

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

VOLUME XXXIII - E

Meeting No. 816

May 12, 1986

Austin, Texas

and

Meeting No. 817

June 5-6, 1986

Austin, Texas

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

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MEETING NO. 816

MONDAY, MAY 12, 1986.--The members of the Board of Regents of The University of Texas System convened at 9:35 a.m. on Monday, May 12, 1986, in the Regents' Meeting Room on the ninth floor of Ashbel Smith Hall in Austin, Texas, with the following in attendance:

ATTENDANCE.--

Present

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

Absent

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 special meeting of the Board to order.

In response to Chairman Hay's inquiry regarding the wishes of the Board, the following actions were taken:

1. U. T. Board of Regents: Consideration of Matters Related to Authorization for the Issuance and Sale of Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1986 (Withdrawn).--Executive Vice Chancellor for Asset Management Patrick reported that the item related to the issuance and sale of Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1986, was withdrawn from consideration.
2. U. T. Board of Regents: Resolution Authorizing Issuance and Sale of the Board of Regents of The University of Texas System, The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986, in the Amount of \$36,410,000; Designation of MBank Dallas, National Association, Dallas, Texas, as Paying Agent/Registrar, and MBank Houston, National Association, Houston, Texas, as Escrow Agent; and Authorization for Appropriate Officers to Take Any Actions Necessary to Complete This Refunding.--At its April 1986 meeting, the U. T. Board of Regents authorized the Office of Asset Management and the Office of General Counsel to take all necessary steps to bring to the Board at a special meeting a firm recommendation concerning advance refunding of the Board of Regents of The University of Texas System, The University of Texas at Austin Building Revenue Bonds, Series 1974 and Series 1978, in the amount of \$46,130,000.

Chairman Hay called on Executive Vice Chancellor for Asset Management Patrick to review the recommendations related to advance refunding of The University of Texas at Austin Building Revenue Bonds, Series 1974 and Series 1978, with a new refunding issue.

Following a detailed presentation and upon motion of Vice-Chairman Ratliff, seconded by Regent Blanton, the Board unanimously:

- a. Approved the Resolution (Attachment A) (1) authorizing the issuance, sale and delivery of Board of Regents of The University of Texas System, The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986, in the amount of \$36,410,000; (2) authorizing the execution of an Escrow Agreement related to this refunding; and (3) authorizing the instruments and procedures set forth in Attachment A on Pages 3 - 45.

Coincident with the approval of the Resolution (Attachment A), the Board also approved the documents substantially in the form set forth in the Attachments listed below:

- Attachment B, Escrow Agreement (Page 46)
 - Attachment C, Official Statement (Page 69)
 - Attachment D, Purchase Contract (Page 136)
 - Attachment E, Paying Agent/Registrar Agreement (Page 155).
- b. Designated MBank Dallas, National Association, Dallas, Texas, as Paying Agent/Registrar
 - c. Designated MBank Houston, National Association, Houston, Texas, as Escrow Agent
 - d. Approved the sale of the refunding bonds according to the terms and conditions presented at the meeting
 - e. Authorized the appropriate officers of the U. T. Board of Regents and the U. T. System Administration to take any other actions necessary and appropriate to complete the refunding.

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

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

- (a) Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1974; and
- (b) Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Refunding Bonds, Series 1978;

(collectively, the "Outstanding Bonds"); and

WHEREAS, the above Series of bonds are now outstanding in the aggregate principal amount of \$46,130,000, and the Board of Regents of The University of Texas System has determined to refund all of said Outstanding Bonds and to additionally provide funds to acquire, construct and equip buildings, structures and facilities on the campus of The University of Texas at Austin, Austin, Texas; and

WHEREAS, the bonds hereinafter authorized are to be issued and delivered pursuant to Vernon's Ann. Tex. Civ. St. Articles 717k, 717q, Chapter 55, Texas Education Code, and other applicable laws; Now, Therefore

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

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

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

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

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

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

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

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

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

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

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

(v) certificates of deposit, whether negotiable or non-negotiable, issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association, provided that such certificates of deposit shall be purchased directly from such bank, trust company, or national banking association and shall be either (A) continuously and fully insured by the Federal Deposit Insurance Corporation, or (B) continuously and fully secured by such securities as are described above in clauses (i)

through (iv), inclusive, which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with or as directed by the Board, by the bank, trust company, or national banking association issuing such certificates of deposit;

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

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

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

(ix) any reverse repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the

securities described in clauses (i), (ii), or (iii) above, and with the securities lodged with or as directed by the Board;

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

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

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

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

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

The term "Pledged Available Fund Surplus" shall have the meaning and be described and defined as follows: The term "Permanent University Fund" means the fund designated by that name which was created pursuant to Article VII, Sections 10, 11, 11a, 15, and 18 of the Texas Constitution, as amended, and is and will be governed by applicable present and future constitutional and statutory provisions. The term "Available University Fund" means the fund or funds designated by that name or any other name or names into which, or to the credit of which, the dividends, interest, and other income from the Permanent University Fund are deposited pursuant to applicable present and future constitutional and statutory provisions. Under present law, and after payment of expenses of administration of the Permanent University Fund, the Available University Fund is pledged and first used for the payment of principal of and interest on Permanent University Fund Bonds or Notes heretofore and hereafter issued by The Texas A&M University System and by The University of Texas System pursuant to Article VII,

Section 18 of the Texas Constitution, as amended. Traditionally, and without exception, the Texas Legislature biennially has granted and appropriated the constitutionally apportioned share of the balance in the Available University Fund to The Texas A&M University System, and has granted and appropriated the constitutionally apportioned share of such balance to the Board for the support and maintenance of The University and The University of Texas System administration. The term "Pledged Available Fund Surplus" means any part of the aforesaid amount of the Available University Fund that is actually granted or appropriated by the Texas Legislature for the support and maintenance of The University, or otherwise appropriated or made available to the Board or The University of Texas System from time to time, in any manner that will permit the use thereof by the Board or The University of Texas System to pay principal of and interest on the Bonds or Additional Bonds. It is hereby recognized that the Pledged Available Fund Surplus is and has been security for and pledged to the obligations being refunded by the Bonds, that such security and pledge merely will be continued and retained for the Bonds, and that such pledge and security have enabled the Board to acquire and construct permanent improvements, new construction, and equipment constituting the Project which has been provided through the issuance of the obligations being refunded, and have been essential to the Board in carrying out its policy of promoting excellence in education at the University.

The term "Pledged Revenues" means collectively (a) any Pledged Available Fund Surplus, (b) the Special Fee, (c) all interest, income, and earnings derived from the deposit and investment of the Interest and Sinking Fund and the Reserve Fund, and (d) any additional revenues, income, receipts, or other resources whatsoever received or to be received from any public or private source, whether pursuant to an agreement or otherwise, which hereafter may be pledged to the payment of the Bonds or the Additional Bonds.

The term "Project" means and includes the following facilities which have been acquired, constructed, and equipped in Austin, Texas, at the University, for and on behalf of the University, with proceeds from the sale of the bonds being refunded by the Bonds:

(a) A University Special Events Center, consisting of a building and coliseum providing participant and spectator facilities for intercollegiate basketball games and for University related convocations and events such as graduation ceremonies, lectures, concerts, and theatrical presentations, with seating accommodations for approximately 16,500 persons;

(b) A college of Fine Arts and Department of Music Performing Arts Center Complex, comprised of the following:

- (1) A University Concert Hall and Music Theatre, consisting of an approximately 3000 seat theatre and related support facilities for concerts, recitals, opera, and ballet performances;
- (2) A University Opera Laboratory Theatre, consisting of an approximately 400 seat theatre and related support facilities for operatic training and performances; and
- (3) University Drama Workshops and technical support facilities for the University Concert Hall and Music Theatre and the University Opera Laboratory Theatre; and

(c) All buildings, facilities, and services of all of the foregoing, together with all future improvements, enlargements, and additions thereto, and replacements thereof, acquired or constructed from any sources including the issuance of any Additional Bonds.

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

The term "Special Fee" means the gross collections of a special fee to be fixed, charged, and collected from all students (excepting any category of students now exempt by law from paying fees) enrolled at The University, for the use and availability of all or any part of the Project, in the manner and to the extent provided in this Resolution, and pledged to the payment of the Bonds and any Additional Bonds, and it is recognized that the Special Fee is security for and has been pledged to the bonds being refunded by the Bonds.

The term "The University" means The University of Texas at Austin.

Section 2. AMOUNT, PURPOSE, AND DESIGNATION OF THE BONDS. The bond or bonds of the Issuer are hereby authorized to be issued and delivered in the aggregate principal amount of \$36,410,000 FOR THE PURPOSE OF PROVIDING FUNDS TO REFUND THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT AUSTIN, BUILDING REVENUE BONDS NOW OUTSTANDING IN THE AGGREGATE PRINCIPAL AMOUNT OF \$46,130,000 AND FOR THE PURPOSE OF PROVIDING FUNDS TO ACQUIRE, CONSTRUCT AND EQUIP BUILDINGS, STRUCTURES AND FACILITIES ON THE CAMPUS OF THE UNIVERSITY OF TEXAS AT AUSTIN, AUSTIN, TEXAS. Each bond issued pursuant to this Resolution shall be designated: "BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT AUSTIN, BUILDING REVENUE REFUNDING BOND, SERIES 1986", and initially there shall be issued, sold, and delivered hereunder a fully registered bond, without interest coupons,

payable in installments (the "Initial Bond"), but the Initial Bond may be assigned and transferred and/or converted into and exchanged for other fully registered bonds, in the denomination of \$5,000 or any integral multiple of \$5,000 in principal amount (the "Authorized Denominations"), all in the manner hereinafter provided.

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

(a) The Initial Bond is hereby authorized to be issued, sold, and delivered hereunder as a single fully registered Bond, without interest coupons, dated MAY 1, 1986, in the denomination and aggregate principal amount of \$36,410,000, numbered R-1, payable in annual installments of principal to the initial registered owner thereof, to-wit:

JIMCO,

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

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

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

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

FORM OF INITIAL BOND

NO. R-1

\$36,410,000

UNITED STATES OF AMERICA
STATE OF TEXAS
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM,
THE UNIVERSITY OF TEXAS AT AUSTIN,
BUILDING REVENUE REFUNDING BOND,
SERIES 1986

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

JIMCO

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

\$36,410,000

(THIRTY SIX MILLION FOUR HUNDRED TEN THOUSAND DOLLARS)

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

<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>
\$ 855,000	1987	\$ 1,640,000	1992
1,320,000	1988	1,750,000	1993
1,385,000	1989	1,860,000	1994
1,465,000	1990	1,985,000	1995
1,550,000	1991	2,120,000	1996
		20,480,000	2004

and to pay interest, calculated on the basis of a 360-day year composed of twelve 30-day months, from MAY 1, 1986, which is the date of this Bond, on the balance of each such installment of principal, respectively, from time to time remaining unpaid, at the rates as follows:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Interest Rate</u>
1987	4.70%	1992	6.25%
1988	5.20%	1993	6.50%
1989	5.50%	1994	6.70%
1990	5.75%	1995	6.90%
1991	6.00%	1996	7.10%
		2004	7.625%

with said interest being payable on JANUARY 1, 1987, and semi-annually on each JULY 1 and JANUARY 1 thereafter while this Bond or any portion hereof is outstanding and unpaid.

