

Meeting No. 815

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

VOLUME XXXIII - D

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April 10-11, 1986

Galveston, Texas

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OF  
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MEETING NO. 815

THURSDAY, APRIL 10, 1986.--The members of the Board of Regents of The University of Texas System convened in regular session at 1:00 p.m. on Thursday, April 10, 1986, in the Caduceus Room on the sixth floor of the Administration Building at The University of Texas Medical Branch at Galveston, Galveston, Texas, with the following in attendance:

ATTENDANCE.--

<u>Present</u>	<u>Absent</u>
Chairman Hay, presiding	
Vice-Chairman Baldwin	
Vice-Chairman Ratliff	
Regent Blanton	
Regent (Mrs.) Briscoe	
Regent (Mrs.) Milburn	
Regent Rhodes	
Regent Roden	
Regent Yzaguirre	

Executive Secretary Dilly

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

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

WELCOME BY GEORGE T. BRYAN, M.D., VICE PRESIDENT FOR ACADEMIC AFFAIRS AND DEAN OF MEDICINE OF THE UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON.--Chairman Hay stated that the Board was pleased to be meeting in Galveston and noted that President Levin was unable to be present due to the death of his mother. He expressed the sincere sympathy of the Board on this loss and then called on George T. Bryan, M.D., Vice President for Academic Affairs and Dean of Medicine of The University of Texas Medical Branch at Galveston (the host institution).

On behalf of the faculty, staff and students of the U. T. Medical Branch - Galveston, Vice President Bryan welcomed the members of the Board and other guests to Galveston. In view of the Regents' full agenda, Vice President Bryan elected to forego the usual institutional presentation.

U. T. BOARD OF REGENTS: APPROVAL OF MINUTES OF REGULAR MEETING HELD ON FEBRUARY 13-14, 1986.--Upon motion of Regent Yzaguirre, seconded by Vice-Chairman Ratliff and Regent Blanton, the Minutes of the regular meeting of the Board of Regents of The University of Texas System held on February 13-14, 1986, in Houston, Texas, were approved as distributed by the Executive Secretary. The official copy of these Minutes is recorded in the Permanent Minutes, Volume XXXIII, Pages 1914 - 2856.

INTRODUCTION OF FACULTY AND STUDENT REPRESENTATIVES AND MR. MARK HANNA, DIRECTOR OF PUBLIC AFFAIRS FOR THE U. T. SYSTEM.--Chairman Hay called on the chief administrative officers of the component institutions to introduce their respective faculty and student representatives and other guests:

U. T. Arlington

President Nedderman introduced:

Faculty Representative:

Dr. Pedro Lecca, Chairman  
Faculty Senate

U. T. Austin

President Cunningham introduced:

Faculty Representative:

Dr. Reuben McDaniel, Chair-  
man, Faculty Senate

U. T. Tyler

President Hamm introduced:

Faculty Representative:

Dr. Patricia Gajda, Presi-  
dent, Faculty Senate

Student Representative:

Miss Kay Buchanan, Presi-  
dent, Student  
Association

U. T. Health Science Center - Houston

President Bulger introduced:

Faculty Representative:

Dr. Rufus Guthrie, Profes-  
sor of Microbiology  
and Ecology, U. T.  
Public Health School -  
Houston

U. T. Health Science Center - San Antonio

President Howe introduced:

Faculty Representative:

Dr. Patricia Villarreal  
Associate Professor,  
U. T. Nursing School -  
San Antonio

Student Representative:

Mr. Mario Lowe, U. T.  
G.S.B.S. - San Antonio

U. T. Cancer Center

President LeMaistre introduced:

Faculty Representative:

Charles B. McCall, M.D.  
Vice President for  
Patient Affairs

Following these introductions, Chairman Hay called on Chancellor Mark who introduced Mr. Mark Hanna, Director of Public Affairs for The University of Texas System.

SPECIAL ITEMS

1. U. T. Board of Regents - Regents' Rules and Regulations, Part One: Amendments to Chapter II, Sections 7, 8 and 16 (Director of Public Affairs).--Approval was given to amend the Regents' Rules and Regulations, Part One, Chapter II, Sections 7, 8 and 16 (Director of Public Affairs) as set forth below:
  - a. Subsection 7.48 of Section 7 was deleted from the duties of the Director of Development
  - b. Present Subsection 7.49 of Section 7 was renumbered as Subsection 7.48
  - c. A new Subsection 8.3 was added to Section 8 to read as follows:
    - 8.3 Duties of the Director of Public Affairs. Working under established procedures that insure effective coordination with the Executive Vice Chancellors, and the Vice Chancellors, the Director of Public Affairs reports to the Chancellor. His primary responsibilities include:
      - 8.31 The provision of staff assistance to the Chancellor, the Executive Vice Chancellors, and the Vice Chancellors in the execution of their responsibilities.
      - 8.32 Communicating the activities of the Board and System Administration.
      - 8.33 Coordinating news releases and other public information emanating from the component institutions, which releases and information involve the Board and System Administration.
      - 8.34 Developing a format for the presentation of information about System institutions and activities to the general public.
      - 8.35 Making recommendations to the Chancellor and the appropriate Executive Vice Chancellor regarding budget requests and staffing requirements for the public information services of the component institutions.
      - 8.36 Defining the job responsibilities, the assignment of duties, and supervising staff members employed in or assigned to work in the area of Public Information.
      - 8.37 Performing such other duties and responsibilities for the efficient operation of the System as shall be assigned by the Chancellor.
  - d. The title "Director of Public Affairs" was added to the list of members of the System Council and to the lists of ex officio members of the Council of Academic Institutions, the Council of Health Institutions, and the Business Management Council as set out in Part One, Chapter II, Section 16 of the Regents' Rules and Regulations.

These amendments to the Regents' Rules and Regulations will finalize a reorganization of the Public Information function of The University of Texas System that began in September 1984. It is considered important by the Office of the Chancellor that during this time of fiscal crisis the U. T. System increase its ability to inform the public regarding the contributions that U. T. System components make to the State in the areas of education, research, public service and economic development.

2. U. T. Board of Regents: Resolution Authorizing the Issuance of Replacement Bonds Numbers R-872 Through R-891 in the Amount of \$100,000 of Board of Regents of The University of Texas Housing System Revenue Bonds, Series 1967, to Paine Webber Jackson & Curtis Incorporated, New York, New York.--Without objection, the Board adopted the Resolution set out on Pages 5 - 8 authorizing the issuance of replacement bonds Numbers R-872 through R-891 in the amount of \$100,000 of Board of Regents of The University of Texas Housing System Revenue Bonds, Series 1967, to Paine Webber Jackson & Curtis Incorporated, New York, New York. The Bonds were originally issued by Resolution of the U. T. Board of Regents on February 23, 1967.

The Affidavit of Loss and the Bond of Indemnity referenced in the Resolution are on file in the Office of the Board of Regents.

It was reported that Paine Webber Jackson & Curtis Incorporated ("Owner") is unable to locate Bonds Numbers 872 through 891, inclusive, each in the denomination of \$5,000, and an aggregate amount of \$100,000. The bonds bear interest at the rate of 4% per annum, payable semiannually on each May 1 and November 1 (Interest Coupon No. 38 and subsequent coupons appertaining thereto unpaid), and mature May 1, 1987.

All expenses of printing the replacement bonds and any other charges are the sole responsibility of Paine Webber Jackson & Curtis Incorporated.

REPLACEMENT BOND RESOLUTION OF THE BOARD OF REGENTS  
OF THE UNIVERSITY OF TEXAS SYSTEM  
THE UNIVERSITY OF TEXAS HOUSING SYSTEM REVENUE BONDS,  
SERIES 1967, BOND NOS. 872 THROUGH 891, INCLUSIVE

A resolution passed by the Board of Regents of The University of Texas System authorizing the issuance of twenty \$5,000.00 replacement bonds to replace Bond Numbers 872 through 891, inclusive, of Board of Regents of The University of Texas Housing System Revenue Bond, Series 1967 and resolving other matters relating to the subject.

WHEREAS, the Board of Regents of The University of Texas (now known as the Board of Regents of The University of Texas System) by resolution passed on February 23, 1967 authorized the issuance of and sold its Board of Regents of The University of Texas Housing System Revenue Bonds, Series 1967, in the aggregate principal amount of \$16,500,000.00, dated January 1, 1967; and

WHEREAS, twenty bonds of the above described Series of bonds, to-wit:

Bond Numbers 872 through 891, inclusive, each in the denomination of \$5,000.00, and an aggregate amount of \$100,000.00, and bearing interest at the rate of 4% per annum, payable semiannually on each May 1 and November 1 (Interest Coupon No. 38 and subsequent coupons appertaining thereto unpaid), and maturing May 1, 1987 (the "Bonds")

are outstanding and unpaid; and

WHEREAS, an affidavit in due form verified by John J. Meyer, Assistant Vice President of PaineWebber, Incorporated, (the "Owner"), to the effect that on or about October 8, 1985 the Owner received the bonds at its premises and on or about October 14, 1985, after a thorough search of the Owner's premises the bonds could not be located and that the Owner has not sold, transferred or otherwise disposed of the bonds in any manner, has been received and is on file in the offices of the Board of Regents, and such affidavit has been accepted by the Board of Regents of The University of Texas System as sufficient evidence that the Bonds have been lost, within the meaning of Article 715a of the Revised Civil Statutes of Texas, and a certified copy of such affidavit is attached hereto as a permanent part hereof; and

WHEREAS, at the time the loss occurred, Coupon Number 38, coming due on May 1, 1985, and subsequent coupons were attached to each of said Bonds, and therefore neither said coupons nor any subsequent coupons have been presented for payment; and

WHEREAS, the Owner of said Bonds and appurtenant coupons desires that replacement bonds be issued to replace the aforesaid lost Bonds and appurtenant coupons; and

WHEREAS, by Acts 1965 of the 59th Legislature of the State of Texas, Chapter 334, commonly known as Article 715a of the Revised Civil Statutes of Texas, the Board of Regents of The University of Texas System is authorized to issue without an election bonds to replace any bonds theretofore lawfully issued which are outstanding and which have been destroyed, lost or stolen, provided that such replacement bonds may be issued only upon indemnification satisfactory to the Board establishing proof of ownership and the circumstances of the loss, theft or destruction of the bonds for which replacement bonds are being sought; and

WHEREAS, a Bond of Indemnity Number PW98900-1-86-29 dated February 27, 1986, and executed by an authorized representative of the Federal Insurance Company, as obligor, has been received and is on file in the office of the Board of Regents and such Bond of Indemnity is acceptable to the Board of Regents of The University of Texas System as sufficient indemnity under the provisions of Article 715a of the Revised Civil Statutes of Texas, and a certified copy of such Bond of Indemnity Number PW98900-1-86-29 is attached hereto as a permanent part hereof.

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

Section 1. That there are hereby authorized to be issued twenty replacement bonds to replace the Bonds. Said replacement bonds and the interest coupons appertaining thereto shall be in the same form and in all respects of like tenor and effect as the Bonds, and the interest coupons

appertaining thereto, except that such replacement bonds and the interest coupons appertaining thereto shall be signed manually, or in facsimile, as provided by law, by the proper officials holding office at the time of their issuance, and that no interest coupon shall mature prior to May 1, 1985.

Section 2. That said replacement bonds shall be dated January 1, 1967, which is the date of the Bonds.

Section 3. That said replacement bonds and all interest coupons appertaining thereto shall have the letter "R" preceding the Bond Number and following the Interest Coupon Number.

Section 4. That after said replacement bonds have been executed, it shall be the duty of the Chairman of the Board of Regents or some officer, employee or attorney of the Board acting through authority from him, to deliver the replacement bonds to the Attorney General of Texas for examination and approval. After approval by the Attorney General of Texas, the replacement bonds shall be delivered to the Comptroller of Public Accounts of the State of Texas for registration. The replacement bonds thus registered shall remain in custody of the Chairman of the Board, or subject to his order, until the delivery thereof to the owner of the original Bonds being replaced thereby.

Section 5. That the Comptroller of Public Accounts of the State of Texas is hereby authorized and directed to register the replacement bonds in the same manner as the original Bonds were registered, giving them the same registration number as each respective original Bond except that such number shall be preceded by the Letter "R". The Comptroller shall date his registration certificate as of the date of registration of the replacement bonds.

Section 6. That all provisions of the resolution passed by the Members of the Board of Regents of The University of Texas on February 23, 1967 authorizing the series of bonds of which the Bonds were a part and which

are not in conflict with this resolution are hereby adopted by reference and shall be a part of this resolution.

Section 7. That the preparation and passage of this resolution by the Board of Regents of The University of Texas System and the performance of each and every, all and singular, the acts ordered hereby and all acts or expenditures incidental thereto shall be at no cost to the Board of Regents of The University of Texas System and shall be borne entirely by and be the sole liability of the Owner of the lost Bonds which has requested the issuance of replacement securities as provided herein.

3. U. T. Board of Regents: Resolution Authorizing the Issuance of Replacement Bonds Numbers R-2319 Through R-2338 in the Amount of \$100,000 of Board of Regents of The University of Texas System, The University of Texas Health Science Center at Houston Housing System Revenue Bonds, Series 1981, to Paine Webber Jackson & Curtis Incorporated, New York, New York.--The Board adopted the Resolution set out on Pages 10 - 13 authorizing the issuance of replacement bonds Numbers R-2319 through R-2338 in the amount of \$100,000 of Board of Regents of The University of Texas System, The University of Texas Health Science Center at Houston Housing System Revenue Bonds, Series 1981, to Paine Webber Jackson & Curtis Incorporated, New York, New York. The Bonds were originally issued by Resolution of the U. T. Board of Regents on April 10, 1981.

The Affidavit of Loss and the Bond of Indemnity referenced in the Resolution are on file in the Office of the Board of Regents.

Paine Webber Jackson & Curtis Incorporated ("Owner") is unable to locate Bonds Numbers 2319 through 2338, inclusive, each in the denomination of \$5,000, and an aggregate amount of \$100,000. The bonds bear interest at the rate of 10.25% per annum, payable semiannually on each May 1 and November 1 (Interest Coupon No. 10 and subsequent coupons appertaining thereto unpaid), and mature May 1, 1997.

All expenses of printing the replacement bonds and any other charges are the sole responsibility of Owner.

REPLACEMENT BOND RESOLUTION OF THE BOARD OF REGENTS  
OF THE UNIVERSITY OF TEXAS SYSTEM  
THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT HOUSTON  
HOUSING SYSTEM REVENUE BONDS,  
SERIES 1981, BOND NOS. 2319 THROUGH 2338, INCLUSIVE

A resolution passed by the Board of Regents of The University of Texas System authorizing the issuance of twenty \$5,000.00 replacement bonds to replace Bonds Numbers 2319 through 2338, inclusive, of Board of Regents of The University of Texas System, The University of Texas Health Science Center at Houston Housing System Revenue Bonds, Series 1981 and resolving other matters relating to the subject.

WHEREAS, the Board of Regents of The University of Texas System by resolution passed on April 10, 1981 authorized the issuance of and sold its Board of Regents of The University of Texas System, The University of Texas Health Science Center at Houston Housing System Revenue Bonds, Series 1981, in the aggregate principal amount of \$14,000,000.00, dated May 1, 1981; and

WHEREAS, twenty bonds of the above described Series of bonds, to-wit:

Bond Numbers 2319 through 2338, inclusive, each in the denomination of \$5,000.00, and an aggregate amount of \$100,000.00, and bearing interest at the rate of 10.25% per annum, payable semiannually on each May 1 and November 1 (Interest Coupon No. 10 and subsequent coupons appertaining thereto unpaid), and maturing May 1, 1997 (the "Bonds")

are outstanding and unpaid; and

WHEREAS, an affidavit in due form verified by John J. Meyer, Assistant Vice President of PaineWebber, Incorporated, (the "Owner"), to the effect that on or about October 14, 1985 the Owner received the bonds at its premises and on or about October 18, 1985, after a thorough search of the Owner's premises the bonds could not be located and that the Owner has not sold, transferred or otherwise disposed of the bonds in any manner, has been received and is on file in the offices of the Board of Regents, and such affidavit has been accepted by the Board of Regents of The University of Texas System as sufficient evidence that the Bonds have been lost, within the meaning of Article 715a of the Revised Civil Statutes of Texas, and a certified copy of such affidavit is attached hereto as a permanent part hereof; and

WHEREAS, at the time the loss occurred, Coupon Number 10, coming due on May 1, 1986, and subsequent coupons were attached to each of said Bonds, and therefore neither said coupons nor any subsequent coupons have been presented for payment; and

WHEREAS, the Owner of said Bonds and appurtenant coupons desires that replacement bonds be issued to replace the aforesaid lost Bonds and appurtenant coupons; and

WHEREAS, by Acts 1965 of the 59th Legislature of the State of Texas, Chapter 334, commonly known as Article 715a of the Revised Civil Statutes of Texas, the Board of Regents of The University of Texas System is authorized to issue without an election bonds to replace any bonds theretofore lawfully issued which are outstanding and which have been destroyed, lost or stolen, provided that such replacement bonds may be issued only upon indemnification satisfactory to the Board establishing proof of ownership and the circumstances of the loss, theft or destruction of the bonds for which replacement bonds are being sought; and

WHEREAS, a Bond of Indemnity Number PW 98900-2-86-2 dated February 5, 1986, and executed by an authorized representative of the Federal Insurance Company, as obligor, has been received and is on file in the office of the Board of Regents and such Bond of Indemnity is acceptable to the Board of Regents of The University of Texas System as sufficient indemnity under the provisions of Article 715a of the Revised Civil Statutes of Texas, and a certified copy of such Bond of Indemnity Number PW 98900-2-86-2 is attached hereto as a permanent part hereof.

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

Section 1. That there are hereby authorized to be issued twenty replacement bonds to replace the Bonds. Said replacement bonds and the interest coupons appertaining thereto shall be in the same form and in all respects of like tenor and effect as the Bonds, and the interest coupons

appertaining thereto, except that such replacement bonds and the interest coupons appertaining thereto shall be signed manually, or in facsimile, as provided by law, by the proper officials holding office at the time of their issuance, and that no interest coupon shall mature prior to May 1, 1986.

Section 2. That said replacement bonds shall be dated May 1, 1981, which is the date of the Bonds.

Section 3. That said replacement bonds and all interest coupons appertaining thereto shall have the letter "R" preceding the Bond Number and following the Interest Coupon Number.

Section 4. That after said replacement bonds have been executed, it shall be the duty of the Chairman of the Board of Regents or some officer, employee or attorney of the Board acting through authority from him, to deliver the replacement bonds to the Attorney General of Texas for examination and approval. After approval by the Attorney General of Texas, the replacement bonds shall be delivered to the Comptroller of Public Accounts of the State of Texas for registration. The replacement bonds thus registered shall remain in custody of the Chairman of the Board, or subject to his order, until the delivery thereof to the owner of the original Bonds being replaced thereby.

Section 5. That the Comptroller of Public Accounts of the State of Texas is hereby authorized and directed to register the replacement bonds in the same manner as the original Bonds were registered, giving them the same registration number as each respective original Bond except that such number shall be preceded by the Letter "R". The Comptroller shall date his registration certificate as of the date of registration of the replacement bonds.

Section 6. That all provisions of the resolution passed by the Members of the Board of Regents of The University of Texas on April 10, 1981 authorizing the series of bonds of which the Bonds were a part and which are not

in conflict with this resolution are hereby adopted by reference and shall be a part of this resolution.

Section 7. That the preparation and passage of this resolution by the Board of Regents of The University of Texas System and the performance of each and every, all and singular, the acts ordered hereby and all acts or expenditures incidental thereto shall be at no cost to the Board of Regents of The University of Texas System and shall be borne entirely by and be the sole liability of the Owner of the lost Bonds which has requested the issuance of replacement securities as provided herein.

4. U. T. Medical Branch - Galveston: Authorization for Cash Defeasance of the Board of Regents of The University of Texas System, The University of Texas Medical Branch at Galveston Endowment and Hospital Revenue Bonds, Series 1973, in the Amount of \$34,500,000.--Chairman Hay called on Executive Vice Chancellor for Asset Management Patrick to present the recommendations related to the cash defeasance of the \$34,500,000 Board of Regents of The University of Texas System, The University of Texas Medical Branch at Galveston Endowment and Hospital Revenue Bonds, Series 1973.

Following Executive Vice Chancellor Patrick's presentation and in connection with this cash defeasance, the Board:

- a. Approved the Resolution set out on Pages 16 - 36 providing for the cash defeasance of the Board of Regents of The University of Texas System, The University of Texas Medical Branch at Galveston Endowment and Hospital Revenue Bonds, Series 1973, in the amount of \$34,500,000, and authorizing an Escrow Agreement and other actions relating thereto
- b. Appointed McCall, Parkhurst & Horton of Dallas, Dallas County, Texas, as Bond Counsel
- c. Appointed MBank Houston, N.A., Houston, Texas, as Escrow Agent
- d. Appointed Ernst & Whinney, New York, New York, Certified Public Accountants, as Escrow Verification Agent
- e. Appointed Morgan Guaranty Trust Company of New York, New York, New York, as Financial Advisor for the transaction
- f. Authorized the sale of the Mitchell Development Corporation of the Southwest mortgage note, dated March 12, 1973, to The Sealy & Smith Foundation for the John Sealy Hospital, City of Galveston, Galveston County, Texas, at the principal amount plus accrued interest
- g. Accepted a gift from The Sealy & Smith Foundation for the John Sealy Hospital in the incremental amount necessary to fund the escrow (approximately \$5 million)
- h. Authorized the Office of Asset Management and the Office of General Counsel to take all further steps necessary to complete the transaction

The Bonds were issued in 1973 to finance construction of the John Sealy Hospital Towers and a two-story northside addition comprising twelve operating rooms. The Bonds are secured by an irrevocable first lien on (a) the gross revenues of the hospital facilities, (b) gross proceeds from the sale of endowment land, (c) 80% of the annual net income of The Sealy & Smith Foundation for the John Sealy Hospital, and (d) the annual net income from the Special Fund under the joint control of the U. T. Board of Regents and the Foundation.

The endowment land, which consisted of 7,602.557 acres in Montgomery County, Texas, was given to the U. T. Board of Regents by The Sealy & Smith Foundation for the John Sealy Hospital. It was sold to the Mitchell Development Corporation of the Southwest in March 1973, in exchange for \$1,250,890.45 in cash and a \$11,443,821.36 mortgage note at 7.00%. One final principal payment, in the amount of \$953,651.78, remains on the note, due March 12, 1987.

This action was preliminarily approved by the U. T. Board of Regents at its February 1986 meeting as part of a package of advance refunding and cash defeasances. After consultation with Morgan Guaranty Trust Company and bond counsel, it was deemed appropriate to request specific approval, apart from the February 1986 general approval, in order to proceed with this transaction.

RESOLUTION PROVIDING FOR THE CASH DEFEASANCE OF  
THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS  
SYSTEM, THE UNIVERSITY OF TEXAS MEDICAL BRANCH AT  
GALVESTON ENDOWMENT AND HOSPITAL REVENUE BONDS AND  
AUTHORIZING AN ESCROW AGREEMENT AND OTHER ACTIONS  
RELATING THERETO

WHEREAS, there are currently outstanding the Board of Regents of The University of Texas System, The University of Texas Medical Branch at Galveston Endowment and Hospital Revenue Bonds, dated July 1, 1973, numbered 1706 through 6900, maturing on July 1 in each of the years 1986 through 1999, and currently outstanding in the aggregate principal amount of \$25,875,000 (the "Outstanding Bonds"); and

WHEREAS, by providing for a defeasance of the Outstanding Bonds through the use of the funds described herein a significant savings can be realized.

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

Section 1. That the Executive Vice Chancellor for Asset Management and the Executive Secretary are hereby authorized and directed to execute and deliver an Escrow Agreement (the "Escrow Agreement") in substantially the form attached hereto and such officers and the other officials and employees of the system are authorized and directed to take such further actions as are deemed necessary in connection with the cash defeasance of the Outstanding Bonds.

Section 2. That the sale of the Mitchell Development Corporation of the Southwest Mortgage Note (the "Mitchell Note"), dated March 12, 1973, to The Sealy & Smith Foundation for The John Sealy Hospital, at a purchase price equal to the outstanding principal amount of the Mitchell Note plus accrued interest is hereby authorized and the Executive Vice Chancellor for Asset Management is authorized to execute a transfer of lien after approval as to form by an attorney in the Office of General Counsel.

Section 3. That the Board hereby accepts a gift from the Sealy & Smith Foundation for The John Sealy Hospital in the incremental amount necessary to fund the defeasance escrow under the Escrow Agreement.

Section 4. That the Office of Asset Management and the Office of General Counsel are hereby authorized to transfer the following amounts to the Escrow Agent on the date of delivery of the Escrow Agreement:

a) the balance in the Interest and Sinking Fund and the Reserve Fund established and maintained for the benefit of the Outstanding Bonds,

b) the amount received from the sale of the Mitchell Note,

c) the gift received from the Sealy & Smith Foundation,

and to take all further action necessary to complete the transaction.

Section 5. The appointment of McCall, Parkhurst & Horton as Bond Counsel, MBank Houston, N.A., as Escrow Agent, Ernst & Whinney as Escrow Verification Agent and Morgan Guaranty Trust Company of New York as Financial Advisor for the transaction are hereby authorized and confirmed.

ESCROW AGREEMENT

The Board of Regents of The University of Texas System,  
The University of Texas Medical Branch at Galveston  
Endowment and Hospital Revenue Bonds

THIS ESCROW AGREEMENT, dated as of April 14, 1986 (herein, together with any amendments or supplements hereto, called the "Agreement") is entered into by and between the Board of Regents of The University of Texas System (the "University") and MBank Houston, N.A., as escrow agent (herein, together with any successor in such capacity, called the "Escrow Agent"), a national banking association organized under the laws of the United States of America and having its principal office in Houston, Texas.

W I T N E S S E T H:

WHEREAS, the University has heretofore issued and there presently remain outstanding a series of Bonds captioned "Board of Regents of The University of Texas, The University of Texas Medical Branch at Galveston Endowment and Hospital Revenue Bonds", dated July 1, 1973, numbered 1706 through 6900, maturing on July 1 in each of the years 1986 through 1999, and currently outstanding in the aggregate principal amount of \$25,875,000 (the "Defeased Obligations"); and

WHEREAS, the Defeased Obligations were issued pursuant to a resolution which provided the maturities, redemption features, interest rates and scheduled debt service payments thereof, all as described in Exhibit A attached hereto and made a part hereof; and

WHEREAS, when firm banking arrangements have been made for the payment of principal and interest to the maturity or redemption dates of the Defeased Obligations, then the Defeased Obligations shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for such purpose; and

WHEREAS, Article 717k, Vernon's Texas Civil Statutes, authorizes the University to deposit any available funds or resources, directly with one of the places of payment (paying agent) for the Defeased Obligations, and such deposit, if made before such payment dates, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Defeased Obligations; and

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

WHEREAS, MBank Houston, N.A. is a paying agent for the Defeased Obligations and this Agreement constitutes an escrow agreement as authorized and permitted by said Article 717k; and

WHEREAS, concurrently herewith the University has adopted a resolution (the "Resolution") for the purpose, among others, of providing amounts which will be sufficient to provide for the payment of the principal of and premium on the Defeased Obligations at their respective redemption dates and interest thereon to such dates; and

WHEREAS, the University desires that said amounts made available by the University shall be applied to purchase certain direct obligations of the United States of America (hereinafter defined as the "Escrowed Securities") for deposit to the credit of the "Escrow Fund" created pursuant to the terms of this Agreement and to establish a beginning cash balance (if needed) in such Escrow Fund; and

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

WHEREAS, to facilitate the receipt and transfer of proceeds of the Escrowed Securities, the University desires to establish the Escrow Fund at the principal corporate trust office of the Escrow Agent; and

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

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

## ARTICLE I

### DEFINITIONS AND INTERPRETATIONS

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

"Defeased Obligations" means the University's obligations more fully described in the first recital beginning on page 1 of this Agreement.

"Escrow Agent" means MBank Houston, N.A. and its successors as Escrow Agent under this Agreement.

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

"Escrowed Securities" means the noncallable United States Treasury obligations described in Exhibit B attached to this Agreement.

"Paying Agent" means MBank Houston, N.A.

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

Section 1.02. Interpretations. The titles and headings of the articles and sections of this Agreement have been inserted for convenience and reference only and are not to be considered a part hereof and shall not in any way modify or restrict the terms hereof. This Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the refunding of the Defeased Obligations in accordance with applicable law.

## ARTICLE II

### DEPOSIT OF FUNDS AND ESCROWED SECURITIES

The University has deposited, or caused to be deposited, in the Escrow Fund the funds and Escrowed Securities described in Exhibit B attached to this Agreement.

## ARTICLE III

### CREATION AND OPERATION OF ESCROW FUND

Section 3.01. Escrow Fund. The Escrow Agent has created on its books a special trust fund and irrevocable escrow to be known as the Board of Regents of The University of Texas System Medical Branch at Galveston Endowment and Hospital Revenue Bonds Escrow Fund (the "Escrow Fund"). The Escrow Agent hereby acknowledges that there has been deposited to the credit of the Escrow Fund the beginning cash balance and the Escrowed Securities as described in Exhibit B. The Escrowed Securities and all proceeds therefrom shall be the property of the Escrow Fund, and shall be applied only in strict conformity with the terms and conditions of this Agreement. All of the Escrowed Securities, all proceeds therefrom and all cash balances and reinvestment of such cash balances in accordance with Section 4.02 from time to time on deposit in the Escrow Fund are hereby irrevocably pledged to the payment of the principal of and interest on the Defeased Obligations, which payment shall be made by timely transfers of such amounts at such times as are provided for in Section 3.02 hereof. When the final transfers have been made for the payment of such principal of and interest on the Defeased Obligations, any balance then remaining in the Escrow Fund shall be transferred to the University, and the Escrow Agent shall thereupon be discharged from any further duties hereunder.

Section 3.02. Payment of Principal and Interest. The Escrow Agent is hereby irrevocably instructed to transfer from the cash balances from time to time on deposit in the Escrow Fund to its Corporate Trust Division, as Paying Agent, the amounts required to pay the principal of the Defeased Obligations at their respective maturity or redemption dates, redemption premium, and interest thereon to such dates in the amounts and at the times shown in Exhibit A attached hereto.

Section 3.03. Sufficiency of Escrow Fund. The University represents that the successive receipts of the

principal of and interest on the Escrowed Securities will assure that the cash balance on deposit from time to time in the Escrow Fund will be at all times sufficient to provide moneys for transfer to the Paying Agent at the times and in the amounts required to pay the interest on the Defeased Obligations as such interest comes due and the principal and redemption premium of the Defeased Obligations as the principal and redemption premium come due on the Defeased Obligations, all as more fully set forth in Exhibit C attached hereto. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund shall be insufficient to transfer the amounts required by the Paying Agent to make the payments set forth in Section 3.02 hereof, the University shall timely deposit in the Escrow Fund, from lawfully available funds, additional funds in the amounts required to make such payments. Notice of any such insufficiency shall be given promptly by the Escrow Agent to the University.

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

ARTICLE IV

LIMITATION ON INVESTMENTS

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

Section 4.02. Substitutions and Reinvestments. At the discretion of the University, the Escrow Agent shall make substitutions of the Escrowed Securities or redeem the Escrowed Securities and reinvest the proceeds thereof or hold such proceeds as cash, together with other monies or securities held in the Escrow Fund provided that the University delivers to the Escrow Agent the following:

(1) an opinion by an independent certified public accountant or a firm of independent certified public accountants that after such substitution or reinvestment the principal amount of the securities in the Escrow Fund (which shall be noncallable direct obligations of the United States of America), together with the interest thereon and other available moneys, will be sufficient to pay, as the same become due in accordance with Exhibit C, the principal of, interest on, and premium, if any, on the Defeased Obligations which have not previously been paid, and

(2) an unqualified opinion of McCall, Parkhurst & Horton to the effect that (a) such substitution or reinvestment will not make the interest on the Defeased Obligations subject to Federal income taxation, and (b) such substitution or reinvestment complies with the Constitution and laws of the State of Texas and with all relevant documents relating to the issuance of the Defeased Obligations.

Section 4.03. Excess Balances. The Escrow Agent may transfer amounts held in the Escrow Fund to or on the order of the University provided that the University delivers to the Escrow Agent the following:

(1) an opinion by an independent certified public accountant or a firm of independent certified public accountants that after the transfer of such excess, the principal amount of securities in the Escrow Fund, together with the interest thereon and other available moneys, will be sufficient to pay, as the same become due, in accordance with Exhibit C, the principal of,

interest on, and premium, if any, the Defeased Obligations which have not previously been paid, and

(2) an unqualified opinion of McCall, Parkhurst & Horton to the effect that (a) such transfer will not make the interest on the Defeased Obligations subject to Federal income taxation, and (b) such transfer complies with the Constitution and laws of the State of Texas and with all relevant documents relating to the issuance of Defeased Obligations.

#### ARTICLE V

##### APPLICATION OF CASH BALANCES

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

#### ARTICLE VI

##### RECORDS AND REPORTS

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

Section 6.02. Reports. The Escrow Agent shall prepare and send to the University annual written reports summarizing all transactions relating to the Escrow Fund, including without limitation credits to the Escrow Fund as a result of interest payments on or maturities of the Escrowed Securities and transfers from the Escrow Fund for payments on the Defeased Obligations or otherwise, together with a detailed statement of all Escrowed Securities and the cash balance on deposit in the Escrow Fund as of the end of each such annual period.

ARTICLE VII

CONCERNING THE PAYING AGENTS AND ESCROW AGENT

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

Section 7.02. Limitation on Liability. The liability of the Escrow Agent to transfer funds for the payment of the principal of and interest on the Defeased Obligations shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Escrow Fund.

The recitals herein shall be taken as the statements of the University and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent. The Escrow Agent is not a party to the resolution authorizing the Defeased Obligations, other than in its role as Paying Agent for the Defeased Obligations, and is not otherwise responsible for nor bound by any of the provisions thereof. In its capacity as Escrow Agent, the Escrow Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Agreement and no implied covenants or obligations shall be read into this Agreement against the Escrow Agent.

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

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

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

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

Section 7.03. Compensation. (a) Concurrently with the execution and delivery of this Agreement, the University shall pay to the Escrow Agent, as a fee for performing the services hereunder and for all expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement, the sum of \$12,000.00, the sufficiency of which is hereby acknowledged by the Escrow Agent. In the event that the Escrow Agent is requested to perform any extraordinary services hereunder, the University hereby agrees to pay reasonable fees to the Escrow Agent for such extraordinary services and to reimburse the Escrow Agent for all expenses incurred by the Escrow Agent in performing such extraordinary services, and the Escrow Agent hereby agrees to look only to the University for the payment of such fees and reimbursement of such expenses. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses.

(b) In addition to the Escrow Agent, Manufacturers Hanover Trust Company, New York, New York, is a place of payment (paying agent) for the Defeased Obligations. Concurrently with the execution and delivery of this Agreement, the University shall pay to the Escrow Agent the sum of \$4,256.00, the sufficiency of which is hereby acknowledged by the Escrow Agent, for all future paying agency services of the Escrow Agent and all of the other

places of payment (paying agents) for any of the Defeased Obligations; and the Escrow Agent warrants that such sum is sufficient for such purpose, and that it has confirmed such sufficiency, and received approval of the arrangements herein made, with all of said place of payment (paying agents). The Escrow Agent shall be obligated to make available to such other places of payment (paying agent) for the Defeased Obligations amounts from the Escrow Fund sufficient to pay when due the principal of and interest on any Defeased Obligations presented to them for payment, and to pay all charges of all places of payment (paying agents) for the Defeased Obligations for such paying agency services.

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

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

Any successor Escrow Agent shall be a corporation or banking association organized and doing business under the laws of the United States or one of the States, authorized under such laws to exercise corporate trust powers, having its principal office and place of business in the State of Texas or in The City of New York, having a combined capital

and surplus of at least \$50,000,000 and subject to the supervision or examination by Federal or State authority.

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

#### ARTICLE VIII

##### MISCELLANEOUS

Section 8.01. Notice. Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid addressed as follows:

To the Escrow Agent:

MBank Houston, N.A.  
910 Travis  
P. O. Box 2629  
Houston, TX 77252

Attention: Corporate Trust

To the University:

Mr. Michael Patrick  
The University of Texas System  
201 W. Seventh Street  
Austin, TX 78701

The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery. Any party hereto may change the address to which notices are to be delivered by giving to the other parties not less than ten (10) days prior notice thereof.

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

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

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

Section 8.05. Texas Law Governs. This Agreement shall be deemed to be an agreement made under the laws of the State of Texas and for all purposes shall be governed by and construed in accordance with the laws of the State of Texas.

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

Section 8.07. Amendments and Modifications. No amendment, modification or waiver of any provision of this Agreement shall be effective unless the same shall be in writing and signed by the parties hereto. No such amendment, modification or waiver shall adversely affect the rights of the holders of the Defeased Obligations outstanding for purposes of this Agreement at the time of such amendment, modification or waiver.

Section 8.08. Holiday. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Agreement, is not a business day, such payment may be made or act performed or right exercised on the next succeeding business day with the same force and effect as if done on the date provided therefor herein and, in the case of any payment, no interest shall accrue for the period after such date.

Section 8.09. Counterparts. This Agreement may be executed in any number of counterparts and each of such

counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute one and the same instrument.

Section 8.10. Consultation. The Escrow Agent may consult with counsel of its choice, including in-house counsel, and shall not be liable for any action taken, suffered or omitted by it in accordance with the advice of such counsel.

EXECUTED as of the date first written above.

THE BOARD OF REGENTS OF  
THE UNIVERSITY OF TEXAS SYSTEM

By \_\_\_\_\_  
Executive Vice Chancellor for  
Asset Management

ATTEST:

\_\_\_\_\_  
Executive Secretary

MBANK HOUSTON, N.A.

By \_\_\_\_\_  
Vice President

ATTEST:

\_\_\_\_\_  
Assistant Secretary

(SEAL)

INDEX TO EXHIBITS

Exhibit "A"	Schedule of Debt Service on Refunded Obligations
Exhibit "B"	Description of Beginning Cash Deposit (if any) and Escrowed Securities
Exhibit "C"	Escrow Fund Cash Flow

EXHIBIT "A"

SCHEDULE OF DEBT SERVICE  
ON DEFEASED OBLIGATIONS

EXHIBIT "B"

ESCROW DEPOSIT

I. CASH

II. ESCROWED SECURITIES

Principal Amount

Interest Rate

Maturity Date

EXHIBIT "C"  
ESCROW FUND CASH FLOW

TRANSFER OF LIEN

THE STATE OF TEXAS           §  
                                  §       KNOW ALL MEN BY THESE PRESENTS:  
COUNTY OF MONTGOMERY       §

That the undersigned, of the County of Travis and State of Texas, the present legal and equitable owner and holder of that one certain promissory note in the original principal sum of Eleven Million Four Hundred Forty-three Thousand Eight Hundred Twenty-one and 36/100 Dollars (\$11,443,821.36), dated March 12, 1973, executed by MITCHELL DEVELOPMENT CORPORATION OF THE SOUTHWEST, A Texas corporation, payable to the order of the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, more fully described in a Deed of Trust, duly recorded in Vol. 261, page 22 of the Deed of Trust Records of Montgomery County, Texas; said note being secured by said Deed of Trust Lien and a Vendor's Lien against the following-described property, to-wit:

All those certain tracts or parcels of land totaling approximately 7,602.557 acres of land out of the J. Hodge Survey, Abstract 19, J. Pevehouse Survey, Abstract 29, T. Curry Survey, Abstract 136, Wm. P. Cartwright Survey, Abstract 134, J. Eberly Survey, Abstract 194, T. V. Mortimer Survey, Abstract 383, R. Smith Survey, Abstract 491, J. Sealy Survey, Abstract 759, J. Sealy Survey, Abstract 758, M. Cartwright Survey, Abstract 132, being more particularly described by metes and bounds in the Field Note descriptions attached to the said Deed of Trust as Exhibit "A," thereto, and made a part hereof for all purposes, together with all and singular the rights and appurtenances pertaining thereto, including any right, title and interest of the Grantor in and to adjacent roads, easements and rights-of-way,

for a good and valuable consideration paid to the undersigned, the receipt and sufficiency of which is hereby acknowledged, has TRANSFERRED and ASSIGNED, GRANTED and CONVEYED and by these presents TRANSFERS, ASSIGNS, GRANTS and CONVEYS unto THE SEALY AND SMITH FOUNDATION FOR THE JOHN SEALY HOSPITAL of Galveston County, Texas, the above-described note, together with all liens, and any superior title, held by the undersigned securing the payment thereof. There remains unpaid upon said note the principal sum of Nine Hundred Fifty-three Thousand Six Hundred Fifty-one and 78/100 Dollars (\$953,651.78), together with interest thereon from the 12th day of March, 1986, as in said



5. U. T. Board of Regents: Authorization for Confirmatory Actions with Regard to the Advance Refunding of The University of Texas System General Tuition Revenue Bonds, Series 1971, 1972, 1972-A and 1978 and The University of Texas at Austin Building Revenue Bonds, Series 1974 and 1978; and Approval for Special Board Meeting to Complete the Remaining Advance Refunding Transactions Contemplated in Item 2 on Pages 4-5 of the Minutes of the February 13-14, 1986 Meeting of the Board.--At the request of Chairman Hay, Executive Vice Chancellor for Asset Management Patrick presented the following report related to the advance refunding of The University of Texas System General Tuition Revenue Bonds, Series 1971, 1972, 1972-A and 1978 and The University of Texas at Austin Building Revenue Bonds, Series 1974 and 1978:

#### REPORT

On February 13, 1986, the U. T. Board of Regents approved in principle the concept of advance refunding or cash defeasance of the non-Permanent University Fund bond issues and authorized the Office of Asset Management and the Office of General Counsel to take necessary actions to bring recommendations to the Board concerning the advance refunding of the remainder of the non-Permanent University Fund bonded indebtedness. In this regard, the Office of Asset Management and the Office of General Counsel recommend that the Board confirm and ratify the following actions:

- a. Appointment of Morgan Guaranty Trust Company of New York, New York, New York, as lead managing underwriter; and First Southwest Company, Dallas, Texas; Goldman, Sachs & Co., New York, New York; MBank Markets, Dallas, Texas; Merrill Lynch Capital Markets, New York, New York; Rauscher Pierce Refsnes, Inc., Dallas, Texas; Rotan Mosle, Inc., San Antonio, Texas; Salomon Brothers, New York, New York; Texas Commerce Bank, Houston, Texas; and Underwood, Neuhaus & Co., Houston, Texas, as co-managing underwriters
- b. Appointment of Jenkins, Hutchison & Gilchrest, Dallas, Texas, and Reynolds, Allen & Cook, Inc., Houston, Texas, as underwriters' counsel
- c. Appointment of Fulbright & Jaworski, Houston, Texas; McCall, Parkhurst & Horton, Dallas, Texas; and Vinson & Elkins, Houston, Texas, as co-bond counsel and co-tax counsel.

