program, the University will consult with a member of the Facility's credentials committee. The member of the credentials committee will be designated by the facility.

b. To assign for participation in the Program only those students (1) who have satisfactorily completed those portions of its curriculum which are prerequisite to such participation, all as determined by University in its sole discretion, and (2) who have entered into a written agreement with University and Facility that they will not publish any material relating to the Program, or their experience in participating therein, without prior written approval of University and Facility.

c. To designate a member of the University faculty ("University Liaison") to coordinate with Facility through its Hospital Liaison all matters pertaining to the Program. No person not having the prior written approval of Facility shall be appointed University Liaison; and, in such connection, University shall furnish in writing to facility (not later than (30) days prior to the date the University Liaison appointment is to become effective) the name and professional and academic credentials of the person proposed by University to be University Liaison, and within ten (10) days after receipt of same, Facility shall notify University of Facility's approval or disapproval of such person.

In the event the University Liaison becomes unacceptable to Facility after appointment as University Liaison, facility will notify University in accordance with the procedure previously set out in this Paragraph 2(c).

d. To coordinate the activities of all University residents who are assigned to Facility. The number of medical residents to be assigned to Facility and the duration of such assignment shall be agreed upon by University and Facility in advance of such assignment.

e. To provide faculty members to teach and to supervise the medical practice of residents in the discipline of Family Practice.

f. Through its Program in Family Practice, to recruit and select qualified residents for the Program.

3. University full-time faculty members shall not independently bill or collect for their own account, or for the account of University, any amount from patients or third party payors for the activities of such faculty members which are conducted in conjunction with the Family Practice Program. Professional fees generated by full-time faculty members for services rendered shall become the property of University.

4. Facility shall have the right to request the removal of any resident from the Program when, in Facility's sole discretion, there is good cause for such action, and University shall comply with such request after consultation and after consideration of due process.

5. University shall maintain in effect throughout the term of this Agreement professional liability coverage for its faculty and residents, through a funded self-insurance program or otherwise, the limits of which shall be at minimum those which are provided for residents and faculty of the System. University shall notify Facility of any changes in the limits of the professional liability coverage so provided by it. Facility shall be under no obligation to provide any professional liability insurance or coverage for faculty or residents.

6. It is mutually understood and agreed that all University full-time faculty, residents, and other personnel furnished by University pursuant to this Agreement or otherwise are independent contractors with respect to Facility. During performance of patient care activities, University faculty and residents as designated by a preceptor will conduct themselves in accordance with the medical staff bylaws and the applicable medical staff policies of the affiliate hospital. All such faculty, residents, and other personnel shall employ their own means and methods and exercise their own professional judgment in the performance of any services or activities at Facility, and Facility shall have no right of control or direction over such persons with respect to such means, methods, or judgments, or with respect to the details of such services or activities as long as these judgments do not conflict with established policies and procedures of affiliate hospital. It is expressly agreed that no faculty member, resident, or other person furnished, employed, or selected by University shall for any reason be deemed to be an employee, agent, ostensible or apparent agent, or servant or borrowed servant of Facility, and that faculty members and residents shall instead be considered employees of University. The faculty will assume responsibility for conduct of residents.

7. All notices under this Agreement shall be provided to the party to be notified in writing, either by personal delivery or by United States mail. All notices under this Agreement shall be deemed given to a party when received by such party's designated representative.

8. All the agreements between the parties on the subject matter hereof have been reduced to writing herein. No amendments to this Agreement shall be valid unless in writing and signed by the duly authorized representatives of the parties, and approved by the Board of Regents of The University of Texas System and the Board of Trustees of the Good Shepherd Hospital.

9. No oral representations of any officer, agent, or employee of Facility or The University of Texas System, or any of its component institutions (including, but not limited to

University), either before or after the effective date of this Agreement, shall affect or modify any obligations of either party hereunder.

10. This Agreement shall be binding on and shall inure to the benefit of the parties and their respective successors and assignees; provided, however, that no assignment by either party shall be effective without prior written approval of the other party. A delay in or failure of performance of either party shall not constitute default hereunder, or give rise to any claim for damages, if and to the extent such delay or failure is caused by occurrences beyond the control of either party.

11. This Agreement shall not become effective unless and until approved by the Board of Regents of The University of Texas System and the Board of Trustees of Good Shepherd Hospital. If so approved, this Agreement shall become effective as of June 1, 1985, and shall continue in effect for an initial term ending June 30, 1986, and after such initial term, from year to year, unless one party shall have given to the other party, not less than one hundred eighty (180) days prior to the end of such a yearly term, written notice of intention to terminate this Agreement. If such notice is given, this Agreement shall terminate at the end of the yearly term of this Agreement during which the notice was given.

12. University agrees to maintain during the term of this Agreement and any extensions or renewals hereof, and for a period of four (4) years following its termination or expiration, adequate books and records which accurately reflect the services rendered under this Agreement and any other factors affecting the value or cost of the services provided hereunder to Good Shepherd Hospital. These books and records may be inspected by Good Shepherd Hospital or its representatives at any reasonable time.

FORM APPROVED

UNIVERSITY

BY *Allyn Taylor*
Office of General Counsel
U. T. System

BY *George A. Hurst*
George A. Hurst, M. D.
Director
The University of Texas
Health Center at Tyler

ATTEST:

Arthur H. Dilly
Executive Secretary
Board of Regents
The University of Texas System
ARTHUR H. DILLY

Jon Newton
Chairman
Board of Regents
The University of Texas System
JON P. NEWTON

Charles B. McWhorter
Chancellor
The University of Texas System

FACILITY

Nelda Hawthorn
Chairman, Board of Directors
The Good Shepherd Medical Center

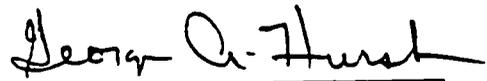
Wilson Stinnett
Wilson Stinnett, Administrator
The Good Shepherd Medical Center

ADDENDUM

As part of this agreement, The University of Texas intends to continue its usual and customary practice regarding medical services purchased off campus. If a medical service is purchased from Medical Center by The University of Texas Health Center at Tyler on behalf of a University of Texas patient, then the University of Texas Health Center at Tyler will pay for that service.



Wilson Stinnett
for
Good Shepherd Hospital



George A. Hurst, M. D.
for
The University of Texas
Health Center at Tyler

8. U. T. Health Center - Tyler: Approval of Affiliation Agreement with Medical Center Hospital, Tyler, Texas.--
The affiliation agreement set out on Pages 141 - 147 by and between The University of Texas Health Center at Tyler and Medical Center Hospital, Tyler, Texas, was approved.

This agreement, executed by the appropriate officials of the institution and facility to become effective upon approval by the U. T. Board of Regents, will provide health care related educational experience to residents of the proposed Family Practice Residency program at the U. T. Health Center - Tyler.

HEALTH CARE EDUCATIONAL
AFFILIATION AGREEMENT

THIS AGREEMENT made the _____ day of _____, 1984, by and between The University of Texas Health Center at Tyler ("University"), a component institution of The University of Texas ("System"), and Medical Center Hospital Hospital ("Facility"), a non-profit corporation organized and existing under the laws of the State of Texas, having its principal office at 1000 South Beckham Street, Tyler, State of Texas.

W I T N E S S E T H :

WHEREAS, Facility now operates hospital facilities located at 1000 South Beckham Street, in the city of Tyler, State of Texas, and therein provides health care services for persons in need of such services; and University provides an academic program with respect to health care;

WHEREAS, University periodically desires to provide health care related educational experiences for its residents which are not otherwise available to them under the existing program of University, by utilization of appropriate facilities and personnel of Facility;

WHEREAS, Facility is committed to a goal of providing the best obtainable supply of personnel educated in the field of health care as being in the best interest of Facility, and believes that achievement of such goal can best be accomplished by affording health care residents the opportunity to participate in meaningful educational experiences as a part of an academic health care program, through utilization of appropriate facilities and personnel of Facility; and

WHEREAS, in order to accomplish such objectives, University and Facility will establish a Family Practice Residency Program

("Program") which involves the residents, students, and personnel of University, and the facilities and personnel of Facility;

NOW, THEREFORE, in consideration of these premises and of the benefits derived and to be derived therefrom and from the Program established and implemented by said parties, University and Facility agree that such Program shall be governed by the following terms and conditions:

1. Facility hereby agrees to furnish the premises necessary to carry out this Agreement, and such personnel, services, and other things mutually agreed to by the parties hereto which are necessary to carry out the provisions of this Agreement. For purposes of this agreement, premises will be defined as sleeping quarters for one resident and the general facilities in use at the facility's principal place of business. In connection with the Program, Facility further agrees:

a. To comply with all Federal, State and Municipal laws, ordinances, rules and regulations applicable to performance by Facility of its obligations under this Agreement, and to maintain accreditation with the appropriate accrediting bodies and to certify such compliance to University or other entity when requested to do so by University.

b. To permit the authority responsible for accreditation of University's curriculum to inspect such facilities, services and other things provided by Facility pursuant to this Agreement as are necessary for accreditation evaluation.

c. To appoint a person to serve for Facility as Hospital Liaison to the faculty and residents engaged in the Program; provided, however, that no person not having prior written approval of University shall be appointed Hospital Liaison; and, in such connection, Facility shall furnish in writing to University (not later than thirty (30) days prior to the date the Hospital Liaison appointment is to become effective) the name and professional and academic credentials of the person proposed by Facility to be Hospital Liaison, and within ten (10) days after receipt of same, University shall notify Facility of University's

approval or disapproval of such person. In the event the Hospital Liaison becomes unacceptable to University after appointment, and University so notifies Facility in writing, Facility will appoint another person to serve as Hospital Liaison in accordance with the procedure stated in the first sentence of this Paragraph 1(c).

d. To provide space and associated services for the program. Space and associated services will be defined as access to the normal business premises of the facility.

2. University hereby agrees:

a. To furnish Facility with the names and other identifying information as may be requested by the facility of residents assigned by University to participate in the Program. Prior to assigning a resident or admitting a student to the residency program, the University will consult with a member of the Facility's credentials committee. The member of the credentials committee will be designated by the facility.

b. To assign for participation in the Program only those students (1) who have satisfactorily completed those portions of its curriculum which are prerequisite to such participation, all as determined by University in its sole discretion, and (2) who have entered into a written agreement with University and Facility that they will not publish any material relating to the Program, or their experience in participating therein, without prior written approval of University and Facility.

c. To designate a member of the University faculty ("University Liaison") to coordinate with Facility through its Hospital Liaison all matters pertaining to the Program. No person not having the prior written approval of Facility shall be appointed University Liaison; and, in such connection, University shall furnish in writing to facility (not later than (30) days prior to the date the University Liaison appointment is to become effective) the name and professional and academic credentials of the person proposed by University to be University Liaison, and within ten (10) days after receipt of same, Facility shall notify University of Facility's approval or disapproval of such person.

In the event the University Liaison becomes unacceptable to Facility after appointment as University Liaison, facility will notify University in accordance with the procedure previously set out in this Paragraph 2(c).

d. To coordinate the activities of all University residents who are assigned to Facility. The number of medical residents to be assigned to Facility and the duration of such assignment shall be agreed upon by University and Facility in advance of such assignment.

e. To provide faculty members to teach and to supervise the medical practice of residents in the discipline of Family Practice.

f. Through its Program in Family Practice, to recruit and select qualified residents for the Program.

3. University full-time faculty members shall not independently bill or collect for their own account, or for the account of University, any amount from patients or third party payors for the activities of such faculty members which are conducted in conjunction with the Family Practice Program. Professional fees generated by full-time faculty members for services rendered shall become the property of University.

4. Facility shall have the right to request the removal of any resident from the Program when, in Facility's sole discretion, there is good cause for such action, and University shall comply with such request after consultation and after consideration of due process.

5. University shall maintain in effect throughout the term of this Agreement professional liability coverage for its faculty and residents, through a funded self-insurance program or otherwise, the limits of which shall be at minimum those which are provided for residents and faculty of the System. University shall notify Facility of any changes in the limits of the professional liability coverage so provided by it. Facility shall be under no obligation to provide any professional liability insurance or coverage for faculty or residents.

6. It is mutually understood and agreed that all University full-time faculty, residents, and other personnel furnished by University pursuant to this Agreement or otherwise are independent contractors with respect to Facility. During performance of patient care activities, University faculty and residents as designated by a preceptor will conduct themselves in accordance with the medical staff bylaws and the applicable medical staff policies of the affiliate hospital. All such faculty, residents, and other personnel shall employ their own means and methods and exercise their own professional judgment in the performance of any services or activities at Facility, and Facility shall have no right of control or direction over such persons with respect to such means, methods, or judgments, or with respect to the details of such services or activities as long as these judgements do not conflict with established policies and procedures of affiliate hospital. It is expressly agreed that no faculty member, resident, or other person furnished, employed, or selected by University shall for any reason be deemed to be an employee, agent, ostensible or apparent agent, or servant or borrowed servant of Facility, and that faculty members and residents shall instead be considered employees of University. The faculty will assume responsibility for conduct of residents.

7. All notices under this Agreement shall be provided to the party to be notified in writing, either by personal delivery or by United States mail. All notices under this Agreement shall be deemed given to a party when received by such party's designated representative.

8. All the agreements between the parties on the subject matter hereof have been reduced to writing herein. No amendments to this Agreement shall be valid unless in writing and signed by the duly authorized representatives of the parties, and approved by the Board of Regents of The University of Texas System and the Board of Trustees of the Medical Center Hospital.

9. No oral representations of any officer, agent, or employee of Facility or The University of Texas System, or any of its component institutions (including, but not limited to

University), either before or after the effective date of this Agreement, shall affect or modify any obligations of either party hereunder.

10. This Agreement shall be binding on and shall inure to the benefit of the parties and their respective successors and assignees; provided, however, that no assignment by either party shall be effective without prior written approval of the other party. A delay in or failure of performance of either party shall not constitute default hereunder, or give rise to any claim for damages, if and to the extent such delay or failure is caused by occurrences beyond the control of either party.

11. This Agreement shall not become effective unless and until approved by the Board of Regents of The University of Texas System and the Board of Trustees of Medical Center Hospital. If so approved, this Agreement shall become effective as of June 1, 1985, and shall continue in effect for an initial term ending June 30, 1986, and after such initial term, from year to year, unless one party shall have given to the other party, not less than one hundred eighty (180) days prior to the end of such a yearly term, written notice of intention to terminate this Agreement. If such notice is given, this Agreement shall terminate at the end of the yearly term of this Agreement during which the notice was given.

12. University agrees to maintain during the term of this Agreement and any extensions or renewals hereof, and for a period of four (4) years following its termination or expiration, adequate books and records which accurately reflect the services rendered under this Agreement and any other factors affecting the value or cost of the services provided hereunder to Medical Center Hospital. These books and records may be inspected by Medical Center Hospital or its representatives at any reasonable time.

FORM APPROVED

UNIVERSITY

BY *[Signature]*
Office of General Counsel
U. T. System

By *George A. Hurst*
George A. Hurst, M. D.
Director
The University of Texas
Health Center at Tyler

ATTEST:

[Signature]
Executive Secretary
Board of Regents
University of Texas System
JIM DILLY

[Signature]
Chairman
Board of Regents
The University of Texas System
JON P. NEWTON

[Signature]
Chancellor
The University of Texas System

[Signature]
Board of Directors
Hospital

[Signature]
George Pearson, President
Medical Center Hospital

ADDENDUM

As part of this agreement, The University of Texas intends to continue its usual and customary practice regarding medical services purchased off campus. If a medical service is purchased from Medical Center by The University of Texas Health Center at Tyler on behalf of a University of Texas patient, then the University of Texas Health Center at Tyler will pay for that service.

[Signature]
George L. Pearson, Jr.
for
Medical Center Hospital

George A. Hurst
George A. Hurst, M. D.
for
The University of Texas
Health Center at Tyler

REPORT AND RECOMMENDATIONS OF THE BUILDINGS AND GROUNDS COMMITTEE (Pages 148 - 197).--Committee Chairman Hay reported that the Buildings and Grounds Committee had met in open session to consider those items on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, all actions set forth in the Minute Orders which follow were recommended by the Buildings and Grounds Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. Arlington - Engineering Building Addition and Renovation (Project No. 301-475): Approval of Final Plans and Specifications, and Authorization to Submit to Coordinating Board.--Upon recommendation of the Buildings and Grounds Committee, the Board:
 - a. Approved the final plans and specifications for the Engineering Building Addition and Renovation at The University of Texas at Arlington at an estimated total project cost of \$39,909,710
 - b. Authorized submission of the project to the Coordinating Board, Texas College and University System

2. U. T. Austin - Athletic Facilities South of Memorial Stadium - Football Facility (Project No. 102-494): Waiver of Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, and Naming of the Football Facility "The V. F. 'Doc' Neuhaus - Darrell K. Royal Athletic Center."--Upon recommendation of the Academic Affairs and Buildings and Grounds Committees, the Board waived Part One, Chapter VIII, Section 1, Subsection 1.1 of the Regents' Rules and Regulations (requiring that honorees be deceased for five years) and named the Athletic Facilities South of Memorial Stadium - Football Facility at The University of Texas at Austin "The V. F. 'Doc' Neuhaus - Darrell K. Royal Athletic Center."

3. U. T. Austin: Balcones Research Center - Office and Research Laboratory Facilities for Microelectronics and Computer Technology Corporation (MCC) (Project No. 102-565): Report of Receipt of Bids; Award of Construction Contract to J. C. Evans Construction Company, Inc., Austin, Texas, Subject to Certain Conditions; and Approval of Revised Total Project Cost and Plaque Inscription.--It was reported for the record that bids were received and opened on October 16, 1984, for Office and Research Laboratory Facilities for Microelectronics and Computer Technology Corporation (MCC) at The University of Texas at Austin Balcones Research Center. Upon recommendation of the Buildings and Grounds Committee, the Board:
 - a. Awarded a construction contract, subject to the condition set forth on Page 149, to J. C. Evans Construction Company, Inc., Austin, Texas, the lowest responsible bidder for Office and Research Laboratory Facilities for Microelectronics and Computer Technology

Corporation (MCC) at the U. T. Austin Balcones Research Center, as follows:

Base Bid	\$18,590,000
Alternate No. 2 (Complete Level 3 Interior)	303,000
Alternate No. 3 (Complete Level 2 Interior)	303,000
Alternate No. 4 (Add Parking Lots A, C, & E)	130,000
Alternate No. 5 (Add Window Blinds)	20,000
Alternate No. 6 (Add Exercise Trail)	<u>44,000</u>
Total Contract Award	<u>\$19,390,000</u>

The Board specifically conditioned the formal award of this construction contract upon the prior execution by MCC officials of the lease agreement which is set forth in Item 4, Page 150.

Secretary's Note: The Lease Agreement was executed by all parties with an effective date of December 21, 1984, and the construction contract "Notice of Award" was issued on December 28, 1984.

Regent Milburn abstained from voting on this matter due to a possible conflict of interest.

- b. Approved a revised total project cost of \$21,677,594 for this facility. The increase of \$1,677,594 in the total project cost will be funded from the private sector through a shift in its commitments within the total \$23.5 million private sector fund raising effort.
- c. Approved 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 on June 1, 1979.

OFFICE AND RESEARCH LABORATORY FACILITIES
FOR
MICROELECTRONICS AND COMPUTER TECHNOLOGY CORPORATION
1984

BOARD OF REGENTS

Jon P. Newton, Chairman
Robert B. Baldwin III, Vice-Chairman
Janey Slaughter Briscoe, Vice-Chairman
(Mrs. Dolph)
Jess Hay
Beryl Buckley Milburn
James L. Powell
Tom B. Rhodes
Howard N. Richards
Mario Yzaguirre

Hans Mark
Chancellor, The University
of Texas System
Peter T. Flawn
President, The University
of Texas at Austin
Golemon & Rolfe
Associates, Inc.
Project Architect
J. C. Evans Construction
Company, Inc.
Contractor

Following the foregoing actions by the Board, Chairman Newton read the following statement:

STATEMENT BY CHAIRMAN NEWTON

The Board of Regents remains fully committed and enthusiastic regarding The University of Texas at Austin's relationship with the MCC project and is delighted to be able to award the construction contract for its headquarters facility.

We have successfully met all of our commitments to the academic aspects of our relationship with MCC and anticipate that this new facility will enhance and expand the opportunities for industrial/university cooperation in research and development programs which will benefit all of Texas.

The Board of Regents applauds the fine efforts of Governor White and the MCC Leadership Committee headed by Mr. Ben Love of Houston for its successful efforts to provide a major portion of the funding for this MCC headquarters facility.

We are relying on the commitment made by Governor White and the pledges received from the private sector.

These are solid Texans and we have every confidence they will keep their commitments.

4. U. T. Austin: Approval of Lease Agreement for Office and Research Laboratory Facilities and Twenty Acres of Land in the Balcones Research Center Tract to Microelectronics and Computer Technology Corporation, Inc. (MCC), Austin, Texas, and Authorization for Chairman of the Board to Execute the Lease.--Upon recommendation of the Buildings and Grounds Committee, the Board:
- a. Approved the lease agreement set out on Pages 151 - 169 by and between the Board of Regents of The University of Texas System, for and on behalf of The University of Texas at Austin, and Microelectronics and Computer Technology Corporation, Inc. (MCC), Austin, Texas
 - b. Authorized the Chairman of the Board to execute the lease

This lease details the rights and obligations of the Board of Regents, for and on behalf of The University of Texas at Austin, and the Microelectronics and Computer Technology Corporation, Inc. (MCC) for twenty acres of land and a building on the Balcones Research Center Tract of U. T. Austin for the use of the Microelectronics and Computer Technology Corporation, Inc. (MCC).

See Item 3, Page 148 related to award of construction contract and the related Secretary's Note.

LEASE

STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

THIS LEASE is made and entered into this 21st day of December, 1984, by and between the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, for and on behalf of THE UNIVERSITY OF TEXAS AT AUSTIN, herein called "Lessor," and the MICROELECTRONICS AND COMPUTER TECHNOLOGY CORPORATION, INCORPORATED, a Delaware corporation, herein called "Lessee."

WITNESSETH:

1. Premises and Terms: For and in consideration of the rentals to be paid by Lessee to Lessor and Lessee and private sector commitments for the provision of academic and research services, grants and contracts, the participation of graduate students in Lessee's intern programs, the availability of Lessee's personnel for service as adjunct faculty and advisory and visiting committee members and for assistance with faculty recruitment, participation of faculty and students in Lessee's seminar, symposia, and colloquia programs, all of which shall be equivalent to a reasonable annual return on The University of Texas System's capital investment, and other good and valuable consideration inuring to Lessor during the primary term of this lease, and the covenants herein contained on the part of Lessee to be kept and performed, Lessor does hereby lease to Lessee and Lessee does hereby lease from Lessor the following tract of land and the buildings and improvements located thereon (the "leased premises"), located in the City of Austin, County of Travis, State of Texas, to wit:

A tract of land containing 20 acres, more or less, lying and being situated within the City of Austin, Travis County, Texas; being more fully described on Exhibit "A" which is attached to and made a part of this lease, and also being depicted on Exhibit "B" which is attached to and made a part hereof.