THE INSTALLMENTS OF PRINCIPAL OF AND THE INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The installments of principal and the interest on this Bond are payable to the registered owner hereof through the services of MBank Dallas, National Association, Dallas, Texas, which is the "Paying Agent/Registrar" for this Bond. Payment of all principal of and interest on this Bond shall be made by the Paying Agent/-Registrar to the registered owner hereof on each principal and/or interest payment date by check, dated as of such date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the resolution authorizing the issuance of this Bond (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each principal and/or interest payment date, to the registered owner hereof at the address of the registered owner as it appeared on the 15th day of the month next preceding such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner hereof. The Issuer covenants with the registered owner of this Bond that prior to each principal and/or interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund", as defined and described in the Bond Resolution (the "Interest and Sinking Fund"), the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on this Bond, when due.

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

THIS BOND has been authorized FOR THE PURPOSE OF PROVIDING FUNDS TO REFUND THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT AUSTIN, BUILDING REVENUE BONDS NOW OUTSTANDING IN THE AGGREGATE PRINCIPAL AMOUNT OF \$46,130,000 AND FOR THE PURPOSE OF PROVIDING FUNDS TO ACQUIRE, CONSTRUCT AND EQUIP BUILDINGS, STRUCTURES AND FACILITIES ON THE CAMPUS OF THE UNIVERSITY OF TEXAS AT AUSTIN, AUSTIN, TEXAS.

ON JULY 1, 1996, or on any date thereafter, the unpaid installments of principal of this Bond may be prepaid or redeemed prior to their scheduled due dates, at the option of the Issuer, with funds derived from any available source, as a whole, or in part, and, if in part, the particular portion of this Bond to be prepaid or redeemed shall be selected and designated by the Issuer (provided that a portion of this Bond may be redeemed only in an integral multiple of \$5,000), at a prepayment or redemption price equal to the par or principal amount thereof and accrued interest to the date fixed for prepayment or redemption.

ON JULY 1, 1997, and on JULY 1 of each year thereafter, the installment of principal of this Bond which is due and payable on July 1, 2004, is subject to mandatory sinking fund prepayment or redemption prior to its scheduled due date, and shall be prepaid or redeemed by the Issuer, in part, prior to its scheduled due date, with money from the Interest and Sinking Fund, at a prepayment or redemption price equal to the principal amount thereof and accrued interest to the date of prepayment or redemption, on the dates, and in the principal amounts, respectively, as set forth in the following schedule:

Prepayment or Redemption
Dates

Principal Amounts

July 1, 1997	\$ 2,265,000
July 1, 1998	2,345,000
July 1, 1999	2,165,000
July 1, 2000	2,340,000
July 1, 2001	2,525,000
July 1, 2002	2,720,000
July 1, 2003	2,935,000
July 1, 2004 (maturity)	3,185,000

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

AT LEAST 30 days prior to the date fixed for any such prepayment or redemption a written notice of such prepayment or redemption shall be mailed by the Paying Agent/Registrar to the registered owner hereof. By the date fixed for any such prepayment or redemption due provision shall be made by the Issuer with the Paying Agent/Registrar for the payment of the required prepayment or redemption price for this Bond or the portion hereof which is to be so prepaid or redeemed, plus accrued interest thereon to the date fixed for prepayment or redemption. If such written notice of prepayment or redemption is given, and if due provision for such payment is made, all as provided above, this Bond, or the portion thereof which is to be so prepaid or redeemed, thereby automatically shall be treated as prepaid or redeemed prior to its scheduled due date, and shall not bear interest after the date fixed for its prepayment or redemption, and shall not be regarded as being outstanding except for the right of the registered owner to receive the prepayment or redemption price plus accrued interest to the date fixed for prepayment or redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/Registrar shall record in the Registration Books all such prepayments or redemptions of principal of this Bond or any portion hereof.

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

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

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

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

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, sold, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; and that the interest on and principal of this Bond are secured by and payable from a first lien on and pledge of the "Pledged Revenues", as defined and described in the Bond Resolution, which include any Pledged Available Fund Surplus, a student Special Fee, and certain investment income.

THE ISSUER has reserved the right, subject to the restrictions referred to in the Bond Resolution, (i) to issue additional parity revenue bonds which also may be secured by and

made payable from a first lien on and pledge of the aforesaid Pledged Revenues, in the same manner and to the same extent as this Bond, and (ii) to amend the Bond Resolution with the approval of the owners of 51% in Outstanding Principal Amount, as defined in the Bond Resolution of all outstanding bonds which are secured by and payable from a first lien on and pledge of the aforesaid Pledged Revenues.

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

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

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed with the manual signature of the Chairman of the Issuer and countersigned with the manual signature of the Executive Secretary of the Issuer, has caused the official seal of the Issuer to be duly impressed on this Bond, and has caused this Bond to be dated MAY 1, 1986.

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

Chairman, Board of Regents of
The University of Texas System

(BOARD
SEAL)

[FORM OF COMPTROLLER'S REGISTRATION CERTIFICATE]

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.

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

the State of Texas, and that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this

Comptroller of Public Accounts
of the State of Texas

(COMPTROLLER'S SEAL)

Section 5. ADDITIONAL CHARACTERISTICS OF THE BONDS.
Registration and Transfer. (a) The Issuer shall keep or cause to be kept at the principal corporate trust office of MBank Dallas, National Association, Dallas, Texas (the "Paying Agent/Registrar") books or records of the registration and transfer of the Bonds (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such transfers and registrations under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such transfers and registrations as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Issuer shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. Registration of each Bond may be transferred in the Registration Books only upon presentation and surrender of such Bond to the Paying Agent/Registrar for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing (i) the assignment of the Bond, or any portion thereof in any Authorized Denomination to the assignee or assignees thereof, and (ii) the right of such assignee or assignees to have the Bond or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Bond or any portion thereof, a new substitute Bond or Bonds shall be issued in conversion and exchange therefor in the manner herein provided. The Initial Bond to the extent of the unpaid or unredeemed principal balance thereof, may be assigned and transferred by the initial registered owner thereof once only, and to one or more assignees designated in writing by the initial registered owner thereof. All Bonds issued and delivered in conversion of and

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

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

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

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

(d) Conversion and Exchange or Replacement; Authentication. The Initial Bond issued and delivered pursuant to this Resolution, to the extent of the unpaid or unredeemed principal balance, or principal amount thereof, may, upon surrender of such Bond at the principal corporate trust office of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, may, at the option of the registered owner or such assignee or assignees, as appropriate, be converted into and exchanged for fully registered bonds, without interest coupons, in the appropriate form prescribed in the form of substitute bond set forth in this Resolution, in Authorized Denominations, (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated maturity date), as requested in writing by such registered owner or such assignee or assignees, in an aggregate principal amount equal to the unpaid or unredeemed principal balance or principal amount of any Bond or Bonds so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If the Initial Bond is assigned and transferred or converted each substitute Bond issued in exchange for any portion of such Initial Bond

shall have a single stated maturity date, and shall not be payable in installments; and each such Bond shall have a maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate borne by and payable in the same manner as provided for the installment of principal or portion thereof for which it is being exchanged. If a portion of any Bond (other than the Initial Bond) shall be redeemed prior to its scheduled maturity as provided herein, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, and payable in the same manner, in Authorized Denominations at the request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation. If any Bond or portion thereof (other than the Initial Bond) is assigned and transferred or converted, each Bond issued in exchange therefor shall have the same maturity date and bear interest at the same rate and payable in the same manner as the Bond for which it is being exchanged. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond. The Paying Agent/Registrar shall convert and exchange or replace Bonds as provided herein, and each fully registered bond delivered in conversion of and exchange for or replacement of any Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Bonds for all purposes of this Resolution, and may again be converted and exchanged or replaced. The Initial Bond issued and delivered pursuant to this Resolution is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in conversion of and exchange for or replacement of any Bond or Bonds issued under this Resolution there shall be printed a certificate, in the form substantially as follows:

"PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

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

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

Dated

Authorized Representative

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

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

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

(g) Substitute Paying Agent/Registrar. The Issuer covenants with the registered owners of the Bonds that at all times while the Bonds are outstanding the Issuer will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar for the Bonds under this Resolution, and that the Paying Agent/Registrar will be one entity. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Issuer covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Resolution, and a certified copy of this Resolution shall be delivered to each Paying Agent/Registrar.

Section 6. FORM OF SUBSTITUTE BONDS. The form of all Bonds issued in conversion and exchange or replacement of any other Bond or portion thereof, including the form of Paying Agent/Registrar's Certificate to be printed on each of such Bonds, and the Form of Assignment to be printed on each of the Bonds, shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Resolution.

FORM OF SUBSTITUTE BOND

NO. _____ UNITED STATES OF AMERICA PRINCIPAL
AMOUNT

STATE OF TEXAS \$ _____
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM,
THE UNIVERSITY OF TEXAS AT AUSTIN,
BUILDING REVENUE REFUNDING BOND,
SERIES 1986

INTEREST RATE MATURITY DATE CUSIP NO.

_____ %

PRINCIPAL AMOUNT

DOLLARS

REGISTERED OWNER:

ON THE MATURITY DATE specified above the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the "Issuer"), being an agency and political subdivision of the State of Texas, hereby promises to pay to the registered owner specified above the registered assignee hereof (either being hereinafter called the "registered owner") the principal amount specified above and to pay interest thereon, calculated on the basis of a 360-day year composed of twelve 30-day months, from MAY 1, 1986, to the maturity date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; with interest being payable on JANUARY 1, 1987, and semiannually on each JULY 1 and JANUARY 1 thereafter, except that if the date of authentication of this Bond is later than DECEMBER 15, 1986, such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date (hereinafter defined) but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of MBank Dallas, National Association, Dallas, Texas, which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the resolution authorizing the issuance of the Bonds (the "Bond Resolution") to be on

deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the 15th day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner hereof. Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner at the principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of this Bond for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar. The Issuer covenants with the registered owner of this Bond that on or before each principal payment date, interest payment date, and accrued interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

ON JULY 1, 1996, or on any date thereafter, the Bonds of this Series may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the Issuer (provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000), at a redemption price equal to the par or principal amount thereof and accrued interest to the date fixed for redemption.