It is further recommended that the Board appoint the members of the Land and Investment Committee of the U. T. Board of Regents, the Manager of Debt Administration, the Vice Chancellor and General Counsel and the Executive Vice Chancellor for Asset Management as a pricing committee to agree on the pricing terms.

Recommendations for the appointment of escrow agents and paying agents and registrars will be brought to the Board at a later meeting.

From the list of bond issues to be advance refunded, the Office of Asset Management, in consultation with bond counsel and investment bankers, has determined that the U. T. System General Tuition Revenue Bonds, Series 1971, 1972, 1972A and 1978, and the U. T. Austin Building Revenue Bonds, Series 1974 and 1978 should be advance refunded on a priority basis. With regard to these two bond issues, the following time schedule is proposed:

1. The preliminary official statements would be mailed on April 23, 1986.
2. During the week of May 5 these two bond issues would be priced after consultation with the pricing committee and the Executive Vice Chancellor for Asset Management would sign an official bond purchase contract with the underwriters.
3. During the week of May 12, it is requested that the Board of Regents hold a special meeting to authorize the issuance and sale of these bonds and to confirm and ratify the terms of the bond purchase contract.
4. The bonds would be delivered in New York on May 27 and 28, 1986.

At the special meeting during the week of May 12, 1986, the Office of Asset Management and the Office of General Counsel will have firm recommendations with regard to the advance refunding of the remainder of the bond issues contemplated in Board action on February 13, 1986.

Regent Milburn moved that the Board set a special meeting of the Board during the week of May 12, 1986, and that the Board approve the recommendations of the Office of Asset Management and the Office of General Counsel as contained in the report of Executive Vice Chancellor Michael Patrick.

Regent Yzaguirre seconded the motion which carried by unanimous vote.

Secretary's Note: Subsequent to this action, the Special Meeting referenced above was set for May 12, 1986, at 9:15 a.m. in the Regents' Meeting Room in Austin, Texas.

RECESS FOR COMMITTEE MEETINGS AND COMMITTEE REPORTS TO THE BOARD.--At 1:10 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.

REPORTS AND RECOMMENDATIONS OF STANDING COMMITTEES

REPORT OF EXECUTIVE COMMITTEE (Pages 39 - 171 ).--In compliance with Section 7.14 of Chapter I of Part One of the Regents' Rules and Regulations, Chairman Hay 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. U. T. System: Approval of Policies for Preparation of Legislative Budget Requests for 1988-1989 Biennium (Exec. Com. Letter 86-14).--Upon recommendation of the Executive Committee, the Board approved the following Budget Policies for use in preparing the Legislative Budget Requests for the 1988-1989 Biennium for The University of Texas System:

Policies for Preparing Legislative Budget Requests  
for the Biennium 1988-1989

In preparing the Legislative Budget Requests for the biennium beginning September 1, 1987, the instructions issued by the Coordinating Board, Texas College and University System, the Legislative Budget Board and the Governor's Office of Management and Budget are to be used as guidelines. Additionally, the following policies and limitations shall be observed relating to areas not funded by formula or otherwise covered by the above-mentioned instructions:

a. Salary Advances for Faculty and Professional Staff

Funds may be requested to grant salary increases up to 8.7% in 1988 and an additional 10.9% in 1989.

b. Salary Advances for Classified Personnel

Funds may be requested to provide for a 7% increase in 1988 and an additional 4% increase in 1989. In addition, requests may include sufficient funds for a 3.4% merit increase for approximately one-half of all employees each year.

c. New Positions

All requests for new positions must be based on new or expanded programs or on improvements in existing programs, and be fully justified.

d. Maintenance, Operation and Equipment

The general guidelines for requesting funds for this item should be for an increase up to 8% in 1988 plus an additional 4% increase in 1989. In limited situations such as scientific equipment, medical supplies, and like items, in which price escalation or

other factors make the above limitations totally impractical, actual needs must be the basis for the request. In these situations the variance from the general standard stated above must be carefully justified.

e. Utilities

Requests for Purchased Utilities are to be based on projected needs using the best available rate estimates, carefully documented. In addition, System policy supports an emergency utility request to meet possible deficiencies in the 1986-87 Utilities appropriations.

f. Staff Benefits

1. Employee Insurance Premiums. Use the current \$85 per month in 1988 and \$85 per month in 1989 for each person in requesting funds for payment of the State's contribution toward the cost of insurance premiums. Eligible employees are those covered under provisions of the Texas State College and University Employees Uniform Insurance Benefits Act.
2. O.A.S.I. - State's Contribution of Employees' Share of Tax. As a System policy, the Legislature will be requested to continue the payment of the employees' share of the O.A.S.I. tax and to expand the payments from the current 5.85% on \$16,500 (included in the Legislative Budget Requests) to the actual tax levied by the Federal Government.

g. Special Items

Funds may be requested to support items which are peculiar to the particular institution and which are not otherwise included in other specific "Elements of Institutional Costs." Support for these special items must be fully justified.

1988-1989 LEGISLATIVE BUDGET CALENDAR

Executive Committee	U. T. Board of Regents' Approval of Policies
June 2, 1986	Five draft copies of Legislative Budget Requests (bound) due to System Administration
June 16-27, 1986	Budget Hearings with System Administration
July 1, 1986	Thirty copies of First Submission Legislative Budget Requests (unbound) due to System Administration for binding

July 11, 1986

Filing Date - First Submission  
of Legislative Budget Requests

August-September, 1986

Hearings with staffs of Legisla-  
tive Budget Board and Governor's  
Office of Management and Budget

September 24, 1986

Forty-five copies of Second  
Submission Legislative Budget  
Requests (unbound) due to Sys-  
tem Administration for binding

October 3, 1986

Filing Date - Second Submission  
of Legislative Budget Requests

2. U. T. System: Authorization for Executive Director for Finance and Administration to Execute an Agreement with Rust Properties, Austin, Texas, for Temporary Use of a Portion of the O. Henry Hall Property (Exec. Com. Letter 86-15).--It was reported that Rust Properties, Austin, Texas, proposes to build a 299-room luxury hotel to be known as The Westin Hotel-Austin at the southeast corner of Seventh and Colorado Streets. The hotel construction site abuts the north and east property line of the lot upon which O. Henry Hall is located. Because of the practical limitations imposed by the size and configuration of the hotel construction site and the proximity to the O. Henry Hall building, Rust Properties has proposed to The University of Texas System an agreement under which Rust would have temporary use of a portion of the O. Henry Hall property during construction of the hotel.

The Board, upon recommendation of the Executive Committee, authorized the Executive Director for Finance and Administration to execute the agreement set out on Pages 42 - 53, subject to the concurrence of the Office of General Counsel, with Rust Properties, Austin, Texas, for temporary use of a portion of the O. Henry Hall property.

The agreement sets forth the terms and conditions associated with the temporary use of the property by Rust Properties.

POINTS OF AGREEMENT

Rust Properties  
and  
University of Texas System

March 10, 1986

ARTICLE I

Rust Properties is proposing to build a 299 room luxury hotel at the southeast corner of 7th and Colorado Streets to be known as The Westin Hotel\*Austin. For the purposes of this agreement, the construction shall be referred to as: "the project."

ARTICLE II

This agreement shall be between Rust Properties, a Texas general partnership, and the University of Texas System. It should be noted that Rust Properties will be the managing partner in a partnership to be formed for the construction of the described project. As such, this agreement shall be assigned to that partnership at the time of its formation. Should Rust Properties not be the managing partner, then this agreement shall be null and void.

ARTICLE III

The purpose of this agreement is to fully describe the responsibilities between Rust Properties and the University of Texas System as regards the construction of the project.

ARTICLE IV

The University of Texas System has determined that auxiliary condensers located at the northeast corner of the piece of property on which the O. Henry Hall building sits, are no longer necessary to the function of their facilities. As such, they are willing to abandon these units and have them removed from the existing site. This work shall be performed by Rust Properties, or its selected general contractor, at the expense of Rust Properties, and without any interference to the operation of the University of Texas System heating and air conditioning system. After the removal of these units and upon completion of the project, the site location of these condensers shall be repaired to a suitable condition as described in Article X. In addition, all utilities serving these two condensers shall be disconnected and capped below grade in the vicinity of the existing condensers. No salvage value is due from Rust Properties to the University of Texas System for these units. Rust will provide an as-built drawing of all remaining conditions in this area after the work is completed.

ARTICLE V

Rust Properties, or its selected general contractor, shall remove the existing wrought iron fence running along the east, north and northern-most west property

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Points of Agreement  
Westin Hotel  
March 10, 1986  
Page 2

ARTICLE V - Contd.

lines of the O. Henry Hall lot. All portions of this fence shall be suitably stored and protected until such time as the project is completed, and then shall be reinstalled in the existing location without alteration, except as follows:

- a. There currently exists at the northeast corner of the O. Henry Hall lot, a stone wall surrounding the north and eastern-most areas of the condenser location. Inasmuch as these condensers will no longer exist after the completion of the project, this wall will no longer serve its current purpose. As such, Rust Properties will take other sections of the existing wrought iron fence and replace the north and east areas at the condenser location with wrought iron fence; thus, the completed fence line along all three property lines will be wrought iron without any stone. Should additional sections of fence be needed or damaged sections need repair, this work will be done or contracted for by Rust Properties. Upon completion of the reinstallation, the fence shall be repainted or touched-up as necessary by Rust Properties in a color and in a manner as advised by the University of Texas System (see attached supplemental drawing #1). The stone wall at the far southeast corner of the O. Henry Hall lot shall remain in place, and any damage occurring during the construction of the project to this particular wall shall be repaired by Rust Properties.
- b. Any impact or approvals necessary with regard to historic designation at the O. Henry Hall lot for the removal of this fence shall be the responsibility of the University of Texas System.

ARTICLE VI

Rust Properties, or its selected general contractor, shall place a temporary barricade along the north and east side of the O. Henry Hall building as shown on the attached supplemental drawing #1. The barricade will be 8'0" tall and constructed of exterior-grade plywood. There will be no access from the north side of the barricade to the south side, or from the east to the west. This barricade shall be removed by Rust Properties upon completion of the project and the site restored to its existing condition as described in Article X. It shall also exclude from the construction site the southern most of the two oak trees located at the west O. Henry Hall property line, north of the O. Henry Hall driveway.

ARTICLE VII

During the construction of the project, Rust Properties, or its selected general contractor, will have the right to use areas (to the north and east of the temporary barricade) on the O. Henry Hall lot as noted on the attached supplemental drawing #1. The purpose of such use will be for the crane base and crane, storage of job trailers, construction equipment, materials and automobiles.

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March 10, 1986  
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ARTICLE VIII

As shown on the attached supplemental drawing #1, Rust Properties, or its selected general contractor, will place the base of the construction crane and attach thereto, the tower of the crane. The base of the crane will be approximately 8'0" x 8'0" and will be 3'0" south of the north O. Henry Hall property line and 3'0" west of the east property line. It will consist of four (4) 2'0" diameter drilled piers to a depth of approximately 20'0". On top of these piers will be placed a 12" thick (8' x 8') foundation base, 2'0" below the existing grade. The crane tower is 6'6" x 6'6" and will be mounted on top of this base. Upon completion of the project, the crane will be removed, as will the 12" base. The repair to the site (Article X) will be such that no above-grade evidence of the crane will remain. The counter balances (back-jib) will be placed such that they never swing over the O. Henry Hall building, nor will any loads hanging from the boom ever be swung over the O. Henry Hall building. At the conclusion of the project, Rust Properties shall furnish to the University of Texas System an as-built document showing the location of those elements which will remain, including elevation, top and bottom of piers, reinforcing size and number, center line locations, diameters of piers, and class of concrete used.

ARTICLE IX

As partial consideration for the temporary use of the O. Henry Hall lot, Rust Properties shall provide six parking spaces for use by the University of Texas System employees or guests on official business in either the Norwood Tower or One American Center garages. These spaces shall be paid for by Rust Properties and shall be available on a guaranteed basis for the duration of the project. The University of Texas System shall issue to persons that they desire to park in these spaces a University of Texas System parking tag. This tag shall then be presented by the parker to the garage operator's parking attendant on duty as sufficient evidence of that person's right to use one of the six allotted spaces. These tags will then be attached to the parking ticket by the attendant and the parking ticket will then be presented by the garage operator to Rust Properties for payment. The University of Texas System will be under no obligation or responsibility as to payment for these spaces.

ARTICLE X

As further consideration for the use of the O. Henry Hall lot for the term of the project, Rust Properties will:

- a. Reconfigure the parking spaces on the O. Henry Hall lot to increase the number of parking spaces. This plan will be developed by Rust Properties and reviewed and coordinated with the University of Texas System Landscape Architect. This landscape plan shall include the design of an irrigation system which shall be sealed by a Licensed Irrigator. *and installation*
- b. The entire north, east and northern-most west sides of the O. Henry Hall lot shall be relandscaped and repaved as necessary with granite pavers similar to those existing, according to a plan to be developed by Rust Properties and reviewed

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Points of Agreement  
Westin Hotel  
March 10, 1986  
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ARTICLE X - Contd.

b. Contd.

- with the University of Texas System Landscape Architect. Should either of the two oak trees at the west O. Henry Hall lot line need replacement after the conclusion of construction of the project, Rust Properties shall replace either or both in a caliper size equal to that which currently exists.
- c. Replace granite pavers with original or new pieces as required in the O. Henry Hall lot; any pavers that have been damaged during the term of the project and also those required to be replaced in the area of the condenser removal.
- d. Fully remove all construction materials and clean the entire O. Henry Hall site upon completion of the project. This shall exclude cleaning of the O. Henry Hall building except for the removal of dirt or debris directly resulting from the construction process.
- e. Place lighting on the south and west sides of the hotel sufficient to illuminate the newly landscaped areas and provide safety and security lighting for the O. Henry Hall parking lot. These lights will be on the hotel, and as such, will be maintained by the hotel partnership. The placement of these lights will allow the removal of the present lighting on the north face of the O. Henry Hall building. Removal of these existing lights on the O. Henry Hall building will be the responsibility of the University of Texas System.

ARTICLE XI

During the term of the project, it will be necessary to excavate to a depth of approximately 18 feet along the north and east property lines of the O. Henry Hall lot. Attached supplemental drawing #2 and sketches 5.1, 5.2, 5.3 (SK5.1, 5.2, and 5.3) show the location and details of the retention system that will be necessary to maintain the site integrity of the O. Henry Hall lot. These encroachments are not of a structural nature and will in no way prevent the University of Texas System from excavating up to the north or east property line of the O. Henry Hall lot at any time in the future.

ARTICLE XII

During the term of the project, Rust Properties, or its selected general contractor, will not do any blasting on the project site without prior approval of the University of Texas System; such approval will not be unreasonably withheld.

ARTICLE XIII

The term of the project shall be from approximately February 17, 1986 to July 1, 1987. This agreement shall remain in force until all provisions included herein are satisfied. Signature as noted below is required by both parties to commence this agreement and to acknowledge fulfillment of both parties' obligations at the end of the project.

Rust

UT

7,5,4

Points of Agreement  
 Westin Hotel  
 March 10, 1986  
 Page 5

ARTICLE XIV

As additional consideration for the temporary use of part of the O. Henry Hall lot, Rust Properties agrees to indemnify and save harmless The University of Texas System against all loss or damage to persons or property located on the O. Henry Hall lot, including but not limited to that portion of the O. Henry Hall lot which Rust Properties has the right to use under the terms of this Agreement, arising from any act by, or negligence of, Rust Properties, or its assignees, its subcontractors, or their officers, agents, or employees while engaged in the construction of the project, or while in or about the project premises, including that portion of the O. Henry Hall lot designated for temporary use by Rust Properties.

Rust Properties shall provide and maintain for the term of this project, the minimum insurance coverages as follows:

<u>Type of Coverage</u>	<u>Limits of Liability</u>
1. Comprehensive General Liability	
a. Bodily Injury	\$500,000 (each occurrence)
b. Property Damage	\$100,000 (each occurrence) \$300,000 (aggregate)
2. Explosion, Collapse, and Underground Property Damage Liability	\$500,000 (aggregate)

The above insurance coverages will all specifically include coverage of damages to any persons or property located on the entire O. Henry Hall lot, including but not limited to that portion of the O. Henry Hall lot which Rust Properties has the right to use under the terms of the Agreement. The Board of Regents of The University of Texas System will be listed as an additional insured on each policy providing the above insurance coverages. Rust Properties will furnish a copy of each policy providing the above insurance coverages to The University of Texas System prior to the commencement of any construction on the designated portion of the O. Henry Hall lot.

The procurement of insurance by Rust Properties as provided herein shall not limit the liability of Rust Properties to the Board of Regents under this Article to the limits of such policy or policies.

Rust

UT

7,5,5

Points of Agreement  
Westin Hotel  
March 10, 1986  
Page 6

ARTICLE XV

In addition to all improvements and work mentioned in the preceding Articles, Rust Properties shall provide to the University of Texas System as final compensation for the use of the O. Henry Hall property as outlined above, the following:

- a. A minimum of \$22,000 of landscaping and paving improvements to the O. Henry Hall lot as mentioned above; such costs of improvements to be fully substantiated by legitimate invoices from subcontractors performing such work for Rust Properties. Invoices shall be only for the actual value of improvements and shall not include such miscellaneous services as design, equipment rental, or repair of damage on or about the O. Henry Hall site.
- b. In addition to the \$22,000 worth of improvements mentioned above, Rust Properties shall pay additional rental income to the University of Texas System at the rate of 1/2 cent per day, per square foot for the actual term and area of usage of the O. Henry Hall site. Due to the unexpected nature of construction, the term of usage and rental due can only be determined upon completion of the project. Additionally, the actual square footage enclosed within the barricades (defined on the attached supplemental drawing #1) can only be determined after final construction of such barricades. As such, the measurement of this square footage will take place as soon as is reasonably feasible after the barricades have been erected. A separate document stating the square footage involved, commencement, and expiration of usage shall be formulated at an appropriate time.
- c. The University of Texas System agrees that the total compensation due from Rust Properties shall be the sum of: a minimum of \$22,000 worth of improvements as described in Article XV.a. above; and the additional rental income as described in Article XV.b. above. Should the value of the improvements exceed \$22,000, then the amount of total additional rental income due shall be reduced in an amount equal to the excess over \$22,000. Likewise, should the value of the improvements be less than \$22,000, the total additional rental income due shall be increased by an amount equal to the difference between the actual value of the improvements and \$22,000.

Article XVI

Excluding gross negligence or willful misconduct on the part of the University of Texas System, its employees, agents or contractors, Rust Properties shall and will indemnify and save harmless, the University of Texas System, its agents, officers, and employees, from and against any and all liability claims, demands, damages, expenses, fees, fines, penalties, suits, proceedings, actions and causes of action, of any and every kind and nature arising or growing out of or in any way connected with Rust Properties' use, occupancy, management, operation, or control of the designated portion of the O. Henry Hall lot.

\_\_\_\_\_  
Rust

CP  
\_\_\_\_\_  
UT

7,5,6

Points of Agreement  
Westin Hotel  
March 10, 1986  
Page 7

ARTICLE XVII

Points of contact for all matters pertaining to this Agreement shall be addressed to:

Herb Goodman (512) 474-7385  
Rust Properties  
114 West 7th St., Suite 500  
Austin, Texas 78701

Greg McNicol (512) 499-4363  
University of Texas System  
210 West 6th Street  
Austin, Texas 78701

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

RUST PROPERTIES

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

Date: \_\_\_\_\_

BOARD OF REGENTS OF THE  
UNIVERSITY OF TEXAS SYSTEM

By: [Signature]  
Executive Director for  
Finance & Administration

Date: 3-31-86

FORM APPROVED:

[Signature]  
Office of General Counsel  
The University of Texas  
System

CONTENT APPROVED:

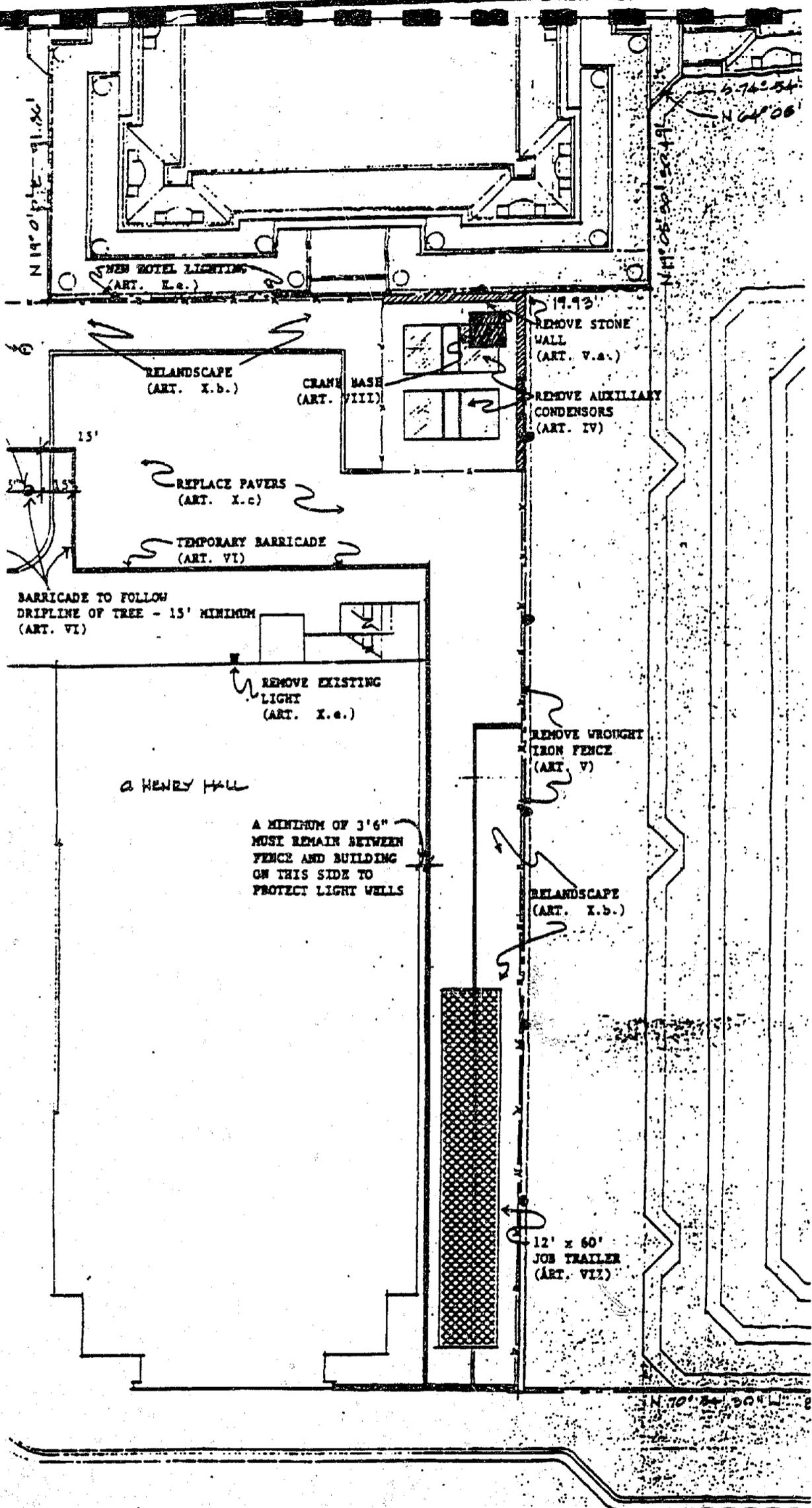
By: [Signature]  
Title: Director, Business and  
Administrative Services

CERTIFICATE OF APPROVAL

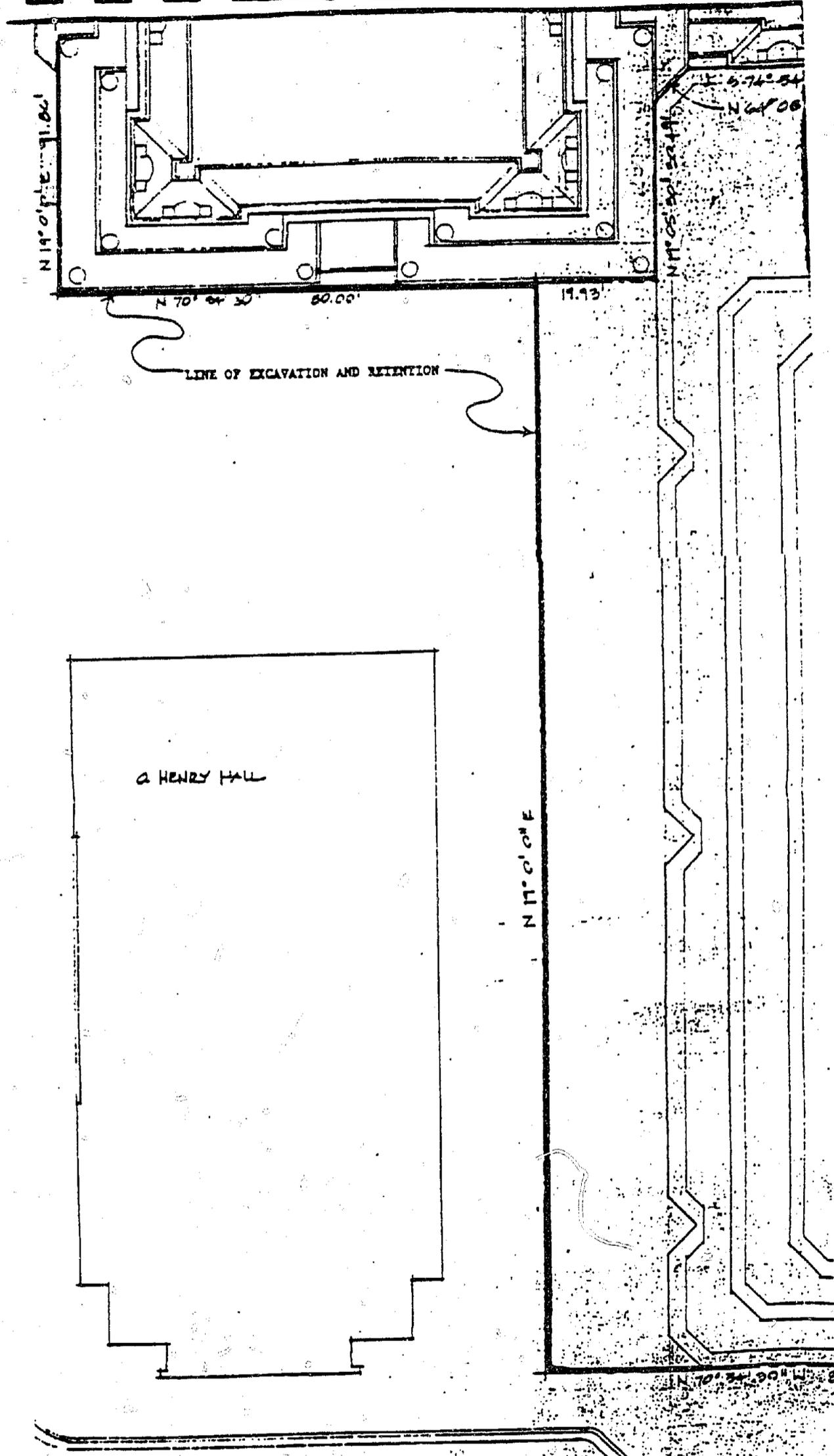
I hereby certify that the foregoing Agreement was approved by the Board of Regents of The University of Texas System on the 10TH day of April, 1986, and that the person whose signature appears above is authorized to execute such Agreement on behalf of the Board.

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

7,5,7



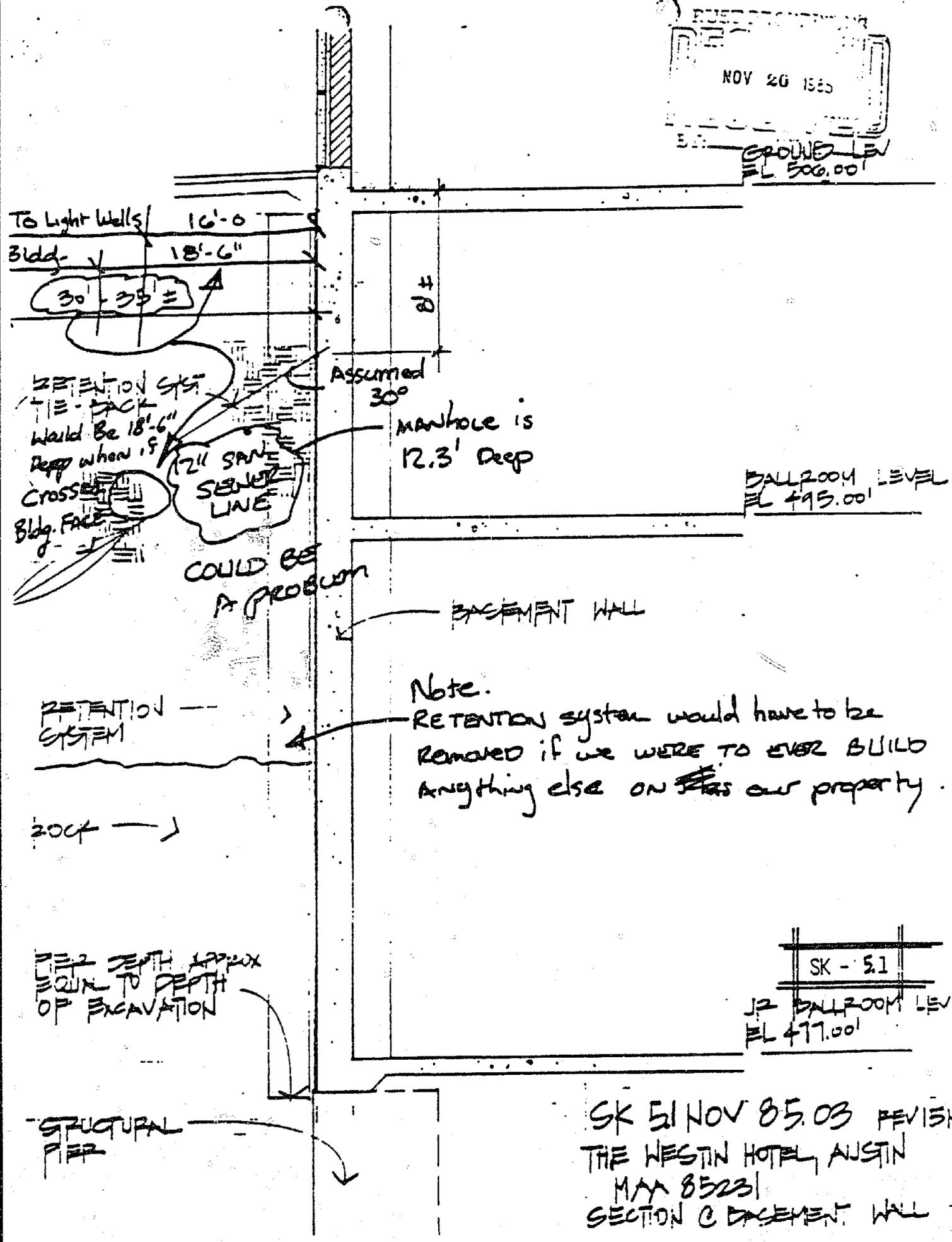
SUPPLEMENTAL  
DRAWING #1



A HENRY HALL

SUPPLEMENTAL DRAWING 12 2906

NOV 26 1985  
 GROUND LEVEL  
 EL 506.00'



To Light Wells/ 16'-0"  
 Bldg. 18'-6"  
 30'-35'

RETENTION SYS  
 WOULD BE 18'-6"  
 DEEP WHEN 15'  
 CROSSED  
 Bldg. FACE

Assumed 30'  
 MANHOLE IS  
 12.3' DEEP

BALLROOM LEVEL  
 EL 495.00'

COULD BE  
 A PROBLEM

BASEMENT WALL

Note.  
 RETENTION SYSTEM WOULD HAVE TO BE  
 REMOVED IF WE WERE TO EVER BUILD  
 ANYTHING ELSE ON ~~THE~~ OUR PROPERTY.

RETENTION SYSTEM

2004

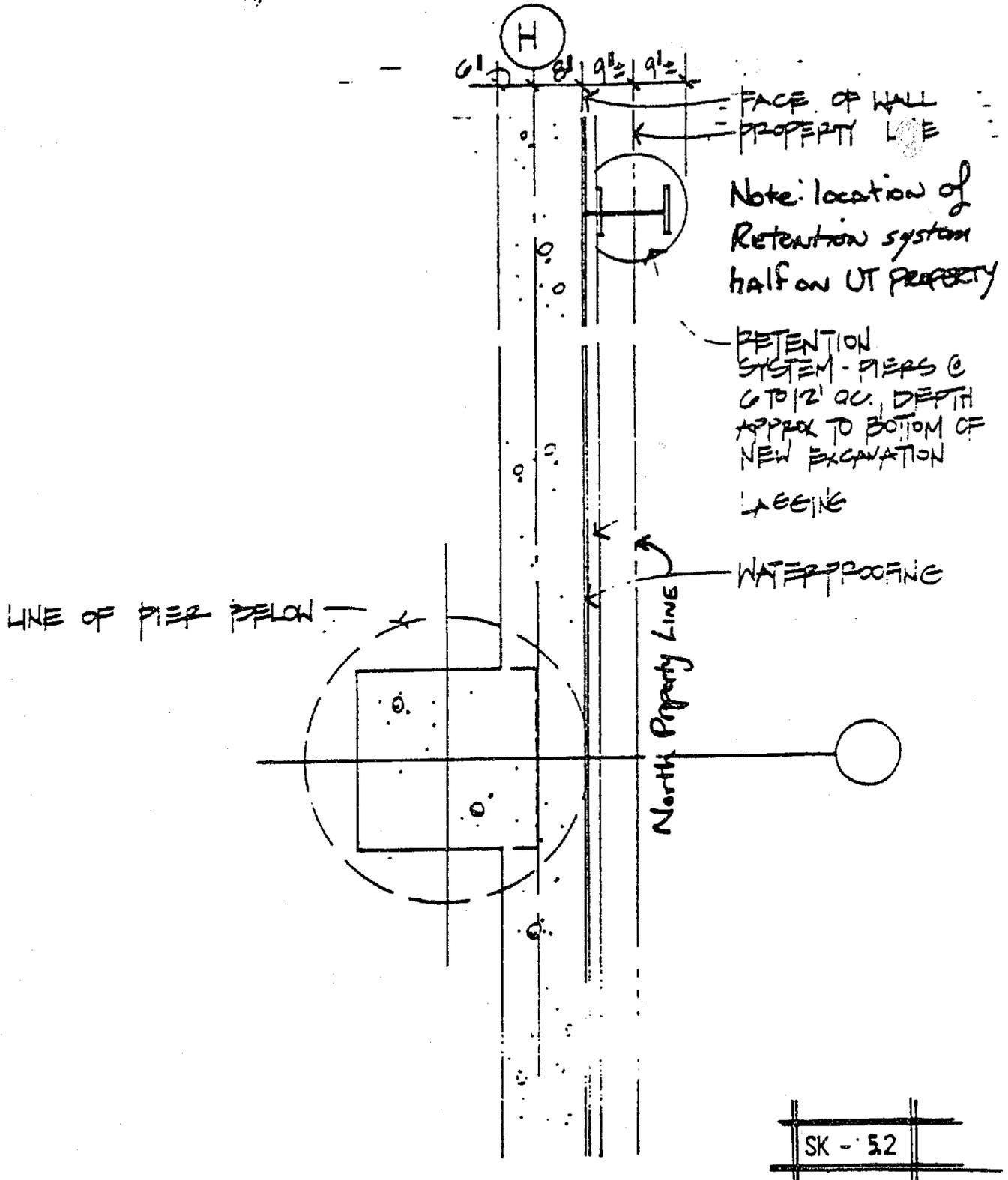
PIER DEPTH APPROX  
 EQUAL TO DEPTH  
 OF EXCAVATION

STRUCTURAL  
 PIER

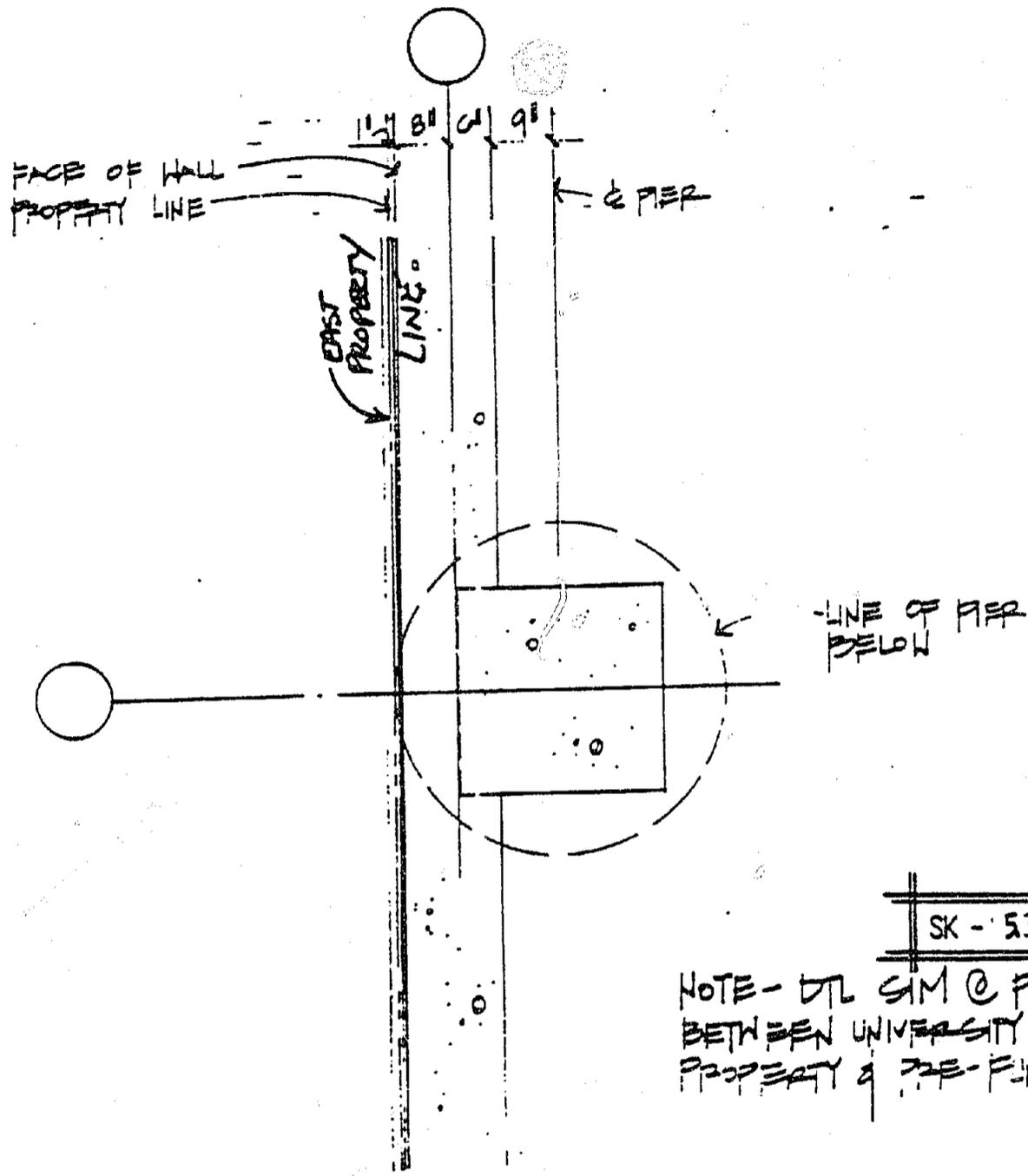
SK - 51

J2 BALLROOM LEVEL  
 EL 477.00'

SK 51 NOV 85.03 REVISIONS  
 THE WESTIN HOTEL, AUSTIN  
 MAY 85231  
 SECTION C BASEMENT WALL



SK 52 NOV 85.02 REVIEW USE  
 THE WESTIN HOTEL, AUSTIN  
 MAA 85231  
 PLAN DTL - PIER @  
 UNIV. OF TEXAS PROPERTY  
 LINE, SOUTH TOWER FACE



SK - 53

NOTE - DTL SIM @ PROP. LINE  
BETWEEN UNIVERSITY OF TEXAS  
PROPERTY & RE-FUNCTION SPACE

RETENTION SYSTEM -  
PIERS @ 6 TO 12'  
O.C. DEPTH  
APPROX TO BOTTOM  
OF NEW  
EXCAVATION



IF THE UNIVERSITY WERE  
BUILT ANYTHING ELSE ON  
THIS PROPERTY THE  
RETENTION SYSTEM WOULD  
HAVE TO BE REMOVED.

