

Meeting No. 807

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

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February 14-15, 1985

Austin, Texas

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MEETING NO. 807

THURSDAY, FEBRUARY 14, 1985.--The members of the Board of Regents of The University of Texas System convened in regular session at 1:05 p.m. on Thursday, February 14, 1985, in the Regents' Meeting Room on the ninth floor of Ashbel Smith Hall in Austin, Texas, with the following in attendance:

ATTENDANCE.--

Present

Vice-Chairman Baldwin, presiding
Vice-Chairman (Mrs.) Briscoe
Regent Blanton
Regent Hay
Regent (Mrs.) Milburn
Regent Ratliff
Regent Rhodes
Regent Roden
Regent Yzaguirre

Absent

Executive Secretary Dilly

Chancellor Mark

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

[On February 11, 1985, Governor Mark White named the following to membership on the Board of Regents of The University of Texas System for terms to expire on February 1, 1991:

Mr. Jack S. Blanton, Houston, Texas, to succeed
Mr. Jon P. Newton of Austin, Texas, whose term
expired on February 1.

Mr. Shannon H. Ratliff, Austin, Texas, to succeed
Mr. Howard N. Richards of Austin, Texas, whose
term expired on February 1.

Mr. William F. Roden, Midland, Texas, to succeed
Mr. James L. Powell of Fort McKavett, Texas,
whose term expired on February 1.

Each of the above was confirmed by the Senate of Texas and took the oath of office on February 14, 1985.]

Vice-Chairman Baldwin announced a quorum present and called the meeting to order. On behalf of the Board, the officials of U. T. System Administration and the component institutions of The University of Texas System, Vice-Chairman Baldwin welcomed Regents Blanton, Ratliff and Roden to membership on the U. T. Board of Regents and stated that the Board looked forward to their counsel in the governance of the U. T. System.

U. T. AUSTIN: APPEARANCE OF MR. TEX ROBERTSON, MR. MIKE BROWN, MR. RICHARD QUICK, AND MR. EDDIE REESE REGARDING THE NATIONAL COLLEGIATE ATHLETIC ASSOCIATION (NCAA) SWIMMING AND DIVING CHAMPIONSHIPS TO BE HELD IN AUSTIN, TEXAS, ON MARCH 28-30, 1985.-- Vice-Chairman Baldwin introduced Mr. Tex Robertson, a representative of Working Exes for Texas Swimming (WETS), and reported that for many years Mr. Robertson has been the "head cheerleader" for the intercollegiate athletic swimming program at The University of Texas at Austin.

Mr. Robertson stated that this was his eighth time to come before the Board of Regents and that his appearance today was to promote the National Collegiate Athletic Association (NCAA) Swimming and Diving Championships to be held at U. T. Austin on March 28-30, 1985, and to show appreciation to the Board for its many years of support for the swimming program.

With the aid of brochures, Mr. Robertson briefly reviewed the activities associated with the upcoming NCAA meet and introduced the following who have contributed to the success of the swimming program at U. T. Austin: Mr. Mike Brown, Diving Coach; Mr. Richard Quick, Swimming Coach for Intercollegiate Athletics for Women; and Mr. Eddie Reese, Head Swimming Coach. All three coaches expressed appreciation for the opportunity to be associated with the swimming program at U. T. Austin and encouraged attendance at the NCAA activities in March.

U. T. BOARD OF REGENTS: MEMORIAL RESOLUTION TO GOVERNOR ALLAN SHIVERS, FORMER MEMBER AND CHAIRMAN OF THE BOARD OF REGENTS.-- Vice-Chairman Baldwin presented the following memorial resolution in honor of Governor Allan Shivers, former member and Chairman of the Board of Regents:

MEMORIAL RESOLUTION

WHEREAS, The Board of Regents of The University of Texas System records with profound sorrow the death of its former Chairman and Member, Allan Shivers, on January 14, 1985;

WHEREAS, Others will chronicle his distinguished career as State Official, Successful Businessman, Wise Counselor, Dedicated Farmer and Rancher, Thoughtful Humanitarian and Skilled Banker;

WHEREAS, The Board of Regents wishes to acknowledge his dedicated service to the University and to pay tribute to his memory;

WHEREAS, Allan Shivers graduated from The University of Texas at Austin with the Bachelor of Arts degree in 1931 and a Bachelor of Laws degree in 1933, and was a most devoted and loyal alumnus throughout his life, inspiring others to give of themselves and their possessions to the University and bringing honor to the University by his outstanding record of public service and community leadership;

WHEREAS, Allan Shivers was appointed to the Board of Regents in 1973 and was named Chairman in January 1975 and served with distinction in this capacity until the completion of his term in January 1979, during which period of tremendous growth of the University his wise leadership and remarkable vision were of inestimable value to The University of Texas System; and

WHEREAS, Following the completion of his term on the Board of Regents, Allan Shivers continued his wholehearted interest in and support for The University of Texas System and made significant donations to the programs of the University; now, therefore, be it

RESOLVED, That the Members of the Board of Regents of The University of Texas System express deep appreciation for the privilege and honor of their association with Allan Shivers and gratitude for his distinguished service as a Member of the Board and join with his family and friends in mourning his passing; and, be it further

RESOLVED, That a copy of this Resolution be given to his beloved wife, Marialice Shivers, and his devoted family. We share with them a deep sense of loss.

Adopted by Unanimous Consent of the Board of Regents of The University of Texas System this 14th day of February, 1985

After a moment of silent tribute to Governor Shivers and his distinguished service to the Nation, the State of Texas, and his beloved University, and upon motion of Vice-Chairman Baldwin, seconded by Regent Hay, the resolution was unanimously adopted.

RECESS FOR EXECUTIVE SESSION.--At 1:20 p.m., Vice-Chairman Baldwin announced that the Board would recess to Executive Session pursuant to Vernon's Texas Civil Statutes, Article 6252-17, Section 2(g), to consider personnel matters related to the organization of the Board.

RECONVENE.--When the Executive Session adjourned at 1:30 p.m., the members of the Board reconvened in open session. Vice-Chairman Baldwin reported that the Board had met in Executive Session and discussed its organization. In response to Vice-Chairman Baldwin's inquiry as to whether there was any action from the floor, the following action was taken:

U. T. BOARD OF REGENTS: ELECTION OF OFFICERS EFFECTIVE IMMEDIATELY - (a) MR. JESS HAY, CHAIRMAN; (b) MR. ROBERT B. BALDWIN III, VICE-CHAIRMAN; (c) MR. SHANNON H. RATLIFF, VICE-CHAIRMAN; AND (d) MR. ARTHUR H. DILLY, EXECUTIVE SECRETARY (REGENTS' RULES AND REGULATIONS, PART ONE, CHAPTER I, SECTIONS 3, 4, AND 5).--Vice-Chairman Briscoe moved that, in accordance with the Regents' Rules and Regulations, Part One, Chapter I, Sections 3, 4, and 5 relating to the election of officers of the U. T. Board of Regents, the following officers be elected effective immediately:

Chairman:	Jess Hay
Vice-Chairman (and officer designated to act in place of the Chairman):	Robert B. Baldwin III
Vice-Chairman:	Shannon H. Ratliff
Executive Secretary:	Arthur H. Dilly

Regent Yzaguirre seconded the motion which carried by acclamation.

Chairman Hay stated that, in his judgment, this Board has been a unique experience for him. He noted that he has served with a number of members and without exception it has been his experience that membership leads to a very definite commitment to the U. T. System and out of that commitment evolves cohesiveness in the continuing quest for excellence throughout the U. T. System. He reiterated that his hope for the next two year period is to maintain that quest for excellence.

U. T. BOARD OF REGENTS: APPROVAL OF MINUTES OF REGULAR MEETING HELD ON DECEMBER 13-14, 1984.--Upon motion of Regent Milburn, seconded by Vice-Chairman Baldwin, the Minutes of the regular meeting of the Board of Regents of The University of Texas System held on December 13-14, 1984, in El Paso, Texas, were approved as distributed by the Executive Secretary. The official copy of these Minutes is recorded in the Permanent Minutes, Volume XXXII, Pages 667 - 1637.

INTRODUCTION OF FACULTY AND STUDENT REPRESENTATIVES AND JOHN P. HOWE III, M.D., PRESIDENT OF THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT SAN ANTONIO.--Chairman Hay called on the chief administrative officers of the component institutions to introduce their respective faculty and student representatives:

U. T. Austin

President Flawn introduced:

Faculty Representative:

Dr. Philip Gough, Chairman
Graduate Assembly

Student Representatives:

Mr. Rodney Schlosser, President
Students' Association
Ms. Paula Blesner, General
Reporter, The Daily Texan
Ms. Ellen Williams, General
Reporter, The Daily Texan

U. T. Dallas

President Rutford introduced:

Faculty Representatives:

Dr. Dennis Kratz, Speaker of
the Faculty
Dr. Priscilla Detweiler, Acting
Vice President for Admin-
istration and Student
Affairs

Student Representative:

Mr. Joseph Gibson, President
Student Government

U. T. El Paso

President Monroe introduced:

Faculty Representative:

Dr. Thomas McLean, Chairman
Faculty Senate

U. T. Permian Basin

President Leach introduced:

Faculty Representative:

Dr. Emilio Mutis, Professor
and Chairman of Geology

Student Representative:

Ms. Lily Tersero, President
Student Senate

U. T. San Antonio

President Wagener introduced:

Faculty Representative:

Dr. Betty Sue Travis, Assistant
Professor, Division of
Mathematics, Computer
Science and System Design

Student Representative:

Ms. Carolyn Frances Eartly
Junior Management Major

U. T. Tyler

President Hamm introduced:

Faculty Representative:

Dr. Robert A. Geffner, President
Faculty Senate

U. T. Medical Branch - Galveston

President Levin introduced:

Faculty Representative:

Dr. Darrell H. Carney, Associate
Professor, Biochemistry
U. T. G.S.B.S. - Galveston

Student Representative:

Ms. Susan Knock, Graduate
Student, Biochemistry
U. T. G.S.B.S. - Galveston

U. T. Health Science Center - Houston

President Bulger introduced:

Faculty Representative:

Louis A. Faillace, M.D., Acting
Dean, U. T. Medical School -
Houston

Student Representative:

Mr. Bill McCrea, President
Student Intercouncil

U. T. Cancer Center

President LeMaistre introduced:

Faculty Representative:

Dr. Eugene M. McKelvey, Associate
Vice President for Research

Student Representative:

Dr. Richard Theriault, Fellow
Division of Medicine

Following these introductions, Chairman Hay called on Executive Vice Chancellor Mullins who offered a special welcome to John P. Howe III, M.D., who became President of The University of Texas Health Science Center at San Antonio effective February 1, 1985. Dr. Mullins acknowledged Dr. Howe's excellent record in administration and patient care and stated that the U. T. System Administration looked forward to his dynamic leadership in San Antonio.

U. T. BOARD OF REGENTS: (1) RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND CONSTITUTIONAL AMENDMENT BONDS, SERIES 1985, IN THE AMOUNT OF \$54,000,000, AND AWARDING THE SALE OF THE BONDS TO MORGAN GUARANTY TRUST COMPANY OF NEW YORK AND ASSOCIATES, NEW YORK, NEW YORK; (2) RESOLUTION MAKING COVENANTS AS TO THE INVESTMENT OF THE PERMANENT UNIVERSITY FUND IN CONNECTION WITH PERMANENT UNIVERSITY FUND BONDS AND NOTES AND COVENANTING TO MAKE PROMPT TRANSFER OF INCOME TO THE TEXAS A&M UNIVERSITY SYSTEM OF ITS PART OF THE INCOME FROM THE PERMANENT UNIVERSITY FUND; (3) DESIGNATION OF MBANK AUSTIN, N.A., AUSTIN, TEXAS, PAYING AGENT/REGISTRAR; AND (4) AWARD OF CONTRACT TO PRINT THE BONDS TO HART GRAPHICS, INC., AUSTIN, TEXAS.--The following written Resolution (Pages 7 - 35) was 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 Regent Blanton, 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 Permanent University Fund Constitutional Amendment Bonds, Series 1985, in the amount of \$54,000,000 and awarded the sale of the bonds to Morgan Guaranty Trust Company of New York and Associates, New York, New York, at the price of par and accrued interest to the date of delivery plus a premium of \$22,159 (Page 34) at rates of interest reflected on Page 12. The average effective interest rate is 8.9400%.

Further, the Board adopted the Resolution (Pages 36 - 40) making covenants as to the investment of the Permanent University Fund in connection with Permanent University Fund bonds and notes and covenanting to make prompt transfer of income to The Texas A&M University System of its part of the income from the Permanent University Fund.

Upon motion of Vice-Chairman Baldwin, seconded by Regent Yzaguirre, the bid of MBank Austin, N.A., Austin, Texas, as Paying Agent/Registrar for Board of Regents of The University of Texas System Permanent University Fund Constitutional Amendment Bonds, Series 1985, in the amount of \$54,000,000 was accepted without objection (Pages 12, 16). The bank will pay the Board of Regents a one time lump sum of \$250 for these bonds.

The contract for the printing of the Board of Regents of The University of Texas System Permanent University Fund Constitutional Amendment Bonds, Series 1985, in the amount of \$54,000,000 was awarded unanimously to Hart Graphics, Inc., Austin, Texas, upon motion of Regent Briscoe, seconded by Regent Blanton. These bonds are to be printed according to specifications with lithographed borders for the sum of \$4,690. Vice-Chairman Ratliff abstained from voting on this matter due to a possible conflict of interest in that he had a prior relationship with that firm.

RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF
\$54,000,000 BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS
SYSTEM PERMANENT UNIVERSITY FUND CONSTITUTIONAL AMENDMENT
BONDS, SERIES 1985, AND APPROVING AND AUTHORIZING INSTRU-
MENTS AND PROCEDURES RELATING THERETO

WHEREAS, the Amendment to Section 18, Article VII of the Texas Constitution, adopted by vote of the people of Texas on November 6, 1956, provided that the Board of Regents of The University of Texas System (the "Board") was authorized to issue negotiable bonds and notes for the purpose of constructing, equipping, or acquiring buildings or other permanent improvements for The University of Texas System, in a total amount not to exceed two-thirds (2/3) of twenty per cent (20%) of the value of the Permanent University Fund, exclusive of real estate, at the time of any issuance thereof; and

WHEREAS, the Board heretofore has authorized, issued, and delivered that issue of Board of Regents of The University of Texas System Permanent University Fund Refunding Bonds, Series 1958, dated July 1, 1958, pursuant to the provisions of Section 18, Article VII of the Texas Constitution; and

WHEREAS, such Refunding Bonds, Series 1958 (which no longer are outstanding) were payable from and secured by a first lien on and pledge of a certain defined "Interest of the University" in the income from the Permanent University Fund, in the manner and to the extent provided in the resolution adopted on July 23, 1958, authorizing the issuance of such Refunding Bonds, Series 1958 (the "Old Series Resolution"); and the Old Series Resolution reserved the right and power in the Board to issue, under certain conditions, additional parity bonds for the purposes and to the extent provided in Section 18, Article VII of the Texas Constitution, such additional parity bonds to be on a parity with the aforesaid Refunding Bonds, Series 1958, and equally and ratably secured by and payable from a first lien on and pledge of the aforesaid Interest of the University in the income from the Permanent University Fund, in the same manner and to the same extent as are such Refunding Bonds, Series 1958; and

WHEREAS, the Board heretofore has authorized, issued, sold, and delivered, as installments or issues of such additional parity bonds, its Permanent University Fund Bonds, Series 1959, Series 1960, Series 1961, Series 1962, Series 1963, Series 1964 (all of which now have been paid and retired), Series 1965 and Series 1966 (the "Old Series Bonds"); and

WHEREAS, the Board previously covenanted that no more of such additional parity bonds would be issued on a parity with the Old Series Bonds because of the excessively restrictive Permanent University Fund investment covenants made in connection with the aforesaid Old Series Bonds; and

WHEREAS, pursuant to a resolution adopted on June 16, 1967 (the "New Series Resolution"), the Board authorized, issued, sold, and delivered an installment or issue of negotiable bonds designated as the Board of Regents of The University of Texas System Permanent University Fund Bonds, New Series 1967, dated July 1, 1967 (hereinafter sometimes called the "New Series 1967 Bonds"), in the principal amount of \$14,000,000, payable from and secured by a lien on and pledge of a certain "Interest of the University" in the income from the Permanent University Fund (as such terms are defined in the New Series Resolution), subject only and subordinate to the first lien on and pledge of

such Interest theretofore created in connection with the Old Series Bonds; and

WHEREAS, in the New Series Resolution, the Board set forth the terms and conditions under which additional parity bonds may be issued to be on a parity with the aforesaid New Series 1967 Bonds, and the Board has issued its Permanent University Fund Bonds, New Series 1968, New Series 1969, New Series 1970, New Series 1971, New Series 1972, New Series 1973, New Series 1974, New Series 1975, New Series 1976, New Series 1977, New Series 1978, New Series 1979, New Series 1980, New Series 1981, New Series 1983, New Series 1983-A, and New Series 1984, in accordance therewith (collectively the "New Series Bonds"); and

WHEREAS, an Amendment to Section 18 of Article VII of the Texas Constitution, adopted by vote of the people of Texas on November 6, 1984 (the "1984 Constitutional Amendment") authorizes the Board to issue bonds and notes not to exceed a total amount of 20 percent of the cost value of investments and other assets of the permanent university fund (exclusive of real estate) at the time of issuance thereof, and to pledge all or any part of its two-thirds interest in the available university fund to secure the payment of the principal and interest of those bonds and notes, for the purpose of acquiring land either with or without permanent improvements, constructing and equipping buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, acquiring capital equipment and library books and library materials, and refunding bonds or notes issued under this section or prior law, at or for The University of Texas System administration and certain component institutions of the System; and

WHEREAS, the Board deems it necessary and advisable that no more additional parity New Series Bonds shall be issued as permitted by the New Series Resolution, because of changes resulting from the 1984 Constitutional Amendment, and because of restrictive Permanent University Fund investment covenants made in connection with the New Series Bonds; and

WHEREAS, so long as any Old Series Bonds and New Series Bonds remain outstanding, the Board is required to keep all investment covenants in full force and effect as to all such outstanding Old Series Bonds and New Series Bonds and to affirm and sustain the prior and superior liens on and pledges of the aforesaid Interest of the University in the income from the Permanent University Fund, as defined and provided in the Old Series Resolution and the New Series Resolution; and

WHEREAS, as permitted by 1984 Constitutional Amendment, the Board has determined to authorize, issue, sell, and deliver an issue of bonds to be known as Permanent University Fund Constitutional Amendment Bonds, payable from and secured by a lien on and pledge of the two-thirds "Interest of The University of Texas System" in the "Available University Fund," as such terms are hereinafter defined, subject only and subordinate to the prior and superior liens on and pledges of the interest of the University heretofore created to secure the outstanding Old Series Bonds and outstanding New Series Bonds; and

WHEREAS, the Board has determined to set forth the terms and conditions under which additional parity bonds and notes hereafter may be issued to be on a parity with the Permanent University Fund Constitutional Amendment Bonds authorized hereunder, and to change the Permanent University Fund investment covenants with respect to all Permanent University Fund Constitutional Amendment Bonds; Now, Therefore

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

Section 1. DEFINITIONS AND FINDINGS. (a) Throughout this Resolution the following terms and expressions as used herein shall have the meanings set forth below:

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

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

The terms "Constitutional Amendment Additional Parity Bonds and Notes" and "Additional Parity Bonds and Notes" mean the additional parity bonds and the additional parity notes permitted to be issued pursuant to Section 12 of this Resolution.

The terms "Interest of The University of Texas System" and "Interest" in the Available University Fund mean, with respect to the Permanent University Fund Constitutional Amendment Bonds hereinafter authorized and the Constitutional Amendment Additional Parity Bonds and Notes, The University of Texas System's two-thirds interest in the Available University Fund.

The terms "Interest of the University" and "Interest" in the Permanent University Fund or in the income therefrom mean, with respect to the Old Series Outstanding Bonds and the New Series Outstanding Bonds, all of the income to such Fund from grazing leases on university lands, and all of the other income from such Fund, after making provision for the payment of The University of Texas System's proportion of the expenses of administering such Fund, excepting the one-third of the income arising and accruing to The Texas A&M University System from the 1,000,000 acres of land appropriated by the Constitution of 1876 and the land appropriated by the Act of 1883, as more particularly defined by Chapter 42, Acts of the Forty-second Legislature, Regular Session, 1931.

The term "New Series Outstanding Bonds" means the outstanding bonds of the following Series of bonds:

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

The term "Old Series Outstanding Bonds" means the outstanding bonds of the following Series of bonds:

Board of Regents of The University of Texas System Permanent University Fund Bonds, Series 1965, and Series 1966.

The terms "Permanent University Fund", "Permanent Fund", and "Fund" used interchangeably herein mean the Permanent University Fund as created, established,

implemented, and administered pursuant to Article VII, Sections 10, 11, 11a, 15, and 18 of the Texas Constitution, as amended, and further implemented by the provisions of Chapter 66, Texas Education Code.

The term "Permanent University Fund Bonds" means collectively all bonds or notes of the Board of Regents of The University of Texas System or the Board of Directors or the Board of Regents of The Texas A&M University System heretofore or hereafter issued and delivered pursuant to the provisions of Section 18, Article VII of the Texas Constitution, approved by vote of the people of Texas on August 23, 1947, or pursuant to the provisions of the amendment to Section 18, Article VII of the Texas Constitution, approved by vote of the people of Texas on November 6, 1956, or pursuant to the amendment to Section 18, Article VII of the Texas Constitution, approved by vote of the people of Texas on November 6, 1984, or pursuant to any future amendment to Section 18, Article VII of the Texas Constitution (with all of such bonds and notes being hereinafter collectively referred to as "Permanent University Fund Bonds").

The term "Resolution" as used herein and in the Bonds means this resolution authorizing the Bonds.

(b) The Board officially finds and determines that the cost value of investments and other assets of the Permanent University Fund (exclusive of real estate) is now in excess of \$2,149,894,228.20.

Section 2. AMOUNT, PURPOSE AND DESIGNATION OF THE BONDS.
The bond or bonds of the Issuer are hereby authorized to be issued and delivered in the aggregate principal amount of \$54,000,000 FOR THE PURPOSE OF ACQUIRING LAND EITHER WITH OR WITHOUT PERMANENT IMPROVEMENTS, CONSTRUCTING AND EQUIPPING BUILDINGS OR OTHER PERMANENT IMPROVEMENTS, MAJOR REPAIR AND REHABILITATION OF BUILDINGS AND OTHER PERMANENT IMPROVEMENTS, ACQUIRING CAPITAL EQUIPMENT AND LIBRARY BOOKS AND LIBRARY MATERIALS, AT OR FOR THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION AND ITS COMPONENT INSTITUTIONS, TO THE EXTENT AND IN THE MANNER PROVIDED BY LAW, IN ACCORDANCE WITH THE AMENDMENT TO SECTION 18, ARTICLE VII, OF THE TEXAS CONSTITUTION ADOPTED BY VOTE OF THE PEOPLE OF TEXAS ON NOVEMBER 6, 1984.

Each bond issued pursuant to this Resolution shall be designated: "BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND CONSTITUTIONAL AMENDMENT 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 "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. 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 February 1, 1985, in the denomination and aggregate principal amount of \$54,000,000, numbered R-1, payable in annual installments of principal to the initial registered owner thereof, to-wit:

SCHOPP & CO.

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

FORM OF INITIAL BOND

NO. R-1

\$54,000,000

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

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

SCHOPP & CO.

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

\$54,000,000
(FIFTY-FOUR MILLION DOLLARS)

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

<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>
\$2,150,000	1986	\$2,700,000	1996
2,150,000	1987	2,700,000	1997
2,150,000	1988	3,000,000	1998
2,150,000	1989	3,000,000	1999
2,400,000	1990	3,000,000	2000
2,400,000	1991	3,000,000	2001
2,400,000	1992	3,250,000	2002
2,400,000	1993	3,250,000	2003
2,700,000	1994	3,250,000	2004
2,700,000	1995	3,250,000	2005

and to pay interest, from February 1, 1985, which is the date of this Bond, on the balance of each such installment of principal, respectively, from time to time remaining unpaid, at the rates as follows:

- 10.50% per annum on the above installments due in 1986 through 1994
- 8.70% per annum on the above installment due in 1995
- 8.90% per annum on the above installment due in 1996
- 9.00% per annum on the above installment due in 1997
- 9.10% per annum on the above installment due in 1998
- 9.20% per annum on the above installment due in 1999
- 9.30% per annum on the above installment due in 2000
- 9.40% per annum on the above installment due in 2001
- 8.00% per annum on the above installments due in 2002 through 2005

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

THE INSTALLMENTS OF PRINCIPAL OF AND THE INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The installments of principal and the interest on this Bond are payable to the registered owner hereof through the services of MBANK AUSTIN 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 principal and/or interest payment date, to the registered owner hereof at the address of the registered owner as it appeared on the 15th day of the month next preceding such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. The Issuer covenants with the registered owner of this Bond that prior to each principal and/or interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund", as defined and described in the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on this Bond, when due.

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

THIS BOND has been authorized FOR THE PURPOSE OF ACQUIRING LAND EITHER WITH OR WITHOUT PERMANENT IMPROVEMENTS, CONSTRUCTING AND EQUIPPING BUILDINGS OR OTHER PERMANENT IMPROVEMENTS, MAJOR REPAIR AND REHABILITATION OF BUILDINGS AND OTHER PERMANENT IMPROVEMENTS, ACQUIRING CAPITAL EQUIPMENT AND LIBRARY BOOKS AND LIBRARY MATERIALS, AT OR FOR THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION AND ITS COMPONENT INSTITUTIONS, TO THE EXTENT AND IN THE MANNER PROVIDED BY LAW, IN ACCORDANCE WITH THE AMENDMENT TO SECTION 18, ARTICLE VII OF THE TEXAS CONSTITUTION, ADOPTED BY VOTE OF THE PEOPLE OF TEXAS ON NOVEMBER 6, 1984.

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 of the par or principal amount thereof and accrued interest to the date fixed for prepayment or redemption.

AT LEAST 30 days prior to the date fixed for any such prepayment or redemption a written notice of such prepayment or redemption shall be mailed by the Paying Agent/Registrar to the registered owner hereof. By the date fixed for any such prepayment or redemption due provision shall be made by the Issuer with the Paying Agent/Registrar for the payment of the required prepayment or redemption price for this Bond or the portion hereof which is to be so prepaid or redeemed, plus accrued interest thereon to the date fixed for prepayment or redemption. If such written notice of prepayment or redemption is given, and if due provision for such payment is made, all as provided above, this Bond, or the portion thereof which is to be so

prepaid or redeemed, thereby automatically shall be treated as prepaid or redeemed prior to its scheduled due date, and shall not bear interest after the date fixed for its prepayment or redemption, and shall not be regarded as being outstanding except for the right of the registered owner to receive the prepayment or redemption price plus accrued interest to the date fixed for prepayment or redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/Registrar shall record in the Registration Books all such prepayments or redemptions of principal of this Bond or any portion hereof.

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

AS PROVIDED above and in the Bond Resolution, this Bond, to the extent of the unpaid or unredeemed principal balance hereof, may be converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the assignee or assignees duly designated in writing by the initial registered owner hereof, or to the initial registered owner as to any portion of this Bond which is not being assigned and transferred by the initial registered owner, in any denomination or denominations in any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute bond issued in exchange for any portion of this Bond shall have a single stated principal maturity date), upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution. If this Bond or any portion hereof is assigned and transferred or converted each bond issued in exchange for any portion hereof shall have a single stated principal maturity date corresponding to the due date of the installment of principal of this

Bond or portion hereof for which the substitute bond is being exchanged, and shall bear interest at the rate applicable to and borne by such installment of principal or portion thereof. Such bonds, respectively, shall be subject to redemption prior to maturity on the same dates and for the same prices as the corresponding installment of principal of this Bond or portion hereof for which they are being exchanged. No such bond shall be payable in installments, but shall have only one stated principal maturity date. AS PROVIDED IN THE BOND RESOLUTION, THIS BOND IN ITS PRESENT FORM MAY BE ASSIGNED AND TRANSFERRED OR CONVERTED ONCE ONLY, and to one or more assignees, but the bonds issued and delivered in exchange for this Bond or any portion hereof may be assigned and transferred, and converted, subsequently, as provided in the Bond Resolution. The Issuer shall pay the Paying Agent/Registrar's fees and charges, if any, for transferring, converting and exchanging this Bond or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make any such assignment, conversion, or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or portion thereof called for prepayment or redemption prior to maturity, within 45 days prior to its prepayment or redemption date.

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

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, sold, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; and that the interest on and principal of this Bond, together with other bonds, are equally and ratably secured by and payable from a lien on and pledge of the "Interest" of The University of Texas System in the "Available University Fund", subject only and subordinate to the prior and superior liens on and pledges of the "Interest of the University" in the income from the "Permanent University Fund" heretofore created and made to secure the "Old Series Outstanding Bonds" and the "New Series Outstanding Bonds," as defined and provided in the Bond Resolution.

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

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

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

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed with the manual signature of the Chairman of the Issuer and countersigned with the manual signature of the Executive Secretary of the Issuer, has caused the official seal of the Issuer to be duly impressed on this Bond, and has caused this Bond to be dated February 1, 1985.

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

Chairman, Board of Regents of
The University of Texas System

(BOARD
SEAL)

FORM OF 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.