SUBJECT, HOWEVER, to (a) real property taxes; (b) all assessments, general and special; (c) all covenants, conditions, restrictions, reservations, rights, right-of-way and easements currently of record in Travis County, Texas; and (d) the consequences of any law, ordinance or governmental regulation including, but not limited to, building and zoning ordinances (to the extent that all the foregoing items are valid and subsisting and cover or relate to the leased premises) for a primary term of ten (10) years commencing on either the first date of occupancy by Lessee or not later than 180 days from the date Lessee is notified by Lessor that the building is available for occupancy by Lessee, whichever is sooner, and ending ten (10) years from the date of commencement of said primary term. Lessee shall have the option to renew and extend this lease for one (1) additional ten (10) year period; provided, however, that Lessee must give written notice to Lessor of its intention to exercise its option to extend this lease at least twelve (12) months prior to the termination date of the primary term of this lease, and provided further that Lessee shall have no right to exercise the extension option granted herein if Lessee shall be in default either on the exercise date of the option or on the termination date of the primary term, as the case may be.

2. Rent. Lessee shall pay to Lessor as rental the following sums, payable in advance on the first day of each year of the primary term of this lease and monthly during the extension term, without demand and without set-offs, abatements or deductions whatsoever, except as provided in paragraph 12 (b) (i) hereof:

A. Primary Term

- (1) Ground rent component:
\$1.00 per year
- (2) Improvements rent component:
\$1.00 per year

- B. Extension Term - As negotiated between the parties pursuant to that certain letter from Jon Newton, Chairman, Board of Regents, The University of Texas System, to Mark White, Governor, State of Texas, dated April 26, 1983, a copy of which is attached hereto as Exhibit "C".

3. Utility Charges and Expenses. Lessor agrees to incur all expenses and to pay all charges for bringing to the leased premises whatever gas, water, electricity, sewer, telephone, steam, chilling water, and other utility services Lessee may desire for the leased premises. Lessee agrees to pay all charges for the utilities services consumed whether provided by Lessor or by other providers. All services provided by Lessor will be payable monthly to Lessor, in accordance with the current cost of such services measured by appropriate metering devices to be installed at the service entrance to the leased premises at Lessor's expense. Lessee further agrees to indemnify and hold harmless Lessor from all expenses and charges for such services consumed from other providers.

4. Other Services. Lessor agrees to offer to furnish to Lessee the following services on a yearly basis:

- A. Police and security personnel and services, not including any occasional electronic sweeps or other extraordinary security measures which Lessee may deem necessary;
- B. Fire alarm systems and monitoring;
- C. Custodial services;
- D. Building maintenance;
- E. Landscaping and grounds maintenance, to include fences, gates, and other control devices; and
- F. Parking administration and control;

said services to be provided at the current cost to Lessor as determined on a yearly basis. Lessee may, at its option, elect to make arrangements through outside suppliers for any of the services herein enumerated but in no event shall such services be procured without the approval of Lessor, which approval shall not be unreasonably withheld.

Lessor agrees to negotiate with Lessee for the provision to Lessee on a yearly basis of food and beverage service, including vending machines for various and sundry convenience items, and other services that may be desired by Lessee.

It is also provided that, because of the unique and confidential nature of Lessee's research, development, and other operations, it is imperative that Lessee have control over the design and installation of the security, alarm, and fire detection and control system to be installed in the building which is the subject of this lease. Therefore, Lessor agrees that the sum of \$1,045,922.00 from privately donated funds will be set aside in the construction contract for the purpose of purchase and installation of this system to be installed under Lessee's direction and control.

5. Services by Lessor. Any services to be provided by Lessor and the schedule of charges to Lessee for such services shall be contained in a separate agreement to be negotiated no less than annually between Lessee and The University of Texas at Austin.

6. Taxes. Lessee agrees to pay, at least twenty (20) days before delinquency (with proof of payment delivered to Lessor at least fifteen (15) days before delinquency), all taxes, general and special assessment surcharges, and other governmental charges general and special, ordinary and extraordinary, unforeseen as well as foreseen, of any kind and nature whatsoever, which shall during the term hereof be assessed, levied or imposed upon or become due and payable with respect to the leased premises or any part thereof. In addition, if at any time during any term of this lease a tax or excise on rents, or other tax however described, is levied on Lessor by any lawful taxing authority on account of Lessor's interest in this lease or the rents or other charges which accrue hereunder, as a substitute in whole or in part, or in addition to those described in the previous sentence,

Lessee agrees to pay to Lessor upon demand, and in addition to the rentals and other charges prescribed under this lease, the amount of such tax or excise. If such taxes or excises shall be levied directly against Lessee, Lessee shall be responsible for and shall pay the same at such times and in such manner as the taxing authority shall require. Taxes attributable to periods encompassing either the commencement date or the termination date of this lease shall be prorated according to the relative portion of the taxing period coinciding with the term of this lease.

7. Use and Care of Premises. Lessee may use the leased premises for only the basic purpose of conducting research and development in the areas of microelectronics and computer technology and such additional areas of research and development which naturally derive from the basic purpose. No retail or sales operations of any kind shall be carried on by Lessee under the terms of this lease unless prior approval for such operations is obtained from Lessor and said operations are fully detailed and provisions for the conduct of such operations are described in a fully executed addendum incorporated into this lease. Lessee shall not allow any political promotion or political fund-raising activities to be conducted on the leased premises. Lessee shall procure at its own expense any licenses, permits, or authorities required for the legal conduct of business in the State of Texas and on the leased premises and otherwise comply with all applicable laws, ordinances, and governmental regulations. Lessee shall, at Lessee's expense, provide for the timely removal from the leased premises of all hazardous wastes resulting from Lessee's operations in accordance with all applicable laws and regulations. Lessee shall use all reasonable precaution to prevent waste, damage or injury to the leased premises, and any such repair necessitated by negligence or misuse of the premises (other than normal wear

and tear) by Lessee or its employees, agents or guests shall be paid by Lessee upon demand by Lessor after such repairs.

8. Alterations. Lessee shall, at its own expense, have the right, from time to time during the primary term of this lease and the extension term, to make non-structural alterations, additions or improvements to the building without the consent of Lessor, provided that such non-structural alterations or improvements shall not reduce the value of or permanently alter the leased premises. Lessee shall also have the right, at its own expense, to make whatever structural alterations, additions or improvements may be necessary in connection with the requirements of Lessee's business, but only if:

- (a) such alterations, additions or improvements shall not reduce the value of the leased premises;
- (b) such alterations, additions or improvements shall be made in accordance with plans and specifications therefor, which shall have been approved by Lessor (approval not to be withheld unreasonably); and
- (c) before commencing any such work costing more than \$250,000.00, Lessee shall deliver to Lessor (i) a statutory payment bond (duly filed of record in Travis County) and a performance bond, both bonds covering the entire work and listing Lessee and Lessor as dual obligees, and (ii) satisfactory evidence of builders' all-risk insurance with respect to such work.

9. Lessee's Fixtures. Lessee may install in the leased premises such fixtures and equipment as Lessee deems desirable, and all of said items shall remain Lessee's property whether or not affixed to the leased premises. At the termination of this lease, if Lessee is not then in default, Lessee may remove said items from the leased premises at any time within thirty (30) days following the leased termination date; however, Lessee shall repair any damage caused by removal.

10. Indemnification and Insurance. Lessee agrees to indemnify Lessor and to save Lessor harmless from any and all

liability, damage, expense, causes of action, suits, claims or judgments arising from injury to person or property on the leased premises or on the adjoining streets and sidewalks, except if caused by the willful or grossly negligent act of Lessor, Lessor's agents or employees. Lessee shall, at its sole cost and expense, procure and maintain in force and effect during the term hereof fire and extended coverage covering the improvements on the leased premises (in amounts sufficient to prevent co-insurance and including a replacement cost coverage endorsement), in a company or companies acceptable to Lessor, and with both Lessee and Lessor being listed as insureds as their interests may appear. In the event of loss or damage to the improvements, insurance proceeds shall be dedicated to the repair or rebuilding of the improvements. However, should the proceeds not be adequate to fully cover such cost, Lessor shall be under no obligation to provide additional funds for such purpose. Provided, however, such insurance proceeds need not be used to repair or rebuild if (a) (i) the loss or damage occurs during the final year of the primary term and (ii) the repair or restoration would require at least six (6) months to accomplish; or (b) (i) the loss or damage occurs during the last two (2) years of the extended term and the cost of repair would be more than fifty percent (50%) of the replacement cost of the improvements. If the proceeds attributable to improvements are not used for repairing or rebuilding as above permitted, such proceeds shall be paid over to Lessor. Likewise, Lessee shall procure liability insurance covering both bodily injury and property damage protecting Lessee and Lessor from all claims of whatsoever character that might arise out of Lessee's use of the leased premises and the improvements located thereon in an amount at least equal to \$500,000.00/\$1,000,000.00 covering bodily injury and \$100,000.00 covering property damage. Copies of Lessee's

insurance policies shall be delivered to Lessor, and the insurer of each policy shall agree to give Lessor at least ten (10) days' prior written notice before any cancellation or modification of such insurance coverage. As to the insurance required to be purchased and maintained hereunder, Lessee with the consent of Lessor may maintain a program of self-insurance covering the casualties and occurrences set out in this paragraph.

11. Assignment and Subletting. Lessee may not assign this lease or sublet the whole or any part of the leased premises.

12. Default. (a) If, (i) with regard to a monetary provision of this lease Lessee remains in default more than five (5) days after receipt of Lessor's notice specifying such default or (ii) with regard to a non-monetary provision of this lease Lessee remains in default more than thirty (30) days after receipt of Lessor's notice specifying such default, then in either of such events Lessor may declare this lease ended and re-enter the leased premises with or without process of law. It is understood and agreed that the right of re-entry granted to Lessor in the previous sentence is cumulative with all other rights and remedies granted Lessor under the laws of this State as well as those specified elsewhere in this lease.

(b) If Lessor remains in default for more than thirty (30) days after receipt of Lessee's notice specifying such default, Lessee may either (i) incur any expense necessary to perform any obligation of Lessor specified in such notice and deduct such expense from the rents to become due or (ii) declare the term ended and vacate the leased premises and be relieved of all further obligations hereunder. It is understood and agreed that the rights granted to Lessee in the previous sentence are cumulative with all other rights and remedies granted Lessee under the laws of this State as well as those specified elsewhere in this lease.

(c) Lessor agrees to pay all court costs, including reasonable attorney's fees, for enforcement of any part of this lease by Lessee because of any breach by Lessor of any condition or covenant in this lease; likewise, Lessee agrees to pay all court costs, including reasonable attorney's fees, for enforcement of any part of this lease by Lessor because of any breach by Lessee of any condition or covenant in this lease.

(d) The failure of Lessor or Lessee to insist upon prompt and strict performance of any of the terms, conditions or undertakings of this lease shall not be construed as a waiver of the same or any other term, condition or undertaking.

13. Lessor's Title. Lessor covenants that Lessor has lawful title to the leased premises and full right to make this lease; and provided that Lessee complies with its obligations under this lease, Lessee shall have quiet and peaceful possession of the leased premises during the lease term. Should Lessee desire, Lessor agrees to cooperate with Lessee in Lessee's obtaining, at Lessee's expense, a leasehold policy of title insurance from a title insurance company satisfactory to Lessee, insuring Lessee that its leasehold interest is superior to and free and clear of all matters not agreed to in writing by Lessee (it being understood that all matters referred to in paragraph 1 of this lease have been agreed to by Lessee).

14. Condemnation. (a) If a "substantial" portion of the leased premises shall be taken by condemnation under any right of eminent domain or any transfer in lieu thereof, Lessee may either (i) remain in possession, with this lease continuing as to the remaining portion of the leased premises (and without modification of the rental specified in paragraph 2 above), or (ii) cancel this lease as of the date of such condemnation by notice to Lessor within thirty (30) days after said date. In the event of such condemnation, whether

or not Lessee elects to terminate this lease, Lessee shall be entitled to any and all awards or payments specifically designated in the condemnation proceedings as compensation for damage to (I) Lessee's leasehold interest, (II) any improvements constructed on the leased premises by Lessee and carried by it as tenant's improvements and (III) Lessee's fixtures and equipment.

(b) If less than a "substantial" portion of the leased premises shall be taken by condemnation under any right of eminent domain or transfer in lieu thereof, Lessee shall remain in possession with this lease continuing as to the remaining portion of the leased premises. In such event Lessee may reduce the ground rent component prescribed in paragraph 2 above in the ratio in which the remaining land area in the leased premises bears to the total land area preceding such condemnation; however, upon electing such reduction of rentals Lessee must assign to Lessor the award or payment under 14 (a) (I) to which it might otherwise have been entitled in the condemnation proceedings. If Lessee does not elect such reduction of rentals, then Lessee shall be entitled to such awards or payments as are authorized in subparagraph 14 (a) (I) above.

(c) For purposes of this paragraph 14, a taking of less than twenty percent (20%) of the leased premises shall conclusively be deemed not to be "substantial" if none of the property taken includes area occupied by building improvements, loading dock ramp or access to said ramp.

15. Lessee's Buildings and Improvements. No additional buildings or other improvements on the leased premises shall be constructed without prior written consent of Lessor and unless in accordance with plans and specifications therefor which shall have been approved by Lessor, and all buildings and improvements constructed upon the leased premises shall become incorporated into the real property. At the expiration or earlier termination of this lease, all of such

buildings and improvements shall be surrendered to Lessor in thorough repair, good order and safe condition (reasonable wear and tear excepted), without payment therefor by Lessor, but subject to the right of Lessee to remove certain fixtures as specified in paragraph 9 of this lease.

16. Ceasing Operations. If Lessee shall cease operations authorized under the terms of this lease at the leased premises for a period of more than ninety (90) days (not including periods of bona fide repairs, restorations and alterations), then at any time thereafter prior to the resumption of Lessee's operations authorized under the terms of this lease, Lessor at its sole option may give Lessee ninety (90) days' written notice of Lessor's election to terminate this lease; and if Lessee has not resumed its operations authorized under the terms of this lease within the ninety (90) days following Lessor's notice, then on the ninetieth day following such notice this lease will terminate as if it were the last day of the lease term.

17. Holding Over. In the event Lessee remains in possession of the leased premises after the expiration of this lease and without the execution of a new lease, it shall be deemed to be occupying said premises as a tenant from month-to-month at a rental equal to the monthly fair market rental of the property at that time, plus ten percent (10%) of such amount, and otherwise subject to all the conditions, provisions and obligations of this lease insofar as the same are applicable to a month-to-month tenancy.

18. Notices. Any notice provided for herein shall be given by registered or certified United States mail, postage prepaid, addressed to, if to Lessor:

G. Charles Franklin
Vice President for Business Affairs
The University of Texas at Austin
P. O. Box 8179, University Station
Austin, Texas 78713-8179

and if to Lessee:

R. G. Rutishauser
Vice President, Finance and
Administration
MCC
8430 Research Boulevard
Echelon Building #1, Suite 200
Austin, Texas 78759-6509

The person and the place to which notices are mailed may be changed by either party by written notice to the other party. Upon Lessee's written request, and provided Lessor can do so truthfully, Lessor will certify in writing to all persons designated by Lessee that, to Lessor's knowledge, and without warranty of any kind, (1) Lessee has performed all of Lessee's obligations and is not in default under this lease, and (2) this lease is in full force and effect.

19. Remedies Cumulative. No remedy herein conferred upon or reserved to Lessor or Lessee shall exclude any other remedy herein or by law provided, but each shall be cumulative and in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

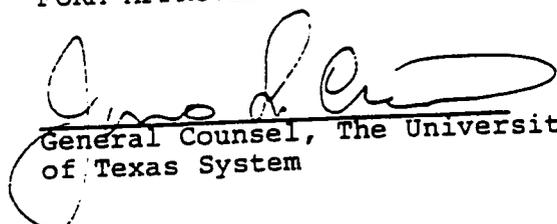
20. Short Form Lease. This lease shall not be recorded, but it is agreed that, upon request by either party, the parties will execute a short form of this lease which may be recorded by either party.

21. Paragraph Headings. The paragraph headings of this lease are inserted only for reference and do not affect the terms and provisions hereof.

22. Rights of Successors. All of the rights and obligations of the parties under this lease shall bind and inure to the benefit of their respective legal representatives, successors and assigns. This provision, however, shall not be deemed to imply Lessor's consent to Lessee's assignment or subletting, such actions by Lessee to be governed by paragraph 10 of this lease.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized representatives to execute this agreement in duplicate originals.

FORM APPROVED:


General Counsel, The University
of Texas System

ATTEST:


for Executive Secretary

ATTEST:

Secretary

LESSOR:

CONTENT APPROVED:

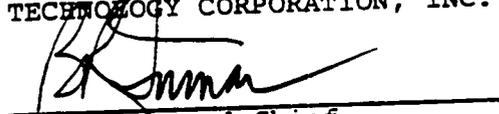

Chancellor, The University
of Texas System

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM


Chairman

LESSEE:

MICROELECTRONICS & COMPUTER
TECHNOLOGY CORPORATION, INC.


President and Chief
Executive Officer

METES AND BOUNDS OF THE SUBJECT TRACT CONTAINING 20.00 ACRES MORE OR LESS, SAME BEING OUT OF AND A PART OF THAT CERTAIN 382 ACRE TRACT OF LAND, DESCRIBED AS "FIRST TRACT" IN THE DEED WITHOUT WARRANTY FROM THE RECONSTRUCTION FINANCE CORPORATION AND THE UNITED STATES OF AMERICA, BOTH ACTING BY AND THROUGH THE ADMINISTRATOR OF GENERAL SERVICES TO THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM DATED DECEMBER 19, 1939, AS RECORDED IN VOLUME 994, PAGE 337 OF THE TRAVIS COUNTY, TEXAS, DEED RECORDS, AND BEING A PART OF THE JAMES P. WALLACE SURVEY NO. 18 AND THE JAMES ROGERS SURVEY NO. 19; SAID ACREAGE BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING at a point in that line common to the north boundary and the South right of way for the City of Austin, Braker Lane, said point being opposite Centerline Station 34+92.00;

THENCE with said common line South $59^{\circ}02'51''$ East 607.26 feet (city bearing South $62^{\circ}08'00''$ East) to a point also common to the West right of way of MOPAC EXTENSION (State Department of Highways and Transportation - Loop 1);

THENCE along the tract boundary and MOPAC EXTENSION West right of way South $45^{\circ}04'44''$ East 103.08 feet (highway bearing South $46^{\circ}44'32''$ East);

THENCE South $22^{\circ}59'22''$ East 106.18 feet (highway bearing South $24^{\circ}39'10''$ East);

THENCE South $15^{\circ}46'11''$ West 305.63 feet (highway bearing South $14^{\circ}06'23''$ West);

THENCE South $12^{\circ}44'35''$ West 380.36 feet (highway bearing South $11^{\circ}04'47''$ West) to the Southeast corner of this tract;

THENCE North $76^{\circ}09'06''$ West 145.07 feet;

THENCE South $83^{\circ}24'07''$ West 269.79 feet;

THENCE North $85^{\circ}34'06''$ West 401.2 feet to the Southwest corner of this tract;

THENCE North $21^{\circ}34'27''$ West 421.53 feet;

THENCE North $32^{\circ}00'19''$ East 405.66 feet;

THENCE North $39^{\circ}43'35''$ East 305.42 feet;

THENCE North $30^{\circ}57'09''$ East 166.0 feet to the place of beginning same being the Northwest corner of this tract.

EXHIBIT "A"

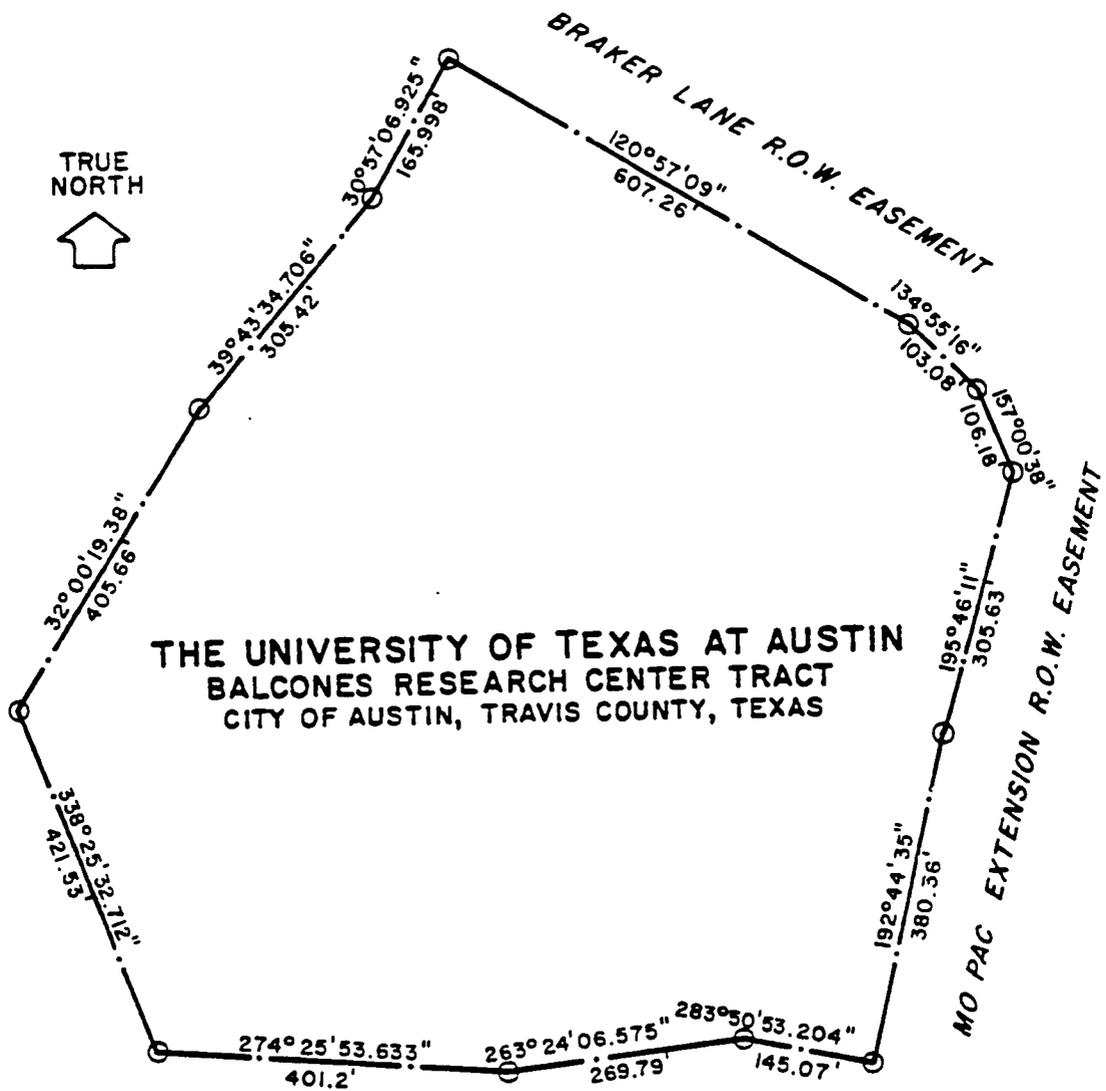


EXHIBIT "B"



BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

JON P. NEWTON
POST OFFICE BOX 1148
AUSTIN, TEXAS 78767

April 26, 1983

The Honorable Mark White
Governor of Texas
State Capitol
Austin, Texas 78711

Dear Governor White:

The University of Texas System enthusiastically supports your efforts to bring the Microelectronics and Computer Technology Corporation (MCC) to the State of Texas. We are impressed with the potential for the success of this venture. Its location in Austin will be beneficial to the State, our educational systems and to the long range economic development of Texas. To these ends and based on our previous discussions, I will summarize, on behalf of The University of Texas System Board of Regents, commitments we are making toward this effort along with a list of the commitments to be accomplished under your leadership from the Legislature and the Governor's MCC Task Force to provide what we believe is a package supportive of the efforts to attract MCC to Texas.