SK 53 NOV 85.01 REVISION 83  
THE WESTIN HOTEL, AUSTIN  
MAX 85231  
PLAN DTL - PIER @  
7TH & COLORADO STREET  
PROPERTY LINES  
1/2" = 1' - 0"

3. U. T. Arlington: Salary Increase and Transfer of Funds Requiring Advance Regental Approval Under Budget Rules and Procedures No. 2 (Exec. Com. Letter 86-11).--The Executive Committee recommended and the Board approved the following salary increase and transfer of funds at The University of Texas at Arlington:

Intercollegiate Athletics - Volleyball

Increased the annual rate of Volleyball Coach Lisa Love from \$26,800 to \$33,981 effective January 1, 1986.

Source of Funds:

Other: \$33,981 Departmental Administrative  
and Professional Salaries

(RBC #159)

Educational and General Funds

Amount of Transfer - \$1,500,000

From: Unappropriated Balance (via Estimated  
Income) - 1985-86

To:	Old Age Survivor's Insurance	\$ 548,233
	Renovation of Laboratory Animal Facilities	112,000
	Unallocated Non-Recurring Items	839,767
	Total	<u>\$1,500,000</u>

(RBC #162)

4. U. T. Arlington: Building for School of Architecture and Environmental Design (Project No. 301-548): Award of Contracts for Furniture and Furnishings to Educational Institutional Cooperative Services, Inc., Dallas, Texas; Architectural Interior Services, Houston, Texas; Disco Print Company, Houston, Texas; H. McCoy, Inc., San Antonio, Texas; Business & Institutional Interiors Inc., Dallas, Texas; (i.e.) Interior Environments, Inc., Austin, Texas; Sherrill Draperies Inc., Austin, Texas; Tekram of Texas, Incorporated, Farmers Branch, Texas; and The Photographer's Store, Dallas, Texas; and Authorization for the Chancellor to Sign the Contracts (Exec. Com. Letter 86-11).--In accordance with authorization of the U. T. Board of Regents on June 14, 1984, bids were called for and were received, opened and tabulated on December 17, 1985, for furniture and furnishings for the Building for School of Architecture and Environmental Design at The University of Texas at Arlington.

In compliance therewith and upon recommendation of the Executive Committee, the Board awarded contracts for furniture and furnishings for the Building for School of Architecture and Environmental Design at U. T. Arlington to the following lowest responsible bidders:

Educational Institutional  
Cooperative Services, Inc.  
Dallas, Texas

Base Proposal "A" (Steel Office Furniture)	\$ 34,452.46
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Architectural Interior Services  
Houston, Texas

Base Proposal "B" (Office Chairs)	\$ 38,589.42
Base Proposal "C" (Conference Chairs and Tables)	30,675.92
Base Proposal "D" (Drafting Tables)	32,249.00
Base Proposal "I" (C.A.D. Laboratory Furniture)	11,448.23
Add Alternate "I-1" to Base Proposal "I" (Additional C.A.D. Laboratory Furniture)	10,556.10
Base Proposal "J-1.a." (Theatre Seating)	<u>58,270.08</u>

Total Contract Award to  
Architectural Interior Services \$181,788.75

Disco Print Company  
Houston, Texas

Base Proposal "E" (Drafting Chairs)	18,786.39
--	-----------

H. McCoy, Inc.  
San Antonio, Texas

Base Proposal "F" (Lecture Hall Chairs)	24,506.94
--	-----------

Business & Institutional Interiors Inc.  
Dallas, Texas

Base Proposal "G" (Library Technical Furniture)	\$ 55,503.40
Base Proposal "H" (Library Reading Chairs)	<u>16,693.20</u>

Total Contract Award to  
Business & Institutional Interiors Inc. 72,196.60

(i.e.) Interior Environments, Inc.  
Austin, Texas

Base Proposal "K" (Miscellaneous)	\$ 44,985.34
Base Proposal "N" (Shop Equipment)	7,484.12
Base Proposal "O" (Audiovisual Equipment)	<u>14,446.20</u>

Total Contract Award to  
(i.e.) Interior Environments, Inc. 66,915.66

Sherrill Draperies Inc.  
Austin, Texas

Base Proposal "L"  
(Window Blinds) \$ 17,150.00

Tekram of Texas, Incorporated  
Farmers Branch, Texas

Base Proposal "M"  
(Student Study Chairs) 27,137.90

The Photographer's Store  
Dallas, Texas

Base Proposal "P"  
(Darkroom and Photographic  
Equipment) 32,861.22

GRAND TOTAL CONTRACT AWARDS \$475,795.92

Further, the Chancellor was authorized to sign the contracts awarding these bids based on the results of the Executive Committee circularization.

5. U. T. Arlington - Engineering Building Addition and Renovation (Project No. 301-475): Award of Construction Contract to Stolte Inc., Los Angeles, California, and Approval of Plaque Inscriptions (Exec. Com. Letter 86-14).--Upon recommendation of the Executive Committee, the Board:

- a. Awarded a construction contract for The University of Texas at Arlington Engineering Building Addition and Renovation to the lowest responsible bidder, Stolte Inc., Los Angeles, California, for the Base Bid and Additive Alternates Four, Five and Six in the amount of \$27,682,000
- b. Approved plaque inscriptions set forth below for plaques to be placed on each separate building. The inscriptions follow the standard pattern approved by the U. T. Board of Regents in June 1979.

ENGINEERING BUILDING  
1986

BOARD OF REGENTS

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

Hans Mark  
Chancellor, The  
University of Texas System  
Wendell H. Nedderman  
President, The University  
of Texas at Arlington

Albert S. Komatsu & Associates  
Project Architect  
Stolte Inc.  
Contractor

ENGINEERING BUILDING RENOVATION  
1986

BOARD OF REGENTS

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Robert B. Baldwin III, Vice-Chairman  
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Jack S. Blanton  
Janey Slaughter Briscoe  
(Mrs. Dolph)  
Beryl Buckley Milburn  
Tom B. Rhodes  
Bill Roden  
Mario Yzaguirre

Hans Mark  
Chancellor, The  
University of Texas System  
Wendell H. Nedderman  
President, The University  
of Texas at Arlington

Albert S. Komatsu & Associates  
Project Architect  
Stolte Inc.  
Contractor

AERONAUTICAL RESEARCH BUILDING  
1986

BOARD OF REGENTS

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

Hans Mark  
Chancellor, The  
University of Texas System  
Wendell H. Nedderman  
President, The University  
of Texas at Arlington

Albert S. Komatsu & Associates  
Project Architect  
Stolte Inc.  
Contractor

This project consists of three separate parts. The new Engineering Building (Base Bid) will be approximately 244,000 square feet and will contain classrooms, laboratories, and offices. The Renovation of the existing Engineering Building (Additive Alternate Four) contains approximately 130,000 square feet and consists of classrooms, laboratories, and offices. The Aeronautical Research Building (Additive Alternate Five) and attendant Compressor Building (Additive Alternate Six) will be approximately 10,500 square feet and will contain the wind tunnel facility, laboratories and offices.

This project was approved by the Coordinating Board in January 1985, and is within the scope of the Capital Improvement Program approved by the U. T. Board of Regents.

6. U. T. Arlington: Authorization for the Chancellor to Execute a Ground Lease Agreement and an Operating Agreement with Ames-Teague Joint Venture, Dallas, Texas, Related to Construction of a Parking Garage (Exec. Com. Letter 86-12). --  
At its December 1985 meeting, the U. T. Board of Regents authorized the Office of the Chancellor and the Office of General Counsel to conclude negotiations for the provision of a multi-level parking garage on The University of Texas at Arlington campus by a private entity and authorized the Executive Committee of the Board to approve the final form of these documents, subject to final ratification by the Board in accordance with the usual procedure.

In order to provide adequate parking for students, faculty and visitors in a timely manner without incurring major expenditures or financial commitments, the Executive Committee recommended and the Board:

- a. Authorized the Chancellor to execute the ground lease agreement set out on Pages 59 - 140, after approval by the Office of General Counsel, leasing a 0.942-acre tract of The University of Texas at Arlington campus to Ames-Teague Joint Venture, Dallas, Texas, as a site for a parking garage
- b. Authorized the Chancellor to execute the property operating agreement set out on Pages 141 - 162, after approval by the Office of General Counsel, with Ames-Teague Joint Venture for operation and management of the parking garage by U. T. Arlington.

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GROUND LEASE

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BY AND BETWEEN

THE BOARD OF REGENTS OF THE  
UNIVERSITY OF TEXAS SYSTEM  
FOR THE USE AND BENEFIT OF  
THE UNIVERSITY OF TEXAS AT ARLINGTON

OWNER

and

AMES-TEAGUE JOINT VENTURE,  
a Texas joint venture

LESSEE

ARTICLE I  
DEMISE AND COVENANTS AND WARRANTIES OF OWNER

- Section 1.1. Demise of Premises.....
- Section 1.2. Warranties.....
- Section 1.3. Quiet Enjoyment.....

ARTICLE II  
SPECIAL COVENANTS AND AGREEMENTS OF OWNER

- Section 2.1. Right of Lessee to Expand Project.....
- Section 2.2. Electricity.....
- Section 2.3. Promotion of Project.....
- Section 2.4. Enforcement of Parking Regulations.....
- Section 2.5. Default by Owner.....

ARTICLE III  
RENT

- Section 3.1 Rent.....
- Section 3.2 Percentage Rent.....

ARTICLE IV  
USE OF THE PROPERTY AND MATTERS CONCERNING CONSTRUCTION

- Section 4.1. Use of the Property.....
- Section 4.2. Construction by Lessee.....
- Section 4.3. Force Majeure.....
- Section 4.4. Signs.....
- Section 4.5. Failure to Complete Construction.....
- Section 4.6. Competing Facilities.....

ARTICLE V  
TAXES, CHARGES, LIENS AND PERMITTED CONTESTS

- Section 5.1. Taxes.....
- Section 5.2. Charges.....
- Section 5.3. Evidence of Payment and Proration.....
- Section 5.4. Liens.....
- Section 5.5. Permitted Contests.....

ARTICLE VI  
OPERATION, MAINTENANCE AND REPAIR

- Section 6.1. Operation, Maintenance and Repair.....
- Section 6.2. Charges for Parking.....

ARTICLE VII  
INSURANCE

- Section 7.1. Casualty Insurance.....
- Section 7.2. Liability Insurance.....
- Section 7.3. Business Interruption Insurance.....
- Section 7.4. Subrogation.....
- Section 7.5. Blanket Policies.....
- Section 7.6. Indemnity.....

ARTICLE VIII  
OWNERSHIP

- Section 8.1. Title to Project.....
- Section 8.2. Owner's Option to Purchase The Project.....
- Section 8.3. Surrender.....

ARTICLE IX  
ASSIGNMENT AND SUBLETTING; CONTROL OF LESSEE

- Section 9.1. Assignment.....
- Section 9.2. Subleases.....

ARTICLE X  
DEFAULT AND RIGHT TO CURE

- Section 10.1. Events of Default.....
- Section 10.2. Rights of Owner Upon Default.....
- Section 10.3. Additional Rights of Owner.....
- Section 10.4. Owner's Right to Cure.....

ARTICLE XI  
MORTGAGING THE PROPERTY

- Section 11.1. Leasehold Mortgage.....
- Section 11.2. Rights of Leasehold Mortgagee.....

ARTICLE XII  
CONDEMNATION

- Section 12.1. No Taking by Owner.....
- Section 12.2. Notice of Taking.....
- Section 12.3. Total Taking.....
- Section 12.4. Partial Taking.....
- Section 12.5. Apportionment of Award Upon Termination.....
- Section 12.6. Apportionment of Award Without  
Termination.....
- Section 12.7. Settlements .....
- Section 12.8. Assignments of Awards .....
- Section 12.9 Appraisal .....

ARTICLE XIII  
DAMAGE OR DESTRUCTION

- Section 13.1 Lessee to Give Notice.....
- Section 13.2. Restoration.....
- Section 13.3. Election to Terminate.....
- Section 13.4. Application of Insurance Proceeds.....

ARTICLE XIV  
MISCELLANEOUS

Section 14.1. Waiver.....

Section 14.2. Compliance Certificates.....

Section 14.3. Merger of Title.....

Section 14.4. Modifications.....

Section 14.5. Severability.....

Section 14.6. Nondiscrimination.....

Section 14.7. Notices, Demand and Other  
Instruments.....

Section 14.8. Successors and Assigns.....

Section 14.9. Headings.....

Section 14.10. Gender and Numbers.....

Section 14.11. Recording of Lease.....

Section 14.12. Remedies.....

Section 14.13. Counterparts.....

Section 14.14. Applicable Law.....

Section 14.15. Liability of Lessee.....

Section 14.16. Free Parking.....

Section 14.17. Entire Agreement.....

ARTICLE XV

Definitions .....

GROUND LEASE

THIS GROUND LEASE ("Lease") is made and entered into as of the 20 day of Feb 1986, by and between The Board of Regents of The University of Texas System for the use and benefit of the University of Texas at Arlington (herein called the "Owner") and Ames-Teague Joint Venture, a Texas joint venture (herein called "Lessee").

Defined terms used in this Lease, which are designated by the capitalization of the first letter thereof, shall have, unless the same are otherwise expressly defined herein or the context otherwise requires, the respective meanings set forth in Article XV of this Lease.

Owner desires to lease and demise all of its right, title and interest in and to the real property described on Exhibit A attached hereto and Lessee desires to lease all of such real property from Owner upon the terms and conditions herein set forth.

Therefore, and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and in consideration of the mutual covenants and obligations contained in this Lease, Owner and Lessee agree as follows:

MIS/UofT-GL

ARTICLE I

Demise and Warranties of Owner

Section 1.1. Demise of Premises. Owner does hereby lease and demise unto Lessee and Lessee does hereby lease and hire from Owner, the Premises and all improvements now or hereafter situated on the Premises, for a term commencing as of the date of this Lease and continuing in full force and effect for thirty (30) years thereafter, ending midnight of Feb 14, 2016 unless this Lease is terminated earlier pursuant to the provisions hereof (herein referred to as the "Term").

Section 1.2. Warranties. Owner represents and warrants to Lessee that it has full right and lawful authority to enter into this Lease; that it is lawfully seized of indefeasible record fee simple title to the Premises; that the Premises are free and clear of all liens, exceptions, restrictions and encumbrances, except for the Permitted Encumbrances set forth on Exhibit B attached hereto. Owner hereby binds itself and its successors and assigns to forever warrant and defend the Premises and every part thereof, subject to the Permitted Encumbrances, unto Lessee, its successors and assigns, against the claims and demands of every person whomsoever claiming the same or any part thereof prior to and/or during the Term.

Section 1.3. Quiet Enjoyment. Owner covenants that Lessee, upon paying the Rent and all other sums as herein provided and observing and keeping the covenants, agreements and stipulations of this Lease on its part to be kept, shall and may peaceably and quietly have, hold, occupy and enjoy the Premises during the Term of this Lease.

#### ARTICLE II

##### Special Covenants and Agreements of Owner

Section 2.1. Right of Lessee to Expand Project. Owner hereby agrees that Lessee shall have the right, but not the obligation to expand the Project vertically to accommodate a greater number of vehicles should the demand for parking spaces in the Project warrant such expansion, provided, however, such expansion shall be limited to a maximum of two (2) additional levels. Lessee shall provide Owner written notice of its intention to expand the Project one hundred twenty (120) days prior to the date construction of such expansion is to commence. Additionally, all construction shall be subject to the terms and provisions set forth herein concerning Owner's right of approval of plans and specifications, changes thereto and the obligation of Lessee to perform such construction in a good and workmanlike manner.

Section 2.2. Electricity. Owner hereby covenants and agrees that the Project and any signs associated therewith shall be connected to The University of Texas at Arlington's electrical power system and that the cost of all electrical power utilized by the Project shall be borne by Owner. Owner's duties under this Section shall be carried out in compliance with the directives of the State Auditor's Office.

Section 2.3. Promotion of Project. Owner hereby covenants and agrees that it shall cooperate with Lessee, and shall cause the administration of The University of Texas at Arlington to cooperate with Lessee, in promoting the use of the Project by the Administration, faculty, staff and students of The University of Texas at Arlington and visitors to the campus of The University of Texas at Arlington and shall take no action which could have an unreasonably adverse impact upon the use or operation of the Project. In connection with the foregoing, Owner's obligation to promote the use of the Project shall include the following:

- (a) Owner shall allow Lessee to participate in the registration procedure whereby students register for classes in the forthcoming semester and shall allow Lessee to provide each student the opportunity to purchase a pass at the registration procedure which would enable such student to park within the Project during the forthcoming semester.

Should the registration procedure at any time in the future become computerized so that any student wishing to pre-register or register for classes in the forthcoming semester may do so through the use of computer software, an option shall be provided to each registrant through the computerized or automated system whereby each registrant has the opportunity to purchase a parking pass for parking within the Project during the forthcoming semester. Owner shall further cooperate with Lessee in collecting and disbursing to Lessee any sums received from students with respect to the purchase of parking passes at the registration procedure. Lessee and Owner agree that the numbers of project parking passes sold for each semester shall not exceed 360 day parking passes and 360 evening parking passes without the prior written consent of the Vice-President for Business Affairs at the University of Texas at Arlington.

- (b) Owner shall not require a decal or permit to be placed on any vehicle in order to allow such vehicle access to the Project or the campus of The University of Texas at Arlington, except at campus security checkpoints which may be established on entrance streets, should Owner elect to establish a "closed campus" at The University of Texas at Arlington. Should a student, faculty or staff member

or other person affiliated with the University of Texas at Arlington who has purchased a pass enabling such person to park in the Project be unable to utilize the Project for parking because the Project is full, Owner hereby covenants and agrees that such person shall be entitled to park in any student parking lot on the campus of The University of Texas at Arlington by displaying on the dashboard of their vehicle the pass entitling such person to park in the Project.

- (c) Owner shall not block nor change the configuration of the existing streets in such a manner as to deny adequate access comparable to that currently in place leading to the Premises.
- (d) Owner shall include a description of the Project in all promotional materials relating to The University of Texas at Arlington including, without limitation, a designation of the site of the Project on all maps promulgated by Owner, a description of the Project in the University Catalog, and a description of the Project in any forthcoming parking regulations promulgated by the Police Department of The University of Texas at Arlington.

(e) Insofar as it is practical to do so, visitors to the campus of The University of Texas at Arlington shall be encouraged to utilize the Project and shall be informed of the availability of the Project for parking while visiting the campus of The University of Texas at Arlington.

Section 2.4. Enforcement of Parking Regulations. Owner hereby covenants and agrees that it shall, and shall cause the Administration of The University of Texas at Arlington, to enforce all traffic and parking regulations currently or in the future implemented by The University of Texas at Arlington Police Department regulating parking upon the campus of The University of Texas at Arlington.

Section 2.5. Default by Owner. Failure of the Owner and the Administration of The University of Texas at Arlington to comply with the provisions of this Article II and the expiration of thirty (30) days following written notice from Lessee to Owner setting forth the specific provisions of this Article II with

which Owner has failed to comply shall constitute a default by the Owner hereunder whereupon:

- (a) Lessee may cease to pay Rent until such default has been remedied;
- (b) Lessee shall not be obligated to perform any of the terms, covenants, provisions and obligations of Lessee set forth herein until such default has been remedied; and
- (c) Lessee shall be entitled to enforce the foregoing obligations of Owner and the Administration of The University of Texas at Arlington by any and all remedies which Lessee may have for breach of covenant at law or in equity.

### ARTICLE III

#### Rent

Section 3.1. During the Term of this Lease, Lessee covenants to pay to Owner rental in an amount equal to \$100.00 per year. Such rental shall be due and payable in advance beginning on the date hereof and continuing annually thereafter or may be prepaid.

Section 3.2. Percentage Rent. Lessee agrees to pay to Owner, as additional rent (herein referred to as "Percentage

Rent"), for each Fiscal Year during the Term, if entire Gross Revenues from the Project exceed \$750,000.00 during the preceding Fiscal Year, an amount equal to one percent (1%) of the entire Gross Revenues from the Project during said Fiscal Year up to a limit of 1% of \$800,000.00; if entire Gross Revenues from the Project during the applicable Fiscal Year exceed \$800,000.00 then Percentage Rent shall be adjusted upward by .5% of the entire Gross Revenues for each \$50,000.00 increase in entire Gross Revenues in accordance with the following schedule:

<u>Gross Revenues</u>	<u>Percentage Rent</u>
\$ 750,001 - \$ 800,000	1% of entire gross rent
800,001 - 850,000	1-1/2% of entire gross rent
850,001 - 900,000	2% of entire gross rent
900,001 - 950,000	2-1/2% of entire gross rent
950,001 - 1,000,000	3% of entire gross rent
1,050,001 - 1,100,000	3-1/2% of entire gross rent
1,100,001 - 1,150,000	4% of entire gross rent
1,151,001 - 1,200,000	4-1/2% of entire gross rent
1,200,001 - 1,250,000	5% of entire gross rent
1,250,001 - 1,300,000	5-1/2% of entire gross rent
1,300,001 - 1,350,000	6% of entire gross rent
1,350,001 - 1,400,000	6-1/2% of entire gross rent
1,400,001 - 1,450,000	7% of entire gross rent
1,450,001 - 1,500,000	7-1/2% of entire gross rent

provided, however, during the Term of this Lease, Percentage Rent shall not exceed seven and one-half percent (7-1/2%) of Gross Revenues from the Project during the applicable Fiscal Year. Each Percentage Rent payment shall be due and payable within thirty (30) days after the close of each Fiscal Year throughout the Term; provided, however, if within thirty (30) days after the

close of each Fiscal Year throughout the Term the Percentage Rent payment then due and payable cannot be accurately determined because the Gross Revenues of the Project for such Fiscal Year have not been finally calculated, Lessee shall pay an amount reasonably estimated to be the Percentage Rent payment then due and within one hundred twenty (120) days after the close of each Fiscal Year throughout the Term Lessee shall pay to Owner or Owner shall refund to Lessee any amounts overpaid or underpaid by Lessee which such final calculation of the Gross Revenues of the Project shall indicate so that the correct amount of Percentage Rent shall be paid for the applicable Fiscal Year during the Term.

#### ARTICLE IV

##### Use of the Property and Matters Concerning Construction

Section 4.1. Use of the Property. Lessee covenants that it will use the Property only for the development and operation of the Project, including uses now or hereafter customarily related to or connected with the operation of a parking facility. Vending machines shall not be placed on the property except with the prior written consent of the President or Vice President for Business Affairs of The University of Texas at Arlington. Owner and Lessee covenant and agree that the Project shall be for the exclusive use and benefit of the students, faculty, employees and guests of Owner and is, therefore, related to the performance of the duties and functions of a public university of the State of Texas.

Section 4.2. Construction by Lessee. Lessee agrees, at its sole cost and expense, to construct the Project on the Premises substantially in accordance with the general concept plans described and identified on Exhibit C attached hereto, which general concept plans have heretofore been approved by Owner and Lessee. Project shall be a parking garage of approximately 360 car capacity constructed of post tension concrete with brick veneer and standard lighting and landscaping. Lessee agrees to complete such construction and open the Project on or before August 15, 1986. Lessee shall deliver to Owner final plans and specifications in respect thereto for review and further approval by the University of Texas System Office of Facilities Planning and Construction (OFPC). Such approval, if given by OFPC shall be given in writing within fifteen (15) business days of the receipt of the plans and specification and shall not be unreasonably withheld. Review by OFPC shall be in accordance with the standards customarily applied to construction projects within the University of Texas System. Owner agrees that it will not use its right to grant or withhold any such approval as a means to obtain increased Rent or to extract other economic concessions from Lessee. Rather, Owner agrees to make its decision, as to whether to grant or withhold approvals of any proposed changes in

the plans and specifications, based solely on its evaluation of whether, if a proposed change is made, the Project will be constructed in a manner consistent with the construction of a high quality parking facility and compatible with the architectural design of the surrounding buildings. Owner will cooperate with Lessee to enable Lessee to obtain any necessary zoning changes or necessary approval of governmental authorities or other parties for easements, utilities, party wall agreements and other matters reasonably necessary to enable Lessee to construct and operate the Project. Lessee covenants that from and after the commencement of construction of the Project, Lessee will cause such construction to be prosecuted with due diligence, in a good and workmanlike manner, substantially in accordance with all plans and specifications theretofore approved by Owner and Lessee and in accordance with all Regulations and will cause such construction to be completed free of any Lien except Leasehold Mortgages.

The plans and specifications for the Project shall provide that the exterior of the building to be constructed thereunder shall provide for a high quality brick veneer in the appropriate areas on the exterior of such building. Said brick shall be of comparable quality and style to those bricks used on the exterior of other buildings located on the campus of Owner.

Notwithstanding the foregoing provisions of this Section 4.2 or any other covenant or agreement of Lessee herein contained regarding the obligation of Lessee to construct the Project, Lessee's obligations hereunder with respect to the construction of the Project are expressly contingent upon Lessee obtaining suitable financing upon terms and conditions acceptable in all respects to Lessee. Should Lessee fail to obtain construction suitable financing within forty-five (45) days from the date of this Lease, the obligations of each party hereto shall cease and this Lease shall henceforth become void and of no further force and effect.

Section 4.3. Force Majeure. The time for the performance of Lessee's obligations relative to the construction, restoration, repair, operation and maintenance of the Project as provided for in this Lease shall be extended for the period that such performance is prevented by failure of Owner to perform actions hereunder required to be performed by Owner; any arbitration, legal proceeding or other litigation by or against Lessee relative to the construction, restoration or repair of the Project in which Lessee is involved in good faith and not merely for purposes of delay; acts of God, force majeure, strikes, labor disputes, work stoppages, riots, insurrections, or by the act of any governmental agency or authority restricting or curtailing

the erection, restoration or repair of the Project; or other causes beyond the reasonable control of Lessee, including, but not limited to inclement weather over and above the normal expected delays due to weather or the inability of Lessee to procure and obtain building materials as a result of any order, law or decree of any governmental authority or agency; or any other Unavoidable Delay. "Unavoidable Delay" shall mean all failures or delays in a party's performance of its obligations hereunder not within such party's reasonable control, including without limitation, the impossibility of such performance which shall result from or be caused by any arbitration, legal proceedings or other litigation threatened, instituted by or against or defended by such party, in good faith, and not merely for purposes of delay, acts of God, acts of the public enemy, wars, blockades, epidemics, earthquakes, storms, floods, explosions, strikes, labor disputes, work stoppages, riots, insurrections, breakage or accident to machines or lines of pipe or mains, lawful acts of any governmental agency or authority restricting or curtailing the construction of the Project or withholding or revoking necessary consents, approvals, permits or licenses, inability to procure and obtain needed building materials (provided such party who is unable to do so makes reasonable efforts to procure satisfactory substitute materials

if practical) whether as a result (directly or indirectly) of any lawful order, law or decree of any governmental authority or agency or otherwise, and any other cause whether of the kind herein referred to or otherwise; provided, that such party shall pursue with reasonable diligence the avoidance or removal of such delay. The inability or refusal of a party to settle any labor dispute shall not qualify or limit the effect of Unavoidable Delay.

Section 4.4. Signs. Owner hereby covenants and agrees that Lessee shall be allowed to construct three (3) electrically lighted directional signs which shall direct vehicles to the Project and indicate the available parking spaces within the Project on South Cooper Street and Campus Drive provided that such signs are aesthetically compatible with the campus of The University of Texas at Arlington and provided that such signs are approved by the Vice President for Business Affairs for the University of Texas at Arlington. Lessee shall also be granted the right in connection with the construction of such signs, to lay conduit for electricity along existing roads or rights-of-way from the Project to the location of such signs. Additionally, Lessee shall have the right to construct a sign on the exterior of the Project which indicates that the Project is a parking facility.

Section 4.5. Failure to Complete Construction. The Project shall be completed and ready for use by September 15, 1986. In the event that construction of the Project is not completed on or before September 15, 1986, the Owner shall be entitled to receive, as its sole remedy, Five Hundred Dollars (\$500.00) per day after September 15, 1986 until the Project is completed and ready for use. The foregoing is subject to any Unavoidable Delay as defined in Section 4.3.

Section 4.6. Competing Facilities. Owner hereby covenants and agrees, as a material inducement to Lessee and in consideration of Lessee's agreements set forth herein, that it or any third party on its behalf or with its consent will not construct, operate or maintain any additional multi-level parking facilities within the area outlined on the map attached hereto as Exhibit D until after the expiration of the fifteenth (15th) year of the Term, except as hereinafter provided in this Section 4.6. Should Owner deem it necessary or desirable at any time or times during the first fifteen (15) years of the Term of this Lease to construct additional multi-level parking facilities within the area outlined in Exhibit D on the campus of The University of Texas at Arlington, Owner hereby covenants that it shall provide Lessee the right to construct, operate and maintain such additional multi-level parking facilities upon such terms and conditions as Owner and Lessee shall mutually agree. Should

Owner receive a bona fide offer from a third party to construct additional multi-level parking facilities within the area outlined in Exhibit D on the campus of The University of Texas at Arlington during the first fifteen (15) years of the Term of this Lease, Owner hereby covenants that it shall first provide Lessee the opportunity to perform such construction upon substantially the same terms and conditions as set forth in such bona fide offer. Lessee shall have sixty (60) days following notice from Owner of such bona fide offer in which to decide whether to exercise its right of first refusal to construct additional multi-level parking facilities and failure of Lessee to so notify Owner within such sixty (60) day period shall constitute a waiver of such right of first refusal with respect to such bona fide offer but shall not constitute a waiver of any future bona fide offer. In the event Lessee waives its right of first refusal, Owner may accept the said bona fide offer from a third party.

#### ARTICLE V

##### Taxes, Charges, Liens and Permitted Contests

Section 5.1. Taxes. Lessee covenants to discharge and pay all Taxes on or before the last day on which they may be paid without penalty.

Section 5.2. Charges. Lessee covenants that it shall pay when due all Charges incurred during the Term with respect to the Property.

Section 5.3. Evidence of Payment and Proration. Upon written request of Owner, Lessee agrees to furnish and deliver to Owner, within thirty (30) days after receipt of such written request, copies of receipts evidencing the payment of all Taxes and Charges within the eighteen (18) months immediately preceding such request. All Taxes and Charges during the first calendar year of the Term and the calendar year in which the Term expires shall be prorated between Owner and Lessee based on the execution date of this Lease and calculated on a daily basis. In no event shall Lessee be liable for or required to pay any assessments or Taxes applicable to any period of time prior to the date of this Lease, whether due to changes in land usage or ownership or otherwise.

Section 5.4. Liens. Lessee covenants that it will not create or permit to be created or to remain, and shall promptly discharge, at its sole cost and expense, any Lien upon the Property or any part thereof except for Leasehold Mortgages.

Section 5.5. Permitted Contests. Notwithstanding any provision in this Lease to the contrary, Lessee may contest (by appropriate legal proceedings conducted in good faith and with due diligence) the amount, validity or application, in whole or

in part, of any and all Taxes, Charges, Regulations or Liens; provided that (i) Lessee shall give Owner prior written notice of such contest, (ii) Lessee shall first either make all contested payments (under protest if it desires) unless such proceeding shall suspend the payment or collection thereof or shall file or cause to be filed a bond in the amount of any contested payment with the appropriate authority, and (iii) Owner shall not be exposed thereby to any civil or criminal liability for failure to comply with any Regulation. Lessee agrees that it will pay any and all costs and expenses incurred in any such contest or bonding procedure and pay and discharge the amounts which shall be determined to be payable therein together with all penalties and fines resulting therefrom and will comply with any Regulation required thereby. If Owner is made a party to any such contest by or at the instance of Lessee or any other party, Lessee shall indemnify, defend and hold harmless Owner in connection with such contest including the payment of all reasonable attorneys fees and other expenses.

#### ARTICLE VI

##### Operation, Maintenance and Repair

Section 6.1. Operation, Maintenance and Repair. Owner and Lessee agree that the operation, maintenance and repair of the Project shall be the sole responsibility of Lessee. Lessee and Owner agree that Lessee's duties with respect to the

operation, maintenance and repair of the Project for the first Fiscal Year of the Term shall be discharged by Owner pursuant to that certain Operating Agreement (herein called the "Operating Agreement") to be executed by and between Owner and Lessee. The Operating Agreement shall provide that Lessee shall pay a fee to Owner for the discharge by Owner of its duties under the Operating Agreement which fee shall be equal to the costs reasonably incurred by Owner in performing such duties including, without limitation, costs for labor, management, security and administration. Owner hereby agrees that it shall use its best efforts to operate the Project in the most efficient manner and shall seek to minimize the costs associated with such operation. Additionally, Lessee agrees to maintain the Project in a safe and clean condition at all times. If repairs are necessary to maintain the Project in a safe operating condition or for any other reason, Lessee agrees to undertake to perform such repairs as soon as possible, but in no event later than thirty (30) days after written notice to Lessee by Owner. If at any time during the Term, Owner determines the Project to be unsafe or unfit for use for any reason, Owner may close the Project provided that either (a) any Leasehold Mortgagee and Lessee first consent in writing to such closing and the duration of such closing or (b) a court of competent jurisdiction issues an order mandating such closing and the Project is closed only for so long as such order remains in effect.

Lessee agrees that it will provide Owner with the right to operate, manage and maintain the Project after the expiration of the first Fiscal Year upon such terms and conditions as Owner and Lessee shall mutually agree either by a renewal of the original Operating Agreement or by entering into a new Operating Agreement. In the event that Owner elects not to exercise its right to operate the Project after the expiration of the first Fiscal Year, Lessee may provide for operation of the Project itself or by contract with a third party, subject to the approval by the Owner of any such third party operator proposed by Lessee. Lessee shall give Owner fifteen (15) business days prior written notice that it proposes to enter into an Operating Agreement with a third party, which notice shall include the identity of and a reasonable description of the operational history of the proposed operator as well as a copy of the proposed Operating Agreement. Owner shall give Lessee notice of its consent or refusal of consent within fifteen (15) business days after receipt of notice from Lessee. If Owner should fail to give Lessee notice of consent or refusal of consent within fifteen (15) business days after receipt of notice from Lessee, such failure shall constitute approval of the proposed third party as operator of the Project, provided that the Lessee shall give Owner written notice of the effective date of the proposed Operating Agreement.

In the event that Owner refuses to approve a third party operator proposed by Lessee:

(a) Owner will provide Lessee with (i) a written recommendation of an alternative third party operator which would be acceptable to Owner and which would enter into an Operating Agreement on substantially comparable terms and conditions as the Lessee's original proposed third party operator, and (ii) a written offer to operate the Project itself under an Operating Agreement with Lessee having substantially comparable terms and conditions as Lessee's original proposed third-party operator; and

(b) Lessee will enter into a new Operating Agreement for operation of the Project by either Owner or the alternate third-party operator recommended by Owner, whichever is preferred by Lessee, on such terms and conditions as proposed by Owner's recommendation and offer described in paragraph (a) above.

At any time during which the Project is being operated by a third party, if in the estimation of the Owner, the Project is not being managed, operated and maintained in the manner normally associated with the management of a high quality, first-class parking garage situated in a metropolitan area of the State of Texas, the Owner may give written notice of such unsatisfactory performance of the Lessee. Such notice of unsatisfactory performance shall include (a) a written recommendation of an alternate third-party operator which would be acceptable to Owner and which would enter into an Operating Agreement on terms and conditions substantially comparable to those provided in Lessee's then current Operating Agreement, and (b) a written offer by Owner to operate the Project under an

Operating Agreement on terms and conditions substantially comparable to those provided in Lessee's then current Operating Agreement.

At the expiration of thirty (30) days after said notice to Lessee, if the unsatisfactory performance complained of by Owner has not been corrected to Owner's reasonable satisfaction, then the Lessee agrees to (a) terminate its then current Operating Agreement upon ten (10) days written notice to the operator; and (b) enter into a new Operating Agreement for operation of the Project by either Owner or the alternate third-party operator recommended by Owner, whichever is preferred by Lessee, on such terms and conditions as proposed in Owner's notice of unsatisfactory performance.

Section 6.2. Charges for Parking. The maximum rate which Lessee may charge during the first Fiscal Year for parking within the Project shall be \$1.50 per hour. Thereafter, the maximum rate may increase annually by the greater of (a) 10% over the maximum rate for the previous Fiscal Year, or (b) an amount determined by multiplying the maximum allowable rate for the previous Fiscal Year by a fraction, the denominator of which shall be the most recent Consumer Price Index published prior to the beginning of the most current year, the numerator of which shall be the most recent Consumer Price Index figure published prior to the date of the beginning of the preceding Fiscal

Year. Any increases in the rates for parking within the project greater than those allowed by this Section 6.2 must be approved by the Vice President for Business Affairs of the University of Texas at Arlington or successor in function.

#### ARTICLE VII

##### Insurance

Section 7.1. Casualty Insurance. During the Term of this Lease, Lessee will keep and maintain (or cause to be kept and maintained) in force policies of insurance on the Project or any replacements or substitutions therefor with deductibles in an amount which Lessee may reasonably desire (not exceeding one percent (1%) of the face amount of such insurance policy unless Owner approves a larger deductible), from and after commencement of construction of the Project, against Insurable Risks, and in all risk builder's risk completed value form during construction, in amounts sufficient to avoid the effects of co-insurance provisions of policies, that is, not less than one hundred percent (100%) of actual replacement cost (exclusive of cost of excavation, foundations, footings below the surface of the ground or below the lowest basement level and costs of underground flues, pipes and drains). Such "actual replacement cost" shall be confirmed from time to time (but not more frequently than once in any twelve calendar months) at the request of Owner, by one of

the insurers or, at the option of Lessee, by an appraiser, engineer, architect or contractor approved by the issuer of such insurance policy and paid by Lessee;

"Insurable Risks" shall mean those risks covered by the Texas Standard Form Fire and Extended Coverage Policy (including fire and direct loss by windstorm, hurricane, hail, explosion, riot, civil commotion, smoke, aircraft and land vehicles); sonic shock wave; and leakage from fire protective equipment.

Such insurance shall be secured and maintained in a company or companies reasonably satisfactory to any Leasehold Mortgagee holding a Leasehold Mortgage (or if there be no Leasehold Mortgagee, then reasonably satisfactory to Owner), and shall be carried in the name of both Lessee and Owner, as coinsured, as their respective interests appear, shall contain a mortgage clause acceptable to Lessee's Leasehold Mortgagees, and shall expressly provide that any loss thereunder may be adjusted with Lessee and Lessee's Leasehold Mortgagees, but shall be payable to the Leasehold Mortgagee holding the Leasehold Mortgage who shall agree to receive and disburse all proceeds of such insurance in accordance with Section 13.4 hereof. Lessee agrees to furnish Owner, and any Leasehold Mortgagee, with duplicate originals or copies of all such policies (or certificates evidencing such insurance), and to furnish and maintain with each of such parties, at all times, a certificate or certificates of

the insurance carrier or carriers certifying that such insurance will not be cancelled without at least fifteen (15) days advance written notice to each of such parties. If Owner is notified of the cancellation of any insurance policies required hereunder, then notwithstanding any of the other Terms of this Lease, Owner shall retain sufficient revenues from the Project to purchase such insurance policies.

Section 7.2. Liability Insurance. During the Term of this lease, Lessee agrees to secure and maintain in force, comprehensive general liability insurance issued by a company or companies reasonably satisfactory to Owner and any Leasehold Mortgagee with limits of not less than \$5,000,000.00 with respect to bodily injury or death to any number of persons in any one accident or occurrence; nor less than \$5,000,000.00 with respect to property damage in any one accident or occurrence with Owner named as additional payee on said policy. Lessee agrees to furnish and thereafter maintain with Owner and any Leasehold Mortgagee certificates of insurance to the effect that the above policy or policies of insurance are in force and that the same will not be cancelled without fifteen (15) days advance written notice to Owner and any Leasehold Mortgagee.

Section 7.3 Business Interruption Insurance. From and after completion of construction of the Project and for the remainder of the Term, Lessee agrees to secure and maintain in

force, business interruption insurance for a Term of six (6) months or greater, issued by a company or companies reasonably satisfactory to Owner and any Leasehold Mortgagee.

Section 7.4. Subrogation. To the extent permissible under the laws of the State of Texas, and anything in this Lease to the contrary notwithstanding, Owner and Lessee each hereby waives any and all rights of recovery, claim, action or cause of action, against the other, its agents, officers, or employees, for any injury, death, loss or damage that may occur to persons or the Project, or any part thereof, or any personal property of such party therein, by reason of fire, the elements, or any other cause which is insured against under the Terms of the policies of casualty insurance Lessee is required to provide then in effect hereunder, regardless of cause or origin, including negligence of the other party hereto, its agents, officers or employees, and covenants that no insurer shall hold any right of subrogation against such other party. All casualty insurance obtained by either Lessee or Owner hereunder, expressly including the property damage insurance described in this Article VI, shall contain provisions whereby the insurer releases all rights of subrogation against both Owner and Lessee. The waiver of subrogation provided for herein shall be fully effective so long as such waiver does not invalidate or impair the coverage of any insurance provided for herein.

Section 7.5. Blanket Policies. Any insurance required to be maintained herein by Lessee may be effected under blanket insurance policies relating to the leased premises and other properties.