(a) Registration and Transfer. 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, evidencing (i) the assignment of the Bond, or any portion thereof in any integral multiple of \$5,000, to the assignee or assignees thereof, and (ii) the right of such assignee or assignees to have the Bond or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Bond or any portion thereof, a new substitute Bond or Bonds shall be issued in conversion and exchange therefor in the manner herein provided. The Initial Bond, to the extent of the unpaid or unredeemed principal balance thereof, may be assigned and transferred by the initial registered owner thereof once only, and to one or more assignees designated in writing by the initial registered owner thereof. All Bonds issued and delivered in conversion of and exchange for the Initial Bond shall be in any denomination or denominations of any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated principal maturity date), shall be in the form prescribed in the FORM OF SUBSTITUTE BOND set forth in this Resolution, and shall have the characteristics, and may be assigned, transferred, and converted as hereinafter provided. If the Initial Bond or any portion thereof is assigned and transferred or converted the Initial Bond must be surrendered to the Paying Agent/Registrar for cancellation, and each Bond issued in exchange for any portion of the Initial Bond shall have a single stated principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If only a portion of the Initial Bond is assigned and transferred, there shall be delivered to and registered in the name of the initial registered owner substitute Bonds in exchange for the unassigned balance of the Initial Bond in the same manner as if the initial registered owner were the assignee thereof. If any Bond or portion thereof other than the Initial Bond is assigned and transferred or converted each Bond issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Bond for which it is exchanged. A form of assignment shall be printed or endorsed on each Bond, excepting the Initial Bond, which shall be executed by the registered owner or its duly authorized attorney or representative to evidence an assignment thereof. Upon surrender of any Bonds or any portion or portions thereof for transfer of registration, an authorized representative of the Paying Agent/Registrar shall make such transfer in the Registration Books, and shall deliver a new fully registered substitute Bond or Bonds, having the characteristics herein described, payable to such assignee or assignees (which then will be the registered owner or owners of such new Bond or Bonds), or to the previous registered owner in case only a portion of a Bond is being assigned and transferred, all in conversion of and exchange for said assigned Bond or Bonds or any portion or portions thereof, in the same form and manner, and with the same effect, as provided in Section 6(d), below, for the conversion and exchange of Bonds by any registered owner of a Bond. The Issuer shall pay the Paying Agent/Registrar's fees and charges, if any, for making such transfer and delivery of a substitute Bond or Bonds, but the one requesting such transfer shall pay any taxes or other

governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of any Bond or any portion thereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

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

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

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

denomination or denominations of any integral multiple of \$5,000 at the request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation. If any Bond or portion thereof (other than the Initial Bond) is assigned and transferred or converted, each Bond issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Bond for which it is being exchanged. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond. The Paying Agent/Registrar shall convert and exchange or replace Bonds as provided herein, and each fully registered bond delivered in conversion of and exchange for or replacement of any Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Bonds for all purposes of this Resolution, and may again be converted and exchanged or replaced. It is specifically provided that any Bond authenticated in conversion of and exchange for or replacement of another Bond on or prior to the first scheduled Record Date for the Initial Bond shall bear interest from the date of the Initial Bond, but each substitute Bond so authenticated after such first scheduled Record Date shall bear interest from the interest payment date next preceding the date on which such substitute Bond was so authenticated, unless such Bond is authenticated after any Record Date but on or before the next following interest payment date, in which case it shall bear interest from such next following interest payment date; provided, however, that if at the time of delivery of any substitute Bond the interest on the Bond for which it is being exchanged is due but has not been paid, then such Bond shall bear interest from the date to which such interest has been paid in full. THE INITIAL BOND issued and delivered pursuant to this Resolution is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in conversion of and exchange for or replacement of any Bond or Bonds issued under this Resolution there shall be printed a certificate, in the form substantially as follows:

"PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

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

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

Dated _____

Authorized Representative"

An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign the above Certificate, and no such Bond shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all Bonds surrendered for conversion and exchange or replacement. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing conversion and exchange or replacement of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing,

execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be of type composition printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to Vernon's Ann. Tex. Civ. St. Art. 717k-6, and particularly Section 6 thereof, the duty of conversion and exchange or replacement of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the above Paying Agent/Registrar's Authentication Certificate, the converted and exchanged or replaced Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Initial Bond which originally was issued pursuant to this Resolution, approved by the Attorney General, and registered by the Comptroller of Public Accounts. The Issuer shall pay the Paying Agent/Registrar's fees and charges, if any, for transferring, converting and exchanging any Bond or any portion thereof, but the one requesting any such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not be required to make any such conversion and exchange or replacement of Bonds or any portion thereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

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

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

(g) Substitute Paying Agent/Registrar. The Issuer covenants with the registered owners of the Bonds that at all times while the Bonds are outstanding the Issuer will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar for the Bonds under this Resolution, and that the Paying Agent/Registrar will be one entity. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Issuer covenants that promptly

it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Resolution, and a certified copy of this Resolution shall be delivered to each Paying Agent/Registrar.

Section 7. FORM OF SUBSTITUTE BONDS. The form of all Bonds issued in conversion and exchange or replacement of any other Bond or portion thereof, including the form of Paying Agent/Registrar's Certificate to be printed on each of such Bonds, and the Form of Assignment to be printed on each of the Bonds, shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Resolution.

FORM OF SUBSTITUTE BOND

NO. _____ UNITED STATES OF AMERICA PRINCIPAL AMOUNT
STATE OF TEXAS \$ _____
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
PERMANENT UNIVERSITY FUND CONSTITUTIONAL AMENDMENT BOND
SERIES 1985

INTEREST RATE MATURITY DATE DATE OF ISSUE CUSIP NO.
_____ % _____ February 1, 1985 _____

Registered Owner:

Principal Amount: _____ Dollars

ON THE MATURITY DATE specified above the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the "Issuer"), being an agency and political subdivision of the State of Texas, hereby promises to pay to the registered owner identified above, or to the registered assignee hereof (either being hereinafter called the "registered owner") the principal amount set forth above and to pay interest thereon from February 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 February 1, 1985, authorized in the principal amount of \$54,000,000, FOR THE PURPOSE OF ACQUIRING LAND EITHER WITH OR WITHOUT PERMANENT IMPROVEMENTS, CONSTRUCTING AND EQUIPPING BUILDINGS OR OTHER PERMANENT IMPROVEMENTS, MAJOR REPAIR AND REHABILITATION OF BUILDINGS AND OTHER PERMANENT IMPROVEMENTS, ACQUIRING CAPITAL EQUIPMENT AND LIBRARY BOOKS AND LIBRARY MATERIALS, AT OR FOR THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION AND ITS COMPONENT INSTITUTIONS, TO THE EXTENT AND IN THE MANNER PROVIDED BY LAW, IN ACCORDANCE WITH THE AMENDMENT TO SECTION 18, ARTICLE VII, OF THE TEXAS CONSTITUTION ADOPTED BY VOTE OF THE PEOPLE OF TEXAS ON NOVEMBER 6, 1984.

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 of the par or principal amount thereof and accrued interest to the date fixed for redemption.

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

THIS BOND OR ANY PORTION OR PORTIONS HEREOF IN ANY INTEGRAL MULTIPLE OF \$5,000 may be assigned and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. The form of Assignment printed or endorsed on this Bond shall be executed by the registered owner or its duly authorized attorney or representative, to evidence the assignment hereof. A new Bond or Bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds), or to the previous registered owner in the case of the assignment and transfer of only a portion of this Bond, may be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other

Bonds. The Issuer shall pay the Paying Agent/Registrar's fees and charges, if any, for making such transfer, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of this Bond or any portion hereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date. The registered owner of this Bond shall be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

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

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

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; and that the interest on and principal of this Bond, together with other bonds, are equally and ratably secured by and payable from a lien on and pledge of the "Interest" of The University of Texas System in the "Available University Fund", subject only and subordinate to the prior and superior liens on and pledges of the "Interest of the University" in the income from

the "Permanent University Fund," heretofore created and made to secure the "Old Series Outstanding Bonds" and the "New Series Outstanding Bonds", as defined and provided in the Bond Resolution.

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

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

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

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

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

(BOARD SEAL)

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

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

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

Dated

Authorized Representative

FORM OF ASSIGNMENT:

ASSIGNMENT

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

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

and hereby irrevocably constitutes and appoints

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

Dated: _____

Signature Guaranteed:

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

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

Section 8. SECURITY AND PLEDGE. Pursuant to the provisions of the Amendment to Section 18 of Article VII of the Texas Constitution, approved by vote of the people of Texas on November 6, 1984, the Bonds, and any Constitutional Amendment Additional Parity Bonds and Notes hereafter issued, and the interest thereon, shall be and are hereby equally and ratably secured by and payable from a lien on and pledge of the Interest of The University of Texas System in the Available University Fund, subject only and subordinate to the prior and superior liens on and pledges of the Interest of the University in the income from the Permanent University Fund, heretofore created and made securing the Old Series Outstanding Bonds and the New Series Outstanding Bonds.

Section 9. PAYMENT OF BONDS. (a) The Comptroller of Public Accounts of the State of Texas previously has established and shall maintain in the State Treasury a fund to be known as "Board of Regents of The University of Texas System Permanent University Fund Bonds Interest and Sinking Fund" (hereinafter called the "Interest and Sinking Fund"). In addition to the moneys required to be transferred to the credit of the Interest and Sinking Fund in connection with the Old Series Outstanding Bonds and the New Series Outstanding Bonds, the Comptroller of Public Accounts of the State of Texas shall, for the benefit of the Bonds, transfer to the Interest and Sinking Fund, out of The University of Texas System Available University Fund (the fund in the State Treasury to which is deposited the Interest of The University of Texas System in the Available University Fund), on or before June 20, 1985, and semiannually thereafter on or before December 20 and June 20 of each year while the Bonds, or interest thereon, are outstanding and unpaid, the amount of interest or principal and interest which will come due on the Bonds on the July 1 or January 1 next

following. It is hereby recognized that the amounts necessary for the payment of principal and interest on the Old Series Outstanding Bonds and the New Series Outstanding Bonds will have been transferred on or before May 1 and November 1 and May 15 and November 15, respectively, of each year from the aforesaid Available University Fund to the interest and sinking funds heretofore created for the benefit of the Old Series Outstanding Bonds and the New Series Outstanding Bonds.

(b) To the end that money will be available at the Paying Agent/Registrar in ample time to pay the principal of and interest on the Bonds as such principal and interest respectively come due, on or before June 25, 1985, and semiannually thereafter on or before December 25 and June 25 of each year while any of the Bonds, or interest thereon, are outstanding and unpaid, the Comptroller of The University of Texas System, or such officer as may hereafter be designated by the Issuer to perform the duties now vested in such officer, shall perform the following duties:

(1) Prepare and file with the Comptroller of Public Accounts of the State of Texas (hereinafter called the "Comptroller of Public Accounts") a voucher based on which the Comptroller of Public Accounts shall draw a warrant against the Interest and Sinking Fund in the amount of the interest or principal and interest (when both are scheduled to accrue and mature) which will become due on the July 1 or January 1 next following.

(2) In the event any Bonds or portions thereof shall have been called for prepayment or redemption on January 1 or July 1 next following of any year, and such Bonds or portions thereof are to be paid from funds subject to warrants drawn by the Comptroller of Public Accounts, prepare and file with the Comptroller of Public Accounts a voucher based on which the Comptroller of Public Accounts shall draw a warrant against funds of The University of Texas System legally available for such purpose in an amount sufficient to redeem the Bonds thus called.

(c) Whenever a voucher is so filed with the Comptroller of Public Accounts, he shall make the warrant based thereon payable to the order of the Paying Agent/Registrar, and shall deliver such warrant to such Paying Agent/Registrar on or before the June 30 or December 31 next following.

(d) When Constitutional Amendment Additional Parity Bonds or Notes are issued pursuant to the provisions of this Resolution, the Comptroller of The University of Texas System, the Comptroller of Public Accounts, and the Board shall follow substantially the same procedures to the extent applicable (to be set forth in each resolution authorizing each issue of Constitutional Amendment Additional Parity Bonds or Notes in connection with paying the principal of and interest on such Constitutional Amendment Additional Parity Bonds or Notes when due) as prescribed in sub-sections (b) and (c) of this Section 9; provided, however, that other and different banks or places of payment (paying agents) and/or Paying Agent/Registrars and dates of payment (to the extent permitted in Section 12) may be named in connection with each issue of Constitutional Amendment Additional Parity Bonds or Notes. In the event that any such Constitutional Amendment Additional Parity Bonds or Notes are made optional or redeemable prior to maturity, the resolution or resolutions authorizing the issuance of such Constitutional Amendment Additional Parity Bonds or Notes shall prescribe the appropriate procedures for redeeming same.

Section 10. DISPOSITION OF FUNDS. After provision has been made for the payment of the principal of and interest on the Old Series Outstanding Bonds, the New Series Outstanding Bonds, the Bonds, and any Constitutional Amendment Additional Parity Bonds and Notes, when issued, the balance of the Interest of The University of Texas System in the Available University Fund each year shall be made available to the Board in the manner provided by law and by regulations of the Board to be used by said Board as it may lawfully direct.

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

(a) That while any Permanent University Fund Bonds are outstanding and unpaid, the Board of Regents of The University of Texas System will maintain and invest and keep invested the Permanent University Fund as required by law; and that while any such Permanent University Fund Bonds, and the interest thereon, are outstanding and unpaid, the Board of Regents of The University of Texas System will invest such Fund in eligible and legal securities which will yield a maximum rate of return consistent with the Board of Regents' long established policy of purchasing for said Fund only securities of investment quality; and further that at all times the Fund will be maintained and invested so as to yield annually an amount of money not less than $1\frac{1}{2}$ times the principal and interest requirements of all of the aforesaid outstanding Permanent University Fund Bonds during the year in which such principal and interest requirements will be the greatest.

(b) That so much of the Permanent University Fund will be maintained and invested at all times in such amount of United States Government Bonds as will yield annually, at the effective rate or rates of interest borne by such United States Government Bonds, an amount of money not less than the principal and interest requirements of all outstanding Permanent University Fund Bonds which were issued prior to the year 1967, during the calendar year in which said principal and interest requirements of all such outstanding Permanent University Fund Bonds issued prior to 1967 will be greatest; and that neither the Board of Regents nor any officer of the Board of Regents of The University of Texas System shall be authorized to sell or withdraw any of said United States Government Bonds if by such sale or withdrawal the total amount of such United States Government Bonds remaining thereafter will yield annually an amount less than said principal and interest requirements of all such outstanding Permanent University Fund Bonds issued prior to 1967, during the calendar year in which said principal and interest requirements will be the greatest.

(c) That at all times the Permanent University Fund will be invested in an amount of direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, which

(i) are at least equal in aggregate par or face value to the aggregate par or face value of all outstanding Permanent University Fund Bonds which were issued prior to the year 1985; and

(ii) will yield annually an amount of interest which will be at least equal to the maximum annual interest requirements of all outstanding Permanent University Fund Bonds which were issued prior to the year 1985,

and that at all times the Permanent University Fund will be invested in an amount of investment grade debt securities which

are at least equal in aggregate par or face value to the aggregate par or face value of all outstanding Permanent University Fund Bonds.

(d) That the Board will restrict expenditures for administering the Permanent University Fund (administrative expenses) to a minimum consistent with prudent business judgment, and as long as any Permanent University Fund Bonds issued prior to 1985 remain outstanding, but not thereafter, such expenditures chargeable before debt service requirements on Permanent University Fund Bonds shall be limited and shall never exceed in any year an amount equal to 1/5 of 1% of the book value of the Permanent University Fund.

(e) That the Board will duly and punctually pay or cause to be paid out of the income herein pledged for such purpose the principal of every Old Series Outstanding Bond, New Series Outstanding Bond, Bond, and any Constitutional Amendment Additional Parity Bond and Note, when issued, and the interest thereon, on the days and at the places and in the manner mentioned in such obligations, and in the coupons, if any, thereto appertaining, according to the true intent and meaning thereof and that it will faithfully do and perform and at all times fully observe all covenants, undertakings and provisions contained in this Resolution and in the aforesaid obligations.

(f) That, except for the Old Series Outstanding Bonds, the New Series Outstanding Bonds, the Bonds, and the Constitutional Amendment Additional Parity Bonds and Notes authorized to be issued pursuant to Section 12 hereof, and the interest thereon, the Board will not at any time create or allow to accrue or exist any lien or charge upon the Fund or the Interest of The University of Texas System in the Available University Fund, unless such lien or charge is made junior and subordinate in all respects to the liens, pledges, and covenants in connection with said Old Series Outstanding Bonds, New Series Outstanding Bonds, the Bonds, and any Constitutional Amendment Additional Parity Bonds and Notes, that there is not now outstanding any lien or charge upon the Fund or the Interest of The University of Texas System in the Available University Fund, except for the Old Series Outstanding Bonds, the New Series Outstanding Bonds, and the Bonds herein authorized, and the interest thereon; and that the lien created by this Resolution will not be impaired in any manner as a result of any action or non-action on the part of the Board or officers of The University of Texas System, and that the Board will, subject to the provisions hereof, continuously preserve the Fund and each and every part thereof.

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

the amount made available to the Board as available funds under Section 10 of this Resolution.

Section 12. ADDITIONAL PARITY BONDS AND NOTES. The Board reserves the right and shall have full power at any time and from time to time, to authorize, issue, and deliver Constitutional Amendment Additional Parity Bonds and/or Constitutional Amendment Additional Parity Notes, in as many separate installments or series as deemed advisable by the Board but only for the purposes and to the extent provided in the Amendment to Section 18, Article VII of the Texas Constitution, adopted by vote of the people of Texas on November 6, 1984, or in any Amendment hereafter made to said Section 18, Article VII, of the Texas Constitution, or for refunding purposes as provided by law. Such Constitutional Amendment Additional Parity Bonds and Notes, when issued, and the interest thereon, shall be equally and ratably secured by and payable from a lien on and pledge of the Interest of The University of Texas System in the Available University Fund, subject only and subordinate to the prior and superior liens on and pledges of such Interest heretofore created securing the Old Series Outstanding Bonds and the New Series Outstanding Bonds, in the same manner and to the same extent as are the Bonds issued pursuant to this Resolution, and the Bonds and the Constitutional Amendment Additional Parity Bonds and Notes, when issued, and the interest thereon, shall be on a parity and in all respects of equal dignity. It is further specifically covenanted that the Board will not issue or attempt to issue any bonds or notes on a parity with the Old Series Outstanding Bonds or the New Series Outstanding Bonds. It is further covenanted that no installment or series of Constitutional Amendment Additional Parity Bonds or Notes shall be issued and delivered unless the Executive Director, Investments and Trusts of The University of Texas System or some other officer of The University of Texas System designated by the Board executes:

(a) a certificate to the effect that for the fiscal year next preceding the date of said certificate the amount of the Interest of The University of Texas System in the Available University Fund was at least 1-1/2 times the principal and interest requirements of all outstanding Permanent University Fund Bonds theretofore delivered by the Board of Regents of The University of Texas System and of the installment or series of Constitutional Amendment Additional Parity Bonds or Notes then proposed to be issued, during the fiscal year in which such principal and interest requirements will be the greatest; and

(b) a certificate to the effect that the total principal amount of all Permanent University Fund Bonds issued by the Board of Regents of The University of Texas System that will be outstanding after the delivery of the installment or series of Constitutional Amendment Additional Parity Bonds or Notes then proposed to be issued will not exceed 20% of the cost value of investments and other assets of the Permanent University Fund (exclusive of real estate) at the time the proposed series or installment of Constitutional Amendment Additional Parity Bonds or Notes are issued.

All Constitutional Amendment Additional Parity Bonds and Notes hereafter issued shall be made to mature on January 1 and/or July 1 of each of the years in which they are scheduled to mature.

Section 13. INDIVIDUALS NOT LIABLE. All covenants, stipulations, obligations, and agreements of the Board contained in

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

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

Section 15. DEFEASANCE OF BONDS. (a) Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") within the meaning of this Resolution, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date (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 for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations which mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until after all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Interest of The University of Texas System in the Available University Fund, and such principal and interest shall be payable solely from such money or Government Obligations.

(b) Any moneys so deposited with or made available to the Paying Agent/Registrar may at the written direction of the Issuer also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Issuer, or deposited as directed in writing by the Issuer.

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

as its State and Local Government Series, which may be in book-entry form.

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

Section 16. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS. (a) Replacement Bonds. In the event any outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

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

(c) 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 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 27. AMENDMENT OF RESOLUTION. (a) The owners of Bonds and Constitutional Amendment Additional Parity Bonds and Notes (hereinafter collectively called "Bonds and Additional Bonds") aggregating 51% in principal amount of the aggregate principal amount of then outstanding Bonds and Additional Bonds shall have the right from time to time to approve any amendment to any resolution authorizing the issuance of Bonds or Additional Bonds which may be deemed necessary or desirable by the Issuer, provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the outstanding Bonds and Additional Bonds, the amendment of the terms and conditions in said resolutions or in the Bonds or Additional Bonds so as to:

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

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

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

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

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

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

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

Section 18. 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 printed and endorsed 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 Bonds issued and delivered in conversion of and exchange or replacement of any Bond, but neither shall be binding upon the Issuer or have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds.

Section 19. NO ARBITRAGE. The Issuer covenants to and with the registered owners of the Bonds that it will make no use of the proceeds of the Bonds at any time throughout the term of this issue of Bonds which, if such use had been reasonably expected on the date of delivery of the Bonds to and payment for the Bonds by the purchasers, would 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 Issuer is obligated to comply with the requirements of the aforesaid Section 103(c) and all applicable and pertinent Department of the Treasury regulations relating to arbitrage bonds. The Issuer further covenants that the proceeds of the Bonds will not otherwise be used directly or indirectly 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 20. SALE OF INITIAL BOND. The Initial Bond is hereby sold and shall be delivered to Morgan Guaranty Trust Company of New York and Associates for cash for the par value

thereof and accrued interest thereon to date of delivery, plus a premium of \$22,159.00. 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 an Official Statement dated January 28, 1985, prepared and distributed in connection with the sale of the Initial Bond. Such Official Notice of Sale and Bidding Instructions and the Official Statement, and any addenda, supplement, or amendment thereto have been and are hereby approved by the Issuer, and their use in the reoffering of the Initial Bond or any portion thereof or any Bond issued in substitution and exchange therefor is hereby approved. It is further officially found, determined, and declared that the statements and representations contained in such Official Notice of Sale and Bidding Instructions and the Official Statement are true and correct in all material respects, to the best knowledge and belief of the Issuer.

Section 21. 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 Bidding Instructions and the 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.

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

THE STATE OF TEXAS §
THE UNIVERSITY OF TEXAS SYSTEM §

WHEREAS, on July 23, 1958, the Board of Regents of The University of Texas System adopted a resolution with the following caption:

"RESOLUTION
MAKING COVENANTS AS TO THE INVESTMENT OF THE
PERMANENT UNIVERSITY FUND IN CONNECTION WITH
PERMANENT UNIVERSITY FUND BONDS AND NOTES AND
COVENANTING TO MAKE PROMPT TRANSFER OF INCOME
TO THE AGRICULTURAL AND MECHANICAL COLLEGE OF
TEXAS OF ITS PART OF THE INCOME FROM THE
PERMANENT UNIVERSITY FUND AS APPORTIONED BY
CHAPTER 42, ACTS OF THE FORTY-SECOND LEGIS-
LATURE, REGULAR SESSION"; and

WHEREAS, on June 16, 1967, the Board of Regents of The University of Texas System adopted a resolution with the following caption:

"RESOLUTION
MAKING COVENANTS AS TO THE INVESTMENT OF THE
PERMANENT UNIVERSITY FUND IN CONNECTION WITH
PERMANENT UNIVERSITY FUND BONDS AND NOTES";
and

WHEREAS, Section 18, Article VII of the Texas Constitution, relating to Permanent University Fund bonds and notes, was amended by vote of the people of Texas on November 6, 1984; and

WHEREAS, because of such 1984 Constitutional Amendment and the bonds and notes authorized thereby, it is necessary and advisable that the above captioned resolution of 1958, as amended in 1967, be further amended; Now, Therefore,

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

That the resolution of 1958 as amended in 1967, as described in the preamble hereof, be and is hereby amended so that such resolution, as amended, will be and read in its entirety as follows:

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

"WHEREAS, under the Constitution of 1876 and the act of 1883 (Eighteenth Legislature) certain public lands were set apart for the creation of a Permanent University Fund

(hereinafter sometimes called the "Fund") and subsequent donations, grants and appropriations further have added to such Fund; and

"WHEREAS, the Board of Regents of The University of Texas System (hereinafter sometimes called the 'Board of Regents') is authorized by law to invest such Fund in certain bonds, pledges, obligations and securities prescribed by law, to provide funds for the maintenance of The University of Texas System, which within certain limits includes The Texas A&M University System (Section 10, Article VII, Constitution); and

"WHEREAS, by enactment of Chapter 42 of the Forty-Second Legislature of Texas, Regular Session (Vernon's Annotated Texas Statutes, Article 2592), the Board of Directors and the Board of Regents of The Texas A&M University System (hereinafter sometimes called the 'A&M Board') was authorized to expend one-third of the income received from the Permanent University Fund arising from the 1,000,000 acres of land appropriated by the Constitution of 1876 and the land appropriated by the Act of 1883, except income from grazing leases on The University of Texas System lands (less its proportion of expenses of administration and excluding any expenses of administration of grazing leases); and the Board of Regents was authorized to expend the balance of the income from the Permanent University Fund, including all the income from grazing leases on The University of Texas System lands (less its proportion of expenses of administration); and

"WHEREAS, the Board of Regents and the A&M Board, respectively, have been authorized to issue Permanent University Fund bonds and notes payable from the respective interests of each in the income from the Permanent University Fund, pursuant to the provisions of Section 18, Article VII of the Texas Constitution, approved by vote of the people of Texas on August 23, 1947, the amendment to Section 18, Article VII of the Texas Constitution approved by vote of the people of Texas on November 6, 1956, and the provisions of Chapter 255, page 546, acts of 1957, Fifty-fifth Legislature of Texas, Regular Session; and

"WHEREAS, pursuant to the foregoing provisions of law the Board of Regents and the A&M Board, respectively, prior to the year 1967, adopted resolutions authorizing the issuance of various Permanent University Fund bonds payable from and secured by a first lien on and pledge of the respective interests of each in the income from the Permanent University Fund, with said bonds being hereafter called the 'Old Series Bonds'; and

"WHEREAS, all of the Old Series Bonds issued by the A&M Board have been paid and retired; and

"WHEREAS, only the following Old Series Bonds issued by the Board of Regents remain outstanding:

Board of Regents of The University of Texas System
Permanent University Fund Bonds, Series 1965 and Series
1966; and

"WHEREAS, the Board of Regents and the A&M Board also were authorized by the provisions of law described above to issue other and additional Permanent University Fund bonds and notes from time to time, payable from and secured by a lien on and pledge of the respective interests of each in

the income from the Permanent University Fund, subject only and subordinate to the first lien on and pledge of said interests heretofore created in connection with the Old Series Bonds, with such additional Permanent University Fund Bonds having been designated and called the 'New Series Bonds'; and

"WHEREAS the following New Series Bonds issued by the Board of Regents and the A&M Board, respectively, remain outstanding:

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

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

"WHEREAS, the Board of Regents and the A&M Board, respectively, intend (i) to authorize the issuance of other Permanent University Fund bonds and notes pursuant to Section 18, Article VII of the Texas Constitution, as amended by vote of the people of Texas on November 6, 1984 (the '1984 Constitutional Amendment') which are payable from a lien on and pledge of the respective interests of each in the Available University Fund (as provided in the 1984 Constitutional Amendment), subject only and subordinate to the liens on and pledges of said interests heretofore created in connection with the outstanding Old Series Bonds and the outstanding New Series Bonds, (ii) to reserve the right thereafter to issue additional Permanent University Fund bonds or notes pursuant to the 1984 Constitutional Amendment, and (iii) to covenant not to issue or attempt to issue any obligations to be on a parity with the Old Series Bonds or the New Series Bonds; and

"WHEREAS, for the payment and additional security of all bonds or notes of the Board of Regents of The University of Texas System or the Board of Directors or the Board of Regents of The Texas A&M University System heretofore or hereafter issued and delivered pursuant to the provisions of Section 18, Article VII of the Texas Constitution, approved by vote of the people of Texas on August 23, 1947, or pursuant to the provisions of the amendment to Section 18, Article VII of the Texas Constitution, approved by vote of the people of Texas on November 6, 1956, or pursuant to the amendment to Section 18, Article VII of the Texas Constitution, approved by vote of the people of Texas on November 6, 1984, or pursuant to any future amendment to Section 18, Article VII of the Texas Constitution (with all of said bonds and notes being hereinafter collectively referred to as 'Permanent University Fund Bonds'), it is necessary for the Board of Regents to make the covenants and agreements hereinafter set forth, in consideration of the purchase by

the purchasers of the Permanent University Fund Bonds heretofore or hereafter issued and delivered by the Board of Regents and the A&M Board, respectively; Now, therefore,

"BE IT RESOLVED AND ORDERED BY THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM:

I.

That the Board of Regents of The University of Texas System covenants and agrees as follows:

(a) That while any Permanent University Fund Bonds are outstanding and unpaid, the Board of Regents of the University of Texas System will maintain and invest and keep invested the Permanent University Fund as required by law; and that while any such Permanent University Fund Bonds, and the interest thereon, are outstanding and unpaid, the Board of Regents of The University of Texas System will invest such Fund in eligible and legal securities which will yield a maximum rate of return consistent with the Board of Regents' long established policy of purchasing for said Fund only securities of investment quality; and further that at all times the Fund will be maintained and invested so as to yield annually an amount of money not less than $1\frac{1}{2}$ times the principal and interest requirements of all of the aforesaid outstanding Permanent University Fund Bonds during the year in which said principal and interest requirements will be the greatest.

(b) That so much of the Permanent University Fund will be maintained and invested at all times in such amount of United States Government Bonds as will yield annually, at the effective rate or rates of interest borne by such United States Government Bonds, an amount of money not less than the principal and interest requirements of all outstanding Permanent University Fund Bonds which were issued prior to the year 1967, during the calendar year in which said principal and interest requirements of all such outstanding Permanent University Fund Bonds issued prior to 1967 will be greatest; and that neither the Board of Regents nor any officer of the Board of Regents or The University of Texas System shall be authorized to sell or withdraw any of said United States Government Bonds if by such sale or withdrawal the total amount of such United States Government Bonds remaining thereafter will yield annually an amount less than said principal and interest requirements of all such outstanding Permanent University Fund Bonds issued prior to 1967, during the year in which said principal and interest requirements will be the greatest.

(c) That at all times the Permanent University Fund will be invested in an amount of direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, which

(i) are at least equal in aggregate par or face value to the aggregate par or face value of all outstanding Permanent University Fund Bonds which were issued prior to the year 1985; and

(ii) will yield annually an amount of interest which will be at least equal to the maximum annual interest requirements of all outstanding Permanent University Fund Bonds which were issued prior to the year 1985,

and that at all times the Permanent University Fund will be invested in an amount of investment grade debt securities which are at least equal in aggregate par or face value to the aggregate par or face value of all outstanding Permanent University Fund Bonds.