The University of Texas System Commitments:

1. The U.T. System will lease approximately 20 acres of land located in the Balcones West Tract to MCC for an initial ten year period at a nominal rental. Subsequent lease arrangements will be available at rates to be negotiated consistent with the economic experience of MCC and the then market value of the land. The land to be leased has a current estimated value of \$3 million.
2. Conditioned on an expectation that MCC and/or the private sector will provide in-kind academic and research services, contracts and grants with appropriate faculty, staff and students of U.T. Austin for a period of ten years that will be equivalent to a reasonable annual return on The University of Texas System's capital investment,

EXHIBIT "C"

THE HONORABLE MARK WHITE
April 26, 1983
Page 2

the U.T. System will commit \$5 million from Permanent University Fund bond proceeds, the Available University Fund, or other sources available to the Board of Regents as the U.T. System's participation in the construction of a \$20 million building to be located on the tract referred to in No. 1 above. This building will be available to MCC for a ten year period. Subsequent lease arrangements will be subject to rental rates as negotiated.

3. In support of University research and teaching in areas of interest to MCC, U.T. Austin will establish endowed academic positions in the amount of \$15 million. These endowments are represented by \$5 million already in hand at U.T. Austin and \$5 million to be raised from the private sector through the efforts of the Governor's MCC Task Force for endowed academic positions which will be matched from authorized programs.
4. For the purchase of new equipment in support of University research and teaching in areas of interest to MCC, U.T. Austin will provide \$2 million during the 1983-85 biennium.

The State of Texas Commitments:

Through the special efforts of the Governor's Office or the Governor's MCC Task Force, as appropriate, \$9.5 million in additional funds, complementing MCC's efforts and targeted to computer science and microelectronics, will be made available to U.T. Austin for the 1984-85 biennium. Whether the funds are provided through a special item in the Appropriations Bill or are provided by the private sector, the funds will be allocated as follows:

- a. Additional research support in the amount of \$2 million (This would include salaries for classified personnel, salaries of technicians, supplies, and other departmental operating expenses);
- b. Additional funds for academic and research equipment in computer sciences and engineering in the amount of \$3 million;
- c. Additional funds for graduate fellowships in computer sciences and engineering in the amount of \$1.5 million; and

THE HONORABLE MARK WHITE
April 26, 1983
Page 3

- d. Additional funds for new faculty positions in computer sciences and engineering in the amount of \$3 million.

The Private Sector Commitments:

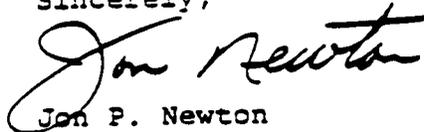
Under the leadership of the Governor's MCC Task Force, the private sector will be responsible for the contribution of \$15 million for the construction of a facility (approximately 200,000 square feet) to house MCC (to be located on the Balcones West Tract) and \$5 million for the endowment of academic positions at U.T. Austin.

In summary, during the first two years of the MCC Development Program, the value of the combined commitments from The University of Texas System, the State of Texas, and the private sector totals \$49.5 million. The attached chart capsulizes the commitments of those involved in the project. Also attached are materials prepared by U.T. Austin further elaborating the proposed academic and research programs in microelectronics and computer science.

As it has in previous research and development projects, The University of Texas System is prepared to sustain its financial commitment in accordance with its academic, research and public service responsibilities in this area. We are pleased to join with you in supporting this important development effort, because it enables the University to develop and expand its teaching and research capability in this most critical field at a much accelerated pace.

While we realize that there are many legal and operational details that must be resolved before these arrangements are finalized, we are prepared to assist you and your staff in any way you deem appropriate. We appreciate and support your leadership in these efforts.

Sincerely,


Jon P. Newton
Chairman

JPN/ljs

xcs: Members of Board of Regents
Chancellor E. D. Walker
President Peter T. Flawn
General Counsel James L. Crowson

Attachments

DOLLAR COMMITMENTS (FY 84 and 85) - EXPRESSED IN MILLIONS

	<u>UT¹</u>	<u>STATE²</u>	<u>PRIVATE³</u>	<u>TOTAL</u>
20 Acres of Land	3.0*	-0-	-0-*	\$ 3.0
Endowed Positions	10.0	-0-	5.0*	15.0
Research Support	-0-	2.0	-0-	2.0
Equipment	2.0	3.0	-0-	5.0
Graduate Fellowships	-0-	1.5	-0-	1.5
Building	5.0	-0-	15.0	20.0
Faculty Positions	-0-	3.0	-0-	3.0
	<u>\$ 20.0</u>	<u>\$9.5</u>	<u>\$20.0</u>	<u>\$49.5</u>

¹ This column represents commitments out of funds in hand, funds included in the current Appropriations Request, or funds made available by the Legislature for matching purposes.

² This column represents additional funds that would be added to the U.T. Austin Appropriations as a Special Item for the 84-85 biennium at the special instance of the Governor's office or, failing such addition, funds that would be provided to U.T. Austin by the private sector under the leadership of the Governor's MCC Task Force.

³ This column represents funds that would be raised through the efforts of the Governor's MCC Task Force.

* Of the \$10 million in U.T.'s column, \$5 million for endowed positions is in place. The \$5 million in the private sector column is to be raised by the Governor's MCC Task Force and is to be matched from authorized sources under the U.T. column.

5. U. T. El Paso - Reclamation of Campus Arroyo Area South of Schuster Avenue: Authorization for Project; Submission to Coordinating Board; Subject to Coordinating Board Approval, Authorization for Preparation of Final Plans and Completion of Project by U. T. El Paso Administration; and Funding Therefor.--In order to expand the parking capacity at The University of Texas at El Paso, especially as it relates to the New Central Library, by filling in the arroyo area south of Schuster Avenue and paving the surface, the Finance and Audit and Buildings and Grounds Committees recommended and the Board:

- a. Authorized a project for Reclamation of the Campus Arroyo Area South of Schuster Avenue at an estimated project cost of \$350,000
- b. Authorized submission of the project to the Coordinating Board, Texas College and University System
- c. Subject to Coordinating Board approval, authorized preparation of final plans and completion of construction by U. T. El Paso Administration through its Physical Plant Department with its own forces or by contract services, in consultation with the Office of Facilities Planning and Construction
- d. Authorized use of \$350,000 taken from the following sources to fund this project: \$245,000 from Account No. 683-12-473-94, Miscellaneous Completion Work, and \$105,000 from Account No. 683-12-473-75, Land Reclamation and Library Parking, all of which has previously been appropriated for the New Central Library and associated site work

This authorization for increased work in the arroyo area allows the use of \$105,000 in funds already available in another account to accomplish this objective.

It was noted that the El Paso Public Service Board will be making the necessary modifications to the sewer and water lines in the arroyo area at no cost to the University.

6. U. T. El Paso and U. T. System - Physical Plant Facilities and Site Development for Recreational Facilities (Project No. 201-563): Approval of Final Plans and General Statement Regarding the Development of Plans and Specifications for Which Specific Sources of Funding Have Not Been Designated.--The Board, upon recommendation of the Buildings and Grounds Committee, approved the final plans and specifications for the Physical Plant Facilities and Site Development for Recreational Facilities at The University of Texas at El Paso at an estimated total project cost of \$8,276,000 (excluding the cost of the Project Analysis).

Following a discussion among Regent Milburn, Committee Chairman Hay and other members of the Board, there was agreement that, to the extent possible, architects for other projects should be encouraged to proceed slowly and cautiously with the preparation of project plans for which specific sources of funding have not been designated. In light of increased demand on construction and renovation funds, this would permit maximum flexibility should a project need to be revised in scale or function.

7. U. T. Permian Basin - Waiver of Underground Easement Policy and Easement Granted to Texas Electric Service Company, Odessa, Texas, for Electric Transmission Line to Serve The Art Institute for the Permian Basin.--Upon recommendation of the Buildings and Grounds Committee, the Board waived the underground easement policy and granted an easement 10 feet wide and 514.3 feet long to Texas Electric Service Company, Odessa, Texas, for an electric transmission line to the site of The Art Institute for the Permian Basin on the campus of The University of Texas of the Permian Basin as set forth on Pages 171 - 175 .

The electric transmission line will be overhead for a distance of 431.3 feet to avoid conflict with an existing drainage easement and 48 feet will be underground. The underground segment and 116.7 feet of the overhead line are within the 2.4 acre site of The Art Institute.

ELECTRICAL EASEMENT AND RIGHT-OF-WAY

THE STATE OF TEXAS
 COUNTY OF ECTOR

KNOW ALL MEN BY THESE PRESENTS:

That the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (hereinafter referred to as "Grantor"), of Travis County, State of Texas, for and in consideration of the sum of TEN AND NO/100 DOLLARS (\$10.00) cash and other good and valuable consideration to Grantor (receipt and sufficiency of which are hereby acknowledged) in hand paid by TEXAS ELECTRIC SERVICE COMPANY of Ector County, Texas, whose address is P. O. Box 3592, Odessa, Texas, 79760 (hereinafter referred to as "Grantee"), does by these presents GRANT and CONVEY unto Grantee, its successors and assigns, a ten-foot easement and right-of-way for overhead and/or underground electric distribution lines over, under, across, and upon the following described lands in Ector County, Texas, to-wit:

Being the south part of Section 18, Block 41-2-S, T & P RR Company Survey, Ector County, Texas.

The centerline of the ten-foot wide easement herein granted is described as follows:

BEGINNING at a point in the north part of a 2.42 acre tract known as The Odessa Art Museum from which point the northwest corner of said 2.42 acre tract bears N16° 16'W, 1.5 feet and S78° 33'W, 116.7 feet, and from said northwest corner the southwest corner of said Section 18 bears S16° 16'E, 228.58 feet, S73° 44'W, 2884.85 feet, and S15° 14'E, 75 feet and from said beginning point a guy anchor bears N76° 20'13"E, 30 feet;

THENCE S76° 20'13"W, 265 feet to turning point and from said turning point a guy anchor bears S76° 20' 13"W, 30 feet and another guy anchor bears S36° 27' 47"E, 30 feet;

THENCE from said turning point N36° 27'47"W, 196 feet to guy anchor;

BEGINNING again at said beginning point bearing S16° 16'E, 48 feet to a 6x8 foot transformer pad, and continuing an additional 5 feet to ending point.

Grantee, or its agents, shall have the right to construct, repair, inspect, maintain, remove, and reconstruct said electrical lines within said easement together with the right of ingress and egress for the purpose of constructing, repairing, inspecting, maintaining, removing, and reconstructing said electrical lines.

Grantee, by the acceptance of this easement, agrees to construct its electrical lines so as not to interfere with Grantor's use of the surface.

Grantee expressly agrees that it will remove from said land all surplus material and will cause said land to be left as nearly as possible in the condition as it existed prior to the construction of said improvements.

This conveyance is made subject to any and all outstanding easements and leases covering the above-described lands and premises, or any part thereof.

It is agreed that all expenses in the construction and maintenance of said electrical lines shall be at the expense of the Grantee, and if the Grantee finds it needful to remove any improvements now on the above-described property such removal and replacing of same shall be wholly at the expense of Grantee.

TO HAVE AND TO HOLD the above-described easement and rights unto said Grantee until said easement shall be abandoned.

IN WITNESS WHEREOF, Grantor has caused this instrument to be executed, this the 19TH day of DECEMBER, A.D., 1984.

ATTEST:

Arthur Hilly
ARTHUR H. DILLY
Executive Secretary

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By: Jon P. Newton
JON P. NEWTON, Chairman

Approved as to Content:

R. S. Kristoferson
R. S. KRISTOFERSON
Director
Facilities Construction and
Planning

Approved as to Form:

Linward Shivers
LINWARD SHIVERS
University Attorney

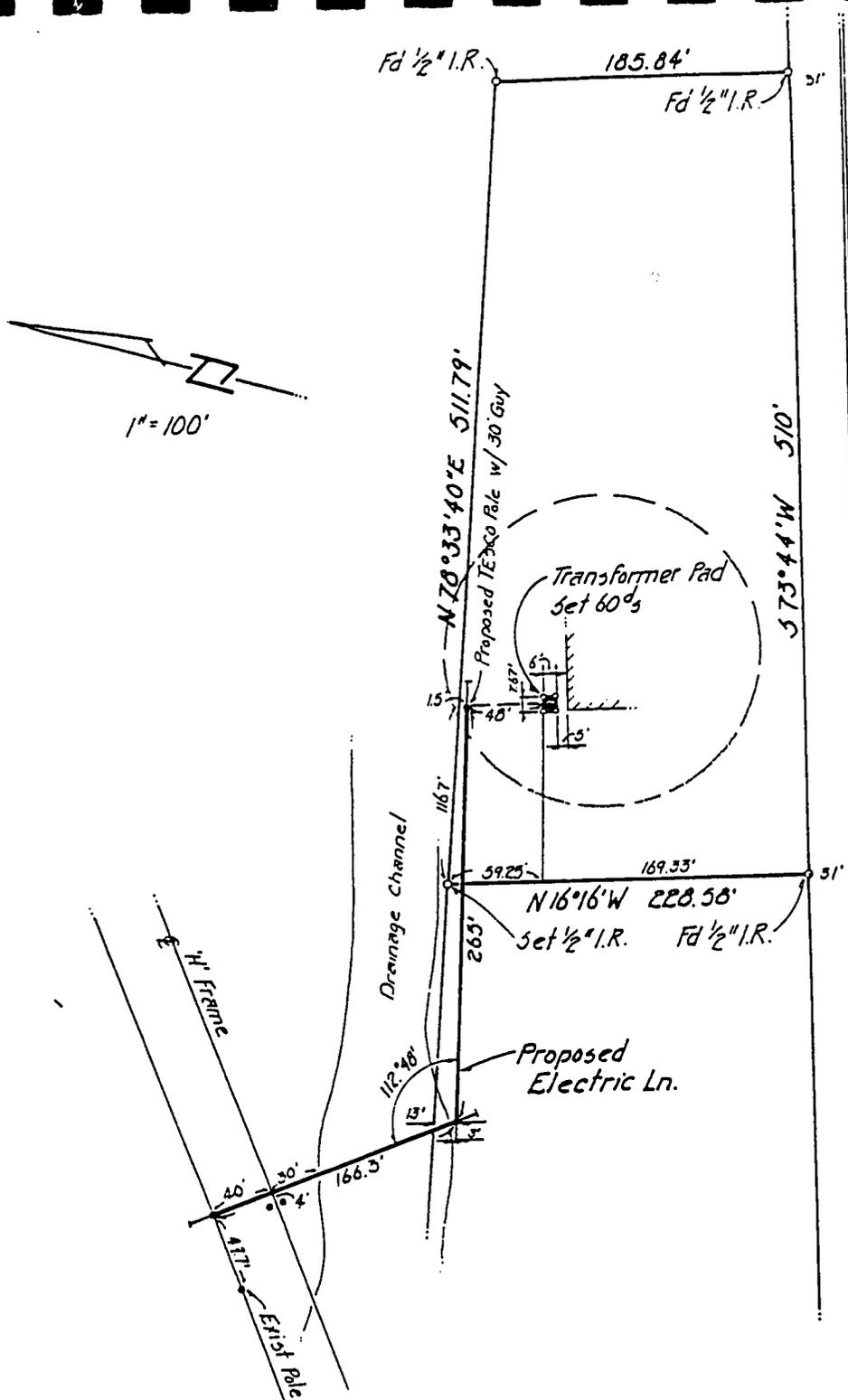
THE STATE OF TEXAS X
 X
COUNTY OF TRAVIS X

This instrument was acknowledged before me on December 19, 1984, 1984, by Jon P. Newton, Chairman of the Board of Regents of The University of Texas System on behalf of said Board.

Margaret Gerner
Notary Public in and for
Travis County, Texas

My commission expires:

10-31-88



UNIVERSITY BLVD

FIELD NOTES OF A PROPOSED ELECTRIC SERVICE TRANSFORMER PAD:

Beginning at a point on the north line of proposed pad, from which the northwest corner of a 2.42 acre tract of land in the south part of Section 18, Block 41, T-2-S, T & P Ry Survey, Ector County, Texas, bears N16° 16' W, 49.5 feet, and S78° 33' 40" W, 116.7 feet; from said northwest corner of 2.42 acre tract the southwest corner of Section 18 bears S16° 16' E, 228.58 feet, S73° 44' W, 2884.85 feet, and S15° 14' E, 75 feet;

- THENCE N73° 44' E, 3.7 feet to a 60d nail for the northeast corner of pad;
- THENCE S16° 16' E, 6 feet to a 60d nail for the southeast corner of pad;
- THENCE S73° 44' W, 7.67 feet to a 60d nail for the southwest corner of pad;
- THENCE N16° 16' W, 6 feet to a 60d nail for the northwest corner of pad;
- THENCE N73° 44' E, 4 feet to the place of beginning, containing 46 square feet of land.

Surveyed October 19, 1984

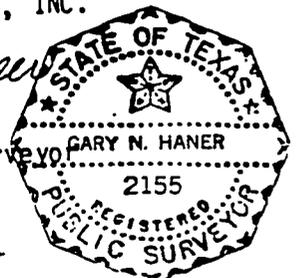
WEST TEXAS CONSULTANTS, INC.

By:

Gary N. Haner

Gary N. Haner

Registered Public Surveyor



TESCO
38398

8. U. T. Health Science Center - Dallas - Cecil and Ida Green Biomedical Research Building (Project No. 303-513): Authorization for Completion of the Seventh Floor and Modification of the Fourth Floor.--Upon recommendation of the Health Affairs and Buildings and Grounds Committees, the Board authorized the completion of the seventh floor (formerly approved as shelled-in space only) and modification of the fourth floor of the Cecil and Ida Green Biomedical Research Building at The University of Texas Health Science Center at Dallas by change order to the existing construction contract with Metro/CRS, Dallas, Texas.

It was noted that all costs related to these changes will be paid by the Howard Hughes Medical Institute which will occupy two floors in the building.

9. U. T. Health Science Center - Dallas: Subject to Certain Contingencies, Authorization of Lease of Land from Dallas County Hospital District, Dallas, Texas, for the Proposed Construction of the Clinical Science Building to Be Operated in Conjunction with the Hospital Proposed by University Medical Center, Inc., Dallas, Texas.--Upon recommendation of the Health Affairs and Buildings and Grounds Committees, the Board approved the lease agreement set out on Pages 177 - 191 by and between the Dallas County Hospital District, Dallas, Texas, and The University of Texas System, for and on behalf of The University of Texas Health Science Center at Dallas.

It was noted that by specific provisions contained in the Lease, the Lease is contingent upon University Medical Center hospital being granted a Certificate of Need from the Texas Health Facilities Commission.

Also, by specific provisions contained in the Lease, it is contingent upon the U. T. Board of Regents' approval of the financing and construction of the Clinical Science Building and approval of the construction project by the Coordinating Board, Texas College and University System.

Rent payments would commence on January 1, 1988, or upon opening of the building, whichever is sooner. If construction has not commenced by January 1, 1988, rent would be payable only for three years, provided construction has not started between January 1, 1988, and January 1, 1991; in which latter case, rent will be payable as of January 1, 1988, and thereafter until the end of the term. If construction has not commenced by January 1, 1991, the Lease will automatically terminate with no further obligations.

University Medical Center, Inc. is proposing to construct a hospital and operate it in conjunction with a University-owned Clinical Science Building. The hospital and Clinical Science Building will provide facilities through which the U. T. Health Science Center - Dallas can strengthen and enhance its program of medical education, research, and patient care through utilization of a non-owned but jointly directed hospital facility.

Completion of any of these related proposals is dependent upon approval of the hospital by the Texas Health Facilities Commission.

The lease will not be executed until the legal description of the property is submitted by the District.

See Page 100, Item 1 related to an affiliation agreement between these two entities.

LEASE

THIS LEASE ("Lease") is made and entered into this day of _____, 1984, by and between DALLAS COUNTY HOSPITAL DISTRICT, Dallas County, Texas ("Lessor") and THE UNIVERSITY OF TEXAS SYSTEM, Travis County, Texas ("Lessee").

RECITAL

Lessee desires to lease from Lessor, and Lessor desires to lease to Lessee, for construction of a clinical science building, all of that certain tract of land comprising approximately 20,299 square feet of land situated in Dallas County, Texas, which tract of land is more particularly described on Exhibit A attached hereto and made a part hereof for all purposes (the "Leased Premises"). The Leased Premises adjoin a tract of land leased to University Medical Center, Inc. ("UMC") by Lessor herein, providing for the lease of a tract of land comprising approximately 81,382.5 square feet located adjacent to Parkland Memorial Hospital in Dallas County, Texas. The parcel which is leased to UMC is to be used for the purpose of constructing and operating hospital, medical and related facilities. The parcel of land leased to Lessee is to be used for the purpose of constructing and operating a clinical science building to provide space for educational and research programs of The University of Texas Health Science Center at Dallas. Further, Lessor and Lessee desire that the clinical science building shall be operated in conjunction with the operation of the hospital, medical and related facilities to be constructed by UMC.

1. EXHIBITS TO LEASE.

Attached to this lease and made a part hereof for all purposes are the following Exhibits:

EXHIBIT A - a legal description of the Leased Premises; and

EXHIBIT B - a schedule of rents payable during the Term of this Lease (as hereinafter defined).

2. DEFINITIONS.

For purposes of this Lease, the following terms shall have the meaning hereinafter specified:

(A) "Clinical Science Building" shall mean the building to be constructed by Lessee on the Leased Premises to provide space for educational programs, including any additions thereto or replacements thereof;

(B) "Effective Date of this Lease" shall mean the date of the execution of this Lease;

(C) "The Hospital" shall mean hospital, medical and related facilities to be constructed by UMC on the Leased Premises which it leases;

(D) "Opening of the Clinical Science Building" shall mean that date upon which the Clinical Science Building has been accepted from the contractor in order to operate the Clinical Science Building;

(E) "Rent Commencement Date" shall mean January 1, 1988, or the opening of the Clinical Science Building, whichever is sooner;

(F) "Roadway" shall mean that certain existing roadway or right-of-way for pedestrian and vehicular traffic, and air rights in connection therewith to a height of fourteen feet (14') above ground level, on, over, across and through the Leased Premises;

(G) "Tunnel Easement" means that certain non-exclusive easement for an underground tunnel under, upon and across the Leased Premises to be granted by Lessor to UMC pursuant to the terms of the Ground Lease.