ON JULY 1, 1997, and on JULY 1 of each year thereafter, the Bonds of this issue scheduled to mature on July 1, 2004, are subject to mandatory sinking fund redemption prior to their scheduled maturity and shall be redeemed by the Issuer, in part, prior to their scheduled maturity, with the particular Bonds or portions thereof to be redeemed to be selected and designated by the Issuer (provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000), with money from the Interest and Sinking Fund, at a redemption price equal to the par or principal amount thereof and accrued interest to the date of redemption, on the dates, and in the principal amounts, respectively, as set forth in the following schedule:

<u>Prepayment or Redemption Dates</u>	<u>Principal Amounts</u>
July 1, 1997	\$ 2,265,000
July 1, 1998	2,345,000
July 1, 1999	2,165,000
July 1, 2000	2,340,000
July 1, 2001	2,525,000
July 1, 2002	2,720,000
July 1, 2003	2,935,000

The principal amount of the Bonds required to be redeemed on each such redemption date pursuant to the foregoing operation of the mandatory sinking fund shall be reduced, at the option of the Issuer, by the principal amount of any Bonds scheduled to mature on July 1, 2004, which, at least 45 days prior to the mandatory sinking fund redemption date, (1) shall have been acquired by the Issuer and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been acquired and cancelled by the Paying Agent/Registrar at the direction of the Issuer, with funds from the Interest and Sinking Fund, in either case of (1) or (2) at a price not exceeding the par or principal amount of such Bonds and accrued interest to the date of purchase thereof, or (3) have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory sinking fund redemption.

AT LEAST 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be published once in a financial publication, journal, or report of general circulation among securities dealers in The City of New York, New York (including, but not limited to, The Bond Buyer and The Wall Street Journal), or in the State of Texas (including, but not limited to, The Texas Bond Reporter). Such notice also shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, not less than 30 days prior to the date fixed for any such redemption, to the registered owner of each Bond to be redeemed at its address as it appeared on the 45th day prior to such redemption date; provided, however, that the failure to send, mail, or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond, and it is hereby specifically provided that the publication of such notice as required above shall be the only notice actually required in connection with or as a prerequisite to the redemption of any Bonds or portions thereof. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment

of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such written notice of redemption is published and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/ Registrar out of the funds provided for such payment. If a portion of any Bond shall be redeemed a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, payable in the same manner, in any authorized denominations, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Bond Resolution.

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

THIS BOND is one of an issue of Bonds initially dated MAY 1, 1986, authorized in the principal amount of \$36,410,000, FOR THE PURPOSE OF PROVIDING FUNDS TO REFUND THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT AUSTIN, BUILDING REVENUE BONDS NOW OUTSTANDING IN THE AGGREGATE PRINCIPAL AMOUNT OF \$46,130,000 AND FOR THE PURPOSE OF PROVIDING FUNDS TO ACQUIRE, CONSTRUCT AND EQUIP BUILDINGS, STRUCTURES AND FACILITIES ON THE CAMPUS OF THE UNIVERSITY OF TEXAS AT AUSTIN, AUSTIN, TEXAS.

THIS BOND OR ANY PORTION OR PORTIONS HEREOF IN ANY AUTHORIZED DENOMINATION may be assigned and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any authorized

denomination to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. The form of Assignment printed or endorsed on this Bond shall be executed by the registered owner or its duly authorized attorney or representative, to evidence the assignment hereof. A new Bond or Bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds), or to the previous registered owner in the case of the assignment and transfer of only a portion of this Bond, may be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other Bonds. The Issuer shall pay the Paying Agent/Registrar's fees and charges, if any, for making such transfer, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of this Bond or any portion hereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following interest payment date, or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date. The registered owner of this Bond shall be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

ALL BONDS OF THIS SERIES are issuable solely as fully registered bonds, without interest coupons, in the denomination of any integral multiple of \$5,000 of principal amount. As provided in the Bond Resolution, this Bond, or any unredeemed portion hereof, may, at the request of the registered owner or the assignee or assignees hereof, be converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date, in the same form, and bearing interest at the same rate, in any authorized denomination as requested in writing by the appropriate registered owner, assignee, or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging any Bond or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition

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

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

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; and that the interest on and principal of this Bond, and other Bonds of this Series, are equally and ratably secured by and payable from a first lien on and pledge of the "Pledged Revenues", as defined and described in the Bond Resolution, which include any Pledged Available Fund Surplus, a student Special Fee, and certain investment income.

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

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

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

provisions of this Bond and the Bond Resolution constitute a contract between each registered owner hereof and the Issuer.

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

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

(BOARD SEAL)

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

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

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

Dated

Authorized Representative

FORM OF ASSIGNMENT:

ASSIGNMENT

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

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

_____ and hereby irrevocably constitutes and appoints

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

Dated: _____

Signature Guaranteed:

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

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

Section 7. SECURITY AND PLEDGE. The Bonds and any Additional Bonds, and the interest thereon, are and shall be secured by and payable from a first lien on and pledge of the Pledged Revenues, and the Pledged Revenues are further pledged to the establishment and maintenance of the Interest and Sinking Fund and the Reserve Fund as provided in this Resolution.

Section 8. REVENUE FUND. There is hereby created and there shall be established on the books of the Board a separate account or accounts which individually or collectively shall be known as the "Building Revenue Bonds Revenue Fund" (herein called the "Revenue Fund"). Subject to the provisions of Section 11, all collections of Pledged Revenues, other than Pledged Available Fund Surplus, shall be credited to the Revenue Fund immediately upon receipt.

Section 9. INTEREST AND SINKING FUND. To pay the principal of and interest on all outstanding Bonds and any Additional Bonds, as the same come due, there is hereby created and there shall be established on the books of the Board a separate account to be entitled the "Building Revenue Bonds Interest and Sinking Fund" (herein called the "Interest and Sinking Fund").

Section 10. RESERVE FUND. There is hereby created and there shall be established on the books of the Board a separate account to be entitled the "Building Revenue Bonds Reserve Fund" (herein called the "Reserve Fund"). The Reserve Fund shall be used finally in retiring the last of the outstanding Bonds and Additional Bonds, or for paying principal of and interest on any outstanding Bonds and Additional Bonds, when and to the extent the amount in the Interest and Sinking Fund is insufficient for such purpose.

Section 11. INVESTMENTS. (a) Money in any account or Fund established pursuant to this Resolution may, at the option of the Board, be placed in time deposits secured by Investment

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

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

Section 12. INTEREST AND SINKING FUND DEPOSITS. (a) Immediately after the delivery of the Initial Bond the Board shall deposit all accrued interest received from the sale and delivery of the Initial Bond, to the credit of the Interest and Sinking Fund.

(b) The Board shall transfer or cause to be transferred from any Pledged Available Fund Surplus in the Available University Fund and deposit, or cause to be deposited, to the credit of the Interest and Sinking Fund the amounts, at the times, as follows:

(1) on or before January 1, 1987, and semiannually on or before each July 1 and January 1 thereafter, such amounts as will be sufficient, together with other amounts, if any, then on hand in the Interest and Sinking Fund and available for such purpose, to pay the interest scheduled to accrue and come due on the Bonds on the next succeeding interest payment date; and

(2) on or before July 1, 1987, and annually on or before each July 1 thereafter, an amount sufficient, together with other amounts, if any, then on hand in the Interest and Sinking Fund and available for such purpose, to pay the principal of the Bonds scheduled to mature and come due or mandatorily required to be redeemed prior to maturity on such July 1;

provided and except, however, that after July 1, 1987, the Board may, at its option, make all or any part of each such aforesaid deposit required to be made to the credit of the Interest and Sinking Fund either from any Pledged Available Fund Surplus, or from the Special Fee in the manner as provided in Sections 14 and 15 or from any other available source; and further provided that for all purposes of this resolution, the actual deposit of any Pledged Available Fund Surplus directly with the Paying Agent/Registrar in the amounts and at the times as required by Section 17(a) shall constitute and be the equivalent of the deposit of such amounts to the credit of the Interest and Sinking Fund.

Section 13. RESERVE FUND DEPOSITS. Immediately after the delivery of the Initial Bond the Board shall deposit, from proceeds from the sale of the Initial Bond, or from any other funds available to the Board, to the credit of the Reserve Fund an amount equal to the Required Amount, as hereinafter defined. So long as the money and investments credited to the Reserve Fund are not less than a required amount equal to the lesser of (1) the principal and interest (debt service) requirements of all then outstanding Bonds and Additional Bonds during the fiscal year in which such requirements are scheduled to be the greatest, or (2) 1.25 times the average annual principal and interest (debt service) requirements of all then outstanding Bonds and Additional Bonds, (the "Required Amount"), no deposits shall be credited to the Reserve Fund. However, if the Reserve Fund at any time contains less than the Required Amount, then, subject and subordinate to making the required deposits to the credit of the Interest and Sinking Fund, the Board shall transfer or cause to be transferred from the Pledged Revenues in the Revenue Fund and deposit, or cause to be deposited, to the credit of the Reserve Fund semiannually, on or before the first day of each January and July thereafter, a sum at least equal to 1/10th of the Required Amount until the Reserve Fund is restored to the Required Amount. So long as the Reserve Fund contains the Required Amount, any surplus in the Reserve Fund over the Required Amount shall be transferred and commingled with the Board's general funds and used for any lawful purpose.

Section 14. LEVY OF SPECIAL FEE. If, for any reason whatsoever, on any January 1 or on any July 1 of any year the

deposits specified or required in Section 12(b)(1) and (2) and Section 13 hereof to be made to the credit of the Interest and Sinking Fund and the Reserve Fund, respectively, have not been made, or if for any other reason whatsoever there are, or appear to be, no other Pledged Revenues available to pay the principal of and interest on the Bonds as the same mature and come due, then the Board shall fix, levy, charge, and collect the Special Fee, as provided in Section 15, effective at the next succeeding regular semester or semesters or summer term or terms, in amounts sufficient to provide and make the deposits specified or required in Section 12(b) (1) and (2) and Section 13 hereof; and in such event the amounts so specified or required to be deposited to the credit of the Interest and Sinking Fund and the Reserve Fund shall be so deposited, from collections of the Special Fee, on or before the next succeeding interest or principal payment date or dates on the Bonds or Additional Bonds, and the Board shall not be considered to be in default with respect to this Resolution, or the Bonds or any Additional Bonds, if such deposits are so made, unless there has been a default in the payment when due of the principal of or interest on any Bonds or Additional Bonds.

Section 15. COLLECTION OF THE SPECIAL FEE. (a) The Board covenants and agrees to fix, levy, charge, and collect the Special Fee on a uniformly applied basis from each student (excepting any student in a category now exempt by law from paying fees) enrolled in The University at each regular fall and spring semester and at each term of each summer session, for the use and availability of all or any part of the Project, in such amounts, without any limitation whatsoever, as will be at least sufficient at all times to provide, together with other Pledged Revenues, the money for making when due all deposits required to be made to the credit of the Interest and Sinking Fund and the Reserve Fund in connection with the Bonds and any Additional Bonds, and to pay the principal of and interest on the Bonds and Additional Bonds as the same mature and come due, and the Special Fee shall be fixed, levied, charged, and collected in the full amounts required by this Resolution without regard to the actual use, availability, or existence of all or any part of the Project; but it is specifically recognized that the Special Fee is to be fixed, levied, charged, and collected only if and when permitted or required and provided in this Resolution.