Section 7.6 Indemnity. Lessee shall indemnify and hold harmless Owner and its successors (the "Indemnified Parties"), from all claims, suits, actions and proceedings ("Claims") whatsoever which may be brought or instituted on account of or growing out of any and all injuries or damages, including death, to persons or property relating to the use or occupancy of the Premises (including without limitation the construction, maintenance or operation of the Project), and all losses, costs, penalties, damages and expenses, including but not limited to attorneys' fees and other costs of defending against, investigating and settling the Claims; provided, however, that the indemnity would not apply whenever such injuries or damages are due to gross negligence or willful misconduct of Owner, its agents or employees. Lessee shall assume on behalf of the Indemnified Parties and conduct with reasonable diligence and in good faith the defense of all Claims against the Indemnified Parties, whether or not Lessee is joined therein; provided, however, without relieving Lessee of its obligations under this Lease, the Indemnified Parties, at their election may defend or participate in the defense of any or all of the Claims with

attorneys and representatives of their own choosing. Maintenance of the insurance referred to in this Lease shall not affect Lessee's obligations under this Section 7.6 and the limits of such insurance shall not constitute limit on Lessee's liability under this Section 7.6 (but the provisions hereof shall not alter the limitations of liability contained in Section 14.15 hereof); provided, however, that Lessee shall be relieved of its aforesaid obligation of indemnity to the extent and only to the extent of the amount actually recovered from one or more of the insurance carriers of Lessee (or recovered in respect of any insurance carried by Owner) and either (i) paid to Owner or (ii) paid for Owner's benefit in reduction of any liability, penalty, damage, expense or charge imposed upon Owner in connection with the Claims. Owner covenants and agrees that Lessee shall have the right to contest the validity of any and all such Claims of any kind or character and by whomsoever claimed, in the name of Lessee or Owner, as Lessee may deem appropriate, provided that the expenses thereof shall be paid by Lessee, or Lessee shall cause the same to be paid by its insurer.

ARTICLE VIII

Ownership

Section 8.1. Title to Project. Ownership of and title to the Project, and all machinery, equipment, fixtures and trade fixtures now or hereafter constructed, installed or placed upon the Premises and all additions, alterations, replacements and substitutions thereto when constructed, installed or placed upon the Premises and the Project, shall, until the expiration or earlier termination of this Lease, be and remain in Lessee. During the Term of this Lease, Lessee alone shall be entitled to claim for all taxation purposes depreciation on the Project, on all machinery, equipment and trade fixtures and on all additions, alterations, replacements and substitutions therefor now or hereafter constructed, installed or placed upon the Premises.

Section 8.2 Owner's Option to Purchase The Project. At any time after the expiration of the fifth (5th) calendar year during the Term of this Lease, Owner shall have the option but not the obligation, (subject to the approval of the Coordinating Board, Texas College and University System, if necessary) exercisable upon ninety (90) days prior written notice to Lessee, to purchase the premises and the Project for the cash purchase price payable in full at the closing of such purchase, or payable in such other consideration as the parties may agree, the purchase price to be determined by appraisal in accordance with

Section 12.9. The purchase price shall not be less than the balance owed on the original mortgage note at the date of the closing of the purchase by Owner. Lessee will deliver at time of purchase the title to the said property free of all encumbrances.

Section 8.3. Surrender. Upon the expiration of the Term of this Lease, or the earlier termination of this lease or the purchase by Owner under Section 8.2 above, Lessee shall peaceably quit and surrender, lien free, to Owner, the Premises, the Project and all other improvements situated thereon and all machinery, equipment, fixtures, and trade fixtures installed or placed thereon (excluding equipment and trade fixtures owned by any space tenant or third party manager of the Project, any equipment and fixtures leased by Lessee from any party other than Owner and all movable equipment and supplies) in good order and condition, ordinary wear and tear excepted, all of which shall thereupon be and become the property of Owner.

#### ARTICLE IX

##### Assignment and Subletting; Control of Lessee

###### Section 9.1. Assignment.

(a) Except as otherwise expressly provided for herein, Lessee may assign this Lease or any interest therein so long as Lessee also assigns any agreement pertaining to the operation and management of the Project and obtains the prior written consent of Owner, which consent shall not be unreasonably withheld.

Owner agrees that it will not use its right to grant or withhold consent as a means to obtain increased Rent or to extract other economic concessions from Lessee. Rather, Owner agrees to make its decision based on its evaluation of whether, if a proposed assignment is completed, the Project will be constructed, operated and maintained as a high quality parking facility, whether the proposed assignee has adequate financial resources and capability to discharge timely all of the obligations of Lessee and whether the persons identified with the ownership, operation and management of the Project are persons of high character and with a favorable reputation for integrity, honesty and veracity.

(b) Should this Lease or any interest herein be assigned prior to the completion of construction of the Project, Lessee shall remain liable for the cost of completion of the Project.

Section 9.2. Subleases. Lessee shall have the right and power, at any time and from time to time, to sublease all or any part of the Project without the consent or approval of Owner so long as the use of the Project remains in accordance with Section 4.1 hereof however, Lessee shall give Owner thirty (30) days prior written notice of any proposed sublease, such notice to include all terms and conditions of the proposed sublease and Owner shall have the option within fifteen (15) working days,

to enter into a sublease with Lessee covering substantially the same portion of the Project on substantially the same terms and conditions as those contained in Lessee's notice to Owner. In no event shall any sublease relieve Lessee of any of its obligations under this Lease.

#### ARTICLE X

##### Default by Lessee and Right to Cure

Section 10.1. Event of Default. Failure to pay any installment of and Rents due hereunder on or before the due date thereof shall constitute a Default by Lessee under this Lease.

Section 10.2. Rights of Owner Upon Default. Subject to the provisions of Article IX of this Lease, upon the occurrence of a Default, Owner may, at its option, at any time thereafter during the continuance of such Default, terminate this Lease by written notice to Lessee, whereupon this Lease shall end; and thereafter Owner shall have the right without further demand or notice to reenter and take possession of the Property, with or without process of law, and remove all persons and property from the Property without being deemed guilty of trespass and Lessee shall have no financial or other recourse against Owner.

Section 10.3. Additional Rights of Owner. Any failure by Lessee to perform any covenant imposed upon Lessee hereunder which does not constitute a Default under this Lease, shall not

constitute grounds for the termination of this Lease by Owner under the provisions of Section 10.2 above, or otherwise, but shall be subject to any and all other remedies which Owner may have for breach of covenant at law or in equity; provided, however, that in any such action for breach of covenant, Lessee shall not be considered as having failed in the performance of any such covenant unless such failure continues for thirty (30) days after written notice of such failure from Owner, or as to any failure not curable within such thirty (30) day period. Lessee shall have failed to institute appropriate action to cure such failure within said thirty (30) day period and thereafter shall have failed to prosecute such action with due diligence and continuity.

Section 10.4. Owner's Right to Cure. If Lessee does not pay, discharge or contest Taxes, Charges or Liens as provided in Article IV of this Lease, or if Lessee does not, within the time provided, pay any other sum required to be paid by Lessee under the provisions of this Lease, then Owner may, at Owner's option and after thirty (30) days prior written notice to Lessee pay the same and Lessee shall, within thirty (30) days of demand therefor, repay the same to Owner with interest thereon at the rate of ten percent (10%) per annum. If Lessee does not comply with all Regulations as provided in Article III of this Lease, then Owner may, at Owner's option and after thirty (30) days

prior written notice to Lessee, cause or attempt to cause the same to be complied with, and Lessee shall, within ten (10) days of demand therefor, repay the expense incurred by Owner in effecting or attempting to effect such compliance. In each such instance, Lessee shall repay to Owner all expenses incurred by Owner in connection with Lessee's failure and the curing thereof by Owner, including reasonable attorneys' fees.

#### ARTICLE XI

##### Mortgaging the Property

Section 11.1. Leasehold Mortgage. Notwithstanding any provision contained in Article IX hereof to the contrary and without Owner's consent or approval, Lessee shall have the right, at any time and from time to time, in addition to any other right provided in this Lease, to mortgage and encumber all or any part of its right, title and interest under this Lease. Notwithstanding any of the provisions of this Lease, the ownership of the Premises must remain with Owner and the Owner's fee ownership of the Premises may never be subordinated directly or indirectly by any means whatsoever.

Section 11.2. Rights of Leasehold Mortgagee. If, from time to time, Lessee shall mortgage and encumber all or any part of its interest under this Lease with a Leasehold Mortgage, and if the Leasehold Mortgagee registers with Owner by delivering to Owner a true and correct copy of such Leasehold Mortgage,

together with written notice specifying the name and address of the Leasehold Mortgagee, Owner agrees that from and after the date of receipt by Owner of such notice and for so long as any such Leasehold Mortgage shall remain unsatisfied, the following provisions shall apply:

(a) Notices. Owner shall simultaneously send to each such Leasehold Mortgagee a duplicate copy of all notices delivered or sent to Lessee under this Lease. Owner shall not institute any enforcement proceeding with respect to a Default or any other failure by Lessee to fulfill its covenants and obligations hereunder or terminate the Lease unless and until Owner has given to each Leasehold Mortgagee at the time of delivery to Lessee a copy of the notice delivered to Lessee concerning such failure or Default. Any notice required to be given to any Leasehold Mortgagee shall be given by personal delivery or shall be posted in the United States mail, postage prepaid, certified, and addressed to each such Leasehold Mortgagee at the address designated to Owner by such Leasehold Mortgagee and shall be deemed to have been delivered as of the date of personal delivery thereof or five (5) days after the date such notice is postmarked by the United States Postal Service or its successors.

(b) Right to Cure. Upon receipt of any notice provided pursuant to Section 11.2(a) of this Lease, any Leasehold Mortga-

gee shall have, in addition to the period of time granted hereunder to Lessee to remedy or cure any Default or other breach of this Lease, thirty (30) days to remedy or cause to be remedied any Default or other breach hereunder; or, if complete remedy (other than for failure to pay money) is impossible within said additional thirty (30) day period, any Leasehold Mortgagee shall have whatever time is necessary to remedy or cure the Default or other breach; provided such Leasehold Mortgagee shall pay during said thirty (30) day period, and thereafter during such additional period of time, the Rent and all other sums due under this Lease which accrue and become due and payable during such period of time, and provided such Leasehold Mortgagee institutes appropriate action to cure such Default or failure within said thirty (30) day period and thereafter prosecutes such action with due diligence and continuity. In addition, insofar as the rights of any Leasehold Mortgagee are concerned, the periods for curing all Defaults or other breaches shall be extended for such period of time as the Lessee and/or its interests under this Lease are involved in any bankruptcy, receivership, reorganization, custodial or other legal proceeding only if such actions prevent any Leasehold Mortgagee from curing any such Default or other breach and/or obtaining title to the interest of Lessee under this Lease and/or actual possession of the Project. Owner hereby agrees to accept performance hereunder by or at the instigation

of any Leasehold Mortgagee as if it had been done or performed by Lessee. Owner further agrees that any Leasehold Mortgagee shall have the right to enter upon the Property for the purpose of remedying any Default or other breach hereunder.

(c) Limitation on Right to Terminate. If Owner shall elect to terminate this Lease by reason of a Default, the Leasehold Mortgagee shall have the right to postpone and extend the date of termination of this Lease for a period of not more than sixty (60) days from the expiration of the additional thirty (30) day period or any other additional period of time granted any Leasehold Mortgagee hereunder for the purpose of curing Defaults or other breaches, as the case may be, provided that the Leasehold Mortgagee shall have cured or caused to be cured any existing monetary Default or other monetary breach and paid the Rent required to be paid hereunder and forthwith commence necessary action to acquire Lessee's interest and estate secured by the Leasehold Mortgage by foreclosure thereof, or otherwise, and shall prosecute such action to completion with due diligence and continuity. If, at the end of the sixty (60) day period, the Leasehold Mortgagee shall be actively pursuing the acquisition of Lessee's interest hereunder, any Leasehold Mortgagee shall have the right to postpone and extend such date of termination for such additional periods of time as shall be reasonably necessary to complete such acquisition. Notwithstanding anything herein to

the contrary, in no event shall the Lessee or the Leasehold Mortgagee have the right to postpone and extend the date of termination of this Lease beyond the Term of this Lease or beyond eight (8) months from the date of first notification of Default to Lessee and Leasehold Mortgagee under the terms of this Lease, provided said default is not cured within said period of time. In addition, insofar as the rights of any Leasehold Mortgagee are concerned, the eight (8) month period described in the preceding sentence shall be extended for such period of time as the Lessee and/or its interests under this Lease are involved in any bankruptcy, receivership, reorganization, custodial or other legal proceeding, only if such action prevents any Leasehold Mortgagee from curing the Default or other breach and/or obtaining title to the interests of Lessee under this Lease and/or actual possession of the Project.

(d) Assignment. Owner covenants and agrees that in the event of any foreclosure under any Leasehold Mortgage by judicial proceedings or under power of sale contained therein or by assignment in lieu thereof, all right, title and interest of Lessee under this Lease may, without the consent of Owner, be assigned to and vested in the purchaser at such foreclosure and, notwithstanding that Owner's consent to said assignment had not been obtained, such purchaser shall be vested with all right, title, interest and obligations of Lessee under this Lease as though Owner had expressly consented thereto.

(e) New Lease. Owner covenants that in the event of a termination of this Lease for any reason whatsoever (other than the expiration of the Term of this Lease), and subject to the rights herein granted to a Leasehold Mortgagee, Owner will enter into a new lease of the Property with any Leasehold Mortgagee (or at the request of such Leasehold Mortgagee, with a corporation formed by or on behalf of such Leasehold Mortgagee) for the remainder of the Term of this Lease within thirty (30) days after receipt of notice from the Leasehold Mortgagee as provided in (i) below, provided all rents and monies due to Owner are paid. Such new lease shall be (1) effective and commence as of the date of termination of this Lease and (2) at the same Rent and upon the same terms, provisions, covenants and agreements as contained in this Lease with the same relative priority as this Lease and having the benefit of and vesting in such Leasehold Mortgagee, its designee or nominee, all the rights, titles, interests, powers, and privileges of the Lessee hereunder. In addition:

- (i) The Leasehold Mortgagee shall make written request upon Owner for the execution of such new lease within thirty (30) days after the date of termination of this Lease, which request shall be accompanied by payment to Owner of all sums then due Owner by Lessee, or by the Leasehold Mortgagee, or both, under this Lease;
- (ii) The Leasehold Mortgagee shall pay to Owner at the time of the execution and delivery of such new lease any sums that at the time of its execution and delivery would be due pursuant

to this Lease but for the termination, and, in addition, all reasonable attorneys' fees which Owner shall have incurred by reason of any Default or other breach hereof and all reasonable expenses incurred by Owner by reason of any Default or other breach;

- (iii) The Leasehold Mortgagee shall perform and observe all covenants contained in such new lease on Lessee's part to be performed during the period the Leasehold Mortgagee is in possession of the Property under such new lease.
- (iv) Except as provided in Section 11.2(f) hereof, each party from time to time holding the rights, titles, interests, powers and privileges of Lessee hereunder, shall be liable for the performance of Lessee's obligations hereunder.

Provided that such Leasehold Mortgagee shall pay to Owner all Rent due under this Lease and all other monetary payments due Owner including any monetary judgment awards up to and including the date of commencement of the Term of such new lease, such Leasehold Mortgagee shall not be required to discharge or assume claims by Owner against Lessee which have not been or will not be reduced to a liquidated monetary sum. Nothing contained in this Section 11.2 shall be deemed to relieve Lessee from any liability it may have as a result of the breach of any provision under this Lease. If there is more than one Leasehold Mortgagee outstanding at the time of the termination of this Lease, Owner will not execute and deliver such new lease to any Leasehold Mortgagee, or its nominee or designee, other than the one which has the first

lien priority of record unless there shall be an agreement of record between all such Leasehold Mortgagees covering their respective rights with respect to such new lease, and if there be such an agreement, Owner will enter into such new lease with the Leasehold Mortgagee (or its nominee or designee) entitled to cause Owner so to do pursuant to such agreement, provided such agreement is consistent with the terms of any new lease. In the event that at the time the new lease is entered into the Lessee shall be in possession of the Property, Owner, at the request and expense of the Leasehold Mortgagee or its designee or nominee as the new tenant, will take all appropriate steps to remove the Lessee, but shall not be liable to such new tenant for any damages resulting from any delay of the Lessee in vacating the Property, or from any failure to cause Lessee to vacate and there shall be no abatement of rent by reason thereof. In no event shall the Leasehold Mortgagee be under any obligation or liability whatsoever beyond the period of its occupancy under any such new lease or with respect to any such new lease entered into by its designee or nominee.

(f) Limitation of Liability. In addition to the other special provisions of this Lease expressly made applicable or inapplicable during the Leasehold Mortgagee Period (as hereinafter defined), the following special provisions shall apply during (but only during) the Leasehold Mortgagee Period:

- (i) So long as the party from time to time holding the rights, titles, interests, powers and privileges of Lessee hereunder (herein called the "New Tenant") makes timely payment of all Rent and other charges then owing hereunder, and are not in Default hereunder, Owner may not terminate this Lease. Nothing contained in the previous sentence shall prevent Owner from bringing suit for damages resulting from the breach of any other provision of this Lease or for equitable relief to enjoin the breach of any other provision of this Lease;
- (ii) From and after any assignment or other transfer of its leasehold estate hereunder by any New Tenant, such New Tenant shall be relieved from any obligations which arise after such transfer;
- (iii) Notwithstanding any provision set forth in this Lease to the contrary, no Leasehold Mortgagee shall have any obligation or liability hereunder or under any New Lease executed pursuant hereto with respect to the construction or completion of the Project or any improvements connected therewith.

The term "Leasehold Mortgage Period" shall mean that portion of the Term commencing with the earliest to occur of (i) the sale of the leasehold estate created hereby pursuant to any Leasehold Mortgage after default by Lessee thereunder, (ii) the acquisition by the Leasehold Mortgagee or its designee or nominee of the leasehold estate by conveyance in lieu of foreclosure or in any other manner after default by Lessee under the Leasehold Mortgage, (iii) the Leasehold Mortgagee's coming into possession of the Property pursuant to any Leasehold Mortgage document or

otherwise after default by Lessee under the Leasehold Mortgage, (iv) the effective date of the New Lease, or (v) the appointment of a receiver to take possession of the leasehold estate created hereby for the purpose of protecting the interests of a Leasehold Mortgagee, and continuing thereafter for the remaining balance of the Term.

Notwithstanding the foregoing, Owner shall have all the rights and privileges reserved, accepted and granted to the Owner hereunder in the event any such Leasehold Mortgagee or its successors or assigns fails or refuses to pay the Rent and/or comply with the covenants, agreements, terms and conditions of this Lease.

(g) Agreement Between Owner and Leasehold Mortgagee.

Upon request, Owner shall execute, acknowledge and deliver one or more separate agreements, by and among Owner, Lessee and any Leasehold Mortgagee, agreeing to and confirming all of the provisions of this Section 11.2.

(h) No Surrender or Modification Without Notice.

Notwithstanding any provision contained herein to the contrary except for the termination of this Lease upon Default hereunder by Lessee or by expiration of the Term, Owner and Lessee mutually covenant and agree that so long as there exists an unpaid mortgage on the leasehold estate of Lessee within the Term, this Lease or any renewal thereof shall not be modified,

amended or altered and Owner shall not accept a surrender of the Property or a cancellation or release of this Lease or any renewal thereof from Lessee prior to the expiration or sooner termination thereof as hereinbefore provided, without the prior written consent of the holder of any Leasehold Mortgage, and any such attempted modification, amendment, alteration, surrender, cancellation or release without such prior consent shall be void and of no effect.

#### ARTICLE XII

##### Condemnation

Section 12.1. No Taking by Owner. Owner hereby covenants and agrees that during the Term it will not exercise or attempt to exercise its power of condemnation over any portion or all of the Property.

Section 12.2. Notice of Taking. In the event of any proposed Taking by any other entity during the Term of this Lease, Lessee shall give written notice thereof to Owner, and any Leasehold Mortgagee, generally describing the nature and extent of the Taking which might result therefrom.

Section 12.3. Total Taking. In the event of a Taking of all of the Property, this Lease shall automatically terminate as of the Vesting Date and all the Rent and other sums due hereunder shall be apportioned between Owner and Lessee as of the

Vesting Date; provided, however, that the termination of this Lease shall not benefit the condemning authority and shall be without prejudice to the rights of either Owner or Lessee to recover just and adequate compensation from the condemning authority.

Section 12.4. Partial Taking. In the case of a Taking of less than all of the Property (other than for a temporary use) Lessee shall determine, within sixty (60) days after the Vesting Date, whether the remaining Property can economically and feasibly be used by Lessee. If it is determined by Lessee that the remaining Property cannot be economically and feasibly used by Lessee, Lessee, at its election, may terminate this Lease upon written notice to Owner to such effect provided that such election to terminate is exercised within ninety (90) days after such determination. Upon any such termination, the Rent and all other sums due hereunder shall be apportioned between Owner and Lessee as of the date of such termination; and between the Vesting Date and the date of such termination, Lessee may (if required) pay directly to the condemning authority rent allocable to the portion of the Property taken and the Rent and other sums due hereunder during such period shall be reduced to accommodate such payment. If Lessee does not elect to terminate this Lease within the period aforementioned, this Lease shall continue in full force and effect as to the remaining portion of the Property

subject to a reduction in the rent as provided in Section 12.6 of this Lease.

Section 12.5. Apportionment of Award Upon Termination.

If this Lease shall terminate pursuant to the provisions of this Article XII, the total award in the condemnation proceedings shall be divided in the following order of priority:

(a) Owner, Lessee and any Leasehold Mortgagee shall be entitled to their expenses and charges, including, without limitation, reasonable attorneys' fees incurred in connection with the Taking.

(b) Each holder of a Required Loan shall be entitled to receive an amount equal to the unpaid balance of and all other sums due under all Required Loans held by such holder, and if there is more than one such holder, such award shall be paid first to holders of Required Loans secured by a Leasehold Mortgage, in the order of priority of the Leasehold Mortgages securing such Required Loans, with the balance of such award being paid to the holders of Required Loans which are not secured by a Leasehold Mortgage, in the chronological order in which such loans were made.

(c) Owner shall be entitled to an amount equal to the value of the Premises taken by the condemnation determined as if the Premises were vacant and unimproved.

(d) Lessee shall be entitled to the remainder of such net proceeds.

Section 12.6. Apportionment of Award Without Termination. In the case of a Taking of less than all of the Property (other than for a temporary use) and if this Lease shall not terminate as provided in Section 12.4 of this Lease, Lessee, at its expense, shall commence and proceed with reasonable diligence (subject to delays caused or arising out of any matter described or referred to in Section 4.3 of this Lease) to repair or reconstruct the buildings and improvements to a complete architectural unit or units, including without limitation, temporary repairs, and all other work incidental to and in connection with all of the foregoing (all such repair, reconstruction, and work being referred to in this Article XII as "Restoration") and the total award in the condemnation proceeding shall be divided in the following order of priority:

(a) First to Owner, Lessee and any mortgage lien Leasehold Mortgagee for reimbursement of their expenses and charges, including, without limitation, reasonable attorneys' fees incurred in connection with the Taking.

(b) Second to any Leasehold Mortgagee to be held and/or disbursed to Lessee in accordance with the provisions of the Leasehold Mortgage.

(c) Third to Owner in an amount equal to the value of the Premises taken by the condemnation determined as if the Premises were vacant and unimproved.

(d) Fourth to Lessee in an amount equal to the remainder of such award, subject to the rights of Leasehold Mortgagees.

Section 12.7. Settlements. Without the written consent of Lessee and any Leasehold Mortgagee, Owner shall not make any settlement with the condemning authority or convey any portion of the Property in lieu of condemnation or consent to any Taking.

Section 12.8. Assignment of Awards. Owner and Lessee, each hereby assigns to the other such of its interest in condemnation awards as is necessary to accomplish the division of such awards in the manner provided in this Article XII.

Section 12.9. Appraisal. If Owner and Lessee are unable to agree in writing on the amount of any reduction in Rent as provided in this Lease or the value of Owner's interest in the Property or the value of Lessee's leasehold estate hereunder as provided in this Lease, within thirty (30) days after the final determination of the amount of the condemnation award, then such reduction in Rent or such value, as the case may be, shall be established by appraisers in accordance with the provisions of this Section. If Owner shall elect to exercise its option to purchase the Project under Section 8.2 hereof, the purchase price

shall be established by appraisers in accordance with the provisions of this Section, subject to the minimum price provided for in Section 8.2. Lessee and Owner shall each nominate one person deemed by them, respectively, to be fit, reputable and impartial, to appraise and determine such reduction in Rent or such value or such purchase price, as the case may be. The nomination must be in writing and must be given by each party to the other within fifteen (15) days after the aforesaid thirty (30) day period. If only one party shall so nominate an appraiser within the period referred to above, such appraiser's decision as to any such matter when made in accordance with the provisions hereof shall be binding on both parties as if in fact it were made by appraisers selected by both parties. If the two persons nominated and appointed as appraisers by the parties are unable to agree on any such matter in accordance with the Terms hereof within thirty (30) days after the second of the two shall be nominated, then they shall appoint a fit, reputable and impartial person to be umpire between them, if they can agree upon such person. However, if they cannot agree on an umpire within ten (10) days after the expiration of the aforesaid thirty (30) day period for agreement between them, then either party may apply to a District Judge of Tarrant County (or a successor judge exercising similar functions) to appoint a fit, reputable and impartial person, who shall then be umpire, but if such Judge (or

successor) shall fail or refuse to act, then either party may apply to any court having jurisdiction for the appointment of such umpire. The appraisers and the umpire shall be members of the American Institute of Real Estate Appraisers and shall be familiar with the Tarrant County area and experienced in the appraisal of projects similar in nature to the Project. The following written decisions shall be conclusive and binding on the parties: the decision of one appraiser if either party shall fail to appoint its appraiser as hereinabove provided; the unanimous decision of the two appraisers prior to appointment of the umpire; the decision of a majority of the two appraisers and the umpire; or if all of those persons reach a different decision, the decision of the umpire. Each party shall bear the expense of its own appraiser, but the fees and expenses of the umpire shall be shared equally. In no event shall the appraisers have the right or power to vary the Terms of this Lease. Any Leasehold Mortgagee shall, if it so desires, be made a party to any condemnation proceeding.

#### ARTICLE XIII

##### Damage or Destruction

Section 13.1. Lessee to Give Notice. In the event of any damage to or destruction of the Project or any part thereof, Lessee will give written notice thereof to Owner and any Leasehold Mortgagee, generally describing the nature and extent of such damage or destruction.

Section 13.2. Restoration. In the event of any damage to or destruction of the Project which does not result in the termination of this Lease pursuant to Section 13.3 below, this Lease shall continue in full force and effect and Lessee agrees that it will, at its expense, commence the work of restoring the Project to its condition immediately prior to such casualty, subject to delays caused or arising out of any matter described or referred to in Section 4.3 of this Lease, and will prosecute the restoration to completion with due diligence and continuity.

Section 13.3. Election to Terminate. In the event any destruction of the Project shall occur during the Term to the extent that it is not economically feasible to restore the project and continue this Lease in effect for the remainder of the Term, Lessee shall have the option to terminate this Lease. The determination as to whether it is economically feasible to restore the Project shall be made solely by Lessee. Lessee shall give written notice to Owner within one hundred twenty (120) days after the date of the casualty causing such damage stating whether Lessee has elected to terminate this Lease or whether Lessee has elected to repair and restore such damage. If Lessee elects to terminate this Lease, Lessee shall be obligated to clear the Premises of all rubble and debris. If Lessee does not give such notice within said one hundred twenty (120) day period, then Lessee shall be deemed to have elected to repair and restore and this Lease shall continue in full force and effect.

Section 13.4. Application of Insurance Proceeds.

(a) In the event Lessee elects not to restore the Project and to terminate this Lease as provided in Section 13.3, the insurance proceeds received on account of any such damage or destruction, after paying or otherwise providing for all liabilities and other sums secured by any Leasehold Mortgage, shall be paid in the following order of priority: (i) there shall be paid to Owner an amount equal to the amount reasonably required to demolish the damaged or destroyed Project, to remove the rubble and clean the Premises, (ii) there shall next be paid to Owner an amount equal to the value of the Premises as determined by mutual agreement of Owner and Lessee as if the Premises were vacant and unimproved and available for its best and most economic lawful use, but as encumbered by this Lease (or if Owner and Lessee cannot agree as to such value, such value shall be determined by an appraisal to be conducted by two or three appraisers chosen in the same manner as set forth in Section 12.9 hereof) and (iii) the remainder of the proceeds shall be paid to Lessee.

(b) Subject to the terms of any mortgage lien Leasehold Mortgage, insurance proceeds paid or payable on account of any damage to or destruction of the Project or any part thereof (other than destruction resulting in the termination of this Lease pursuant to Section 13.3 hereof) shall be delivered to the

mortgage lien Leasehold Mortgagee, or if there is no such Leasehold Mortgagee, to the Lessee, and shall be disbursed by such party from time to time as the restoration of the Project progresses. Upon submission to the Owner of satisfactory evidence that the restoration of the Project has been completed, that the cost thereof has been paid in full and that there are no Liens which have not been released or bonded around, the balance, if any, of such proceeds shall, subject to the terms of any Leasehold Mortgage, be paid to Lessee.

#### ARTICLE XIV

##### Miscellaneous

Section 14.1. Waiver. Failure of Owner or Lessee to insist upon strict performance by the other party of any term, condition or covenant on such party's part to be performed pursuant to the Terms of this Lease or to exercise any option, right, power or remedy contained in this Lease shall not be deemed or construed as a waiver of such performance or relinquishment of such right.

##### Section 14.2. Compliance Certificates.

(a) To the extent permissible under the laws of the State of Texas, Owner and Lessee shall execute, acknowledge and deliver to the other within thirty (30) days after written request therefor, a written declaration, in recordable form, certifying (i) that this Lease is in full force and effect

without modification or amendment of any kind (or, if the Lease is not in full force and effect, so stating, or, if there have been modifications or amendments, that this Lease is in full force and effect as modified or amended and fully describing or attaching such modifications or amendments to such written declaration), (ii) the date to which the Rent has been paid, (or, if no Rent has been paid, so stating) and (iii) that no notice has been received of any Default or other breach which has not been cured and, that to the best of its knowledge and belief no Default or other breach under this Lease exists (or, if a notice has been received or a Default or other breach exists, describing same).

(b) The certificates of Owner or Lessee given pursuant to this Section 14.2 may be relied upon by an prospective mortgagee, any prospective assignee of an interest under this Lease or by any prospective sublessee or purchaser of all or any portion of or interest in the Property.

(c) Owner hereby authorizes, designates and empowers the following officers of the University of Texas at Arlington and/or the University of Texas System to execute, acknowledge and deliver on its behalf all written instruments and certificates described in this Section 14.2: the President or Vice President for Business Affairs of the University of Texas at Arlington or their successor in function.

Section 14.3. Merger of Title. There shall be no merger of the Leasehold estate created by this Lease with the fee estate in the Premises by reason of the fact that the same person or entity may own or hold both the Leasehold estate created by this Lease or any interest therein and the fee estate in the Premises or any interest therein; and no such merger shall occur unless and until all persons (including Leasehold Mortgagees) having any interest in the Leasehold estate created by this Lease and the fee estate in the Premises shall join in a written instrument effecting such merger and shall duly record the same.

Section 14.4. Modifications. Owner agrees that in the event it becomes necessary or desirable for Owner to approve in writing any ancillary documents concerning the construction, operation or maintenance of the Project or to alter or amend any written agreement between Owner and Lessee regarding the construction, operation or maintenance of the Project or to give any consent of Owner required under the terms of this Lease, Owner hereby authorizes, designates and empowers the following officers of The University of Texas at Arlington and/or the University of Texas System to execute any such agreements, approvals, or consents necessary or desirable including, without limitation, the consent of Owner required under Section 6.1 and Section 9.1(a) of this Lease: the President or Vice President for Business Affairs of the University of Texas at Arlington or their

successor in function, provided that any such documents will be approved through the docket of the Board of Regents of the University of Texas System.

Section 14.5. Severability. All rights, powers and remedies provided herein may be exercised only to the extent that the exercise thereof does not violate applicable law and shall be limited to the extent necessary to render this Lease valid and enforceable. If any term, provision or covenant of this Lease or the application thereof to any person or circumstance shall be held to be invalid, illegal or unenforceable, the validity of the remainder of this Lease or the application of such term, provision or covenant to persons or circumstances other than those to which it is held invalid or unenforceable shall not be affected thereby.

Section 14.6. Nondiscrimination. Lessee covenants that it will not discriminate in its employment policies or in making its facilities available on the basis of race, color, creed, national origin, religion or sex.

Section 14.7. Notices, Demand and Other Instruments.

All notices, demands, requests, consents, and other instruments required or permitted to be given to Owner or Lessee pursuant to the Terms of this Lease shall be in writing and shall be effective upon receipt thereof whether delivered personally or by first class registered or certified United States mail with postage prepaid and return receipt requested, addressed to each party hereto at the following address:

Owner: The Board of Regents of the  
University of Texas System  
601 Colorado Street  
Austin, Texas 78701  
Attn: Executive Vice Chancellor  
for Academic Affairs

With a Copy to:

The University of Texas at Arlington  
P.O. Box 19125  
Arlington, Texas 76019  
Attn: Office of the President

And a Copy to:

Office of General Counsel  
University of Texas System  
201 Colorado Street  
Austin, Texas 78701  
Attn: General Counsel

Lessee: Ames-Teague Joint Venture,  
a Texas joint venture  
13720 Midway Road, Suite 109  
Dallas, Texas 75244  
Attn: David L. Teague

With a Copy to:

Liddell, Sapp, Zivley & LaBoon  
1500 San Jacinto Tower  
Dallas, Texas 75201  
Attn: David L. Herbert

or at such other address in the United States as Owner or Lessee may from time to time designate in writing and deliver to the other party.

Section 14.8. Successors and Assigns. Each and every covenant, term, condition and obligation contained in this Lease shall apply to and be binding upon and inure to the benefit or detriment of the respective legal representatives, successors and assigns of Owner and Lessee. Whenever reference to the parties hereto is made in this Lease, such reference shall be deemed to include the legal representatives, successors and assigns of said party the same as if in each case expressed. The term "person" when used in this Lease shall mean any individual, corporation, partnership, firm, trust, joint venture, business organization, syndicate, government or governmental organization or any other entity.

Section 14.9. Headings. The headings to the various Articles and Sections of this Lease have been inserted for purposes of reference only and shall not limit or define the express terms and provisions of this Lease.

Section 14.10. Gender and Numbers. Whenever the singular or plural number, or masculine, feminine, or neuter gender is used in this Lease, it shall equally apply to, extend to, and include the other.

Section 14.11. Recording of Lease. Owner and Lessee hereby agree that this Lease shall not be recorded. Owner and Lessee, upon the written request of either of them, shall execute a memorandum or short form lease, in recordable form and in form and substance satisfactory to Owner and Lessee, wherein a legal description of the Premises, the Term of this Lease and certain other terms and provisions hereof, excepting, however, the provisions hereof relating to the amount of Rent payable hereunder, shall be set forth. Such memorandum or short form lease shall be filed for record in the Deed Records of Tarrant County, Texas.

Section 14.12. Remedies. The specified remedies to which the parties may resort under the Terms of this Lease are cumulative and are not intended to be exclusive of any other remedies or means of redress to which the parties may be entitled in case of any breach or threatened breach of any provisions of this Lease.

Section 14.13. Counterparts. This Lease may be executed in any number of counterparts, each of which is an original, but all of which shall constitute one instrument.

Section 14.14. Applicable Law. This Lease shall be construed under and enforced in accordance with the laws of the State of Texas.

Section 14.15. Liability of Lessee. Subject to the provisions of Section 11.2(f)(iii) hereof, anything to the contrary contained herein or elsewhere notwithstanding, it is expressly agreed and stipulated by Owner, for itself and for each and every succeeding owner and/or holder of the fee simple title to the Premises, that from and after the completion of construction of the Project, the personal liability of the Lessee or any Leasehold Mortgagee or purchaser at any foreclosure sale or any transferee under a deed in lieu of foreclosure shall be limited to an amount equal to \$100,000.00 (except for liability arising out of the fraud, willful misconduct or gross negligence of Lessee), for the performance of any of the Terms of this Lease, but Owner and each and every succeeding owner and/or holder of the fee simple title to the Premises shall look exclusively to any improvements which may be situated on the Premises for the payment and discharge of any moneys due and obligations imposed upon the Lessee hereunder, over and above such \$100,000.00 limit.

Section 14.16. Free Parking. Lessee hereby agrees that Owner, the President of The University of Texas at Arlington, its Administration and invitees shall be entitled to utilize the Project for parking at any time without charge for 5,000 hours of parking per each Fiscal Year during the Term. Such 5,000 hours of parking shall be calculated by multiplying the total number of cars parked without charge in the Project pursuant to the provisions of this Section 14.16 by the total number of hours each car is parked in the Project.

Section 14.17. Entire Agreement. This Lease and the Operating Agreement set forth the entire understanding and agreement of Owner and Lessee with respect to the Property; all courses of dealing, usage of trade and all prior representations, promises, understandings and agreements, whether oral or written, are superseded by and merged into this Lease. No modification or amendment to this Lease shall be binding upon Lessee or Owner unless in writing and signed by both parties hereto.

#### ARTICLE XV

##### Definitions

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

Charges shall mean all charges, costs and expenses of public or private utility services rendered or provided at any time during the Term with respect to the Property, including but

not limited to, water, sewer, gas, telephone and other utility and communication services, excluding electricity which shall be the responsibility of Owner.

Default shall mean the occurrence of an act or event listed in Section 10.1.

Fiscal Year shall mean the period extending from September 1 of a given year during the Term until August 31 of the next succeeding year during the Term if completion of construction of the Project occurs prior to September 1, 1986. If the Project is not completed prior to September 1, 1986 then the Fiscal Year shall commence upon the first day of the calendar month following the calendar month in which the Project is completed and ready for use and shall extend twelve (12) calendar months thereafter. After the first Fiscal Year is established each Fiscal Year thereafter during the Term shall commence and terminate upon the same dates as the first Fiscal Year.

Gross Revenues shall mean all amounts of money received by Lessee directly attributable to the sale or leasing of parking spaces in the Project.

Leasehold Mortgage shall mean any mortgage or deed of trust which constitutes an encumbrance on the Lessee's leasehold estate created by this Lease as security for an indebtedness of Lessee.

Leasehold Mortgagee shall mean the holder or holders of the indebtedness secured by a Leasehold Mortgage.

Lien shall mean any lien covering the Property resulting from the entry of a judgment against Lessee and/or any lien covering the Property arising by reason of any labor, service or material furnished for any construction (or demolition) on the Property.

Project shall mean a parking facility containing approximately three hundred sixty (360) parking spaces and other improvements to be constructed by Lessee on the Premises substantially in accordance with plans and specifications approved by Owner and Lessee as described in Section 4.2 of this Lease.

Permitted Encumbrances shall mean the exceptions, reservations and other matters set forth on Exhibit B to this Lease.

Premises shall mean that certain tract of land described on Exhibit A hereto, together with all and singular, the rights, benefits, privileges, easements, appurtenances and hereditaments appertaining thereto.

Property shall mean the Premises and the Project, collectively.

Regulations shall mean all federal, state, county and municipal laws, rules, orders and regulations and ordinances affecting the Property or the use thereof and the requirements of policies of public liability, fire and other insurance required

under Article VII hereof and shall also mean the requirements of any certificate of occupancy or other direction issued pursuant to any law by any public officer which shall relate to the Property or the use, occupancy or control thereof or the conduct of any business thereon, including those relating to the environment and those relating to or which necessitate structural changes of the Improvements or the alteration, repair or removal of any Improvement or any part of the Property.

Rent shall mean all rentals payable by Lessee to Owner pursuant to Article III hereof.

Required Loans shall mean all indebtedness, together with accrued and unpaid interest thereon and any other sums due thereunder incurred for the purpose of (i) financing or refinancing all direct and indirect costs of constructing, reconstructing or repairing all or any part of the Project, (ii) financing or refinancing all other direct and indirect costs of improving, furnishing or equipping all or any part of the Property and/or (iii) paying or funding operating losses in respect of the Project.

Taking shall mean the acquisition by the United States of America, the State of Texas or by any other governmental subdivision thereof or by any other body having the power of condemnation or eminent domain, either through the exercise of such power or pursuant to a transfer in anticipation of such

exercise, of all or any portion of the Property or any interest therein.

Taxes shall mean all real estate and personal property taxes and assessments and other governmental levies and charges of any nature whatsoever, general or special, ordinary or extraordinary, which may be levied or assessed during the Term of this Lease, or which may become a lien upon the Property, the Premises or the Improvements or any interest or estate therein or any personal property located in, on or about the Premises or used by Lessee or any tenant in connection therewith, including any franchise tax or fee, sales tax or any occupancy tax or tax on or measured by rents (whether or not any such tax or fee is imposed in lieu of existing ad valorem taxes, and whether or not such tax or fee is within the express contemplation of the parties hereto). Such term shall not include any income, inheritance or estate tax assessed against the Owner or the Premises or the income and proceeds derived therefrom by Owner.

Vesting Date shall mean the date title to the Property or any part thereof is vested in the condemning authority pursuant to a Taking.

IN WITNESS WHEREOF, this Lease is executed by Owner and Lessee as of the day and year first above written.