(H) "Leased Premises" shall mean that certain tract of land comprising approximately 20,299 square feet of land in Dallas County, Texas, as more particularly described on Exhibit A attached hereto.

3. DEMISE OF LEASED PREMISES.

(A) Lessor, in consideration of the rents, covenants, agreements and conditions herein set forth, which Lessee hereby agrees shall be paid, kept and performed by Lessee, does hereby lease, let, demise, and rent exclusively unto Lessee, and Lessee does hereby rent and lease from Lessor, the Leased Premises, together with all and singular the rights, privileges and appurtenances thereunto attaching or in anywise belonging or hereinafter provided for under the terms of this Lease;

SUBJECT, HOWEVER, among other matters, to the Roadway and the Tunnel Easement;

(B) Lessee and its successors, assigns, servants, agents, employees, licensees and invitees shall have the right to use the Roadway or any roadway hereafter constructed. Further, Lessee shall be entitled, at the sole cost and expense of Lessee, to construct portions of the Clinical Science Building over the Roadway, provided that such construction is at a height of at least fourteen feet (14') above ground level and does not obstruct or unreasonably hinder or interfere with the use of the Roadway for the purposes for which it was reserved; and

(C) In the event that the Lessor fails to maintain the Roadway in a first-class, good and workmanlike manner, Lessee shall have the right: (i) to perform or cause to be performed any maintenance work reasonably necessary with respect to such roadway after fifteen (15) days' written notice and opportunity to cure delivered by Lessee to the Lessor, and (ii) in any emergency situation to perform or cause to be performed the same immediately without notice or delay. The Lessor shall be obligated to reimburse Lessee for any expenses thereby incurred by Lessee immediately upon receipt of the statement of Lessee therefor. Lessor, its successors, assigns, servants, agents, employees, licensees and invitees shall in no event be liable to Lessee, its servants, agents, employees, licensees or invitees, or to any other person whomsoever, for any

injury to person or damage to property on or about or in connection with the Roadway, except to the extent such injury to persons or damage to property is caused by the negligence or misconduct of Lessor, its successors, assigns, servants, agents, employees, licensees or invitees.

4. TERM.

4.1 Lease Term.

TO HAVE AND TO HOLD the Leased Premises subject to the matters as aforesaid, together with all and singular the rights, privileges and appurtenances thereunto attaching or in anywise belonging or herein-after provided for under the terms of this Lease, exclusively unto Lessee, its successors and assigns, for a term commencing on the Effective Date of this Lease and, unless sooner terminated pursuant to the provisions hereof, continuing for a period of Ninety-Nine (99) years and upon and subject to the covenants, agreements, terms, provisions and limitations hereinafter set forth, all of which Lessee covenants and agrees to perform and observe. Notwithstanding the foregoing, it is understood and agreed that Lessor shall have the right to use the Leased Premises for parking facilities until ten (10) days following written notice of Lessee's intention to commence construction of the Clinical Science Building; whereupon, Lessor shall fully vacate the Leased Premises.

4.2 Continued Possession of Lessee.

If Lessee shall hold over the Leased Premises after the expiration of the Term hereof with the express written consent of Lessor, such holding over shall be construed to be only a tenancy from month to month at the monthly rental amount paid for the last month of the expired Lease, subject to all the covenants and obligations hereof performable by Lessee and Lessor as provided during the Term of this Lease. Such month to month tenancy may be terminated by either party on not less than one month's written notice.

5. USE OF LEASED PREMISES; COMPLIANCE WITH LAWS.

5.1 Use of Leased Premises.

Lessee shall use the Leased Premises for the construction and operation of the Clinical Science Building and continue to use such for the term of this Lease. Lessee covenants not to abandon the Clinical Science Building and not to use the building for any purpose other than as stated herein.

5.2 Compliance with Laws.

Lessee covenants that during the Term hereof, Lessee will comply, at Lessee's sole cost and expense with all federal and state laws which may be applicable to the Leased Premises, the buildings, improvements and building equipment to be situated on the Leased Premises, the use or manner of use of the Leased Premises or the carrying on of Lessee's business on the Leased Premises.

5.3 Right to Contest Laws.

Lessee shall have the right, and Lessor agrees to cooperate with Lessee to the extent fully reasonable, including if necessary the joining in suit at Lessee's expense, after written notice to Lessor, to contest by appropriate legal proceedings, without cost or expense to Lessor, the validity of any law, ordinance, rule, regulation or requirement of the nature referred to in Section 5.2 above and to postpone compliance with the same, provided such contest shall be promptly and diligently prosecuted by and at the expense of Lessee. Lessor, at its expense, shall also have the right, but not the obligation, to contest any such law, ordinance, rule, regulation or requirement.

6. CONSTRUCTION, IMPROVEMENTS AND ALTERATIONS OF CLINICAL SCIENCE BUILDING.

6.1 Construction and Ownership of Clinical Science Building.

(A) As part of the construction of the Clinical Science Building, Lessee shall install on the Leased Premises any required storm and sanitary sewers, gas, water, and electrical lines and other necessary utilities. Lessee shall pay all construction costs incurred in the construction of the Clinical Science Building. Lessee covenants and agrees to exercise good faith efforts and due diligence, to obtain such building permit on the earliest date possible. Lessor covenants and agrees to exercise good faith efforts and due diligence and to cooperate with Lessee in Lessee's obtaining such building permit.

(B) Lessee covenants with Lessor that the Clinical Science Building and all related improvements will be constructed in a good and workmanlike manner according to and in conformity and in compliance with all applicable state and local laws, building codes, rules and regulations, and subject to the provisions of Section 5 above. The Clinical Science Building and all improvements related thereto which are constructed or otherwise made by Lessee to the Leased Premises, including alterations permitted under Section 6.4 below, and subject to the provisions of Section 6.3 below, shall be owned by Lessee from the date of installation and throughout the Term of this Lease.

(C) Lessee shall have the right to demolish and remove, or cause to be demolished and removed at any time during the lease, the Clinical Science Building or other improvements constructed by Lessee on the Leased Premises. Further, Lessee shall have the right, at Lessee's sole option and election, and at Lessee's sole cost and expense, thereafter to commence and diligently pursue to completion, or cause to be commenced and diligently pursued to completion, construction of new buildings or other improvements in replacement of those demolished. Any such new construction, buildings and improvements shall be in compliance with the provisions of Section 5 hereof and this Section 6, and shall be subject to and governed by all other terms and provisions of this Lease to the same extent as the improvements originally constructed on the Leased Premises.

6.2 Cost and Expense of Improvements.

The entire cost and expense of constructing any and all improvements on the Leased Premises shall be borne and paid for by Lessee.

6.3 Fixtures and Equipment.

(A) Any and all fixtures and equipment (except permanent fixtures and equipment such as heating and air conditioning equipment, lighting, plumbing fixtures and mechanical components of the structure which cannot be removed from the Clinical Science Building without materially damaging such improvement), signs, furniture and other personal property installed by Lessee (hereinafter collectively referred to as "Lessee's Property"), shall be and remain the property of Lessee and may be removed from the Leased Premises by Lessee at Lessee's cost at any time prior to or upon the termination of this Lease; provided, however, Lessee shall be liable for any material damage or injury to the Leased Premises occasioned by such removal.

(B) Lessee shall have the right to finance the acquisition and installation of Lessee's Property (by granting a security interest therein or entering into an equipment lease therefor), and in connection therewith, Lessor agrees to subordinate any landlord's lien which Lessor may possess on any and all of Lessee's Property.

6.4 Alterations by Lessee.

Lessee shall have the right at any time and from time to time after completion of the construction provided for under Section 6.1 above, during the Term hereof to make, in its sole discretion and at its sole cost and expense, any and all necessary or desirable changes and alterations (subject to the use requirements of Section 5.1 above) in or to the improvements constructed by Lessee upon the Leased Premises. All such permitted changes and alterations (herein collectively referred to as "Alterations") shall be immediately considered a part of the Clinical Science Building and the Leased Premises, and shall be surrendered or retained, in accordance with the terms of Section 6.1 hereof, at the end of the Term of this Lease or upon the sooner termination hereof, subject, however, to Section 6.3 above. Lessee covenants and agrees that all work done in connection with any Alteration shall be done in a good and workmanlike manner and in compliance with all federal and state rules and regulations.

7. RENT.

Rent shall accrue hereunder from the Rent Commencement Date, and shall be paid to Lessor at the address specified in this Lease or elsewhere as designated from time to time by written notice from Lessor to Lessee. Lessee covenants and agrees to pay to Lessor rent for the Leased Premises in monthly installments in the amounts specified on Exhibit B attached hereto. The first such monthly installment shall be due and payable on or before the Rent Commencement Date, and installments in the respective amounts specified on Exhibit B shall be due and payable on or before the first day of each succeeding calendar month during the Term of this Lease; provided that if the Rent Commencement Date should fall on a date other than the first day of a calendar month, or should this Lease terminate on a day

other than the last day of a calendar month, the rent for such partial month shall be prorated. If by January 1, 1988, Lessee has not commenced construction of the Clinical Science Building, Lessee shall pay rent under this Lease for no more than three years after January 1, 1988, provided construction does not commence between January 1, 1988, and January 1, 1991. If by January 1, 1991, Lessee has not commenced construction of the Clinical Science Building, this Lease automatically terminates with no further obligation hereunder for either party. If construction commences between January 1, 1988, and January 1, 1991, then Lessee shall pay rent for each year between January 1, 1988, and the end of the Lease Term.

8. ASSIGNMENT AND SUBLETTING.

8.1 Subletting.

Lessee shall have the right, with the prior written consent of Lessor, which shall not be unreasonably withheld, to sublet all or any portion of the Leased Premises or the improvements constructed thereon by Lessee, for activities consistent with or related to the construction and operation of the Clinical Science Building. Any sublease or assignment shall be subject and subordinate to this Lease.

8.2 Consent Not Required for Related Assignment.

No prior written consent shall be required for the assignment, subletting or transfer of this Lease in the event that such assignment, subletting or transfer occurs in connection with a reorganization of Lessee by a mere change in identity, form or place of organization.

8.3 Approval Required.

Except as expressly permitted under Sections 8.1 and 8.2 above, neither this Lease nor Lessee's rights hereunder shall be assigned, sublet, or transferred by Lessee, its successors and assigns, without the prior written consent of Lessor, which approval will not be unreasonably withheld, and any attempted assignment, subletting, or transfer without such consent shall be invalid for all purposes. Any consent to any assignment of this Lease or any interest herein shall not be construed as a consent to any further or subsequent assignment or construed as a waiver of the right to object to any further or subsequent assignment to which consent has not been first had and obtained.

9. REPAIRS AND MAINTENANCE OF LEASED PREMISES.

Lessee covenants, throughout the Term hereof, at Lessee's sole cost and expense, to take good care of all improvements constructed by Lessee upon the Leased Premises and, subject to the provisions of this Lease elsewhere set forth, to keep the same in good working order and condition, excepting reasonable wear and tear, and to make all necessary repairs thereto, interior and exterior, structural and nonstructural. Lessee shall keep and maintain all portions of the improvements constructed by Lessee upon the Leased Premises and all sidewalks, passageways and roadways within the Leased Premises in a clean and orderly condition; provided that nothing herein contained shall be construed as prohibiting the excavation and/or grading of the Leased

Premises by Lessee in connection with Lessee's construction of the Clinical Science Building and other improvements, alterations, additions or replacements to the Leased Premises.

10. DAMAGE OR DESTRUCTION.

10.1 Damage and Duty to Restore.

If, at any time during the term of this Lease, the Leased Premises or any part thereof shall be damaged or destroyed by fire or other casualty of any kind or nature, ordinary or extraordinary, foreseen or unforeseen, Lessee will repair, alter, restore, replace or rebuild the same to such extent and in such manner as Lessee may deem appropriate; provided, however, in the event such damage or destruction occurs during the last five (5) years of the Term of this Lease, Lessee may elect whether or not it wishes to repair, restore, replace or rebuild. Such repair, alteration, restoration, replacement or rebuilding shall, however, be done in conformity with the provisions of Section 6 above. Such repair, alteration, restoration, replacement or rebuilding, including such changes and alterations as aforementioned and including temporary repairs for the protection of other property pending the completion of any thereof, are sometimes referred to in this Section as "Work." All insurance money, if any, paid on account of such damage or destruction, shall be available for the payment of the cost of the Work to the extent such insurance proceeds are required for such purpose. No mortgage of the fee or any other creditor of Lessor shall be entitled to receive any of the proceeds.

10.2 Continuation of Rental Requirement.

Except to the extent expressly provided in Section 10.1, in no event shall Lessee be entitled to any abatement, allowance, reduction or suspension of rent because part or all of the Leased Premises shall be untenable owing to the partial or total destruction thereof, and notwithstanding anything herein to the contrary, no such damage or destruction shall affect in any way the obligation of Lessee to pay the rent due and other charges herein reserved or required to be paid, nor release Lessee of or from any obligation imposed upon Lessee under this Lease.

10.3 Right to Terminate Lease.

Notwithstanding the provisions of Sections 10.1 and 10.2 above, Lessee shall have the right to terminate this Lease if at any time during the Term of this Lease any improvements constructed by Lessee on the Leased Premises (including Lessee's Property) shall be damaged or destroyed by fire or any other casualty whatsoever to the extent that it would not be in the best interest of Lessee and Lessor to repair such damage.

11. MECHANICS' LIENS.

Lessee shall not suffer or permit any mechanics' or materialmen's liens to be enforced against the Leased Premises or against the fee estate of the Lessor as to the Leased Premises, by reason of work, labor, services or materials supplied or claimed to have been supplied to Lessee or anyone holding the Leased Premises, or any part thereof, through or under Lessee. If any such mechanics' or materialmen's liens shall at

any time be filed against the Leased Premises, the Lessee shall, within ninety (90) days after notice to Lessee of the filing thereof, cause the same to be discharged of record or make provisions acceptable to Lessor for the discharge of such lien; provided, however, that Lessee shall have the right to contest the amount or validity, in whole or in part, of any such lien by appropriate proceedings.

12. UTILITIES.

12.1 Utility Services and Sewer Facilities.

Lessee shall obtain, at Lessee's sole expense, utility services and sewer facilities required for Lessee's use of the Leased Premises. Lessee shall pay or cause to be paid all charges for gas, electricity, water, sewer service and other utilities obtained for the Leased Premises during the Term of this Lease and all sewer use charges or similar charges or assessments for utilities levied against the Leased Premises during the term of this Lease.

13. EVENTS OF DEFAULT.

13.1 Events of Default by Lessee.

The following are events of default by Lessee under this Lease:

(A) If Lessee fails to pay any installment of the rent for the Leased Premises provided for herein, or any part thereof, when the same shall become due and payable, and such failure shall continue for thirty (30) days after written notice of such default from Lessor to Lessee; or

(B) If Lessee fails to perform or observe any other requirement of this Lease (not hereinbefore in this Section 13.1 specified) on the part of Lessee to be performed or observed, and such failure shall continue for ninety (90) days after written notice thereof from Lessor to Lessee; provided, however, that such noncompliance shall not be considered a default if Lessee has initiated a bona fide effort reasonably contemplated to correct such failure to comply with such requirement in which case the time of Lessee within which to cure the same shall be extended for such period as may be necessary to complete the same with all due diligence.

13.2 Events of Default by Lessor.

It shall be an event of default by Lessor under this Lease if Lessor fails to perform or observe any requirement of this Lease on the part of Lessor to be performed or observed, and such failure shall continue for ninety (90) days after written notice thereof from Lessee to Lessor; provided, however, that such noncompliance shall not be considered a default if Lessor has initiated procedures reasonably contemplated to correct such failure to comply with such requirement in which case the time of Lessor within which to cure the same shall be extended for such period as may be necessary to complete the same with all due diligence.

13.3 Lessor's Right to Cure Defaults.

If Lessee fails to perform any agreement or obligation to be performed under this Lease, Lessor shall have the right:

(A) to perform the same after fifteen (15) days' written notice to Lessee; and

(B) in any emergency situation to perform the same immediately without notice or delay.

For the purposes of rectifying a default of Lessee, Lessor shall have the right to enter the Leased Premises. Lessee shall, to the extent permitted by applicable law, within ten (10) days of written notice given by Lessor to Lessee, reimburse Lessor for the costs and expenses, incurred by Lessor in rectifying the defaults. Any act or thing done by Lessor pursuant to this Section shall not constitute a waiver of any such default by Lessor or a waiver of any covenant, term or condition herein contained or the performance thereof.

14. REMEDIES IN EVENT OF DEFAULT.

14.1 Remedies in Event of Default by Lessee.

In the event Lessee defaults under Section 13.1 above, Lessor shall have the right, in addition to any other remedies available at law or in equity, then or at any time thereafter and while such default or defaults shall continue, to give Lessee written notice (herein called the "Second Notice") of Lessor's intention to terminate this Lease, specifying a date of termination not less than thirty (30) days thereafter. If the default continues thereafter and exists on the date of termination specified in the Second Notice, Lessee's right to possession of the Leased Premises shall cease on such date of termination, and all of the right, title and interest of Lessee hereunder shall wholly cease and terminate in the same manner and with the same force and effect as if the date specified herein for the expiration of this Lease and the Term hereof. In such event, Lessee shall immediately peaceably and quietly quit, yield and surrender the Leased Premises and improvements to Lessor, but Lessee shall remain liable as hereinafter provided.

14.2 Remedies in Event of Default by Lessor.

In the event Lessor defaults under Section 13.2 above, in addition to any other remedies available at law or in equity, no rent shall be due from Lessee during the period of such default by Lessor.

15. PUBLIC IMPROVEMENTS.

Lessor agrees, from time to time, to:

(A) Join in any application for all necessary governmental permits and authorizations in connection with Lessee's construction of the Clinical Science Building;

(B) Join in the conveyance of any non-exclusive easement to be conveyed for which no consideration is given;

(C) Join in the creation, modification, realignment or release of any such non-exclusive easement; and

(D) Join in any other instrument reasonably necessary to accomplish the foregoing.

16. FORCE MAJEURE.

The time within which either party hereto shall be required to perform any act under this Lease shall be extended by a period of time equal to the number of days during which performance of such act is delayed unavoidably by strikes, lockouts, Acts of God, governmental restrictions, failure or inability to secure materials or labor by reason of priority or similar regulations or order of any governmental or regulatory body, enemy action, civil disturbance, fire, unavoidable casualties or any other cause beyond the reasonable control of either party hereto.

17. CONDITIONS.

17.1 Certificate of Need.

Notwithstanding any other provision contained herein, Lessor understands that Lessee's agreement to this Lease and performance hereunder is conditioned upon UMC and Lessee obtaining a Certificate of Need for the proposed hospital from the Texas Health Facilities Commission.

17.2 Approval of Construction of the Clinical Science Building.

Notwithstanding any other provision contained herein except for Section 7 regarding the payment of rent, Lessor understands that Lessee's agreement to this Lease and performance hereunder is conditioned upon the following:

(A) Lessee's Board of Regents approval of the financing and construction of the Clinical Science Building;

(B) Approval of the Clinical Science Building by the Coordinating Board, Texas Colleges and Universities.

18. QUIET POSSESSION.

Lessor covenants to Lessee that if Lessee shall discharge the covenants, agreements and obligations herein set forth to be performed by Lessee, Lessee shall have and enjoy, during the Term hereof the quiet and undisturbed possession of the Leased Premises.

19. GENERAL PROVISIONS.

19.1 Notices.

Any Notice, communication, request, reply or advice, or duplicate thereof (hereinafter severally and collectively, for convenience, called "Notice") in this lease provided or permitted to be given, made or accepted by either party to any 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, or if the party or parties to be notified be incorporated, to an officer of such party, or by prepaid telegram when appropriately addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be effective, unless otherwise stated in this Lease, 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 the Lessor, addressed to:

Dallas County Hospital District
5201 Harry Hines Blvd.
Dallas, Texas 75235

with a copy to:

Thomas L. Cox, Jr.
Parkland Memorial Hospital
5201 Harry Hines Blvd.
Dallas, Texas 75235

If to Lessee, addressed to:

The Board of Regents of The University of
Texas System
c/o The University of Texas System
Office of Investments and Trusts
210 West Sixth Street
Austin, Texas 78701
Attention: Executive Secretary
Arthur H. Dilly

with a copy to:

Office of General Counsel, U.T. System
Attention: John L. Darrouzet, Attorney
201 West Seventh Street
Austin, Texas 78701

However, the parties hereto and their respective heirs, successors, legal representatives and assigns shall have the right from time to time and at any time to change their respective addresses and shall have the right to specify as their respective addresses and other addresses within the United States of America by at least fifteen (15) days' written notice to the other party; provided, however, if at any one time more than one person or party owns an interest in the Leased Premises, nevertheless such persons or parties may not designate more than two places or addresses to receive notice pursuant to the terms hereof. Each party shall have the right to change such party's address for purposes of notice, by giving written notice to the other party in the manner herein set forth.

19.2 Waivers.

No variations, modifications or changes herein or hereof shall be binding upon any party hereto unless executed by such party or by a duly authorized officer or a duly authorized agent of the particular party. No waiver or waivers of any breach or default or any breaches or defaults by either party of any term, condition or liability of or a performance by the other party of any duty or obligation hereunder, including without limitation the acceptance by Lessor or payment by Lessee of any rentals at any time or in any manner other than as herein provided, shall be deemed a waiver thereof or of any waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver or waivers of subsequent breaches or defaults of any kind, character or description under any circumstances.

The acceptance by Lessor of any performance, rental provided in Exhibit B hereto, additional rent or other sum or sums of money or other charges herein reserved to be paid or provided to be done by Lessee from any person, firm, or corporation other than Lessee shall not discharge Lessee or any others liable with Lessee except to the extent of the performance and payment so accepted by Lessor from liability to pay the rental provided in Exhibit B hereto herein reserved, additional rent or other sum or sums of money and other charges herein provided to be paid by Lessee or from liability to perform any of the terms, covenants, conditions and agreements herein set forth.

19.3 Modifications.

Any alteration, change or modification of or to this Lease, in order to become effective, shall be made by written instrument or endorsement hereon and in each such instance executed on behalf of each party hereto.

19.4 Applicable Law.

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

19.5 Partial Invalidity.

If any term, provision, condition or covenant of this Lease or the application thereof to any party or circumstances shall, to any extent, be held invalid or unenforceable, the remainder of this Lease, or the application of such term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

19.6 Covenants Running with the Land.

All of the covenants, agreements, conditions and restrictions set forth in this Lease are intended to be and shall be construed as covenants running with the land, binding upon, inuring to the benefit of and enforceable by the parties hereto and their successors and assigns.