(b) The Special Fee shall be fixed, levied, charged, and collected pursuant to resolution of the Board if and when permitted or required by this Resolution, and shall be increased if and when permitted or required by this Resolution, and may be decreased or abrogated, so long as all Pledged Revenues are sufficient to provide the money for making when due all deposits specified or required to be made to the credit of the Interest and Sinking Fund and the Reserve Fund in connection

with the Bonds and any Additional Bonds. All changes in the Special Fee shall be made by resolution of the Board, but such procedure shall not constitute or be regarded as an amendment of this Resolution, but merely the carrying out of the provisions and requirements hereof.

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

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

Section 17. PAYMENT OF BONDS. (a) On or before January 1, 1987, and semiannually on or before each July 1 and January 1 thereafter while any of the Bonds are outstanding and unpaid, the Board shall make available to the Paying Agent/Registrar, out of the Pledged Revenues, and/or the Reserve Fund, if necessary, money sufficient to pay such interest on and such principal of the Bonds as will accrue or mature, or be subject to mandatory redemption prior to maturity, on such January 1 or July 1. The Paying Agent/Registrar shall destroy all paid Bonds and shall furnish the Board with an appropriate certificate of destruction.

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

Section 18. SPECIAL OBLIGATIONS. The Bonds and any Additional Bonds, and the interest appertaining thereto, will constitute special obligations of the Board payable from the Pledged Revenues, and the owners of the Bonds and Additional Bonds shall never have the right to demand payment out of funds

raised or to be raised by taxation, or from any source other than specified in this Resolution.

Section 19. ADDITIONAL BONDS. The Board reserves and shall have the right and power to issue in one or more series "Additional Bonds" for any purpose authorized by law, including the refunding of any Bonds or Additional Bonds, which Additional Bonds, when issued, shall be secured by and payable from a lien on and pledge of the Pledged Revenues equally and ratably with, and in the same manner and to the same extent as, the Bonds and any other then outstanding Additional Bonds; and the Additional Bonds permitted by this Section, when issued, shall be payable from and secured by the Interest and Sinking Fund and the Reserve Fund and shall be in all respects of equal dignity and on a parity with the Bonds and any other then outstanding Additional Bonds. Each resolution under which Additional Bonds are issued shall provide and require that, in addition to the amounts required by the provisions of this Resolution and the provisions of any other resolution or resolutions authorizing Additional Bonds to be deposited to the credit of the Interest and Sinking Fund, the Board shall transfer from the Pledged Revenues and deposit to the credit of the Interest and Sinking Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Bonds then being issued, as the same come due; and that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased (if and to the extent necessary) to an amount not less than the Required Amount; and that the required additional amount shall be so accumulated by the deposit in the Reserve Fund of all or any part of said required additional amount in cash immediately after the delivery of the then proposed Additional Bonds, or, at the option of the Board, by the deposit, from the Pledged Revenues, of said required additional amount (or any balance of said required additional amount not deposited in cash as permitted above) in semiannual installments, made on or before the first day of each January and July following the adoption of the resolution authorizing the issuance of the then proposed Additional Bonds, of not less than 1/10th of said required additional amount (or 1/10th of the balance of said required additional amount not deposited in cash as permitted above).

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

(a) The senior financial officer of The University of Texas System signs a written certificate to the effect that the Board is not in default as to any covenants, conditions, or obligations in connection with all outstanding Bonds and

Additional Bonds and the resolutions authorizing same, and that the Interest and Sinking Fund and the Reserve Fund each contains the amount then required to be therein.

(b) The State Auditor of the State of Texas, or any certified public accountant, signs a written certificate to the effect that, during either the next preceding fiscal year of The University, or any twelve consecutive calendar month period ending not more than ninety days prior to the adoption of the resolution authorizing the issuance of the then proposed Additional Bonds, the Pledged Revenues were at least equal to 1.25 times the average annual principal and interest requirements of all Bonds and Additional Bonds which are scheduled to be outstanding after the issuance of the proposed Additional Bonds.

Section 21. COVENANTS. The Board further covenants and agrees that:

(a) It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution and each resolution authorizing the issuance of Additional Bonds, and in each and every Bond and Additional Bond; that it will promptly pay or cause to be paid from the Pledged Revenues the principal of and interest on every Bond and Additional Bond, on the dates and in the places and in the manner prescribed in such resolutions and Bonds or Additional Bonds; and that it will, at the times and in the manner prescribed, deposit or cause to be deposited from the Pledged Revenues the amounts required to be deposited into the Interest and Sinking Fund and the Reserve Fund; and any holder of the Bonds or Additional Bonds may require the Board, its officials and employees, and any appropriate official of the State of Texas, to carry out, respect, or enforce the covenants and obligations of this Resolution or any resolution authorizing the issuance of Additional Bonds, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the Board, its officials and employees, or any appropriate official of the State of Texas. Although the Board presently expects Pledged Available Fund Surplus to be available for its use at all times when necessary in amounts sufficient to make all deposits required by this Resolution to be made to the credit of the Interest and Sinking Fund and the Reserve Fund, the Board cannot and does not make any covenant or representation with respect to any present or future grants or appropriations by the Texas Legislature or the actual availability of any Pledged Available Fund Surplus.

(b) It is duly authorized under the laws of the State of Texas to create and issue the Bonds; all action on its part for the creation and issuance of the Bonds has been duly and effectively taken, and the Bonds in the hands of the holders and

owners thereof are and will be valid and enforceable special obligations of the Board in accordance with their terms.

(c) It lawfully owns, has title to, and is lawfully possessed of the lands, buildings, and facilities constituting the Project, it warrants that it has, and will defend, the title to all the aforesaid lands, buildings, and facilities, and every part thereof, for the benefit of the owners of the Bonds and Additional Bonds against the claims and demands of all persons whomsoever, it is lawfully qualified to pledge the Pledged Revenues to the payment of the Bonds and Additional Bonds in the manner prescribed herein, and has lawfully exercised such rights.

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

(e) While the Bonds or any Additional Bonds are outstanding and unpaid it will continuously and efficiently operate and maintain the Project in good condition, repair, and working order, and at a reasonable cost, and the expenses of operation and maintenance of the Project will be paid from sources or funds lawfully available to the Board.

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

(g) Proper books of record and account will be kept in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the Pledged

Revenues, and all books, documents, and vouchers relating thereto shall at all reasonable times be made available for inspection upon request of any bondholder.

(h) Each year while any of the Bonds or Additional Bonds are outstanding, an audit will be made of its books and accounts relating to the Pledged Revenues by the State Auditor of the State of Texas, or any certified public accountant, such audit to be based on the fiscal year of The University of Texas System. As soon as practicable after the close of each such fiscal year, and when said audit has been completed and made available to the Board, a copy of such audit for the preceding fiscal year shall be mailed to all bond holders who shall so request in writing. Such annual audit reports shall be open to the inspection of the bondholders and their agents and representatives at all reasonable times.

(i) The Board and the officers of The University of Texas System shall cause the Comptroller of Public Accounts of the State of Texas (i) to transfer to the credit of the Interest and Sinking Fund or deposit directly with the Paying Agent/Registrar, out of any Pledged Available Fund Surplus in The University of Texas System Available University Fund (the fund in the State Treasury to which is deposited The University of Texas System's constitutionally apportioned share of the amounts in the Available University Fund), the amounts, respectively, on the dates, respectively, as required by this Resolution, and (ii) if all or any part of the Interest and Sinking Fund is being maintained in the State Treasury of the State of Texas, or if otherwise necessary, cause the Comptroller of Public Accounts, on or before each such date, to deposit said required amounts.

(j) The Board and the officers of The University of Texas System will duly and punctually pay or cause to be paid the principal of every Bond and every Additional Bond, and the interest thereon, from the sources, on the days, at the places, and in the manner mentioned and provided in such obligations, according to the true intent and meaning thereof, and that it will duly cause to be called for redemption prior to maturity, and will cause to be redeemed prior to maturity, all Bonds and all Additional Bonds which by their terms are mandatorily required to be redeemed prior to maturity, when and as so required, and that it will faithfully do and perform and at all times fully observe all covenants, undertakings and provisions contained in this Resolution and in the aforesaid obligations.

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

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

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

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

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

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

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

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

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

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

(c) Payment in Lieu of Replacement. Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Bond, the Issuer may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of

issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

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

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

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

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

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

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

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

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

(e) Any consent given by the owner of a Bond or Additional Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication or other service of the notice provided for in this Section, and shall be conclusive and binding upon all future owners of the same Bond or Additional Bond during such

period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the owner who gave such consent, or by a successor in title, by filing notice thereof with the Paying Agent/Registrar for such Bonds and Additional Bonds and the Issuer, but such revocation shall not be effective if the owners of 51% in aggregate Outstanding Principal Amount of the then outstanding Bonds and Additional Bonds as in this Section defined have, prior to the attempted revocation, consented to and approved the amendment.

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

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

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

Section 28. CUSTODY, APPROVAL, AND REGISTRATION OF INITIAL BOND; BOND COUNSEL'S OPINION, AND CUSIP NUMBERS. The Chairman of the Issuer is hereby authorized to have control of the Initial Bond issued hereunder and all necessary records and proceedings pertaining to the Initial Bond pending its delivery and investigation, examination, and approval by the Attorney General of the State of Texas, and its registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Initial Bond said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate on the Initial Bond, and the seal of said Comptroller shall be impressed, or placed in facsimile, on the Initial Bond. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Initial Bond or on any Bond issued and delivered in conversion of and exchange or replacement of any Bond, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bond.

Section 29. SALE OF INITIAL BOND. The Initial Bond is hereby sold and shall be delivered to Morgan Guaranty Trust Company of New York, New York, New York, and Associates, in accordance with law and pursuant to a Bond Purchase Contract in form and substance submitted at this meeting, and dated May 12, 1986. The Chairman of the Issuer is hereby authorized and directed to execute said Bond Purchase Contract on behalf of the Issuer. It is hereby found and determined by the Board that the price and terms for the sale of the Initial Bond as set forth in said Bond Purchase Contract are the most advantageous reasonably obtainable.

Section 30. OFFICIAL STATEMENT. An Official Statement dated the date of this meeting has been prepared in connection with the sale of the Initial Bond and the Bonds, in substantially the form and substance submitted at this meeting. Said Official Statement and any supplement or addenda thereto have been and are hereby approved, and their use in the offer and sale of the Bonds is hereby approved. It is further officially found, determined, and declared that the statements and representations contained in said Official Statement are true and correct in all material respects, to the best knowledge and belief of the Issuer. The distribution and use of the Preliminary Official Statement dated May 2, 1986, prior to the date hereof is hereby ratified and confirmed.