(d) That the Board of Regents will restrict expenditures for administering the Permanent University Fund (administrative expenses) to a minimum consistent with prudent business judgment, and as long as any Permanent University Fund Bonds issued prior to 1985 remain outstanding, but not thereafter, such expenditures chargeable before debt service requirements on Permanent University Fund Bonds shall be limited to and shall never exceed in any year an amount equal to 1/5 of 1% of the book value of the Permanent University Fund.

II.

That while any Permanent University Fund Bonds issued by the Board of Directors or the Board of Regents of The Texas A&M University System are outstanding and unpaid, the Comptroller of The University of Texas System, or such officer as may hereafter be designated by the Board of Regents of the University of Texas System to perform the duties now vested in such officer, is hereby ordered to cause to be transferred to the Board of Regents of The Texas A&M University System the interest of the Texas A&M University System in the Available University Fund, as provided in the 1984 Constitutional Amendment, as same accrues; and pursuant to the written direction of the Comptroller of The University of Texas System shall cause the sums thus accruing to the Board of Regents of The Texas A&M University System to be credited by the Comptroller of Public Accounts of the State of Texas to the account now established in the State Treasury and known as 'The Texas A&M University System Available University Fund.'

III.

That this resolution acknowledges the legal obligation of the Board of Regents of The University of Texas System to perform all of the covenants set forth in this Resolution and to perform all duties imposed upon it by law in the management, administration, investment and distribution of the income accruing to the Permanent University Fund and the obligation to assure the continuing availability of such income for the payment of any and all Permanent University Fund Bonds.

IV.

That a certified copy of this resolution be prepared and transmitted to the Board of Regents of The Texas A&M University System."

RECESS FOR COMMITTEE MEETINGS AND COMMITTEE REPORTS TO THE BOARD.--At 1:45 p.m., the Board recessed for the meetings of the Standing Committees and Chairman Hay 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 41 - 47).--In compliance with Section 7.14 of Chapter I of Part One of the Regents' Rules and Regulations, Vice-Chairman Baldwin 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 Five Flexible Grazing Leases Effective July 1, 1984, Because of the Extreme Drought Conditions in West Texas (Exec. Com. Letter 85-11).-- Due to the extreme drought conditions in West Texas, and upon recommendation of the Executive Committee, authorization was given to reduce 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. All seed stock retained by University lessees will be charged in accordance with the University's current flexible grazing lease schedule.

<u>Lessee</u>	<u>Lease No.</u>	<u>Reduced Rate</u>
Brooks, Joe	26	\$4,508.31
Puckett, John	36	410.46
McKenzie, Gregg	55	795.70
Mann, Kenneth	110	1,591.17
Coates, Steve W.	119	3,935.71

2. U. T. Austin: Acceptance of Gifts and Pledges and Establishment of the A. M. Aikin Regents Chair in Junior and Community College Education Leadership in the College of Education and Establishment of the A. M. Aikin Regents Chair in Education Leadership in the College of Education with Matching Funds Under The Regents' Endowed Teachers and Scholars Program (No Publicity) (Exec. Com. Letter 85-10).--Upon recommendation of the Executive Committee, the Board accepted gifts in the amount of \$220,000 and pledges in the amount of \$280,000, payable prior to August 31, 1987, for a total of \$500,000 from friends and colleagues of the late State Senator A. M. Aikin, Jr., and established the A. M. Aikin Regents Chair in Junior and Community College Education Leadership in the College of Education at The University of Texas at Austin.

The gifts and pledges, as received, will be matched under The Regents' Endowed Teachers and Scholars Program and will be used to establish the A. M. Aikin Regents Chair in Education Leadership in the College of Education. It was reported that this chair should be reserved for the Dean of the College of Education with income used for salary supplementation and for the advancement of the College of Education.

It was requested that no publicity be given to this matter.

3. U. T. Austin: Authorization to Accept Invitation for Football Team to Participate in Freedom Bowl in Anaheim, California, on December 26, 1984, and Approval of Preliminary Budget Covering Expenses (Exec. Com. Letter 85-8).-- The Board, upon recommendation of the Executive Committee, authorized acceptance by the Intercollegiate Athletics Council for Men of an invitation for the football team of The University of Texas at Austin to participate in the Freedom Bowl in Anaheim, California, on December 26, 1984, and approved the following preliminary budget to cover the expenses therefor:

Budget
1984 Freedom Bowl

INCOME:

Estimated Income from Freedom Bowl	\$ 500,000
Less: Amount Due SWC per Conference Policy	(101,700)
Amount Available for Bowl Expenses	\$ 398,300
Less: Game Tickets Provided to Squad, Staff, Administration and Others	(16,740)
Net Available for Bowl Expenses	<u>\$ 381,560</u>

EXPENDITURES:

Awards/Official Functions	\$ 36,430
Employee Benefits	5,806
Photography (Film/Video)	4,500
Printing and Postage	4,000
Salary Supplements	72,580
Supplies-Player (Training and Equipment)	34,800
Team "NCAA" Incidental Allowance	7,000
Travel Official Party (Transportation and Meals)	137,500
Travel Official Party (Lodging)	35,600
Contingency	<u>20,000</u>
Total--Athletics Department	<u>\$ 358,216</u>

EXCESS INCOME OVER EXPENDITURES \$ 23,344

It was noted that the actual expenses will be reported in the next appropriate U. T. Austin docket.

4. U. T. Austin - Parking Facility (Project No. 102-573): Award of Construction Contract to Maufrais Brothers, Inc., Austin, Texas, Subject to the Sale of Parking Facilities Revenue Bonds, and Approval of Plaque Inscription (Exec. Com. Letter 85-7).--Upon recommendation of the Executive Committee, the Board:

- a. Awarded a construction contract for a Parking Facility at The University of Texas at Austin to Maufrais Brothers, Inc., Austin, Texas, the lowest responsible bidder for Base Bid "A" (poured-in-place concrete), in the amount of \$4,195,000, subject to the sale of U. T. Austin Parking Facilities Revenue Bonds

Regent Milburn abstained from voting on this matter due to a possible conflict of interest.

- b. 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.

PARKING FACILITY
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

Stoeltje Associates, Inc.
Project Engineer
Maufrais Brothers, Inc.
Contractor

5. U. T. El Paso - Physical Science Building - Laboratory Safety Modifications (Project No. 201-574): Award of Construction Contract to Funk & Company, Inc., El Paso, Texas (Exec. Com. Letter 85-8).--The Board, upon recommendation of the Executive Committee, awarded a construction contract to Funk & Company, Inc., El Paso, Texas, the lowest responsible bidder for the Laboratory Safety Modifications in the Physical Science Building at The University of Texas at El Paso, as follows:

Base Bid	\$122,000
Alt. No. 1 (Additional Fume Hood Work)	64,000
Alt. No. 2 (Additional Laboratory Casework)	<u>75,488</u>
Total Contract Award	\$261,488

This project was funded by appropriations from acts of the 68th Legislature.

6. U. T. San Antonio: Additional Surface Parking Facilities - Award of Construction Contract to H. B. Zachry Company, San Antonio, Texas (Exec. Com. Letter 85-8).--The Board, upon recommendation of the Executive Committee, awarded a construction contract for the Additional Surface Parking Facilities at The University of Texas at San Antonio to the lowest responsible bidder, H. B. Zachry Company, San Antonio, Texas, in the amount of \$422,428.

7. U. T. Health Science Center - Dallas: Salary Increases Requiring Advance Regental Approval Under Budget Rules and Procedures No. 2 (Exec. Com. Letters 85-6 and 85-9). -- Upon recommendation of the Executive Committee, the Board approved the following salary increases at The University of Texas Health Science Center at Dallas:

Obstetrics and Gynecology

Increased the annual compensation rate of Associate Professor of Clinical Obstetrics and Gynecology Clare D. Edman (Nontenure) from \$90,000 to \$100,000 effective December 1, 1984.

Source of Funds:

State:	\$ 62,000	Obstetrics and Gynecology Faculty Salaries
Other:	9,000	Faculty Clinic
	<u>9,000</u>	Family Planning Operating Fund
	\$ 80,000	
Augmentation:	20,000	MSRDP
	<u>\$100,000</u>	Total Compensation

(RBC# 237)

Anesthesiology and Obstetrics and Gynecology

Increased the annual compensation rate of Associate Professor of Clinical Anesthesiology and Obstetrics and Gynecology Donald H. Wallace (Nontenure) from \$102,000 to \$112,000 effective December 1, 1984.

Source of Funds:

State:	\$ 45,000	Anesthesiology
Other:	10,000	Parkland Memorial Hospital
	30,000	MSRDP Grant
	<u>\$ 85,000</u>	Total Salary
Augmentation:	27,000	MSRDP
	<u>\$112,000</u>	Total Compensation

(RBC# 243)

8. U. T. Health Science Center - Dallas - Renovation of Locke Medical Building, Phase II (Project No. 303-476): Award of Construction Contract to Certified Service Corporation, Dallas, Texas (Exec. Com. Letter 85-7). --The Board concurred in the recommendation of the Executive Committee and awarded a construction contract to Certified Service Corporation, Dallas, Texas, the lowest responsible bidder for the Renovation of the Locke Medical Building, Phase II, at The University of Texas Health Science Center at Dallas in the amount of \$417,394.

After completion of this contract, bids will be taken on the remaining Phase II work to complete the interior renovation of the building within the remaining funds.

9. U. T. Medical Branch - Galveston: Salary Increase Requiring Advance Regental Approval Under Budget Rules and Procedures No. 2 (Exec. Com. Letter 85-6).--The Executive Committee recommended and the Board approved the following salary increase at The University of Texas Medical Branch at Galveston:

Internal Medicine and Interferon Research Program

Increased the annual compensation rate of Instructor James T. H. Cao (Nontenure) from \$35,000 to \$40,000 effective November 1, 1984.

Source of Funds:

State:	\$18,475	Internal Medicine Faculty Salaries
	3,500	Interferon Research Program Faculty Salaries
Other:	18,025	MSRDP Grant
	<u>\$40,000</u>	Total Compensation

(RBC# 190)

10. U. T. Medical Branch - Galveston: Acceptance of Gift from Mr. and Mrs. W. H. Bauer, La Ward, Texas (Exec. Com. Letter 85-8).--Upon recommendation of the Executive Committee, approval was given to accept an endowment in the amount of \$400,000 from Mr. and Mrs. W. H. Bauer, La Ward, Texas, as an unrestricted contribution to The University of Texas Medical Branch at Galveston. Designation of the funds for support of institutional programs will be made at a later date at the discretion of the President of the U. T. Medical Branch - Galveston. Mr. Bauer has indicated that an additional gift will be made next year.
11. U. T. Medical Branch - Galveston - Hospital Central Supply Warehouse (Project No. 601-580): Authorization to Reject Bid of Mott Construction Corporation, Houston, Texas, and to Award a Construction Contract to LEBCO CONSTRUCTORS, INC., Houston, Texas, and Approval of Plaque Inscription (Exec. Com. Letter 85-11).--With reference to a construction contract for the Hospital Central Supply Warehouse at The University of Texas Medical Branch at Galveston, and following standard procedure, the Office of Facilities Planning and Construction requested contractors with the lowest bids to submit qualification and experience records for review. It was reported that six clients and architects associated with recent Mott Construction Corporation projects were contacted and without exception reported unsatisfactory work, poor supervision and delays in construction completion by this firm. Therefore, upon recommendation of the Executive Committee, the Board:
- a. Rejected the bid of Mott Construction Corporation, Houston, Texas, as not being a responsible bid and awarded a construction contract to LEBCO CONSTRUCTORS, INC., Houston, Texas, the lowest responsible bidder for the Hospital Central

Supply Warehouse at the U. T. Medical Branch - Galveston, as follows:

Base Bid	\$1,074,530
Alt. No. 1 (Storage Room)	12,971
Alt. No. 2 (Building Extension)	142,736
Alt. No. 5 (Firehose Cabinets)	11,772
Alt. No. 8 (Site Utilities)	51,125
Alt. No. 9 (Site Clearing)	<u>12,441</u>
Total Contract Award	\$1,305,575

- b. 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.

HOSPITAL CENTRAL SUPPLY WAREHOUSE
1985

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
William C. Levin, M.D.
President, The University
of Texas Medical Branch
at Galveston

Hoover and Hamilton
Project Architect
LEBCO CONSTRUCTORS, INC.
Contractor

12. U. T. Medical Branch - Galveston - New Parking Facilities (Project No. 601-581): Award of Construction Contract to Manhattan Construction Company, Houston, Texas, and Approval of Plaque Inscriptions (Exec. Com. Letter 85-7).--
The Board, upon recommendation of the Executive Committee:

- a. Awarded a construction contract for New Parking Facilities at The University of Texas Medical Branch at Galveston to Manhattan Construction Company, Houston, Texas, the lowest responsible bidder, as follows:

Base Bid	\$4,475,000
Alt. No. 2 - Extend Utilities to 10th Street Parking Garage	107,000
Alt. No. 3 - Two Computer Lines to 10th Street Parking Garage	5,300
Alt. No. 4 - Rubbish Chute at 10th Street Parking Garage	5,400
Alt. No. 5 - Utility Relocation 12th Street Parking Garage	38,700

Alt. No. 6 - Additional Parking Level 12th Street Parking Garage	685,000
Alt. No. 7 - Additional Electrical Outlets	<u>6,400</u>
Total Contract Award	\$5,322,800

- b. Approved the inscriptions set out below for a plaque to be placed on each building. The inscriptions follow the standard pattern approved by the U. T. Board of Regents on June 1, 1979.

PARKING GARAGE NO. 3
AND LIBRARY ANNEX
1984

BOARD OF REGENTS

Jon P. Newton, Chairman	Hans Mark
Robert B. Baldwin III, Vice-Chairman	Chancellor, The University of Texas System
Janey Slaughter Briscoe, Vice-Chairman (Mrs. Dolph)	William C. Levin, M.D. President, The University of Texas Medical Branch at Galveston
Jess Hay	
Beryl Buckley Milburn	
James L. Powell	
Tom B. Rhodes	
Howard N. Richards	Louis Lloyd Oliver and Tibor Beerman
Mario Yzaguirre	Project Architect Manhattan Construction Company Contractor

PARKING GARAGE NO. 4
1984

BOARD OF REGENTS

Jon P. Newton, Chairman	Hans Mark
Robert B. Baldwin III, Vice-Chairman	Chancellor, The University of Texas System
Janey Slaughter Briscoe, Vice-Chairman (Mrs. Dolph)	William C. Levin, M.D. President, The University of Texas Medical Branch at Galveston
Jess Hay	
Beryl Buckley Milburn	
James L. Powell	
Tom B. Rhodes	
Howard N. Richards	Louis Lloyd Oliver and Tibor Beerman
Mario Yzaguirre	Project Architect Manhattan Construction Company Contractor

REPORT AND RECOMMENDATIONS OF THE FINANCE AND AUDIT COMMITTEE
(Page 48).--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, the action set forth in the Minute Order which follows was 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: Approval of Docket No. 20 of the Office of the Chancellor with the Exception of Item #2 on Page EP-5 (Catalog Change).--Upon the recommendation of the Finance and Audit Committee, the Board approved Docket No. 20 of the Office of the Chancellor with the exception of Item #2 under Business Contracts for Services on Page EP-5 of the docket for The University of Texas at El Paso which was withdrawn at the request of that institution. It is attached following Page 146 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.

REPORT AND RECOMMENDATIONS OF THE ACADEMIC AFFAIRS COMMITTEE (Pages 49 - 59).--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. Austin: Permission for Dr. Ben H. Caudle, Dr. Myron H. Dorfman, Dr. William L. Fisher, Dr. Claude R. Hocott, Mr. Max R. Sherman, and Mr. Ernest E. Smith to Serve on the Interstate Oil Compact Commission [Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)].--Permission was granted for the following faculty members at The University of Texas at Austin to serve on the Interstate Oil Compact Commission as requested by Governor Mark White:
 - (a) Dr. Ben H. Caudle, B. J. Lancaster Professor in Petroleum Engineering
 - (b) Dr. Myron H. Dorfman, Professor and Chairman, Department of Petroleum Engineering, and holder of the W. A. "Tex" Moncrief, Jr. Centennial Chair in Petroleum Engineering
 - (c) Dr. William L. Fisher, Professor and Chairman, Department of Geological Sciences; Director, Bureau of Economic Geology; and Morgan J. Davis Centennial Professor in Petroleum Geology
 - (d) Dr. Claude R. Hocott, Professor Emeritus, Department of Petroleum Engineering
 - (e) Mr. Max R. Sherman, Professor and Dean, Lyndon B. Johnson School of Public Affairs
 - (f) Mr. Ernest E. Smith, Professor, School of Law, and holder of The Rex G. Baker Centennial Chair in Natural Resources Law

The appointment of these individuals is of benefit to the State of Texas, creates no conflict with their 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 these individuals will serve on this commission without remuneration.

2. U. T. Austin: Proposed Appointment to the Foley's/Sanger Harris Centennial Professorship in Retail Merchandising in the College of Business Administration and Graduate School of Business Effective September 1, 1985 (Withdrawn).--The item regarding the proposed appointment to the Foley's/Sanger Harris Centennial Professorship in Retail Merchandising in the College of Business Administration and Graduate School of Business at The University of Texas at Austin to be effective September 1, 1985, was withdrawn.

3. U. T. Austin: Appointments to Endowed Academic Positions in the (a) College of Communication, (b) College of Liberal Arts, (c) College of Natural Sciences, and (d) School of Social Work Effective September 1, 1985.--The Board approved the following appointments to endowed academic positions at The University of Texas at Austin effective September 1, 1985, with the understanding that the individuals would vacate any currently held endowed positions on the effective date of the new appointments:

(a) College of Communication

Dr. John D. Leckenby, Professor of Advertising, University of Illinois at Urbana-Champaign, initial holder of the Everett D. Collier Centennial Chair in Communication

It was noted that Dr. Leckenby will join U. T. Austin's faculty as Professor in the Department of Advertising on September 1.

(b) College of Liberal Arts

Dr. William R. Louis, Professor, Department of History, to the Mildred Caldwell and Baine Perkins Kerr Centennial Professorship in English History and Culture

(c) College of Natural Sciences

- (1) Dr. Allen J. Bard, currently the Norman Hackerman Professor in Chemistry, initial holder of the Norman Hackerman-Welch Regents Chair in Chemistry

See Page 129, Item 13 for the establishment of this Chair.

- (2) Dr. Edward L. Powers, Professor, Department of Zoology, initial holder of the T. S. Painter Centennial Professorship in Genetics

(d) School of Social Work

- (1) Dr. Graciela Rodriguez, currently Professor, School of Psychology, Universidad Nacional Autonoma de Mexico, to The Robert Lee Sutherland Chair in Mental Health and Social Policy for the 1985-86 academic year
- (2) Dr. Martha S. Williams, Professor and Dean, School of Social Work, initial holder of the Centennial Professorship in Leadership for Community, Professional, and Corporate Excellence
- (3) Dr. Michael L. Lauderdale, Professor, School of Social Work, initial holder of the Clara Pope Willoughby Centennial Professorship in Criminal Justice

4. U. T. Austin: Authorization to Rename the East Campus Lecture Hall in Sid Richardson Hall, the Perry R. and Nancy Lee Bass Lecture Hall (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings).--Approval was given to rename the East Campus Lecture Hall in Sid Richardson Hall at The University of Texas at Austin the Perry R. and Nancy Lee Bass Lecture Hall in accordance with the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, relating to the naming of facilities other than buildings.

The renaming of the East Campus Lecture Hall in honor of Perry R. and Nancy Lee Bass is in recognition of their generous contributions, as individuals and through the Sid W. Richardson Foundation, to the Lyndon B. Johnson School of Public Affairs, various U. T. Austin colleges, including Architecture, Engineering, and Fine Arts, and the Marine Science Institute.

5. U. T. Austin - College of Engineering: Approval to Name Six Rooms in the New Chemical and Petroleum Engineering Building for Specified Donors (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings).--In accordance with the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, relating to the naming of facilities other than buildings, approval was given to name the following rooms in the new Chemical and Petroleum Engineering Building of the College of Engineering at The University of Texas at Austin in recognition of specified donors:

- (a) Room 1.122 - Robert N. Miller Drilling Fluids Laboratory

This room was named to recognize gifts and pledges totaling \$25,000 from Mr. Robert N. Miller toward the College of Engineering's endowment program for the new Chemical and Petroleum Engineering Building.

- (b) Room 3.156 - Frederick Byron Plummer Tutorial Room

The naming of this room is to recognize a \$10,000 gift from Mrs. John E. Elliott in honor and memory of Dr. Frederick Byron Plummer, the first Chairman of the Department of Petroleum Engineering at U. T. Austin.

- (c) Room 3.180 - George H. Fancher, Jr. Study Hall

The naming of Room 3.180 is to recognize a \$10,000 gift from Mr. George H. Fancher, Jr. toward the College of Engineering's endowment program for the new Chemical and Petroleum Engineering Building.

- (d) Room 4.136 - Tenneco Oil Advanced Petrophysics Laboratory

This room was named to recognize gifts and pledges totaling \$50,000 from Tenneco Oil Company to support an advanced petrophysics laboratory in the new Chemical and Petroleum Engineering Building.

- (e) Room 4.166 - Marathon Oil Company Enhanced Oil Recovery Laboratory

The naming of Room 4.166 is to recognize a gift and pledge totaling \$50,000 from Marathon Oil Foundation, Inc. to support a research laboratory in the new Chemical and Petroleum Engineering Building.

See Page 135, Item 28 for acceptance of the above-mentioned gifts and pledges, and the establishment of permanent endowment accounts.

- (f) Room 4.158 - Mobil Enhanced Oil Recovery Laboratory

Room 4.158 was named to recognize a non-endowed gift and pledge totaling \$50,000 from Mobil Foundation, Inc. to support an enhanced oil recovery laboratory in the new Chemical and Petroleum Engineering Building. These funds will be used to purchase, maintain and improve equipment and for activities necessary for the research and teaching functions associated with the designated laboratory. Acceptance of the funds will be reported via the institutional Docket.

6. U. T. Austin: Approval to Name Room 312 in Waggener Hall, Department of Philosophy, College of Liberal Arts, the Albert P. Brogan Reading Room (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings).--Upon recommendation of the Academic Affairs Committee and in accordance with the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, relating to the naming of facilities other than buildings, approval was given to name Room 312 in Waggener Hall, Department of Philosophy, College of Liberal Arts at The University of Texas at Austin, the Albert P. Brogan Reading Room.

This room was named in memory of Mr. Albert P. Brogan to recognize his distinguished service as a scholar and administrator at U. T. Austin from 1914 until his retirement in 1963.

7. U. T. Austin: Authorization to Rename The Senior Cabinet The Cabinet of College Councils Through Amendment of Its Constitution.--In order to more correctly describe the composition of The Senior Cabinet, which is comprised of representatives from the various Student Councils of the colleges and schools at The University of Texas at Austin, authorization was given to rename The Senior Cabinet at U. T. Austin The Cabinet of College Councils through amendment of its Constitution.

The amended Constitution is set forth in its entirety on Pages 53 - 56.

CONSTITUTION*

THE CABINET OF COLLEGE COUNCILS

The University of Texas at Austin

ARTICLE I: NAME

The name of this body shall be The Cabinet of College Councils of The University of Texas at Austin, hereinafter referred to as The Cabinet.

ARTICLE II: PURPOSE

The purpose of The Cabinet shall be: (1) the coordination and representation of the various Student Councils of the colleges and schools of The University of Texas at Austin (hereinafter referred to as College Councils); (2) a medium for exchange and presentation of the ideas of and opinions of the student bodies of the various College Councils of The University of Texas at Austin; (3) the administration of funds collected through the Student Services Fee (required); (4) the representation of the students of The University of Texas at Austin in academic affairs.

ARTICLE III: MEMBERSHIP

3.1 Voting members of The Cabinet shall be:

3.11 The President or Chair of each College Council of The University of Texas at Austin.

- (a) Each school or College of The University of Texas at Austin shall have one College Council.
- (b) Each College Council shall be recognized as the one official College Council of a School or College by the Dean of said School or College.
- (c) Each College Council shall be made up of student selected members.
- (d) A President or Chair of a College Council shall be elected in the Spring and take office by May 1.

3.12 An Official Representative of a College Council.

- (a) An Official Representative of a College Council shall be sent to The Cabinet in case of necessary absence of the President or Chair of said College Council in accordance with the Bylaws hereto.
- (b) An Official Representative shall replace the Chair of The Cabinet as the representative from the Chair's College Council.
- (c) An Official Representative shall have full voting rights.

* Approved by the Board of Regents July 27, 1973.
Amended June 1, 1979.

- 3.2 Ex-Officio members of The Cabinet shall include:
- 3.21 Without Vote: Any student who has served on The Cabinet for at least one year and who is still enrolled in The University of Texas at Austin at any time after such year of office, and the President of the Students' Association of The University of Texas at Austin.
- 3.3 Administrative Consultants of The Cabinet without vote shall include:
- 3.31 The Chancellor of The University of Texas System.
- 3.32 The President of The University of Texas at Austin.
- 3.33 The Vice President for Student Affairs of The University of Texas at Austin.
- 3.34 The Faculty Advisor of The Cabinet as appointed by the Vice President for Student Affairs of The University of Texas at Austin.
- 3.4 Vacancies shall be filled by the College Council of the individual School or College from which the vacancy appears.

ARTICLE IV: OFFICERS

- 4.1 The officers of The Cabinet shall be Chair, Vice Chair and Secretary.
- 4.11 The election of officers shall occur at a general meeting of The Cabinet between April 1st and the last class day of the spring semester.
- 4.12 No person shall be elected to any office of The Cabinet unless said person is a voting member of The Cabinet at the time of election or said person has served on The Cabinet as a voting member for at least one year immediately prior to the election and shall still be enrolled at The University of Texas at Austin.
- 4.13 Only the voting members of The Cabinet for the following one year period shall vote for the officers of The Cabinet.
- 4.14 No person shall hold more than one elected position of The Cabinet.
- 4.2 The duties of the officers shall be as follows:
- 4.21 Chair
- (a) Shall preside over all meetings of The Cabinet.
 - (b) Shall serve as Chair of the Executive Committee.
 - (c) Shall nominate membership of standing or special committees of The Cabinet.
 - (d) Shall act as the official representative of The Cabinet.
 - (e) Shall be an official representative of The Cabinet to the University Council.
 - (f) Shall perform such other duties as his/her office may require or as may be prescribed by the voting members of The Cabinet.
- 4.22 Vice Chair
- (a) Shall preside over all The Cabinet meetings in the absence of the Chair.
 - (b) Shall, in the absence of the Chair, exercise all duties vested in the Chair.
 - (c) Shall be a member of the Executive Committee.
 - (d) Shall perform such other duties as his/her office may require or as may be prescribed by the voting members of The Cabinet.

4.23 Secretary

- (a) Shall record the minutes of each meeting of The Cabinet and the Executive Committee and deliver promptly to the Dean of Students a copy of all such minutes, which shall be filed and available for public review.
- (b) Shall be a member of the Executive Committee.

4.3 Impeachment of any officer shall be in accordance with the regulations established in the Bylaws.

ARTICLE V: COMMITTEES AND COMMITTEE APPOINTMENTS

- 5.1 The Cabinet shall from time to time create such committees as are necessary for the operation of The Cabinet and representation of the student body in academic affairs, and shall appoint such members to such committees as The Cabinet deems it necessary.
- 5.2 The Cabinet shall appoint, by the third week in the Fall Semester, students to University committees according to the responsibilities of The Cabinet.

ARTICLE VI: MEETINGS

- 6.1 The regular meetings of The Cabinet shall be held once per month during the Long Session of The University of Texas at Austin, at a date and time to be determined by the membership of The Cabinet.
- 6.2 Special meetings may be called by the Executive Committee upon twenty-four (24) hours notice to each member of The Cabinet, or by one-third (1/3) of the voting membership of The Cabinet, giving the same notice.
- 6.3 The quorum for any regular or special meeting of The Cabinet shall be a majority of the official voting membership.

ARTICLE VII: EXECUTIVE COMMITTEES

- 7.1 The Executive Committee of The Cabinet shall be composed of all the elected officers of The Cabinet.
- 7.2 The Executive Committee shall be empowered to make all decisions for The Cabinet when it is not possible to convene a full meeting of The Cabinet. All such decisions shall be subject to the approval of The Cabinet at the next regularly scheduled meeting.
- 7.3 The Executive Committee shall formulate a budget for the expected revenues from the Student Services Fee (required) in the Spring Semester for approval by The Cabinet, the appropriate University officials, and the Board of Regents of The University of Texas System.
- 7.4 During the Summer sessions, the Executive Committee shall publish and distribute a newsletter to all voting members of The Cabinet describing the actions taken by the Executive Committee during the Summer Session.

ARTICLE VIII: BYLAWS

The voting members of The Cabinet shall establish Bylaws to this Constitution by a majority vote.

ARTICLE IX: AMENDMENTS

Amendments to this Constitution may be initiated by any member of The Cabinet and shall become effective upon ratification by two-thirds (2/3) of the voting members of The Cabinet and approval by the Board of Regents of The University of Texas System.

ARTICLE X: CONSTITUTION

10.1 This Constitution shall be the one official Constitution of The Cabinet, and all previous Constitutions are suspended and hereby declared null and void, and any Bylaws inconsistent with any of the provisions herein are declared null and void.

10.2 This Constitution shall become effective on June 1, 1973, when ratified by two-thirds (2/3) of the voting members of The Cabinet and approved by the appropriate University officials, and by the Board of Regents of The University of Texas System.

8. U. T. Austin: Approval of Nominee to the Marine Science Institute Advisory Council.--A nominee for membership to The University of Texas at Austin Marine Science Institute Advisory Council was approved for a term to expire in 1987.

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

9. U. T. Austin: Approval of Amendment to the Patent License Agreement with Parker Kinetic Designs, Inc., Austin, Texas, Assignee of OIME, Inc., (Oil Industry Manufacturing & Engineering, Inc.) Odessa, Texas.--Approval was given to an amendment to the existing patent license agreement 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 Parker Kinetic Designs, Inc., Austin, Texas, Assignee of OIME, Inc., (Oil Industry Manufacturing & Engineering, Inc.) Odessa, Texas, as set forth on Pages 57 - 59.