19.7 Right of Inspection by Lessor.

Lessor, through Lessor's agents or representatives, shall have full right and authority to enter in and upon the Leased Premises and the building or improvements to be constructed by Lessee thereon, at any and all reasonable times during normal business hours during the Term of this Lease upon reasonable notice to Lessee and without interference with the use or business of Lessee for the purpose of inspecting the same, without the interference or hindrance by the Lessee, or by Tenants agents or representatives.

19.8 Surrender and Quitclaim at End of Term.

Upon the end of the Term of this Lease or upon termination of this Lease, Lessee shall, to the extent provided under Paragraph 6.1 hereof, surrender to Lessor all and singular the Leased Premises, including the building and all improvements then situated upon the Leased Premises, and Lessee shall execute, acknowledge and deliver to Lessor within thirty (30) days after written demand from Lessor to Lessee, any quitclaim deed or other document reasonably required by any reputable title company to remove the cloud, if any, of this Lease from the Leased Premises.

19.9 Authority.

(A) Lessee represents and warrants that each individual executing this Lease is duly authorized to execute and deliver this Lease on its behalf, in accordance with a duly adopted resolution of the Board of Regents of said University of Texas System, and that this Lease is binding upon Lessee in accordance with its terms.

(B) Lessor, being a hospital district, represents and warrants that the individual executing this Lease is duly authorized to execute and deliver this Lease on behalf of said hospital district, in accordance with a duly adopted resolution of the Board of Managers of said hospital district, and that this Lease is binding upon said hospital district in accordance with its terms.

19.10 Remedies Cumulative.

The various rights and remedies given to or reserved to Lessor and/or Lessee by this Lease or allowed by law shall be cumulative, irrespective of whether so expressly stated.

19.11 Memorandum of Lease.

A short form or memorandum of this Lease, incorporating the basic terms of this Lease by reference, shall be executed, acknowledged and recorded within thirty (30) days after the Effective Date of this Lease. Said short form or memorandum of this Lease shall set forth the parties hereto, the legal description of the Leased Premises, the Term of this Lease and the options granted to Lessee hereunder if so requested by either party hereto to the other. Lessor and Lessee agree that neither party will cause to be filed and recorded this entire Lease or any copy thereof.

EXECUTED as of the day and year first above written.

ATTEST:

Ron J. Anderson, M.D.
Secretary

LESSOR:

DALLAS COUNTY HOSPITAL DISTRICT
Dallas County, Texas

By: _____
Richard F. Reynolds
Chairman of the Board of Managers

THE UNIVERSITY OF TEXAS SYSTEM
for and on behalf of
THE UNIVERSITY OF TEXAS HEALTH
SCIENCE CENTER AT DALLAS

RECOMMENDED FOR APPROVAL:

By: _____
President of The University of
Texas Health Science Center at
Dallas

FORM APPROVED:

By: _____
Office of the General
Counsel
The University of Texas
System

CONTENT APPROVED:

By: _____
Office of the Chancellor
The University of Texas System

ATTEST:

Secretary

APPROVED:

By: _____
Chairman, Board of Regents
The University of Texas System

SCHEDULE OF RENTS

Attached to Lease, dated _____, 1984,
by and between Dallas County Hospital District
as Landlord, and The University of Texas System

Lessee shall pay to Lessor rent for the Leased Premises,
in accordance with the provisions of Paragraph 7 of the
Lease, in monthly installments in the following amounts:

A. First Rent Period. For and during the period (the
"First Rent Period") commencing on the Rent Commencement Date
and continuing until the fifth anniversary date of such Rent
Commencement Date, or if such date is other than the first
day of a calendar month until the first day of the calendar
month next following such fifth anniversary date, the annual
rental rate shall be Twenty-One Thousand Seven Hundred
Nineteen and 93/100 Dollars (\$21,719.93) and rent shall be
due and payable in equal and consecutive installments of One
Thousand Eight Hundred Nine and 99/100 Dollars (\$1,809.99)
per month.

B. Rent for Subsequent Five (5) Year Rent Periods.
The annual rental rate for each five (5) year rent period
following the First Rent Period shall remain Twenty-One
Thousand Seven Hundred Nineteen and 93/100 Dollars
(\$21,719.93), unless there has been inflation in the value of
U.S. dollars since the effective date of this Lease; in which
latter case, the rent shall be adjusted to account for the
inflation in the value of the dollars.

EXHIBIT "B"

10. U. T. Medical Branch - Galveston - Moody State School - New Facility: Acceptance of a Grant from The Sealy & Smith Foundation for the John Sealy Hospital, Galveston, Texas, for Partial Funding of a New Facility to Replace the Moody State School for Cerebral Palsied Children; Approval to Increase the Scope of the Previously Authorized Project, and Additional Appropriation Therefor.--
The Health Affairs and Buildings and Grounds Committees recommended and the Board:

- a. Accepted a \$4,000,000 grant from The Sealy & Smith Foundation for the John Sealy Hospital, Galveston, Texas, for the purpose of replacing the Moody State School for Cerebral Palsied Children at The University of Texas Medical Branch at Galveston
- b. Authorized an increase in the scope of the previously authorized project by adding approximately 30,000 square feet of space to permit the development of programs for adults as well as children, and by increasing the estimated total project cost from \$2,000,000 to \$6,000,000
- c. Appropriated an additional sum in the amount of \$30,000 from U. T. Medical Branch Unexpended Plant Funds for fees and miscellaneous expenses through the completion of preliminary plans

It is planned that this grant will fund an additional expansion of approximately 30,000 square feet to permit the development of service, educational, and research programs for adults as well as children. These programs will focus on restorative and rehabilitation medicine. The unit will address neuromuscular rehabilitation issues in a facility of approximately 100 to 150 beds, equally divided between children and adult patients.

11. U. T. Health Science Center - Houston: Additional Easement Deed Granted to Texas Medical Center, Inc., Houston, Texas, for the Widening of Moursund Street.--Upon recommendation of the Buildings and Grounds Committee, the Board granted an additional easement deed (Pages 193 - 196) for a strip of land five feet wide and approximately 460 feet long on property owned by The University of Texas Health Science Center at Houston to Texas Medical Center, Inc., Houston, Texas, for the widening of Moursund Street.

The widening of Moursund Street will benefit the U. T. Dental Branch - Houston by improving pedestrian accessibility without any loss in usable area.

ADDITIONAL EASEMENT DEED

THE STATE OF TEXAS
COUNTY OF HARRIS

§
§
§

KNOW ALL MEN BY THESE PRESENTS:

That the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, acting herein by and through its hereunto duly authorized Chairman (hereinafter called "Grantor"), for and in consideration of ONE DOLLAR (\$1.00) and other adequate consideration to Grantor paid by TEXAS MEDICAL CENTER, INC., a Texas non-profit corporation (hereinafter called "Grantee"), does hereby GRANT and CONVEY unto Grantee the following easements and rights with respect to that certain tract of land five feet (5') in width described by metes and bounds in Exhibit A attached hereto and made a part hereof and hereinafter called the "Additional Easement Way":

- (1) the right and power, at Grantee's sole discretion and election, at such time or times as to Grantee may seem appropriate, and without necessity for discussion with or joinder by Grantor, to dedicate the Additional Easement Way, or any part of the same, as a part of Moursund Street (a private street heretofore being sixty feet (60') in width) limited to the appropriate uses of owners of land in the Texas Medical Center Tract (being that certain tract of land situated in the P. W. Rose Survey, City of Houston, Harris County, Texas, described in deed dated February 22, 1946, executed by M. D. Anderson Foundation to Texas Medical Center, Inc., and recorded in Volume 1381, Page 20, Deed Records of Harris County, Texas), their agents, employees and licensees, or at the same discretion and election, to dedicate the same, or any part thereof, as a part of said Moursund Street for the ordinary uses of foot passengers and vehicles, it being understood that a dedication to limited use, as herein provided, may be followed by later dedication to public use if Grantee determines that such is proper and appropriate.
- (2) the right and power as to the Additional Easement Way, or any part or parts thereof, to pave the same and to maintain and repair pavement thereon, to build, maintain and repair sidewalks and passageways thereon, to lay, repair, and maintain wires, lines, pipes and conduits for transmission, carriage or delivery of gas, water, electricity, compressed air, steam, refrigerant, sewage or any other then normal public utility or service, including, without limitation, the right and power in

Grantee to grant to any municipal corporation or public utility appropriate and proper easement rights in such Additional Easement Way, for the establishment, repair and maintenance of any specific public service facilities.

The exercise by Grantee of any one or more of the rights and powers herein granted to Grantee shall not exhaust such rights and powers, but the same may be exercised as often as and whenever, in the discretion and at the election of Grantee, such exercise is appropriate and proper.

TO HAVE AND TO HOLD the hereinabove specified easements and rights with respect to and affecting the Additional Easement Way, unto Grantee, forever.

Mention is made of the fact that, by deed dated December 31, 1951, of record in Harris County, Texas, Texas Medical Center, Inc., Grantee herein, conveyed a certain 21.536 acre tract of land to Grantor herein, and in such deed excepted and reserved unto itself, its successors and assigns, certain easements and rights of way for an "easement way" affecting a strip of land 30 feet in width along certain outer edges or sides of such 21.536 acre tract, as such 30-foot wide easement way is more particularly described in such deed. This Additional Easement Deed is for the purpose of widening a segment of such 30-foot wide easement way running inside and along the northeasterly boundary of the residue of such 21.536 acre tract now owned by Grantor herein, by adding thereto and including therein the Additional Easement Way, in order that the existing right of way for Moursund Street (an existing private street located in said segment of such 30-foot wide easement way), to the extent that it adjoins the Additional Easement Way, may be increased in width an additional five feet.

All streets referred to in this Additional Easement Deed or in Exhibit A hereto, including, without limitation, John Freeman Avenue and Moursund Street, are private streets, and nothing herein or in Exhibit A hereto shall infer or

imply that any such street is a public street, but to the contrary, each of such streets is and shall remain a private street unless and until there shall have been an appropriate express, specific dedication or grant of such street as a public street.

Each term "Grantor" and "Grantee" herein shall refer not only to the entity named but also to the successors and assigns of such entity as fully as if the words "its successors and assigns" appeared after the word "Grantor" and the word "Grantee" herein.

EXECUTED this 17th day of December, 1984.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

By Jon Newton
Chairman
JON P. NEWTON

Attest: Arthur H. Dilly
Secretary
ARTHUR H. DILLY
(SEAL)

Approved as to Form:
Linward Shivers
Linward Shivers
University Attorney

Approved as to Content:
R. S. Kristoferson
R. S. Kristoferson, Director
Facilities Construction & Planning

THE STATE OF TEXAS §
COUNTY OF Dallas §

BEFORE ME, the undersigned authority, on this day personally appeared Jon P. Newton, Chairman of the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said Board of Regents of The University of Texas System.

17th day of December, 1984. GIVEN under my hand and seal of office, this the

Margaret Glauer
Notary Public in and for the State of Texas

My commission expires:
10-31-88

EXHIBIT A

All that certain tract of land, being a strip of land five feet (5') in width, located in the P. W. Rose Survey, Abstract No. 645, Harris County, Texas, being across a portion of the residue of that certain 21.536 acre tract of land conveyed to the Board of Regents of the University of Texas by instrument dated December 31, 1951, said five-foot wide tract of land being more particularly described by metes and bounds as follows:

NOTE: All bearings and coordinates recited herein are based on the Texas Medical Center Monumentation System.

COMMENCING at Texas Medical Center Monument No. 19, located at the intersection of the centerline of John Freeman Avenue with the centerline of Moursund Street, having coordinates of X=3,144,059.25 feet and Y=699,594.65 feet being the northeast corner of said residue;

THENCE North 57 deg. 10 min. 05 sec. West, along the centerline of said Moursund Street, a distance of 468.44 feet to a northwest corner of said residue, same being the most easterly corner of that certain tract called to contain 4.5583 acres conveyed to Texas Medical Center, Inc., by instrument recorded in Volume 8330, Page 185, of the Deed Records of Harris County, Texas;

THENCE South 32 deg. 49 min. 55 sec. West, a distance of 30.00 feet to the northwest corner of the herein described tract in the south right-of-way line of Moursund Street;

THENCE South 57 deg. 10 min. 05 sec. East, along said south right-of-way line, a distance of 452.45 feet to the northeast corner of the herein described tract at the intersection of said south right-of-way line with the west right-of-way line of John Freeman Avenue;

THENCE South 01 deg. 04 min. 35 sec. East, along said west right-of-way line, a distance of 6.03 feet to the southeast corner of the herein described tract;

THENCE North 57 deg. 10 min. 05 sec. West, parallel with and 5 feet southerly of said right-of-way line, a distance of 455.82 feet to the southwest corner of the herein described tract in a common line between said residue and said 4.5583 acre tract;

THENCE North 32 deg. 49 min. 55 sec. East, along said common line, a distance of 5.00 feet to the PLACE OF BEGINNING and containing 2271 square feet of land.

12. U. T. Health Science Center - San Antonio: Approval to Waive the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, and to Name the Library Building in Honor of Former Governor Dolph B. Briscoe.-- Committee Chairman Hay moved that the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.1, which requires that buildings may only be named in honor of persons who have been deceased for five years, be waived to allow the Library Building at The University of Texas Health Science Center at San Antonio to be named in honor of former Governor Dolph B. Briscoe in recognition of his many contributions to higher education in the State and to The University of Texas System. Regent Newton seconded the motion which prevailed by unanimous vote.

13. U. T. Cancer Center - Anderson-Mayfair Building - Replacement of Piping System: Authorization for Project, Preparation of Final Plans and Completion of Project by U. T. Cancer Center Administration; and Appropriation Therefor.--Upon recommendation of the Finance and Audit and Buildings and Grounds Committees, the Board:

- a. Authorized a project for the replacement of all water piping in The University of Texas System Cancer Center Anderson-Mayfair Building at an estimated total project cost of \$1,250,000
- b. Authorized preparation of final plans and specifications and completion of construction by U. T. Cancer Center Administration through its Physical Plant Department, with its own forces or by contract services, in consultation with the Office of Facilities Planning and Construction
- c. Appropriated \$1,250,000 from the Anderson-Mayfair Reserve Account for total project funding

The staff of the Coordinating Board, Texas College and University System reviewed the scope of this project and has stated that it is not necessary to submit the project for Coordinating Board approval since it consists only of replacing an existing plumbing system.

REPORT AND RECOMMENDATIONS OF THE LAND AND INVESTMENT COMMITTEE (Pages 198 - 217).--Committee Chairman Milburn reported that the Land and Investment Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, all actions set forth in the Minute Orders which follow were recommended by the Land and Investment Committee and approved in open session and without objection by the U. T. Board of Regents:

The execution of documents authorized in this report will be in accordance with the Regents' Rules and Regulations, Part Two, Chapter IX, Section 1.3 as set forth below:

- 1.3 Authority to Execute Instruments Relating to Land and Mineral Interests.--The Chairman of the Board, the Vice-Chairmen, the Chancellor, or his delegate, are each authorized to execute conveyances, deeds, surface and/or mineral leases, easements, rights-of-way, oil and gas division orders, and transfer orders, geophysical and material source permits, water contracts, pooling and unitization agreements, and any other instruments as may be necessary or appropriate from time to time, relating to the handling, management, control, and disposition of any real estate or mineral interest held or controlled by the Board as a part of the PUF or as a part of any trust or special fund.

I. PERMANENT UNIVERSITY FUND

A. INVESTMENT MATTERS

1. Report on Clearance of Monies to Permanent University Fund for September and October 1984, and Report on Oil and Gas Development as of October 31, 1984.--The following reports with respect to (a) certain monies cleared to the Permanent University Fund for September and October 1984, and (b) Oil and Gas Development as of October 31, 1984, were submitted by the Executive Director for Investments and Trusts:

<u>Permanent University Fund</u>	<u>September, 1984</u>	<u>October, 1984</u>	<u>Cumulative Through October of This Fiscal Year (1984-1985)</u>	<u>Cumulative Through October of Preceding Fiscal Year (1983-1984)</u>	<u>Per Cent Change</u>
Royalty					
Oil	\$7,489,113.64	\$10,264,826.27	\$17,753,939.91	\$17,014,218.69	4.35%
Gas	2,387,611.45	2,431,450.91	4,819,062.36	7,018,626.70	(31.34%)
Sulphur	10,000.00	10,000.00	20,000.00	-0-	
Water	67,937.56	63,258.58	131,196.14	136,017.73	
Brine	7,028.36	11,237.45	18,265.81	67,807.31	
Rental					
Oil and Gas Leases	74,397.41	177,185.04	251,582.45	104,119.59	
Other	100.00	800.00	900.00	500.00	
Sale of Sand, Gravel, Etc.		2,973.25	2,973.25	1,103.75	
Gain or (Loss) on Sale of Securities	(243,264.94)	1,353,576.68	1,110,311.74	819,656.92	
Sub-Total	<u>9,792,923.48</u>	<u>14,315,308.18</u>	<u>24,108,231.66</u>	<u>25,162,050.69</u>	(4.19%)
Bonuses					
Oil and Gas Lease Sales	-0-	-0-	-0-	-0-	
Amendments and Extensions to Mineral Leases	128,305.38	(2,648.33)	125,657.05	96,506.80	
Total Bonuses	<u>128,305.38</u>	<u>(2,648.33)</u>	<u>125,657.05</u>	<u>96,506.80</u>	
TOTAL CLEARANCES	<u>\$9,921,228.86</u>	<u>\$14,312,659.85</u>	<u>\$24,233,888.71</u>	<u>\$25,258,557.49</u>	(4.06%)

Oil and Gas Development - October 31, 1984
 Acreage Under Lease - 855,068

Number of Producing Acres - 557,114

Number of Producing Leases - 2,245

2. Permanent University Fund: Report on Investments for the Fiscal Year Ended August 31, 1984.--Each member of the U. T. Board of Regents received prior to the meeting a report of the Permanent University Fund Investments for the fiscal year ended August 31, 1984. Upon recommendation of the Land and Investment Committee, the Board approved this report for distribution to the Governor, members of the Legislature, and other State Officials as required by Section 66.05 of the Texas Education Code.

It was reported that the Permanent University Fund experienced significant gains in book value and earnings during the year as shown below:

	Fiscal Year Ended 8/31		Increase	
	1983	1984	Amount	%
Book Value	\$1,902,619,273	\$2,082,521,497	\$179,902,224	9.5
Investment Income	162,431,237	175,929,054	13,497,817	8.3

3. Permanent University Fund Constitutional Amendment Bonds, Series 1985, in the Amount of \$54,000,000: Authorization for Sale of Issue and to Advertise for Bids; Appointment of Vinson & Elkins, Houston, Texas, Bond Counsel and Rotan Mosle, Inc., San Antonio, Texas, Bond Advisor; and Establishment of Account for Miscellaneous Costs.--Upon recommendation of the Land and Investment Committee, the Board:

- a. Authorized the issuance of Permanent University Fund Constitutional Amendment Bonds, Series 1985, in the amount of \$54,000,000
- b. Appointed the firm of Vinson & Elkins, Houston, Texas, Bond Counsel and the firm of Rotan Mosle, Inc., San Antonio, Texas, Bond Advisor
- c. Authorized the Office of Investments and Trusts to advertise for bids for the sale of bonds, the paying agent/registrar, and printing of the bonds, to be submitted to the U. T. Board of Regents at a subsequent meeting
- d. Established an account in the amount of \$130,000 from proceeds of the bond sale for Miscellaneous Costs - Permanent University Fund Constitutional Amendment Bonds, Series 1985, to pay bond counsel, bond advisor, and paying agent/registrar fees, and other miscellaneous costs

The sale of Permanent University Fund Constitutional Amendment Bonds will cover existing commitments for construction contracts and equipment. Another Permanent University Fund bond sale may be recommended to the U. T. Board of Regents for the June 1985 meeting to cover costs of new construction contracts.

4. U. T. System: Approval to Continue University Investments in Corporations Doing Business in or With South Africa.--On April 16, 1984, the University Council of The University of Texas at Austin approved a resolution calling upon the Board of Regents of The University of Texas System to withdraw its investments from companies in South Africa or companies with subsidiaries in South Africa. Subsequently, the Senior Cabinet and Student Senate at U. T. Austin adopted similar resolutions and

subject resolutions were forwarded to the Office of the Chancellor for consideration.

Committee Chairman Milburn reported that the Land and Investment Committee met on November 15, 1984, to review the University Council's request that the U. T. Board of Regents withdraw its investments from companies doing business in South Africa and to hear public presentations on the issue of divestiture. Testimony concerning this issue was given by students, specialists in South African affairs and specialists on Permanent University Fund investments. She noted also that a voluminous amount of documentation regarding the divestiture issue, including statements filed with the Land and Investment Committee and a staff report by the Office of the Chancellor, had been distributed to members of the Board of Regents for their review.

Committee Chairman Milburn then called on Mr. Michael Patrick, Executive Vice Chancellor for Asset Management, who presented a comprehensive report on the issue of divestiture. Following Executive Vice Chancellor Patrick's comments, Chancellor Mark made the following statement:

STATEMENT BY CHANCELLOR HANS MARK

On April 16, 1984, the University Council at The University of Texas at Austin adopted a resolution recommending to the Board of Regents of The University of Texas System that The University of Texas System "withdraw its investments from companies in South Africa or companies having subsidiaries in South Africa." The Land and Investment Committee of the Board of Regents met on November 15, 1984, to hear testimony on this matter. In addition, the General Counsel of The University of Texas System has, at my request, collected most of the material and information that is available on this subject.

I have studied all facets of this problem with great care. I have examined all of the arguments in favor of selling the securities and other assets The University of Texas System owns in companies that do business in the Republic of South Africa. I have also studied the case in favor of retaining those assets, especially the financial arguments and the problems that we would face if we divested our portfolio of those securities. Having done all this, it is my considered conclusion that the sale of the securities we own in companies doing business in the Republic of South Africa would cost us very substantial amounts of money in the coming years. It would inhibit our freedom to invest and to maximize the income and the growth potential of the funds available to the Regents of the University for investment. Divestment of these assets would therefore ultimately reduce the quality of higher education available not only at The University of Texas but at other institutions that benefit from the investment of the

Permanent University Fund. We must think very carefully about any step that permits this to happen. To me, speaking as the Chief Executive Officer of The University of Texas System, this is the overriding issue. Consequently, I recommend that the Board of Regents reject the recommendation of the University Council of The University of Texas at Austin and that we continue the policy of investments we have at the present time.

In view of the controversy over this matter, I should explain why I cannot agree with the arguments of those who advocate divestment. During my eight years' service in Washington, I learned first hand that we in the United States always over estimate (sometimes disastrously) our ability to influence the course of events in other nations. The assertion is made by some that withdrawing American investments in companies doing business in the Republic of South Africa will somehow hasten the abolition of the evil racial policies of the government of the Republic of South Africa. Others argue that the withdrawal of our assets would help to provoke a revolution that would change the situation in the Republic of South Africa for the better. In the material I have studied, I could find no credible evidence to support either of these assertions. The history of economic sanctions of this kind is not encouraging when it comes to judging whether the objectives of those who imposed the sanctions have been achieved. The lesson from the history of revolutions is even more discouraging for those who believe that would be the best outcome. One has only to look at the example of Iran where the brutal regime of Sha Reza Pahlevi was replaced by the even more barbaric government of the Ayatollah Khomeini in spite of massive efforts on our part to influence the situation. Why the economic sanctions that are proposed for imposition on the Republic of South Africa should be any more effective than previous attempts is a question that has not been answered to my satisfaction.