Section 31. REFUNDING OF OUTSTANDING BONDS. That concurrently with the delivery of the Initial Bond the Issuer shall deposit with MBank Houston, National Association, as Escrow Agent, an amount from the proceeds from the sale of the Initial Bond sufficient, together with other available amounts,

to refund all of the Outstanding Bonds described in the preamble to this Resolution, and in accordance with Section 7A of Vernon's Ann. Tex. St. Article 717k, as amended, and the applicable sections of Vernon's Ann. Tex. Civ. St. Article 717q. By resolution of the Issuer of even date herewith the Issuer has authorized the execution of an appropriate Escrow Agreement to accomplish such purpose. It is hereby found and determined (i) that the refunding of such Outstanding Bonds is advisable and necessary in order to restructure the debt service requirements of the Issuer, and to eliminate unnecessary restrictions on the investment of funds; and (ii) that the debt service requirements on the Bonds on an actual basis will be less than those on the aforesaid Outstanding Bonds.

Section 32. PAYING AGENT AGREEMENT. The Issuer hereby appoints MBank Dallas, National Association, Dallas, Texas as Paying Agent/Registrar for the Bonds authorized hereby. The Chairman of the Issuer, the Executive Secretary of the Issuer, the Executive Vice Chancellor for Asset Management or the Manager of Debt Administration of the University of Texas System are hereby authorized to execute and deliver on behalf of the Issuer a Paying Agent Agreement, dated as of the date of delivery of the Initial Bond in substantially the form and substance submitted at this meeting, between the Issuer and MBank Dallas, National Association.

Section 33. FURTHER PROCEDURES. The Chairman of the Issuer, the Executive Secretary of the Issuer, the Executive Vice Chancellor for Asset Management and the Manager of Debt Administration of The University of Texas System, and all other officers, employees, and agents of the Issuer, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the seal and on behalf of the Issuer all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, the Bonds, the Bond Purchase Contract, the Official Statement, and the Escrow Agreement. In case any officer whose signature appears on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if he or she had remained in office until such delivery.

RESOLUTION
AUTHORIZING THE EXECUTION OF AN ESCROW AGREEMENT
RELATING TO THE REFUNDING OF BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY
OF TEXAS AT AUSTIN, BUILDING REVENUE BONDS,
SERIES 1974 AND BUILDING REVENUE REFUNDING BONDS,
SERIES 1978

WHEREAS, it is necessary and advisable that the Board of Regents of The University of Texas System (the "Issuer") enter into the escrow agreement hereinafter authorized with MBank Houston, National Association, Houston, Texas.

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 of The University of Texas System is authorized and directed, for and on behalf of the Issuer, to sign, seal, and otherwise execute and deliver an escrow agreement in substantially the form and substance attached to this Resolution and made a part hereof for all purposes.

2. That, upon its execution and delivery by the parties thereto, said escrow agreement shall constitute a binding and enforceable agreement of the Issuer in accordance with its terms and provisions.

ESCROW AGREEMENT

Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1974 and Building Revenue Refunding Bonds, Series 1978

THIS ESCROW AGREEMENT, dated as of May 1, 1986 (herein, together with any amendments or supplements hereto, called the "Agreement") is entered into by and between the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (herein called the "Issuer") and MBANK HOUSTON, NATIONAL ASSOCIATION, HOUSTON, TEXAS, as escrow agent (herein, together with any successor in such capacity, called the "Escrow Agent"). The addresses of the Issuer and the Escrow Agent are shown on Exhibit A attached hereto and made a part hereof.

W I T N E S S E T H:

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

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

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

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

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

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

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

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

WHEREAS, the Issuer desires that, concurrently with the delivery of the Refunding Obligations to the purchasers thereof, certain proceeds of the Refunding Obligations, together with certain other available funds of the Issuer, shall be applied to purchase certain direct obligations of the United States of America hereinafter defined as the "Escrowed Securities" for deposit to the credit of the Escrow Fund created pursuant to the terms of this Agreement

and to establish a beginning cash balance (if needed) in such Escrow Fund; and

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

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

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

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

ARTICLE I.

DEFINITIONS AND INTERPRETATIONS

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

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

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

"Escrowed Securities" means the noncallable United States Treasury obligations described in Exhibit D attached to this Agreement, or cash or other direct obligations of the United States of America substituted therefor pursuant to Section 4.03 of this Agreement.

"Paying Agents" means the Escrow Agent, acting in its capacity as Paying Agent/Registrar for the Refunded Obligations, and any other place of payment (paying agent or co-paying agent) for the Refunded Obligations, including any agent of any of the foregoing that exercises the powers or performs the duties of any such paying agent on its behalf in connection with any of the Refunded Obligations.

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

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

ARTICLE II

DEPOSIT OF FUNDS AND ESCROWED SECURITIES

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

ARTICLE III

CREATION AND OPERATION OF ESCROW FUND

Section 3.01. Escrow Fund. The Escrow Agent has created on its books a special trust fund and irrevocable escrow to be known as the Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1974 and Building Revenue Refunding Bonds, Series 1978 Escrow Fund (the "Escrow Fund"). The Escrow Agent hereby agrees that upon receipt thereof it will deposit to the credit of the Escrow Fund the funds and the Escrowed Securities described in Exhibit D attached hereto. Such deposit, all proceeds therefrom, and all cash balances from time to time on deposit therein (a) shall be the property of the Escrow Fund, (b) shall be applied only in strict conformity with the terms and conditions of this Agreement, and (c) are hereby irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations, which payment shall be made by timely transfers of such amounts at such times as are provided for in Section 3.02 hereof. When the final transfers have been made for the payment of such principal of and interest on the Refunded Obligations, any balance then remaining in the Escrow Fund shall be transferred to the Issuer, and the Escrow Agent 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, the amounts required to pay the principal of and interest on the Refunded Obligations, when due, in the amounts and at the times shown in Exhibit C attached hereto.

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

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

amounts required to pay the interest on the Refunded Obligations as such interest comes due and the principal of the Refunded Obligations as the Refunded Obligations mature, all as more fully set forth in Exhibit E attached hereto.

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

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

ARTICLE IV

LIMITATION ON INVESTMENTS

Section 4.01. Except for the initial investment of the proceeds of the Refunding Obligations in the Escrowed

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

Section 4.02. Reinvestment of Certain Cash Balances in Escrow by Escrow Agent. In addition to the Escrowed Securities listed in Exhibit D hereto, the Escrow Agent shall reinvest cash balances shown in Exhibit F attached hereto in direct obligations of the United States of America bearing interest at and producing a yield of zero percent, to the extent such obligations are available from the Department of the Treasury. All such reinvestments shall be made only from the portion of cash balances derived from the maturing principal of and interest on Escrowed Securities that are United States Treasury Certificates of Indebtedness, Notes, or Bonds - State and Local Government Series. All such reinvestments shall be acquired on and shall mature on the dates shown on Exhibit F attached hereto.

Section 4.03. Substitution for Escrowed Securities. Concurrently with the sale and delivery of the Refunding Obligations, but not thereafter, the Issuer, at its option, may substitute cash or non-interest bearing direct obligations of the United States Treasury (i.e., Treasury obligations that mature and are payable in a stated amount on the maturity date thereof, and for which there are no payments other than the payment made on the maturity date) for non-interest bearing Escrowed Securities, if any, listed in part III of Exhibit D attached hereto, but only if such cash and/or substituted non-interest bearing direct obligations of the United States Treasury -

- (a) are in an amount, and/or mature in an amount, that, together with any cash substituted for such obligations, is equal to or greater than the amount payable on the maturity date of the obligation listed in part III of Exhibit D for which such obligation is substituted, and
- (b) mature on or before the maturity date of the obligation listed in part III of Exhibit D for which such obligation is substituted.

If any such cash and/or obligations are so substituted for any Escrowed Securities, the Issuer may, at any time

thereafter, substitute for such cash and/or obligations the same Escrowed Securities for which such cash and/or obligations originally were substituted.

Section 4.04. Allocation of Certain Escrowed Securities. Except as provided in this Section 4.04, the maturing principal of and interest on the Escrowed Securities may be applied to the payment of any Refunded Obligations and no allocation or segregation of the receipts of principal or interest from such Escrowed Securities is required. The maturing principal of and interest on the Escrowed Securities listed in Exhibit G hereto shall be allocated and applied only to pay the Refunded Obligations listed on Exhibit G hereto.

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

ARTICLE V

APPLICATION OF CASH BALANCES

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

ARTICLE VI

RECORDS AND REPORTS

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

conditions by the Issuer and the owners of the Refunded Obligations.

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

ARTICLE VII

CONCERNING THE PAYING AGENTS AND ESCROW AGENT

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

Section 7.02. Limitation on Liability. The liability of the Escrow Agent to transfer funds for the payment of the principal of and interest on the Refunded Obligations shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Escrow Fund. Notwithstanding any provision contained herein to the contrary, neither the Escrow Agent nor the Paying Agent shall have any liability whatsoever for the insufficiency of funds from time to time in the Escrow Fund or any failure of the obligors of the Escrowed Securities to make timely payment thereon, except for the obligation to notify the Issuer promptly of any such occurrence.

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

capacity as Escrow Agent, it is agreed that the Escrow Agent need look only to the terms and provisions of this Agreement.

The Escrow Agent makes no representations as to the value, conditions or sufficiency of the Escrow Fund, or any part thereof, or as to the title of the Issuer 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 want of good faith.

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

contingency, and in this connection may make inquiries of, and consult with, among others, the Issuer at any time.

Section 7.03. Compensation. (a) Concurrently with the sale and delivery of the Refunding Obligations, the Issuer shall pay to the Escrow Agent, as a fee for performing the services hereunder and for all expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement, the sum of \$28,358.00, the sufficiency of which, for such purposes, is hereby acknowledged by the Escrow Agent. In the event that the Escrow Agent is requested to perform any extraordinary services hereunder, the Issuer hereby agrees to pay reasonable fees to the Escrow Agent for such extraordinary services and to reimburse the Escrow Agent for all expenses incurred by the Escrow Agent in performing such extraordinary services, and the Escrow Agent hereby agrees to look only to the Issuer for the payment of such fees and reimbursement of such expenses. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses.

(b) Concurrently with the sale and delivery of the Refunding Obligations, the Issuer shall pay to the Escrow Agent, for all future paying agency, registration and transfer agent services of the Paying Agents in connection with the Refunded Obligations, the sum of \$10,701.46. The Escrow Agent warrants that such sum is sufficient for such, that it has confirmed such sufficiency, and that it has received from the Paying Agents approval of the arrangements made herein. The Escrow Agent shall be obligated to pay all charges of the Paying Agents for their paying agency services in connection with the Refunded Obligations.