This amendment, executed by the appropriate officials of the institution and facility, provides that:

- (a) A new patent application entitled Coaxial Cryogenic Inductor (UTSB:119) be added to Attachment A as the fifth patent application to which the license applies.
- (b) The licensee pay any patent prosecution and maintenance expenses for any patent application added by amendment to Attachment A to the extent such expenses occurred prior to the effective date of the amendment. Existing provisions of the license agreement cover such patent expenses incurred thereafter.

AMENDMENT TO PATENT LICENSE AGREEMENT

THIS AGREEMENT is made by and between THE UNIVERSITY OF TEXAS SYSTEM, an agency of the State of Texas, 201 West 7th Street, Austin, Texas 78701, (hereinafter referred to as "UNIVERSITY") and PARKER KINETIC DESIGNS, Inc., a Texas corporation, whose address is Suite 500 West, 1106 Clayton Lane, Austin, Texas 78723 (hereinafter referred to as "LICENSEE")

W I T N E S S E T H :

WHEREAS, by a Patent License Agreement effective February 1, 1983, and an Amendment to that Patent License Agreement effective July 1, 1983, UNIVERSITY granted LICENSEE certain rights to practice inventions claimed in U.S. Patent Applications bearing Serial Numbers 381,925, 381,926, 381,927, and 381,928 relating to homopolar generators;

WHEREAS, LICENSEE now desires to have similar rights to practice an additional invention claimed in another U. S. Patent Application filed by UNIVERSITY; and

WHEREAS, UNIVERSITY desires to grant these additional rights to LICENSEE;

NOW, THEREFORE, in consideration of One Dollar (\$1.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby expressly acknowledged, the parties agree as follows:

1. The effective date of this Amendment shall be July 11, 1984.

2. Attachment A of said Patent License Agreement is amended to include:

<u>File No.</u>	<u>Ser. No.</u>	<u>Title</u>	<u>Inventor(s)</u>
UTSB 119	Not Yet Assigned	Coaxial Cryogenic Inductor	William Weldon John Gully Sid Pratap Mike Spann Richard Marshall

and will be in the format as attached hereto.

3. Paragraph 5.8 of said Patent License Agreement is amended to add the following sentences:

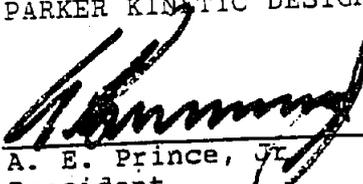
In addition to the sum of \$6,530.50 that LICENSEE paid to UNIVERSITY under the provisions of Paragraph 5.1, Licensee shall pay to UNIVERSITY such additional funds necessary to cover patent prosecution and maintenance expenses, for any patent application added to Attachment A by Amendment, incurred prior to the effective date of said Amendment. OIME shall pay such funds to UNIVERSITY within thirty (30) days of receipt of billings from UNIVERSITY.

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

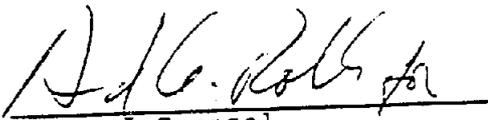
ATTEST:


Secretary

PARKER KINETIC DESIGNS, INC.

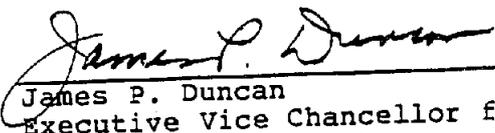

A. E. Prince, Jr.
President
Parker Kinetic Designs, Inc.

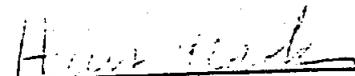
FORM APPROVED:


General Counsel
The University of Texas
System

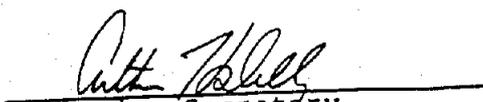
CONTENT APPROVED:


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

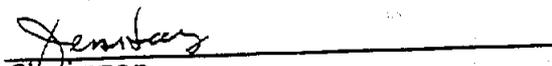

James P. Duncan
Executive Vice Chancellor for
Academic Affairs, The
University of Texas System


Hans Mark
Chancellor
The University of Texas System

ATTEST:


Executive Secretary

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM


Chairman

ATTACHMENT A
PATENT APPLICATIONS

<u>File No.</u>	<u>Ser. No.</u>	<u>Title</u>	<u>Inventor(s)</u>
UTSB048	381,926	Brush Mechanism for Homopolar Generator	William Weldon John Gully William A. Walls
UTSB049	381,925	Brush Actuator for Homopolar Generator	William Weldon John Gully Kurth Bousman
UTSB050	381,928	Rotor Assembly for Homopolar Generator	William Weldon John Gully Mark Pichot
UTSB051	381,927	Homopolar Generator Power Supply	William Weldon John Gully
UTSB119	Not Yet Assigned	Coaxial Cryogenic Inductor	William Weldon John Gully Sid Pratap Mike Spann Richard Marshall

REPORT AND RECOMMENDATIONS OF THE HEALTH AFFAIRS COMMITTEE (Pages 60 - 93).--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: Permission for Marion R. Zetzman, Dr. P.H., to Serve as Chairman of the Statewide Health Coordinating Council [Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)].--Permission was granted for Marion R. Zetzman, Dr. P.H., Professor of Community Medicine and Special Assistant to the President at The University of Texas Health Science Center at Dallas, to serve as Chairman of the Statewide Health Coordinating Council for a term to expire at the pleasure of the Governor.

Dr. Zetzman's appointment 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. Zetzman is not entitled to compensation for his service as Chairman of this Council but will receive occasional travel expenses.

2. U. T. Health Science Center - Dallas: Approval of Affiliation Agreement with Howard Hughes Medical Institute, Miami, Florida.--Upon recommendation of the Health Affairs Committee, approval was given to the affiliation agreement set out on Pages 61 - 70 by and between The University of Texas System Board of Regents, for and on behalf of The University of Texas Health Science Center at Dallas, and the Howard Hughes Medical Institute, Miami, Florida.

This agreement, executed by the appropriate officials of the institution and facility to become effective upon approval by the U. T. Board of Regents, establishes a branch of the Howard Hughes Medical Institute on the campus of the U. T. Health Science Center - Dallas and provides that the Health Science Center and the Institute will share facilities and equipment. It further provides that qualified Institute personnel will be given clinical faculty appointments at the University and may be assigned patient care, research and teaching duties up to twenty-five percent (25%) of their time at no cost to the University. The University will share equally with the Institute in net earnings (after expenses and inventor distributions) from the licensing under certain intellectual property rights generated from research conducted by the Institute.

See Page 95, Item 3 for approval of a lease agreement with the Howard Hughes Medical Institute.

AFFILIATION AGREEMENT

This Affiliation Agreement is made as of the 1st day of January, 1985, by and between the Howard Hughes Medical Institute ("Institute"), and The University of Texas System for and on behalf of The University of Texas Health Science Center at Dallas ("University").

WHEREAS, the Institute is a not-for-profit Delaware corporation, actively and directly engaged in medical research in association with hospitals, through professional scientists ("Investigators") employed by the Institute, working under the supervision and guidance of the Institute's Director of Research, and provided with appropriate Institute laboratory facilities and equipment; and

WHEREAS, the University is an agency existing under the laws of the State of Texas, and its Southwestern Medical School utilizes hospitals located within or associated with The University of Texas Health Science Center at Dallas, Texas ("Medical Center") as affiliated teaching hospitals, which hospitals include Parkland Memorial Hospital and Children's Hospital; and

WHEREAS, Parkland Memorial Hospital and Children's Hospital ("Hospitals") maintain hospital, clinical and associated research facilities located within the Medical Center, and are primary teaching hospitals for the University's Southwestern Medical School; and

WHEREAS, the Institute has acquired laboratory space and equipment at the Medical Center for the purpose of conducting medical research in conjunction with the Hospitals, pursuant to that certain Lease Agreement dated as of January 1, 1985 ("Lease Agreement");

NOW, THEREFORE, to establish a framework of affiliation, in recognition of University's association with the Hospitals,

and of close cooperation between the Institute and the Hospitals in the active conduct of medical research, the parties mutually agree as follows:

I. Institute Research Program

A. The Institute's research program at its laboratories located at the Medical Center ("Dallas Laboratories") shall be developed, supervised, and evaluated by the Institute in accordance with its overall objectives and standards for medical research, as established pursuant to procedures promulgated from time to time by the Institute. Appropriate officials of the University shall periodically be informed regarding the Institute's research program and objectives at the Dallas Laboratories. Research conducted by the Institute in the Dallas Laboratories shall comply with the applicable rules and regulations of the Medical Center for research, as well as with all applicable federal, state and local laws and regulations. Rights and obligations respecting inventions, discoveries and other intellectual property, made at the Dallas Laboratories, shall be determined in accordance with the Patent and Intellectual Property Agreement attached as Exhibit A, and as the same may be amended from time to time by agreement of the parties thereto. Exhibit A shall be deemed a part of this Agreement for all purposes.

B. The Institute shall be solely responsible for the costs of operating its Dallas Laboratories, including all salaries, stipends, fringe benefits and other payments to its Investigators and other employees of the Institute at these laboratories.

C. The Institute shall furnish to the University each year a copy of the annual report of the Director of Research of the Institute, and shall make available reprints of scientific articles written by the Institute Investigators located at the Dallas Laboratories.

D. Continuing opportunities shall be afforded for the exchange of scientific information among and between Institute, Hospital and University personnel.

II. Institute Research Personnel

A. Research personnel of the Institute assigned to its Dallas Laboratories shall be selected, employed, and supervised by the Institute in accordance with Institute procedures. The Institute shall be solely responsible for any and all personnel matters concerning Institute personnel, including, but not limited to, compliance with all applicable federal, state and local statutes and regulations concerning nondiscrimination in employment on the basis of race, age, sex, handicap, or ethnic or national origin. Institute personnel shall conform to all applicable Medical Center, Hospital and University regulations concerning the conduct of persons while on Medical Center, Hospital, and University property.

B. All Institute Investigators assigned to the Dallas Laboratories shall meet the qualifications for appointment to an appropriate faculty position in the University in accordance with University policies and procedures. Each Investigator shall also be permitted to qualify for Hospital staff membership, with all accompanying rights, privileges, and responsibilities.

C. In accordance with guidelines established by the Institute in the furtherance of its medical research objectives, the Institute agrees to permit each Institute Investigator with a University faculty appointment to participate in teaching, patient care and other nonadministrative programs and activities of the University, at no expense to the University; but such activities may not exceed twenty-five percent (25%) of the Investigator's effort. Any Investigator participating in such activities

shall comply with University, Medical Center, and Hospital policies and procedures.

D. The University shall cause the Investigators to be added to and covered by The University of Texas System Professional Medical Malpractice Plan, at no cost to the Institute, to the extent necessary to cover the patient care activities of Investigators permitted by Paragraph II-C.

E. In recognition of the desirability of maintaining comparable personnel practices, the Institute and the University agree to coordinate and exchange wage and benefit data. Notwithstanding the foregoing, the parties acknowledge and agree that the Institute shall have full and independent authority and responsibility for hiring, supervising, compensating, terminating and taking other personnel actions concerning Institute personnel.

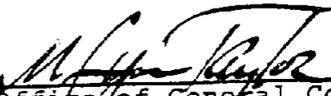
F. The Institute's Investigators and staff shall have the same access to research equipment, libraries and other facilities of the University and the Medical Center which other members of the University faculty and staff at the Medical Center have. The University shall be given reasonable access to Institute facilities at the Dallas Laboratories in accordance with the Lease Agreement.

III. Term

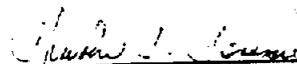
This Agreement shall continue in effect until terminated (i) on any date specified by written agreement executed by both parties hereto, or (ii) by either party upon a minimum of one year's prior written notice to the other; provided, however, that the effective date of any termination by the University shall not precede the termination or expiration of the Lease Agreement.

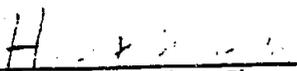
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized agents, in counterparts, as of the day and year first above written.

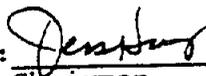
Approved as to form:

By: 
Office of General Counsel
The University of Texas
System

THE UNIVERSITY OF TEXAS SYSTEM

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

By: 
Office of the Chancellor
The University of Texas System

By: 
Chairman
The University of Texas System
Board of Regents

HOWARD HUGHES MEDICAL INSTITUTE

By: 
Donald S. Fredrickson, M.D.
President

EXHIBIT A

PATENT AND INTELLECTUAL PROPERTY AGREEMENT

This Patent and Intellectual Property Agreement is made as of the 1st day of January, 1985, by and between the Howard Hughes Medical Institute (the "Institute") and The University of Texas System, for and on behalf of The University of Texas Health Science Center at Dallas (herein collectively the "University").

WHEREAS, the Institute and the University have entered into an Affiliation Agreement having an effective date of January 1, 1985, for cooperation in the active conduct of medical research in conjunction with the University's affiliated hospitals and in furtherance of their respective corporate and statutory purposes; and

WHEREAS, the Institute's Board of Trustees, in implementation of the Institute's primary purpose of promoting human knowledge within the field of the basic sciences and the effective application thereof for the benefit of mankind, has adopted a "Statement of Policy on Patents, Inventions, Discoveries and Intellectual Properties" (the "Institute Patent Policy"); and

WHEREAS, the purpose of the Institute Patent Policy is to promote disclosure of the results of Institute research, to define and protect the rights of inventors and discoveries, to provide for an equitable distribution of the rewards and responsibilities attendant upon inventions and discoveries, and to provide that income to the Institute from such inventions and discoveries be used for the purpose of promoting Institute research; and

WHEREAS, the parties hereto desire to enter into this Patent and Intellectual Property Agreement (the "Agreement") as an attachment to and part of the Affiliation Agreement

entered into by the parties, said Patent and Intellectual Property Agreement evidencing the rights and obligations respecting inventions, discoveries and other intellectual properties made at the laboratories of the Institute located at the Medical Center;

NOW, THEREFORE, the parties hereto agree as follows:

I. Scope of Agreement

This Agreement applies to all discoveries, inventions, and intellectual properties developed as a direct or indirect result of the duties or research activity of Institute personnel from a program of research financed by Institute funds, or by funds under the control of the Institute, made at the laboratories of the Institute located at the Medical Center. Pursuant to the Institute's Patent Policy, any such discovery or invention, and any patent rights pertaining thereto, are required to be formally assigned by the Institute personnel to the Institute. In addition, under the Institute's Patent Policy all nonpatent-able technology relating to such discovery or invention (except for copyrightable material covered by paragraph 8 of the Institute's Patent Policy), including computer software and technical manuals, as well as the intellectual property rights therein, shall be the property of and be furnished to the Institute.

II. Assignment of Rights to University -- Conditions

A. The Institute hereby agrees to assign to the University its intellectual property rights in the discoveries and inventions of Institute personnel made at the Medical Center, and further agrees that the University's policies and procedures respecting management of inventions and other intellectual properties, and division of royalties,

shall apply with respect to such discoveries and inventions, subject, however, to the following conditions:

(1) The Institute shall have a royalty-free, non-exclusive, irrevocable license with respect to intellectual property rights arising from any such discoveries or inventions.

(2) The Institute shall have the right to require periodic reporting on the utilization or efforts at obtaining utilization of any such discovery or invention.

(3) The University shall share costs of obtaining and maintaining intellectual property rights, such as patent and patent procurement costs, with the Institute. The Institute's share of such costs and any royalties resulting from licenses of intellectual property rights shall be equal to that of the University. For purposes of this Agreement, net royalties are gross royalties and fees, less the costs of patenting, protecting and preserving patent rights, maintaining patents, the licensing of patents and related intellectual property rights, and such other costs, taxes or reimbursements as may be necessary or required by law. From the net royalties derived from licensing inventions and discoveries subject to this Agreement otherwise distributable to the Institute and the University there shall be distributed to the inventor the following amounts: seventy-five percent (75%) of the first \$5,000 of net royalties; fifty percent (50%) of the net royalties in excess of \$5,000 but not more than \$10,000; and twenty-five percent (25%) of any net royalties in excess of \$10,000. Where there are two or more inventors, each inventor shall share equally in the inventor's share of royalties, unless all inventors

previously have agreed in writing to a different distribution. Distributions of the inventor's share shall be made at least annually from the amount received during the calendar year. In appropriate cases, the Institute and the University may mutually agree to distribute to the inventor a larger portion of the net royalties than provided by the foregoing schedule. The foregoing schedule shall also apply to licensing of all other intellectual property rights covered in Section I.

(4) The Institute shall have the continuing right to require the University to license others where, in the judgment of the Institute, effective steps to achieve practical application of subject inventions have not been taken within a reasonable time, or where such licensing is necessary to meet the needs of public health or safety.

(5) The University may license or sublicense any invention or other intellectual property generated hereunder to third parties, but any such license or sublicense shall not relieve the University from its obligations to the Institute under this Agreement.

(6) If the University declines, or fails within a reasonable period of time, to attempt to obtain patent protection with respect to any discovery or invention otherwise covered by this Agreement, the Institute shall have the right to attempt to obtain patent protection with respect to such discovery or invention, and if an issued patent is obtained, all rights and obligations with respect to such discovery or invention shall be determined in accordance with the Institute's Patent Policy, without regard to the terms of this Agreement.

3. U. T. Health Science Center - Dallas: Approval of License Agreement with Mission Pharmacal Company, San Antonio, Texas, Relating to New Uses for Calcium Citrate.--Approval was given to the license agreement set out on Pages 71 - 77 by and between The University of Texas Health Science Center at Dallas and Mission Pharmacal Company, San Antonio, 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, grants an exclusive license for Mission Pharmacal Company to use and sell calcium citrate.

AGREEMENT

1. PARTIES:

1.1 The University of Texas Health Science Center at Dallas, referred to hereinafter as "UNIVERSITY", having an office at 5323 Harry Hines Boulevard, Dallas, Texas 75235, is a component institution of The University of Texas System.

1.2 Mission Pharmacal Company, referred to hereinafter as "MISSION:", is a Texas corporation, having offices at 1325 East Durango Street, San Antonio, Texas 78296.

2. CONSIDERATION:

2.1 This Agreement is entered into between the aforementioned parties for and in consideration of the undertakings herein expressed, the sufficiency and adequacy of which are hereby acknowledged.

3. SUBJECT MATTER OF AGREEMENT:

3.1 The present Agreement relates to technology for calcium citrate. As used herein, "TECHNOLOGY" shall refer to technology based in its concepts upon subject matter which forms the UNIVERSITY'S part of the Investigational New Drug ("IND") Number 24,259 for calcium citrate for which Charles Y.C. Pak, M.D., hereinafter referred to as "PAK", is the principal investigator and UNIVERSITY is the sponsor. When a New Drug Application ("NDA") for calcium citrate is accepted by the United States Food and Drug

Administration ("FDA") of which Pak is the principal investigator and UNIVERSITY is the sole or joint applicant, the UNIVERSITY'S part of the NDA will also be part of TECHNOLOGY. TECHNOLOGY shall also include any concept or data of Pak which may bear upon over-the-counter drug status of calcium citrate.

4. WARRANTY:

4.1 UNIVERSITY represents and warrants that it is the sole owner of the entire right, title, and interest to the TECHNOLOGY described in paragraph 3.1. UNIVERSITY and PAK do not warrant that making, using or selling the subject matter described in paragraph 3.1 will not infringe patents owned by others.

5. GRANT AND EXCHANGE OF INFORMATION:

5.1 UNIVERSITY hereby grants to MISSION the exclusive right to use TECHNOLOGY referred to in paragraph 3.1 to distribute and sell calcium citrate.

5.2 Within ten (10) days after final execution of this Agreement, UNIVERSITY will furnish to MISSION all TECHNOLOGY described in paragraph 3.1. which is now available. When additional TECHNOLOGY is available, UNIVERSITY and PAK will furnish it to MISSION.

5.3 In respect to TECHNOLOGY disclosed by UNIVERSITY to MISSION under paragraph 5, MISSION agrees to keep such information confidential during the term of this Agreement, and for three (3) years thereafter. MISSION agrees to have each of its employees who come or may come into contact with TECHNOLOGY sign a statement agreeing to keep TECHNOLOGY confidential for the term of this Agreement and for three (3) years thereafter.

5.4 The TECHNOLOGY to be furnished to MISSION under this Agreement is for the use of MISSION in commercializing calcium citrate. UNIVERSITY and PAK make no representations, extend no warranties of any kind, either expressed or implied, and assume no responsibilities whatever with respect to the use, sale, or other disposition by MISSION or any other person of the

products employing TECHNOLOGY furnished under this Agreement. MISSION agrees to hold UNIVERSITY and PAK harmless against all liabilities, demands, damages, expenses or losses arising out of the use by MISSION or by third parties acquiring through MISSION, of any TECHNOLOGY furnished under this Agreement, and, if requested, to defend UNIVERSITY and PAK against any and all claims arising out of such use.

5.5 MISSION agrees to supply UNIVERSITY and Pak with sufficient quantity of calcium citrate for use in studies necessary for FDA and marketing.

6. PAYMENTS:

6.1 MISSION will pay UNIVERSITY an amount in United States dollars equal to nine percent (9%) of the Net Selling Price as defined herein for any product made, used, or sold by MISSION, the making, using, or selling of which requires the use of TECHNOLOGY disclosed by UNIVERSITY in accordance with paragraph 5, after the effective date of this Agreement and prior to the termination of this Agreement. MISSION will pay PAK an amount in United States dollars equal to three percent (3%) of the Net Selling Price as defined herein for any product made, used, or sold by MISSION the making, using, or selling of which requires the use of TECHNOLOGY disclosed by UNIVERSITY in accordance with paragraph 5, after the effective date of this Agreement and prior to the termination of this Agreement.

6.2 "Net Selling Price" as used herein shall mean MISSION'S invoice price for any product less quantity and cash discounts thereon actually allowed and less sales, use, or other similar taxes and any transportation or delivery charges borne by MISSION. No royalties shall be due on any products which are not accepted by the customer and when royalties shall have been paid on such products, they shall be credit against future royalties to be paid hereunder.

6.3 For the purposes of computing and paying the royalties referred to in paragraph 6.1 of this Agreement, the years shall be divided into quarters beginning May 1, August 1, November 1, and February 1 of each year. Within

(30) days after the end of each quarter, reports shall be made by MISSION to UNIVERSITY setting forth the number of products which have been sold during the preceding quarter, and also showing the Net Selling Price of such products. MISSION'S remittance for the full amount of royalties due for such quarter shall accompany such reports. MISSION agrees to make and keep full and accurate books and records showing the sales of products sold under the grant of TECHNOLOGY herein in sufficient detail to enable royalties payable hereunder to be determined, and further agrees that UNIVERSITY shall be permitted to inspect such books and records from time to time during reasonable business hours, as to any data, material to the computation of royalties hereunder, and to make copies thereof to the extent necessary to verify the royalty reports and payments provided by this Agreement. Such books and records for any royalty report may be destroyed by MISSION after three (3) years from the date of the report.

7. CONSULTATION AND ADVICE:

7.1 UNIVERSITY shall, upon the request of MISSION, ask PAK to act as consultant and adviser to MISSION on matters pertaining to the TECHNOLOGY disclosed to MISSION under this Agreement. PAK will make himself available for such purpose for a total of not more than fifty-two (52) hours during any year following the date of the execution of this Agreement. For such consulting services, MISSION will not be required to furnish additional compensation to PAK or UNIVERSITY other than what has been agreed upon as royalties in this Agreement. However, MISSION will reimburse PAK for reasonable expenses incurred by him for transportation, lodging, meals, etc. in discharging his obligations under this Agreement, if travel is requested in writing by MISSION and agreed to by UNIVERSITY to be necessary to carry out the purposes of this Agreement.

8. REASONABLE EFFORTS:

8.1 MISSION agrees to use reasonable efforts to introduce TECHNOLOGY into the commercial market as soon as practicable, consistent with sound and reasonable business practices and judgment. Should MISSION not be marketing a product using TECHNOLOGY on the first anniversary of the final approval of the FDA, UNIVERSITY may terminate the Agreement upon sixty (60) days written notice. UNIVERSITY shall then be free to pursue marketing through another firm.

9. TERMINATION:

9.1 If one party shall at any time commit a breach of any covenant, warranty, or agreement herein contained, and shall fail to remedy any such breach within sixty (60) days after written notice thereof by the other party, such other party may at its option, and in addition to any other remedies that it may be entitled to, terminate this Agreement by notice in writing to such effect. Termination shall not affect UNIVERSITY'S right to collect payments accruing prior to termination.

9.2 In the event of termination of this Agreement, MISSION shall have the right to sell thereafter (1) completed products then on hand, (2) products then in the process of manufacture, and (3) products with respect to which manufacture has been firmly committed at the time of termination by reason of the existence of a written contract for the sale of the products. All such sales shall be subject to reporting and royalty payments exactly as if termination had not occurred.

9.3 Upon termination MISSION shall be obligated to return to UNIVERSITY the original and all copies of TECHNOLOGY sent to MISSION under this Agreement, and to continue to honor this commitment not to disclose such TECHNOLOGY to third parties.

9.4 In the event that MISSION should at any time become bankrupt or be placed in receivership, UNIVERSITY may elect to terminate this Agreement and revoke all rights granted herein by serving written notice to that effect on MISSION at any time after such bankruptcy or receivership.

10. EXPIRATION:

10.1 Unless sooner terminated as provided herein, this Agreement shall continue for as long as MISSION continues to make, use or sell a product using TECHNOLOGY. MISSION shall give UNIVERSITY ninety (90) days written notice of its intent to terminate this Agreement and the making, using or selling of a product using TECHNOLOGY. Should UNIVERSITY discover that MISSION is not making, using or selling a product using TECHNOLOGY but MISSION has failed to give such notice, UNIVERSITY may terminate this Agreement by giving ninety (90) days written notice.

11. ASSIGNMENT

11.1 This Agreement shall be transferable by MISSION in a transfer of all of the assets of the business to which TECHNOLOGY pertains, but shall not otherwise be transferable without prior written consent of UNIVERSITY which shall not be unreasonably withheld.

11.2 This Agreement shall be binding and inure to the benefit of the successors and assigns of UNIVERSITY.

12. LAW APPLICABLE:

12.1 This Agreement shall be construed under the laws of the United States and of the State of Texas.

13. MISCELLANEOUS:

13.1 Notice under this Agreement may be given to MISSION by notifying Mr. Neill Walsdorf, President, Mission Pharmacal Company at Post Office Box 1676, San Antonio, Texas 78796. Notice may be given to UNIVERSITY in accordance with this Agreement by giving notice to Dr. Charles C. Sprague, President, The University of Texas Health Science Center at Dallas, 5323 Harry Hines Boulevard, Dallas, Texas 75235. A copy of Notice to UNIVERSITY should be sent to Charles Y.C. Pak, M.D., Department of Internal Medicine, The University of Texas Health Science Center at Dallas, Southwestern Medical School, 5323 Harry Hines Boulevard, Dallas, Texas 75235.

14. EXECUTION AND EFFECTIVE DATE:

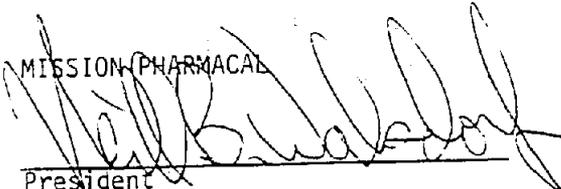
14.1 This Agreement is executed in multiple originals upon the date set forth beside the execution signatures, and shall be effective when signed by both parties.

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

ATTEST:

Secretary

MISSION PHARMACAL



President

FORM APPROVED:

[Signature]
General Counsel, The University
of Texas System

CONTENT APPROVED:

[Signature]
President, The University of
Texas Health Science Center
at Dallas

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

[Signature]
Chancellor, The University of
Texas System

ATTEST:

[Signature]
Executive Secretary,
Board of Regents of The
University of Texas System

THE BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

[Signature]
Chairman, Board of Regents of
The University of Texas System

4. U. T. Health Science Center - Dallas: Approval of License Agreement with Mission Pharmacal Company, San Antonio, Texas, Relating to New Uses for Thiola.--Upon recommendation of the Health Affairs Committee, approval was given to the license agreement set out on Pages 78 - 83 by and between The University of Texas Health Science Center at Dallas and Mission Pharmacal Company, San Antonio, 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, grants an exclusive license for Mission Pharmacal Company to use and sell thiola for certain purposes.

AGREEMENT

1. PARTIES:

1.1 The University of Texas Health Science Center at Dallas, referred to hereinafter as "UNIVERSITY", having an office at 5323 Harry Hines Boulevard, Dallas, Texas 75235, is a component institution of The University of Texas System.

1.2 Mission Pharmacal Company, referred to hereinafter as "MISSION:", is a Texas corporation, having offices at 1325 East Durango Street, San Antonio, Texas 78296.

2. CONSIDERATION:

2.1 This Agreement is entered into between the aforementioned parties for and in consideration of the undertakings herein expressed, the sufficiency and adequacy of which are hereby acknowledged.

3. SUBJECT MATTER OF AGREEMENT:

3.1 The present Agreement relates to technology for thiola. As used herein, "TECHNOLOGY" shall refer to technology based in its concepts upon subject matter which forms the UNIVERSITY'S part of the Investigational New Drug ("IND") Number 13,807 for thiola for which Charles Y.C. Pak, M.D., hereinafter referred to as "PAK", is the principal investigator and UNIVERSITY is the sponsor. When a New Drug Application ("NDA") for thiola is accepted by the United States Food and Drug Administration ("FDA") of which Pak is the principal investigator and UNIVERSITY is the sole or joint applicant, the UNIVERSITY'S part of the NDA will also be part of TECHNOLOGY.

4. WARRANTY:

4.1 UNIVERSITY represents and warrants that it is the sole owner of the entire right, title, and interest to the TECHNOLOGY described in paragraph 3.1. UNIVERSITY and PAK do not warrant that making, using or selling the subject matter described in paragraph 3.1 will not infringe patents owned by others.

5. GRANT AND EXCHANGE OF INFORMATION:

5.1 UNIVERSITY hereby grants to MISSION the exclusive right to use TECHNOLOGY referred to in paragraph 3.1 to distribute and sell thiola.