OWNER:

THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM FOR THE USE AND BENEFIT OF THE UNIVERSITY OF TEXAS AT ARLINGTON

By Howe Mark  
Chancellor

LESSEE:

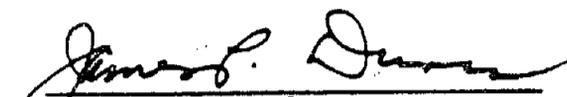
AMES-TEAGUE JOINT VENTURE,  
a Texas joint venture

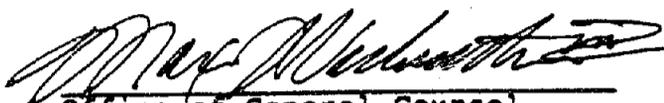
By Raymond Ames  
Raymond Ames,  
Joint Venturer

By David L. Teague  
David L. Teague,  
Joint Venturer

APPROVED AS TO CONTENT:

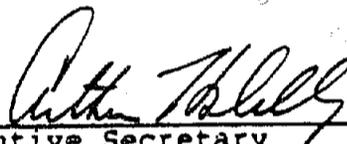
APPROVED AS TO FORM:

  
Dr. James P. Duncan  
Executive Vice Chancellor  
for Academic Affairs

  
Office of General Counsel  
University of Texas System

Certificate of Approval

I hereby certify that the foregoing Ground Lease was approved by the Board of Regents of the University of Texas System on the 12TH day of FEBRUARY, 1986, and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.

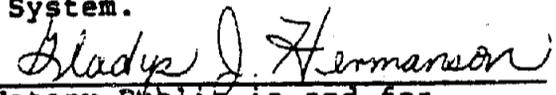
  
Executive Secretary  
Board of Regents of  
The University of Texas System

EXHIBITS:

- Exhibit A - Legal Description of Premises
- Exhibit B - Permitted Encumbrances
- Exhibit C - General Concept Plans
- Exhibit D - Competing Facilities Map

STATE OF TEXAS       §  
  §  
COUNTY OF TRAVIS   §

This instrument was acknowledged before me on the 18<sup>th</sup> day of FEBRUARY, 1986 by HANS MARK, Chancellor of the University of Texas System on behalf of the Board of Regents of the University of Texas System.

  
Notary Public in and for  
The State of Texas  
My Commission Expires: 5/22/89

STATE OF TEXAS  
COUNTY OF DALLAS

X  
X  
X

This instrument was acknowledged before me on the 20th day of February, 1986 by Raymond Ames, Joint Venturer of Ames-Teague Joint Venture, a Texas joint venture, on behalf of said joint venture.

Doris Myers  
Notary Public in and for  
The State of Texas  
My Commission Expires: 5/3/86

STATE OF TEXAS  
COUNTY OF DALLAS

X  
X  
X

This instrument was acknowledged before me on the 20th day of February, 1986 by David L. Teague, Joint Venturer of Ames-Teague Joint Venture, a Texas joint venture, on behalf of said joint venture.

Doris Myers  
Notary Public in and for  
The State of Texas  
My Commission Expires: 5/3/86

2988

BEING all that certain tract or parcel of land situated in Lots 171, 172, 177, 178, and a portion of Lots 173 and 179, Block 17 of the Ditto and Collins Addition to the City of Arlington, Tarrant County, Texas, as recorded in Volume 106, Page 4 of the P.R.T.C.T., and a portion of the vacated alley and right-of-way of West Fourth Street as abandoned and recorded in Volume 4613, Page 594, D.R.T.C.T., and being more particularly described as follows:

BEGINNING at a point being North, 24.0 feet from the Southeast corner of Lot 173, and on the West right-of-way line of South West Street (50 foot right-of-way);

THENCE South, with said right-of-way line, 144.0 feet to a point for corner;

THENCE West, 300.0 feet to a point for a corner on the East right-of-way of South College Street (50 foot right-of-way, closed to Public Use);

THENCE North, with said right-of-way line, 135.0 feet to a point for a corner;

THENCE East, 240.0 feet to a point for a corner;

THENCE North, 9.0 feet to a point for a corner;

THENCE East, 60.0 feet to the POINT OF BEGINNING and containing 41,040 square feet or 0.942 acres of land, more or less.

EXHIBIT A

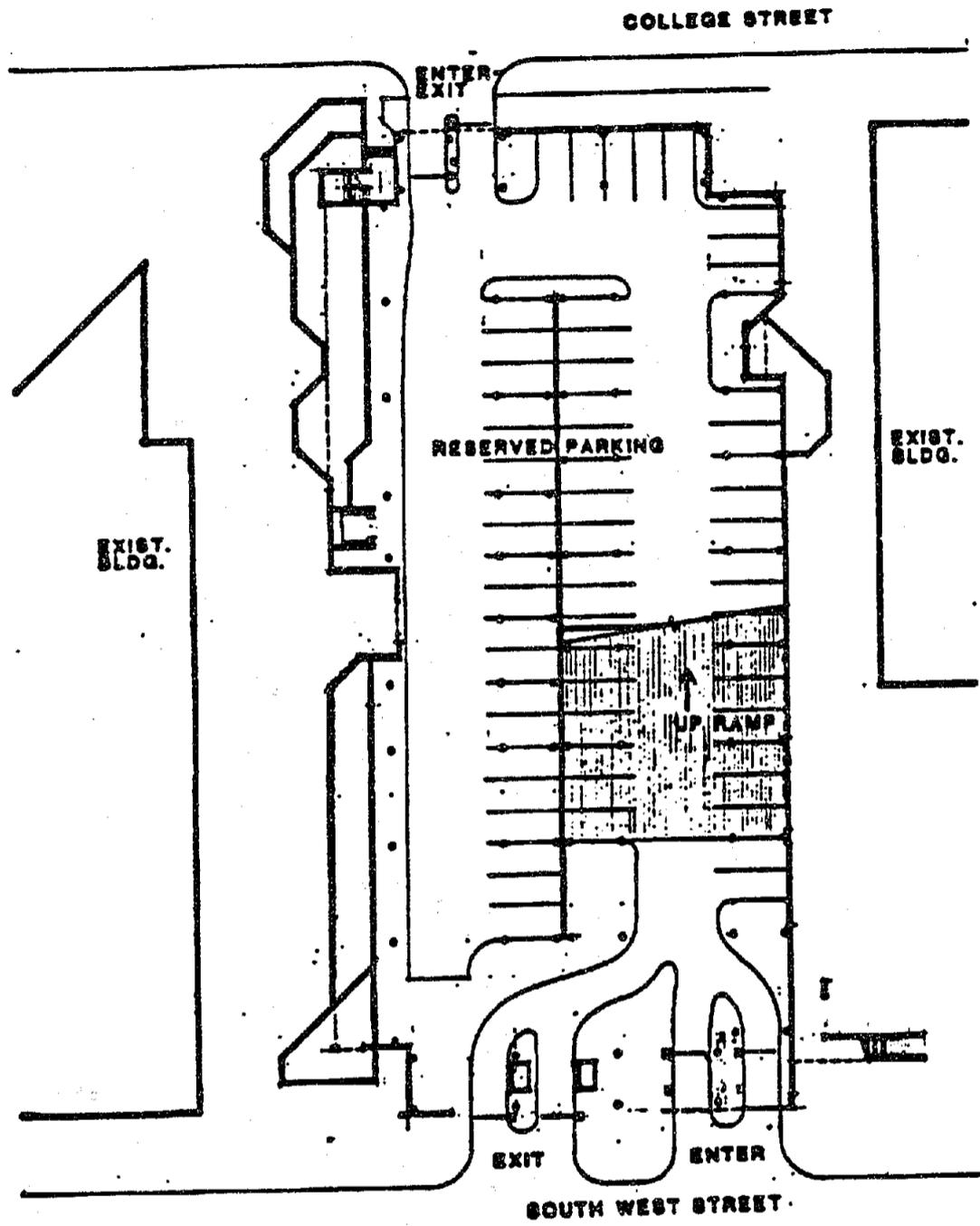
PERMITTED ENCUMBRANCES

NONE

EXHIBIT B

2990

EXHIBIT "C"

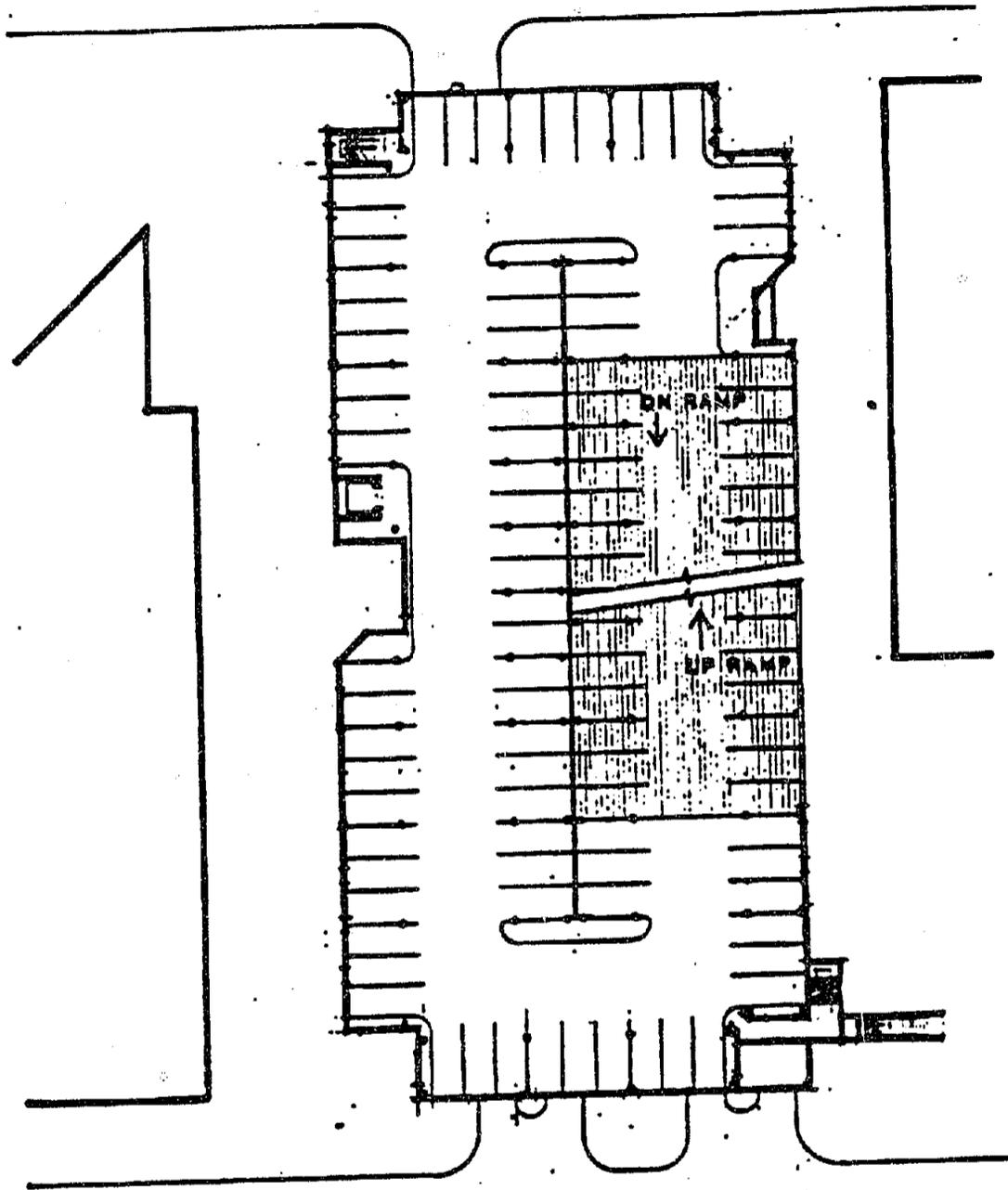


FIRST FLOOR PLAN



**PROPOSED PARKING GARAGE  
AT U.T. ARLINGTON**

**EUM**



TYP. UPPER LEVEL PLAN

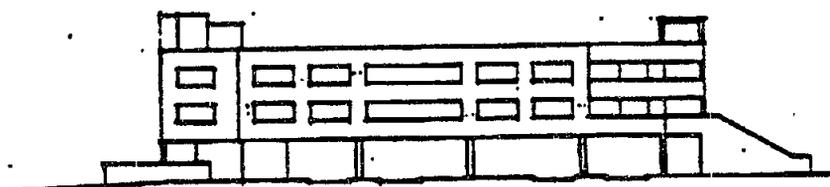


**PROPOSED PARKING GARAGE  
AT U.T. ARLINGTON**

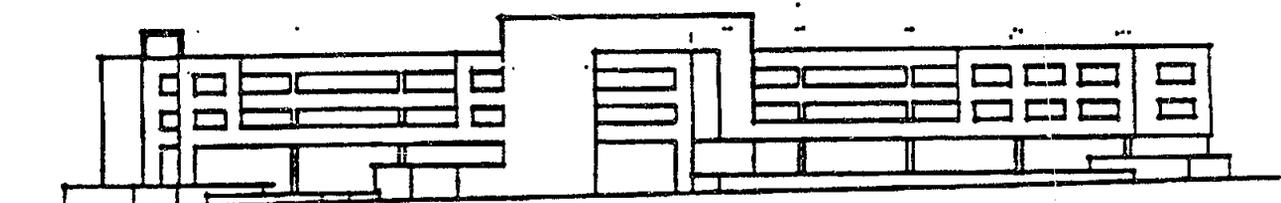
**ELM**



NORTH ELEVATION



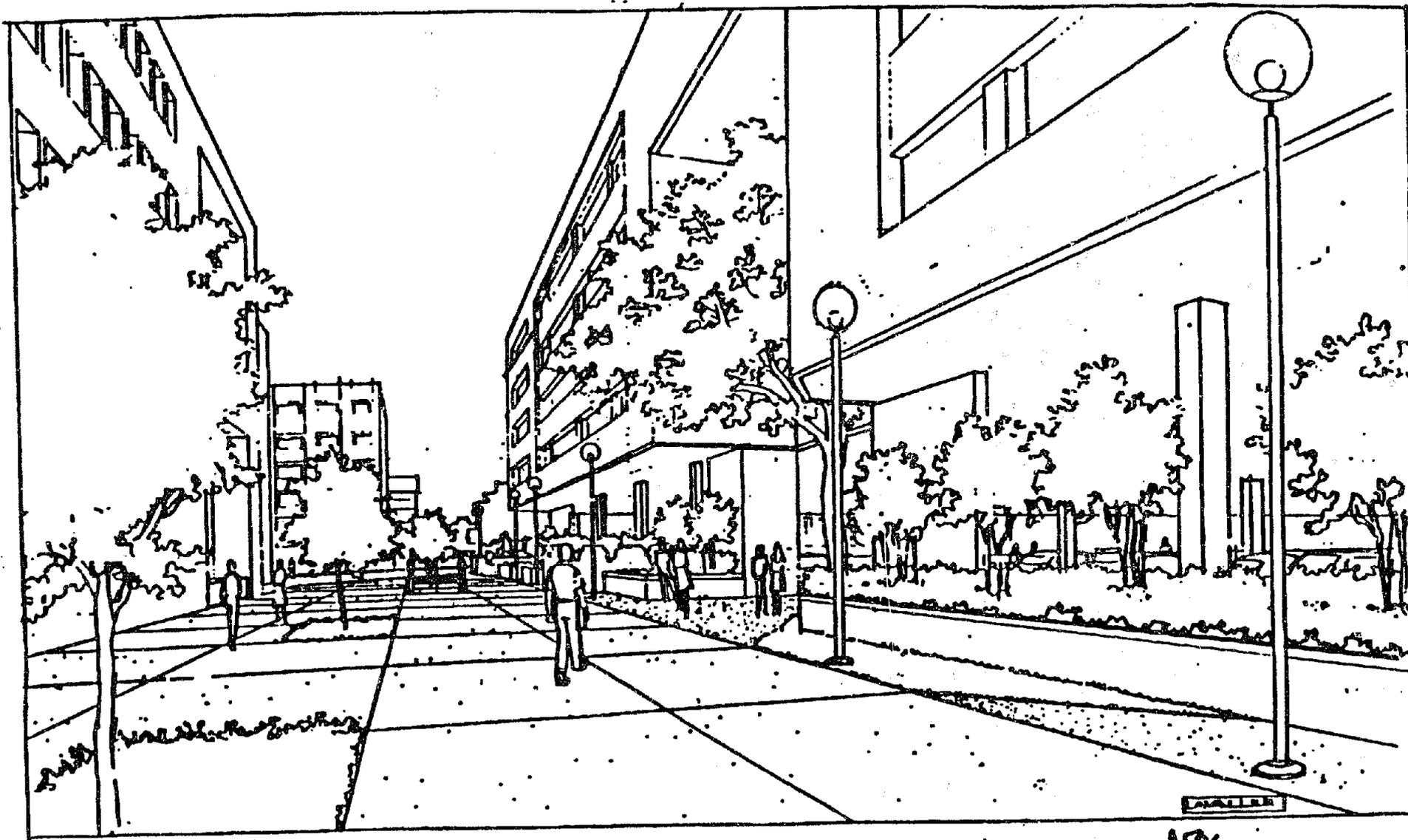
EAST ELEVATION



SOUTH ELEVATION

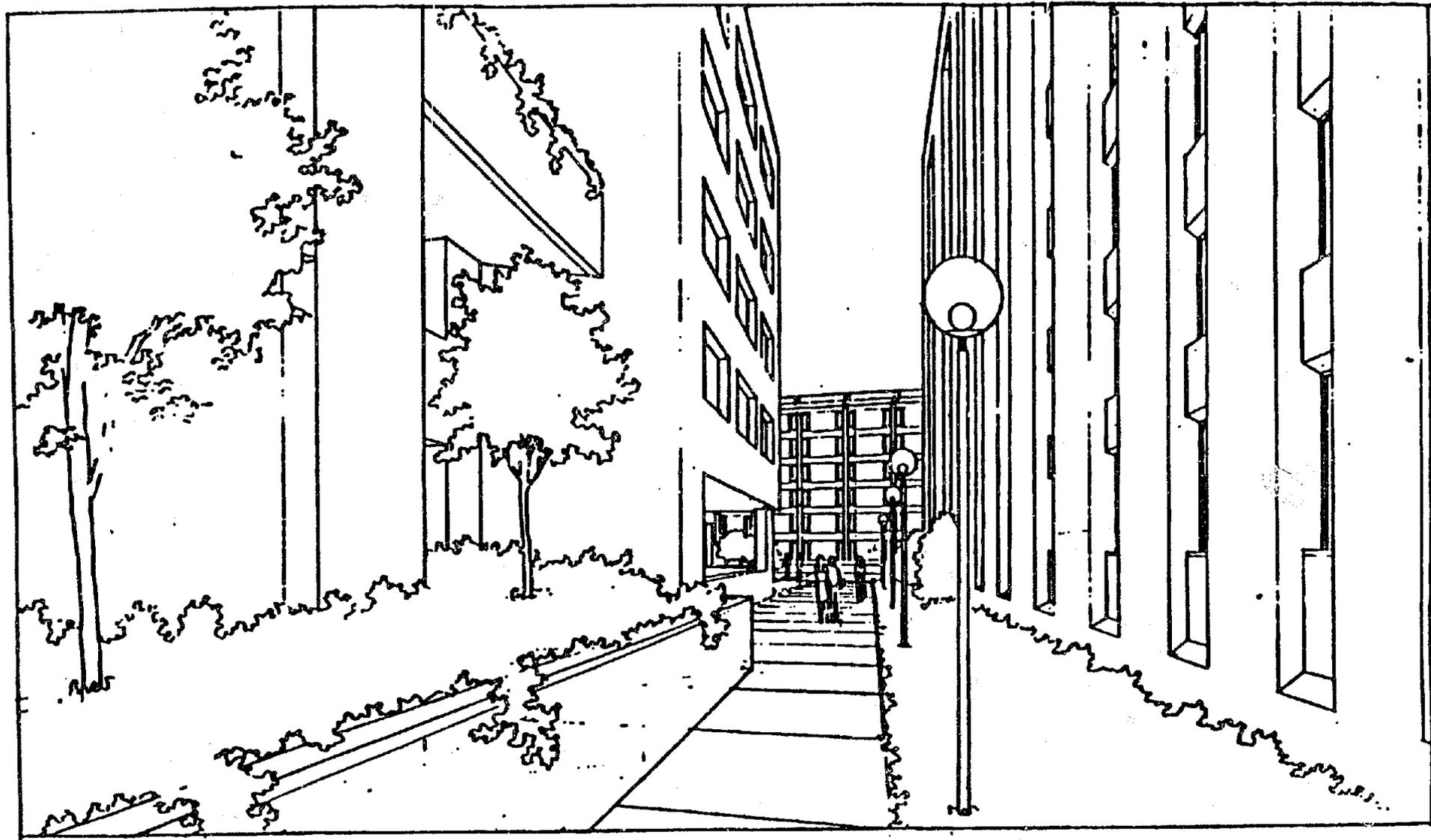


**ELM**



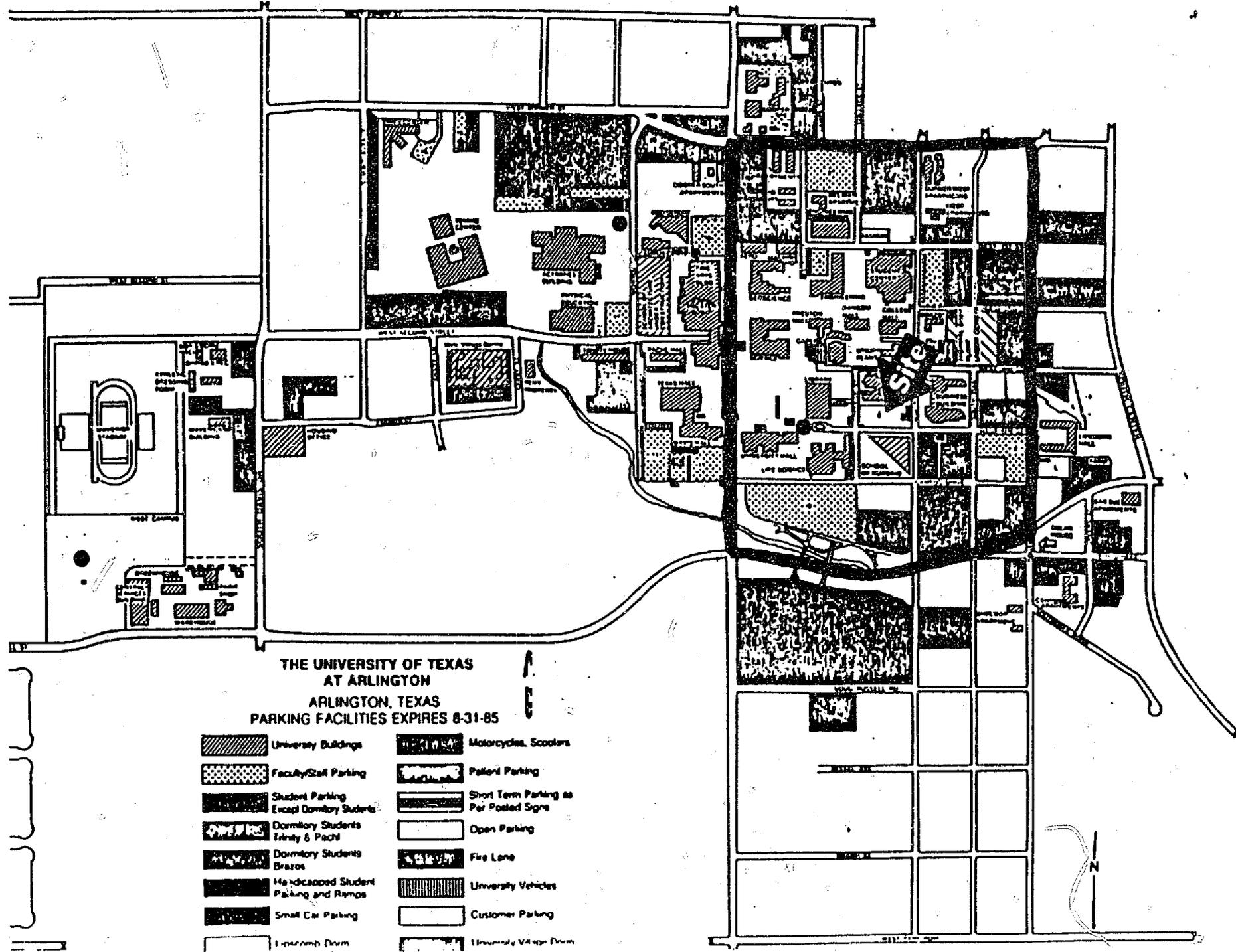
View looking west on south side of Garage  
showing cantilevered overhang

8506  
6/10/85



View looking West on North Side of Garage  
showing recessed planting areas and existing Hammond Hall

8500  
6/13/85



THE UNIVERSITY OF TEXAS  
 AT ARLINGTON  
 ARLINGTON, TEXAS  
 PARKING FACILITIES EXPIRES 8-31-85

- |  |  |  |   |
|--|--|--|---|
|  | University Buildings                         |  | Motorcycles, Scooters                     |
|  | Faculty/Staff Parking                        |  | Patient Parking                           |
|  | Student Parking<br>Except Dormitory Students |  | Short Term Parking as<br>Per Posted Signs |
|  | Dormitory Students<br>Tandy & Pacht          |  | Open Parking                              |
|  | Dormitory Students<br>Brazos                 |  | Fire Lane                                 |
|  | Handicapped Student<br>Parking and Ramps     |  | University Vehicles                       |
|  | Small Car Parking                            |  | Customer Parking                          |
|  | University Drive                             |  | University Village Drive                  |

EXHIBIT "D"

OPERATING AGREEMENT.

THIS AGREEMENT ("Agreement") is made and entered into as of the 20th day of February, 1986, by and between AMES-TEAGUE JOINT VENTURE, a Texas joint venture (hereinafter referred to as the "Owner") and THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM for the use and benefit for the University of Texas at Arlington (hereinafter called "Operator").

RECITALS

1. Owner is the Owner of the leasehold estate arising pursuant to that certain ground lease (the "Ground Lease") by and between Operator and Owner dated effective as of Feb 20th, 1986 covering all of the real property more particularly described in Exhibit A attached hereto, together with all improvements now located or hereafter situated thereon and all personal property of Owner located thereon (hereinafter the foregoing is collectively referred to as the "Property").
2. Operator is experienced in the business of managing and operating real property.
3. Owner desires to appoint Operator to manage the day to day operations of the Property consistent with Owner's objectives of maximizing the Property's economic value.
4. This Agreement is entered into to set forth the terms upon

MIS/UTA-OA

which Operator will manage the Property.

NOW THEREFORE, incorporating the Recitals as set forth above, and in consideration of the mutual covenants herein contained, Owner and Operator hereby agree as follows:

ARTICLE I

TERM

The Owner hereby appoints and Operator hereby accepts such appointment as exclusive Operator for the Property for an initial term commencing September 1, 1986 and ending twelve (12) calendar months thereafter (such period of time is hereinafter referred to as the "Fiscal Year"). At the expiration of the Fiscal Year, this Agreement shall be deemed extended from month to month until renewed in writing or replaced by a new Operating Agreement by mutual agreement between Owner and Operator, or until thirty (30) days after Operator provides written notice to Owner of Operator's election not to exercise its right under the Ground Lease to act as the Operator of the Property. At the expiration of the said thirty day period, this Agreement will expire and Owner may provide for management of the property itself or by contract with third party, subject to the provisions of the Ground Lease.

ARTICLE II  
RESPONSIBILITIES OF OPERATOR

Operator shall operate, manage and maintain the Project as the independent contractor for and at the expense of Owner in accordance with sound property management practice.

2.1 General. Operator shall manage, operate and maintain the Property in a manner normally associated with the management and operation of a high quality, first-class parking garage situated in a metropolitan area of the state of Texas.

2.2 Employees. Operator shall have in its employ at all times, a sufficient number of capable employees to enable it to properly, adequately, safely and economically manage, operate and maintain the Property. All matters pertaining to the employment, supervision, compensation, promotion and discharge of such employees are the responsibility of Operator. Operator is in all respects the employer of such employees. Operator shall fully comply with all applicable laws and regulations having to do with workers compensation, social security, unemployment insurance, hours of labor, wages, working conditions and other employee-employee related subjects. In the event that Operator's employees are engaged to work in connection with other properties, wages and other expenses with respect to such work shall be allocated between the properties which wages and other expenses shall be subject to review and approval by Owner.

2.3 Operating Budget. Operator shall prepare and then submit to Owner a proposed Operating Budget for the Property for the management and operation of the Property for the forthcoming Fiscal Year no later than July 15, 1986. Within thirty (30) days after such proposed budget is submitted to Owner, Owner will consider the proposed budget and then will consult with the Operator in order to agree on an "Approved Operating Budget" within such thirty (30) day period.

Operator shall have the right, from time to time, during the Fiscal Year, to submit revised budgets to Owner, and Owner shall endeavor to promptly as possible, approve the same or revisions thereto as Owner and Operator may deem proper. Operator agrees to use diligence and all reasonable efforts to insure that the actual costs of maintaining and operating the Property shall not exceed the Approved Operating Budget.

2.4 Collection of Parking Fees. Operator shall use diligent efforts to collect from the operators of all vehicles parking within the Property, the applicable parking fees for each vehicle. All monies so collected shall be deposited in the Operating Account (as defined in Article 4.1).

2.5 Maintenance and Repairs. Operator shall institute and supervise all ordinary and extraordinary repairs, decorations and alterations, including the administration of a preventative

maintenance program for all mechanical, electrical and plumbing systems and equipment, provided that such (unless the same relate to emergencies) are included in the Approved Operating Budget.

2.6 Operation of Property. Operator shall institute and supervise all operational activities of the Property including, but not limited to, the following:

1. Responsibility for and supervision of the cleaning of the Property;
2. Supervision of security, covering all portions of the Property;
3. Responsibility for and supervision of any landscaping;
4. Responsibility for and supervision of a preventative maintenance program;
5. Responsibility for and supervision of any necessary minor repairs to the Property; and
6. Any other activity expedient to the normal operation of a first-class parking garage similar to the Project.

2.7 Compliance with Mortgage. Operator shall be responsible for operation of the Property in compliance with all terms and conditions in the Ground Lease and any mortgage, deed of trust or other security instrument affecting the Property of which Operator has knowledge, but Operator shall not be required to make any payment or incur any liability on account thereof.

2.8 Banking. Operator shall handle all bank deposits relating to its contractual responsibility hereunder.

2.9 Inspection. Operator shall conduct from time to time inspections of the Property and provide Owner with a written report of Operator's findings.

2.10 Books and Records. Operator shall maintain completed and identifiable records and files on all matters pertaining to the Property, including, without limitation, all revenues and expenditures, service contracts and leases. Said books and records shall be kept at the offices of Operator on the campus of the University of Texas at Arlington or such other place as Owner and Operator shall from time to time agree. Operator shall keep accurate and complete books and accounts showing operations and transactions relating to the Property. Owner's duly authorized representatives shall at all times during regular business hours have access to and may inspect and copy any such books and records.

2.11 Reports and Reconciliation of Operating Accounts. On or before the fifteenth (15th) day of each calendar month during the term of this Agreement, Operator shall provide the following to Owner for the preceding calendar month:

1. Detailed reports of all monies collected (identified by source) which shall include all monies received from the operation of the Project and all monies paid in parking fees for use of the Project for parking;
2. Detailed report of all expenses in accordance with the Approved Operating Budget;

3. A comparison of the current month and year-to-date account of actual expenses to budgeted amounts;
4. Calculations of monthly and year-to-date variances from the Approved Operating Budget, and appropriate descriptions of any significant monthly or year-to-date variances;
5. A written report describing any material changes in the Property which occurred during the month or are anticipated to occur;
6. Reconciliation of amounts receivable or due to Owner accompanied by payment of same;
7. Reconciliation of Operating Account; and
8. Any other special information as reasonably required from time to time by Owner.

Periodically, Operator shall furnish to Owner as reasonably requested:

- (1) a market survey and any other information pertaining to the rate of use of the Project by students for parking;
- (2) reports covering on-site physical inspections and operating review; and
- (3) a current inventory of personal property and equipment used in connection with the Project.

The format of all reports shall be subject to the reasonable approval of Owner. All original reports, documents and other information forwarded to Owner are to be retained in Owner's possession or deposited as directed by Owner. Copies will be retained by Operator.

2.12 Customer Relations. Operator shall attempt, through whatever means it deems appropriate, to promote the Project and the use thereof for parking by students, faculty, visitors and administrators of the University of Texas at Arlington.

2.13 Compliance with Law. Operator shall take such action as may be reasonably necessary to assure full compliance with federal, state and municipal laws, ordinances, regulations and orders relative to the use, operation, repair and maintenance of the Property and with the rules and regulations or orders of any local Fire Department or Police Department or other similar body. Operator shall promptly remedy any violation of any such law, ordinance, rules, regulations or order which comes to its attention, all at Owner's expense.

2.14 Emergencies. Notwithstanding anything contained herein to the contrary, in case of emergency, Operator may make expenditures for repairs and other items which exceed other budgeted amounts then in effect or go beyond the scope of prior approvals of Owner, without Owner's prior written approval if, in the reasonable judgment of Operator, such expenditures are necessary to prevent damage or injury to the Property or to persons utilizing the Project. Operator shall inform Owner of any such expenditures before the end of the next business day.

2.15 Notification to Owner. Operator shall notify Owner immediately of any lawsuits, condemnation proceedings, rezoning or other governmental order or action or any threat thereof that becomes known to Operator that might adversely affect the Property or any interest of Owner therein.

### ARTICLE III

#### MANAGEMENT AUTHORITY

3.1 Limitation. Operator's authority is expressly limited to the provisions provided herein, as amended in writing from time to time by Owner and Operator.

3.2 Contracts. No contract entered into by Operator shall be for a period which exceeds the term of this Agreement. All contracts should be in the name of and executed by Owner.

### ARTICLE IV

#### BANK ACCOUNTS

4.1 Operating Account. Operator shall deposit all fees received by Operator for parking within the Project and any other funds so collected by Operator from the operation of the Project, including any and all advanced funds, in the Bank designated by Owner, in a special account (the "Operating Account") for the Project in the name of Owner.

ARTICLE V

INDEMNIFICATION AND INSURANCE

5.1 Liability Insurance. Owner agrees to carry public liability and contractual liability insurance, and such other insurance as may be necessary for the protection of Owner and Operator. The public liability and contractual liability insurance must contain a severability of interest clause and coverage for personal injury insurance. The carrier and the amount of coverage in each policy shall be decided upon by Owner. Notwithstanding the above insurance requirements, Owner may elect to self insure against the risks covered by this Section.

5.2 Indemnification. To the extent permissible under the laws of the State of Texas, Operator shall indemnify and hold harmless the Owner against any claim which may be made against the Owner arising out of:

- (1) Any failure of the Operator to promptly perform in any of its obligations under this Agreement, provided such failure was not caused by Owner or events beyond the reasonable control of Operator, and provided further that Owner has, after written request and to the extent not available from funds received by Operator for Owner's account, furnished to Operator sufficient funds to perform such obligations;
- (2) Any act of the Operator beyond the scope of the Operator's authority hereunder not authorized or ratified by Owner, and

(3) Any negligence by Operator, its agents or employees. Except as set forth in this Article 7.2, Owner shall indemnify and hold harmless Operator against any and all claims made against Operator or rising out of the management, ownership, development, construction or operation of the Project by Owner.

#### ARTICLE VI

##### COMPENSATION OF OPERATOR

At the expiration of each calendar month of the Fiscal Year (and at the expiration of any subsequent calendar months, if any, during which Operator is providing services hereunder), Owner shall pay to Operator, as compensation for the services of Operator provided hereunder the sum of Two Thousand Six Hundred and Sixty-Six Dollars (\$2,666) (the "Operator Fee").

#### ARTICLE VII

##### TERMINATION

7.1 Termination of Agreement. Notwithstanding the provisions of Article I above to the contrary, this Agreement may be terminated and the obligations of the parties hereunder shall thereupon cease, upon the occurrence of the following circumstances:

- (1) In the event of a substantial destruction of the Project, either party may terminate this Agreement upon thirty (30) days written notice to the other party.

- (2) If either party shall fail in the performance of any of its obligations hereunder and such default shall continue for thirty (30) days after written notice from one party to the defaulting party designating such default, the party not in default may terminate this Agreement upon ten (10) days written notice to the defaulting party.

7.2 Obligation Upon Termination. Upon termination of this Agreement, for whatever reason, each party shall promptly pay to the other, as soon as the same is determinable after the effective date of such termination, all amounts due such other party under the terms of this Agreement, and upon such payment neither party shall have any other claim or right against the other except as expressly hereinafter.

Upon termination of the Agreement for whatever cause, Operator shall, not later than the effective date of termination, deliver to Owner the original of all books, permits, plans, records, leases, licenses, contracts and other documents pertaining to the Project and its operation, all insurance policies, bills of sale or other documents evidencing title, the rights of Owner and any and all records or documents, whether or not enumerated herein, which are necessary or desirable for the ownership of the Project. Operator shall assign unexpired service contracts to Owner or parties designated by Owner. All personal property of Owner, whether on the Property or elsewhere

shall be delivered intact to Owner or its representatives. The Operating Account provided for in Article 4.1 hereof will be transferred as directed by Owner. Operator further agrees to do all other things to be reasonably necessary to cause an orderly transition of the management of the Project without detriment of the rights of Owner or to the continued management of the Project.

#### ARTICLE VIII

##### MISCELLANEOUS PROVISIONS

8.1 Headings. The headings used herein are for purposes of convenience only and should not be used in construing the provisions hereof.

8.2 Notice. Any notice, demand or communication required or permitted hereunder shall be given in writing and deemed received immediately upon delivery in person or three (3) days after deposited in the United States Mail, certified or registered, return receipt requested, addressed to the respective parties hereto at the following addresses:

If to Owner:

Ames-Teague Joint Venture  
13720 Midway Road  
Suite 109  
Dallas, Texas 75244

Attention: David L. Teague

3009

With a Copy to:

Liddell, Sapp, Zivley & LaBoon  
2121 San Jacinto Street  
Suite 1500  
Dallas, Texas 75201

Attention: David L. Herbert

If to Operator:

The Board of Regents of the  
University of Texas System  
601 Colorado Street  
Austin, Texas 78701

Attention: Executive Vice Chancellor  
for Academic Affairs

With a Copy to:

The University of Texas at Arlington  
Office of the President  
P.O. Box 19125  
Austin, Texas 76019

And a Copy to:

Office of General Counsel  
University of Texas System  
201 West 7th Street  
Austin, Texas 78701

Attention: General Counsel

or such other party as any party may hereafter designate by  
written notice.

8.3 Relationship of the Parties. Operator is an  
independent contractor hired by the Owner pursuant to the terms  
hereof. Nothing contained in this Agreement, nor any acts of the

parties hereto shall be deemed or construed by the parties hereto or either of them, or any third party, to create the relationship of principal and agent or a partnership or a joint venture between the parties hereto.

8.4 Covenant of Further Assurances. The parties hereby agree to execute such other documents, perform such other acts as may be reasonably necessary or desirable to carry out the purposes of this Agreement.

8.5 Entire Agreement. This document represents the entire Agreement between the parties with respect to the subject matter hereof and supercedes all other prior agreements, representations and covenants; oral or written amendments to this Agreement must be in writing and signed by both parties.

8.6 Assignment. With the written approval of the Operator, which approval may not be unreasonably withheld, Owner shall have the right to assign its rights and obligations hereunder to a third party, provided that any such third party enters into a written agreement assuming Owner's obligations hereunder. Operator shall not assign its rights and duties hereunder without the written consent of Owner any any such assignment without Owner's prior written consent shall be void and of no effect. If any party does not provide written objection within fifteen (15) business days after notice of a

proposed assignment by other party, approval shall be deemed to have been given.

8.7 Successors and Assigns. Subject to the limitations concerning assignment, this Agreement shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns.

8.8 Attorney's Fees. In the event of any controversy, claim or action being filed respecting this Agreement or in connection with the Property, payment of attorney's fees shall be determined by judgment of the court.

8.9 Time of the Essence. Time is of the essence of this Agreement.

8.10 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas.

8.11 Severability. Every provision of this Agreement is intended to be severable. If any term of provision hereof is illegal for any reason whatsoever, such provision shall be severed from this Agreement and shall not affect the validity of the remainder of this Agreement.

8.12 Exculpatory Clause. It is expressly agreed and stipulated by Operator, for itself and for its Successors the personal liability of the Owner or any Leasehold Mortgagee or purchaser at any foreclosure sale or any transferee under a deed

in lieu of foreclosure shall be limited to an amount equal to \$100,000.00 (except for liability arising out of the fraud, willful misconduct or gross negligence of Lessee), for the performance of any of the Terms of this Operating Agreement, by Operator and its successor shall look exclusively to any improvements which may be situated on the Premises for the payment and discharge of any monies due and obligations imposed upon the Owner hereunder, over and above such \$100,000.00 limit.

8.13 Operator's Representative. Operator shall designate one or more persons to serve as its representatives in all dealings with the Owner. Whenever the approval or consent or other action of Operator is required hereunder, such approval, consent or action shall be binding upon Operator if transmitted by a designated representative. The Operator's representatives shall be Vice President for Business Affairs of the University of Texas at Arlington or his successor in function. Such representatives may be changed at the discretion of Operator at any time, by written notice to Owner.

8.14 Ownership of Information and Materials. Operator shall, upon completion of Operator's services or any sooner termination of this Agreement, deliver to Owner, all written data and information generated by or for Operator in connection with the Property or supplied to Operator by Owner or Owner's

contractors or agents, and all drawings, plans, books, records, contracts, agreements and all other documents and writings in its possession relating to its services for the Property and the Owner shall have the right to use the same without further compensation to Operator. Such data and information and all such documents shall at all times be the property of Owner. Operator agrees to hold in confidence and not use or disclose to others any confidential or proprietary information of Owner heretofore or hereafter disclosed to Operator and designated as such by Owner, including but not limited to any data, information, plans, programs, processes, equipment, costs, operations, tenants or customers which may come within the knowledge of Operator in the performance of or the result of, its services, except where:

- (1) Owner specifically authorizes Operator to disclose any of the foregoing to others or such disclosure reasonably results from the performance of Operator's duties hereunder; or
- (2) such written data or information shall have theretofore been made publicly available by parties other than Operator.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed as of the day and year first written above.