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

Section 7.04. Successor Escrow Agents. If at any time the Escrow Agent or its legal successor or successors should become unable, through operation of law or otherwise, to act as escrow agent hereunder, or if its property and affairs shall be taken under the control of any state or federal

court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent hereunder. In such event the Issuer, by appropriate action, promptly shall appoint an Escrow Agent to fill such vacancy. If no successor Escrow Agent shall have been appointed by the Issuer within 60 days, a successor may be appointed by the owners of a majority in principal amount of the Refunded Obligations then outstanding by an instrument or instruments in writing filed with the Issuer, signed by such owners or by their duly authorized attorneys-in-fact. If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this section within three months after a vacancy shall have occurred, the owner of any Refunded Obligation may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

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

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

ARTICLE VIII

MISCELLANEOUS

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

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

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

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

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

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

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

EXECUTED as of the date first written above.

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By _____
M.E. Patrick
Executive Vice Chancellor
for Asset Management

MBANK HOUSTON, NATIONAL
ASSOCIATION, HOUSTON, TEXAS

By _____
Title:

ATTEST:

Title:

(CORPORATE SEAL)

EXHIBIT A

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

Escrow Agent: MBank Houston, National Association
 910 Travis Street
 Houston, Texas 77002
 Attention: _____

EXHIBIT B
REFUNDED OBLIGATIONS

<u>Bond Issue</u>	<u>Principal Amount Outstanding</u>
Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1974	\$ 41,525,000
Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Refunding Bonds, Series 1978	\$ 4,605,000
TOTAL OUTSTANDING	<u>\$ 46,130,000</u>

EXHIBIT C
SCHEDULE OF DEBT SERVICE ON REFUNDED OBLIGATIONS

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE
UNIVERSITY OF TEXAS AT AUSTIN BUILDING REVENUE BONDS,
SERIES 1974

PAYMENT DATE	BOND INTEREST RATE	PRINCIPAL AMOUNT DUE	INTEREST DUE	TOTAL AMOUNT DUE

10/01/86		.00	\$ 1,144,190.00	\$ 1,144,190.00
04/01/87	6.50%	\$ 1,360,000.00	1,144,190.00	2,504,190.00
10/01/87		.00	1,099,990.00	1,099,990.00
04/01/88	5.50%	1,440,000.00	1,099,990.00	2,539,990.00
10/01/88		.00	1,060,390.00	1,060,390.00
04/01/89	5.50%	1,525,000.00	1,060,390.00	2,585,390.00
10/01/89		.00	1,018,452.50	1,018,452.50
04/01/90	5.50%	1,615,000.00	1,018,452.50	2,633,452.50
10/01/90		.00	974,040.00	974,040.00
04/01/91	5.50%	1,710,000.00	974,040.00	2,684,040.00
10/01/91		.00	927,015.00	927,015.00
04/01/92	5.50%	1,810,000.00	927,015.00	2,737,015.00
10/01/92		.00	877,240.00	877,240.00
04/01/93	5.50%	1,915,000.00	877,240.00	2,792,240.00
10/01/93		.00	824,577.50	824,577.50
04/01/94	5.50%	2,025,000.00	824,577.50	2,849,577.50
10/01/94		.00	768,890.00	768,890.00
04/01/95	5.50%	2,145,000.00	768,890.00	2,913,890.00
10/01/95		.00	709,902.50	709,902.50
04/01/96	5.50%	2,275,000.00	709,902.50	2,984,902.50
10/01/96		.00	647,340.00	647,340.00
04/01/97	5.60%	2,405,000.00	647,340.00	3,052,340.00
10/01/97		.00	580,000.00	580,000.00
04/01/98	5.60%	2,545,000.00	580,000.00	3,125,000.00
10/01/98		.00	508,740.00	508,740.00
04/01/99	5.60%	2,695,000.00	508,740.00	3,203,740.00
10/01/99		.00	433,280.00	433,280.00
04/01/00	5.70%	2,855,000.00	433,280.00	3,288,280.00
10/01/00		.00	351,912.50	351,912.50
04/01/01	5.70%	3,025,000.00	351,912.50	3,376,912.50
10/01/01		.00	265,700.00	265,700.00
04/01/02	5.70%	3,200,000.00	265,700.00	3,465,700.00
10/02/02		.00	174,500.00	174,500.00
04/01/03	5.00%	3,390,000.00	174,500.00	3,564,500.00
10/01/03		.00	89,750.00	89,750.00
04/01/04	5.00	3,590,000.00	89,750.00	3,679,750.00
		<u>\$41,525,000.00</u>	<u>\$24,911,820.00</u>	<u>\$66,436,820.00</u>

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE
 UNIVERSITY OF TEXAS AT AUSTIN, BUILDING
REVENUE REFUNDING BONDS, SERIES 1978

PAYMENT DATE	BOND INTEREST RATE	PRINCIPAL AMOUNT DUE	INTEREST DUE	TOTAL AMOUNT DUE
-----	-----	-----	-----	-----
10/01/86		.00	\$ 128,833.75	\$ 128,833.75
04/01/87	5.10%	\$ 310,000.00	128,833.75	438,833.75
10/01/87		.00	120,928.75	120,928.75
04/01/88	5.10%	330,000.00	120,928.75	450,928.75
10/01/88		.00	112,513.75	112,513.75
04/01/89	5.25%	340,000.00	112,513.75	452,513.75
10/01/89		.00	103,588.75	103,588.75
04/01/90	5.30%	355,000.00	103,588.75	458,588.75
10/01/90		.00	94,181.25	94,181.25
04/01/91	5.40%	370,000.00	94,181.25	464,181.25
10/01/91		.00	84,191.25	84,191.25
04/01/92	5.50%	380,000.00	84,191.25	464,191.25
10/01/92		.00	73,741.25	73,741.25
04/01/93	5.60%	400,000.00	73,741.25	473,741.25
10/01/93		.00	62,541.25	62,541.25
04/01/94	5.75%	415,000.00	62,541.25	477,541.25
10/01/94		.00	50,610.00	50,610.00
04/01/95	5.80%	430,000.00	50,610.00	480,610.00
10/01/95		.00	38,140.00	38,140.00
04/01/96	5.95%	440,000.00	38,140.00	478,140.00
10/01/96		.00	25,050.00	25,050.00
04/01/97	6.00%	460,000.00	25,050.00	485,050.00
10/01/97		.00	11,250.00	11,250.00
04/01/98	6.00%	375,000.00	11,250.00	386,250.00
		<u>\$4,605,000.00</u>	<u>\$1,811,140.00</u>	<u>\$6,416,140.00</u>

EXHIBIT D
DEPOSITS TO ESCROW FUND

EXHIBIT E
ESCROW FUND CASH FLOW

<u>Date</u>	<u>Total Adjusted Receipts</u> *	<u>Total Principal and Interest Due on Refunded Obligations</u>
-------------	----------------------------------	---

*total scheduled receipts, plus maturing reinvestment
less required reinvestment

EXHIBIT F
CASH BALANCES
REINVESTMENTS IN ZERO COUPON UNITED STATES TREASURY
OBLIGATIONS - STATE AND LOCAL SERIES:

Principal
Amount

Purchase
Date

Payment
(Maturity) Date

EXHIBIT G
ALLOCATION OF CERTAIN ESCROWED SECURITIES

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

Allocated to Building Revenue Bonds, Series 1974

<u>PRINCIPAL AMOUNT</u>	<u>MATURITY DATE</u>
\$	

Allocated to Building Revenue Refunding Bonds, Series 1978

<u>PRINCIPAL AMOUNT</u>	<u>MATURITY DATE</u>
\$	

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 UNIVERSITY OF TEXAS BOWME OF DALLAS (214) 651-1001

NEW ISSUE

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

The University of Texas at Arlington

The University of Texas at Austin

The University of Texas at Dallas

The University of Texas at El Paso

The University of Texas of the Permian Basin

The University of Texas at San Antonio

The University of Texas at Tyler

The University of Texas Health Science Center at Dallas

The University of Texas Medical Branch at Galveston

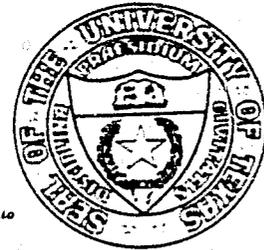
The University of Texas Health Science Center at Houston

The University of Texas System Cancer Center

The University of Texas Health Science Center at San Antonio

The University of Texas Health Center at Tyler

The University of Texas Institute of Texan Cultures at San Antonio



\$36,410,000

Board of Regents of The University of Texas System

The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986

Dated: May 1, 1986

Due: July 1, as shown herein

The Bonds will constitute special obligations of the Board of Regents of The University of Texas System (the "Board") acting for The University of Texas at Austin (the "University") which will be payable solely from "Pledged Revenues" which include the "Pledged Available Fund Surplus" and the "Special Fee" (as such terms are defined herein). The Board covenants that it will levy and collect the Special Fee in not less than an amount each year that, when added to other Pledged Revenues, will be sufficient to pay all debt service requirements on the Bonds when due. The Bonds do not constitute the general obligations of the Board, The University of Texas System, the State of Texas or any political subdivision thereof. The Board has no taxing power, and neither the credit nor the taxing power of the State of Texas or any political subdivision thereof is pledged as security for the payment of the Bonds. See "Security for the Bonds."

The proceeds from the sale of the Bonds, together with other money available to the Board, will be used for the purposes of providing funds to refund certain outstanding obligations of the Board and for the purpose of providing funds to acquire, construct and equip buildings, structures and facilities on the campus of the University. Proceeds from the sale of the Bonds will also be used for paying the costs of issuing the Bonds. See "Plan of Financing."

Interest on the Bonds will accrue from May 1, 1986 and will be payable January 1 and July 1 of each year, commencing January 1, 1987. Principal of the Bonds will be payable at stated maturity or redemption upon presentation at the principal corporate office of the paying agent/registrars (the "Paying Agent/Registrar"), initially MBank Dallas, National Association, Dallas, Texas. The Bonds will be issued only in fully registered form in the denomination of \$5,000 or any integral multiple thereof within a maturity. The Bonds are subject to redemption prior to maturity as more fully described herein. See "Description of the Bonds."

The Bonds are offered when, as and if issued, subject to approval of legality by the Attorney General of the State of Texas and Fulbright & Jaworski, Austin, Texas, McCall, Parkhurst & Horton, Dallas, Texas, and Vinson & Elkins, Houston and Austin, Texas. Co-Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Jenkins, Hutchison & Gilchrist, Dallas, Texas, and Reynolds, Allen & Cook Incorporated, Houston, Texas. The Bonds are expected to be available for delivery on or about May 29, 1986, in New York, New York.

Morgan Guaranty Trust Company of New York

First Southwest Company

MBank Capital Markets

a unit of MBank Dallas, N.A.

Rauscher Pierce Refsnes, Inc.

Salomon Brothers Inc

Goldman, Sachs & Co.

Merrill Lynch Capital Markets

Rotan Mosle Inc.

Texas Commerce Bank

National Association

Underwood, Neuhaus & Co.