5.2 Within ten (10) days after final execution of this Agreement, UNIVERSITY will furnish to MISSION all TECHNOLOGY described in paragraph 3.1. which is now available. When additional TECHNOLOGY is available, UNIVERSITY and PAK will furnish it to MISSION.

5.3 In respect to TECHNOLOGY disclosed by UNIVERSITY to MISSION under paragraph 5, MISSION agrees to keep such information confidential during the term of this Agreement, and for three (3) years thereafter. MISSION agrees to have each of its employees who come or may come into contact with TECHNOLOGY sign a statement agreeing to keep TECHNOLOGY confidential for the term of this Agreement and for three (3) years thereafter.

5.4 The TECHNOLOGY to be furnished to MISSION under this Agreement is for the use of MISSION in commercializing thiola. UNIVERSITY and PAK make no representations, extend no warranties of any kind, either expressed or implied, and assume no responsibilities whatever with respect to the use, sale, or other disposition by MISSION or any other person of the products employing TECHNOLOGY furnished under this Agreement. MISSION agrees to hold UNIVERSITY and PAK harmless against all liabilities, demands, damages, expenses or losses arising out of the use by MISSION or by third parties acquiring through MISSION, of any TECHNOLOGY furnished under this Agreement, and, if requested, to defend UNIVERSITY and PAK against any and all claims arising out of such use.

6. PAYMENTS:

6.1 MISSION will pay UNIVERSITY an amount in United States dollars equal to nine percent (9%) of the Net Selling Price as defined herein for any product made, used, or sold by MISSION, the making, using, or selling of which requires the use of TECHNOLOGY disclosed by UNIVERSITY in accordance with paragraph 5, after the effective date of this Agreement and prior to the termination of this Agreement. MISSION will pay PAK an amount in United States dollars equal to three percent (3%) of the Net Selling Price as

defined herein for any product made, used, or sold by MISSION the making, using, or selling of which requires the use of TECHNOLOGY disclosed by UNIVERSITY in accordance with paragraph 5, after the effective date of this Agreement and prior to the termination of this Agreement.

6.2 "Net Selling Price" as used herein shall mean MISSION'S invoice price for any product less quantity and cash discounts thereon actually allowed and less sales, use, or other similar taxes and any transportation or delivery charges borne by MISSION. No royalties shall be due on any products which are not accepted by the customer and when royalties shall have been paid on such products, they shall be credit against future royalties to be paid hereunder.

6.3 For the purposes of computing and paying the royalties referred to in paragraph 6.1 of this Agreement, the years shall be divided into quarters beginning May 1, August 1, November 1, and February 1 of each year. Within (30) days after the end of each quarter, reports shall be made by MISSION to UNIVERSITY setting forth the number of products which have been sold during the preceding quarter, and also showing the Net Selling Price of such products. MISSION'S remittance for the full amount of royalties due for such quarter shall accompany such reports. MISSION agrees to make and keep full and accurate books and records showing the sales of products sold under the grant of TECHNOLOGY herein in sufficient detail to enable royalties payable hereunder to be determined, and further agrees that UNIVERSITY shall be permitted to inspect such books and records from time to time during reasonable business hours, as to any data, material to the computation of royalties hereunder, and to make copies thereof to the extent necessary to verify the royalty reports and payments provided by this Agreement. Such books and records for any royalty report may be destroyed by MISSION after three (3) years from the date of the report.

7. CONSULTATION AND ADVICE:

7.1 UNIVERSITY shall, upon the request of MISSION, ask PAK to act as consultant and adviser to MISSION on matters pertaining to the TECHNOLOGY disclosed to MISSION under this Agreement. PAK will make himself available

for such purpose for a total of not more than fifty-two (52) hours during any year following the date of the execution of this Agreement. For such consulting services, MISSION will not be required to furnish additional compensation to PAK or UNIVERSITY other than what has been agreed upon as royalties in this Agreement. However, MISSION will reimburse PAK for reasonable expenses incurred by him for transportation, lodging, meals, etc. in discharging his obligations under this Agreement, if travel is requested in writing by MISSION and agreed to by UNIVERSITY to be necessary to carry out the purposes of this Agreement.

8. REASONABLE EFFORTS:

8.1 MISSION agrees to use reasonable efforts to introduce TECHNOLOGY into the commercial market as soon as practicable, consistent with sound and reasonable business practices and judgment. Should MISSION not be marketing a product using TECHNOLOGY on the first anniversary of the final approval of the FDA, UNIVERSITY may terminate the Agreement upon sixty (60) days written notice. UNIVERSITY shall then be free to pursue marketing through another firm.

9. TERMINATION:

9.1 If one party shall at any time commit a breach of any covenant, warranty, or agreement herein contained, and shall fail to remedy any such breach within sixty (60) days after written notice thereof by the other party, such other party may at its option, and in addition to any other remedies that it may be entitled to, terminate this Agreement by notice in writing to such effect. Termination shall not affect UNIVERSITY'S right to collect payments accruing prior to termination.

9.2 In the event of termination of this Agreement, MISSION shall have the right to sell thereafter (1) completed products then on hand, (2) products then in the process of manufacture, and (3) products with respect to which manufacture has been firmly committed at the time of termination by reason of the existence of a written contract for the sale of the products. All such sales shall be subject to reporting and royalty payments exactly as if termination had not occurred.

9.3 Upon termination MISSION shall be obligated to return to UNIVERSITY the original and all copies of TECHNOLOGY sent to MISSION under this Agreement, and to continue to honor this commitment not to disclose such TECHNOLOGY to third parties.

9.4 In the event that MISSION should at any time become bankrupt or be placed in receivership, UNIVERSITY may elect to terminate this Agreement and revoke all rights granted herein, by serving written notice to that effect on MISSION at any time after such bankruptcy or receivership.

10. EXPIRATION:

10.1 Unless sooner terminated as provided herein, this Agreement shall continue for as long as MISSION continues to make, use or sell a product using TECHNOLOGY. MISSION shall give UNIVERSITY ninety (90) days written notice of its intent to terminate this Agreement and the making, using or selling of a product using TECHNOLOGY. Should UNIVERSITY discover that MISSION is not making, using or selling a product using TECHNOLOGY but MISSION has failed to give such notice, UNIVERSITY may terminate this Agreement by giving ninety (90) days written notice.

11. ASSIGNMENT

11.1 This Agreement shall be transferable by MISSION in a transfer of all of the assets of the business to which TECHNOLOGY pertains, but shall not otherwise be transferable without prior written consent of UNIVERSITY which shall not be unreasonably withheld.

11.2 This Agreement shall be binding and inure to the benefit of the successors and assigns of UNIVERSITY.

12. LAW APPLICABLE:

12.1 This Agreement shall be construed under the laws of the United States and of the State of Texas.

13. MISCELLANEOUS:

13.1 Notice under this Agreement may be given to MISSION by notifying Mr. Neill Walsdorf, President, Mission Pharmacal Company at Post Office Box 1676, San Antonio, Texas 78796. Notice may be given to UNIVERSITY in

accordance with this Agreement by giving notice to Dr. Charles C. Sprague, President, The University of Texas Health Science Center at Dallas, 5323 Harry Hines Boulevard, Dallas, Texas 75235. A copy of Notice to UNIVERSITY should be sent to Charles Y.C. Pak, M.D., Department of Internal Medicine, The University of Texas Health Science Center at Dallas, Southwestern Medical School, 5323 Harry Hines Boulevard, Dallas, Texas 75235.

14. EXECUTION AND EFFECTIVE DATE:

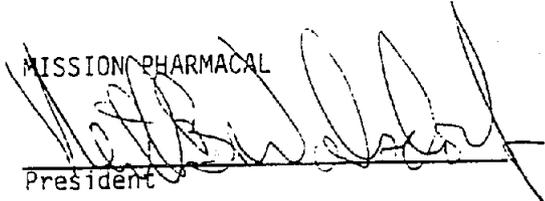
14.1 This Agreement is executed in multiple originals upon the date set forth beside the execution signatures, and shall be effective when signed by both parties.

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

ATTEST:

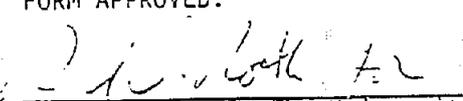
Secretary

MISSION PHARMACAL



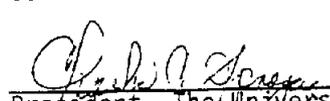
President

FORM APPROVED:

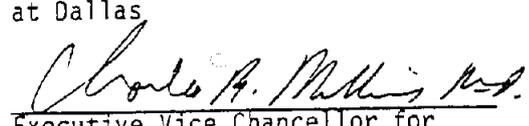


General Counsel, The University of Texas System

CONTENT APPROVED:



President, The University of Texas Health Science Center at Dallas



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

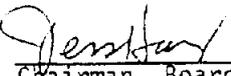
Chancellor, The University of Texas System

ATTEST:



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

THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM



Chairman, Board of Regents of The University of Texas System

1720

5. U. T. Medical Branch - Galveston: Approval of Patent License Agreement with Triton Biosciences Inc., Alameda, California, Relating to Proliferation Dependent Cytotoxic Peptides ("Peptides").--The Board approved the patent license agreement set out on Pages 84-92 by and between The University of Texas Medical Branch at Galveston and Triton Biosciences Inc., Alameda, California, a subsidiary of Shell Oil Company.

This agreement, executed by the appropriate officials of the institution and faculty to become effective upon approval by the U. T. Board of Regents, grants Triton Biosciences Inc. a license under the Proliferation Dependent Cytotoxic Peptides ("Peptides") technology, which includes related patent rights. Further, this agreement provides an exclusive license to make, use and sell these Peptides.

PATENT LICENSE AGREEMENT

PROLIFERATION DEPENDENT CYTOTOXIC PEPTIDES

THIS AGREEMENT is made by and between SYSTEM, the Board of Regents, THE UNIVERSITY OF TEXAS SYSTEM, a higher education institution of the State of Texas, whose address is 201 West 7th Street, Austin, Texas 78701 (hereinafter referred to as "UNIVERSITY") and TRITON BIOSCIENCES INC., a Delaware corporation, having its office and place of business at 1501 Harbor Bay Parkway, Alameda, California 94501 (hereinafter referred to as "LICENSEE").

W I T N E S S E T H:

WHEREAS UNIVERSITY owns certain PATENT RIGHTS related to the LICENSED SUBJECT MATTER Listed in Attachment A;

WHEREAS UNIVERSITY also owns TECHNOLOGY and TANGIBLE TECHNICAL MATERIALS related to the LICENSED SUBJECT MATTER;

WHEREAS UNIVERSITY wishes to have the technical information covered by the PATENT RIGHTS and/or included in the TECHNOLOGY and TANGIBLE TECHNICAL MATERIALS 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;

WHEREAS LICENSEE wishes to obtain a license under such PATENT RIGHTS and TECHNOLOGY and TANGIBLE TECHNICAL MATERIALS 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 _____.

II. DEFINITIONS

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

2.1 LICENSED SUBJECT MATTER shall mean proliferation dependent cytotoxic peptides, including compositions and biologic materials derived therefrom, processes for their production and/or purification and the use of such compositions in the biomedical field to the extent derived from the research performed pursuant to the Research Agreement between the same parties dated July 15, 1984 entitled "PROLIFERATION DEPENDENT CYTOTOXIC PEPTIDE" under which at paragraph 11, LICENSEE is entitled to a first right of refusal which it is herein exercising.

2.2 PATENT RIGHTS shall mean those United States and foreign patents and patent applications or prospective patent applications, including any division, continuation, continuation-in-part or reissue thereof, or substitute therefore, and the letters patent that may be issued thereon related to the LICENSED SUBJECT MATTER and which are listed in Attachment A.

2.3 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.

2.4 TANGIBLE TECHNICAL MATERIALS shall mean the proliferation dependent cytotoxic peptides, compositions containing said peptides and biologic materials produced using said peptides including antibodies, hybridomas and antisera.

2.5 LICENSED PATENT PRODUCT(S) OR PROCESS shall mean any product(s) or process in the LICENSED SUBJECT MATTER covered by one or more patent claims of the PATENT RIGHTS or produced by a method covered by one or more patent claims of such PATENT RIGHTS.

2.6 LICENSED NON-PATENT PRODUCT(S) OR PROCESS(S) shall mean any product(s) or processed in the LICENSED SUBJECT MATTER which are obtained from, or utilize, any TECHNOLOGY and/or TANGIBLE MATERIALS (but which are not covered by Patent Rights) including products and processes for making them which LICENSEE derives from the LICENSED SUBJECT MATTER, TECHNOLOGY and/or TANGIBLE TECHNICAL MATERIALS during the term of this Agreement.

2.7 SALE(S) (or SOLD) shall mean any use or disposition of a LICENSED PATENT PRODUCT or PROCESS or a LICENSED NON-PATENT PRODUCT OR PROCESS for value to a party other than LICENSEE (except for processes) or a sublicensee hereunder.

2.8 GROSS SALES shall mean LICENSEE'S billings (not less than cost) on SALES of LICENSED PATENT PRODUCTS or LICENSED NON-PATENT PRODUCTS 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

UNIVERSITY represents and warrants that it is the owner of the entire right, title, and interest in and to PATENT RIGHTS, TANGIBLE TECHNICAL MATERIALS and TECHNOLOGY, and that it has the sole right to grant licenses under such PATENT RIGHTS, TANGIBLE TECHNICAL MATERIALS and TECHNOLOGY and that it has not granted licenses thereunder to any other person.

IV. GRANT

UNIVERSITY hereby grants to LICENSEE a license option on UNIVERSITY'S PATENT RIGHTS, as defined in paragraph 2.2 herein. This license upon exercise of the royalty-bearing option shall be exclusive and worldwide and have a term or terms coextensive with the pendency before the U.S. Patent and Trademark Office of the patent applications within UNIVERSITY'S PATENT RIGHTS. When said patent applications are issued by the U.S. Patent and Trademark Office as patents, this option shall be automatically exercised, provided the Licensee has not notified UNIVERSITY to the contrary prior to issuance, and shall become the license granted in paragraph 4.2.

4.2 UNIVERSITY hereby grants to LICENSEE a worldwide, exclusive license under its PATENT RIGHTS, TANGIBLE TECHNICAL MATERIALS and TECHNOLOGY to make, have made for it, use, and sell LICENSED SUBJECT MATTER including LICENSED PATENT PRODUCTS and/or LICENSED NON-PATENT PRODUCTS during the Term of this Agreement.

4.3 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.

4.4 The parties recognize that LICENSEE may encounter patents held by third parties which dominate activities covered by both 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 make or market LICENSED PATENT PRODUCTS or LICENSED NON-PATENT PRODUCTS. In that event, LICENSEE has the right to enter into cross-licensing agreements with third parties and to grant cross-licenses under any and all of 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 making or marketing LICENSED PATENT PRODUCTS or LICENSED NON-PATENT PRODUCTS;

(b) The rights received by LICENSEE under such a cross-licensing agreement cover only LICENSED PATENT PRODUCTS or LICENSED NON-PATENT PRODUCTS 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 PATENT PRODUCTS or LICENSED NON-PATENT PRODUCTS.

4.5 UNIVERSITY specifically retains the right to:

(a) Publish the general scientific findings from research related to PATENT RIGHTS, TANGIBLE TECHNICAL MATERIALS and TECHNOLOGY; and

(b) use PATENT RIGHTS, TANGIBLE TECHNICAL MATERIALS and TECHNOLOGY for research, teaching, and other UNIVERSITY purposes.

4.6 In the event that LICENSEE has not initiated Phase I clinical trials to obtain approvals from the cognizant United States Government agency for commercialization of a LICENSED PATENT PRODUCT or LICENSED NON-PATENT PRODUCT within five (5) years of the date of this Agreement, UNIVERSITY shall have the right to terminate this Agreement by giving LICENSEE thirty (30) days' written notice.

4.7 If LICENSEE has not started Phase II clinical trials to obtain approvals from the cognizant United States Government agency for commercialization of a LICENSED PATENT PRODUCT or LICENSED NON-PATENT PRODUCT within seven and one-half (7½) years of the date of this Agreement, UNIVERSITY shall have the right to terminate this Agreement by giving LICENSEE thirty (30) days' written notice.

4.8 After ten (10) years from the date of this Agreement, UNIVERSITY shall have the right, upon thirty (30) days' written notice, to terminate this Agreement in any country in which LICENSEE has failed to commercialize or continue to commercialize a LICENSED PATENT PRODUCT.

4.9 Except as is necessary in LICENSEE'S discretion for the development and/or commercialization of LICENSED PATENT PRODUCTS or LICENSED NON-PATENT PRODUCTS, LICENSEE shall not disclose information on format of any TANGIBLE TECHNICAL MATERIALS nor convey them or disclose TECHNOLOGY to third parties without the express written consent of UNIVERSITY during the term of this Agreement and for a period of three (3) years thereafter, except to the extent that such TANGIBLE TECHNICAL MATERIALS or TECHNOLOGY;

(a) is part of the public domain at the time of its disclosure to LICENSEE 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.

V. COMPENSATION AND REPORTS

5.1 LICENSEE shall pay UNIVERSITY'S costs which are incurred in the drafting, filing, prosecuting, issuing, and maintaining of any United States patent application or patent included in PATENT RIGHTS. LICENSEE shall pay such costs within thirty (30) days of receipt of an invoice from the UNIVERSITY itemizing costs and expenses which the UNIVERSITY has paid in connection with any of the aforesaid activities to secure patent protection for the PATENT RIGHTS.

5.2 LICENSEE shall pay UNIVERSITY an earned royalty based on a percentage of the GROSS SALES of LICENSED PATENT PRODUCTS in excess of twenty five thousand dollars (\$25,000) in any given calendar year (the first \$25,000 of GROSS SALES being free of royalty payment). Such royalties shall accrue to the UNIVERSITY according to the following schedule when LICENSED PRODUCTS are sold:

(a) Four percent (4%) of the GROSS SALES of LICENSED PATENT PRODUCTS which are used in diagnostic applications.

(b) Three percent (3%) of the GROSS SALES of LICENSED PATENT PRODUCTS which are used in therapeutic or other biological applications.

Earned royalties under this paragraph shall accrue in each country for the duration of UNIVERSITY'S PATENT RIGHTS in that country and shall be net of all taxes on said royalty.

5.3 LICENSEE shall pay UNIVERSITY an earned royalty based on a percentage of the GROSS SALES of LICENSED NON-PATENT PRODUCTS in excess of twenty five thousand dollars (\$25,000) in any given calendar year (the first \$25,000 of GROSS SALES being free of royalty payment). Such royalties shall accrue to the UNIVERSITY according to the following schedule when LICENSED NON-PATENT PRODUCTS are sold:

(a) Three percent (3%) of the GROSS SALES of LICENSED NON-PATENT PRODUCTS which are used in diagnostic applications.

(b) Two percent (2%) of the GROSS SALES of LICENSED NON-PATENT PRODUCTS which are used in therapeutic or other biological applications.

Subject to paragraph 5.12 herein, earned royalties under this paragraph shall accrue in each country only for the period that the LICENSEE is the exclusive commercial source in that country of the LICENSED NON-PATENT PRODUCT(S) up to a maximum period of eight (8) years after the date of first commercial sale in that country of a LICENSED NON-PATENT PRODUCT. The term "exclusive commercial source" as used above shall mean that the LICENSEE is the sole commercial source of the LICENSED NON-PATENT PRODUCT in that country and that there is no commercial product available in that country that is substantially equivalent in market acceptance.

5.4 If more than one of the aforesaid royalty rates should be applicable to any transaction, only a single royalty shall be due and that royalty shall be computed at the highest applicable royalty rate.

5.5 LICENSED PATENT PRODUCTS and LICENSED NON-PATENT PRODUCTS covered by this Agreement shall be considered sold when invoiced, or if not invoiced, when delivered to a third party.

5.6 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 PATENT PRODUCTS and LICENSED NON-PATENT PRODUCTS under the license granted in this Agreement in sufficient detail to enable the royalties payable under Paragraphs 5.2 and 5.3 to be determined. Upon thirty (30) days written notice, LICENSEE shall permit UNIVERSITY, or its representatives, at UNIVERSITY'S expense, to periodically examine its books, ledgers, and records covering SALES of LICENSED PATENT PRODUCTS and LICENSED NON-PATENT PRODUCTS during regular business hours for the purpose of and to the extent necessary to verify any report required under this Agreement. UNIVERSITY shall maintain all information received during such examination in confidence.

5.7 Within thirty (30) days after March 31, June 30, September 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 preceding three (3) 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 PATENT PRODUCTS and LICENSED NON-PATENT PRODUCTS 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.

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

5.9 In the event that LICENSEE enters into a joint venture with another entity and utilizes TECHNOLOGY in combination with the technology of such entity, then GROSS SALES for purposes of calculating royalties shall be deemed to be LICENSEE'S income from such joint venture.

5.10 A single royalty will be paid on sales of LICENSED PATENT PRODUCTS no matter how many items in UNIVERSITY'S PATENT RIGHTS cover such LICENSED PATENT PRODUCTS.

5.11 No royalty shall be paid on a LICENSED PATENT PRODUCT after UNIVERSITY'S PATENT RIGHTS covering said LICENSED PRODUCT have expired.

5.12 If the LICENSEE believes that it is not or no longer is the exclusive commercial source of LICENSED NON-PATENT PRODUCTS in any designated country, then it shall so notify the UNIVERSITY and provide reasonable evidence thereto. Upon receipt of said notice and evidence UNIVERSITY shall notify the LICENSEE in writing of its acceptance or rejection of the evidence as to the existence of another commercial source within forty-five (45) days. If accepted by UNIVERSITY, the LICENSEE shall, as of the date of their acceptance, no longer have no obligation to pay

royalties in that country under paragraph 6.2 herein. If rejected by UNIVERSITY, the LICENSEE may request arbitration in the manner set forth in Article X herein.

VI. FOREIGN FILING OF PATENT APPLICATIONS

6.1 If patent applications have not been filed outside the United States and the convention year has not expired for any patent application included within UNIVERSITY'S PATENT RIGHTS on the Effective Date of this Agreement, LICENSEE shall designate those foreign countries in which LICENSEE desires foreign patent protection and the UNIVERSITY shall thereafter timely file foreign patent applications in the name of the UNIVERSITY on any such invention in all the foreign countries elected. The cost and expenses current and accrued relating to obtaining, issuing, and maintaining of patents in all the foreign countries elected as provided above shall be paid by LICENSEE. On a country-by-country basis, LICENSEE shall receive a credit for such costs and expenses against royalties due for the exclusive license herein granted in a given country elected as specified above; provided, however, that in a given country the amount of any such credit for any such credit for any royalty period shall not exceed fifty percent (50%) of total royalties due the UNIVERSITY in a given country for the same royalty period.

6.2 UNIVERSITY shall be free to file in any foreign country not elected by LICENSEE under paragraph 6.1 and the PATENT RIGHTS associated with such filing shall be disposed of in accordance with UNIVERSITY policy.

VII. TERM AND TERMINATION

7.1 The term of this Agreement shall extend from the Effective Date set forth in Article I to the full end of the term or terms for which PATENT RIGHTS or extensions thereof are granted (determined on a country-by-country basis) unless patents do not issue on any UNIVERSITY patent application covered by PATENT RIGHTS, in which case this Agreement shall extend for a period of ten (10) years from this Date set forth in Article I or until LICENSEE ceases to pay royalty on any LICENSED NON-PATENT PRODUCT in accordance with paragraph 5.3, whichever event occurs later.

7.2 This Agreement will earlier terminate upon thirty (30) days written notice if LICENSEE shall breach or default on any material 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 or is in the process of being cured and states the manner of such cure.

7.3 If PATENTS are defined in Attachment A to include patent applications, then UNIVERSITY will keep LICENSEE informed as to the progress of such application and will provide LICENSEE with copies of any finally issued claims in such applications. LICENSEE shall be given reasonable opportunity to input as to the type and scope of useful claims and nature of supporting disclosure. Further, the UNIVERSITY will not finally abandon any patent application with UNIVERSITY'S PATENT RIGHTS without taking into account LICENSEE'S views.

7.4 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 PATENT PRODUCTS and LICENSED NON-PATENT PRODUCTS 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.

VIII. INFRINGEMENT

8.1 UNIVERSITY shall notify LICENSEE, and LICENSEE shall notify UNIVERSITY of any infringement of a PATENT in the Licensed SUBJECT MATTER which may come to the attention of UNIVERSITY or LICENSEE. LICENSEE shall have the exclusive right to sue the infringing party, and UNIVERSITY shall join any suit as a party if required. All costs and expenses, including attorneys' fees, or any lawsuit instituted by LICENSEE shall be borne by LICENSEE. The amount of recovery paid to LICENSEE shall belong to and be the sole property of LICENSEE.

8.2 If LICENSEE fails to bring suit to prevent any infringement or any allegedly infringing use of which it has knowledge within six (6) months after such knowledge, UNIVERSITY shall have the right after notice to LICENSEE of its intention to do so, to bring suit against the accused infringer in the name of UNIVERSITY, and LICENSEE shall join any such suit as a named party if required. Any such suit brought by UNIVERSITY shall be financed solely by UNIVERSITY, and any recovery therefrom shall belong to and be the sole property of UNIVERSITY.

8.3 In any suit or dispute involving any infringer, the parties shall cooperate fully, and upon the request 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. In the event a court of competent jurisdiction determines that one or more claims of PATENT(S) within UNIVERSITY'S PATENT RIGHTS covering the LICENSED PRODUCT(S) are invalid or unenforceable, no further royalty payments on said PATENT RIGHTS shall be due or owing hereunder if such determination encompasses the entire content of PATENT RIGHTS. In the event the making, using or selling of the LICENSED PATENT PRODUCT(S) or LICENSED NON-PATENT PRODUCT(S) is determined, by a court of competent jurisdiction, to infringe one or more claims of a valid, subsisting patent owned by a third party, no royalty payments shall be due UNIVERSITY from the time such determination is made. In the event that either party is able to negotiate a license based on a bona fide belief in the strength and enforceability of said patent from such good faith third party, those royalty payments will be resumed to the extent that such payment exceeds any royalty payments made by LICENSEE to such third party.

IX. ASSIGNMENT

This Agreement may not be assigned by LICENSEE without the prior written consent of UNIVERSITY, which consent shall not be unreasonably withheld; provided that LICENSEE may assign this Agreement to any purchaser or transferee of all or substantially all of LICENSEE'S business relating to proliferation dependent cytotoxic peptides upon prior written notice to UNIVERSITY.

X. ARBITRATION

At the request of either party, any controversy or claim arising out of or relating to this Agreement shall be settled by arbitration in Houston, Texas, in accordance with the then current Licensing Agreement Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the Arbitrator(s) shall be binding on the parties and may be entered by either party in the court or forum, state or federal, having jurisdiction.

XI. PATENT MARKING

LICENSEE agrees to mark permanently and legibly all LICENSED PRODUCTS manufactured or sold by it under this Agreement with the number of each issued PATENT applicable thereto.

XII. INDEMNIFICATION

LICENSEE shall indemnify UNIVERSITY and SYSTEM from and against any claims, demands, or causes of action on account of any injury or death of persons or damage to property caused by, or arising out of, or resulting from, exercise or practice of the license granted hereunder; provided, however, that such obligation to indemnify UNIVERSITY and SYSTEM shall not extend to any claim, demand, or cause of action arising in favor of any person or entity, growing out of, incident to, or resulting directly or indirectly from negligence (whether sole, joint, or otherwise), of UNIVERSITY and SYSTEM or its officers, agents, representatives, or employees.

XIII. USE OF UNIVERSITY NAME

LICENSEE shall not use the name of the University of Texas System or any component institution in a commercial context without the express written consent of UNIVERSITY.

XIV. GENERAL

14.1 This Agreement, the Research Agreement of July 15, and the Confidential Disclosure Agreement of March 20, 1984 constitute the entire and only agreements between the parties relating to LICENSED SUBJECT MATTER and all other prior negotiations, representations, agreement, and understandings are superseded hereby. No agreements altering or supplementing the terms hereof may be made except by means of a written document signed by the duly authorized representatives of the parties.

14.2 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:

TRITON BIOSCIENCES INC.
1501 Harbor Bay Parkway
Alameda, California 94501

ATTN: John Cole

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

14.3 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.

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

ATTEST:

TRITON BIOSCIENCES, INC.

Secretary

John F. Cole
President Res. Director.
January 3, 1985.

FORM APPROVED:

[Signature]
General Counsel
University of Texas System

CONTENT APPROVED:

[Signature]
President
University of Texas Medical Branch
at Galveston

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

[Signature]
Chancellor, The University
of Texas System

ATTEST:

THE BOARD OF REGENTS OF
THE UNIVERSITY OF TEXAS SYSTEM

[Signature]
Executive Secretary,
Board of Regents of The
University of Texas System

[Signature]
Chairman, The Board of Regents, The
University of Texas System

ATTACHMENT A

UNIVERSITY PATENTS AND PATENT APPLICATIONS

Country	Patent Number or Patent Application Serial No.	Date issued or filed	Inventor(s)	Title
U.S.	SN 584,517	2/28/84	J. Edwin Blalock, Erie M. Smith and L. David Dion	An anticellular Peptide having Pituitary or Splenic origin.

1729

6. U. T. Medical Branch - Galveston: Approval of Nominee to the School of Allied Health Sciences Advisory Council.--
A nominee for membership to the School of Allied Health Sciences Advisory Council at The University of Texas Medical Branch at Galveston was approved for a term expiring in 1987.

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

7. U. T. Cancer Center: Permission for Dr. Louise C. Strong to Become a Member of the National Cancer Advisory Board [Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)].--Permission was granted for Dr. Louise C. Strong, Associate Geneticist and Associate Professor of Genetics at The University of Texas System Cancer Center, to become a member of the National Cancer Advisory Board for a term to expire on March 9, 1990.

Dr. Strong's appointment is of benefit to the State of Texas, creates no conflict with her 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. Strong will receive no remuneration for her service on this Board other than a daily honorarium and travel expenses.