I also reject the arguments of those who favor investments in South Africa so that companies based in the United States can influence the situation there for the better. I do not believe that this influence is strong enough to count in determining the ultimate outcome. Thus, it should not be considered in reaching a decision on this matter even though such arguments would favor the position I have taken.

There is another argument that has been made in favor of divestment which is, I believe, more compelling than the one based on economic sanctions. Some argue that it is immoral to own stock in corporations doing business in South Africa. They contend that the moral and the symbolic value of divestment is important

because opposition to racial discrimination anywhere in the world would create an atmosphere in this country that would make racial discrimination here more difficult. Even though this argument has merit, I am still forced to reject it because I do not believe that the University is the proper institution to use for accomplishing what is essentially a political objective. The proper arena for this political debate is the Congress of the United States where the domestic as well as the foreign policy aspects of this matter can be properly considered. Derek Bok, the President of Harvard University, has spoken with great eloquence on the fragility of academic institutions when they are used as instruments for achieving political objectives. I agree with him. The risk incurred in using the University in this manner outweighs, in my judgment, the gains that could be made in creating a better climate for ending racial discrimination in this country by divesting the University's investments in companies that do business in South Africa.

It is important to recognize that even if the recommendation I have made is accepted, the issue of "divestment" will not go away. Quite aside from what we do at this meeting of the Board of Regents, the human tragedy in South Africa will continue to unfold. There is reason to believe that the situation in the Republic of South Africa will worsen and that this will stimulate a re-evaluation of our foreign policy that will require American investments to be withdrawn. We will then have determined, using our normal democratic procedures, that the imperative to oppose racial discrimination in South Africa is more important than the cost, not only to higher education but to other sectors of the economy as well. In short, the risk of making investments in the Republic of South Africa is likely to increase in the future. Corporations with holdings in the Republic of South Africa that do not recognize this point may therefore suffer substantial losses. It is my intention to work closely with the Executive Vice Chancellor for Asset Management and the people responsible for the investments we make to insure that these dangers are understood and that the University does not suffer financial losses because they are ignored.

Upon recommendation of the Land and Investment Committee, the Board agreed not to accede to the University Council's request that the Board withdraw its investments from companies in South Africa or companies with subsidiaries in South Africa, and adopted the following Statement of Policy which was recommended by Committee Chairman Milburn:

The Permanent University Fund was established by the Constitution of the State of Texas with a view to enhancing the quality of higher education in Texas.

The Board of Regents of The University of Texas System has been assigned the responsibility for managing this very significant resource and for maximizing the Fund's contribution to the pursuit of academic excellence at each institution currently participating as beneficiaries of the Fund. This fiduciary responsibility mandates the implementation of investment policies which, under prevailing market conditions and in accordance with state law, maximize the return on investments for the benefit of teaching, research, and related educational activities.

The complex matter raised by various campus groups concerning investment holdings by the Permanent University Fund in securities of corporations who do business in South Africa evokes strongly-held but conflicting points of view. The U. T. Board of Regents understands these issues and deplors the apartheid practices outlined in the U. T. Austin University Council resolution adopted on April 16, 1984. The Board of Regents neither owns any stock in South African corporations nor invests directly in the South African government. The Board endorses the various positive actions, including adherence to the Sullivan Principles, which are being taken by American companies in South Africa to improve the working and living conditions of people in that country.

However, a careful study of U. T. System investment policies in light of the Board's fiduciary responsibility suggests that, despite articulately-stated arguments to the contrary, it is unsound to use the Permanent University Fund to advance foreign policy, social, economic, or political objectives in foreign lands including South Africa. Accordingly, the Board declines to alter its investment policies.

B. LAND MATTERS

Permanent University Fund: Approval of Assignment of Flexible Grazing Lease No. 53 Covering 28,300.5 Acres Located in Irion and Schleicher Counties, Texas, from Mr. Richard E. Preston to Messrs. Mort L. Mertz, Michael T. Mertz, Len Mertz and Mrs. Susan Mertz Slaughter.--The Board approved the assignment of Flexible Grazing Lease No. 53 from Mr. Richard E. Preston to Mr. Mort L. Mertz, Mr. Michael T. Mertz, Mr. Len Mertz and Mrs. Susan Mertz Slaughter covering 28,300.5 acres of Permanent University Fund Lands in Irion and Schleicher Counties, Texas. The total bonus for the assignment will be \$309,540 and the U. T. System will receive one-half of the bonus or \$154,770.00.

The assignment of the lease will be only for the remainder of the ten-year term of the lease.

II. TRUST AND SPECIAL FUNDS

A. GIFTS, BEQUESTS AND ESTATES

1. U. T. System Administration: Acceptance of Gifts and Pledge from Members of the Executive Committee of The Chancellor's Council to Establish The Don and Katy Walker Fund.--Upon recommendation of the Land and Investment Committee, the Board accepted \$16,600 in gifts and a \$200 pledge, payable prior to the end of 1984, from members of the Executive Committee of The Chancellor's Council and established The Don and Katy Walker Fund for The University of Texas System.

Income earned from the endowment will be paid annually to the Chancellor's Council Unrestricted Fund.

2. U. T. Austin: Centennial Professorship in Pharmacy (No. 2) and Behrens Inc. Centennial Fellowship in Pharmacy in the College of Pharmacy - Redesignated as the Behrens Inc. Centennial Professorship in Pharmacy and the Alan W. Hamm Centennial Fellowship in Pharmacy.--Approval was given to redesignate the Centennial Professorship in Pharmacy (No. 2) as the Behrens Inc. Centennial Professorship in Pharmacy and to redesignate the Behrens Inc. Centennial Fellowship in Pharmacy as the Alan W. Hamm Centennial Fellowship in Pharmacy in the College of Pharmacy at The University of Texas at Austin.

These redesignations were requested by the Pharmaceutical Foundation Advisory Council and Behrens Inc.

3. U. T. Austin: Acceptance of Transfer of Funds from President's Associates and Establishment of the Centennial Commission Chair in the Liberal Arts in the College of Liberal Arts and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--The Land and Investment Committee recommended and the Board accepted a \$500,000 transfer of funds from the President's Associates and established the Centennial Commission Chair in the Liberal Arts in the College of Liberal Arts at The University of Texas at Austin.

Further, the funds will be matched under The Regents' Endowed Teachers and Scholars Program and will be used to double the endowment of the Chair.

The programmatic focus of the Chair within the College of Liberal Arts is to be determined by the Dean with approval by the President.

4. U. T. Austin: Acceptance of Gifts and Pledges and Establishment of the Thomas Mabry Cranfill Lectureship in English and the Thomas Mabry Cranfill Teaching Fellowship in English, both in the College of Liberal Arts, and Establishment of the Thomas Mabry Cranfill Lectureship in Fine Arts in the College of Fine Arts and the Thomas Mabry Cranfill Teaching Fellowship in Spanish and Portuguese in the College of Liberal Arts with Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--Upon recommendation of the Land and Investment Committee, the Board accepted gifts in the amount of \$62,221.25 and pledges in the amount of \$9,025, payable prior to August 31, 1987, for a total of \$71,246.25 from various donors and established, in the College of Liberal Arts at The University of Texas at Austin, the Thomas Mabry Cranfill Lectureship in English

with \$20,000 and the Thomas Mabry Cranfill Teaching Fellowship in English with the remaining \$51,246.25 and any future gifts.

The gifts and pledges, as received, will be matched under The Regents' Endowed Teachers and Scholars Program and will be used to establish the Thomas Mabry Cranfill Lectureship in Fine Arts in the College of Fine Arts with \$20,000 and the Thomas Mabry Cranfill Teaching Fellowship in Spanish and Portuguese in the College of Liberal Arts with \$51,246.25.

5. U. T. Austin: Peter T. Flawn Centennial Professorship in Geology in the College of Natural Sciences - Acceptance of Gifts and Pledges and Redesignation as the Peter T. Flawn Centennial Chair in Geology and Establishment of the Peter T. Flawn Centennial Professorship in Spanish Language and Literature and the Tomas Rivera Regents Professorship in Spanish Language and Literature, both in the College of Liberal Arts, with Matching Funds Under The Centennial Teachers and Scholars Program and The Regents' Endowed Teachers and Scholars Program.-- Approval was given to accept \$268,547.27 in gifts and pledges, payable prior to August 31, 1987, for addition to the Peter T. Flawn Centennial Professorship in Geology in the College of Natural Sciences at The University of Texas at Austin for a total endowment of \$518,547.27; and the Peter T. Flawn Centennial Professorship in Geology was redesignated the Peter T. Flawn Centennial Chair in Geology.

Further, this \$268,547.27 in gifts and pledges, as received, will be matched under The Regents' Endowed Teachers and Scholars Program and will be used in conjunction with \$250,000 previously approved matching funds under The Centennial Teachers and Scholars Program for a total of \$518,547.27 to establish the Peter T. Flawn Centennial Professorship in Spanish Language and Literature with \$259,273.64 and the Tomas Rivera Regents Professorship in Spanish Language and Literature with \$259,273.63, both in the College of Liberal Arts.

6. U. T. Austin: Jack S. Josey Chair in Science - Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program.-- Upon recommendation of the Land and Investment Committee, the Board authorized that \$450,000 in gifts received since September 1, 1981, and a \$250,000 pledge, payable prior to August 31, 1987, for a total of \$700,000 from The Welch Foundation, Houston, Texas, for funding of the Jack S. Josey Chair in Science at The University of Texas at Austin be matched under The Regents' Endowed Teachers and Scholars Program and used to increase the endowment of the Chair to \$1,700,000.

7. U. T. Austin: Herbert D. Kelleher/Mercantile Texas Corporation Regents Professorship in Business in the College of Business Administration and the Graduate School of Business - Redesignated as the Herbert D. Kelleher/MCorp Regents Professorship in Business.-- The Board, upon recommendation of the Land and Investment Committee, redesignated the Herbert D. Kelleher/Mercantile Texas Corporation Regents Professorship in Business in the College of Business Administration and the Graduate School of Business at The University of

Texas at Austin as the Herbert D. Kelleher/MCorp Regents Professorship in Business.

This redesignation was made in accordance with the donor's request to reflect the name of the donor pursuant to the recent merger between Mercantile Texas Corporation and Southwest Bancshares.

8. U. T. Austin: Establishment of the (a) Ben F. Love Regents Professorship in Communication, (b) Philip G. Warner Regents Professorship in Communication, (c) Jesse H. Jones Fellowship in Communication, (d) Mrs. Mary Gibbs Jones Fellowship in Communication, (e) Allan Shivers Fellowship in Communication, and (f) Everett D. Collier Fellowship in Communication in the College of Communication and Increase of Three Various Endowments in the College of Communication with Allocation of a Previously Accepted Pledge and Establishment of the (a) Jesse H. Jones Regents Professorship in Fine Arts and (b) Jesse H. Jones Regents Professorship in Liberal Arts in the Colleges of Fine Arts and Liberal Arts with Matching Funds Under The Regents' Endowed Teachers and Scholars Program. --Approval was given to establish endowed academic positions and to increase previously established endowments, as outlined on Pages 207 - 208, in the College of Communication at The University of Texas at Austin with 1984 and 1985 pledge payments totaling \$2,000,000 from Houston Endowment, Inc.

Endowments to be established:

	<u>1984 Pledge Payment</u>	<u>1985 Pledge Payment</u>
(a) Ben F. Love Regents Professorship in Communication	\$100,000	
(b) Philip G. Warner Regents Professorship in Communication	100,000	
(c) Jesse H. Jones Fellowship in Communication	50,000	
(d) Mrs. Mary Gibbs Jones Fellowship in Communication	50,000	
(e) Allan Shivers Fellowship in Communication	50,000	
(f) Everett D. Collier Fellowship in Communication	50,000	
Increases in previously established endowments:		
(g) Jesse H. Jones Faculty Development Fund (not eligible for matching)	120,000	\$ 470,000
(h) Jesse H. Jones Public Conferences Fund (not eligible for matching)		250,000
(i) Jesse H. Jones Job Placement and Counseling Fund (not eligible for matching)		<u>280,000</u>
Total eligible for matching	<u>400,000</u>	<u>-0-</u>

	<u>1984 Pledge Payment</u>	<u>1985 Pledge Payment</u>
Pledge payment for previously approved endowment: Mrs. Mary Gibbs Jones Centennial Chair in Communication	<u>480,000</u>	
Total 1984 and 1985 Allocation	<u>\$1,000,000</u>	<u>\$1,000,000</u>

The additional \$400,000 of the 1984 pledge being allocated at this time for the establishment of endowed academic positions will be matched, as received, under The Regents' Endowed Teachers and Scholars Program and will be used to establish the Jesse H. Jones Regents Professorship in Fine Arts and the Jesse H. Jones Regents Professorship in Liberal Arts with \$200,000 each in the Colleges of Fine Arts and Liberal Arts.

9. U. T. Austin: Acceptance of Gift of Securities and Pledge from Mr. and Mrs. Wade T. Nowlin, Fort Worth, Texas, and Establishment of the Wade T. and Bettye C. Nowlin Centennial Professorship in Business Administration in the College of Business Administration and the Graduate School of Business and Establishment of the Harold C. and Alice T. Nowlin Regents Professorship in Liberal Arts in the College of Liberal Arts with Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--The Land and Investment Committee recommended and the Board accepted 1,000 shares of Alexander & Alexander Services, Inc. common stock valued at approximately \$24,630 and a \$75,370 pledge, payable prior to August 31, 1987, for a total of \$100,000 from Mr. and Mrs. Wade T. Nowlin, Fort Worth, Texas, and established the Wade T. and Bettye C. Nowlin Centennial Professorship in Business Administration in the College of Business Administration and the Graduate School of Business at The University of Texas at Austin.

Further, the gift and pledge, as received, will be matched under The Regents' Endowed Teachers and Scholars Program and will be used to establish the Harold C. and Alice T. Nowlin Regents Professorship in Liberal Arts in the College of Liberal Arts.

10. U. T. Austin: Acceptance of Gift and Pledge from Mr. Jack Rust Crosby, Austin, Texas, and Establishment of the Darrell K. Royal Regents Chair in Ethics and American Society in the College of Liberal Arts and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--Approval was given to accept a \$200,000 gift and a \$300,000 pledge, payable prior to August 31, 1987, for a total endowment of \$500,000 from Mr. Jack Rust Crosby, Austin, Texas, and to establish the Darrell K. Royal Regents Chair in Ethics and American Society in the College of Liberal Arts at The University of Texas at Austin.

The gift and pledge, as received, will be matched under The Regents' Endowed Teachers and Scholars Program and will be used to double the endowment for the Chair.

11. U. T. Austin: Allocation of Additional Matching Funds Under The Regents' Endowed Teachers and Scholars Program For Previously Established Endowed Academic Positions.--
 The Land and Investment Committee recommended and the Board allocated matching funds totaling \$71,996.38 from The Regents' Endowed Teachers and Scholars Program for additional gifts to the endowments of the following previously established endowed academic positions at The University of Texas at Austin:

<u>Eligible Position, Date of Establishment, and Donor</u>	<u>Matching Designation</u>	<u>Total Previously Approved</u>	<u>Additional Gifts</u>
<u>School of Architecture</u>			
Martin S. Kermacy Centennial Professor- ship in Architecture 8/11-12/83	Added to Professorship	\$100,981.50	\$ 3,026.88
Donor: Various Donors			
Edwin A. Schneider Centennial Lecture- ship in Architecture 2/10-11/83	Added to Lectureship	20,000.00	1,000.00
Donor: Various Donors			
<u>College of Business Administration and the Graduate School of Business</u>			
William H. Seay Centennial Professor- ship in Business 8/12-13/82	Margie Gurley Seay Centennial Professorship in Education	00.00	25,218.75
Donor: William H. Seay			
<u>College of Communication</u>			
DeWitt Carter Reddick Centennial Professor- ship in Journalism Education 6/10-11/82	DeWitt C. Reddick Centen- nial Lecture- ship in Communication	122,704.00	14,185.00
Donor: Various Donors			
<u>College of Fine Arts</u>			
Alfred A. and Ellen U. King Centennial Lec- tureship 2/10-11/83	Alfred A. and Ellen U. King Centennial Lectureship (College of Natural Sciences)	35,000.00	400.00
Donor: Patsy Sherrod			

<u>Eligible Position, Date of Establishment, and Donor</u>	<u>Matching Designation</u>	<u>Total Previously Approved</u>	<u>Additional Gifts</u>
<u>College of Liberal Arts</u>			
Liz Sutherland Carpenter Distinguished Visiting Lectureship in the Humanities and Sciences 8/11-12/83	Added to Lectureship	64,325.14	2,569.75
Donor: Various Donors			
<u>College of Natural Sciences</u>			
Dr. Joe Thorne Gilbert Centennial Lectureship in Health Professions 6/16-17/83	Added to Lectureship	35,435.00	100.00
Donor: Eleanor C. Watson			
Edward Randall, Jr., M.D. Centennial Professorship in Astronomy 6/16-17/83	Harlan J. Smith Cen- tennial Pro- fessorship in Astronomy	100,000.00	146.00
Donor: Various Donors			
George W. Watt Centennial Professorship 4/14-15/83	George and Pauline Watt Centennial Lectureship	27,290.00	350.00
Donor: Jim S. Berry - \$50 J. Leonard Dreher - \$100 Chevron U.S.A., Inc. - \$200			
<u>College of Pharmacy</u>			
James E. Bauerle Centennial Professorship in Drug Dynamics 4/7-8/82	Added to Professorship	125,000.00	25,000.00
Donor: Pharmaceutical Foundation Advisory Council			

The additional gifts to each endowment fund have been reported in the institutional docket or small gifts report.

12. U. T. Austin: Centennial Structural Engineering Graduate Fellowship in Civil Engineering in the College of Engineering - Redesignated as the J. Neils Thompson Graduate Fellowship in Structural Engineering.--Upon recommendation of the Land and Investment Committee, the Board redesignated the Centennial Structural Engineering Graduate Fellowship in Civil Engineering in the College of Engineering at The University of Texas at Austin as the J. Neils Thompson Graduate Fellowship in Structural Engineering.

13. U. T. Austin: Acceptance of Gifts from Mrs. W. Kenley Clark, Sugar Land, Texas, and Various Donors and Establishment of the W. Kenley Clark Memorial Fund in the College of Natural Sciences.--The Board, upon recommendation of the Land and Investment Committee, accepted a \$25,000 gift from Mrs. W. Kenley Clark, Sugar Land, Texas, and \$4,355 in gifts from various donors for a total of \$29,355 and established the W. Kenley Clark Memorial Fund in the Department of Geological Sciences, College of Natural Sciences, at The University of Texas at Austin.

A recommendation regarding the use of the income earned from the endowment will be submitted at a later date.

14. U. T. Austin: Acceptance of Gift from Dr. and Mrs. Cecil H. Hale, Austin, Texas, and Establishment of The Jody Conradt Endowed Presidential Scholarship in the Division of Intercollegiate Athletics for Women.--Approval was given to accept a \$25,000 gift from Dr. and Mrs. Cecil H. Hale, Austin, Texas, and to establish The Jody Conradt Endowed Presidential Scholarship in the Division of Intercollegiate Athletics for Women at The University of Texas at Austin.

Income earned from the endowment will be used to grant scholarships to women athletes majoring in the natural sciences.

15. U. T. Austin: Acceptance of Gift from the Disabled American Veterans Auxiliary, Department of Texas, and Establishment of the John and Catherine Early Endowed Scholarship.--The Land and Investment Committee recommended and the Board accepted \$12,840 from the Disabled American Veterans Auxiliary, Department of Texas, and established the John and Catherine Early Endowed Scholarship at The University of Texas at Austin.

Income earned from the endowment will be used to grant scholarships to be administered by the Office of Student Financial Aid per the agreement with the Disabled American Veterans Auxiliary.

16. U. T. Austin: Acceptance of Gift of Securities from Dr. Ralph J. Hanna, Austin, Texas, and Establishment of the Dr. Ralph and Marie B. Hanna Endowed Scholarship in Drama in the College of Fine Arts.--Upon recommendation of the Land and Investment Committee, the Board accepted a gift of 976 shares of InterFirst Corporation common stock from Dr. Ralph J. Hanna, Austin, Texas, and established the Dr. Ralph and Marie B. Hanna Endowed Scholarship in Drama in the College of Fine Arts at The University of Texas at Austin. Net proceeds from the sale of the securities were \$10,711.23.

Income earned from the endowment will be used to provide scholarships for graduate students in the Department of Drama who demonstrate exceptional talent and ability, who pursue excellence and quality in their search for artistic expression, who need financial assistance, and whose area of academic concentration is primarily in one or more of the following: acting, dancing, directing, playwrighting, scenic design or costume design.

17. U. T. Austin: Acceptance of Gift of Approximately 6 1/4 Acres of Land Being a Part of Block No. 51, J. H. Drummond Subdivision, San Patricio County, Texas, from Dr. William T. Rainey, Jr., Dallas, Texas.--Approval was given to accept a gift of approximately 6 1/4 acres of land being a part of Block No. 51, J. H. Drummond Subdivision, San Patricio County, Texas, from Dr. William T. Rainey, Jr., Dallas, Texas, for the sole use and benefit of the Department of Art, College of Fine Arts, at The University of Texas at Austin. The appraised value of the gift is estimated to be approximately \$2,800 per acre.

18. U. T. Austin: Acceptance of Gifts and Transfer of Funds from the Student Financial Aid Scholarship Fund and Establishment of the Ben H. Stough, Jr. Endowed Scholarship.--The Board, upon recommendation of the Land and Investment Committee, accepted \$3,615 in gifts from various donors and an \$8,000 transfer of funds from the Student Financial Aid Scholarship Fund for a total of \$11,615 and established the Ben H. Stough, Jr. Endowed Scholarship at The University of Texas at Austin with \$10,515 of the funds. The remainder will be used to award scholarships in the Spring and Fall Semesters of 1985.

Income earned from the endowment in future years will be used to grant scholarships to needy and deserving students.

19. U. T. El Paso: Acceptance of Gift from the El Paso Administrators' Association, El Paso, Texas, and Establishment of The El Paso Administrators' Association Endowed Scholarship Fund in the College of Education.--Upon recommendation of the Land and Investment Committee, the Board accepted a \$10,000 cash gift from the El Paso Administrators' Association, El Paso, Texas, and established The El Paso Administrators' Association Endowed Scholarship Fund in the College of Education at The University of Texas at El Paso.

Income earned from the endowment will be used to provide an annual scholarship to a student pursuing a career in education with the intention of becoming an administrator.

20. U. T. El Paso: Acceptance of Gift of Real Property Being Lot No. 39, Block 10, Last Frontier Subdivision, Presidio County, Texas, from Mr. Charles R. Keith, Culver City, California.--Approval was given to accept a gift of real property being Lot No. 39, Block 10, Last Frontier Subdivision, Presidio County, Texas, with a market value of approximately \$500, from Mr. Charles R. Keith, Culver City, California, for the unrestricted use and benefit of The University of Texas at El Paso.