OWNER:

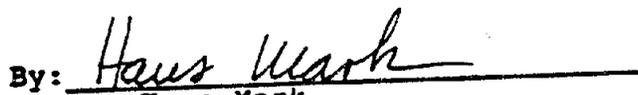
AMES-TEAGUE JOINT VENTURE,  
a Texas joint venture

By   
Raymond Ames,  
Joint Venturer

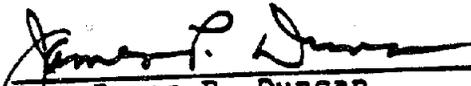
By   
David L. Teague,  
Joint Venturer

OPERATOR:

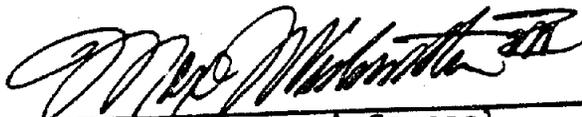
THE BOARD OF REGENTS OF THE  
UNIVERSITY OF TEXAS SYSTEM FOR THE  
USE AND BENEFIT OF THE UNIVERSITY  
OF TEXAS AT ARLINGTON

By:   
Dr. Hans Mark  
Chancellor

APPROVED AS TO CONTENT:

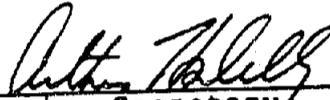
  
Dr. James P. Duncan  
Executive Vice Chancellor  
for Academic Affairs

APPROVED AS TO FORM:

  
Office of General Counsel  
University of Texas System

Certificate of Approval

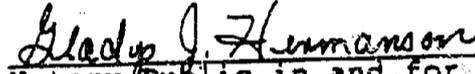
I hereby certify that the foregoing Operating Agreement was approved by the Board of Regents of the University of Texas System on the 13<sup>TH</sup> day of FEBRUARY, 1986, and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.



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

STATE OF TEXAS           §  
  §  
COUNTY OF Texas       §

This instrument was acknowledged before me on the 18<sup>th</sup> day of FEBRUARY, 1986 by HANS MARK, Chancellor of the University of Texas System on behalf of the Board of Regents of the University of Texas System.

  
\_\_\_\_\_  
Notary Public in and for  
The State of Texas  
My Commission Expires: 5/22/89

STATE OF TEXAS  
COUNTY OF DALLAS

X  
X  
X

This instrument was acknowledged before me on the 20th day of February, 1986 by Raymond Ames, Joint Venturer of Ames-Teague Joint Venture, a Texas joint venture, on behalf of said joint venture.

Debra Myers  
Notary Public in and for  
The State of Texas  
My Commission Expires: 5/3/86

STATE OF TEXAS  
COUNTY OF DALLAS

X  
X  
X

This instrument was acknowledged before me on the 20th day of February, 1986 by David L. Teague, Joint Venturer of Ames-Teague Joint Venture, a Texas joint venture, on behalf of said joint venture.

Debra Myers  
Notary Public in and for  
The State of Texas  
My Commission Expires: 5/3/86

3917

BEING all that certain tract or parcel of land situated in Lots 171, 172, 177, 178, and a portion of Lots 173 and 179, Block 17 of the Ditto and Collins Addition to the City of Arlington, Tarrant County, Texas, as recorded in Volume 106, Page 4 of the P.R.T.C.T., and a portion of the vacated alley and right-of-way of West Fourth Street as abandoned and recorded in Volume 4613, Page 594, D.R.T.C.T., and being more particularly described as follows:

BEGINNING at a point being North, 24.0 feet from the Southeast corner of Lot 173, and on the West right-of-way line of South West Street (50 foot right-of-way);

THENCE South, with said right-of-way line, 144.0 feet to a point for corner;

THENCE West, 300.0 feet to a point for a corner on the East right-of-way of South College Street (50 foot right-of-way, closed to Public Use);

THENCE North, with said right-of-way line, 135.0 feet to a point for a corner;

THENCE East, 240.0 feet to a point for a corner;

THENCE North, 9.0 feet to a point for a corner;

THENCE East, 60.0 feet to the POINT OF BEGINNING and containing 41,040 square feet or 0.942 acres of land, more or less.

EXHIBIT A

7. U. T. Permian Basin: Approval of Additional Restructuring of the Academic Administrative Organization and Authorization to Submit to Coordinating Board for Approval (Catalog Change) (Exec. Com. Letter 86-15).--In October 1984, authorization was given to restructure the academic administrative organization of The University of Texas of the Permian Basin by replacing a three college structure headed by deans carrying a minimum teaching load (25%) with seven divisions headed by directors carrying a heavier teaching load (75%). That administrative restructuring was expected to average 1.5 FTE less administrative time and save approximately \$160,000 per year.

Upon recommendation of the Executive Committee, the Board approved additional modification to the restructuring of the academic administrative organization at the U. T. Permian Basin and authorized submission of the proposal to the Coordinating Board, Texas College and University System for approval. The changes, which involve additional reductions in administrative costs, would replace the seven divisions with five divisions, as follows:

<u>Current Division Structure</u>	<u>New Division Structure</u>
Division of Education	Division of Education
Division of Behavioral Science and Physical Education	Division of Behavioral Science and Physical Education
Division of Humanities and Fine Arts	Division of Humanities and Fine Arts
Division of Accounting and Finance )	Division of Business Administration
Division of Management and Marketing )	
Division of Engineering )	
Division of Science, Mathematics, and Computer Science )	Division of Science and Engineering

The additional modification is expected to reduce administrative time by an additional .5 FTE and save approximately \$28,000 additional dollars.

Upon Coordinating Board approval, the catalog being prepared for the 1986-87 academic year will reflect this change, as will the operating budget for fiscal year 1986-87.

8. U. T. San Antonio: University Center Building (Project No. 401-447): Award of Contracts for Furniture and Furnishings to Wilson Business Products, Systems & Services, Inc., San Antonio, Texas; H. McCoy, Inc., San Antonio, Texas; Business Interiors, Arlington, Texas; Southwest Office Interiors, Austin, Texas; Marshall Clegg/Associates, Inc., San Antonio, Texas; Architectural Interior Services, Houston, Texas; Koplun Kitchens, Inc., San Antonio, Texas; San Antonio Floor Finishers, Inc., San Antonio, Texas; Sherrill Draperies, Inc., Austin, Texas; and Audio Technical Services Ltd. of Texas, Inc., Austin, Texas; and Authorization for the Chancellor to Sign the Contracts (Exec. Com. Letter 86-13).--Upon recommendation of the Executive Committee, authorization was given to award contracts for furniture and furnishings for the University Center Building at The University of Texas at San Antonio to the lowest responsible bidders as set out on Pages 164 - 165.

Wilson Business Products, Systems & Services, Inc., San Antonio, Texas	
Base Proposal "A" (Wood Office Furniture)	\$ 7,472.09
Base Proposal "E" (Dining Tables)	<u>15,967.77</u>
Total Contract Award to Wilson Business Products, Systems & Services, Inc.	\$ 23,439.86
H. McCoy, Inc. San Antonio, Texas	
Base Proposal "B" (Office Landscape)	47,735.44
Business Interiors Arlington, Texas	
Base Proposal "C" (Conference Tables & Miscellaneous)	\$ 26,355.75
Base Proposal "H" (Portable Stage Platforms)	<u>16,413.89</u>
Total Contract Award to Business Interiors	42,769.64
Southwest Office Interiors Austin, Texas	
Base Proposal "D" (Files and Casework)	\$ 14,546.00
Base Proposal "F" (Dining Seating)	<u>43,722.00</u>
Total Contract Award to Southwest Office Interiors	58,268.00
Marshall Clegg/Associates, Inc. San Antonio, Texas	
Base Proposal "I" (Stacking Chairs)	\$ 22,253.66
Base Proposal "J" (Interaction Lounge Furniture)	<u>59,140.00</u>
Total Contract Award to Marshall/Clegg Associates, Inc.	81,393.66
Architectural Interior Services Houston, Texas	
Base Proposal "G" (Folding Tables)	8,753.93
Koplan Kitchens, Inc. San Antonio, Texas	
Base Proposal "K" (Food Service Equipment)	48,655.00

San Antonio Floor Finishers, Inc.  
San Antonio, Texas

Base Proposal "L"  
(Carpeting) \$ 37,970.00

Sherrill Draperies, Inc.  
Austin, Texas

Base Proposal "M"  
(Draperies) 3,464.56

Audio Technical Services Ltd.  
of Texas, Inc.  
Austin, Texas

Base Proposal "N"  
(Sound Reinforcing System) 29,892.00

GRAND TOTAL CONTRACT AWARDS \$382,342.09

Further, the Chancellor was authorized to sign the contracts awarding these bids based on the results of the Executive Committee circularization.

9. U. T. Health Science Center - Dallas - Parking Garage No. 3 - Two-Level Addition (Project No. 303-593): Award of Construction Contract to McKee Building Services, Inc., Dallas, Texas, and Approval of Revised Total Project Cost (Exec. Com. Letter 86-13).--The Board, upon recommendation of the Executive Committee:

- a. Awarded a construction contract for the Two-Level Addition to Parking Garage No. 3 at The University of Texas Health Science Center at Dallas to the lowest responsible bidder, McKee Building Services, Inc., Dallas, Texas, as follows:

Base Bid	\$1,096,000
Alt. Bid No. 1 (Elevator No. 2)	<u>45,000</u>
Total Contract Award	\$1,141,000

- b. Approved a revised total project cost of \$1,300,000 to cover the contract award, fees, and related project expenses. The previously authorized total project cost was \$1,450,000 funded with \$1,250,000 from Institutional Plant Fund Balances and \$200,000 from Parking Fund Balances.

10. U. T. Medical Branch - Galveston: Salary Increases Requiring Advance Regental Approval Under Budget Rules and Procedures No. 2 (Exec. Com. Letter 86-11).--The Executive Committee recommended and the Board approved the salary increases at The University of Texas Medical Branch at Galveston as set forth on Page 166.

Physiology and Biophysics

Increased the total compensation of Professor King-Wai Yau (Tenure) from \$54,185 to \$61,229 effective January 1, 1986.

Source of Funds:

State:	\$21,229	Departmental Faculty Salaries
Other:	40,000	Department of Health and Human Services Grant
	<u>\$61,229</u>	Total Salary/Compensation

(RBC #298)

Increased the total compensation of Professor and Adjunct Member Douglas C. Eaton (Tenure) from \$52,760 to \$61,000 effective January 1, 1986.

Source of Funds:

State:	\$47,641	Departmental Faculty Salaries
Other:	13,359	Department of Health and Human Services Grant
	<u>\$61,000</u>	Total Salary/Compensation

(RBC #297)

Increased the total compensation of Associate Professor Robert K-S Wong (Tenure) from \$48,120 to \$52,932 effective January 1, 1986.

Source of Funds:

State:	\$42,252	Departmental Faculty Salaries
Other:	10,680	Department of Health and Human Services Grant
	<u>\$52,932</u>	Total Salary/Compensation

(RBC #299)

Preventive Medicine and Community Health

Increased the total compensation of Associate Professor Tom Baranowski (Non-Tenure) from \$42,981 to \$52,981 effective February 1, 1986.

Source of Funds:

State:	\$44,788	Departmental Faculty Salaries
Other:	8,193	Department of Health and Human Services Grant
	<u>\$52,981</u>	Total Salary/Compensation

(RBC #328)

11. U. T. Medical Branch - Galveston: Transfers of Funds Requiring Advance Regental Approval Under Budget Rules and Procedures No. 2 (Exec. Com. Letter 86-15).--Upon recommendation of the Executive Committee, the Board approved the following transfers of funds at The University of Texas Medical Branch at Galveston:

Educational and General Funds

Amount of Transfer - \$1,550,000

From: Unappropriated Balance (via Estimated Income) - 1985-86

To: Computing Services Center	
Equipment	\$1,300,000
Campus Information Center	250,000
Total	<u>\$1,550,000</u>

(RBC #270 and #383)

12. U. T. Cancer Center: Salary Increases Requiring Advance Regental Approval Under Budget Rules and Procedures No. 2 (Exec. Com. Letter 86-11).--The Board, upon recommendation of the Executive Committee, approved the following salary increases at The University of Texas System Cancer Center:

Chemotherapy Research

Increased the total compensation of Cell Biologist and Professor of Cell Biology Walter N. Hittleman (Term Appointment) from \$50,400 to \$58,000 effective February 1, 1986.

Source of Funds:

State:	\$27,800	Departmental Faculty Salaries
Other:	25,200	Department of Health and Human Services Grant
	5,000	Cancer Research Program Fund
	<u>\$58,000</u>	Total Salary/Compensation

(RBC #86)

Clinical Immunology and Biological Therapy

Increased the total compensation of Assistant Internist and Assistant Professor of Medicine Rayelle Kurzock (Non-Tenure) from \$50,100 to \$57,500 effective February 1, 1986.

Source of Funds:

Other:	\$33,000	MacArthur Foundation
	4,400	Cancer Research Program Fund
	<u>\$37,400</u>	Total Salary
Augmentation:	20,100	PRS Fund
	<u>\$57,500</u>	Total Compensation

(RBC #88)

Clinical Radiation Physics

Increased the total compensation of Director of Electron Dosimetry Research, Associate Physicist and Associate Professor of Radiotherapy Physics Kenneth R. Hogstrom (Term Appointment) from \$75,000 to \$100,000 effective February 1, 1986.

Source of Funds:

State:	\$ 75,000	Departmental Faculty Salaries
Other:	<u>25,000</u>	Cancer Research Program Funds
	<u>\$100,000</u>	Total Salary/Compensation

(RBC #87)

Diagnostic Radiology

Increased the total compensation of Radiologist, Professor of Radiology and Olga Keith and Harry Carothers Wiess Chair in Diagnostic Radiology, Gerald D. Dodd, Jr. (Term Appointment) from \$160,000 to \$166,000 effective February 1, 1986.

Source of Funds:

State:	\$ 88,000	Departmental Faculty Salaries
Other:	6,000	Wiess Chair
	<u>\$ 94,000</u>	Total Salary
Augmentation:	72,000	PRS Fund
	<u>\$166,000</u>	Total Compensation

(RBC #84)

General Surgery

Increased the total compensation of Associate Surgeon and Associate Professor of Surgery David M. Ota (Term Appointment) from \$93,500 to \$102,000 effective February 1, 1986.

Source of Funds:

State:	\$ 59,000	Departmental Faculty Salaries/Total Salary
Augmentation:	43,000	PRS Fund
	<u>\$102,000</u>	Total Compensation

(RBC #94)

Internal Medicine

Increased the total compensation of Associate Internist and Associate Professor of Medicine Michael S. Ewer (Non-Tenure) from \$81,700 to \$90,000 effective February 1, 1986.

Source of Funds:

State:	\$50,700	Departmental Faculty Salaries/Total Salary
Augmentation:	<u>39,300</u>	PRS Fund
	<u>\$90,000</u>	Total Compensation

(RBC #85)

Medical Oncology

Increased the total compensation of Associate Internist and Associate Professor of Medicine Christopher Logothetis (Term Appointment) from \$76,000 to \$85,700 effective February 1, 1986.

Source of Funds:

State:	\$48,000	Departmental Faculty Salaries/Total Salary
Augmentation:	<u>37,700</u>	PRS Fund
	<u>\$85,700</u>	Total Compensation

(RBC #89)

Neuro-Oncology

Increased the total compensation of Associate Neurologist and Assistant Professor of Neurology Eugenie Obbens (Non-Tenure) from \$73,500 to \$80,000 effective February 1, 1986.

Source of Funds:

State:	\$45,100	Departmental Faculty Salaries/Total Salary
Augmentation:	<u>34,900</u>	PRS Fund
	<u>\$80,000</u>	Total Compensation

(RBC #93)

Increased the total compensation of Associate Neurologist and Assistant Professor of Neurology and Tumor Biology W. K. Alfred Yung (Non-Tenure) from \$74,700 to \$82,500 effective February 1, 1986.

Source of Funds:

State:	\$46,100	Departmental Faculty Salaries/Total Salary
Augmentation:	<u>36,400</u>	PRS Fund
	<u>\$82,500</u>	Total Compensation

(RBC #96)

Radiotherapy

Increased the total compensation of Radiotherapist, Professor of Radiotherapy and John G. and Marie Stella Kenedy Foundation Chair Lester J. Peters (Term Appointment) from \$158,000 to \$164,000 effective February 1, 1986.

Source of Funds:

State:	\$ 54,000	Departmental Faculty Salaries
Other:	6,000	Kenedy Foundation Chair
	36,000	Department of Health and Human Services Grant
	<u>\$ 96,000</u>	Total Salary
Augmentation:	68,000	PRS Fund
	<u>\$164,000</u>	Total Compensation

(RBC #95)

Cancer Prevention

Increased the total compensation of Internist and Professor of Clinical Cancer Prevention Peter E. Mansell (Non-Tenure) from \$90,300 to \$100,000 effective February 1, 1986.

Source of Funds:

State:	\$ 64,500	Departmental Faculty Salaries/Total Salary
Augmentation:	35,500	PRS Fund
	<u>\$100,000</u>	Total Compensation

(RBC #90)

Office of the Vice President for Research

Increased the total compensation of Associate Vice President for Research, Internist and Professor of Medicine, Eugene M. McKelvey (Term Appointment) from \$101,000 to \$110,000 effective February 1, 1986.

Source of Funds:

State:	\$ 31,600	Departmental Faculty Salaries
Other:	31,600	Department of Health and Human Services Grant
	4,000	Cancer Research Program Fund
	<u>\$ 67,200</u>	Total Salary
Augmentation:	42,800	PRS Fund
	<u>\$110,000</u>	Total Compensation

(RBC #91)

Science Park - Research Laboratories

Increased the total compensation of Assistant Biologist and Assistant Professor of Biology Donald C. Morizot (Non-Tenure) from \$29,000 to \$36,500 effective February 1, 1986.

Source of Funds:

State:	\$22,000	Departmental Faculty Salaries
Other:	<u>14,500</u>	Department of Interior Contract
	<u>\$36,500</u>	Total Salary/Compensation

(RBC #92)

REPORT AND RECOMMENDATIONS OF THE FINANCE AND AUDIT COMMITTEE (Page 172).--Committee Chairman Yzaguirre 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. 27 of the Office of the Chancellor (Catalog Change).--Upon recommendation of the Finance and Audit Committee, the Board approved Docket No. 27 of the Office of the Chancellor in the form distributed by the Executive Secretary. It is attached following Page 230 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.

Regents Hay and Ratliff abstained from voting on items within the Docket related to Exxon Corporation due to a possible conflict of interest.

REPORT AND RECOMMENDATIONS OF THE ACADEMIC AFFAIRS COMMITTEE (Pages 173 - 183 ).--Committee Chairman Baldwin reported that the Academic Affairs 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 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 (a) Dr. Charles H. Warlick to Serve on the Automated Information and Telecommunications Council (AITC) and (b) Dr. Robert D. Mettlen to Serve on the Federal Home Loan Bank of Dallas [Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)].--Permission was granted for the following individuals at The University of Texas at Austin to serve as indicated:

- a. Dr. Charles H. Warlick, Director of the Computation Center, to the Automated Information and Telecommunications Council (AITC)

Dr. Warlick's appointment, which expires February 1, 1987, will be without remuneration.

- b. Dr. Robert D. Mettlen, Vice President for Planning and Special Services, as Public Interest Director and Chairman of the Board of Directors of the Federal Home Loan Bank of Dallas, Texas

Dr. Mettlen will participate in monthly Board meetings and will receive a Director's fee established by the Federal Home Loan Bank in Washington, D.C. He will serve as Public Interest Director for a four-year period and as Chairman for a renewable one-year term.

These appointments are of benefit to the State of Texas and create no conflict with their regular duties at U. T. Austin. They are 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.

2. U. T. Austin: Appointment of (a) Dr. Melvin E. L. Oakes to the William David Blunk Memorial Professorship for the 1986-87 Academic Year, and (b) Dr. Kenneth W. Gentle to the Jack S. Josey Professorship in Energy Studies for the 1986-87 and 1987-88 Academic Years Effective September 1, 1986.--Upon recommendation of the Academic Affairs Committee, the Board approved the following appointments to endowed academic positions at The University of Texas at Austin effective September 1, 1986:

- a. Dr. Melvin E. L. Oakes, Professor of Physics, to the William David Blunk Memorial Professorship for the 1986-87 academic year only

- b. Dr. Kenneth W. Gentle, Professor in the Department of Physics, to the Jack S. Josey Professorship in Energy Studies for the 1986-87 and 1987-88 academic years.

3. U. T. Austin: Appointments to Endowed Academic Positions in the (a) College of Business Administration and the Graduate School of Business, (b) College of Fine Arts, (c) Graduate School of Library and Information Science, (d) Lyndon B. Johnson School of Public Affairs, (e) School of Law, (f) College of Natural Sciences, and (g) Institute of Latin American Studies Effective as Indicated.--The Board approved the following appointments to endowed academic positions at The University of Texas at Austin with the understanding that the professors would vacate any currently held endowed positions on the effective date of the new appointments unless otherwise indicated:

- a. College of Business Administration and the Graduate School of Business effective September 1, 1986

- (1) Dr. Robert S. Sullivan, Professor of Management and Acting Associate Dean for Academic Affairs, as initial holder of the Joe B. Cook Professorship in Business Administration
- (2) Dr. Lawrence A. Tomassini, The John Arch White Professor in Business, to the Peat, Marwick, Mitchell & Co. Centennial Professorship in Accounting
- (3) Dr. Robert C. Witt, Joseph H. Blades Centennial Professor in Insurance and Chairman, Department of Finance, to the Gus Wortham Memorial Chair in Risk Management and Insurance

- b. College of Fine Arts effective September 1, 1986

Dr. Terence Grieder, Professor of Art, to the E. W. Doty Professorship in Fine Arts for the 1986-87 academic year only

- c. Graduate School of Library and Information Science effective September 1, 1986

Dr. David B. Gracy II, Professor in the Graduate School of Library and Information Science, as initial holder of the Governor Bill Daniel Professorship in Archival Enterprise

- d. Lyndon B. Johnson School of Public Affairs effective September 1, 1986

Dr. Ernest T. Smerdon, Professor in the Department of Civil Engineering and the Lyndon B. Johnson School of Public Affairs, reappointed to the Bess Harris Jones Centennial Professorship in Natural Resource Policy Studies

e. School of Law effective June 1, 1986

Mr. Julius G. Getman, currently the William K. Townsend Professor of Law at Yale University, to the Earl E. Sheffield Regents Chair in the School of Law

Mr. Getman will join the U. T. Austin faculty as Professor of Law effective June 1, 1986.

f. College of Natural Sciences effective September 1, 1986

- (1) Dr. Daniel S. Barker, Professor, Department of Geological Sciences, reappointed to the Fred M. Bullard Professorship in Geological Sciences
- (2) Dr. Keith P. Young, The Third Mr. and Mrs. Charles E. Yager Professor, Department of Geological Sciences, to the J. Nalle Gregory Professorship in Sedimentary Geology
- (3) Dr. Lynton S. Land, J. Nalle Gregory Professor in Sedimentary Geology, Department of Geological Sciences, as initial holder of the Gulf Oil Foundation Centennial Professorship in Geology
- (4) Dr. Robert F. Simmons, Professor, Department of Computer Sciences, as initial holder of the Quincy Lee Centennial Professorship in Computer Science
- (5) Dr. Douglas Smith, Professor, Department of Geological Sciences, as initial holder of the Albert W. and Alice M. Weeks Centennial Professorship in Geological Sciences

g. Institute of Latin American Studies effective for the 1986-87 Fall Semester

Dr. Pablo Antonio Cuadra, Director of the Nicaraguan Academy of Language, to the Edward Larocque Tinker Chair in Latin American Studies

Dr. Cuadra will be Visiting Professor in the Department of Spanish and Portuguese at U. T. Austin during this period.

4. U. T. Austin: Approval to Name (a) Four Rooms in the Chemical and Petroleum Engineering Building of the College of Engineering, (b) Room 12.104 in Robert Lee Moore Hall as the James M. Vaughn, Jr. Room and (c) Room 3.126 in Townes Hall as the John C. and Thelma Butcher Ratliff Classroom (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings).--Approval was granted to name the rooms set forth on Page 176 at The University of Texas at Austin in accordance with the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, relating to the naming of facilities other than buildings.

- a. Four rooms in the Chemical and Petroleum Engineering Building of the College of Engineering

- (1) Room 4.180 - Conoco North American Production Enhanced Oil Recovery Laboratory
- (2) Room 1.116 - Eaton Industries Drilling Engineering Laboratory
- (3) Room 2.216 - John E. Kasch Classroom
- (4) Room 2.220 - Arthur L. and Ruth Britton Smalley Classroom

All these room names are in recognition of gifts for the College of Engineering endowment program for the new Chemical and Petroleum Engineering Building. In each case, the name reflects the identity of the donor(s) being recognized.

See related items on Pages 215 - 216 regarding acceptance of gifts and establishment of permanent endowment accounts.

- b. Room 12.104 in Robert Lee Moore Hall the James M. Vaughn, Jr. Room

The naming of this room is to recognize Mr. Vaughn's continuing interest and support in the instruction and research activities of the Department of Mathematics.

- c. Room 3.126 in Townes Hall the John C. and Thelma Butcher Ratliff Classroom

This room is being named to recognize the distribution of a charitable remainder trust for the benefit of The University of Texas Law School Foundation established by John and Thelma Ratliff of Dallas, Texas.

5. U. T. Austin: Approval of Amendments to the Guidelines for Matching Grants Under The Regents' Endowed Teachers and Scholars Program.--It was reported that a review of The Regents' Endowed Teachers and Scholars Program at The University of Texas at Austin had concluded that the program should be modified to allow for the allocation of matching funds at a variable ratio rate rather than on the existing dollar-for-dollar basis.

In order to permit a more efficient use of matching funds by allowing gifts to be matched on less than a dollar-for-dollar basis as required under the existing guidelines, the Board, upon recommendation of the Academic Affairs Committee, amended Guideline 2 of the Guidelines for Matching Grants Under The Regents' Endowed Teachers and Scholars Program, The University of Texas at Austin. The ratio for each proposed endowment will be recommended to the U. T. Board of Regents by the President of U. T. Austin with the concurrence of the Office of the Chancellor. In no case will the ratio of matching to gift funds exceed one dollar for one dollar.

These Guidelines, as amended, are set out below in their entirety:

GUIDELINES FOR MATCHING GRANTS UNDER  
THE REGENTS' ENDOWED TEACHERS AND SCHOLARS PROGRAM  
THE UNIVERSITY OF TEXAS AT AUSTIN

Subject to the availability of matching funds, the President of U. T. Austin and the Office of the Chancellor of the U. T. System shall make recommendations to the U. T. Board of Regents for the matching of individual private grants to endow faculty positions with Available University Fund monies under The Regents' Endowed Teachers and Scholars Program pursuant to the following guidelines:

- (1) that matching monies be available only for grants from private sources in amounts that will, at a minimum, fully fund one of the endowed academic positions provided for in Section 4, Chapter I, Part Two of the Regents' Rules and Regulations as the section now reads or as it later may be amended;
- (2) that once the condition in (1) above is met, the Board of Regents agrees to match, on a variable ratio (which ratio may not exceed one dollar of matching funds for each dollar of gift funds) to be recommended by the President of The University of Texas at Austin, from the Available University Fund each dollar granted by private sources as follows:
  - (a) to increase existing endowments based on institutional priorities.
  - (b) subject to institutionally established priorities for minimum endowments and model endowments (based on number and types of endowed positions), to match all eligible gifts to a school or college until the minimum endowment is met. Thereafter, gifts to a school or college which has met its minimum endowment will be matched on the basis of institutional priorities until the minimum endowments of all schools and colleges have been met. Once all school or college minimum endowments are met, eligible gifts to schools or colleges will be matched on the basis of institutional priorities until the model endowment is met.
  - (c) eligible matching funds will be distributed as follows:
    - 1) the Board of Regents will provide matching monies in an amount sufficient to double the size of the grant for the establishment of one endowed academic position;  
or
    - 2) the Board of Regents will allow the grant to be divided and will provide matching monies at the recommended ratio to each divided portion of the grant in

order to establish additional endowed academic positions that require the same or a lesser minimal amount for establishment; or

- 3) if a donor endows two or more academic positions in one academic unit of the University which endowments, when added together, are equivalent to or greater than the value of another endowed academic position, the Board of Regents will, from matching monies, create in the same or another academic unit of the University an endowed academic position of the equivalent value;
  - (d) the wishes of the donor will be considered within these overall guidelines; and
  - (e) matching in an academic year is to be limited to the amount budgeted for that year with eligible gifts beyond the budgeted amount to have priority for matching in subsequent years;
- (3) that, other than the matching of private grants with Available University Fund monies, all provisions of Section 4, Chapter I, Part Two of the Regents' Rules and Regulations, as that section now reads or as it later may be amended, will be in full force and effect;
  - (4) that the investment procedures for the endowments established under The Regents' Endowed Teachers and Scholars Program be the same as those established for other endowments of academic positions;
  - (5) that The Regents' Endowed Teachers and Scholars Program, be effective for gifts or pledges received on or after September 1, 1985, and except as provided in (6) below, on or before August 31, 1987;
  - (6) that matching monies made available under The Regents' Endowed Teachers and Scholars Program, be available for matching pledges made on or before August 31, 1987, if the pledges are to be fulfilled during the two-year period following August 31, 1987;
  - (7) that matching monies made available under The Regents' Endowed Teachers and Scholars Program, be available for matching testamentary grants, insofar as the terms of the last will and testament of the donor, the wishes of the donor as determined by the last will and testament, and these guidelines are in harmony;
  - (8) that payments of pledges for the establishment of endowed positions be matched as received if the first amount paid is at least equivalent to the value of the smallest endowed academic position provided for in the Regents' Rules and Regulations with the provision that, should any subsequent pledge not be received, the endowed academic position established pursuant to the original pledge will be reduced to a level or levels equivalent to the value of payments received and in hand at the time the pledges cease to be paid;

- (9) that potential donors be informed that for such time as an endowed professorship is unfilled by regular appointment, annual or semester appointments in the same academic area may be made to a fellowship that bears the name of the endowed professorship;
- (10) that donors be encouraged to make undesignated gifts to colleges and schools rather than departments or disciplines so that endowed professorships and chairs can be established where they are most needed; and
- (11) that donors be encouraged to establish endowed fellowships and teaching fellowships to support and encourage outstanding assistant and associate professors who have not yet achieved the distinction required for a professorship or chair.

6. U. T. Austin: Approval of Increases in (a) Compulsory Student Services Fees and (b) Certain Voluntary Student Services Fees (Athletics Fee, Athletics Dependent Fee, Cactus [Yearbook], UtMost [Magazine], Peregrinus [Law School Yearbook], and TSP Package) Effective with the Fall Semester 1986 (Catalog Change). --Upon recommendation of the Academic Affairs Committee, the Board approved increases in (a) Compulsory Student Services Fees and (b) certain Voluntary Student Services Fees at The University of Texas at Austin to be effective with the Fall Semester 1986 as set out below:

a. Compulsory Student Services Fees

In order to cover rising operational and personnel costs, the Board approved an increase in the compulsory per student Student Services Fee for the operation of the Student Health Center from \$30.60 to \$35.20. Further, the compulsory per semester credit hour Student Services Fee was increased from \$3.90 to \$4.09 per semester credit hour for a maximum charge of \$49.08 for a student taking twelve hours or more per semester or summer session. The resulting maximum charge for a student taking twelve semester credit hours or more would therefore increase from \$77.40 to \$84.28.

b. Voluntary Student Services Fees

The Voluntary Student Services Fees were set as shown below:

	1986-87	
	Academic Year	Spring Semester
Athletics Fee	\$52.00	\$26.00
Athletics Dependent Fee	64.00	32.00
Cactus (Yearbook)	25.50	25.50
UtMost (Magazine)	8.50	4.25
Peregrinus (Law School Yearbook)	13.80	13.80
TSP Package	31.00	26.75

The increases in the Voluntary Student Services Athletics Fees are required to fund employee retirement costs, increased tuition costs to the departments due to the elimination of the out-of-state tuition waiver for scholarship athletes, and a 30% increase in operating expenses over the last three years.

The fee increases for the Cactus, UtMost magazine, Peregrinus, and the TSP Package are required due to increased printing costs and sales tax. These increases were requested by the Board of Operating Trustees of Texas Student Publications and have the endorsement of the Student Services Fees Committee.

In accordance with Sections 67.211 and 67.212 of the Texas Education Code, these fees were endorsed by the Student Services Fees Committee of U. T. Austin.

The next appropriate catalog published at U. T. Austin will be amended to conform to this action.

7. U. T. Austin: Approval of Rate Increases for University Apartments - Married Student Housing, Student Housing Units - Women's Cooperatives, and University Residence Halls Effective Fall Semester 1986 (Catalog Change).--In order to cover the additional operational costs projected for the 1986-87 fiscal year, the Board approved the rate schedule set out below for University Apartments - Married Student Housing, Student Housing Units - Women's Cooperatives, and University Residence Halls at The University of Texas at Austin to be effective with the Fall Semester 1986.

The University of Texas at Austin  
 RATE SCHEDULE EFFECTIVE 1986-87  
 University Apartments - Married Student Housing

	<u>Monthly Rate</u>
Mobile Home Lot	\$ 59
Colorado and Gateway Apartments	
Unfurnished	
1 bedroom	231
2 bedroom	254
Furnished	
1 bedroom	271
2 bedroom	298
Brackenridge Apartments	
1 bedroom	269
2 bedroom	333
3 bedroom	408

*MS #7*  
 do I need to list the individual names of the different housing units in index?  
 LP

- a. Rates for Colorado Apartments include gas and water. Rates for the Mobile Home Park, Gateway Apartments, and Brackenridge Apartments include only water.

- b. The resident is responsible for the electric bill in all units, for the gas bill in the Mobile Home Park and the Brackenridge Apartments.

The University of Texas at Austin  
 RATE SCHEDULE EFFECTIVE 1986-87  
 Student Housing Units - Women's Cooperative

Monthly Rental Per Co-op Paid to the University

	<u>Number of residents per Co-op</u>	<u>Monthly rent paid to University</u>
Air-conditioned		
Double Rooms	17	\$1313.25
	19	1467.75
Non air-conditioned		
Double Rooms	15	\$ 772.25

The University of Texas at Austin  
 RATE SCHEDULE EFFECTIVE 1986-87  
 University Residence Halls

	<u>Room</u>	<u>Long Session Meals</u>	<u>Rate Total</u>
<u>Air-conditioned</u>			
<u>Double Rooms</u>			
Jester, Kinsolving, Blanton, Moore-Hill, Simkins			
community bath	\$1484	\$1682	\$3166
connecting bath	1700	1682	3382
<u>Non-air conditioned</u>			
<u>Double Rooms</u>			
Andrews, Carothers, Littlefield, Brackenridge- Roberts-Prather			
community bath	\$1180	\$1682	\$2862

- a. The above rates include twenty meals per week. Meal contract options of thirteen meals per week (\$1608 for the Long Session) and ten meals per week (\$1452 for the Long Session) are available to all residents where meals are part of the contract.
- b. Meals are available but not required as a part of the contract for Moore-Hill, Simkins, Brackenridge-Roberts-Prather, and 75 rooms in Carothers.

Other University Residence Hall Rates

- a. Rates for single rooms and double rooms as singles are 1.667 the double rate.
- b. Summer Session rates are based on the long session per diem rate multiplied by the number of days in the summer session.

- c. Short-term, Orientation, and Summer Conference Program rates vary based on the length of stay, number of participants, and the services provided. Base rates are as follows:

	<u>Daily Rate</u> <u>Per Person</u>
Meals	\$12.55
Double Room	<u>10.35</u>
Total	\$22.90
Single Room	(1½ times the double rate)

The next appropriate catalog published at U. T. Austin will be amended to conform to this action.

8. U. T. Dallas: Callier Center for Communication Disorders Advisory Council - Approval of Nominees Thereto.--Six nominees for membership on The University of Texas at Dallas Callier Center for Communication Disorders Advisory Council for terms to expire in 1988 were approved.

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

9. U. T. Dallas: Approval of Parking Fees Effective with the Fall Semester 1986 (Catalog Change).--In order to cover future costs and provide a higher level of parking lot maintenance, the Board approved The University of Texas at Dallas parking fees as shown below effective with the Fall Semester 1986:

<u>Type Permit</u>	<u>1986-87</u> <u>Cost/Year</u>
<u>Faculty/Staff Decals</u>	
Green/Red (remote)*	\$ 30.00
Gold (close-in)	65.00
Orange (most desirable)	130.00
<u>Student Decals*</u>	
Fall Semester	22.50
Spring Semester	12.50
Summer Session (or Individual Academic Semester only)	8.00
<u>Other Fees</u>	
Surcharge**	18.00
Second and Third Decals	5.00
Violations	5.00

\* No increase in student parking permit rates or for faculty/staff using remote lots. The Surcharge increase applies to all lot users.

\*\* The Surcharge is an annual fee for all lot users (faculty, staff, and students) and is dedicated to parking lot construction and maintenance. The fee is levied on a proportional scale for shorter time periods.

It was noted that the Parking and Security Committee at U. T. Dallas, a university-wide committee composed of faculty, staff, and students, approved these increases, in accordance with appropriate provisions of the Texas Education Code.

It was ordered that the next appropriate catalog published at U. T. Dallas be amended to reflect this action.

10. U. T. El Paso: Permission for Dr. Diana Natalicio to Serve on the Texas World Trade Council [Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)].--Permission was granted for Dr. Diana Natalicio, Vice President for Academic Affairs at The University of Texas at El Paso, to serve on the Texas World Trade Council. Dr. Natalicio's service on this Council will be without remuneration.

Dr. Natalicio'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.

REPORT AND RECOMMENDATIONS OF THE HEALTH AFFAIRS COMMITTEE  
(Pages 184 - 186 ).--Committee Chairman Briscoe reported that  
the Health Affairs Committee had met in open session to con-  
sider those items on its agenda and to formulate recommenda-  
tions for the U. T. Board of Regents. Unless otherwise  
indicated, the 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. Board of Regents - Regents' Rules and Regulations,  
Part One: Amendments to Chapter III, Section 1.83  
(Academic Titles) and Authorization for the Executive  
Secretary to the Board to Make Appropriate Editorial  
Changes Therein.--Approval was given to amend Sec-  
tion 1.83 of Chapter III, Part One of the Regents'  
Rules and Regulations (Academic Titles) as set forth  
below:

a. Present Section 1.83(h) was deleted and existing  
Section 1.83(i) was renumbered as Section 1.83(h)  
and amended to read as follows:

1.83(h) In the general academic institutions  
with health-related clinical pro-  
grams, persons appointed to full-time  
positions for the primary purpose of  
patient care and other service activ-  
ities, with only incidental teaching  
or research duties, shall be given  
one of the following titles:

(1) Professor of Clinical

(title of specialty)

(2) Associate Professor of Clinical

(title of specialty)

(3) Assistant Professor of Clinical

(title of specialty)

(4) Instructor in Clinical

(title of specialty)

b. A new Section 1.83(i) was added to read as follows:

1.83(i) In the health components, persons  
appointed to full-time positions for  
the primary purpose of research  
activities or patient care and other  
service activities with only inciden-  
tal teaching duties shall be given  
one of the following titles:

(1) Professor of

(title of specialty)

(2) Associate Professor of

(title of specialty)

(3) Assistant Professor of

(title of specialty)

(4) Instructor in

(title of specialty)

For persons appointed to positions pursuant to this Subsection, all appointment letters, personnel forms, budgets and other official documents of the health component shall state in parenthesis following the name and title of the individual either "(nontenured clinical appointment)" or "(nontenured research appointment)," as appropriate, and service in such positions shall not be credited as faculty service toward satisfaction of a required probationary period for the award of tenure.

Further, approval was granted for the Executive Secretary to the Board, in consultation with the Office of General Counsel, to make appropriate editorial changes in the remainder of the Regents' Rules and Regulations that may be necessary in order to conform to the foregoing changes related to academic titles.

These changes apply only to clinical titles for full-time (nontenured) faculty at the U. T. health component institutions. The clinical titles will continue to be used as referenced in the Regents' Rules and Regulations for the U. T. academic component institutions.

2. U. T. Health Science Center - Dallas (U. T. Southwestern Medical School - Dallas): Mark Feldman, M.D., and Charles Richardson, M.D., Appointed Initial Co-Holders of the Berta M. and Cecil O. Patterson Professorship for Research in Digestive Diseases Effective Immediately.-- Upon recommendation of the Health Affairs Committee, the Board appointed Mark Feldman, M.D., Associate Chief of Staff for Research and Development at the Veterans Administration Medical Center, Dallas, Texas, and Charles Richardson, M.D., Chief of Staff at the Veterans Administration Medical Center, Dallas, Texas, as co-holders of the Berta M. and Cecil O. Patterson Professorship for Research in Digestive Diseases at the U. T. Southwestern Medical School - Dallas of The University of Texas Health Science Center at Dallas effective immediately. Drs. Feldman and Richardson are the initial appointees to this endowed academic position.
3. U. T. Health Science Center - Houston: Appointment of Eugene Adcock, III, M.D., Initial Holder of the Richard Warren Mithoff Professorship in Neonatal/Perinatal Medicine Effective Immediately.--The Board approved the appointment of Eugene Adcock, III, M.D., Director, Division of Neonatal/Perinatal Medicine, as initial holder of the Richard Warren Mithoff Professorship in Neonatal/Perinatal Medicine at The University of Texas Health Science Center at Houston effective immediately.
4. U. T. Health Science Center - Houston: Permission for Sam A. Nixon, M.D., to Serve on the Board of Regents of the Uniformed Services University of the Health Sciences, Washington, D. C. [Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)].--Permission was granted for Sam A. Nixon, M.D., Special Assistant to the President for Community Affairs and Professional Relations and Director of Continuing Education at The University of Texas Health Science Center at Houston, to serve as a

member of the Board of Regents of the Uniformed Services University of the Health Sciences, Washington, D. C.