8. U. T. Cancer Center: Appointment of (a) David L. Larson, M.D., Initial Holder of the Alando J. Ballantyne Professorship of Head and Neck Surgery; and (b) Creighton L. Edwards, M.D., Initial Holder of the Ann Rife Cox Chair in Gynecology Effective March 1, 1985.--Upon recommendation of the Health Affairs Committee, the Board approved the following appointments to endowed academic positions at The University of Texas System Cancer Center effective March 1, 1985:

- (a) David L. Larson, M.D., Associate Surgeon and Associate Professor of Surgery, initial holder of the Alando J. Ballantyne Professorship of Head and Neck Surgery
- (b) Creighton L. Edwards, M.D., Surgeon and Professor of Gynecology, initial holder of the Ann Rife Cox Chair in Gynecology for a term of five years

REPORT AND RECOMMENDATIONS OF THE BUILDINGS AND GROUNDS COMMITTEE (Pages 94 - 124).--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. Austin - Chemical and Petroleum Engineering Building (Project No. 102-452) and Balcones Research Center - Center for Electromechanics/Center for Energy Studies (Project No. 102-524): Authorization for Appropriations for Departmental Equipment.--Upon recommendation of the Finance and Audit and Buildings and Grounds Committees, the Board:
 - a. Appropriated \$5,000,000 from Permanent University Fund Bond proceeds for departmental equipment for the Chemical and Petroleum Engineering Building on the main campus of The University of Texas at Austin
 - b. Appropriated \$9,500,000 from Permanent University Fund Bond proceeds for departmental equipment for the Center for Electromechanics/Center for Energy Studies at the U. T. Austin Balcones Research Center. This appropriation includes \$5,500,000 to replace operating funds which were authorized for prepurchase of equipment by the U. T. Board of Regents on October 11, 1984.

2. U. T. Austin - Power Plant Expansion (Project No. 102-554): Approval of Final Plans for Phase III - Plant Construction and Installation of Equipment; Authorization to Advertise for Bids and for Executive Committee to Award Contract; and Additional Appropriation Therefor.--Upon recommendation of the Buildings and Grounds Committee, the Board:
 - a. Approved the final plans and specifications for the Power Plant Expansion Phase III - Plant Construction and Installation of Equipment at The University of Texas at Austin at an estimated project cost of \$10,972,565
 - b. Authorized the Office of Facilities Planning and Construction to advertise for bids following completion of final review
 - c. Authorized the Executive Committee to award a construction contract within the authorized project cost
 - d. Appropriated \$9,858,905 from the Building Revenue Bonds, Series 1983, issued to fund the Power Plant Expansion at U. T. Austin, to complete total project funding. Previous appropriations had been \$18,614,000 from the same source and \$255,000 from Pooled Interest on Bond Proceeds and Other Construction Funds.

3. U. T. Health Science Center - Dallas: Approval of Lease Agreement with Howard Hughes Medical Institute, Miami, Florida, for Certain Space in the Cecil and Ida Green Biomedical Research Building.--Upon recommendation of the Health Affairs and Buildings and Grounds Committees, the Board approved the lease agreement set out on Pages 95 - 123 by and between The University of Texas System Board of Regents, for and on behalf of The University of Texas Health Science Center at Dallas, and the Howard Hughes Medical Institute, Miami, Florida.

This lease agreement will result in the location of research facilities of the Institute on two floors of the new Cecil and Ida Green Biomedical Research Building at the U. T. Health Science Center - Dallas. The Institute will pay rentals equal to the cost of adding a floor to the building and refitting another floor for Institute use. Estimated total cost is \$3,039,700, but the Institute is obligated to pay costs up to \$3,500,000. Upon execution by the U. T. Board of Regents and the Board of Trustees of the Institute, the Institute will make an initial payment of \$3,000,000. In addition, the Institute will pay all operational utility costs and a pro rata share of ordinary maintenance and support service costs.

See Page 60, Item 2 for approval of Affiliation Agreement.

LEASE AGREEMENT

This LEASE AGREEMENT, made as of the 1st day of January, 1985, by and between the HOWARD HUGHES MEDICAL INSTITUTE ("Institute") and THE UNIVERSITY OF TEXAS SYSTEM for and on behalf of THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT DALLAS ("University"), is made with reference to the following matters:

WHEREAS, the Institute is a not-for-profit corporation existing under the laws of the State of Delaware, directly engaged in the active conduct of medical research in conjunction with hospitals; and

WHEREAS, the University is an agency existing under the constitution and laws of the State of Texas, maintaining facilities at the University of Texas Health Science Center at Dallas, Texas, which Center includes the University's Southwestern Medical School and the following teaching hospitals affiliated with it: Parkland Memorial Hospital, Children's Hospital and Veterans Memorial Hospital-South Dallas ("Medical Center");

WHEREAS, the Institute and University propose to cooperate closely in the active conduct of medical research in conjunction with the aforementioned hospitals at the Medical Center in furtherance of their respective corporate purposes;

WHEREAS, the University is presently constructing, and improving a new medical research building known as the Cecil and Ida Green Biomedical Research Building ("Building"), owned by it at the Medical Center; and

WHEREAS, in conjunction with the commencement of their cooperative efforts it is desired that the University make available to the Institute, on the basis hereinafter provided, certain space in the Building for the conduct of the Institute's medical research programs at the Medical Center in conjunction with the aforementioned hospitals.

NOW, THEREFORE, the parties mutually agree and provide as follows:

ARTICLE I

EXTENT OF LEASEHOLD

The University hereby demises and leases to the Institute, and the Institute hereby leases from the University, upon the terms and conditions set forth in this Lease Agreement, the entirety of the Fourth and Fifth Floors of the Building, aggregating approximately 51,200 gross square feet of space, and which are more fully described in Exhibit "1" attached hereto and incorporated herein ("Premises").

ARTICLE II

TERM OF AGREEMENT AND LEASEHOLD

The term of this Lease Agreement shall commence as of the date first above written and extend throughout the leasehold term, as hereinafter provided, including any

extension thereof. The leasehold term shall commence on the date of completion by the University of the Building and all initial alteration, improvement and other construction of the Premises as may be required pursuant to Paragraph V-B, and issuance of a certificate of occupancy by all governmental agencies having cognizance of the Buildings and the Premises (or upon the occupancy of the Premises by the Institute, should this occur before completion or issuance of a certificate of occupancy), and shall continue for a period of forty (40) years from the later of said dates, unless extended or earlier terminated in accordance with the provisions of this Lease Agreement (hereinafter "Leasehold Term").

ARTICLE III

OPTION TO EXTEND TERM

Except as provided herein, the Institute shall have the right and option to extend the term of this Lease Agreement for one (1) or two (2) additional periods of five (5) years each by election in the manner hereinafter prescribed. The Institute may exercise its right with respect to either or both of said additional periods by giving notice thereof in writing at least six (6) months prior to the then scheduled term end (including any renewal or extension theretofore made). The amount of rent applicable during any additional or extended term and the terms of payment of such amount shall be a fair market value rental for comparable space and circumstances determined by negotiation between the parties. In the event that the parties are unable to agree upon such amount and terms within a period of ninety (90) days following the notice referred to above, then the Institute shall elect by giving written notice either (a) to continue occupancy on the same terms and conditions of this Lease Agreement except as to (i) term (5 or 10 years) and (ii) Lease Payment (5/40ths or 10/40ths of

the amount for the initial forty (40) year term) or (b) to rescind its notice to extend. The Institute may not exercise its right and option to extend the term of this Lease Agreement at any time when all of the following circumstances should obtain: (i) the Institute shall be in default of performance of any covenant contained in this Lease Agreement; (ii) the University shall have given specific written notice to the Institute of such default, as provided in Article XVIII; and (iii) the Institute shall have failed to cure the default (or to comply substantially with any such alternative proposal) within the reasonable period specified in said notice; however, in the event that a timely notice of exercise shall have been given by the Institute at a time when all of the circumstances enumerated in the immediately preceding sentence shall be applicable, and any of such circumstances ceases to apply thereafter during the existing term, such exercise shall nevertheless be effective.

ARTICLE IV

RENTAL

A. The Institute shall pay a rent to the University for the use of the Premises. Rent for the initial Leasehold Term (excluding only such additional period or periods said term may be extended pursuant to Article III of this Lease Agreement) shall be determined and paid in accordance with the provisions of Paragraph IV-B. Rent for any additional period shall be as provided in accordance with the provisions of Article III.

B. Rent for the initial Leasehold Term shall be paid in the amounts, in accord with the schedules and subject to the adjustments as follows:

1. Three Million Dollars (\$3,000,000) upon execution and delivery of this Lease Agreement.

2. All payments made pursuant to Subparagraphs IV-B-1 or IV-B-3 (together with all income received or credited thereon) shall be placed and held by the University pursuant to its usual procedures regarding deposit of its own cash balances, but treated for accounting purposes as a separate account thereof ("HHMI Account") and, until otherwise required in accordance with this Lease Agreement, shall be invested and reinvested by the University in Qualified Investments as defined hereinafter. The term Qualified Investments shall mean (i) obligations issued or unconditionally guaranteed by the government of the United States of America, (ii) certificates of deposit, banker's acceptances or interest-bearing deposit accounts of any domestic bank or trust company which has a combined capital surplus at the time of the investment of at least \$100,000,000 and (iii) any other investment which the parties may mutually agree upon in writing. The University shall cause the Institute to be provided with periodic statements (no less than quarterly) of the HHMI Account reflecting current status and description of all transactions during the period. All investment income and gain on principal shall be credited to the HHMI Account. The following items may be charged to and paid from the HHMI Account:

(a) All ordinary, reasonable and necessary costs or losses relative to the making of Qualified Investments (but neither the University nor any agent shall charge to or be entitled to receive from HHMI Account any investment advisory, management or similar fee relative to the Qualified Investments unless the Institute shall expressly agree thereto in advance and in writing);

(b) Appropriate charges on account of construction, improvement and other related costs with respect to construction of the Premises, including

without limitation architectural design and drawings, licenses, plans, specifications, contractor and construction expenses, engineering, architects' and other professional fees, and all expenses contemplated by Paragraph V-B, but only to the extent that the said costs shall relate exclusively to the costs of either (i) change orders relative to the Fourth floor space (currently estimated at \$339,000), or (ii) finishing approximately 24,856 gross square feet of space on the Seventh floor of the Building to the same specifications as the Fourth floor space, or (iii) adding extra elevator and extra air handlers, or (iv) mechanical penthouse (items (ii), (iii), and (iv) currently estimated at \$2,700,700 in the aggregate), or (iii) such other costs and expenses as the parties shall agree in writing. The Institute shall have the right to review, and to approve in advance of commitment for payment (as to items not heretofore committed or paid already) all major elements but shall not unreasonably withhold or delay giving its approval unless the aggregate of all actual and then estimated costs chargeable to the HHMI Account would exceed the present estimate of \$3,039,700;

(c) All charges on account of the Institute's fair share of expenses for utilities or services pursuant to Article VII; and

(d) Any other charges or payments as the parties may agree upon in writing.

3. An additional amount or amounts to be determined and paid in accordance with Subparagraph IV-B-2 and this Subparagraph IV-B-3 which, in light of the aggregate of all other amounts paid by or credited to the account of the Institute pursuant to this Paragraph IV-B, will equal the remaining unfunded portion of the Institute's equitable prorata share of the cost of constructing and

improving the Premises as contemplated hereby (presently estimated to be \$3,039,700, determined as provided in Subparagraph IV-B-2). In the event and to the extent that (i) the total cost of developing, constructing and improving the Premises paid or incurred by the University as contemplated by this Lease Agreement and chargeable to the HHMI Account shall exceed (ii) the aggregate of all sums theretofore paid by the Institute or credited to the HHMI Account pursuant to this Paragraph IV-B, and (iii) the aggregate of all actual and then estimated costs chargeable to the HHMI Account for construction of and improvement to the Premises does not exceed \$3,039,700 (or such higher amount as has been approved and authorized in writing by the Institute), then the Institute shall make such additional payment to the University as may be necessary to cover the shortfall within thirty (30) days of notice from the University substantiating the need therefor; provided, however, that the aggregate of all amounts required to be paid by the Institute pursuant to this Paragraph IV-B (without regard to any net income or gain credited to the Institute on account of Subparagraph IV-B-2) shall not exceed \$3,500,000 without execution by the parties of a formal written amendment to this Lease Agreement.

4. The aggregate of all amounts paid or required to be paid as rent pursuant to the foregoing provisions of this Paragraph IV-B (excluding all amounts which have been or may be disbursed from the HHMI Account pursuant to Subparagraph IV-B-2(c)) shall be referred to as the Lease Payment. Except as specifically provided in Paragraph XII-B, the Lease Payment shall be non-refundable.

C. In addition to the foregoing, the Institute shall pay to the University such amounts as may be determined in accordance with Article VII.

ARTICLE V

ALTERATIONS AND IMPROVEMENTS

A. All initial or subsequent construction, alteration and improvement of the Premises shall be made pursuant to such terms and conditions as are provided hereinbelow or as may otherwise be agreed upon from time to time in writing by the parties.

B. The University shall construct the Premises and make all initial alterations and improvements to the Premises for the Institute pursuant to construction drawings, specifications and contracts, prepared by an architect and approved by the parties. The University shall bear the cost of all such construction, initial alterations and improvements of said Premises.

C. After commencement of the Leasehold Term and completion of all initial construction, alteration and improvement, the Institute shall have the right to make additional alterations and improvements, and to install fixtures, at the Premises, provided that it shall first obtain the written consent of the University, which consent shall not be unreasonably delayed or withheld. The Institute shall bear the cost of all such additional alterations and improvements of and installation of fixtures at, said Premises. Any additional alteration, improvement or installation of fixtures made pursuant hereto shall be deemed to have a useful life of ten (10) years for purposes of this Lease Agreement, and the "residual value" of said improvements (as that term is referred to in Article XII) shall be determined by depreciating the costs thereof, on a straight-line basis, over a ten (10) year period.

D. It is understood and agreed that in making any construction, alteration or improvement pursuant to this Lease Agreement, the University and the Institute (and their

respective agents, employees, contractors and subcontractors) shall each be acting as principal, and not as an agent of or for the other. To the fullest extent permitted by law, each shall indemnify, defend and hold the other harmless from and against any and all claims arising out of any construction, alteration or improvement made hereunder as a result of acts or omissions of said party, its agents, employees, contractors and subcontractors.

ARTICLE VI

REMOVABLE PROPERTY AND EQUIPMENT

A. At all times during the term of this Lease Agreement, and during the ninety (90) days next following termination, the Institute shall have the right to remove any or all improvements, fixtures and equipment of every kind and nature whatsoever which the Institute theretofore has caused to be placed or installed upon the Premises. It is expressly understood and agreed that any and all machinery, tools, devices (including environmentally controlled rooms or modules), appliances, furniture, furnishings, equipment and supplies of every kind and nature theretofore so caused to be placed or installed by the Institute in or at the Premises shall, as between the University and the Institute, be deemed to be and remain the property of the Institute, notwithstanding that the same are or may be attached, affixed or annexed to the floors, walls, ceilings or any other parts of the Premises. The Institute shall repair, at its own expense, all damage to the Premises as may result from any such removal.

B. In the event that, upon termination of this Lease Agreement, the Institute shall desire to sell any or all of the property referred to hereinabove, the Institute shall extend to the University the privilege of the first right of purchase of said property by giving notice in writing to the University which the University may accept by

giving written notice thereof to the Institute within thirty (30) days from the date of the Institute's notice. In such event, the purchase price shall be the then current appraised market value of said property, to be determined by mutual agreement or by an independent appraiser mutually acceptable to the University and the Institute, whose fees and expenses will be shared equally. The aforementioned privilege is personal to the University and may not be assigned without the Institute's consent. In addition, at termination of this Lease Agreement the University may require removal, at Institute expense, of any trade fixtures which have not been purchased from the Institute and no longer serve the purposes of the University. Unless the parties shall have agreed otherwise, all property left upon the Premises by the Institute beyond ninety (90) days following termination of this Lease Agreement shall become the exclusive property of the University.

ARTICLE VII

UTILITIES AND SERVICES

A. The University shall provide heat, air conditioning, electricity, light, power, water, janitorial, elevator and security services and, subject to Article VIII hereof, maintenance services with respect to the Premises.

B. The parties recognize that use of the Premises by the Institute for its active conduct of medical research will require the maintenance of an environment compatible with the highest of professional standards found at the Medical Center, and the Institute will require general support services beyond those basic utilities and services provided for elsewhere in this Lease Agreement. During the term of this Lease Agreement, the University

shall provide such services, which include without limitation human subjects review, radiation, biohazard and carcinogen safety, as the Institute shall request and undertake to pay the equitable prorata share of the University's actual cost therefor as agreed by the parties.

C. The Institute shall reimburse the University for its pro rata share of the University's actual costs for providing all services, based upon (a) the ratio of gross square footage in the Premises and the Building in the case of air conditioning, heat, electricity, light, power, water, janitorial, elevator, security and maintenance services, and (b) the standard charges made to other departments of the University with respect to the support and equipment services referred to in Paragraph VII-B hereof. The University will provide statements of such actual costs or its best estimates therefor where such actual costs are not finally determinable (indicating the Institute's pro rata share) to the Institute on a monthly basis or at such other intervals as convenient to the University but not more frequently than monthly, and the Institute will reimburse the University in full pursuant to such statement within thirty (30) days of the receipt thereof (to the extent that the HEMI Account is without sufficient funds to satisfy said statement). In the event that estimated costs are used, the University shall provide the Institute with an actual cost statement as soon as practicable, and in no event later than ninety (90) days following the close of its accounting year, which statement shall also reflect any charge or credit to be accounted for between the parties on account of any discrepancy between estimated and actual costs.

ARTICLE VIII

MAINTENANCE

The University shall be responsible for the proper maintenance and repair of the basic structure of the Building in which the Premises is located, including stairwells and common areas, exterior walls, windows, roof, exterior brick, stone and metal work, foundations, water storage tanks, all components of central heating, ventilation and air conditioning systems, hot and cold water lines and systems, gas and electrical systems, outside lighting, sewage waste lines and systems, fire alarm systems, elevators, floors and all other components of the Premises which are not specifically agreed by the parties to be the responsibility of the Institute. The Institute shall reimburse the University for the University's costs and expenses in connection with any and all damages arising from any willful or negligent acts or omissions of the Institute or its personnel which adversely affect the maintenance of the Premises.

ARTICLE IX

USE OF PREMISES

The Institute shall enjoy exclusive use and quiet possession of the Premises as a research laboratory and office facility for the purpose of active conduct of medical research. The Institute shall not use or occupy, or permit the Premises to be used or occupied, in any unlawful manner or for any illegal purpose, and shall take all reasonable precautions as may be necessary to eliminate any nuisance or hazard created by the operation of activities within the Premises.

ARTICLE X

ACCESS TO PREMISES

The Institute shall permit the University's duly authorized agents to enter upon the Premises at any reasonable time and with reasonable notice for any purpose necessary to the performance of the University's obligations hereunder and for the purpose of inspecting and making repairs at the Premises. The Institute's employees, agents, contractors, licensees and invitees shall have right of ingress and egress to and from the Premises during all hours when the Building is open, and at any other time by special arrangement with the University's Dean of the Southwestern Medical School.

ARTICLE XI

DESTRUCTION OR TAKING OF PREMISES

A. If the Premises are wholly or partially destroyed by fire, explosion or other casualty or are wholly or partially taken by any governmental authority, and the University does not within one hundred eighty (180) days thereafter restore the Premises to the condition existing prior to such fire, explosion, other casualty or taking (or provide alternative space or make other arrangements acceptable to the Institute), then the Institute may terminate this Lease Agreement by written notice to the University; provided, however, that the University shall have an additional one hundred eighty (180) days to complete restoration and the Institute may not exercise its termination rights so long as the University commences restoration promptly within the initial one hundred eighty (180) day period referred to hereinabove and proceeds with due diligence towards completion.

3. Rent accruing pursuant to this Lease Agreement (and payment for expenses pursuant to Article VII which are not based on actual usage by the Institute) shall abate for the period from the occurrence of the damage or taking to the completion of restoration or the provision of alternative space ("Abatement Period"), by the same percentage that the area of the part of the Premises the use of which is denied to the Institute is to the total area of the Premises; and the initial or extended Leasehold Term shall be extended for a period of days equal to the number of days of the Abatement Period. In no event shall the Institute be required to make any additional payment under this Lease Agreement by reason of any construction, alteration, repair or restoration by the University pursuant to this Article XI.

ARTICLE XII

SURRENDER OF PREMISES

A. Upon expiration of the Leasehold Term, or any earlier termination of this Lease Agreement, the Institute shall surrender the Premises in the same condition as received (or as the same may have been altered or improved pursuant to this Lease Agreement) except for (a) reasonable wear and tear, (b) removal of property and equipment pursuant to Article VI, and (c) damage by fire, civil disorder, the elements, acts of God, or by any other circumstances over which the Institute has no control.

B. Within ninety (90) days following any surrender of the Premises by the Institute upon any termination permitted by this Lease Agreement, the University shall refund and pay to the Institute (i) that portion of the Lease Payment corresponding to the amount thereof that would be deemed unearned on the date of such termination if the Lease Payment were accrued and credited in equal monthly

installments on the first day of each month throughout the first twenty-five (25) years of the Leasehold Term (excluding any month which includes an Abatement Period);
(ii) an amount equal to the "residual value", as of the date of such surrender, of those alterations and improvements made pursuant to Paragraph V-C of this Lease Agreement, and
(iii) any remaining balance in the HEMI Account. In the event of a termination by the Institute pursuant to Article XIX, the Institute shall not be entitled to any refund on account of the Lease Payment (clause "(i)" above).

C. Notwithstanding any other provision of this Article XII, the University shall not be required to maintain any funded reserve or otherwise secure the payment of any potential liability under this Lease Agreement. In the event and to the extent of a termination of this Lease Agreement by the Institute under circumstances that the University would be required to refund and pay to the Institute an amount on account of the Lease Payment (Subparagraph XII-B(i)), then in lieu of the lump sum payment provided in Paragraph XII-B the University may elect, by giving written notice to the Institute within sixty (60) days following the Institute's surrender of the Premises, to pay such amount in periodic installments commencing on the date for payment specified in Paragraph XII-B and extending over some period of time not to exceed the lesser of (a) twenty-five (25) years or (b) the remainder of the original Leasehold Term (determined as if there had been no termination), together with interest (payable quarterly) on the unpaid balance at a fair and appropriate rate to be agreed upon by the parties (or failing agreement, at a rate equal to the applicable discount rate then charged to member banks of the Federal Reserve System (determined as of the first business date of each payment period), plus two (2) percentage points).

D. Within ninety (90) days following the conclusion of the first year of the Leasehold Term, and annually thereafter during the term of this Lease Agreement, the University shall render to the Institute a memorandum showing (a) the portion of the Lease Payment which would be refundable to the Institute pursuant to Paragraph XII-B were the Premises to be surrendered on the date of such statement, (b) the "residual value", as of the date of such memorandum, of any improvements made under Paragraph V-C of this Lease Agreement, and (c) the balance, if any, in the HEMI Account.

ARTICLE XIII

TAXES

The Institute and the University, as non-profit and charitable institutions, are generally exempt from payment of ad valorem or other taxes based upon ownership, rental or occupancy of real property. In the event that any governmental entity should assert or contend that this Lease Agreement may create a possessory interest subject to property taxation and that the Institute may be subject to the payment of such taxes, the Institute agrees to pay prior to delinquency any taxes that may be lawfully levied; provided, however, that the Institute may contest any assessment of such taxes and, in such event, the University shall furnish all necessary cooperation and data appropriate to prosecute such contest by the Institute.

ARTICLE XIV

LIENS

Each party shall keep the Premises and the property in which the Premises are situated free from any liens arising out of any work performed, materials furnished or obligations incurred by or at the instance of said party.

ARTICLE XV

INDEMNIFICATION BY THE INSTITUTE

AND THE UNIVERSITY

A. Except as otherwise provided in this Lease Agreement, the Institute shall indemnify and hold harmless the University, its officers, employees and agents, from any and all liability, loss, cost or obligation, including without limitation reasonable attorneys' fees and expenses, on account of, or arising out of any injury or death to persons, or damage to property from whatever cause, while in or on the Premises, or in any way connected with occupancy by the Institute of the Premises or with the improvements or personal property thereon or therein, including any liability for injury or death to persons or property of the Institute, its officers, employees and agents, but excluding any injury, death or damage caused by the willful or negligent acts or omissions of the University, its officers, employees or agents.

B. To the fullest extent permitted by law, the University shall indemnify and hold harmless the Institute, its officers, employees and agents, from any and all liability, loss, cost or obligation, including without limitation reasonable attorneys' fees and expenses, on account of, or arising out of any injury, death or property damage caused by the willful or negligent acts or omissions of the University, its officers, employees or agents.

ARTICLE XVI

INSURANCE

The Institute shall maintain comprehensive general liability insurance or self-insurance to cover the acts and omissions of its officers, employees and agents during the term of this Lease Agreement, said coverage for bodily injury and property damage shall at all times be at least

One Million Dollars (\$1,000,000) combined single limit per person per occurrence. The University shall be self-insured as to bodily injury and property damage at such coverage levels and subject to such conditions as provided for by the laws of the State of Texas. Upon request each party shall furnish the other with a copy of policies or other evidence of insurance coverage, and shall give at least thirty (30) days' written notice before any such insurance is cancelled or changed with respect to parties, coverage or limits of liability, except as such coverages may be altered by the laws of the State of Texas.

ARTICLE XVII

USE OF OTHER FACILITIES AND EQUIPMENT

The University acknowledges that in connection with cooperation among the University, its affiliated hospitals and the Institute in the active conduct of medical research, the Institute shall be permitted reasonable access to and use of various laboratory and other facilities and equipment not leased or owned by the Institute. During the Leasehold Term, the University shall (a) make available to the Institute the use of such facilities and equipment, without charge other than as may be provided in Articles IV and VII of this Lease Agreement, and (b) be given reasonable access to the Premises and Institute laboratory facilities and equipment thereat, all in accordance with applicable policy and procedures of the University or the Institute, as the case may be.

ARTICLE XVIII

DEFAULT REMEDY

In the event of any default in performance of any covenant contained in this Lease Agreement, the aggrieved

party shall notify the defaulting party regarding the particulars of such default in writing, which writing shall designate a reasonable period of time (but at least thirty (30) days) for the cure of such default (or if the aggrieved party so chooses, for the accomplishment of an alternative proposal described therein which shall be acceptable to said party as grounds for waiver of default). If the defaulting party shall have failed to cure the default (or to comply substantially with any such alternative proposal) identified in such notice within such reasonable period following said notice, and such failure shall affect adversely the reasonable expectation of the aggrieved party as to a material right, benefit or protection under this Lease Agreement, then such aggrieved party may, in addition to and not in lieu of any other remedy otherwise available in the Premises, terminate the Leasehold Term and this Lease Agreement by giving written notice thereof to the other party during the unresolved pendency of such default, in which case such termination shall occur on the date stated in said notice.

ARTICLE XIX

ELECTION TO TERMINATE

The University and the Institute may each elect to terminate the Leasehold Term and this Lease Agreement to be effective as of June 30 of any calendar year after 1995 by giving to the other party written notice thereof at least one (1) year prior to the effective date of such termination.

ARTICLE XX

AFFILIATION AGREEMENT

The parties hereto contemplate the formulation and execution of an Affiliation Agreement between them providing a framework for their cooperation in academic and research activities and regarding aspects of the Institute's

personnel and research activities at the Premises. Notwithstanding any contrary provision of this Lease Agreement, the Leasehold Term shall not commence unless and until the parties shall have executed such an Affiliation Agreement; if the parties shall not have executed such an Affiliation Agreement prior to March 31, 1985, or if such an Affiliation Agreement be executed and thereafter at any time be voided or otherwise terminated in accordance with its terms without a new Affiliation Agreement having been executed or for a material and irremediable breach, then either party may terminate this Lease Agreement upon giving ninety (90) days written notice thereof; in such case, this Lease Agreement shall terminate at the end of such ninety (90) day period (or such earlier or later date as the parties may agree) unless such Affiliation Agreement shall have been executed before the effective date of such termination.

ARTICLE XXI

MISCELLANEOUS

A. Amendments or Modifications. This instrument embodies all of the agreements between the parties hereto regarding the subject matter hereof, and no oral agreements or correspondence shall be held to vary the provisions hereof. Any subsequent changes and modifications shall become effective only by a written instrument duly executed by the University and the Institute.

B. Attorneys' Fees. In the event the University or the Institute brings suit against the other in a court of competent jurisdiction to enforce the rights under this Lease Agreement, the prevailing party shall recover from the other reasonable attorneys' fees to be fixed by the court to the fullest extent permitted by law.

C. Time of the Essence. Time limits in this Lease Agreement are strictly observed.

D. Assignment and Subletting. Neither party shall assign this Lease Agreement or sublet the premises, in whole or in part, without the prior written consent of the other, which consent shall not be unreasonably withheld or delayed provided that the purposes of such occupancy shall be consistent with the character and nature of the activities of the Institute and the University. In lieu of giving any such approval, the University shall have the right, exercisable within thirty (30) days following its receipt of a writing setting forth the particulars of such proposed arrangement, to commit the University and acquire for its own use and benefit, the same space upon the same terms and conditions as so specified. Such right shall be exercised, if at all, by delivery to the Institute of a written notice thereof on or before said thirtieth day.

E. Successors and Assigns. Subject to the provisions hereof regarding assignment and subletting, this Lease Agreement shall bind and benefit the legal representatives, successors and assigns of the original parties.

F. Non-Waiver of Breach. The failure of either party to insist upon strict performance of any of the terms of this Lease Agreement in any one or more instances shall not be construed to be a waiver or relinquishment of any such rights or provisions, but the same shall remain in full force and effect.

G. Law Applicable. The laws of the State of Texas shall govern this Lease Agreement.

H. Rules. The Institute agrees to comply with (a) all applicable laws and regulations of each government and governmental agency having jurisdiction over it and its activities at the Premises, and (b) all rules, regulations,

research policies and practices promulgated from time to time by the University and generally applicable to a party in the position of the Institute with respect to operations on the Premises, excepting any University rule, regulation, policy or practice which conflicts or is inconsistent with any provision of this Lease Agreement or of applicable law.

I. Notices. All notices under this Lease Agreement shall be effective only if made in writing and delivered by personal service or certified mail, as follows:

To the University: President
 University of Texas Health Science
 Center at Dallas
 5323 Harry Hines Boulevard
 Dallas, Texas 75235.

To the Institute: Administrator
 Howard Hughes Medical Institute
 Post Office Box 330837
 Coconut Grove, Florida 33133.