21. U. T. San Antonio: Acceptance of Gift from Mr. and Mrs. Arthur Gurwitz, San Antonio, Texas, and Establishment of "The Andrew Gurwitz Memorial Endowment at the University of Texas at San Antonio" in the College of Fine Arts and Humanities.--The Land and Investment Committee recommended and the Board accepted a \$10,000 gift from Mr. and Mrs. Arthur Gurwitz, San Antonio, Texas, and a \$1,480 gift from various donors for a total of \$11,480 and established "The Andrew Gurwitz Memorial Endowment at the University of Texas at San Antonio" in the Division of Music, College of Fine Arts and Humanities.

Income earned from the endowment fund will be used for a scholarship(s) for a music student(s) demonstrating musical merit to be determined annually by an audition before selected members of the faculty of the Division of Music, and such other deserving purposes on the U. T. San Antonio campus in the Division of Music as may be determined from time to time by the Dean of the College of Fine Arts and Humanities and the Director of the Division of Music in consultation with members of the Gurwitz family, if available.

22. U. T. San Antonio: Acceptance of Gift from the H.E.B. Grocery Co., Corpus Christi, Texas, and Establishment of the H.E.B. Endowment in the College of Business.--Upon recommendation of the Land and Investment Committee, the Board accepted a \$10,000 gift from the H.E.B. Grocery Co., Corpus Christi, Texas, and established the H.E.B. Endowment in the College of Business at The University of Texas at San Antonio.

Income from this endowment will be awarded annually as a scholarship to a full-time student pursuing a B.B.A. or M.B.A. degree.

23. U. T. Health Science Center - Dallas (U. T. Southwestern Medical School - Dallas): Establishment of the William Foster Gillespie - Charles Lee Miller Fund.--At the request of the Southwestern Medical Foundation (an external foundation), the William Foster Gillespie - Charles Lee Miller Fund was established at The University of Texas Health Science Center at Dallas (U. T. Southwestern Medical School - Dallas) in accordance with the Regents' Rules and Regulations. The funding for the endowment will be retained by the Southwestern Medical Foundation and administered per the agreement between the Foundation and the U. T. Board of Regents.

Income earned from the endowment will be used for research of medical problems relating to the aging process. It will be allocated two-thirds (2/3) to the Bio-Behavioral Brain Science Program and one-third (1/3) to the Division of Geriatrics Medicine at the U. T. Southwestern Medical School - Dallas.

It was noted that the Southwestern Medical Foundation received a gift from Mrs. Gertrude M. Gillespie, Dallas, Texas, of real property located at the southeast corner of the intersection of Highway 183 and Peters Road, Irving, Texas, in Dallas County, Texas, which is divided into four parcels containing a total of approximately 10 acres. Southwestern Medical Foundation will have all rights and powers to sell the property and hold the proceeds from the sale as assets of the fund, or to hold the property as an asset of the fund.

24. U. T. Health Science Center - Dallas (U. T. Southwestern Medical School - Dallas): Acceptance of Transfer of Gifts and Establishment of the Robert W. Lackey Visiting Professorship and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--The Board, upon recommendation of the Land and Investment Committee, accepted a transfer of previously reported gifts totaling \$56,892.35 from various donors of the Southwestern Medical School Alumni - Dallas and established the Robert W. Lackey Visiting Professorship at the U. T. Southwestern Medical School - Dallas of The University of Texas Health Science Center at Dallas.

Income earned from the Visiting Professorship will be added to the principal of the endowment until a visiting professor is named or the fund reaches the \$100,000 required level to fully endow a Professorship in accordance with the donors' request.

Further, the actual income which will be earned on the \$56,892.35 gifts will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code.

25. U. T. Health Science Center - Dallas (U. T. Southwestern Medical School - Dallas): Robert L. Moore Professorship in Pediatrics - Acceptance of Additional Gifts and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--Approval was given to accept gifts totaling \$96,400 from various donors for addition to the Robert L. Moore Professorship in Pediatrics for a total of \$399,308.08 at the U. T. Southwestern Medical School - Dallas of The University of Texas Health Science Center at Dallas.

Further, these gifts of \$96,400 will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code.

26. U. T. Medical Branch - Galveston: Acceptance of Gift of the Residence of Mr. and Mrs. Sealy Hutchings, Located at 2816-28 Avenue O, City and County of Galveston, Texas.--The Land and Investment Committee recommended and the Board accepted a gift of the residence of Mr. and Mrs. Sealy Hutchings located at 2816-28 Avenue O in the City and County of Galveston, Texas, for the benefit of The University of Texas Medical Branch at Galveston. The property has a current appraised fair market value of \$800,000.

Mr. and Mrs. Hutchings have reserved a life estate in the property and have agreed to maintain the residence at their sole cost and to pay all ad valorem taxes thereon during their life estate.

When the life estate terminates, the U. T. Medical Branch - Galveston proposes to sell the property with the proceeds to be used in "furtherance of education and advancement of medical science" in accordance with the provisions of the deed.

27. U. T. Medical Branch - Galveston: Acceptance of Gift from The Sealy & Smith Foundation for the John Sealy Hospital, Galveston, Texas, and Establishment of the Sealy & Smith Chair in Internal Medicine and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--Upon recommendation of the Land and Investment Committee, the Board accepted a \$500,000 gift from The Sealy & Smith Foundation for the John Sealy Hospital, Galveston, Texas, and established the Sealy & Smith Chair in Internal Medicine at The University of Texas Medical Branch at Galveston.

The actual income which will be earned on the \$500,000 cash gift will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code.

28. U. T. Health Science Center - Houston (U. T. Medical School - Houston): Acceptance of Gift of Securities from Mr. and Mrs. T. R. Reckling, III, Houston, Texas, and Establishment of the Dr. John T. Armstrong Professorship in Obstetrics and Gynecology and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--Approval was given to accept a gift of Exxon Corporation common stock valued at \$100,000 from Mr. and Mrs. T. R. Reckling, III, Houston, Texas, and to establish the Dr. John T. Armstrong Professorship in Obstetrics and Gynecology in the Department of Obstetrics, Gynecology and Reproductive Medicine at the U. T. Medical School - Houston of The University of Texas Health Science Center at Houston.

Further, the actual income which will be earned on the \$100,000 gift, as received, will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code.

29. U. T. Health Science Center - San Antonio (U. T. Medical School - San Antonio): Establishment of the Dale H. Dorn Professorship in Surgery and Eligibility for Matching Funds Under the Texas Eminent Scholars Program (No Publicity).--The Land and Investment Committee recommended and the Board established the Dale H. Dorn Professorship in Surgery at the U. T. Medical School - San Antonio of The University of Texas Health Science Center at San Antonio.

The Professorship will be funded by a gift of \$187,500 from the Forest Oil Corporation, Denver, Colorado, which was reported in the Docket for the October 1984 meeting of the Board.

The actual income which will be earned on the \$187,500 cash gift will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code.

It was requested that no publicity be given to this matter.

30. U. T. Health Science Center - San Antonio (U. T. Medical School - San Antonio): Acceptance of Transfer of Funds from the Department of Psychiatry's Medical Service, Research and Development Plan and Establishment of a Research Professorship in Psychiatry.--Upon recommendation of the Land and Investment Committee, the Board accepted a \$250,000 transfer of funds from the Department of Psychiatry's Medical Service, Research and Development Plan and established a Research Professorship in Psychiatry at the U. T. Medical School - San Antonio of The University of Texas Health Science Center at San Antonio.

Income earned from the endowment will be used to support young investigators or those beginning new projects, ongoing promising projects, and travel to other centers for faculty to gain new knowledge and skills.

31. U. T. Cancer Center (U.T. M. D. Anderson Hospital - Houston): David Bruton, Jr. Professorship in Neuro-Oncology - Acceptance of Transfer of Funds from the Anderson Clinical Professorships Account and Redesignation as the David Bruton, Jr. Chair in Neuro-Oncology.-- Approval was given to accept a \$75,000 transfer of funds from the Anderson Clinical Professorships Account for addition to the David Bruton, Jr. Professorship in Neuro-Oncology at the U.T. M. D. Anderson Hospital - Houston of The University of Texas System Cancer Center for a total endowment of \$600,000. Further, the David Bruton, Jr. Professorship in Neuro-Oncology was redesignated as the David Bruton, Jr. Chair in Neuro-Oncology.
32. U. T. Cancer Center (U.T. M. D. Anderson Hospital - Houston): Acceptance of Gifts and Transfer of Funds from the Anderson Clinical Professorships Account and Establishment of the Ann Rife Cox Chair in Gynecology and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--The Board, upon recommendation of the Land and Investment Committee, accepted a \$280,000 transfer of funds from the Anderson Clinical Professorships Account and gifts of \$312,249 from various donors to be combined with accumulated interest of \$7,751 for a total of \$600,000 and established the Ann Rife Cox Chair in Gynecology at the U.T. M. D. Anderson Hospital - Houston of The University of Texas System Cancer Center.

The actual income which will be earned on the gifts of \$312,249 will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code.

B. REAL ESTATE MATTERS

1. U. T. Austin: Balcones Research Center - Termination of Lease Agreement with Allied Bank North Austin (Formerly National Bank of Commerce) Covering a 1.869 Acre Tract of Land, in Austin, Travis County, Texas.--Upon recommendation of the Land and Investment Committee, the Board terminated a lease agreement under which Allied Bank North Austin (formerly National Bank of Commerce) leased a 1.869 acre tract of land on Research Boulevard, Austin, Travis County, Texas (Balcones Research Center - The University of Texas at Austin). Since the current lease is at the point of rental adjustment, the Lessee will be allowed to continue to pay the current monthly rental of \$1,850 per month until actual vacation of premises takes place.
- The lease is being terminated because the City of Austin is extending Braker Lane and an additional 50 feet of right-of-way will be taken to widen Research Boulevard, which will virtually eliminate access to the drive-in facility.
2. U. T. El Paso: Josephine Clardy Fox Fund - Authorization for Lease of Land Located at 418 E. Overland, El Paso, El Paso County, Texas, to Allright Parking El Paso, Inc., El Paso, Texas.--Approval was given to lease approximately 9,500 square feet of land located at 418 E. Overland, El Paso, El Paso County, Texas, to Allright Parking El Paso, Inc., El Paso, Texas, for a term of five years, commencing December 1, 1984. Rentals in the amount of \$2,725 per month will be received for the first thirty months and an increase of \$200 per month, for a total of \$2,925, for the remaining lease term which will expire on November 31, 1989. Ad valorem taxes will be

paid by Lessor, except that Lessee will pay any excess taxes over those assessed for 1984. Lessee will maintain public liability and bodily injury insurance for the full term of the lease. The lease will be cancelable upon thirty-days' written notice.

III. OTHER MATTERS

1. U. T. Austin: Progress Report on The Regents' Endowed Teachers and Scholars Program.--President Flawn reported that since the October meeting of the U. T. Board of Regents, the number of endowed academic positions at The University of Texas at Austin has increased by 3 chairs, 7 professorships, 6 fellowships and 3 lectureships, for a total of 19 new endowed positions, as a result of The Regents' Endowed Teachers and Scholars Program. The University of Texas at Austin now has 802 endowed academic positions.

President Flawn also reported that U. T. Austin expects to receive funds for the endowment of approximately 47 additional academic positions by August 1987.

2. U. T. Board of Regents: Statement by Chairman Newton Regarding Endowed Faculty Positions in the College of Liberal Arts at U. T. Austin.--At the conclusion of the Land and Investment Committee meeting, Chairman Newton made the following statement with regard to endowed faculty positions in the College of Liberal Arts at The University of Texas at Austin:

Many of you will recall with great pride a red-letter day in the history of The University of Texas at Austin. Last April 16th, a special press conference was called to announce the establishment of 32 (thirty-two) \$1 million chairs in science and engineering at The University of Texas at Austin. At that landmark gathering, it was underscored that the University would continue its energetic development efforts with the highest priority on the creation of significant endowed faculty positions in the College of Liberal Arts and the College of Fine Arts.

I would like to note with special pride the establishment of two (2) \$1 million chairs in the College of Liberal Arts on the list of actions that the Land and Investment Committee has just completed. These include:

1. The Centennial Commission Chair in the Liberal Arts; and
2. The Darrell K. Royal Regents Chair in Ethics and American Society

These reflect this Board's and President Flawn's commitment to increase endowments in the liberal and fine arts on a par with those already created in the sciences and the professional schools.

The University of Texas at Austin is built on the premise that it must have a distinguished faculty in all fields and we will do just that.

REPORT OF BOARD FOR LEASE OF UNIVERSITY LANDS

Regent Yzaguirre, a member of the Board for Lease of University Lands, submitted the following report on behalf of that Board:

Report

The Board for Lease of University Lands met on November 30, 1984, in Austin, Texas, to consider three gas pooling unit agreements and one water flooding project. Exxon submitted two gas unit agreements concerning Block 16 gas field in Ward County. Mobil submitted one gas unit agreement covering lands in Ward County. The three gas units involve salvage operations and will enable the University to receive additional gas royalties from marginal gas zones. The water flooding project submitted by Southland Royalty covers approximately 1,124 acres located in Ward County. The operator will use non-potable water for its operation and should recover an additional 560,000 barrels of oil through these operations. The University should receive approximately two million dollars additional royalty from this project.

Chairman Newton expressed the Board's appreciation to Regents Powell and Yzaguirre for the work they have done as members of the Board for Lease.

OTHER MATTERS

1. U. T. Board of Regents: Statement by Chairman Newton Regarding Passage of Proposition 2 (HJR 19).--Chairman Newton presented the following statement related to the passage of Proposition 2 (HJR 19):

The recent successful passage of Proposition 2 may well be one of the most significant endorsements of higher education that has occurred in the history of this State. By an overwhelming majority, the Texas voters approved the Higher Education Fund and the expansion of the Permanent University Fund in such a way that all public colleges and universities in Texas will have access to ongoing funding for capital construction and renovation as well as those major equipment items and library resources essential to quality academic and research programs, but not made available through the usual legislative appropriations process.

The passage of this constitutional amendment and the resultant inclusion of all components of The University of Texas System within the PUF bonding capacity brings to the Board of Regents an even greater responsibility for the equitable allocation of available resources. Not only must we preserve and enhance the academic and research leadership of U. T. Austin as the flagship campus, we must also carefully and confidently allocate resources to the other thirteen academic and health-related components which

will allow them to fulfill their goals of selective excellence and general academic quality.

This Board, with the leadership of the Academic and Health Affairs Committees, has been deeply involved in a Systemwide strategic planning program. We have carefully developed role and scope statements for our components and blue-printed an academic future for those institutions. Clearly, the next step is the allocation of Permanent University Fund bond proceeds to provide for the implementation of this planning process.

With the assistance of the Office of the Chancellor, Regent Hay chairs a Regental committee charged with the allocation of those increased resources made possible by Proposition 2. I can conceive of no more important assignment for a committee and no more important responsibility for the Board as a whole during 1985 than to develop and implement equitable guidelines for the allocation of these PUF resources. The decisions made during this next year will directly influence the academic and research development of the U. T. System components for the next decade and beyond.

2. U. T. Board of Regents: Resolution of Appreciation to Frank Harrison, M.D., President of The University of Texas Health Science Center at San Antonio.--Chairman Newton stated that the agenda for Executive Session on Friday (December 14) indicated there would be Board action to appoint a successor to Frank Harrison, M.D., who has announced his retirement as President of The University of Texas Health Science Center at San Antonio. In recognition of Dr. Harrison's many years of devoted service to The University of Texas System, Chairman Newton read and presented the following Resolution of Appreciation:

Resolution of Appreciation

The Board of Regents
Expresses to
FRANK HARRISON, M.D., Ph.D

Its Deep Appreciation for his more than
three decades of Distinguished Service
to
The University of Texas System

In Particular, it is especially grateful
for his wise counsel and exceptional
leadership as:

President, The University of Texas at Arlington
1969 - 1972

and

President, The University of Texas Health Science Center
at San Antonio
1972 - 1984

Adopted by Unanimous vote this 13th day of December 1984

(signed by all members of the Board)

Chairman Newton expressed the Board's best wishes to Dr. Harrison as he continues to devote his time and talents to new projects on behalf of the U. T. Health Science Center - San Antonio. President Harrison graciously accepted this accolade and expressed his sincere appreciation to the Board for the opportunity to serve The University of Texas System. He stated that he would continue to watch the steady progress of the U. T. System and would expect the same impressive record to be maintained.

3. Permanent University Fund: Report by Regent Powell on the Effects of The University of Texas System Water Policy During 1983-84.--Regent Powell, reminding the Board of his long-time interest in the West Texas water situation and of the responsibility of the Land and Investment Committee in this subject, received permission from Chairman Newton to present the following report on the effects of The University of Texas System Water Policy on Permanent University Fund Lands during 1983-84:

Report by Regent Powell

A recent request for an oil field waterflood project has given me and the University staff the opportunity to review the University's water policy adopted in September of 1973. I would like to briefly review that policy with the Board.

The policy adopted by the Board established four priorities for the use of potable and non-potable University water which are as follows:

1. Reasonable reserves for the University's grazing lessees for domestic use and livestock needs were the top priority along with the requirements of the University mineral lessees in use of water for the drilling of exploratory oil and gas wells.
2. The second priority established by the Board was water for municipalities.
3. The third priority permitted sale of potable water for industrial use such as water for use in a plant or refinery which is processing products from University Lands.
4. The University Policy prohibited water for irrigation by its surface grazing lessees except where there was danger of drainage to adjacent lands by operation on these lands.

The policy further prohibited the sale of potable water for waterflooding oil reservoirs but allowed the free use of non-potable water (water containing more than 2500 parts per million to total solids) for secondary recovery operation on University Lands.

A summary of the use of University ground water for the 1983-84 fiscal year will illustrate the effects of our policy.

At the present time, the University has eight municipal water contracts which serve many cities and towns located in West Texas. Last year, approximately 125 million barrels of water was sold for municipal use at an average price of 0.44¢ per barrel for an income of \$555,000.

There are also thirty-two industrial contracts, and during the past fiscal year, the University received income of \$142,000 from the sale of nine million barrels of water. The average price for industrial sales is 1.5¢ per barrel.

At the present time, the only ground water being used for irrigation by our grazing lessees is in Pecos County where around 960 acres of alfalfa and small grain crops are grown annually. Approximately 11 million barrels of water is used annually by our farming lessees for these crops. The University receives approximately \$19 an acre annual rental on these lands. The lands have been irrigated for over 30 years and were "grandfathered" from the University's present water policy. Irrigation on these lands is being phased out and within a few years, the irrigation will be discontinued completely by our surface lessees. There is, of course, water being used by the University System for its vineyard operations and the University experimental agricultural research programs. Approximately 16 million barrels are used annually for these purposes.

There are eighteen waterflood contracts for secondary recovery projects on University Lands. Sixteen of these contracts are for non-potable water and two contracts are for potable water. The two potable water contracts involve a very small volume of water of approximately 30,000 barrels a month. These two contracts were authorized by the Board of Regents in 1959 and 1961, and were prior to the University's water policy. In keeping with our policy, the University receives no direct income from these contracts.

A review of all these contracts shows that the University water policy has been implemented as designated by the Board of Regents.

Around 93% of all water sales is going to municipal use and 7% for industrial use. There is no water being used for irrigation except for the U. T. System's own use and benefit and the acreage in Pecos County.

The University Ground Water Policy has worked well in the past, and hopefully will continue in the future.

However, I would like to share with the Board my concern about the future of ground water in Texas. For the past few months, I have had the opportunity of meeting with Governor White and his staff on matters effecting ground water uses in the future. There will be legislation introduced at the next session of the Legislature that could possibly change the University's control over its ground water. Water legislation will be a major issue during the coming session, and I would urge the U. T. System to work with the Legislature to insure that the Board retain complete control over the ground water under its West Texas Lands.

Chairman Newton expressed the Board's appreciation to Regent Powell for his interest and concern regarding the water situation in West Texas and pledged the Board's continued responsible stewardship of these valuable resources.

SCHEDULED MEETINGS.--It was ordered that the meetings of the U. T. Board of Regents for the calendar year 1985 be scheduled as set forth below:

<u>Dates</u>	<u>Locations/Hosts</u>
February 14-15	Austin
April 11-12	U. T. Health Center - Tyler
June 13-14	U. T. Austin
August 8-9	Austin
October 10-11	U. T. Arlington
December 12-13	U. T. Permian Basin

RECESS.--At 3:30 p.m., Chairman Newton announced that the Board would recess to convene in Executive Session to discuss matters pursuant to Vernon's Texas Civil Statutes, Article 6252-17, Sections 2(e), (f) and (g) and that the Executive Session would continue on Friday morning.

Friday, December 14, 1984

At 9:00 a.m. on Friday, December 14, 1984, the Board reconvened in Executive Session in Room 316 of The Union - East to discuss matters in accordance with Article 6252-17, Sections 2(e), (f) and (g) of Vernon's Texas Civil Statutes: Litigation, Land Acquisition and Personnel Matters.

RECONVENE.--At 11:45 a.m., the Board reconvened in open session for the purpose of acting on items discussed in Executive Session.

EXECUTIVE SESSION OF THE BOARD OF REGENTS

Chairman Newton reported that the Board had met in Executive Session in Room 316 of The Union - East at U. T. El Paso on Thursday afternoon (December 13) following the meetings of the Standing Committees and continued its meeting on Friday morning (December 14) to discuss matters in accordance with Article 6252-17, Sections 2(e), (f) and (g) of Vernon's Texas Civil Statutes. In response to Chairman Newton's inquiry regarding the wishes of the Board, the following actions were taken.

1. Permanent University Fund: Authorization to Conclude Negotiations With Mid-America Petroleum, Inc., Midland, Texas, to Avoid Potential Litigation Involving Use of Fresh Water for Waterflood Projects on Permanent University Fund Lands in West Texas and Authorization for Executive Vice Chancellor for Asset Management to Execute All Documents to Effectuate Arrangement and for the Office of General Counsel to Take Action to Enforce Water Policy If Negotiations Fail.--Regent Richards moved that:

- a. Regents Powell and Yzaguirre and Executive Vice Chancellor for Asset Management Patrick and the Office of General Counsel be authorized to conclude negotiations within the parameters established by the U. T. Board of Regents in avoidance of potential litigation involving the use of potable water by Mid-America Petroleum, Inc., Midland, Texas, in its waterflooding project on Permanent University Fund Lands in Pecos County, Texas
- b. The Executive Vice Chancellor for Asset Management be authorized to execute all necessary instruments to effectuate this arrangement with Mid-America Petroleum, Inc. after approval by the Office of General Counsel
- c. If negotiations fail, the Office of General Counsel, in cooperation with the Attorney General, be authorized to take all necessary steps to enforce its present water policy in the event Mid-America Petroleum, Inc. attempts to use potable water in its waterflood project

in Pecos County, Texas, without the written consent of the U. T. Board of Regents.

Vice-Chairman Briscoe and Regent Rhodes seconded the motion which carried by unanimous vote.