Dr. Nixon will attend meetings in Washington, D. C., four to six days per year for six years, and travel and lodging expenses will be provided by the Uniformed Services University of the Health Sciences.

Dr. Nixon'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.

5. U. T. Cancer Center: Appointment of Jack A. Roth, M.D., Initial Holder of the Bud Johnson Clinical Chair Effective June 1, 1986.--Upon recommendation of the Health Affairs Committee, the Board approved the appointment of Jack A. Roth, M.D., Head of Thoracic Oncology at the National Cancer Institute, Bethesda, Maryland, as initial holder of the Bud Johnson Clinical Chair at The University of Texas System Cancer Center effective June 1, 1986.

On June 1, 1986, Dr. Roth will join the faculty of the U. T. Cancer Center as Surgeon, Professor of Surgery, and Chairman of the Department of Thoracic Surgery.

REPORT AND RECOMMENDATIONS OF THE BUILDINGS AND GROUNDS COMMITTEE (Pages 187 - 190 ).--Committee Chairman Rhodes 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 - Balcones Research Center - Nuclear Engineering Teaching Laboratory (Project No. 102-568): Approval of Final Plans; Authorization to Advertise for Bids and for Executive Committee to Award Contracts; Authorization for U. T. Austin Administration to Enter Into a Contract with GA Technologies, Inc., San Diego, California; and Additional Appropriation Therefor.--Upon recommendation of the Buildings and Grounds Committee, the Board:

- a. Approved the final plans and specifications for the construction of the Nuclear Engineering Teaching Laboratory at The University of Texas at Austin Balcones Research Center at an estimated total project cost of \$5,860,700
- b. Authorized the Office of Facilities Planning and Construction to advertise for general construction bids upon completion of final review and to advertise for bids at the appropriate time for the decommissioning and demolition of the existing facility in Taylor Hall
- c. Authorized the Executive Committee to award all construction and demolition contracts associated with this project within the authorized total project cost
- d. Authorized U. T. Austin Administration to enter into a contract with GA Technologies, Inc., San Diego, California, for design, purchase, and installation of a TRIGA Mark II pulsing research reactor

Services from GA Technologies, Inc., are not to extend beyond the design phase until favorable construction bids have been received verifying that the total project can be completed within the authorized cost.

- e. Appropriated \$5,360,700 from Permanent University Fund Bond Proceeds for total project funding. Previous appropriations had been \$25,000 from Permanent University Fund Bond Proceeds and \$475,000 from U. T. Austin Major Repair, Remodeling and Equipment Unallocated funds.

The Nuclear Engineering Teaching Laboratory project will be accomplished in three phases with separate contracts. These phases are: (1) the general construction contract for the new facilities, (2) the purchase and installation of the new reactor, and (3) the decommissioning and demolition of the existing facility in Taylor Hall on the U. T. Austin main campus.

This project is within the scope of the Capital Improvement Program approved by the U. T. Board of Regents in October 1985.

2. U. T. Dallas - Multipurpose and Engineering Start-Up Facility (Project No. 302-604): Approval of Project Scope Increase and Preliminary Plans; Authorization to Prepare Final Plans and for Submission to Coordinating Board; and Additional Appropriation Therefor.--Mr. Ron Shaw and Mr. Allen Atkinson, representing the Project Architect, F & S Partners, Inc., Dallas, Texas, presented the preliminary plans and specifications for the Multipurpose and Engineering Start-Up Facility at The University of Texas at Dallas to the Buildings and Grounds Committee.

Based upon this presentation and the recommendation of the Finance and Audit, Academic Affairs and Buildings and Grounds Committees, the Board:

- a. Approved an increase in the scope of the Multipurpose and Engineering Start-Up Facility at U. T. Dallas to include an addition to accommodate offices for the U. T. Dallas Administration, and approved an increase in the total project cost from \$4,800,000 to \$7,300,000
- b. Approved the preliminary plans and specifications and 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
- c. Authorized submission of the project to the Coordinating Board, Texas College and University System
- d. Appropriated \$240,000 from Permanent University Fund Bond Proceeds for fees and administrative expenses through completion of final plans. Previous appropriations had been \$110,000 from Permanent University Fund Bond Proceeds.

The U. T. Dallas Administration requested approval to increase the scope of this project to include the construction of a wing to house the offices for U. T. Dallas Administration. The new wing would replace the temporary administration building, which is located on property scheduled to be sold in the near future upon receipt of approval of the Special Committee on Endowment Lands in Collin and Dallas Counties. The administration wing is to be a two-level, 35,000 gross square feet addition to the Multipurpose Facility and would share mechanical services. The combined Multipurpose, Engineering and Administrative Building will have 90,000 gross square feet.

The Multipurpose and Engineering Start-Up Facility is within the scope of the Capital Improvement Program approved by the U. T. Board of Regents in October 1985. Funding for the expansion for administrative offices is to be from proceeds of sale of the temporary administration building and land on which it is located.

See Page 229 related to action of Special Committee on Endowment Lands in Collin and Dallas Counties, Texas.

3. U. T. Medical Branch - Galveston - Administration Annex II Renovation (Formerly the School of Allied Health Sciences Building): Authorization for Project; Appointment of Louis Lloyd Oliver and Tibor Beerman, Galveston, Texas, Project Architect to Prepare Final Plans; Submission to Coordinating Board; and Appropriation Therefor.--The Board, upon recommendation of the Finance and Audit, Health Affairs and Buildings and Grounds Committees:

- a. Authorized a project for the renovation of the Administration Annex II (formerly the School of Allied Health Sciences Building) at The University of Texas Medical Branch at Galveston at an estimated total project cost of \$3,000,000
- b. Appointed Louis Lloyd Oliver and Tibor Beerman, Galveston, Texas, Project Architect to prepare final plans and a detailed cost estimate to be submitted to the U. T. Board of Regents for consideration at a future meeting.
- c. Authorized submission of the project to the Coordinating Board, Texas College and University System
- d. Appropriated \$3,000,000 from U. T. Medical Branch - Galveston 1985 Unappropriated Balances for total project funding.

This project consists of remodeling the former School of Allied Health Sciences (SAHS) Building for utilization as expansion space for the U. T. Medical Branch - Galveston administrative offices. The SAHS Building is a five-story, reinforced concrete and masonry structure containing 58,000 gross square feet of space which was constructed in 1955. The project will provide for the complete renovation of the building's architectural, mechanical, plumbing, and electrical systems.

All administrative offices currently are housed in the Administration Building which was completed in 1974, and it has become necessary to expand some of these offices to relieve overcrowding. The old SAHS Building, which is located adjacent to the Administration Building, would provide adequate space in close proximity to the other business and finance offices. Utilization of this building for this purpose would eliminate the need to secure off-campus lease space.

4. U. T. Health Science Center - San Antonio: Approval to Waive the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.1, and to Name the Presidential Residence as the Parman House.--On February 14, 1986, the U. T. Board of Regents authorized acceptance of a \$2 million estate located in north San Antonio for use as the President's Residence at The University of Texas Health Science Center at San Antonio. This gift, the largest single contribution ever received by this component of the U. T. System, was made possible by Mr. and Mrs. Dan F. Parman of San Antonio.

Upon recommendation of the Buildings and Grounds Committee, Subsection 1.1 of Section 1, Chapter VIII, Part One of the Regents' Rules and Regulations, which requires that persons in whose honor a building is to be named "shall have been deceased at least five years," was waived and the President's Residence at The University of Texas Health Science Center at San Antonio was named the Parman House.

This generous gift of a four-acre estate by Mr. and Mrs. Dan F. Parman and their family is visible evidence of the continuing active support of the civic and business communities for the U. T. Health Science Center - San Antonio.

On behalf of the Buildings and Grounds Committee and the entire Board, Committee Chairman Rhodes expressed grateful appreciation for this exceptionally generous gift by the Parman family.

REPORT AND RECOMMENDATIONS OF THE LAND AND INVESTMENT COMMITTEE (Pages 191 - 225 ).--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.

U. T. System: Recognition of Mr. Laddie Long, Manager, University Lands--Oil, Gas and Mineral Interests.--Regent Milburn recognized Mr. Laddie Long, Manager of University Lands--Oil, Gas and Mineral Interests, who is retiring April 30, 1986, and called on Regent Rhodes for a few comments.

Regent Rhodes noted that Mr. Long had been with the West Texas Lands operation for twenty-two years and that he had overseen the mineral aspects of the 2.1 million acres of Permanent University Fund Lands.

On behalf of the Board, Regent Rhodes expressed appreciation for Mr. Long's fine efforts on behalf of The University of Texas System and the Board for Lease of University Lands and wished him well in his future endeavors.

I. PERMANENT UNIVERSITY FUND

INVESTMENT MATTERS

1. Report on Clearance of Monies to Permanent University Fund for January and February 1986, and Report on Oil and Gas Development as of February 28, 1986.--The following reports with respect to (a) certain monies cleared to the Permanent University Fund for January and February 1986, and (b) Oil and Gas Development as of February 28, 1986, were submitted by the Executive Director for Investments and Trusts:

	<u>January 1986</u>	<u>February 1986</u>	<u>Cumulative Through February of this Fiscal Year (1985-1986)</u>	<u>Cumulative Through February of Preceding Fiscal Year (1984-1985)</u>	<u>Per Cent Change</u>
<u>Permanent University Fund</u>					
Royalty					
Oil	\$ 8,520,298.11	\$ 7,727,542.26	\$ 48,643,694.83	\$51,713,228.18	(5.94%)
Gas	2,537,123.30	2,989,768.75	15,969,944.50	15,371,622.23	3.89%
Sulphur	10,000.00	10,000.00	148,183.55	227,972.92	
Water	41,613.56	44,763.54	303,616.06	170,935.99	
Brine	8,066.51	11,177.73	59,430.14	47,454.52	
Trace Minerals	--	--	--	8,000.00	
Rental					
Oil and Gas Leases	391,882.08	15,535.60	783,845.08	1,646,542.28	
Other	--	400.00	1,400.00	9,573.59	
Sale of Sand, Gravel, Etc.	1,425.00	21,672.00	33,890.00	16,708.00	
Gain or (Loss) on Sale of Securities	2,740,031.38	5,932,410.16	85,088,284.93	11,864,555.68	
Sub-Total	<u>14,250,439.94</u>	<u>16,753,270.04</u>	<u>151,032,289.09</u>	<u>81,076,593.39</u>	<u>86.28%</u>
Bonuses					
Oil and Gas Lease Sales	--	--	5,913,600.00	--	
Amendments and Extensions to Mineral Leases	6,051.01	4,807.88	187,046.28	227,270.46	
Total Bonuses	<u>6,051.01</u>	<u>4,807.88</u>	<u>6,100,646.28</u>	<u>227,270.46</u>	
TOTAL CLEARANCES	<u>\$14,256,490.95</u>	<u>\$16,758,077.92</u>	<u>\$157,132,935.37</u>	<u>\$81,303,863.85</u>	<u>93.27%</u>

Oil and Gas Development - February 28, 1986  
Acreage Under Lease - 838,961

Number of Producing Acres - 569,381

Number of Producing Leases - 2,283

2. U. T. System: Approval to (a) Repeal the Investment Policies for Permanent University Fund of The University of Texas System Adopted on March 11, 1967, (b) Adopt The Permanent University Fund Investment Policy Statement, (c) Adopt The Common Trust Fund Investment Policy Statement, and (d) Amend the Regents' Rules and Regulations, Part Two, Chapter IX (Matters Relating to Investments, Trusts, and Lands).--Upon recommendation of the Land and Investment Committee, the Board:

- a. Repealed the Investment Policies for Permanent University Fund of The University of Texas System adopted on March 11, 1967
- b. Adopted the following policy statement with regard to management and investment of the Permanent University Fund:

PERMANENT UNIVERSITY FUND  
INVESTMENT POLICY STATEMENT

FUND CHARACTERISTICS

The Permanent University Fund is a perpetual endowment in support of The University of Texas and The Texas A&M University Systems. The Fund is authorized by the State Constitution and supplies resources in two ways:

- 1) Beneficiary university systems may sell bonds up to 30% of their share of the book value of the Fund, secured and payable from a lien on their portion of the cash income of the Fund. Therefore, The University of Texas System and The Texas A&M University System may sell bonds, respectively, up to 20% and 10% of the book value of the Fund.
- 2) Cash income in excess of debt service requirements is available for current expenditures relating to academic enrichment and excellence at The University of Texas at Austin and Texas A&M University at College Station and Prairie View A&M University.

The Fund was generated and is increased principally by oil and gas royalties and lease bonuses from Permanent University Fund Lands. Cash inflow to the Fund is subject to fluctuation due to petroleum production, prices, and industry economics. Since oil and gas is depleting in nature and the Fund continues to grow from this source as well as appreciation of investments, cash inflow over time will tend to decline as a percentage of the value of the Fund.

The State Constitution requires that all cash income of the Fund consisting of interest and dividends on investments be paid out. Therefore, only the appreciation of securities is able to provide internal growth of the Fund.

RESPONSIBILITY AND MANAGEMENT OF THE FUND

The State Constitution vests fiduciary responsibility for the Fund with the Board of Regents of The University of Texas System. The Board employs an investment and administrative staff, headed by the Executive Vice Chancellor for

Asset Management. Specific investment decisions are handled by the investment staff as well as unaffiliated investment managers, who are employed from time to time. The Board retains an Investment Advisory Committee to provide counsel concerning portfolio and economic issues affecting the Fund.

#### CONFLICT OF INTEREST

Members of the Board and the Investment Advisory Committee are frequently persons of wide-ranging business interests. Therefore, a prudent, independent investment decision process may result in investments in firms or organizations with which a member of the Board or the Investment Advisory Committee is affiliated. Affiliation shall be interpreted within this section to mean an employee, officer, director, or owner of five percent or more of the voting stock of a firm or organization. The investment staff or an unaffiliated investment manager may invest in such securities. However, the following restrictions shall apply:

- ° A member of the Board or the Investment Advisory Committee shall not direct nor participate in the decision to purchase or sell securities of a firm with which such member is affiliated.
- ° Securities will not be purchased from or sold to a member of the Board or the Investment Advisory Committee.
- ° All members of The University of Texas System investment and administrative staff must report any affiliation with another firm or organization to the Regents' Land and Investment Committee. On an annual basis the staff will report the nature and extent of any investments in or business transacted with such firms.

#### INVESTMENT OBJECTIVES

There are two primary investment objectives. One is to provide a continuing and dependable cash income stream, stable and preferably growing in real terms, after giving effect to inflation. The second is to cause the total value of the Fund to appreciate over time.

The cash income requirement on the Fund is substantial and continuous. Income must be sufficient to provide debt service coverage of all bonds payable from the Fund as well as provide a residual income stream for academic enrichment programs.

The Fund needs to appreciate to insure preservation of the purchasing power of the Fund and also to satisfy the need for income growth in the future.

Management of the Fund attempts to meet these objectives by maximizing the return on the Fund's investments, consistent with an appropriate level of risk and subject to generation of adequate current income. Additionally the Fund shall be diversified at all times to provide reasonable assurance that investment in a single security, a class of securities, or industry will not have an excessive impact on the Fund.

## ASSET MIX

Asset mix is the primary determinant of Fund performance, and is the responsibility of the Regents' Land and Investment Committee. Asset mix may be changed from time to time based on the economic and security market outlook as well as income requirements.

In establishing asset mix, recognition of the role of various classes of investments will be considered. These include:

- ° The principal purpose of fixed income investments is to provide a dependable and predictable source of income. Adequate bonds with low enough book yield to meet arbitrage requirements relating to debt secured and payable from the Fund must be owned.
- ° Equity investments provide both current income and growth of income, but their principal purpose is to provide appreciation of the Fund.
- ° Cash equivalent-short term investments provide current income, but their principal purpose is to store purchasing power to fund longer term investments. Cash inflow from Permanent University Fund Lands is recognized as a continuing source of Fund liquidity.

## PERFORMANCE GOALS

To accomplish the investment objectives for the Fund and recognizing the critical role of asset mix, specific performance goals exist for the total Fund as well as separate categories of assets. Achievement of these goals is most appropriately determined over a full market cycle time period ... generally four to five years.

Specific performance goals for the Fund are:

- ° Common Stocks - Performance equal to or greater than the Standard & Poor's 500 Index.
- ° Bonds - Performance equal to or greater than the Shearson Lehman Government/Corporate Bond Index or other appropriate bond index.
- ° Total Fund Return - Performance equal to or greater than that of other comparable funds.

Given the income requirements on the Fund, the performance goal for fixed income securities (bonds) is recognized as imperfect and potentially inappropriate in situations where a substantial and prolonged change in the market level of interest rates occurs. A bond index is a useful comparative device, but income protection, maturity control and portfolio quality are other important performance indices as well as critical elements of portfolio strategy. Active trading of bonds is necessary to prevent deterioration of portfolio market value and may result in the realization of book losses from time to time.

## PERFORMANCE MEASUREMENT

The investment performance of the Fund will be measured by an unaffiliated organization with recognized expertise in this field and compared against the stated performance goals of the Fund. Measurement will occur at least annually, and will be used to evaluate the results of the total Fund, major classes of investment assets, and individual management organizations.

## INVESTMENT GUIDELINES

The Fund must be invested at all times in strict compliance with the State Constitution and other applicable law. The primary and constant standard for making investment decisions is the "Prudent Person Rule."

Eligible investments are:

- Common stock of companies incorporated in the United States may be purchased. Common stocks must be traded on exchanges registered with the SEC (see Appendix A) excepting bank and insurance company stocks. Additionally, the common stock of a corporation must have paid dividends for five consecutive years prior to the date of purchase.
- Preferred stocks and convertible preferred stocks of companies incorporated in the United States may be purchased provided that either the preferred stock or the common stock of that corporation is listed on exchanges registered with the SEC, excepting bank and insurance company stocks. The qualifying stock must have paid dividends for five consecutive years. Preferred stock, but not convertible preferred stock, must also meet the rating criteria mentioned below.
- Bonds, debentures, or obligations issued by corporations, associations, or other institutions may be purchased provided that the obligation must be issued by, or financial responsibility must legally rest with, a U. S. corporation and must be U. S. dollar denominated.
  - Certificates of deposit shall not be purchased.
  - Commercial paper must be rated in the two highest quality classes either by Moody's Investors Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2).
  - Bankers' Acceptances must be guaranteed by an accepting bank with a minimum certificate of deposit rating of 1 by Duff & Phelps.
  - Repurchase agreements must be with a domestic dealer selected by the Federal Reserve as a primary dealer in U. S. Treasury securities; or a bank that is associated with a holding company

meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps. Repurchase agreements must also qualify to be maintained in book-entry form at a member bank of the Federal Reserve System.

- Corporate bonds and preferred stocks must be rated a minimum of Baa3 by Moody's Investors Service, Inc. or BBB- by Standard & Poor's Corporation, respectively, when purchased. Bonds rated below A3 and A- shall not constitute an excessive portion of the total bond portfolio. Unrated bonds or preferred stocks may be purchased prior to review by the Land and Investment Committee if, in the opinion of the System's investment staff, they are at least equal in quality to publicly offered securities eligible for purchase. The cost of unrated bonds and preferred stocks which have not been reviewed by the Land and Investment Committee may not exceed 1% of the book value of the Fund. Convertible bonds may be purchased if the bond qualifies under this bond rating standard or if the common stock into which the bond may be converted qualifies under the common stock eligibility requirements.
  - o Bonds of the United States, the State of Texas or counties, cities, or school districts of the State of Texas, or bonds issued under and by virtue of the Federal Farm Loan Act approved by the President of the United States, July 17, 1916, and amendments thereto may be purchased.
  - o Bonds or other obligations issued, insured, or guaranteed in any manner by the United States Government or any of its agencies may be purchased.
  - o Bonds or notes issued by the Board of Regents of The University of Texas System or the Board of Regents of The Texas A&M University System and payable from income of the Permanent University Fund may be purchased.
  - o No other forms of investment are eligible for purchase including investments in securities of the South African government, government agencies, or firms.
- Other investment restrictions include the following:
- o The cost of the combined securities (both debt and equities) of one corporation may not exceed one percent of the book value of the Fund.
  - o No more than five percent of the voting securities of a corporation may be owned.
  - o No securities may be purchased or held which would jeopardize the Fund's tax exempt status.
  - o No securities may be purchased on margin or leverage.

- Unaffiliated investment managers transacting solely within their assigned assets:
  - shall hold no more than 25% of their managed portfolio in any one industry at cost unless the manager was retained to concentrate in an industry or industries.
  - shall hold no more than 10% of their managed portfolio in the securities of one corporation at cost.
  - shall hold no more than 10% of their managed portfolio at cost in an asset category different than the type they were retained to manage. Short-term liquid investments are excluded from this limitation. Convertible securities are considered to be equity equivalents for purposes of this restriction.

#### INVESTMENT MANAGEMENT FIRMS

Unaffiliated investment managers may be hired from time to time to provide the Fund with increased diversity through their unique style and approach to investing. Their purpose is to improve the Fund's return and to alter its volatility. Other than as limited by this Policy Statement, investment managers shall have complete investment discretion. In addition to performance, investment managers shall be monitored for adherence to their investment style, and shall be available as reasonably requested for open communication with the Board and The University of Texas System's investment and administrative staff.

#### FUND ADMINISTRATION

Administration of the Fund is recognized as vital to Fund stability and fulfillment of objectives. Areas of emphasis shall include record keeping, internal controls, protection of assets, cash management and processing efficiency.

Transaction and accounting records shall be complete and prepared on a timely basis with consideration at all times to the adequacy of an audit trail.

Internal controls will assure responsible separation of duties and diminish the real and prospective burden on individual employees.

Custody of the Fund's assets shall be in compliance with applicable law and arranged to provide as much security, trading speed and flexibility as possible. Adequate insurance levels will be maintained by any custodian or transportation agent employed by the Fund.

The daily cash position will be monitored to insure that non-interest bearing cash is minimized. The collection time of all dividend and interest payments will be accelerated to the extent possible.

Operational efficiency is imperative, and computer capabilities shall be extensively used to reduce manual processing and duplication of activities.

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System investment and administrative staff will conduct business for the Fund with organizations which, after review, are believed to exercise professional integrity and have financial substance judged adequate in light of the size and nature of the business involved. Normal business entertainment of the staff is recognized as a customary medium for conducting this type of business. Acceptance of material gifts from unaffiliated vendors is prohibited.

Additionally, transactions to purchase or sell securities shall be entered into on the basis of "best execution," which normally means best realized net price for the security. Commissions may be paid for investment services rendered to the Fund including securities research.

#### INVESTOR RESPONSIBILITY

The Fund supports higher education, which has a special and unique role in society. It follows that, subject to the "Prudent Person Rule," investment of the Fund must be sensitive to major issues affecting its constituency including the State of Texas and supporters of higher education.

As a significant shareholder, the Fund has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the Fund.

The primary basis for all investment decisions is the "Prudent Person Rule" (see Investment Guidelines). The Fund shall not be invested to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

#### APPENDIX A

American Stock Exchange  
Boston Stock Exchange  
Cincinnati Stock Exchange  
Intermountain Stock Exchange  
Midwest Stock Exchange  
New York Stock Exchange  
Pacific Coast Stock Exchange  
Philadelphia Stock Exchange  
Spokane Stock Exchange

- c. Adopted the following policy statement with regard to management and investment of the Common Trust Fund:

COMMON TRUST FUND  
INVESTMENT POLICY STATEMENT

FUND CHARACTERISTICS

The Common Trust Fund was established by the Board of Regents to allow for the pooled investment of privately-sourced endowment and trust funds held by The University of Texas System or by the U. T. Board of Regents in a fiduciary capacity. These endowment and trust funds are collectively invested to enhance the diversification of the assets held and to streamline investment and administrative operations.

The endowment and trust funds were given to provide a permanent funding source to support specified academic and enrichment programs at donor-designated components of The University of Texas System. The principal of these funds may not be spent, and therefore only cash income earned on investments is available for distribution. Internal growth of the Fund may occur through capital appreciation or retention of income in excess of distributions.

RESPONSIBILITY AND MANAGEMENT OF THE FUND

Fiduciary responsibility for the Fund rests with the Board of Regents of The University of Texas System. The Board employs an investment and administrative staff, headed by the Executive Vice Chancellor for Asset Management. Specific investment decisions are handled by the investment staff as well as unaffiliated investment managers, who are employed from time to time. The Board retains an Investment Advisory Committee to provide counsel concerning portfolio and economic issues affecting the Fund.

CONFLICT OF INTEREST

Members of the Board and the Investment Advisory Committee are frequently persons of wide-ranging business interests. Therefore, a prudent, independent investment decision process may result in investments in firms or organizations with which a member of the Board or the Investment Advisory Committee is affiliated. Affiliation shall be interpreted within this section to mean an employee, officer, director, or owner of five percent or more of the voting stock of a firm or organization. The investment staff or an unaffiliated investment manager may invest in such securities. However, the following restrictions shall apply:

- A member of the Board or the Investment Advisory Committee shall not direct nor participate in the decision to purchase or sell securities of a firm with which such member is affiliated.
- Investments will not be purchased from or sold to a member of the Board or the Investment Advisory Committee.
- All members of The University of Texas System investment and administrative staff must report any affiliation with another firm or organization to the Regents' Land and Investment Committee. On an annual basis the staff will report the nature and extent of any investments in or business transacted with such firms.

## INVESTMENT OBJECTIVES

There are two primary investment objectives. One is to provide a continuing and dependable cash payout, stable and preferably growing in real terms, after giving effect to inflation. The second is to cause the total value of the Fund to appreciate, over time, exclusive of growth derived from donations.

The cash payout requirement on the Fund is substantial and continuous. Income must be sufficient to provide an adequate cash stream for the development of excellence and distinction in the academic programs of the System. In addition, the Fund needs to appreciate to insure preservation of the purchasing power of the Fund, and also to satisfy the need for payout growth in the future.

Management of the Fund attempts to meet these objectives by maximizing the return on the Fund's investments, consistent with an appropriate level of risk and subject to generation of adequate current income. Additionally, the Fund shall be diversified at all times to provide reasonable assurance that investment in a single security, a class of securities, or industry will not have an excessive impact on the Fund.

## ASSET MIX

Asset mix is the primary determinant of Fund performance, and is the responsibility of the Regents' Land and Investment Committee. Asset mix may be changed from time to time based on the economic and security market outlook as well as income requirements.

In establishing asset mix, recognition of the role of various classes of investments will be considered. These include:

- The principal purpose of fixed income investments is to provide a dependable and predictable source of income.
- Equity investments provide both current income and growth of income, but their principal purpose is to provide appreciation of the Fund.
- Cash equivalent-short term investments provide current income, but their principal purpose is to store purchasing power to fund longer term investments.
- Other investments, such as venture capital investments and real estate investments, would be undertaken to provide exceptional returns to the Fund.

## PERFORMANCE GOALS

To accomplish the investment objectives for the Fund and recognizing the critical role of asset mix, specific performance goals exist for the total Fund as well as separate categories of assets. Achievement of these goals is most appropriately determined over a full market cycle time period ... generally four to five years.

Specific performance goals for the Fund are:

- Common Stocks - Performance equal to or greater than the Standard & Poor's 500 Index.
- Bonds - Performance equal to or greater than the Shearson Lehman Government/Corporate Bond Index or other appropriate bond index.
- Total Fund Return - Performance equal to or greater than that of other comparable funds.

Given the income requirements on the Fund, the performance goal for fixed income securities (bonds) is recognized as imperfect and potentially inappropriate in situations where a substantial and prolonged change in the market level of interest rates occurs. A bond index is a useful comparative device, but income protection, maturity control and portfolio quality are other important performance indices as well as critical elements of portfolio strategy. Active trading of bonds is necessary to prevent deterioration of portfolio market value and may result in the realization of book losses from time to time.

#### PERFORMANCE MEASUREMENT

The investment performance of the Fund will be measured by an unaffiliated organization with recognized expertise in this field and compared against the stated investment objectives of the Fund. Such measurement will occur at least annually, and evaluate the results of the total Fund, major classes of investment assets, and individual management organizations.

#### INVESTMENT GUIDELINES

The Fund must be invested at all times in strict compliance with the Texas Trust Code (Subtitle B, Title 9, Texas Property Code) and other applicable law. The primary and constant standard for making investment decisions is the "Prudent Person Rule."

Investment restrictions include the following:

- All investments must be U. S. dollar denominated unless held by an investment manager retained to manage an international portfolio.
- No investments may be made in securities of the South African government, government agencies, or firms.
- Commercial paper must be rated in the two highest quality classes by Moody's Investors Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2).
- Negotiable certificates of deposit must be with a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.
- Bankers' Acceptances must be guaranteed by an accepting bank with a minimum certificate of deposit rating of 1 by Duff & Phelps.
- Repurchase agreements and Reverse Repurchase Agreements must be with a domestic dealer selected by the Federal Reserve as

a primary dealer in U. S. Treasury securities; or a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.

- Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by the Executive Director for Investments and Trusts and the Executive Vice Chancellor for Asset Management prior to investment of Fund monies in such liquid investment fund. No requirement exists that such funds conform to the above restrictions on money market instruments.
- Corporate bonds and preferred stocks must be rated a minimum of Baa3 by Moody's Investors Service, Inc. or BBB- by Standard & Poor's Corporation, respectively, when purchased. Bonds rated below A3 and A- shall not constitute an excessive portion of the total bond portfolio. Unrated bonds or preferred stocks may be purchased prior to review by the Land and Investment Committee if, in the opinion of the System's investment staff, they are at least equal in quality to publicly offered securities eligible for purchase. The cost of unrated bonds and preferred stocks which have not been reviewed by the Land and Investment Committee may not exceed 1% of the book value of the Fund.
- No more than five percent of the voting securities of a corporation may be owned.
- No securities may be purchased or held which would jeopardize the Fund's tax exempt status.
- No securities may be purchased on margin or leverage.
- No transactions in short sales will be made.
- Transactions in financial futures and options (other than those received as part of an investment unit) may only occur as part of a hedging program authorized by the Land and Investment Committee.
- Unaffiliated investment managers transacting solely within their assigned assets:
  - shall hold no more than 25% of their managed portfolio in any one industry at cost unless the manager was retained to concentrate in an industry or industries.
  - shall hold no more than 10% of their managed portfolio in the securities of one corporation at cost.
  - shall not hold investment in real estate, partnerships, and other such illiquid assets unless retained to manage this type of asset and shall hold no more than 10% of their managed portfolio in any other asset category different than the type they were retained to manage. Short-term liquid investments are excluded from this limitation. Convertible securities are considered to be equity equivalents for purposes of this restriction.
  - shall hold no securities traded only in foreign markets unless they were retained to manage an international portfolio.

## INVESTMENT MANAGEMENT FIRMS

Unaffiliated investment managers may be hired from time to time to provide the Fund with increased diversity through their unique style and approach to investing. Their purpose is to improve the Fund's return and to alter its volatility. Other than as limited by this Policy Statement, investment managers shall have complete investment discretion. In addition to performance, investment managers shall be monitored for adherence to their investment style, and shall be available as reasonably requested for open communication with the Board of Regents and The University of Texas System's investment and administrative staff.

## FUND ADMINISTRATION

Administration of the Fund is recognized as vital to Fund stability and fulfillment of objectives. Areas of emphasis shall include record keeping, internal controls, protection of assets, cash management and processing efficiency.

Transaction and accounting records shall be complete and prepared on a timely basis with consideration at all times to the adequacy of an audit trail.

Internal controls will assure responsible separation of duties and diminish the real and prospective burden on individual employees.

Custody of the Fund's assets shall be in compliance with applicable law and arranged to provide as much security, trading speed and flexibility as possible. Adequate insurance levels will be maintained by any custodian or transportation agent employed by the Fund.

The daily cash position will be monitored to insure that non-interest bearing cash is minimized. The collection time of all dividend and interest payments will be accelerated to the extent possible.

Operational efficiency is imperative, and computer capabilities shall be extensively used to reduce manual processing and duplication of activities.

System investment and administrative staff will conduct business for the Fund with organizations which, after review, are believed to exercise professional integrity and have financial substance judged adequate in light of the size and nature of the business involved. Normal business entertainment of the staff is recognized as a customary medium for conducting this type of business. Acceptance of material gifts from unaffiliated vendors is prohibited.

Additionally, transactions to purchase or sell securities shall be entered into on the basis of "best execution," which normally means best realized net price for the security. Commissions may be paid for investment services rendered to the Fund including securities research.

## INVESTOR RESPONSIBILITY

The Fund supports higher education, which has a special and unique role in society. It follows that, subject to the "Prudent Person Rule," investment of the Fund must be sensitive to major issues affecting its constituency including the State of Texas and supporters of higher education.

As a significant shareholder, the Fund has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the Fund.

The primary basis for all investment decisions is the "Prudent Person Rule" (see Investment Guidelines). The Fund shall not be invested to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

d. Amended the Regents' Rules and Regulations, Part Two, Chapter IX, as set forth below:

1. Section 1 was amended to read as follows:

Sec. 1. Authorizations re Sales, Assignments, Conveyances, Receipt of Property, and Proxies.

1.1 Authority to Purchase, Exchange, and Sell Securities for and on Behalf of the Permanent University Fund (hereinafter sometimes referred to as "PUF") and the Board.--The Chancellor, or his delegate, the Executive Vice Chancellor for Asset Management, and the Executive Director for Investments and Trusts are authorized to purchase, exchange, and sell any and all securities for and on behalf of the PUF or the Board, and to execute all related state government documents. In addition, unaffiliated investment managers appointed by the Board of Regents may purchase, sell, or exchange securities from funds designated from the PUF and the Common Trust Fund in accordance with such manager's contracts.

1.2 Authority to Assign and Transfer Securities Owned by the PUF and the Board.--The Chancellor, or his delegate, the Executive Vice Chancellor for Asset Management, the Executive Director for Investments and Trusts, the Comptroller and Associate Comptroller, and the Trust Officer may each assign and transfer any and all securities of any description whatever and execute any and all documents necessary to the consummation of any sale, assignment, or transfer of any securities registered in the name of the PUF or the Board, or in any other form of registration of such securities held for the account of the PUF or the Board in whatever manner, including all fiduciary capacities and including those registered in the names of trusts or foundations managed and controlled by said Board. In addition, custodian banks appointed by the Executive Vice Chancellor for Asset Management may assign and transfer securities and execute any and all documents necessary to the consummation of any sale, assignment, or transfer of any security owned by the Board.

1.3 Authority to Execute Instruments Relating to Land and Mineral Interests.--The Chairman of the Board, the Vice-Chairmen, the Chancellor, or his delegate, and the Executive Vice Chancellor for Asset Management are each authorized to execute conveyances, deeds, surface and/or mineral leases, easements, rights-of-way, oil and gas division orders, and transfer orders, geophysical and material source permits, water contracts, pooling and unitization agreements, and any other instruments as may be necessary or appropriate from time to time, relating to the handling, management, control, and disposition of any real estate or mineral interest held or controlled by the Board as a part of the PUF or as a part of any trust or special fund.

1.4 Authority to Receive and Collect Money and/or Property.--The Chancellor, the Executive Vice Chancellor for Asset Management, and the Executive Director for Investments and Trusts are each authorized and empowered to ask, demand, collect, recover, and receive any and all sums of money, debts, dues, rights, property, effects, or demands, whatever, due, payable, or belonging, or that may become due, payable, or belonging to any of the above funds from investment transactions, from any person or persons, whatever, and to execute any and all necessary or proper receipts, releases, and discharges therefor.

1.5 Authority to Execute Proxies and Consent to Modifications in Bond Indentures.--The Chancellor, or his delegate, the Executive Vice Chancellor for Asset Management, the Executive Director for Investments and Trusts, and the Investment Officers are each authorized to consent to modifications in bond indentures and to execute proxies within the approved investment policies.

1.6 Authority to Deliver and Maintain Securities in Book-Entry Form.--Securities owned by the PUF or the Board may be delivered and maintained by a custodian bank or a member bank of the Federal Reserve System in book-entry form subject to applicable law.

2. The Title of Section 2 was amended to read as follows:

Sec. 2. Policy for Investment and Management of the PUF.

3. Subsections 2.1 through 2.4 were deleted and a new Subsection 2.1 was added to read as follows:

2.1 The policies for the investment of funds for the Permanent University Fund shall be those outlined in The Permanent University Fund Investment Policy Statement.

4. Present Subsection 2.7 was renumbered as Subsection 2.2 and amended to read as follows:

2.2 Advice of Investment Advisory Committee.-- The Chancellor, the Executive Vice Chancellor for Asset Management, and the Executive Director for Investments and Trusts shall seek the advice and counsel of the Investment Advisory Committee at its regular quarterly meetings and at other times as appropriate on all of the major matters involving the PUF.

5. Present Subsection 2.8 was renumbered as Subsection 2.3 and amended to read as follows:

2.3 Reports to the Regents' Land and Investment Committee.

2.31 All purchases, sales, and exchanges of investments shall be reported for ratification by the Board through the Regents' Land and Investment Committee.

2.32 The investment performance of the Fund, as measured by an unaffiliated organization, shall be reported to the Regents' Land and Investment Committee at least annually.

2.33 The nature and extent of any investments in or business transacted with any firm with which a member of The University of Texas System investment staff is affiliated will be reported to the Regents' Land and Investment Committee annually.

2.34 The Fund's investment in U. S. companies with substantive investments or operations in South Africa will be reported to the Regents' Land and Investment Committee semi-annually in combination with the status review of these firms' effective compliance with the spirit of the six key elements of the Sullivan Principles.

2.35 All proxy votes on the social issue of investment and corporate conduct in South Africa will be reported to the Regents' Land and Investment Committee.

6. The lead-in language to Subsection 2.9 and Subdivisions 2.91, 2.92, and 2.94 were deleted and existing Subdivision 2.93 was renumbered as Subsection 2.4 and amended to read as follows:

2.4 The Chancellor, the Executive Vice Chancellor for Asset Management, or the Executive Director for Investments and Trusts are each authorized to take any and all steps as may be considered necessary or advisable to protect the interest of the PUF in event of default or any other significant changes occurring with respect to any investment.

7. Subsection 2.5 was amended to read as follows:

2.5 Policies with Respect to Stock Rights, Fractional Shares, and Proxies.

2.51 Exercise of or sale of stock rights and warrants is to be made at the discretion of the Chancellor, the Executive Vice Chancellor for Asset Management, the Executive Director for Investments and Trusts, or the Investment Officers. Stock rights or warrants which arise in connection with funds under control of an unaffiliated investment manager shall be handled by that manager at its discretion.

2.52 Fractional shares which arise in connection with funds under control of an unaffiliated investment manager or the System investment staff shall be handled by that manager or the staff at its discretion.

2.53 As a general rule, voting stocks held are to be voted by returning proxies to present management. When the Executive Director for Investments and Trusts determines that a vote with management would not be in the shareholder's best financial interest, or when a proposal under consideration is of a social nature, the matter will be referred to the Chancellor or the Executive Vice Chancellor for Asset Management, or, in the event both of them are absent, to the Chairman of the Land and Investment Committee. Voting on the issue of investments and corporate conduct in South Africa shall correspond to the Regents' Policy Statement on South African Issues adopted by the Board at its February 1986 meeting.

8. Subsection 2.6 was amended to read as follows:

2.6 Exchange of Bonds.--The Chancellor, the Executive Vice Chancellor for Asset Management, the Executive Director for Investments and Trusts, and the Investment Officers are each authorized to exchange bonds owned, from time to time, on a par for par basis (with such cash adjustments as may be required) for other eligible bonds or obligations. In any such exchange the cost of the bonds exchanged out (plus or minus the cash adjustments involved) shall be carried forward as the cost of the bonds or obligations acquired, even though the sale and purchase may be effected through different brokers. Such sales and purchases may be considered as exchanges provided there has been an improvement in book yield.

9. Section 3 was amended to read as follows:

Sec. 3. Policy for Investment and Management of Trust and Special Funds.

- 3.1 Investments Authorized for Purchase.-- Unless otherwise limited by the terms of the instrument by which the fund was created, trust and special funds under the control of the Board shall be invested and reinvested in such securities and investments as are permitted by the Texas Trust Code (Subtitle B, Title 9, Texas Property Code) as legal investments for funds held by trustees.
- 3.2 The provisions of Sections 2.2, 2.3, 2.4, 2.5 and 2.6, with respect to the investment and management of the PUF, shall likewise apply to trust and special funds except that Subsection 2.32 shall be applied only when appropriate comparisons and significant amounts are involved.
- 3.3 Trust funds will be managed separately and not commingled with the Common Trust Fund if the terms of the instrument by which the fund was created or documents and instructions from the donor preclude investment through the Common Trust Fund. In addition, non-marketable securities held by a trust fund may be recorded as separately invested. All other endowment funds will be invested through the Common Trust Fund.

10. Section 4 was amended to read as follows:

Sec. 4. Policy for Investment and Management of the Common Trust Fund.

- 4.1 The policies for the investment of funds for the Common Trust Fund shall be those outlined in The Common Trust Fund Investment Policy Statement.
- 4.2 The provisions of Sections 2.2, 2.3, 2.4, 2.5 and 2.6, with respect to the investment and management of the PUF, shall likewise apply to the Common Trust Fund.