By notice given as hereinabove provided, the Institute and the University may each change the address to which notice hereunder shall thereafter be sent, add persons who shall be given a copy of any notice, or delete persons who shall be given such a copy.

J. Additional Documents. Upon reasonable request therefor by the other party, each party shall execute, acknowledge and deliver all additional instruments and documents which may be necessary or desirable to effectuate more fully the consummation or memorialization of this Lease Agreement (including any amendments thereto), or which may effectuate or confirm operation of this Lease Agreement, or the status of the Premises, the Building or the parties. Such instruments or documents may include, without limitation: (1) memorandum of lease for recordation; (2) confirmation of completion of construction, alterations or improvements, costs attendant thereto, or amortization of such costs; (3) confirmation of commencement

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or termination of the Leasehold Term or surrender of Premises; and (4) estoppel certificates.

K. Execution. This Lease Agreement shall be executed in two (2) counterparts, each of which, when executed, shall be an original.

IN WITNESS WHEREOF, the parties hereto have caused this Lease Agreement to be signed by their respective officers thereunto duly authorized as of the day and year first above written.

Approved as to content:

THE UNIVERSITY OF TEXAS SYSTEM

By *James DeLeon*

By *[Signature]*

Approved as to form:

By *M. Lynn Taylor*
Office of General Counsel,
The University of Texas System

HOWARD HUGHES MEDICAL INSTITUTE

By *Kenneth E. Wright*
Kenneth E. Wright
Administrator

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STATE OF TEXAS

COUNTY OF Texas

)
)
)
ss.

THIS IS TO CERTIFY that on this 12th day of February, 1985, before me personally appeared Thomas M. Heel to me known to be the Executive Director for Finance & Administration of The University of Texas System and acknowledged the said instrument to be the free and voluntary act and deed of said The University of Texas System, as duly approved by The Board of Regents of The University of Texas System, for the uses and purposes therein mentioned, and on oath stated he was authorized to execute said instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

June Murphy
Notary Public

June Murphy
My commission expires 2/7/87

STATE OF FLORIDA)
)
COUNTY OF DADE) ss.

THIS IS TO CERTIFY that on this 1st day of February, 1985, before me personally appeared Kenneth E. Wright, to me known as the Administrator of Howard Hughes Medical Institute and acknowledged the said instrument to be the free and voluntary act and deed of said Howard Hughes Medical Institute, as duly approved by the Trustees of said Howard Hughes Medical Institute, for the uses and purposes therein mentioned, and on oath stated he was authorized to execute said instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

Mildred Libanek
Notary Public in and for the
State of Florida, residing at
Coconut Grove, Florida

HOWARD HUGHES MEDICAL INSTITUTE
THE UNIVERSITY OF TEXAS, DALLAS, TEXAS

Exhibit "1" to Lease Agreement

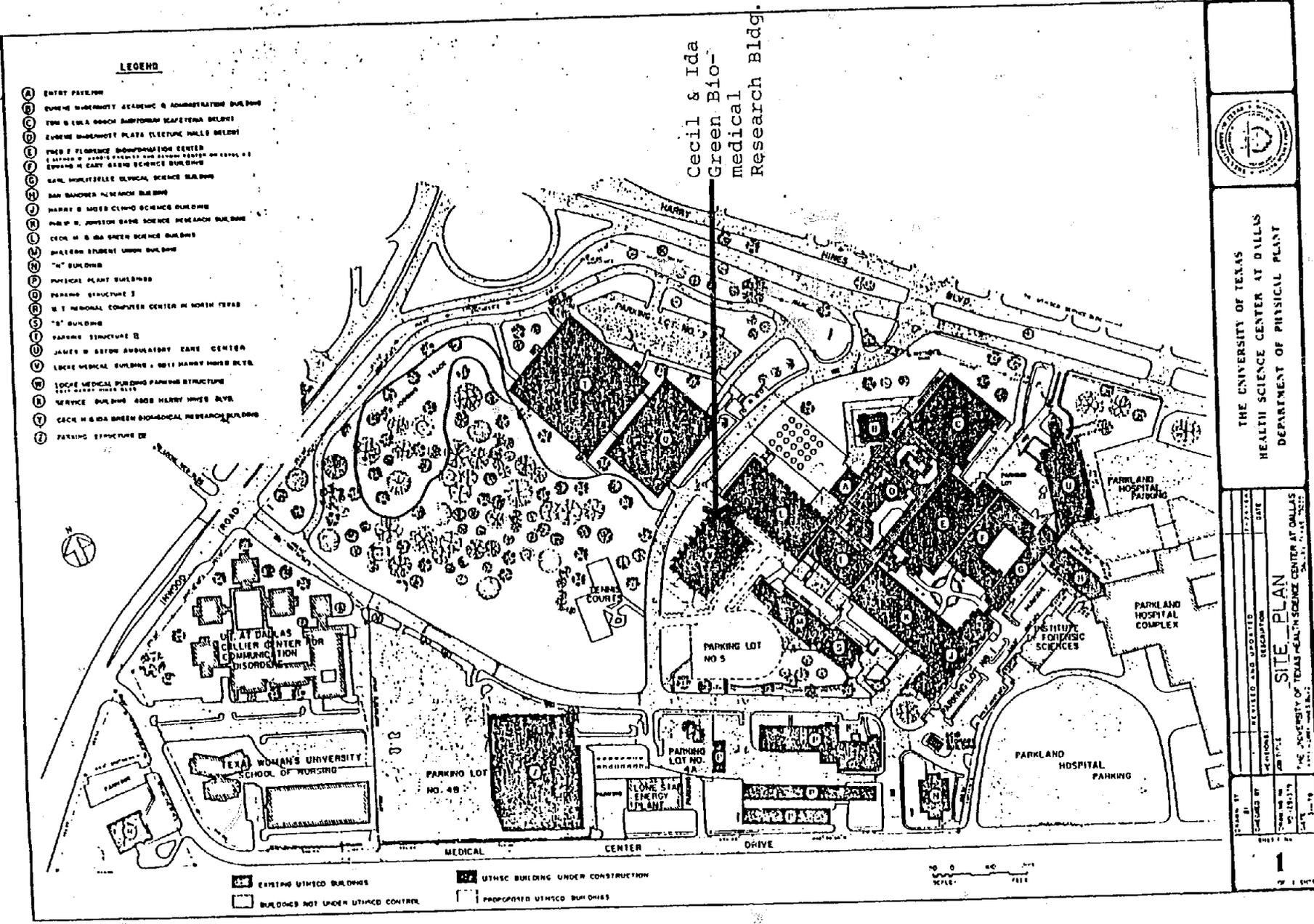
Dated as of January 1, 1985

The Building is located at:
See site map annexed (1-A).

The Premises are as depicted on the floor plans
annexed hereto as 1-B and 1-C.

EXHIBIT "1"

SET/HMJ15



LEGEND

- ① ENTRY PAVILION
- ② EXHIBIT UNDERWAY: SCIENCE & ADMINISTRATION BUILDING
- ③ TOWN & COUNTRY GROUND SUPPORTING SCAPETERRA DESIGN
- ④ EXHIBIT UNDERWAY: PLAZA (LECTURE HALLS BUILDING)
- ⑤ TOWN & COUNTRY INFORMATION CENTER
- ⑥ EXHIBIT UNDERWAY: SCIENCE & ADMINISTRATION BUILDING
- ⑦ EDWARD H. EAST: SCIENCE BUILDING
- ⑧ EARL W. WHEELER: CLINICAL SCIENCE BUILDING
- ⑨ SAN RAMON: ALMANACH BUILDING
- ⑩ HARRY B. SMITH: CLINICAL SCIENCE BUILDING
- ⑪ PHILIP H. JOHNSON: SCIENCE RESEARCH BUILDING
- ⑫ CYCLOPS: SCIENCE BUILDING
- ⑬ PHILIP H. JOHNSON: SCIENCE BUILDING
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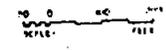
Cecil & Ida
Green Bio-
medical
Research Bldg.



THE UNIVERSITY OF TEXAS
HEALTH SCIENCE CENTER AT DALLAS
DEPARTMENT OF PHYSICAL PLANT

DESIGNED BY	REVIEWED AND APPROVED	DATE
ARCHITECT	DEPARTMENT	
PROJECT NO.		
SITE PLAN		
THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT DALLAS		
1		

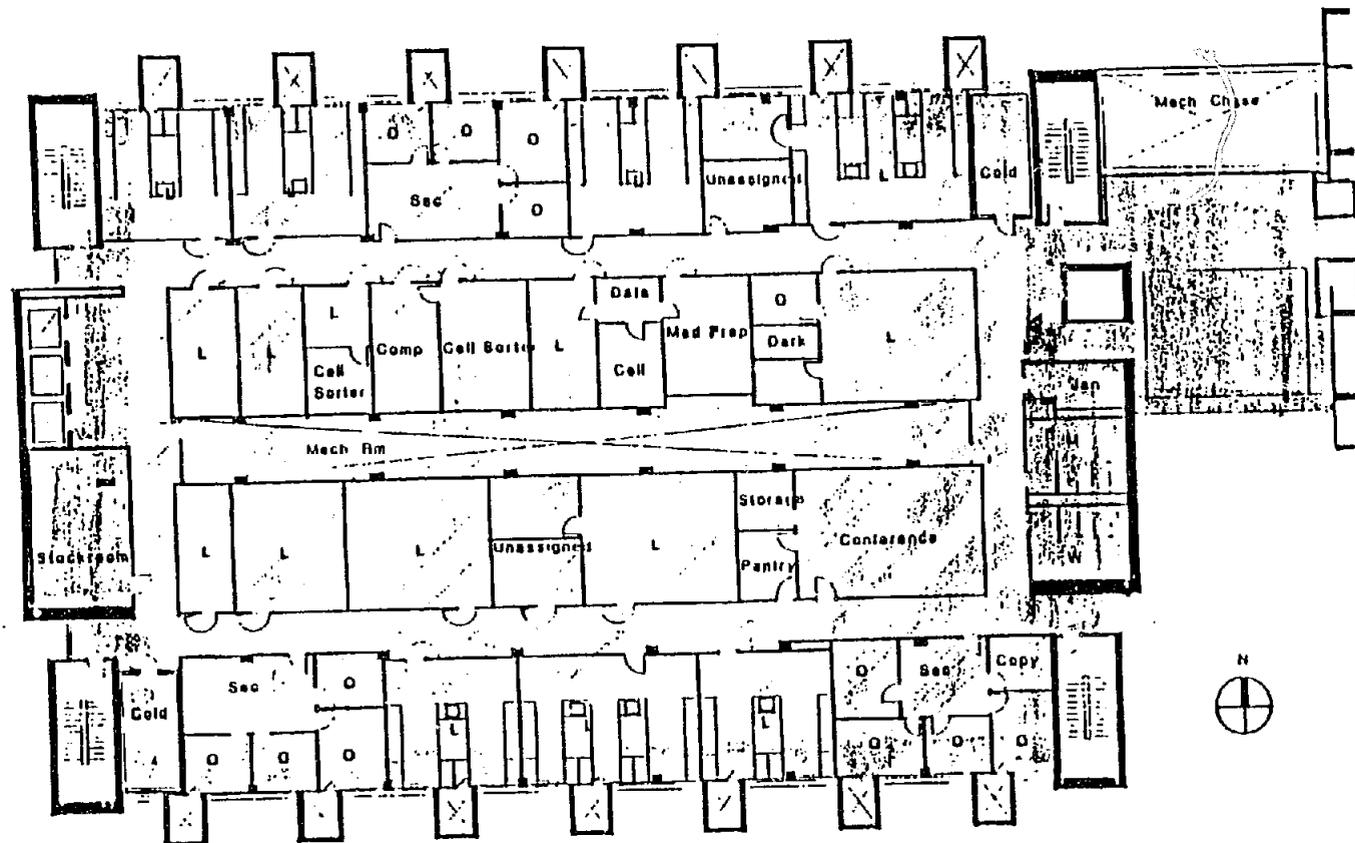
 EXISTING UTHSC BUILDINGS
 BUILDINGS NOT UNDER UTHSC CONTROL
 UTHSC BUILDING UNDER CONSTRUCTION
 PROPOSED UTHSC BUILDINGS



I-A

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-1-B-



Cecil & Ida Green Biomedical Research Building
4th Floor Plan

Dallas, Texas

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4. U. T. Health Center - Tyler - Biomedical Research Building (Project No. 801-583): Approval of Preliminary Plans and Authorization to Prepare Final Plans.--Mr. Shirley Simons, representing the Project Architect, Simons-Clark Associates, Tyler, Texas, presented the preliminary plans for the Biomedical Research Building at The University of Texas Health Center at Tyler to the Buildings and Grounds Committee.

On the basis of this presentation, the Buildings and Grounds Committee recommended and the Board:

- a. Approved the preliminary plans and specifications for the Biomedical Research Building at the U. T. Health Center - Tyler at an estimated total project cost of \$8,990,275
- b. Authorized the Project Architect to prepare final plans and specifications to be presented to the U. T. Board of Regents for consideration at a future meeting

This new facility will provide research laboratories with adjoining offices and common areas for equipment, support facilities, administrative offices, and meeting rooms. The total floor area covered by this project is approximately 70,000 gross square feet.

REPORT AND RECOMMENDATIONS OF THE LAND AND INVESTMENT COMMITTEE (Pages 124 - 140).--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, 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.

I. PERMANENT UNIVERSITY FUND

INVESTMENT MATTERS

Report on Clearance of Monies to Permanent University Fund for November and December 1984, and Report on Oil and Gas Development as of December 31, 1984.--The following reports with respect to (a) certain monies cleared to the Permanent University Fund for November and December 1984, and (b) Oil and Gas Development as of December 31, 1984, were submitted by the Executive Director for Investments and Trusts:

<u>Permanent University Fund</u>	<u>November, 1984</u>	<u>December, 1984</u>	<u>Cumulative Through December of This Fiscal Year (1984-1985)</u>	<u>Cumulative Through December of Preceding Fiscal Year (1983-1984)</u>	<u>Per Cent Change</u>
Royalty					
Oil	\$ 8,151,209.05	\$ 9,862,084.32	\$35,767,233.28	\$35,661,996.88	0.30%
Gas	2,510,026.62	2,584,542.34	9,913,631.32	13,518,033.39	(26.66%)
Sulphur	10,000.00	52,907.76	82,907.76	30,000.00	
Water	11,138.89	8,173.53	150,508.56	204,135.44	
Brine	8,039.94	5,565.46	31,871.21	91,136.29	
Rental					
Oil and Gas Leases	27,121.75	41,785.35	320,489.55	151,868.59	
Other	(100.00)	(68.04)	731.96	600.00	
Sale of Sand, Gravel, Etc.	1,260.00	3,438.00	7,671.25	5,531.00	
Gain or (Loss) on Sale of Securities	(297,650.97)	3,017,293.29	3,829,954.06	7,851,360.81	
Sub-Total	<u>10,421,045.28</u>	<u>15,575,722.01</u>	<u>50,104,998.95</u>	<u>57,514,662.40</u>	(12.88%)
Bonuses					
Oil and Gas Lease Sales	-0-	-0-	-0-	7,006,200.00	
Amendments and Extensions to Mineral Leases	-0-	96,187.70	221,844.75	209,418.56	
Total Bonuses	-0-	96,187.70	221,844.75	7,215,618.56	
TOTAL CLEARANCES	<u>\$10,421,045.28</u>	<u>\$15,671,909.71</u>	<u>\$50,326,843.70</u>	<u>\$64,730,280.96</u>	(22.25%)

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Oil and Gas Development - December 31, 1984
Acreage Under Lease - 853,856

Number of Producing Acres - 556,707

Number of Producing Leases - 2,237

II. TRUST AND SPECIAL FUNDS

GIFTS, BEQUESTS AND ESTATES

1. U. T. Arlington: Acceptance of Transfer of Funds and Establishment of the H. A. D. Dunsworth Scholarship in the Department of Mathematics.--Upon recommendation of the Land and Investment Committee, the Board accepted a transfer of \$20,000 in current restricted funds from The University of Texas at Arlington representing contributions from various donors and established the H. A. D. Dunsworth Scholarship in the Department of Mathematics.

The income earned from the endowment will be used to provide scholarships in the \$100 to \$500 range for one or more undergraduate students in the Department of Mathematics who demonstrate exceptional academic performance. The recipient(s) will be selected by a five-member faculty committee from the Department of Mathematics.

2. U. T. Austin: Acceptance of Gift and Pledge from the Vaughn Foundation Fund, Houston, Texas, and Establishment of the R. H. Bing Fellowship in Mathematics in the College of Natural Sciences and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program (No Publicity).--Approval was given to accept a \$10,000 gift and \$40,000 pledge, payable prior to August 31, 1987, for a total of \$50,000 from the Vaughn Foundation Fund, Houston, Texas, and to establish the R. H. Bing Fellowship in Mathematics in the College of Natural Sciences 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, in accordance with the donor's wishes, a designation for use of these matching funds will be made at a later date.

It was requested that no publicity be given to this matter.

3. U. T. Austin: Acceptance of Gift and Pledge from the David Bruton, Jr. Charitable Trust, Dallas, Texas, and Establishment of the David Bruton, Jr. Regents Professorship in Liberal Arts in the College of Liberal Arts and Establishment of the David Bruton, Jr. Regents Professorship in Fine Arts in the College of Fine Arts with Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--The Board, upon recommendation of the Land and Investment Committee, accepted a \$115,000 gift and \$85,000 pledge, payable prior to December 1985, for a total of \$200,000 from the David Bruton, Jr. Charitable Trust, Dallas, Texas, and established the David Bruton, Jr. Regents Professorship in Liberal Arts 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 establish the David Bruton, Jr. Regents Professorship in Fine Arts in the College of Fine Arts.

4. U. T. Austin: C. L. and Henriette F. Cline Centennial Fellowship in the Humanities in the College of Liberal Arts - Redesignation as the C. L. and Henriette F. Cline Centennial Visiting Professorship in the Humanities.--The Board redesignated the C. L. and Henriette F. Cline Centennial Fellowship in the Humanities in the College of Liberal Arts at The University of Texas at Austin the C. L. and Henriette F. Cline Centennial Visiting Professorship in the Humanities. The current endowment balance is in excess of \$200,000.

In accordance with the donors' request, visitors of recognized expertise in their respective fields will hold the position for periods of time as circumstances warrant.

5. U. T. Austin: The First Cockrell Family Centennial Fellowship in Engineering in the College of Engineering - Redesignated as the Charlotte Maer Patton Centennial Fellowship in Engineering.--Upon recommendation of the Land and Investment Committee and in accordance with the donor's request, the Board redesignated the first Cockrell Family Centennial Fellowship in Engineering in the College of Engineering at The University of Texas at Austin as the Charlotte Maer Patton Centennial Fellowship in Engineering.

6. U. T. Austin: Acceptance of Gifts and Pledges and Establishment of the Faculty Fellowship in Classical Archaeology in the College of Liberal Arts and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--Approval was given to accept gifts in the amount of \$36,613.66 and pledges in the amount of \$14,500, payable prior to August 31, 1987, for a total of \$51,113.66 from various donors and to establish the Faculty Fellowship in Classical Archaeology in the College of Liberal Arts at The University of Texas at Austin.

The gifts and pledges, as received, will be matched under The Regents' Endowed Teachers and Scholars Program and will be used to double the endowment of the Fellowship.

7. U. T. Austin: Foley's/Sanger Harris Centennial Professorship in Retail Merchandising in the College of Business Administration and the Graduate School of Business - Authorization to Redesignate Use of Previously Approved Matching Funds Under The Centennial Teachers and Scholars Program and to Dissolve the Foley's Centennial Fellowship in Retail Merchandising and the Sanger Harris Centennial Fellowship in Retail Merchandising.--Upon recommendation of the Land and Investment Committee, the Board redesignated \$100,000 in previously approved matching funds under The Centennial Teachers and Scholars Program to double the endowment of the Foley's/Sanger Harris Centennial Professorship in Retail Merchandising in the College of Business Administration and the Graduate School of Business at The University of Texas at Austin. These matching funds were previously designated to establish the Foley's Centennial Fellowship in Retail Merchandising and the Sanger Harris Centennial Fellowship in Retail Merchandising with \$50,000 each. This redesignation dissolves these two fellowships and was made at the donor's request.

8. U. T. Austin: Acceptance of Gifts and Pledges and Establishment of the Harwell Hamilton Harris Teaching Fellowship in Architecture in the School of Architecture and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--The Land and Investment Committee recommended and the Board accepted gifts in the amount of \$52,275 and pledges in the amount of \$2,500, payable prior to August 31, 1987, for a total of \$54,775 from various donors and established the Harwell Hamilton Harris Teaching Fellowship in Architecture in the School of Architecture at The University of Texas at Austin.

The gifts and pledges, as received, will be matched under The Regents' Endowed Teachers and Scholars Program and will be used to double the endowment of this Teaching Fellowship.

9. U. T. Austin: John A. and Katherine G. Jackson Centennial Teaching Fellowship in Geological Sciences in the College of Natural Sciences - Acceptance of Gift from Mr. and Mrs. John A. Jackson, Dallas, Texas, and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--Upon recommendation of the Land and Investment Committee, the Board accepted a \$25,000 gift from Mr. and Mrs. John A. Jackson, Dallas, Texas, for addition to the John A. and Katherine G. Jackson Centennial Teaching Fellowship in Geological Sciences in the College of Natural Sciences at The University of Texas at Austin.

The gift will be matched under The Regents' Endowed Teachers and Scholars Program and will be used to increase the endowment of this Teaching Fellowship to \$100,000.

10. U. T. Austin: Acceptance of Gift from Mrs. Lorene Morrow Kelley, Edinburg, Texas, and Establishment of The Lorene Morrow Kelley Lectureship in the College of Natural Sciences and Establishment of The Lorene Morrow Kelley Lectureship in Molecular Biology in the College of Natural Sciences with Matching Funds Under The Regents' Endowed Teachers and Scholars Program (No Publicity).--Approval was given to accept a \$50,000 gift from Mrs. Lorene Morrow Kelley, Edinburg, Texas, and to establish The Lorene Morrow Kelley Lectureship in the Department of Microbiology, College of Natural Sciences, at The University of Texas at Austin.

Further, this gift will be matched under The Regents' Endowed Teachers and Scholars Program and will be used to establish The Lorene Morrow Kelley Lectureship in Molecular Biology in the College of Natural Sciences.

It was requested that no publicity be given to this matter.

11. U. T. Austin: Acceptance of Bequest from the Estate of Mrs. Susan Taylor McDaniel, Deceased, Formerly of Corpus Christi, Texas, and Establishment of the Susan Taylor McDaniel Regents Professorship in Creative Writing in the College of Liberal Arts and Establishment of a Second Susan Taylor McDaniel Regents Professorship in Creative Writing in the College of Liberal Arts with Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--The Board accepted a bequest from the Estate of Mrs. Susan Taylor McDaniel, deceased, formerly of Corpus Christi, Texas, and established the Susan Taylor McDaniel Regents Professorship in Creative Writing in the College

of Liberal Arts at The University of Texas at Austin. Mrs. McDaniel's Will bequeaths a shopping center in Corpus Christi, Texas, to establish a Professorship in Creative Writing at U. T. Austin. Two recent appraisals indicate the market value of the property to be between \$356,000 and \$365,000.

The net proceeds from the sale of this property will be matched under The Regents' Endowed Teachers and Scholars Program and will be used to establish a second Susan Taylor McDaniel Regents Professorship in Creative Writing in the College of Liberal Arts.

12. U. T. Austin: Acceptance of Gifts from Dr. and Mrs. George L. Sharpe, Austin, Texas, and an Anonymous Donor and Establishment of The George and Diana Sharpe Perinatal Lectureship in the School of Nursing and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program.-- Approval was given to accept a \$10,000 gift from Dr. and Mrs. George L. Sharpe, Austin, Texas, and a \$10,000 gift from an anonymous donor for a total of \$20,000 and to establish The George and Diana Sharpe Perinatal Lectureship in the School of Nursing at The University of Texas at Austin.

These gifts will be matched under The Regents' Endowed Teachers and Scholars Program and will be used to double the endowment of the Lectureship.

13. U. T. Austin: Approval to Establish Twelve Endowed Chairs in the College of Engineering and Sixteen Endowed Chairs in the College of Natural Sciences with Previously Accepted Gifts and Pledges and Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--Approval was given to establish the following twelve endowed chairs in the College of Engineering and sixteen endowed chairs in the College of Natural Sciences at The University of Texas at Austin with \$14,000,000 in previously accepted gifts and pledges, and \$14,000,000 in previously approved matching funds under The Regents' Endowed Teachers and Scholars Program:

College of Engineering

- (a) \$1,000,000 gift from an anonymous donor to establish the Motorola Regents Chair in Electrical and Computer Engineering
- (b) \$200,000 in gift funds from the College of Engineering Foundation and \$800,000 in matching funds for a total of \$1,000,000 to establish the Rashid Engineering Regents Chair
- (c) \$200,000 in gift funds from the College of Engineering Foundation and \$800,000 in matching funds for a total of \$1,000,000 to establish the Judson S. Swearingen Regents Chair in Engineering
- (d) \$67,000 in gift funds from the College of Engineering Foundation and \$933,000 in matching funds for a total of \$1,000,000 to establish the Earnest F. Gloyna Regents Chair in Engineering
- (e) \$800,000 gift from The Cockrell Foundation, Houston, Texas, and \$200,000 matching funds for a total of \$1,000,000 to establish the First Cockrell Family Regents Chair in Engineering

- (f) \$1,000,000 gift from an anonymous donor to establish the Second Cockrell Family Regents Chair in Engineering
- (g) \$1,000,000 gift from an anonymous donor to establish the Third Cockrell Family Regents Chair in Engineering
- (h) \$1,000,000 in matching funds to establish the Fourth Cockrell Family Regents Chair in Engineering
- (i) \$1,000,000 in matching funds to establish the Fifth Cockrell Family Regents Chair in Engineering
- (j) \$800,000 pledge, due prior to August 31, 1987, from The Cockrell Foundation, Houston, Texas, and \$200,000 in matching funds for a total of \$1,000,000 to establish the Sixth Cockrell Family Regents Chair in Engineering
- (k) \$1,000,000 in matching funds to establish the Seventh Cockrell Family Regents Chair in Engineering
- (l) \$933,000 pledge, due prior to August 31, 1987, from The Cockrell Foundation, Houston, Texas, and \$67,000 in matching funds for a total of \$1,000,000 to establish the Eighth Cockrell Family Regents Chair in Engineering

Specific designations for the eight Cockrell Chairs will be made at a later date as the donors make decisions upon the final names to be assigned.

College of Natural Sciences

- (a) \$400,000 gift and \$600,000 pledge, due prior to August 31, 1987, for a total of \$1,000,000 from The Robert A. Welch Foundation, Houston, Texas, to establish the R. P. Doherty, Jr. - Welch Regents Chair in Chemistry
- (b) \$1,000,000 in matching funds to establish the Marvin K. Collie - Welch Regents Chair in Chemistry, total includes \$600,000 due as pledge payments are received
- (c) \$1,000,000 gift from an anonymous donor to establish the Richard J. V. Johnson - Welch Regents Chair in Chemistry
- (d) \$1,000,000 in matching funds to establish the Norman Hackerman - Welch Regents Chair in Chemistry
- (e) \$250,000 gift and \$750,000 pledge, due prior to August 31, 1987, for a total of \$1,000,000 from the Cullen Trust for Higher Education, Houston, Texas, to establish the Mr. and Mrs. Isaac Arnold, Sr. Regents Chair in Molecular Biology
- (f) \$1,000,000 in matching funds to establish the Mr. and Mrs. Robert P. Doherty, Jr. Regents Chair in Molecular Biology, total includes \$750,000 due as pledge payments are received
- (g) \$1,000,000 gift from an anonymous donor to establish the Mr. and Mrs. Corbin J. Robertson, Sr. Regents Chair in Molecular Biology
- (h) \$1,000,000 in matching funds to establish the Mr. and Mrs. A. Frank Smith, Jr. Regents Chair in Molecular Biology

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- (i) \$500,000 gift and \$500,000 pledge, due prior to August 31, 1987, for a total of \$1,000,000 from the Sid W. Richardson Foundation, Ft. Worth, Texas, to establish the First Sid W. Richardson Foundation Regents Chair in Mathematics
- (j) \$1,000,000 in matching funds to establish the Second Sid W. Richardson Foundation Regents Chair in Mathematics, total includes \$500,000 due as pledge payments are received
- (k) \$1,000,000 gift from an anonymous donor to establish the Third Sid W. Richardson Foundation Regents Chair in Mathematics
- (l) \$1,000,000 in matching funds to establish the Fourth Sid W. Richardson Foundation Regents Chair in Mathematics
- (m) \$500,000 gift and \$500,000 pledge, due prior to August 31, 1987, for a total of \$1,000,000 from the Sid W. Richardson Foundation, Ft. Worth, Texas, to establish the First Sid W. Richardson Foundation Regents Chair in Physics
- (n) \$1,000,000 in matching funds to establish the Second Sid W. Richardson Foundation Regents Chair in Physics, total includes \$500,000 due as pledge payments are received
- (o) \$1,000,000 gift from an anonymous donor to establish the Third Sid W. Richardson Regents Chair in Physics
- (p) \$1,000,000 in matching funds to establish the Fourth Sid W. Richardson Foundation Regents Chair in Physics

14. U. T. Austin: Jack S. Josey Chair in Science in the College of Natural Sciences - Redesignated as the Jack S. Josey-Welch Foundation Chair in Science.--Upon recommendation of the Land and Investment Committee, the Board redesignated the Jack S. Josey Chair in Science in the College of Natural Sciences at The University of Texas at Austin as the Jack S. Josey-Welch Foundation Chair in Science.

This redesignation was made in accordance with the donor's request.

15. U. T. Austin - School of Law: Redesignation of the Liddell, Sapp, Zivley, Brown & LaBoon Professorship in Banking, Financial, Commercial and Corporate Law as the Liddell, Sapp, Zivley & LaBoon Professorship in Banking, Financial, Commercial and Corporate Law and the Vinson, Elkins, Weems, and Searls Professorship in Law as the Vinson & Elkins Professorship in Law.--Approval was given to redesignate two professorships in the School of Law at The University of Texas at Austin as follows:

- (a) Liddell, Sapp, Zivley, Brown & LaBoon Professorship in Banking, Financial, Commercial and Corporate Law as the Liddell, Sapp, Zivley & LaBoon Professorship in Banking, Financial, Commercial and Corporate Law
- (b) The Vinson, Elkins, Weems, and Searls Professorship in Law as the Vinson & Elkins Professorship in Law

These redesignations were made in accordance with the donors' requests to reflect the correct names of these law firms.