Incorporated

Dated: May 12, 1986.

3760

MATURITY SCHEDULE
\$15,930,000 Serial Bonds

<u>Due July 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Price or Yield</u>	<u>Due July 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Price or Yield</u>
1987	\$ 855,000	4.70%	100%	1992	\$1,640,000	6.25%	100%
1988	1,320,000	5.20	100	1993	1,750,000	6.50	100
1989	1,385,000	5.50	100	1994	1,860,000	6.70	100
1990	1,465,000	5.75	100	1995	1,985,000	6.90	100
1991	1,550,000	6.00	100	1996	2,120,000	7.10	100

\$20,480,000 7.625% Term Bonds due July 1, 2004 — Price 99.5%
(Plus accrued interest from May 1, 1986)

50

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

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

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

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BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

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

Mr. Arthur H. Dilly, Executive Secretary

EXECUTIVE AND ADMINISTRATIVE OFFICERS AND STAFF OF THE UNIVERSITY OF TEXAS SYSTEM

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

OFFICIALS OF THE UNIVERSITY OF TEXAS AT AUSTIN

Dr. William H. Cunningham	President
Dr. Gerhard J. Fonken	Executive Vice President and Provost
Dr. Edwin R. Sharpe	Vice President for Administration
Mr. G. Charles Franklin	Vice President for Business Affairs
Ms. Shirley Bird Perry	Vice President for Development and University Relations
Dr. William S. Livingston	Vice President and Dean of Graduate Studies
Dr. Robert D. Mettlen	Vice President for Planning and Special Projects
Dr. Ronald M. Brown	Vice President for Student Affairs
Mr. Kenneth Caskey	Associate Vice President for Business Affairs
Mr. Bobby G. Cook	Associate Vice President and Business Manager
Mr. James C. Werchan	Director of Accounting

OFFICIAL STATEMENT

relating to

\$36,410,000

Board of Regents of The University of Texas System The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986

INTRODUCTION

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

The University of Texas System (the "System") was created by the Constitution and the laws of the State of Texas (the "State") as an agency of the State. The System consists of the University and 13 other State-supported institutions, which institutions are listed on the cover page of this Official Statement. For a general description of the System, see *Appendix B*. The Board is the governing body of the System, and its members are officers of the State, appointed by the Governor with the advice and consent of the State Senate.

This Official Statement (including the cover page and Appendices) contains summaries and descriptions of the plan of financing, the Bonds, the Board, the System, the University, the Resolution and other related matters. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Board or the Underwriters.

PLAN OF FINANCING

Authority for Issuance of the Bonds

The Bonds will be issued pursuant to Articles 717k and 717q, Vernon's Texas Civil Statutes, as amended, Chapter 55, Texas Education Code, as amended, and the terms of the Resolution.

Purpose

Bond proceeds, together with other available funds of the University, in the aggregate amount of \$40,818,216 will be used for the purposes of refunding all of the Board's previously issued and outstanding obligations which, in whole or in part, are secured by and payable from liens on and pledged of "Pledged Revenues," and paying costs incident thereto. See "Security for the Bonds." The current principal amount of obligations being refunded is \$46,130,000, and they are herein referred to as the "Refunded Bonds." See *Appendix D*, Schedule of Bonds to be Refunded. The issuance of the Bonds will (a) lower the overall annual debt service requirements of the Board on an actual basis, (b) permit the restructuring of the Board's debt service requirements, and (c) broaden the permitted investments of the amounts credited to the Funds created by the Resolution.

Bond proceeds in the amount of \$3,025,238 will be used for the purposes of providing funds to acquire, construct, and equip buildings, structures, or other facilities on the campus of the University. At the present time, the Board is considering several projects in its long range plans that may be funded with such proceeds. The Board has not yet adopted resolutions regarding actual expenditures for any such project and expressly reserves the right to expend such proceeds for those projects which it determines are in the best interest of the University.

Refunded Bonds

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

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

The accuracy of the arithmetical and mathematical computations relating to (a) the adequacy of the maturing principal amounts of the Federal Securities together with a portion of the interest income thereon and uninvested cash, if any, to pay, when due, the principal of and interest on the Refunded Bonds, and (b) the determination of compliance with the regulations and rulings promulgated under Section 103(c) of the Internal Revenue Code of 1954, as amended (or Sections 147(g) and 149(d)(2)(D)(i) of the proposed Internal Revenue Code of 1985, if enacted as set forth in H.R. 3838), will be verified by Ernst & Whinney, independent certified public accountants. Such verification of arithmetical accuracy and mathematical computations will be based upon information and assumptions supplied by the Board, and such verification, information and assumptions will be relied on by Co-Bond Counsel in rendering their opinion described herein.

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

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SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds and other available funds will be applied as follows:

Sources of Funds:	
Principal Amount of the Bonds	\$36,410,000
Other Available Funds	12,091,597
Accrued Interest	198,504
Total Available Funds	<u>\$48,700,101</u>
Uses of Funds:	
Credit to Escrow Fund	\$40,818,216
Credit to Reserve Fund	3,837,455
Credit to Available University Fund	3,025,238
Underwriters' Discount	585,844
Credit to Interest and Sinking Fund	198,504
Costs of Issuance	132,444
Original Issue Discount	102,400
Total Application of Funds	<u>\$48,700,101</u>

DESCRIPTION OF THE BONDS

General

The Bonds will be dated May 1, 1986, will be issued only as fully registered bonds, without coupons, in the denomination of \$5,000 or any integral multiple thereof within a stated maturity and will accrue interest from their dated date at the rates shown on the reverse side of the cover page. Interest on the Bonds will be payable semiannually on January 1 and July 1 of each year, commencing January 1, 1987. The Bonds will mature on July 1 in the years and in the principal amounts set forth on the reverse side of the cover page.

Interest on the Bonds will be payable by check mailed to the registered owners of such Bonds appearing in the bond registration books of the Board to be maintained by the Paying Agent/Registrar as of the close of business on the 15th day of the month next preceding each interest payment date (the "Record Date"). Alternatively, at the risk and expense of a registered owner, such interest may be paid by any other method acceptable to the Paying Agent/Registrar. Principal of the Bonds will be payable at maturity or on earlier redemption and only upon presentation and surrender of such Bonds at the principal corporate office of the Paying Agent/Registrar.

In the event that the date for payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the principal corporate office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close. Payment on such later date will not increase the amount of interest due and will have the same force and effect as if made on the original date payment was due.

Redemption

Bonds scheduled to mature on July 1, 2004, are subject to redemption prior to maturity at the option of the Board on July 1, 1996, or on any date thereafter, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof (and if in part, Bonds or portions thereof to be redeemed will be selected and designated by the Board), at the price of par plus accrued interest to the date fixed for redemption.

The Bonds scheduled to mature on July 1, 2004 are subject to mandatory sinking fund redemption prior to maturity in the following amounts, on the following dates and at the price of par plus accrued interest to the date fixed for redemption:

July 1	Principal Amount	July 1	Principal Amount
1997	\$2,265,000	2001	\$2,525,000
1998	2,345,000	2002	2,720,000
1999	2,165,000	2003	2,935,000
2000	2,340,000	2004 (maturity)	3,185,000

The sinking fund requirements for Bonds scheduled to mature on July 1, 2004 are subject to reduction in amounts of Bonds of such maturities previously (a) called for optional redemption or (b) acquired by or at the direction of the Board, as provided in the Resolution.

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

Paying Agent/Registrar

The initial Paying Agent/Registrar will be MBank Dallas, National Association, Dallas, Texas. In the Resolution, the Board reserves the right to replace the Paying Agent/Registrar. The Board covenants to maintain and provide a Paying Agent/Registrar at all times while the Bonds are outstanding, and that any successor Paying Agent/Registrar will be a competent and legally qualified bank, trust company, financial institution, or other agency. Upon any change in the Paying Agent/Registrar for the Bonds, the Board agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Transfer, Exchange and Registration

Bonds may be transferred and exchanged only on the registration books of the Paying Agent/Registrar upon presentation and surrender thereof to the Paying Agent/Registrar together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar. Any such transfer or exchange will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal corporate office of the Paying Agent/Registrar. Any new Bond issued in an exchange or transfer of a Bond will be delivered to the registered owner or assignee of the registered owner after the receipt of the Bonds to be cancelled and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer may be in the denomination of any integral multiple of \$5,000 for any one maturity and shall bear the same rate of interest and have the same aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer.

Limitation on Transfer of Bonds

Neither the Board nor the Paying Agent/Registrar will be required to assign, transfer, convert or exchange any Bond or any portion thereof (a) during a period beginning at the close of business on any Record Date and ending at the opening of business on the next following interest payment date, or (b) within 45 days of the date fixed for redemption of any such Bond or portion thereof.

Additional Bond Provisions

See "Summary of Selected Provisions of the Resolutions" for summaries of Additional Bond provisions.

SECURITY FOR THE BONDS

System Funds

The Permanent University Fund is a constitutional fund, created under the State Constitution of 1876, the assets and earnings of which are dedicated to the uses and purposes of the System and The Texas A&M University System. The Permanent University Fund includes land, oil and gas minerals, corporate bonds and equities and U.S. Government securities. See Appendix A, "Permanent University Fund." The dividends, interest and other income attributable to the U.S. Government securities and corporate stocks and bonds included in the Permanent University Fund (less expenses attributable to the administration of the Permanent University Fund), together with income attributable to the surface of Permanent University Fund land are designated as the Available University Fund.

Two-thirds of the income attributable to the Available University Fund, after deducting administrative expenses, is constitutionally appropriated to the System, to be used for constitutionally prescribed purposes. From its share of income attributable to the Available University Fund, the System first pays: (a) debt service on all System bonds ("PUF Bonds") and notes ("Notes") secured by the Permanent University Fund; (b) \$6,000,000 annually for ten years beginning November 1, 1984, to Prairie View A&M University; and (c) expenses relating to operation of the System including 80% of the System's general counsel expense and certain expenses related to System employee benefit programs which are not divisible with The Texas A&M University System (the "Non-Divisible Expenses").

The remainder of the System's share of the income attributable to Available University Fund ("Residual AUF Income") is constitutionally appropriated for the support and maintenance of the University and the System administration.

Moneys credited to the Available University Fund are administered by the State Treasurer and are, along with other funds of the State, invested in secured interest-bearing investments. Earnings on that portion of the Available University Fund appropriated to the System accrue to and become a part of the System's share of the Available University Fund.

Pledge Under the Resolution

Under the Resolution, the Bonds and any Additional Bonds are special obligations of the Board and are secured by and payable solely from a first lien on and pledge of the Pledged Revenues. Pledged Revenues are also pledged to the maintenance of required amounts in the Interest and Sinking Fund and the Reserve Fund. See "Summary of Selected Provisions of the Resolution — Special Obligations."