11. Present Section 5 was deleted and existing Section 6 was renumbered as Section 5 and amended to read as follows:

Sec. 5. Investment Advisory Committee.--The Investment Advisory Committee is and has been established in order to assist and advise the Chancellor, the Executive Vice Chancellor for Asset Management, and the Executive Director for Investments and Trusts with respect to matters relating to the management of investments. The following rules shall apply to such Committee:

- 5.1 Membership.--Six members of the Committee shall be selected because of their particular qualifications and experience in the field of investments, including experience in bond and corporate stock investments.

- 5.2 Selection Procedure.--Appointments to such Committee shall be made by the Board after recommendation by the Chancellor.
- 5.3 Term of Office.--Each member shall serve a three-year term, with the terms of two members expiring each August 31. A member is eligible for reappointment to a consecutive three-year term, but may not be reappointed thereafter without a three-year break in service.
- 5.4 Meetings.--Meetings shall be held quarterly and at such other dates as may be considered advisable by the Chancellor and the Executive Vice Chancellor for Asset Management.

12. Present Section 7 was renumbered as Section 6 and amended to read as follows:

Sec. 6. Investment Transactions.--Sales, purchases, and exchanges shall be effected through investment dealers or brokers in accordance with the Permanent University Fund and the Common Trust Fund Investment Policy Statements.

## II. TRUST AND SPECIAL FUNDS

### A. GIFTS, BEQUESTS AND ESTATES

1. U. T. Arlington: Acceptance of Gift from Dr. Kim Carney, Dallas, Texas, and Establishment of the Kuemmerlein Lecture Series in Economics (No Publicity).--Approval was given to accept a \$15,000 gift from Dr. Kim Carney, Dallas, Texas, and to establish the Kuemmerlein Lecture Series in Economics at The University of Texas at Arlington.

Income earned from the endowment will be used to sponsor a distinguished guest lecturer each year for the benefit of faculty and advanced graduate students in the Department of Economics.

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

2. U. T. Arlington: Approval to Accept Gift of Real Property Being 15 Acres Out of a Tract of Land Located in Baylor County, Texas, from Mr. Ted B. Court, Arlington, Texas.--The Land and Investment Committee recommended and the Board accepted a gift of real property being 15 undivided acres out of a 181.185 acre tract in Baylor County, Texas, from Mr. Ted B. Court, Arlington, Texas. Mr. Court has placed a value of \$7,500 on this gift. Proceeds from the sale of the property are for the unrestricted use of the President of The University of Texas at Arlington.

3. U. T. Arlington: Acceptance of a Lot and Townhome Being Lot 5, Somerset Lane Townhomes, Located in the City of Arlington, Tarrant County, Texas, from Dr. Fernando G. Torgerson, Arlington, Texas.--Approval was granted to accept a gift of a lot and townhome being Lot 5, Somerset Lane Townhomes, in the City of Arlington, Tarrant County, Texas, from Dr. Fernando G. Torgerson, Arlington, Texas, for the use and benefit of The University of Texas at Arlington.

This gift is subject to an agreement that Dr. Torgerson shall have use of the property for a period of three months each year extending from November 1 through January 31, and will pay all utility charges during his use of the premises. Use of the premises during the remaining nine months each year will be determined by the Office of the President of U. T. Arlington. In the event Dr. Torgerson wishes to vary his period of occupancy, the President of U. T. Arlington is authorized to negotiate a schedule which is satisfactory to both parties.

4. U. T. Austin: Hines H. Baker and Thelma Kelley Baker Professorship in Law in the Field of Jurisprudence in the School of Law - Acceptance of Pledge from Mr. James W. McCartney and Family, Houston, Texas, and Transfer of Funds from the Sheffield Challenge Fund Endowment Program and Authorization to Redesignate as the Hines H. Baker and Thelma Kelley Baker Chair in Law.--The Board accepted a \$40,000 pledge, payable prior to August 31, 1986, consisting of \$25,000 in cash and 300 shares of Exxon common stock valued at approximately \$15,000 from Mr. James W. McCartney and family, Houston, Texas, a \$50,000 transfer from the Sheffield Challenge Fund Endowment Program, and a \$120,000 transfer of accumulated income from current restricted funds for a total of \$210,000 for addition to the Hines H. Baker and Thelma Kelley Baker Professorship in Law in the Field of Jurisprudence in the School of Law at The University of Texas at Austin.

Further, the Hines H. Baker and Thelma Kelley Baker Professorship in Law in the Field of Jurisprudence was redesignated as the Hines H. Baker and Thelma Kelley Baker Chair in Law with a total endowment of over \$500,000.

5. U. T. Austin: George W. Bean Endowed Scholarship in Engineering in the College of Engineering - Authorization to Redesignate as the George W. Bean Endowed Presidential Scholarship in Engineering.--The Board, upon recommendation of the Land and Investment Committee, redesignated the George W. Bean Endowed Scholarship in Engineering in the College of Engineering at The University of Texas at Austin as the George W. Bean Endowed Presidential Scholarship in Engineering.

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

6. U. T. Austin: Fund for Motivated Students in the College of Natural Sciences - Redesignated as the Bloomer Fund for Motivated Students.--In accordance with the donor's request, approval was granted to redesignate the Fund for Motivated Students in the Department of

Geological Sciences, College of Natural Sciences, at The University of Texas at Austin as the Bloomer Fund for Motivated Students.

7. U. T. Austin: W. Kenley Clark Memorial Fund in the College of Natural Sciences - Authorization to Redesignate as the W. Kenley Clark Memorial Endowed Presidential Scholarship.--The Board redesignated the W. Kenley Clark Memorial Fund in the Department of Geological Sciences, College of Natural Sciences, at The University of Texas at Austin as the W. Kenley Clark Memorial Endowed Presidential Scholarship.

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

8. U. T. Austin: Acceptance of Gift from an Anonymous Donor and Establishment of the Regents Chair in Computer Sciences in the College of Natural Sciences and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--The Land and Investment Committee recommended and the Board accepted a \$500,000 gift from an anonymous donor and established the Regents Chair in Computer Sciences in the Department of Computer Sciences, College of Natural Sciences, at The University of Texas at Austin.

Further, the gift will be matched under The Regents' Endowed Teachers and Scholars Program and will be used to establish a second Regents Chair in Computer Sciences in the Department of Computer Sciences, College of Natural Sciences.

9. U. T. Austin: Approval to Accept a Gift of Securities and Pledge from Mr. and Mrs. James A. Michener, Austin, Texas, and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--Approval was granted to accept various common stock gifts valued at approximately \$500,000 and a pledge of approximately \$400,000, payable prior to December 31, 1987, for a total of \$900,000 from Mr. and Mrs. James A. Michener, Austin, Texas, to establish a graduate writing program at The University of Texas at Austin. Of the total funds, \$500,000 will be used for the endowment of faculty positions in support of the program and the remainder will be used to endow fellowships for graduate students in the program.

Further, funds will be reserved under The Regents' Endowed Teachers and Scholars Program for matching the gift of securities for the endowment of additional faculty positions in support of the writing program. A recommendation regarding the faculty positions and persons to be honored in the designations will be submitted at a later date as well as a recommendation regarding the structure of the graduate fellowship program.

10. U. T. Austin: Acceptance of Gift from Dr. Nasser I. Al-Rashid, Houston, Texas, and Establishment of the John E. Breen Endowed Presidential Scholarship in Civil Engineering in the College of Engineering.--The Board accepted a \$25,000 gift from Dr. Nasser I. Al-Rashid, Houston, Texas, and established the

John E. Breen Endowed Presidential Scholarship in Civil Engineering in the College of Engineering at The University of Texas at Austin.

Income earned from the endowment will be used for the benefit of outstanding junior, senior, or graduate students in the Department of Civil Engineering.

11. U. T. Austin: Acceptance of Bequest from the Estate of Harry Cohen, New York, New York, and Establishment of the Harry Cohen Endowed Scholarship.--Upon recommendation of the Land and Investment Committee, the Board accepted a \$10,000 bequest from the Estate of Harry Cohen, New York, New York, and established the Harry Cohen Endowed Scholarship at The University of Texas at Austin.

Income earned from the endowment will be used to grant scholarship(s) in accordance with the wishes expressed in Mr. Cohen's Will.

12. U. T. Austin: Approval to Accept Transfer of Funds and to Establish the Norris G. Davis Student Travel Fund in the College of Communication.--Approval was given to accept a \$12,414.50 transfer of previously reported gifts from current restricted funds and to establish the Norris G. Davis Student Travel Fund in the Department of Journalism, College of Communication, at The University of Texas at Austin.

Income earned from the endowment will be used to fund student travel to professional meetings and organizations.

13. U. T. Austin: Acceptance of Gift from Mr. Raymond F. Dawson, Austin, Texas, and Establishment of the Wilda and Raymond Dawson Endowed Presidential Scholarship in Civil Engineering in the College of Engineering.--The Land and Investment Committee recommended and the Board accepted a \$25,000 gift from Mr. Raymond F. Dawson, Austin, Texas, and established the Wilda and Raymond Dawson Endowed Presidential Scholarship in Civil 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 outstanding undergraduate and graduate students in the Department of Civil Engineering with preference given to those specializing in geotechnical engineering.

14. U. T. Austin: Acceptance of Gift from an Anonymous Donor and Establishment of the Engineering Foundation Endowed Presidential Scholarship in the College of Engineering.--Approval was given to accept a \$100,000 gift from an anonymous donor and to establish the Engineering Foundation Endowed Presidential Scholarship in the College of Engineering at The University of Texas at Austin.

Income earned from the endowment will be used to award scholarships to graduate students in the College of Engineering who are United States citizens.

15. U. T. Austin: Acceptance of Transfer of Funds and Establishment of the Margaret A. Eppright Professional Development Fund in the College of Natural Sciences.--The Board accepted a \$10,975 transfer of previously reported gifts from current restricted funds and established the Margaret A. Eppright Professional Development Fund in the Department of Home Economics, College of Natural Sciences, at The University of Texas at Austin.

Income earned from the endowment will be used to provide support for student and faculty program development in the field of nutrition.

16. U. T. Austin: Authorization to Accept Gift from Dr. Wilson M. Fraser, Houston, Texas, and to Establish the Wilson and Kathryn Fraser Charitable Remainder Unitrust in the College of Natural Sciences.--The Board authorized acceptance of a \$100,000 gift from Dr. Wilson M. Fraser, Houston, Texas, and established the Wilson and Kathryn Fraser Charitable Remainder Unitrust at The University of Texas at Austin.

The trust agreement provides for 5% of the annual fair market value of the trust assets to be paid to Dr. Fraser during his lifetime and upon his demise, the corpus and any accumulated income will be used to establish the Wilson M. and Kathryn Fraser Research Professorship in Biochemistry in the Department of Chemistry, College of Natural Sciences, at U. T. Austin.

17. U. T. Austin: Acceptance of Gift and Pledge from Mrs. T. J. Gibson, Quitman, Texas, and Establishment of the T. J. Gibson, III Endowed Scholarship Fund in the School of Law.--The Board, upon recommendation of the Land and Investment Committee, accepted a \$2,500 gift and a \$7,500 pledge, payable prior to January 31, 1989, for a total of \$10,000 from Mrs. T. J. Gibson, Quitman, Texas, and established the T. J. Gibson, III Endowed Scholarship Fund in the School of Law at The University of Texas at Austin.

Income earned from the endowment will be used to grant scholarships to deserving students in the U. T. Austin School of Law who demonstrate financial need.

18. U. T. Austin: Acceptance of Transfer of Funds and Establishment of the Fred H. Moore Endowed Presidential Scholarship in the Graduate School of Business.--Authorization was granted to accept a \$44,000 transfer of previously reported gifts from current restricted funds and to establish the Fred H. Moore 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 provide two or more scholarships annually to students in the Graduate School of Business who demonstrate financial need and academic achievement as well as future potential.

19. U. T. Austin: Acceptance of Gift from Mrs. Adele Sidney Burleson Smith, Austin, Texas, and Establishment of the William Negley Endowed Presidential Scholarship in Plan II in the College of Liberal Arts.--The Board accepted a \$12,500 gift from Mrs. Adele Sidney Burleson Smith, Austin, Texas, and a \$12,500 transfer of previously reported gifts from current restricted funds for a total of \$25,000 and established the William Negley Endowed Presidential Scholarship in Plan II in the College of Liberal Arts at The University of Texas at Austin.

20. U. T. Austin: Approval to Accept Transfer of Funds and to Establish the Donald M. Oenslager Endowed Scholarship in the College of Fine Arts.--Approval was given to accept a \$10,003.40 transfer of previously reported gifts from current restricted funds and to establish the Donald M. Oenslager Endowed Scholarship in the Department of Drama, College of Fine Arts, at The University of Texas at Austin.

Income earned from the endowment will be used to grant scholarships to students in scene design based on artistic work and creative potential.

21. U. T. Austin: Authorization to Accept Gift from Mexican-American Research, Resource, and Educational Services, Incorporated, Dallas, Texas, and to Establish the George I. Sanchez-MARRES Endowed Presidential Scholarship in Education in the College of Education.--The Board accepted a \$25,000.78 gift from Mexican-American Research, Resource, and Educational Services, Incorporated, Dallas, Texas, and established the George I. Sanchez-MARRES Endowed Presidential Scholarship in Education in the College of Education at The University of Texas at Austin.

Income earned from the endowment will be used to award scholarships to graduate students in the College of Education who demonstrate financial need and academic achievement.

22. U. T. Austin: Acceptance of Transfer of Funds and Establishment of the Texas Exes in Home Economics Scholarship Fund in the College of Natural Sciences.--Approval was granted to accept a \$10,000 transfer of previously reported gifts and to establish the Texas Exes in Home Economics Scholarship Fund in the Department of Home Economics, College of Natural Sciences, at The University of Texas at Austin.

Income earned from the endowment will be used to provide scholarships for undergraduate students majoring in home economics.

23. U. T. Austin: Acceptance of Gift from Conoco, Inc., Wilmington, Delaware, and Establishment of the Conoco North American Production Enhanced Oil Recovery Laboratory Endowment Fund in the College of Engineering.--The Board accepted a \$50,000 gift from Conoco, Inc., Wilmington, Delaware, and established the Conoco North American Production Enhanced Oil Recovery Laboratory Endowment Fund in the College of Engineering at The University of Texas at Austin.

Income earned from the endowment will be used to maintain and improve equipment and to support the research and teaching functions of a room to be named in honor of the donor.

See related item on Page 175.

24. U. T. Austin: Acceptance of Gift and Pledge from Eaton Industries of Houston, Inc., Houston, Texas, and Establishment of the Eaton Industries Drilling Engineering Laboratory Endowment in the College of Engineering.--Approval was given to accept a \$10,000 gift and a \$15,000 pledge, payable prior to December 31, 1989, from Eaton Industries of Houston, Inc., Houston, Texas, and to establish the Eaton Industries Drilling Engineering Laboratory Endowment in the College of Engineering at The University of Texas at Austin.

Income earned from the endowment will be used to maintain and improve equipment and to support the research and teaching functions of a room to be named in honor of the donor.

See related item on Page 175.

25. U. T. Austin: Acceptance of Gift of Securities from Mr. John E. Kasch, Rancho Santa Fe, California, and Corporate Matching Funds from Amoco Foundation, Inc., Chicago, Illinois, and Establishment of the John E. Kasch Classroom Endowment Fund in the College of Engineering.--The Board accepted a gift of 150 shares of Amoco Corporation common stock valued at approximately \$9,225 from Mr. John E. Kasch, Rancho Santa Fe, California, and corporate matching funds from the Amoco Foundation, Inc., Chicago, Illinois, for a total endowment of over \$10,000 and established the John E. Kasch Classroom Endowment Fund in the College of Engineering at The University of Texas at Austin.

Income earned from the endowment will be used to maintain and improve equipment and to support the research and teaching functions of a room to be named in honor of the donor.

See related item on Page 175.

26. U. T. Austin: Approval to Accept Gift from Mr. and Mrs. Arthur L. Smalley, Houston, Texas, and to Establish the Arthur L. and Ruth Britton Smalley Classroom Endowment Fund in the College of Engineering.--Upon recommendation of the Land and Investment Committee, the Board accepted a \$10,000 gift from Mr. and Mrs. Arthur L. Smalley, Houston, Texas, and established the Arthur L. and Ruth Britton Smalley Classroom Endowment Fund in the College of Engineering at The University of Texas at Austin.

Income earned from the endowment will be used to maintain and improve equipment and to support the research and teaching functions of a room to be named in honor of the donor.

See related item on Page 175.

27. U. T. El Paso: Mr. and Mrs. MacIntosh Murchison Professorship in Engineering - Acceptance of Additional Gift from Mrs. Louise B. Murchison, El Paso, Texas, and Authorization to Redesignate as the Mr. and Mrs. MacIntosh Murchison Chair in Engineering and Eligibility for Matching Funds Under the Texas Eminent Scholars Program (No Publicity).--The Board accepted a \$250,000 gift from Mrs. Louise B. Murchison, El Paso, Texas, for addition to the Mr. and Mrs. MacIntosh Murchison Professorship in Engineering at The University of Texas at El Paso for a total endowment of \$501,750 and redesignated the professorship as the Mr. and Mrs. MacIntosh Murchison Chair in Engineering.

Further, the actual income which will be earned on the gift of \$250,000 will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code.

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

28. U. T. Tyler: Establishment of the Charles L. Childers Endowed Presidential Scholarship Fund.--Approval was granted to accept \$23,100 in gifts from various donors and a \$1,900 transfer from the President's Associates Fund for a total of \$25,000 and to establish the Charles L. Childers Endowed Presidential Scholarship Fund at The University of Texas at Tyler.

29. U. T. Health Science Center - Dallas (U. T. Southwestern Medical School - Dallas): Establishment of the Dr. Charles T. Ashworth Professorship in Pathology and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--Upon recommendation of the Land and Investment Committee, the Board accepted gifts totaling \$102,210 from various donors and established the Dr. Charles T. Ashworth Professorship in Pathology 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 gifts of \$102,210 will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code.

30. U. T. Health Science Center - Dallas (U. T. Southwestern Medical School - Dallas): Authorization to Accept Gift from an Anonymous Donor and to Establish the Distinguished Chair in Neuroscience and Eligibility for Matching Funds Under the Texas Eminent Scholars Program (No Publicity).--The Board accepted a \$1,000,000 gift from an anonymous donor and established the Distinguished Chair in Neuroscience at the U. T. Southwestern Medical School - Dallas of The University of Texas Health Science Center at Dallas.

Further, the actual income which will be earned on the \$1,000,000 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.

31. U. T. Health Science Center - Dallas (U. T. Southwestern Medical School - Dallas): The Berta M. and Cecil O. Patterson Professorship for Research in Digestive Diseases - Acceptance of Additional Gift from the Margaret J. and George V. Charlton Foundation, Dallas, Texas, and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--The Board accepted an additional gift of \$25,000 from the Margaret J. and George V. Charlton Foundation, Dallas, Texas, for addition to The Berta M. and Cecil O. Patterson Professorship for Research in Digestive Diseases at the U. T. Southwestern Medical School - Dallas of The University of Texas Health Science Center at Dallas for a total endowment of \$150,000.

The actual income which will be earned on the \$25,000 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.

32. U. T. Health Science Center - San Antonio: Acceptance of Gift and Pledge from Dr. Robert Joe Chilton, San Antonio, Texas, and Establishment of the Chilton Cardiovascular Endowment Fund.--Upon recommendation of the Land and Investment Committee, the Board accepted a \$10,000 gift and a \$90,000 pledge from Dr. Robert Joe Chilton, San Antonio, Texas, and established the Chilton Cardiovascular Endowment Fund at The University of Texas Health Science Center at San Antonio.

Income earned from the endowment will be used to fund a cardiovascular library within the Briscoe Library at the U. T. Health Science Center - San Antonio by purchasing outstanding international journals in the field of cardiology.

33. U. T. Health Science Center - San Antonio: Approval to Accept Gift from Mr. and Mrs. Dan F. Parman, San Antonio, Texas, and to Establish The Dan F. Parman Chair in Medicine and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--Approval was granted to accept a \$1,000,000 gift from Mr. and Mrs. Dan F. Parman, San Antonio, Texas, through the Parman Family Charitable Trust, through the San Antonio Area Foundation, and to establish The Dan F. Parman Chair in Medicine at The University of Texas Health Science Center at San Antonio.

Further, the actual income which will be earned on the gift of \$1,000,000 will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code.

It was noted that Mr. Parman has also given his home in San Antonio, which is valued at approximately \$2,000,000, to the U. T. Health Science Center - San Antonio for use as the president's residence. See related item on Page 189.

34. U. T. Cancer Center: Acceptance of Property Being Lot 5, Block 7, Leverkusen Addition in Harris County, Texas, from Mr. Lee McLemore, Houston, Texas, and Authorization for Office of Asset Management to Enter Negotiations Related Thereto.--Approval was granted to accept a donation of property identified as Lot 5, Block 7, Leverkusen Addition in Harris County, Texas, from Mr. Lee McLemore, Houston, Texas. Based on an appraisal provided by the donor, the property has an estimated value of approximately \$50,000.

Further, the Board authorized the Office of Asset Management to negotiate for the sale of the property at fair market value and the Executive Vice Chancellor for Asset Management to execute all documents pertaining to the sale. The proceeds from the sale of this property are for the unrestricted use of The University of Texas System Cancer Center.

35. U. T. Cancer Center: Approval to Accept Partnership Interest in TL&M Investments, Kendall County, Texas, from Mr. and Mrs. Philip M. Timmins, Boerne, Texas, and Authorization for Office of Asset Management to Enter Negotiations Related Thereto.--The Board accepted a donation of forty-six percent interest in TL&M Investments, a partnership owning four lots with an area of 12.549 acres in Kendall County, Texas, from Mr. and Mrs. Philip M. Timmins, Boerne, Texas. Based on an appraisal provided by the donors, The University of Texas System Cancer Center's interest in the property is estimated to be worth approximately \$40,296.

Further, authorization was given for the Office of Asset Management to negotiate for the sale of the interest at fair market value and the Executive Vice Chancellor for Asset Management to execute all documents pertaining to the sale. The proceeds will be applied toward the establishment of a Professorship in Leukemia Research in the name of Mr. and Mrs. Timmins' daughter, Shannon Timmins.

It is understood that the net proceeds from the sale of this interest will not fully fund a professorship, but Mr. and Mrs. Timmins plan to fund the remaining amount due at a later date.

B. REAL ESTATE MATTERS

1. U. T. Arlington: Estate of Mary Elizabeth Earle Aucutt (C. J. and Clara Earle Student Scholarship and/or Loan Fund) - Authorization for Office of Asset Management to Sell Property Located at 6528 Banbury Drive, Lot 7, Block 5, Sherwood Forest Addition, Forest Hill and Two Cemetery Spaces Located at 2301 N. Sylvania Avenue, Fort Worth, Tarrant County, Texas, and Authorization for Executive Vice Chancellor for Asset Management to Execute Deeds of Sale.--Authorization was granted for the Office of Asset Management to sell at fair market value a single family residence located at 6528 Banbury Drive, Lot 7 (save and except the south six feet of said lot), Block 5, Sherwood Forest Addition in Forest Hill, and two cemetery spaces located at 2301 N. Sylvania Avenue (Plot #115, spaces 5 and 6, Rose Garden, 100 square feet, Mount Olivet Cemetery), in Fort Worth, Tarrant County, Texas.

Further, the Executive Vice Chancellor for Asset Management was authorized to execute all documents required for each transaction. Proceeds from the sale will be added to the C. J. and Clara Earle Student Scholarship and/or Loan Fund at The University of Texas at Arlington. Each sale will be reported to the U. T. Board of Regents at a future meeting.

2. U. T. Arlington: Approval for Office of Asset Management to Sell Real Property Located at 1516 Avenue D (Lake View Addition) and 1210 E. Peach Street (East 1/2 of Lot 12, Block 156) in Fort Worth, Tarrant County, Texas, and Authorization for Executive Vice Chancellor for Asset Management to Execute Deed of Sale.--The Board authorized the Office of Asset Management to sell at fair market value two lots located at 1516 Avenue D (Lot 8, Block 3, Lake View Addition) and 1210 E. Peach Street (East 1/2 of Lot 12, Block 156) in Fort Worth, Tarrant County, Texas.

The Board also authorized the Executive Vice Chancellor for Asset Management to execute all documents required for each transaction. The sale will be reported to the U. T. Board of Regents at a future meeting.

It is understood that the proceeds from the sale of the lots are for the unrestricted use of the President of The University of Texas at Arlington.

3. U. T. Arlington: Dan Gould, Sr., Center for Real Estate and Urban Development - Authorization for Office of Asset Management to Sell Real Property Located at 7602 Cranford Court, Temple O. Harris Survey, Abstract No. 645, in Tarrant County, Texas, and Authorization for the Executive Vice Chancellor for Asset Management to Execute Deed of Sale.--Upon recommendation of the Land and Investment Committee, the Board authorized the Office of Asset Management to sell at fair market value a lot located at 7602 Cranford Court, a 2.1 acre tract of land out of the Temple O. Harris Survey, Abstract No. 645, Tarrant County, Texas.

Further, the Executive Vice Chancellor for Asset Management was authorized to execute all documents required for the transaction. The proceeds from the sale will be used to support the Dan Gould, Sr., Center for Real Estate and Urban Development at The University of Texas at Arlington. The sale will be reported to the U. T. Board of Regents at a future meeting.

4. U. T. Arlington: Gift from Dr. E. Lowell Whitley and Dr. R. Kent Cherry, Arlington, Texas - Authorization for Office of Asset Management to Sell Real Property Being 1300 West Mitchell Street (Lot 5, Block 1) and 1304 West Mitchell Street (Lot 7, Block 1) Swift Addition, Arlington, Tarrant County, Texas, and Authorization for Executive Vice Chancellor for Asset Management to Execute Deed of Sale.--The Board, upon recommendation of the Land and Investment Committee, authorized the Office of Asset Management to sell at fair market value lots located at 1300 West Mitchell Street (Lot 5, Block 1, Swift Addition) and 1304 West Mitchell Street (Lot 7, Block 1, Swift Addition) in Arlington, Tarrant County, Texas.

Further, the Executive Vice Chancellor for Asset Management was authorized to execute all documents required for each transaction. The sale will be reported to the U. T. Board of Regents at a future meeting.

The proceeds from the sale of the lots, which were a gift from Dr. E. Lowell Whitley and Dr. R. Kent Cherry of Arlington, Texas, will be used for general purposes of The University of Texas at Arlington.

5. U. T. Austin: Archer M. Huntington Museum Fund - Approval to Grant Grazing Lease on 1513 Acres in the S. C. Bundick League, Galveston County, Texas, to Mr. Joe M. Robinson, Houston, Texas.--The Board granted a grazing lease covering approximately 1513 acres in the S. C. Bundick League, Galveston County, Texas (Archer M. Huntington Museum Fund - The University of Texas at Austin), to Mr. Joe M. Robinson, Houston, Texas. The term of the lease is three years, ending May 14, 1988, and the annual rental is \$4,365. The lease provides for termination by the Lessor on thirty days' notice in the event of a sale or lease for purposes other than grazing of all or any portion of the leased premises. The rental rate of \$2.88 per acre exceeds the range of \$2.50 to \$2.75 per acre for unprotected, low lying lands which were reported by a real estate appraiser and broker in the area.

6. U. T. El Paso: Estate of Josephine Clardy Fox - Approval to Lease 5001/5003 Alameda Street, El Paso, Texas, to Mr. Gonzalo Martinez, El Paso, Texas.-- Upon recommendation of the Land and Investment Committee, the Board approved a lease covering the land and improvements at 5001/5003 Alameda Street, El Paso, Texas (Estate of Josephine Clardy Fox - The University of Texas at El Paso), to Mr. Gonzalo Martinez, El Paso, Texas. The lease provides for a two-year term with a rental of \$6,000 for the first year and \$6,600 for the second. Taxes will be paid from the rents collected.

This site has a land area of approximately 15,635 square feet and is improved with a small service station building constructed in the late 1950's. At its October 1984 meeting, the U. T. Board of Regents authorized a lease of the property to Mr. Robert (Bob) Valles for a period of two years with the rental to be \$450 per month for the first year and \$500 per month for the second. The lease was cancelled in October 1985 for non-payment of rent and had been vacant since that time.

III. INTELLECTUAL PROPERTY

U. T. Austin: Assignment of a Patent Application to Dr. R. J. Lagow, Professor of Chemistry, Austin, Texas.--The Board authorized the assignment of its interest in United States Patent Application Serial Number 139,181, entitled "Method for Forming Per-fluorocarbon Ethers," to Dr. R. J. Lagow, Professor of Chemistry at The University of Texas at Austin, who is one of the co-inventors. The assignment is set forth on Pages 223 - 225.

It was noted that the invention covered by the patent application relates to a process for forming fluorinated ethers by fragmenting polyethers. Efforts to license this invention have not been successful and U. T. Austin does not regard this technology as having a potential for licensing and production of royalty income.

### ASSIGNMENT

WHEREAS, The Board of Regents (hereinafter "BOARD") of The University of Texas System (hereinafter "SYSTEM") an agency of and existing under the laws of the State of Texas and having a usual place of business at 201 West 7th Street, Austin, Texas 78701, acting on behalf of itself and its component institution, The University of Texas at Austin, desires to release its interest in an application for Letters Patent to the United States, Serial No. 139,181 entitled "Method for Forming Perfluorocarbon Ethers" in the names of R. J. Lagow and G. E. Gerhard filed April 11, 1980, in accordance with certain conditions duly entered into and set forth as follows:

NOW, THEREFORE, to all whom it may concern be it known that for and in consideration of the said conditions and other good and valuable consideration, the receipt of which is hereby acknowledged, the BOARD has sold, assigned and transferred and by these presents does hereby sell, assign and transfer unto Richard J. Lagow, his successors, assigns and legal representatives, the entire right, title and interest in and throughout the United States of America, its territories and all foreign countries, in and to the said invention as described in said application, together with the entire right, title and interest in and to said invention, application and Letters Patent as may issue thereon; said invention, application and Letters Patent to be held and enjoyed by said Richard J. Lagow for his own use and behalf and for his successors, assigns and legal representatives, to the full end of the term for which said Letters Patent may be granted as fully and entirely as the same would have been held by BOARD had this assignment and sale not been made; subject to conditions set forth below. We hereby acknowledge that this assignment, except for express conditions set forth below, is of the entire right, title and interest in and to said invention.

AND, BOARD hereby further agrees to execute upon request any other lawful documents and likewise to perform any other lawful acts which may be deemed necessary to secure fully the aforesaid invention to said Richard J. Lagow, his successors, assigns and legal representatives, but at Richard J. Lagow's expense and charges, including the execution, re-issue, divisional or continuation applications and preliminary or other statements and the giving of testimony in any interference or other proceeding in which said invention or any application or patent thereon may be involved.

The assignment herein, is expressly subject to the following conditions:

- (1) The BOARD reserves for itself and SYSTEM'S component institutions a royalty-free, nonexclusive license to internally use the invention described in said application for research and educational purposes.
- (2) Richard J. Lagow will pay to The BOARD through The University of Texas at Austin at the time of his execution of this Assignment the sum of Five Thousand Dollars (\$5,000.00) as reimbursement to the BOARD of administrative expenses for processing this Assignment and as consideration for the assignment of such invention and patent application.
- (3) Richard J. Lagow hereby reimburses The BOARD through the University of Texas at Austin, at the time of execution of this Assignment, for the patenting costs including maintenance, etc. expended on this application, to the effective date of the Assignment in the sum of Seven Thousand One Hundred Twenty-Four Dollars and four cents (\$7,124.04).
- (4) Richard J. Lagow will pay The BOARD through the University of Texas at Austin five percent (5%) of any royalty or other income that he may receive in the future which is attributable to operations under the invention claimed in said patent application or patent issuing thereon. Such payments will commence when Richard J., Lagow's net income from such operations has reached One Hundred Thousand Dollars (\$100,000.00). (Net income means gross income minus Richard J. Lagow's expenses, subsequent to the date of this Assignment, for patent maintenance, licensing and direct development costs, if any.)
- (5) Specific methods for determining the contribution of this patent application to any grouping of related patents/patent applications (with which the instant application or patent may be licensed jointly and thereby require an appropriate royalty allocation) has not been agreed upon, but can be negotiated at the time of any such licensing.
- (6) Richard J. Lagow expressly agrees to keep The University of Texas at Austin fully informed of his licensing activities hereunder and the operations thereon.
- (7) Richard J. Lagow expressly indemnifies and holds harmless BOARD, SYSTEM, University of Texas at Austin, its employees and agents against all claims, expenses and damages arising from his use of the invention in the instant application or patents issuing therefrom.

(8) Richard J. Lagow expressly waives any right, interest or claim that he might assert against the BOARD pursuant to Subsection 2.4521 of the Regents' Rules and Regulations or any prior provision of such Rules and Regulations for a share of the payments under Items (2) and (4) above.

ATTEST:

Richard J. Lagow

Gail Bruisen

GAIL BRUISEN, NOTARY PUBLIC  
COMM. EXPIRES 9-25-86

CONTENT APPROVED:

(For U. T. System)

By

William H. Cunningham

Title President

By

Title

FORM APPROVED:

[Signature]  
Office of General Counsel  
The University of Texas System

CONTENT APPROVED:  
(For U. T. System)

BOARD OF REGENTS OF THE  
UNIVERSITY OF TEXAS SYSTEM

By

James L. Duna

Title Executive Vice Chancellor  
for Academic Affairs

By

Title

Arthur H. Williams  
acting chancellor

CERTIFICATE OF APPROVAL

I hereby certify that the foregoing Agreement was approved by the Board of Regents of The University of Texas System on the 10TH day of APRIL, 1986, and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.

Arthur H. Williams  
Executive Secretary, Board of Regents  
The University of Texas System

REPORT OF BOARD FOR LEASE OF UNIVERSITY LANDS

Regent Rhodes, Vice-Chairman of the Board for Lease of University Lands, submitted the following report on behalf of that Board:

Report

The Board for Lease of University Lands has not met since the last Regents' meeting in February 1986.

I would like to advise the Board on results of the oil and gas lease sale held by the General Land Office on April 1, 1986.

The State offered 289,509 acres for lease and only 14,657 acres were leased -- about 5% of the acreage offered and this was the smallest State of Texas oil and gas complete lease sale since May 1971. The bonus per acre averaged \$202.

Another matter of interest is to remind the Board of the result of the Board for Lease sale that occurred in March 1981. At that sale, 83,000 acres were leased for an average of \$635 per acre, a one-fourth royalty, and for a five-year term. This was the best sale that the University has ever had and this period reflects the best in the oil and gas industry.

University records show that only 14,000 acres were drilled during the five-year primary term of those leases. Approximately 69,000 acres from that 1981 lease sale were never explored by the Lessee after large expenditures for those oil and gas leases. Hopefully, these 69,000 acres will be a base for the next University lease sale.

OTHER MATTERS

U. T. Board of Regents: Reappointment of Regent Jack S. Blanton as Regental Representative to the U. T. Austin Ex-Students' Association Executive Council Beginning July 1, 1986.--It was reported for the record that Regent Jack S. Blanton will continue to serve as the representative of the U. T. Board of Regents to the Executive Council of The Ex-Students' Association at The University of Texas at Austin for an additional one-year term beginning July 1, 1986.

FOUNDATION MATTERS

The Robertson-Poth Foundation and Winedale Stagecoach Inn Fund: Approval of Minutes, Addition of Executive Vice Chancellor for Asset Management to List of Authorized Signatures on Stock Powers and Election of Officers.--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 meet independently in its capacity as the Board of Trustees for The Robertson-Poth Foundation and the Winedale Stagecoach Inn Fund for the purpose of approving Minutes of the preceding meeting, adding the Executive Vice Chancellor for Asset Management to the list of authorized signatures on stock powers and electing officers. The Minutes of these meetings and the officers elected for the Winedale Stagecoach Inn Fund are recorded in the files of these foundations located in the Office of Asset Management of the U. T. System Administration and in the Office of the Board of Regents.

SCHEDULED MEETING.--Chairman Hay announced that the next meeting of the U. T. Board of Regents would be hosted by The University of Texas at Austin on June 5-6, 1986.

RECESS.--At 2:07 p.m., Chairman Hay announced that the Board would recess to convene in Executive Session to discuss matters pursuant to Vernon's Texas Civil Statutes, Article 6252-17, Sections 2(e), (f) and (g) and that the Executive Session would continue on Friday morning (April 11).

\* \* \* \* \*

Friday, April 11, 1986

At 9:00 a.m. on Friday, April 11, 1986, the members of the Board reconvened in Executive Session in Suite 621 of the Administration Building at The University of Texas Medical Branch at Galveston to discuss matters in accordance with Article 6252-17, Sections 2(e), (f) and (g) of Vernon's Texas Civil Statutes: Litigation, Land Acquisition and Personnel Matters.

RECONVENE.--At 11:45 a.m., the Board reconvened in open session for the purpose of acting on items discussed in Executive Session.

#### EXECUTIVE SESSION OF THE BOARD OF REGENTS

Chairman Hay reported that the Board had met in Executive Session in Suite 621 of the Administration Building at the U. T. Medical Branch - Galveston on Thursday afternoon (April 10) following the meetings of the Standing Committees and continued its meeting on Friday morning (April 11) 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. Health Science Center - Houston: Settlement of Medical Malpractice Litigation -- Shirley Ann Charavay, Independent Executrix and as Next Friend of Douglas Jean Charavay and Kimberly Sue Charavay, Minor Children, and as Representative of Frederick Jean Charavay, Deceased.-- Regent Briscoe moved that the Office of the Chancellor and the Office of General Counsel be authorized to settle on behalf of The University of Texas Health Science Center at Houston the medical malpractice lawsuit filed by Shirley Ann Charavay, Independent Executrix and as Next Friend of Douglas Jean Charavay and Kimberly Sue Charavay, Minor Children, and as Representative of Frederick Jean Charavay, deceased, in accordance with the proposal presented in Executive Session.

Vice-Chairman Ratliff seconded the motion which prevailed without objection.

2. U. T. El Paso: Consideration of Negotiated Amendment to Lease of Real Estate (Withdrawn).--Chairman Hay reported that the item related to negotiations on behalf of The University of Texas at El Paso concerning the amendment to a lease of real estate was withdrawn from consideration.

3. U. T. Health Science Center - Houston and U. T. Cancer Center: Authorization for Office of the Chancellor and the Office of General Counsel to Conclude Negotiations on the Potential Acquisition of a Future Interest in Certain Real Estate in the City of Houston, Harris County, Texas.--Regent Briscoe moved that the Office of the Chancellor and the Office of General Counsel be authorized to conclude negotiations on behalf of The University of Texas Health Science Center at Houston and The University of Texas System Cancer Center for the potential acquisition of a future interest in certain real estate in the City of Houston, Harris County, Texas, within the parameters discussed in Executive Session and that upon satisfactory conclusion, the Chairman of the U. T. Board of Regents be authorized to execute all necessary documents, after approval as to form by the Office of General Counsel.

Regent Blanton seconded the motion which carried by unanimous vote.

4. U. T. Health Science Center - San Antonio: Authorization for Office of the Chancellor and the Office of General Counsel to Conclude Negotiations for the Gift/Acquisition of Certain Real Estate in San Antonio, Bexar County, Texas.--Regent Yzaguirre moved that the Office of the Chancellor and the Office of General Counsel be authorized to conclude negotiations on behalf of The University of Texas Health Science Center at San Antonio for the gift/acquisition of certain real estate in San Antonio, Bexar County, Texas, within the parameters discussed in Executive Session and that upon satisfactory conclusion, the Chairman of the Board of Regents be authorized to execute all necessary documents, after approval as to form by the Office of General Counsel.

Vice-Chairman Baldwin seconded the motion which carried without objection.

#### REPORT OF SPECIAL COMMITTEE

U. T. Dallas - Special Committee on Endowment Lands in Collin and Dallas Counties, Texas: Authorization for U. T. Dallas Administration to Enter Into Negotiations to Dispose of the Temporary Administration Building and Its Eight-Acre Site and to Evaluate All Offers and to Make Recommendations for the Disposition of the Temporary Administration Building and Site.--Regent Rhodes presented the following report of the Special Committee on Endowment Lands in Collin and Dallas Counties, Texas, which was adopted by unanimous vote:

#### Report

The Special Committee on Endowment Lands in Collin and Dallas Counties, Texas, met at The University of Texas Medical Branch at Galveston on Thursday, April 10, 1986, to discuss the disposition of the

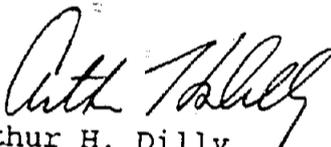
Temporary Administration Building at The University of Texas at Dallas. After due consideration, the Committee:

- a. Authorized the U. T. Dallas Administration to enter into negotiations to dispose of the Temporary Administration Building and its eight-acre site
- b. Authorized U. T. Dallas, in association with the Office of Asset Management, to evaluate all offers and to make recommendations to the Special Committee on Endowment Lands in Collin and Dallas Counties for the disposition of the Temporary Administration Building and site.

It was reported that the existing Administration Building, which was built utilizing minimum construction standards in 1966, has always been considered a temporary location for the U. T. Dallas Administration due to its remote location from the core of the campus which complicates administration and supervision of day-to-day activities. The proceeds from the disposition of the temporary building and site will be used to construct an addition to the Multipurpose and Engineering Start-Up Facility.

See related item on Page 188.

ADJOURNMENT.--There being no further business, the meeting was adjourned at 11:50 a.m.

  
Arthur H. Dilly  
Executive Secretary

April 17, 1986