16. U. T. Austin: Joe C. Thompson Centennial Professorship in Marketing in the College of Business Administration and the Graduate School of Business - Redesignation as the Joe C. Thompson Centennial Professorship in Retail Management.--The Land and Investment Committee recommended and the Board redesignated the Joe C. Thompson Centennial Professorship in Marketing in the College of Business Administration and the Graduate School of Business at The University of Texas at Austin as the Joe C. Thompson Centennial Professorship in Retail Management.

This redesignation was made in accordance with the donors' request.

17. U. T. Austin: Acceptance of Gift from Anonymous Donor and Establishment of the Art Appreciation Endowed Scholarship in Museum Education in the College of Fine Arts.--The Board accepted a \$10,000 gift from an anonymous donor and established the Art Appreciation Endowed Scholarship in Museum Education in the Department of Art, College of Fine Arts, The University of Texas at Austin.

Income earned from the endowment will be used to grant scholarships to students in the Department of Art.

18. U. T. Austin: Acceptance of Gift and Pledge from Mr. and Mrs. Laurie W. Folmar, Austin, Texas, and Establishment of the George W. Bean Endowed Scholarship in Engineering in the College of Engineering.--The Board accepted a \$5,000 gift and \$5,000 pledge, due prior to December 31, 1985, from Mr. and Mrs. Laurie W. Folmar, Austin, Texas, and established the George W. Bean Endowed Scholarship in Engineering in the College of Engineering at The University of Texas at Austin.

Income earned from the endowment will be used to grant scholarships to students in the College of Engineering.

19. U. T. Austin: Acceptance of Gifts and Pledges and Establishment of the C. W. Besserer Memorial Endowed Presidential Scholarship for Mechanical Engineers in the College of Engineering.--Approval was given to accept gifts in the amount of \$21,475 and pledges in the amount of \$3,525, payable prior to May 31, 1985, for a total of \$25,000 from various donors and to establish the C. W. Besserer Memorial Endowed Presidential Scholarship for Mechanical Engineers in the College of Engineering at The University of Texas at Austin.

Income earned from the endowment will be used to grant scholarships to students in the area of mechanical engineering.

20. U. T. Austin: Acceptance of Gift from Mr. W. D. Noel, Odessa, Texas, and Establishment of the CBA Century Club Unrestricted Endowment Fund in the College of Business Administration and the Graduate School of Business.--Upon recommendation of the Land and Investment Committee, approval was given to accept a \$10,000 gift from Mr. W. D. Noel, Odessa, Texas, and to establish the CBA Century Club Unrestricted Endowment Fund in the College of Business Administration and the Graduate School of Business at The University of Texas at Austin.

Income earned from the endowment will be used for excellence programs in the College of Business Administration and the Graduate School of Business.

21. U. T. Austin: Acceptance of Gift and Pledge from Mr. John D. Booker, Houston, Texas, and Establishment of the Florence Durrett Endowed Presidential Scholarship in the College of Liberal Arts.--The Land and Investment Committee recommended and the Board accepted a \$2,250 gift and a pledge in the amount of \$22,750, payable prior to December 1986, from Mr. John D. Booker, Houston, Texas, and established the Florence Durrett Endowed Presidential Scholarship in the Department of English, College of Liberal Arts, The University of Texas at Austin.

Income earned from the endowment will be used to grant fellowships to graduate students studying the English language and/or literature.

22. U. T. Austin: Acceptance of Gifts and Pledges from Members of the Graduate Business Class of 1984-85 and Establishment of The 1984-85 Graduate Business Students' Endowed Presidential Scholarship in the Graduate School of Business.--The Board accepted gifts in the amount of \$7,375 and pledges in the amount of \$55,125, due prior to March 31, 1988, for a total of \$62,500 from members of the Graduate Business Class of 1984-85 and various donors and established The 1984-85 Graduate Business Students' Endowed Presidential Scholarship in the Graduate School of Business at The University of Texas at Austin.

Income earned from the endowment will be used to grant scholarships to students in the Graduate School of Business.

23. U. T. Austin: Acceptance of Gift from Analysis Research & Computation, Inc., Austin, Texas, and Establishment of the John W. Hultz Memorial Scholarship in the College of Business Administration and the Graduate School of Business.--The Board accepted a \$10,000 gift from Analysis Research & Computation, Inc., Austin, Texas, and established the John W. Hultz Memorial Scholarship in the College of Business Administration and the Graduate School of Business at The University of Texas at Austin.

Income earned from the endowment will be used to grant scholarships annually to full-time upper division or graduate students in the College of Business Administration and the Graduate School of Business.

24. U. T. Austin: Acceptance of Transfer of Funds and Establishment of the F. Earl Ingerson Graduate Research Assistance Fund in Geochemistry in the College of Natural Sciences.--Upon recommendation of the Land and Investment Committee, the Board accepted a \$10,100 transfer from Geology Foundation current restricted funds and established the F. Earl Ingerson Graduate Research Assistance Fund in Geochemistry in the College of Natural Sciences at The University of Texas at Austin.

Income earned from the endowment will be used to provide fellowships, scholarships, and research expenses for graduate students specializing in the field of geochemistry.

25. U. T. Austin: Acceptance of Transfer of Funds and Establishment of the Barbara Jordan Fund in the Lyndon B. Johnson School of Public Affairs.--Approval was given to accept a transfer of \$120,000 in current restricted funds from the Lyndon B. Johnson School of Public Affairs and to establish the Barbara Jordan Fund in the Lyndon B. Johnson School of Public Affairs at The University of Texas at Austin.

Income earned from the endowment will be used to provide scholarships and internships, travel to internships and Presidential Management Internship interviews, and for publication of professional reports for graduate students in the Lyndon B. Johnson School of Public Affairs.

26. U. T. Austin: Acceptance of Gift from Dr. Nasser Al-Rashid, Riyadh, Saudia Arabia, and Establishment of (a) the Marian Royal Kazen Endowed Presidential Scholarship in Art in the College of Fine Arts; (b) Two Darrell Royal Endowed Presidential Scholarships in Women's Athletics, Division of Intercollegiate Athletics for Women; (c) the Darrell Royal Endowed Presidential Scholarship in Men's Athletics, Division of Intercollegiate Athletics for Men; and (d) Four Unrestricted Darrell Royal Endowed Presidential Scholarships.--Approval was given to accept a \$200,000 gift from Dr. Nasser Al-Rashid, Riyadh, Saudia Arabia, and to establish eight endowed presidential scholarships with \$25,000 each at The University of Texas at Austin as follows:

- (a) Marian Royal Kazen Endowed Presidential Scholarship in Art, College of Fine Arts
- (b) Two Darrell Royal Endowed Presidential Scholarships in Women's Athletics, Division of Intercollegiate Athletics for Women
- (c) Darrell Royal Endowed Presidential Scholarship in Men's Athletics, Division of Intercollegiate Athletics for Men
- (d) Four Darrell Royal Endowed Presidential Scholarships, unrestricted

27. U. T. Austin: Acceptance of Gift from Mr. Sidney S. Smith, Austin, Texas, and Establishment of the Sylvia Shapiro Scholarship in the School of Social Work.--The Board accepted a \$10,000 gift from Mr. Sidney S. Smith, Austin, Texas, and established the Sylvia Shapiro Scholarship in

the School of Social Work at The University of Texas at Austin.

Income earned from the endowment will be used to grant scholarships to students in the School of Social Work.

28. U. T. Austin: Acceptance of Gifts and Pledges and Establishment of Five Endowment Funds to Support Rooms in the New Chemical and Petroleum Engineering Building in the College of Engineering.--The Board accepted gifts and pledges from various donors and established five endowment funds to support rooms in the new Chemical and Petroleum Engineering Building, College of Engineering at The University of Texas at Austin, as follows:

- (a) \$10,000 gift from Mr. George H. Fancher, Jr., Denver, Colorado, to establish an endowment to support the George H. Fancher, Jr. Study Hall
- (b) \$20,000 gift and \$30,000 pledge, payable prior to December 31, 1986, for a total of \$50,000 from Marathon Oil Foundation, Inc., Findlay, Ohio, to establish an endowment to support the Marathon Oil Company Enhanced Oil Recovery Laboratory
- (c) \$4,500 gift and \$20,500 in pledges, due prior to December 31, 1986, from Mr. Robert N. Miller, Los Angeles, California, and corporate matching funds from the Getty Oil Company Matching Gifts Program to establish an endowment to support the Robert N. Miller Drilling Fluids Laboratory
- (d) \$10,000 gift from Mrs. John E. Elliott, Austin, Texas, to establish an endowment to support the Frederick Byron Plummer Tutorial Room
- (e) \$17,000 gift and \$33,000 pledge, due prior to December 31, 1986, for a total of \$50,000 from Tenneco Oil Company, Houston, Texas, to establish an endowment to support the Tenneco Oil Advanced Petrophysics Laboratory

Income earned from these endowments will be used to maintain and improve equipment, and for activities and facilities necessary for the educational and teaching functions of the rooms.

These gifts and pledges are part of a special private fund development campaign for the College of Engineering in accordance with Part One, Chapter VII, Section 2, Subsection 2.44 of the Regents' Rules and Regulations relating to the naming of facilities other than buildings.

To recognize these gifts and pledges, rooms in the new Chemical and Petroleum Engineering Building were named to honor these donors as provided on Page 51, Item 5.

29. U. T. El Paso: Acceptance of Gift from Mr. and Mrs. Carl L. Milburn, St. Paul, Minnesota, and Establishment of the Carl A. Beers Memorial Presidential Scholarship Fund.--Approval was given to accept a \$25,000 gift from Mr. and Mrs. Carl L. Milburn, St. Paul, Minnesota, and to establish the Carl A. Beers Memorial Presidential Scholarship Fund at The University of Texas at El Paso.

Income earned from the endowment will be used to grant an annual scholarship renewable for four years to a student in the College of Science who meets the criteria of the Presidential Endowed Scholarship Program at U. T. El Paso.

30. U. T. El Paso: Acceptance of Transfer of Funds and Establishment of the Library Excellence Endowment Fund.--The Board accepted a \$25,000 transfer of funds from the Library Gift Fund and established the Library Excellence Endowment Fund at The University of Texas at El Paso.

Income earned from the endowment will be used to purchase books and library materials.

31. U. T. El Paso: Acceptance of Gift of Securities and Pledge from Mr. and Mrs. Frank Morrow, El Paso, Texas, to Endow The Frank and Polly Ann Morrow Outstanding International Student Award.--Upon recommendation of the Land and Investment Committee, the Board accepted 430 shares of the Tranzonic Companies common stock valued at approximately \$5,858.75 and a \$4,141.25 minimum pledge for a total of \$10,000 from Mr. and Mrs. Frank Morrow, El Paso, Texas, to endow The Frank and Polly Ann Morrow Outstanding International Student Award at The University of Texas at El Paso.

Income earned from the endowment will be used to grant an annual award to an outstanding U. T. El Paso international student at the Spring Honors Convocation. Selection of the student will be based upon approved guidelines under the direction of the U. T. El Paso Office of International Students.

It was noted that this recognition program is already in existence under temporary financing previously provided for by the donor. This gift and the pledge of future funds will ensure the permanent endowment of this program.

32. U. T. San Antonio: Acceptance of Gift from the Alamo City Building Owners and Managers Association, Inc., San Antonio, Texas, and Establishment of the Alamo City Building Owners and Managers Association, Inc./Charlotte Rainford Memorial Scholarship.--Approval was given to accept a \$10,000 gift from the Alamo City Building Owners and Managers Association, Inc., San Antonio, Texas, and to establish the Alamo City Building Owners and Managers Association, Inc./Charlotte Rainford Memorial Scholarship at The University of Texas at San Antonio.

Income earned from the endowment will be used to grant scholarships in the new four-year Bachelor of Business Administration Degree in Management with a concentration in building development.

33. U. T. San Antonio: Acceptance of Gifts from Various Donors and Pledge from the Elmo James Burke, Jr. Estate, Mrs. Elmo J. Burke, Jr., Executrix, San Antonio, Texas, and Establishment of the Elmo James Burke, Jr. Chair in Management of Building/Development in the College of Business and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--The Board accepted gifts totaling \$106,550 from various donors and a pledge totaling \$393,450 from the Elmo James Burke, Jr. Estate, Mrs. Elmo J. Burke, Jr., Executrix, San Antonio, Texas, for a total endowment of \$500,000 and

established the Elmo James Burke, Jr. Chair in Management of Building/Development in the College of Business at The University of Texas at San Antonio.

The pledge by the Elmo James Burke, Jr. Estate will be paid in annual payments of approximately \$49,181 over an eight-year period beginning in 1985. These payments may be reduced should additional gifts from other sources be received.

These gifts and pledge, 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.

34. U. T. San Antonio: Acceptance of Gift from The Governor's Club, San Antonio, Texas, and Establishment of The Governor's Club Scholarship Endowment in the College of Business.--Approval was given to accept a \$14,000 gift from The Governor's Club, San Antonio, Texas, and to establish The Governor's Club Scholarship Endowment in the College of Business at The University of Texas at San Antonio.

Income earned from the endowment will be used to grant scholarships to students in the College of Business.

35. U. T. Tyler: Acceptance of Gift from Mr. and Mrs. R. Don Cowan, Tyler, Texas, and Establishment of the Richard T. Cowan Presidential Endowed Scholarship.--The Board accepted a \$25,000 gift from Mr. and Mrs. R. Don Cowan, Tyler, Texas, and established the Richard T. Cowan Presidential Endowed Scholarship at The University of Texas at Tyler.

Income earned from the endowment will be used to grant annual scholarships to outstanding students at U. T. Tyler in accordance with the Presidential Endowed Scholarship Program.

36. U. T. Tyler: Acceptance of Gift from Mr. and Mrs. A. W. "Dub" Riter, Jr., Tyler, Texas, and Establishment of the Betty Jo and Dub Riter Presidential Endowed Scholarship.--Upon recommendation of the Land and Investment Committee, the Board accepted a \$25,000 gift from Mr. and Mrs. A. W. "Dub" Riter, Jr., Tyler, Texas, and established the Betty Jo and Dub Riter Presidential Endowed Scholarship at The University of Texas at Tyler.

Income earned from the endowment will be awarded annually as scholarships to outstanding students at U. T. Tyler in accordance with the Presidential Endowed Scholarship Program.

37. U. T. Tyler: Acceptance of Gift from Mr. and Mrs. Robert M. Rogers, Tyler, Texas, and Establishment of the Bob and Lou Rogers Endowed Academic Scholarship.--Approval was given to accept a \$10,000 gift from Mr. and Mrs. Robert M. Rogers, Tyler, Texas, and to establish the Bob and Lou Rogers Endowed Academic Scholarship at The University of Texas at Tyler.

Income earned from the endowment will be used to grant annual scholarships to outstanding students at U. T. Tyler.

38. U. T. Tyler: Acceptance of Gift of Securities from Mr. and Mrs. Ralph Spence, Tyler, Texas, and Pledges from Various Donors and Establishment of the Mary John and Ralph Spence Distinguished Professorship Endowment Fund and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--
The Board, upon recommendation of the Land and Investment Committee, accepted a gift of 3,000 shares of Texas Pacific Land Trust common stock with a value of \$99,000 from Mr. and Mrs. Ralph Spence, Tyler, Texas, and pledges totaling \$1,000 from various donors for a total of \$100,000 and established the Mary John and Ralph Spence Distinguished Professorship Endowment Fund at The University of Texas at Tyler.

The actual income earned from the gift and pledges, 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.

39. U. T. Health Science Center - Dallas (U. T. Southwestern Medical School - Dallas): Fouad A. Bashour Chair in Cardiovascular Physiology - Acceptance of Additional Gift from Mr. Atef Daniel, Houston, Texas, and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--
The Board accepted a \$10,000 gift from Mr. Atef Daniel, Houston, Texas, for addition to 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 for a total endowment of \$510,000.

The actual income which will be earned on the \$10,000 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.

40. U. T. Health Science Center - Dallas (U. T. Southwestern Medical School - Dallas): Acceptance of Gift of Securities and Pledge from Mrs. Dilworth S. Hager, Dallas, Texas, and Establishment of the William Kemp Clark Chair of Neurological Surgery and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--Approval was given to accept a gift of various securities with a value of \$247,012.65 and a pledge of \$252,987.35, for a total of \$500,000 from Mrs. Dilworth S. Hager, Dallas, Texas, and to establish the William Kemp Clark Chair of Neurological Surgery at the U. T. Southwestern Medical School - Dallas of The University of Texas Health Science Center at Dallas.

The actual income which will be earned on the gift and pledge, 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.

41. U. T. Health Science Center - Dallas (U. T. Southwestern Medical School - Dallas): Acceptance of Gift from Anonymous Donor and Establishment of the Visiting Professorship Program in Human Nutrition and Eligibility for Matching Funds Under the Texas Eminent Scholars Program (No Publicity).--
The Board accepted a \$100,000 gift from an anonymous donor and established the Visiting Professorship Program in Human Nutrition at the U. T. Southwestern Medical School - Dallas of The University of Texas Health Science Center at Dallas. This endowment will be used on a rotating basis as necessary to meet objectives of the program.

Further, the actual income which will be earned on the \$100,000 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.

42. U. T. Health Science Center - Dallas (U. T. Southwestern Medical School - Dallas): Acceptance of Gift from Mrs. Lou Ellen McGinley O'Kennon, Dallas, Texas, and Establishment of the Lou and Ellen McGinley Lectureship in Psychiatric Research and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--The Land and Investment Committee recommended and the Board accepted a \$50,000 gift from Mrs. Lou Ellen McGinley O'Kennon, Dallas, Texas, and established the Lou and Ellen McGinley Lectureship in Psychiatric Research in the Department of Psychiatry at the U. T. Southwestern Medical School - Dallas of The University of Texas Health Science Center at Dallas.

The actual income which will be earned on the \$50,000 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.

43. 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 \$18,847.57 from various donors for addition to the Robert L. Moore Professorship in Pediatrics for a total endowment of \$418,155.65 at the U. T. Southwestern Medical School - Dallas of The University of Texas Health Science Center at Dallas.

These gifts of \$18,847.57 will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code.

44. U. T. Medical Branch - Galveston: Acceptance of Gift from the Blocker-Lewis Plastic Surgery Society, Galveston, Texas, and Transfer of Funds and Establishment of the Stephen R. Lewis, M.D. Professorship in Plastic Surgery and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--The Board accepted a \$50,000 gift from the Blocker-Lewis Plastic Surgery Society, Galveston, Texas, and a transfer of previously reported gifts of \$50,000 from the U. T. Medical Branch - Galveston restricted current funds for a total of \$100,000 and established the Stephen R. Lewis, M.D. Professorship in Plastic Surgery at The University of Texas Medical Branch at Galveston.

Further, the actual income which will be earned on the \$50,000 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.

45. U. T. Health Science Center - Houston (U. T. Dental Branch - Houston): Jack R. Winston Lectureship in Restorative Dentistry - Redesignation as the Jack R. Winston Visiting Professorship in Cosmetic and Restorative Dentistry.--Upon recommendation of the Land and Investment Committee, approval was given to redesignate the Jack R. Winston Lectureship in

Restorative Dentistry as the Jack R. Winston Visiting Professorship in Cosmetic and Restorative Dentistry at the U. T. Dental Branch - Houston of The University of Texas Health Science Center at Houston.

This redesignation was requested by Dr. Jack R. Winston, donor, with the endorsement of Dr. Don L. Allen, Dean of the Dental Branch.

46. U. T. Health Science Center - San Antonio: Acceptance of Gifts and Pledge from Mrs. Mary B. Auler, Austin, Texas, and Establishment of the Hugo A. Auler Professorship of Psychiatry and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--The Board accepted gifts of \$55,000 and a pledge of \$27,169.61, payable during 1985, from Mrs. Mary B. Auler, Austin, Texas, and her family to be combined with accumulated income of \$17,830.39 for a total of \$100,000 and established the Hugo A. Auler Professorship of Psychiatry at The University of Texas Health Science Center at San Antonio.

The actual income which will be earned on the \$55,000 cash gift and pledge, 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.

47. U. T. Cancer Center (U. T. M.D. Anderson Hospital - Houston): Acceptance of Transfer of Previously Reported Gifts from Mr. Charles C. Butt, Corpus Christi, Texas, and Establishment of the H. E. B. Fellowship in Cancer Research and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--The Board accepted a transfer of previously reported gifts totaling \$300,000 from Mr. Charles C. Butt, Corpus Christi, Texas, and established the H. E. B. Fellowship in Cancer Research at the U. T. M.D. Anderson Hospital - Houston of The University of Texas System Cancer Center.

Income earned from the endowment will be used to support a series of fellowships in cancer research with specific designations to be made at a later date.

The actual income which will be earned on the \$300,000 will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code.

III. OTHER MATTERS

U. T. Austin: Progress Report on The Regents' Endowed Teachers and Scholars Program.--President Flawn reported that since the December meeting of the U. T. Board of Regents, the number of endowed academic positions at The University of Texas at Austin has increased by 16 chairs, 13 professorships and 3 lectureships, for a total of 32 new endowed positions, as a result of The Regents' Endowed Teachers and Scholars Program. The University of Texas at Austin now has 834 endowed academic positions.

President Flawn also reported that U. T. Austin expects to receive funds for the endowment of approximately 24 additional academic positions by August 1987.

ITEMS FOR THE RECORD

1. U. T. Austin: Acceptance of Membership to the College of Fine Arts Foundation Advisory Council. --At the October 11-12, 1984 U. T. Board of Regents' meeting, Mrs. Roy Butler of Austin, Texas, was approved for membership on The University of Texas at Austin College of Fine Arts Foundation Advisory Council for a term to expire on August 31, 1987. Mrs. Butler's acceptance of the membership is herewith reported for the record.

2. U. T. Austin: Appointment of Advisory Committee for the Selection of a Chief Administrative Officer (President). --The membership of the Advisory Committee for the Selection of a Chief Administrative Officer (President) at The University of Texas at Austin is herewith reported for the record. This committee had been constituted pursuant to the Regents' Rules and Regulations, Part One, Chapter II, Section 17:

Advisory Committee for the Selection
of a Chief Administrative Officer
for
The University of Texas at Austin

System Administration Representatives

Executive Vice Chancellor 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. George F. Hamm, President, The University of
Texas at Tyler
Charles C. Sprague, M.D., President, The University
of Texas Health Science Center at Dallas
Dr. James W. Wagener, President, The University
of Texas at San Antonio

Deans' Representative - U. T. Austin

Dr. Earnest F. Gloyna, Dean, College of Engineering

Faculty Representatives - U. T. Austin

Dr. Ira Iscoe, Professor of Psychology and Education
Mrs. Elspeth Rostow, Professor, Lydon B. Johnson
School of Public Affairs
Dr. Waneen Spirduso, Professor, Department of Physical
and Health Education
Dr. William Sutherland, Jr., Professor, Department of
English
Dr. William H. Wade, Professor, Department of Chemistry

Student Representatives

Mr. Mitch Kreindler
Ms. Elizabeth Bone

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Alumni Association Representative

Mr. Bob Dorsey

U. T. Austin Centennial Commission Representatives

Mr. John Chase
Mr. Wales H. Madden, Jr.
Mrs. Maline Gilbert McCalla

FOUNDATION MATTERS

The Robertson-Poth Foundation: Approval to Grant Oil and Gas Lease on Five Acres, Being Lot 23, Block 225, Burton and Danforth Subdivision, Aransas County, Texas, to Cities Service Oil and Gas Corporation, Houston, Texas.--In accordance with Section 5 of Chapter VII of Part One of the Regents' Rules and Regulations, the U. T. Board of Regents recessed its meeting to allow the Chairman of the Board and the Chairmen of the Health Affairs and Land and Investment Committees to meet independently in their capacity as the Board of Trustees for The Robertson-Poth Foundation and accept a proposal from Cities Service Oil and Gas Corporation, Houston, Texas, for a three-year oil and gas lease on five (5) acres, being Lot 23, Block 225, Burton and Danforth Subdivision, Aransas County, Texas, for a bonus of \$70 per acre, 1/4th royalty, and \$5 per acre annual delay rental. It was reported that the previous lease expired in June 1981.

SCHEDULED MEETING.--Chairman Hay announced that the next meeting of the U. T. Board of Regents would be held at The University of Texas Health Center at Tyler on April 11-12, 1985.

RECESS.--At 2:50 p.m., Chairman Hay announced that the Board would recess to reconvene on Friday (February 15) at 9:00 a.m. in Executive Session pursuant to Vernon's Texas Civil Statutes, Article 6252-17, Sections 2(e), (f) and (g).

Friday, February 15, 1985

At 9:00 a.m. on Friday, February 15, 1985, the Board convened in Executive Session in the Regents' Conference Room on the ninth floor of Ashbel Smith Hall 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 11:25 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 Hay reported that the Board had met in Executive Session on Friday morning (February 15, 1985) 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 Hay's inquiry regarding the wishes of the Board, the following actions were taken:

1. U. T. Arlington: Settlement of Potential Litigation Involving Claim of Pierce Contractors, Inc., Dallas, Texas.--Vice-Chairman Ratliff moved that the Board authorize an award in accordance with the report of the hearing officer, provided that the payment of such award be conditioned upon the execution of a full and final release by Pierce Contractors, Inc., Dallas, Texas, in settlement of all the claims of Pierce Contractors, Inc. with regard to construction projects at The University of Texas at Arlington.

Regent Blanton seconded the motion which carried by unanimous vote.

2. U. T. System: Consideration of Personnel Matters Related to the Assignment, Duties and Responsibilities of Officers of System Administration.--Chairman Hay reported that the item related to consideration of assignment, duties, and responsibilities of officers of The University of Texas System Administration was deferred for consideration at a subsequent meeting.

OTHER BUSINESS

U. T. Board of Regents: Appointment of Membership of the (1) Standing Committees, (2) Board for Lease of University Lands, (3) Special Committees, and (4) Other Regental Representatives Effective Immediately (Waiver of Regents' Rules and Regulations, Part One, Chapter I, Section 7.112 Regarding Limitation on Standing Committee Membership to Permit Four Regents to Serve on Land and Investment Committee).--Chairman Hay presented a list of proposed appointments of (1) Standing Committees, (2) Regental Members of the Board for Lease of

University Lands, (3) Members of Special Committees, and
(4) Regental Representatives to several liaison groups.

In accordance with Section 7.113 of Chapter I of Part One of the Regents' Rules and Regulations, Chairman Hay asked approval of the Board to make the appointments to the Standing Committees and unanimous approval was given to his request. The Board also agreed to waive the limitation on Standing Committee membership contained in Section 7.112 of Chapter I of Part One of the Regents' Rules and Regulations to permit the appointment of four Regents to the Land and Investment Committee.

The appointments as approved by the Board and announced by Chairman Hay are set forth on Pages 144 - 145. All are effective immediately.

1. STANDING COMMITTEES

Executive Committee

Mr. Jess Hay, Chairman
Mr. Robert B. Baldwin III, Vice-Chairman
Mr. Shannon H. Ratliff, Vice-Chairman

Finance and Audit Committee

Mr. Mario Yzaguirre, Chairman
Mr. William F. Roden, Vice-Chairman
Mr. Tom B. Rhodes

Academic Affairs Committee

Mr. Robert B. Baldwin III, Chairman
Mrs. Beryl Buckley Milburn, Vice-Chairman
Mrs. Janey Briscoe

Health Affairs Committee

Mrs. Janey Briscoe, Chairman
Mr. Mario Yzaguirre, Vice-Chairman
Mr. Jack S. Blanton

Buildings and Grounds Committee

Mr. Tom B. Rhodes, Chairman
Mr. Shannon H. Ratliff, Vice-Chairman
Mr. Jess Hay

Land and Investment Committee

Mrs. Beryl Buckley Milburn, Chairman
Mr. Jack S. Blanton, Vice-Chairman
Mr. Robert B. Baldwin III
Mr. William F. Roden

2. BOARD FOR LEASE OF UNIVERSITY LANDS

Mr. Tom B. Rhodes
Mr. Mario Yzaguirre

3. SPECIAL COMMITTEES

Endowment Lands - Collin County, Texas (U. T. Dallas)

Mr. Tom B. Rhodes, Chairman
Mr. Jess Hay
Mrs. Beryl Buckley Milburn

Joint Conference Committee of Board of Regents of The
University of Texas System and Trustees of Hermann Hospital

Mrs. Janey Briscoe, Chairman
Mr. Jack S. Blanton
Mr. Mario Yzaguirre

Santa Rita Award

Mrs. Janey Briscoe, Chairman
Mrs. Beryl Buckley Milburn
Mr. Tom B. Rhodes

4. REGENTAL REPRESENTATIVES

Association of Governing Boards

All members of the Board of Regents

General Assembly of Inter-University Council - North
Texas Region

Mr. Jess Hay
Mr. Tom B. Rhodes

The University of Texas at Austin Development Board (Liaison)

Mrs. Beryl Buckley Milburn

Committee of Texas Governing Boards of State Colleges and
Universities

Mr. Robert B. Baldwin III

Ex-Students' Association - The University of Texas at
Austin (Liaison)

Mr. Jack S. Blanton

Joint Administrative Affairs Committee of Dallas County
Hospital District (U. T. Health Science Center - Dallas)

Mr. Tom B. Rhodes

Bexar County Hospital District, San Antonio, Texas
(Liaison) (U. T. Health Science Center - San Antonio)

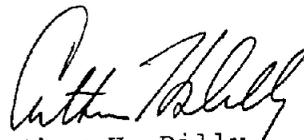
Mrs. Janey Briscoe

Regental Representative for Intercollegiate Athletics

Mr. William F. Roden

ADJOURNMENT.--Prior to adjournment, Chairman Hay commented on the extent to which the Board and the U. T. System are indebted to the three retiring Regents -- Jon P. Newton, James L. Powell and Howard N. Richards -- and noted that they devoted six very productive years to the affairs of the U. T. System.

There being no further business, the meeting was adjourned at 11:30 a.m.



Arthur H. Dilly
Executive Secretary

February 21, 1985