2. U. T. Health Science Center - Houston: Settlement of Medical Malpractice Litigation -- Mr. Howard Bundick, et al.--Upon motion of Vice-Chairman Briscoe, seconded by Regent Richards, the Board authorized the Office of the Chancellor and the Office of General Counsel to settle the medical malpractice claim involving Mr. Howard Bundick, et al, and The University of Texas Health Science Center at Houston in accordance with the proposal presented in Executive Session.

3. U. T. System: Approval of Lease Agreement with The University of Texas Foundation, Inc. for Real Property (4207 Benedict) Located in Austin, Travis County, Texas, and Authorization for Appropriate Officials to Execute Lease Agreement.--Regent Milburn moved that the Board of Regents enter into a lease agreement with The University of Texas Foundation, Inc. covering certain real estate located at 4207 Benedict, Austin, Travis County, Texas, within the parameters discussed in Executive Session and that the appropriate official of System Administration be delegated authority to execute said lease after it has been approved as to content by the Real Estate Officer and form by the Office of General Counsel.

Regents Powell and Hay seconded the motion which prevailed by unanimous vote.

4. U. T. Austin: Consideration of Negotiations for Gifts Related to the Establishment of Endowed Academic Positions in the College of Education.--Chairman Newton reported that the item regarding negotiations for gifts related to the endowment of academic positions in the College of Education at The University of Texas at Austin was discussed with the Office of the Chancellor and it was determined that no Regental action was necessary at this time.

5. U. T. Board of Regents - Regents' Rules and Regulations: Amendments to Part One, Chapter II, and Part Two, Chapter IX (Duties and Responsibilities of Executive Vice Chancellor for Asset Management), and Authorization for Executive Secretary to Make Editorial Changes Therein.--Regent Yzaguirre moved that the assignment of duties and responsibilities of the Executive Vice Chancellor for Asset Management for The University of Texas System be formalized in the Regents' Rules and Regulations in accordance with the recommendations submitted by Chancellor Mark in Executive Session.

Regent Powell and Vice-Chairman Briscoe seconded the motion which carried without objection.

Whereupon, Chapter II of Part One and Chapter IX of Part Two of the Regents' Rules and Regulations were amended to read as set forth on Pages 225 - 233 and authorization was given for the Executive Secretary, in consultation with the Office of General Counsel, to make such editorial changes therein to conform to these amendments.

1. Part One, Chapter II, was amended as set forth below:

a. Subsections 2.2 and 2.3 of Section 2 were amended to read as follows:

2.2 Composition.

The Office of the Chancellor consists of the Chancellor, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Asset Management, the Executive Vice Chancellor for Health Affairs and such direct supporting staffs for these officers as may be required and provided for in the annual operating budget and amendments thereto. The Chancellor shall coordinate consultation among the principal officers of the Office of the Chancellor.

2.3 Chancellor/Chief Executive Officer.

The Chancellor is the chief executive officer of the System and directly reports to and is responsible to the Board. He has direct line responsibility for all aspects of the U. T. System's operations. In addition, he has first line supervisory responsibility for the governmental relations and audit functions of the System and provides day-to-day supervision for the holders of the following positions who directly report to the Office of the Chancellor: the Executive Director for Finance and Administration; the General Counsel; the Director of Development; and the Director of the Office of Facilities Planning and Construction.

b. A new Subsection 2.5 was added to Section 2 to read as follows:

2.5 Executive Vice Chancellor for Asset Management.

The Executive Vice Chancellor for Asset Management is the chief operating officer of the System for management of the assets of the U. T. System and, in consultation with the Chancellor, directly reports to and is responsible to the Board for conduct of the asset management programs of the U. T. System. The Manager of University Lands - Oil, Gas and Mineral Interests, the Manager of University Lands - Surface Interests, the Executive Director for Investments and Trusts, and the Director of the University Lands Accounting Office, acting in a line capacity for the operation of their functions, report to and are responsible to the Executive Vice Chancellor for Asset Management.

c. The existing Subsection 2.5 of Section 2 was renumbered as Subsection 2.6.

d. Subsection 4.1 of Section 4 was amended to read as follows:

4.1 Chief Executive and Chief Operating Officers.

The Chancellor, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Asset Management, and the Executive Vice Chancellor for Health Affairs,

shall be elected by the affirmative vote of a majority of the Regents in office and shall hold office without fixed term, subject to the pleasure of the Board.

- e. The caption of Section 6 was amended to read as follows:

Sec. 6. Primary Duties of the Chief Operating Officers in the Office of the Chancellor.

- f. Subsection 6.1 of Section 6 was deleted, thereby causing the existing Subsection 6.2 to be renumbered as 6.1.

- g. A new Subsection 6.2 was added to read as follows:

6.2 The Executive Vice Chancellor for Asset Management.

The Executive Vice Chancellor for Asset Management has direct responsibility for lands management (including management of trust lands, endowment lands, and management of the Permanent University Fund lands); investments and trusts (including investment and management of trusts, trust assets, and endowments) and management of the investment of the Permanent University Fund. He has as a prime responsibility the management of the lands, trusts, endowments, and other such funds of the System in such a manner as to maximize the monies available for excellence in all activities of the System. Through the Office of the Chancellor, he shall prepare recommendations and supporting information on all such operations for consideration by the appropriate standing committees of the Board of Regents.

- h. The existing Subsection 8.4 of Section 8 was renumbered as Subsection 8.2 and the existing Subsections 8.2 and 8.3 were moved to a new Section 9 where they were revised and renumbered to read as follows:

Sec. 9. Asset Management.

9.1 Lands Management.

9.11 The Executive Vice Chancellor for Asset Management provides direction and management for all transactions relative to Permanent University Fund Lands (hereinafter sometimes referred to as "University Lands"), trust lands, and other noncampus real estate interests owned or controlled by the Board of Regents. In the exercise of those responsibilities, he:

9.111 Works closely with the Board for Lease of University Lands in the discharge of its duties and responsibilities.

9.112 Works closely with the chief administrative officer of a component institution of the System and his delegates with regard

to the management of trust lands and other noncampus real estate interests held by the Board of Regents for and on behalf of a particular institution.

- 9.113 Establishes procedures that insure effective coordination with the Executive Director for Investments and Trusts with regard to the management of trust lands other than University Lands.
- 9.114 Directs and manages the operation of the following budgeted activities which are part of the Office of Lands Management:
Board for Lease - University Lands;
University Lands - Oil, Gas, and Mineral Interests;
University Lands Accounting Office;
University Lands - Surface Interests (Oil Field Supervision); and
University Lands - Surface Interests (Leasing and Agricultural Projects).
- 9.12 Manager of University Lands - Oil, Gas, and Mineral Interests.
Subject to delegation by the Executive Vice Chancellor for Asset Management, the Manager of University Lands - Oil, Gas, and Mineral Interests is responsible for providing field supervision of System operations, activities and transactions involving oil, gas, and mineral development and production on the University Lands. Within limits of authority set by the Executive Vice Chancellor for Asset Management, the Manager's regular duties include:
- 9.121 Making recommendations to the Board for Lease of University Lands, and the Board of Regents, as appropriate, for periodic oil and gas lease sales of University Lands, and for unitization, pooling and other transactions involving oil and gas leasehold and royalty interests and other mineral interests in University Lands.
- 9.122 Organizing, directing, guiding, setting objectives and standards for, and assigning and evaluating the work of all personnel reporting to him.
- 9.123 Reviewing periodically the terms and conditions of forms and transactions involving oil and gas interests in

University Lands, and making recommendations with respect thereto to the Executive Vice Chancellor for Asset Management and the Board for Lease of University Lands.

9.124 Reporting regularly to the Executive Vice Chancellor for Asset Management and the Board for Lease of University Lands all activities, developments and problems which could significantly affect System interests and University Lands, together with his recommendations with respect thereto.

9.125 Working closely with the Board for Lease of University Lands in the discharge of its duties and responsibilities.

9.126 Coordinating with the Manager of University Lands - Surface Interests in the discharge of their respective duties and responsibilities.

9.13 Manager of University Lands - Surface Interests.

Subject to delegation by the Executive Vice Chancellor for Asset Management, the Manager of University Lands - Surface Interests is responsible for providing field supervision of System operations, activities, and transactions pertaining to surface interests, water rights and oil and gas field operations in or on University Lands. Within limits of authority set by the Executive Vice Chancellor for Asset Management, the Manager's regular duties include:

9.131 Making recommendations to the Board with respect to all transactions involving surface interests in University Lands, including research projects, right-of-way easements, agricultural, grazing and other surface use leases, and geophysical permits.

9.132 Organizing, directing, guiding, setting objectives and standards for, and assigning and evaluating the work of all personnel reporting to him.

9.133 Reviewing periodically the terms and conditions of forms and transactions involving surface interests in University Lands, and making recommendations with respect thereto to the Executive Vice Chancellor for Asset Management.

9.134 Reporting regularly to the Executive Vice Chancellor for

Asset Management all activities, developments and problems which could significantly affect System interests in University Lands, together with his recommendations with respect thereto.

9.135 Working closely with federal and state agencies in connection with research and development projects and activities, involving utilization and husbandry of University Lands, of mutual interest to the System and such agencies.

9.136 Coordinating with the Manager of University Lands - Oil, Gas, and Mineral Interests in the discharge of their respective duties and responsibilities, and acts as oil and gas fields supervisor.

9.2 Investments and Trusts.

Subject to delegation by the Executive Vice Chancellor for Asset Management, the Executive Director for Investments and Trusts implements, when they are approved by the Board, policies and actions with respect to:

9.21 Investing, managing, and administering of all endowment funds belonging to the System and its component institutions, including the Permanent University Fund and all trusts and special funds.

9.22 Issuing, managing, and paying all bonds and other evidences of indebtedness issued by the Board for System and its component institutions.

9.23 Presenting to the Board through the Office of the Chancellor periodic reports of the status and prospect of funds for which he has responsibility and that will be available for expenditure by the System and its component institutions.

9.24 Consulting with the Executive Associate for Economic Affairs with respect to the development of long-range plans for the development and management of the economic resources of the System and its component institutions.

- i. Existing Sections 9 through 17 were renumbered as Sections 10 through 18, respectively.
2. Part Two, Chapter IX, was amended as set forth below:
 - a. Subsections 1.1, 1.2, 1.3, 1.4, 1.5 and 1.6 of Section 1 were amended to read as follows:
 - 1.1 Authority to Purchase, Exchange, and Sell Securities for and on Behalf of the Permanent University Fund of The University of Texas System (hereinafter sometimes referred to as "PUF") and the Board.--The Chancellor,

or his delegate, the Executive Vice Chancellor for Asset Management, and the Executive Director for Investments and Trusts are authorized to purchase, exchange, and sell any and all securities for and on behalf of the PUF or the Board, and to execute any and all documents necessary to the consummation of any purchases or exchanges. In addition, Investment Counselors appointed by the Board of Regents may purchase, sell, or exchange securities from funds designated from the PUF and the Common Trust Fund in accordance with such Counselor's contracts.

- 1.2 Authority to Assign and Transfer Securities Owned by the PUF and the Board.--The Chancellor, the Executive Vice Chancellor for Asset Management, the Executive Director for Investments and Trusts, the Comptroller and Associate Comptroller, and the Trust Officer may each assign and transfer any and all securities of any description whatever and execute any and all documents necessary to the consummation of any sale, assignment, or transfer of any securities registered in the name of the PUF or the Board, or in any other form of registration of such securities held for the account of the PUF or the Board in whatever manner, including all fiduciary capacities and including those registered in the names of trusts or foundations managed and controlled by said Board.
- 1.3 Authority to Execute Instruments Relating to Land and Mineral Interests.--The Chairman of the Board, the Vice-Chairmen, the Chancellor, or his delegate, and the Executive Vice Chancellor for Asset Management are each authorized to execute conveyances, deeds, surface and/or mineral leases, easements, rights-of-way, oil and gas division orders, and transfer orders, geophysical and material source permits, water contracts, pooling and unitization agreements, and any other instruments as may be necessary or appropriate from time to time, relating to the handling, management, control, and disposition of any real estate or mineral interest held or controlled by the Board as a part of the PUF or as a part of any trust or special fund.
- 1.4 Authority to Receive and Collect Money and/or Property.--The Chancellor, the Executive Vice Chancellor for Asset Management, and the Executive Director for Investments and Trusts are each authorized and empowered to ask, demand, collect, recover, and receive any and all sums of money, debts, dues, rights, property, effects, or demands, whatever, due, payable, or belonging, or that may become due, payable, or belonging to any of the above funds from investment transactions, from any person or persons, whatever, and to execute any and all necessary or proper receipts, releases, and discharges therefor.

1.5 Authority to Execute Proxies.--The Chancellor, or his delegate, the Executive Vice Chancellor for Asset Management, and the Executive Director for Investments and Trusts, and the Investment Officer and the Director of Stock Research are each authorized to execute proxies within the approved investment policies.

1.6 Authority to Purchase, Sell, and Transfer Book-Entry United States Government and Government Agency Securities.--The Chancellor, or his delegate, the Executive Vice Chancellor for Asset Management, and the Executive Director for Investments and Trusts, or the Investment Officer of The University of Texas System may direct a member bank of the Federal Reserve System to purchase, sell, or transfer any United States Government or Government Agency securities in book-entry form for the Permanent University Fund of The University of Texas System and for the Board of Regents of The University of Texas System.

b. Subsections 2.5, 2.6, and 2.7 of Section 2, and Paragraphs 2.92 and 2.93 of Subsection 2.9 of Section 2 were amended to read as follows:

2.5 Policies with Respect to Stock Rights, Fractional Shares, and Proxies.

2.51 Exercise of or sale of stock rights is to be made at the discretion of the Chancellor, the Executive Vice Chancellor for Asset Management, or the Executive Director for Investments and Trusts. Stock rights which arise in connection with funds under control of an investment counselor shall be handled by that counselor in its discretion.

2.52 As a general rule, fractional shares received from stock dividends, etc., are to be sold. In each instance, the decision to round out fractional shares or to sell will be made by the Chancellor, the Executive Vice Chancellor for Asset Management, or the Executive Director for Investments and Trusts. Fractional shares which arise in connection with funds under control of an investment counselor shall be handled by that counselor in its discretion.

2.53 As a general rule, voting stocks held are to be voted by returning proxies to present management. When the Executive Director for Investments and Trusts determines that a vote with management would not be in the shareholder's best financial interest, or when a proposal under consideration is of a social nature, the matter will be referred to the Chancellor and the Executive Vice Chancellor for Asset Management, or, in the event both of them are absent, to the Chairman of the Land and Investment Committee.

- 2.6 Exchange of Bonds.--The Chancellor, the Executive Vice Chancellor for Asset Management, and the Executive Director for Investments and Trusts are each authorized to exchange bonds owned, from time to time, on a par for par basis (with such cash adjustments as may be required) for other eligible bonds or obligations. In any such exchange the cost of the bonds exchanged out (plus or minus the cash adjustments involved) shall be carried forward as the cost of the bonds or obligations acquired, even though the sale and purchase may be effected through different brokers. Such sales and purchases may be considered as exchanges provided there has been an improvement in book yield.
- 2.7 Advice of Investment Advisory Committee.--The Chancellor, the Executive Vice Chancellor for Asset Management, and the Executive Director for Investments and Trusts shall seek the advice and counsel of the Investment Advisory Committee at its regular quarterly meetings on all of the major matters involving the PUF.
- 2.92 Implementation of Mortgage Loan Program: the Chancellor, the Executive Vice Chancellor for Asset Management, or the Executive Director for Investments and Trusts are each authorized to purchase insured mortgage loans and to execute such documents necessary in conducting a mortgage loan program, including the execution of assignments of any notes and liens when appropriate to do so.
- 2.93 The Chancellor, the Executive Vice Chancellor for Asset Management, or the Executive Director for Investments and Trusts are each authorized to take any and all steps as may be considered necessary or advisable to protect the interest of the PUF in event of default occurring with respect to any guaranteed loans, including the power to acquire title on behalf of the Board to the property securing any such note and to execute on behalf of the Board the necessary deed conveying the properties to the U.S. Government or department or agency thereof.
- c. Subsection 5.2 of Section 5 was amended to read as follows:
- 5.2 Duties.--The Staff Investment Committee shall cooperate with and advise the Chancellor and the Executive Vice Chancellor for Asset Management on matters relating to the management of investments.
- d. The lead-in paragraph of Section 6 and Subsection 6.4 of Section 6 were amended to read as follows:
- Sec. 6. Investment Advisory Committee.--The Investment Advisory Committee is and has

been established in order to assist and advise the Chancellor, the Executive Vice Chancellor for Asset Management, and the Executive Director for Investments and Trusts with respect to matters relating to the management of investments for which said Executive Director is responsible. The following rules shall apply to such Committee:

6.4 Meetings.--Meetings shall be held quarterly and at such other dates as may be considered advisable by the Chancellor and the Executive Vice Chancellor for Asset Management.

6. U. T. Health Science Center - San Antonio: John P. Howe III, M.D., Appointed Chief Administrative Officer (President) Effective February 1, 1985.--Upon motion of Vice-Chairman Briscoe, seconded by Regent Hay and Vice-Chairman Baldwin, John P. Howe III, M.D., currently Vice-Chancellor and Academic Dean of the University of Massachusetts Medical School, was elected President of The University of Texas Health Science Center at San Antonio effective February 1, 1985, at a compensation to be negotiated with Executive Vice Chancellor Mullins and reported to the Board via the usual budgetary procedures.

It was noted that Dr. Howe was one of the candidates recommended to the Board by the Advisory Committee on the Selection of a President for that component.

OTHER BUSINESS

1. U. T. Austin: Announcement of Resignation of President Peter T. Flawn Effective August 31, 1985, and Appointment of Advisory Committee for the Selection of a Chief Administrative Officer (President).--Chairman Newton reported that President Peter T. Flawn had indicated to the U. T. Board of Regents and to Chancellor Mark his wish to retire from The University of Texas at Austin effective August 31, 1985. He stated that the Board had accepted President Flawn's request with the greatest reluctance, recognizing that his years as President of U. T. Austin have been extraordinarily successful and that history will record the exceptional value of his administrative and academic leadership in the development of that campus to international stature.

Chairman Newton noted that it is the responsibility of the Board to continue the marvelous record of accomplishment so well advanced by President Flawn and to initiate the search process for his successor.

In accordance with the Regents' Rules and Regulations, Part One, Chapter II, Section 16, Chairman Newton appointed

the following as members of the Advisory Committee for the Selection of a Chief Administrative Officer (President) of The University of Texas at Austin:

Advisory Committee for the
Selection of a Chief Administrative Officer
for
The University of Texas at Austin

System Administration Representatives

Executive Vice Chancellor for Academic Affairs
Dr. James P. Duncan (Chairman)
Chancellor Hans Mark

Board of Regents

Regent Robert B. Baldwin III
Regent Jess Hay
Regent Beryl Buckley Milburn

Chief Administrative Officers

Dr. Charles C. Sprague, President, The University
of Texas Health Science Center at Dallas
Dr. James W. Wagener, President, The University
of Texas at San Antonio
Dr. George Hamm, President, The University of Texas
at Tyler

Ex-Students' Association - U. T. Austin

Mr. Bob Dorsey, President

The Regents' Rules and Regulations also specify that five (5) faculty members, a dean, and two (2) students be selected by appropriate campus procedures to serve on this Advisory Committee. Chairman Newton requested President Flawn to initiate these selection procedures immediately and to advise him of these campus representatives at the earliest possible date.

In addition, with the concurrence of the Board, Chairman Newton expanded the membership of the Advisory Committee to include three members of the Centennial Commission. The Commission worked for nearly three years to develop a blueprint for greatness for U. T. Austin, and the experience and expertise of that Commission should be used in searching for the president whose responsibility it will be to implement that blueprint. Furthermore, the addition of these external members continues a policy which Dr. Flawn used with great success in the search processes for the deans that he appointed during his tenure as president.

Therefore, Chairman Newton added the following members of the Centennial Commission to the Advisory Committee:

Mr. Wales H. Madden, Jr., Amarillo
Mr. John Chase, Houston
Mrs. Maline Gilbert McCalla, Austin

2. U. T. Austin: Dr Peter T. Flawn Appointed President-Emeritus Effective September 1, 1985.--Chairman Newton stated that President Peter T. Flawn's decision to retire from The University of Texas at Austin was an acute disappointment to the U. T. Board of Regents and to literally thousands of U. T. Austin friends and supporters who had all admired his outstanding accomplishments.

Chairman Newton noted that without exception those familiar with Dr. Flawn's distinguished record and the statewide media have credited him with exceptional vision in the guidance of U. T. Austin and the extraordinary management skill that brought those visions to reality. Future generations of faculty and students will have reason to be grateful for his remarkable leadership of the flagship campus.

In recognition of what Dr. Flawn has meant to U. T. Austin and for all that he has accomplished to nurture and develop its national and international academic and research stature, Chairman Newton moved that, in accordance with the Regents' Rules and Regulations, Part One, Chapter II, Section 4.3, Dr. Peter Flawn be appointed President-Emeritus of The University of Texas at Austin effective September 1, 1985. Regent Richards seconded the motion which was unanimously adopted.

Chancellor Mark stated that he regretted Dr. Flawn's decision to retire and hoped that the U. T. System would be able to draw on his wisdom and experience in the future.

In response to this action, President Flawn expressed his sincere appreciation to the Board for the opportunity to serve The University of Texas System and noted that this Board has had a vision to see what the U. T. System can be.

3. U. T. Board of Regents: Comments by Retiring Regents Richards and Powell and Expressions of Appreciation for Their Service.--Regent Richards noted that Chairman Newton in his remarks at the social event the previous evening had indicated that his Regental term would expire on February 1, 1985, along with that of Regents Powell and Richards, and that this would, in all likelihood, be their final Board meeting.

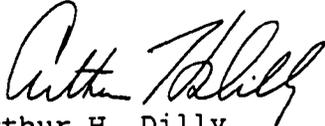
With this in mind, Regent Richards said "I have thoroughly enjoyed my last six years on this Board. I guess I have been like a kid in a candy store. It has been an honor to serve on the Board of Regents of the finest System in the country."

Regent Powell then made the following statement: "It has been a great pleasure to serve on a citizens board of this nature. I am indebted to Governor Dolph Briscoe for appointing me. I think this Board demonstrates the genius of our Constitution which allows a citizens board to operate as the responsible agent of state government. Never should they be interfered with."

Responding on behalf of the Board, Regent Rhodes said: "I personally want to say that we have been blessed with two outstanding chairmen and you each have done a first-class job. You have been leaders and we have all had our input and appreciate it. Howard did an outstanding job as Chairman of the Buildings and Grounds Committee, and I hope we can survive without your leadership."

Regent Hay concluded: "We would all like to say to Jon, Jimmie and Howard that serving with you has been a complete joy and you have symbolized what is the secret of the continuity to the U. T. System and have sought what is best for the System. We are in your debt for the opportunity to serve with you."

ADJOURNMENT.--There being no further business, the meeting was adjourned at 12:00 noon.


Arthur H. Dilly
Executive Secretary

December 28, 1984