Pledged Revenues

Pledged Revenues consist of (a) any Pledged Available Fund Surplus, (b) the Special Fee, (c) all interest, income, and earnings derived from the deposit and investment of the Interest and Sinking Fund and the Reserve Fund and (d) any additional revenues, income, receipts or other resources whatsoever received or to be received from any public or private source, whether pursuant to an agreement or otherwise, which may be pledged to the payment of the Bonds or the Additional Bonds. For a description of the Funds see "Summary of Selected Provisions of the Resolution — Revenue Fund;" "— Interest and Sinking Fund;" and "— Reserve Fund." For a description of the Board's authority to invest moneys in such Funds see "Summary of Selected Provisions of the Resolution — Investments."

Pledged Available Fund Surplus

The Pledged Available Fund Surplus is the Residual AUF Income that is biennially granted or appropriated by the State Legislature for the support and maintenance of the University or otherwise appropriated or made available to the Board or the System from time to time in a manner that will permit use thereof by the Board or the System for the payment of debt service on the Bonds and Additional Bonds. Without exception, the State Legislature has biennially granted and appropriated the constitutionally apportioned Residual AUF Income for the support and maintenance of the University or otherwise appropriated or made available to the Board or the System from time to time in such a manner as to permit its use by the Board for payment of debt service on the Bonds and Additional Bonds.

Summary

The following table is a summary of (a) the System's share of income from the Available University Fund, (b) the projected debt service requirements on outstanding PUF Bonds, and (c) the total Residual AUF Income for the fiscal years ending August 31, 1981 through 1985 that was constitutionally appropriated for the support and maintenance of the University and the System administration and that is anticipated for the fiscal years ending August 31, 1986 through 1991 to be available for appropriation by the State Legislature for the support and maintenance of the University in a manner that will permit its use by the Board for the payment of debt service on the Bonds and any Additional Bonds.

TABLE I
 Residual AUF Income
 Historical and Projected (1)
 (000 Omitted)

Fiscal Year Ending August 31	Total Available University Fund (after Administration Expenses) (2)	Two-Thirds Interest of the System in Available University Fund	Other Income (3)	Total Income Available to Pay Debt Service of PUF Bonds	Annual PUF Bond Debt Service (4)	Other Expenses (5)	Residual AUF Income (6)
1981	\$106,917	\$ 71,278	\$6,758	\$ 78,036	\$19,825	\$ 757	\$57,454
1982	143,089	95,392	8,562	103,954	24,956	2,529	76,469
1983	156,486	104,324	5,179	112,503	28,693	1,855	81,955
1984	171,437	114,291	7,632	121,923	33,638	1,387	86,893
1985	187,927	125,285	6,635	131,920	40,239	5,787	85,894
1986	203,960	135,973	4,113	140,086	56,615	7,089	76,182
1987	203,579	135,719	4,113	139,832	46,252	7,143	86,437
1988	205,178	136,785	4,113	140,898	47,421	7,201	86,276
1989	207,758	138,505	4,113	142,618	52,429	7,261	82,925
1990	211,917	141,278	4,113	145,391	56,025	7,324	82,042
1991	228,154	152,102	4,113	156,215	61,499	7,390	87,326

- (1) The amounts stated in the fiscal years ending August 31, 1981 through 1984 are audited actual amounts. The amounts stated for the fiscal year ended August 31, 1985 are the unaudited amounts reflected on the books of the System. The amounts stated in the fiscal years ending August 31, 1986 through 1990 represent estimates prepared by the System based on investment forecasts and assumptions that the System believes are reasonable. However no assurance can be or is given that the estimates will not materially differ from the actual results in the future.
- (2) The expenses of administering the Permanent University Fund constitute a first claim on the income therefrom and are deducted prior to dividing the Available University Fund between the System and The Texas A&M University System. During the fiscal year ended August 31, 1985, the expenses of administering the Permanent University Fund totaled \$7,261,800.
- (3) Amounts stated through the fiscal year ending August 31, 1985 represent certain income from the Permanent University Fund which under constitutional provisions is appropriated solely to the System, plus earnings on the System's share of the Available University Fund. From the fiscal year ending August 31, 1986 forward, amounts stated represent estimated earnings on the System's share of the Available University Fund.
- (4) As of March 31, 1986, the Board had outstanding \$445,970,000 of PUF Bonds and Notes. As of such date, the Board was limited under the State Constitution (which imposes a limit on the amount of PUF Bonds and Notes which may be outstanding at any time to 20% of the book value of the Permanent University Fund) to \$54,315,632 of additional PUF Bonds and Notes (both parity and subordinated). The Board's current borrowing schedule, based on estimated growth of the Permanent University Fund, contemplates the issuance of \$195,000,000 of additional PUF Bonds and Notes during the fiscal years ending August 31, 1986 through 1990. The Board has not adopted any resolutions regarding such issuance but expressly reserves the right to issue such additional PUF Bonds and Notes at such time and from time to time as it deems to be in the best interest of the System or the University. The projected Annual PUF Bond Debt Service includes the issuance of the contemplated \$195,000,000 of PUF Bonds during the fiscal years ending August 31, 1986 through 1990. See Appendix A, "Permanent University Fund-Additional PUF Bonds and Notes."
- (5) Other Expenses include: (a) \$6,000,000 payable annually for 10 years, beginning November 1, 1984, to The Texas A&M University System for use at Prairie View A&M University and (b) the Non-Divisible Expenses.
- (6) Residual AUF Income is constitutionally appropriated for the support and maintenance of the University and the System administration and is available for appropriation by the State Legislature for the support and maintenance of the University in a manner that will permit its use by the Board for the payment of the debt service on the Bonds and Additional Bonds.

Special Obligations of the Board

The Bonds are not general obligations of the Board, the System, the University, the State or any political subdivision of the State. The Board has no taxing power, and neither the credit nor the taxing power of the State or any political subdivision of the State is pledged as security for the Bonds. The breach of any covenant, agreement or obligation contained in the Resolution will not impose or result in general liability or a charge against the general credit of the Board, the System or the University. See "Summary of Selected Provisions of the Resolution — Special Obligations;" and "— Individuals Not Liable."

Special Fee

The Bonds are also secured by a Special Fee, without limitation as to rate or amount. The Special Fee will be charged and collected from all students (excepting any category of students now exempt from paying fees by Chapter 54, Texas Education Code) enrolled at the University, in amounts as will be at least sufficient at all times, together with the other Pledged Revenues, to provide adequate funds to pay debt service on the Bonds and to establish and maintain the required reserves. The Board does not presently anticipate that collections of the pledged Special Fee will be required based on Residual AUF Income projections. However, if such a fee became necessary, the Board would have to charge a fee of approximately \$3.75 per semester hour (based on total 1985-86 fall and spring semester credit hours) to cover the average annual debt service requirements of the Bonds.

Additional Parity Revenue Bonds

The Board has reserved the right in the Resolution to issue Additional Bonds on a parity, as to security and payments, with the Bonds upon the terms and conditions set forth in the Resolution. See "Summary of Selected Provisions of the Resolution — Additional Bonds;" and "— Requirements for Additional Bonds."

DEBT SERVICE REQUIREMENTS AND ANTICIPATED COVERAGE

The following table is a summary of the debt service requirements of the Bonds and the anticipated coverage thereof by the Residual AUF Income assuming that the State Legislature continues to appropriate it in such a manner which permits use thereof by the Board for the payment of debt service on the Bonds and Additional Bonds:

TABLE II
 Debt Service Requirements and Anticipated Coverage

Fiscal Year Ending August 31	Residual AUF Income (1)	Total Annual Debt Service	Anticipated Coverage Subject to Appropriation (2)
1987	\$86,437,000	\$3,832,565	22.6 x
1988	86,276,000	3,832,008	22.5
1989	82,928,000	3,828,368	21.7
1990	82,042,000	3,832,193	21.4
1991	87,326,000	3,832,955	22.8
1992	87,326,000	3,829,955	22.8
1993	87,326,000	3,837,455	22.8
1994	87,326,000	3,833,705	22.8
1995	87,326,000	3,834,085	22.6
1996	87,326,000	3,832,120	22.8
1997	87,326,000	3,826,600	22.8
1998	87,326,000	3,733,894	23.4
1999	87,326,000	3,375,088	25.9
2000	87,326,000	3,385,006	25.8
2001	87,326,000	3,391,581	25.7
2002	87,326,000	3,394,050	25.7
2003	87,326,000	3,401,650	25.7
2004	87,326,000	3,427,856	25.5

- (1) Represents estimate of total Residual AUF Income constitutionally appropriated for the support and maintenance of the University and System administration and which is available for appropriation by the State Legislature for the support and maintenance of the University in a manner that will permit its use by the Board for the payment of debt service on the Bonds and Additional Bonds. The State Legislature has historically approved the System's request for an appropriation of Residual AUF Income in a manner which permitted its use by the Board to pay debt service on the Refunded Bonds.
- (2) Assumes that the State Legislature will appropriate for the support and maintenance of the University the full amount of the Residual AUF Income in such a manner that will permit its use by the Board for the payment of debt service on the Bonds and any Additional Bonds. Anticipated Coverage is equal to total Residual AUF Income available for appropriation divided by Total Annual Debt Service on Bonds.

Although the Board presently anticipates that the total Residual AUF Income will be available for its use at all times when necessary in amounts sufficient to meet all debt service requirements on the Bonds, the Board cannot and does not make any covenant or representation with respect to any present or future grants or appropriations by the State Legislature or the actual availability of any Pledged Available Fund Surplus.

DESCRIPTION OF THE UNIVERSITY

History

The University was established in 1883 pursuant to provisions of the State Constitution. The University is organized as follows: College of Business Administration, College of Communication, College of Education, College of Engineering, College of Fine Arts, College of Liberal Arts, College of Natural Sciences, College of Pharmacy, School of Architecture, School of Law, Graduate School,

Graduate School of Library and Information Science, School of Nursing, Lyndon B. Johnson School of Public Affairs, School of Social Work, Bureau of Business Research and various other organized research bureaus, divisions and laboratories. The University of Texas McDonald Observatory, located at Fort Davis, Texas, and The University of Texas Marine Science Institute at Port Aransas are administered by The University of Texas at Austin. The University is a member of the Association of American Universities and each of its professional schools is a member of the national accrediting agency in its particular field.

Location and Physical Facilities

The principal University campus is located in Austin one-half mile north of the State Capitol and is comprised of approximately 297 acres on which more than 90 buildings are located. In addition, the University owns 44.89 acres of land near Lake Austin on which married student housing is located; 393.5 acres seven miles northwest of Austin on which the Balcones Research Center is located; and 32.25 acres acquired from the Federal Government to be used for scientific purposes.

Tuition Costs

Pursuant to Section 54.0512, Texas Education Code, which was enacted by the State Legislature in 1985, the tuition charged to Texas residents who attend State universities was increased from \$4.00 per semester credit hour to the \$12.00 rate listed above for the 1985-86 school year. Section 54.0512 also provides for additional increases in tuition for Texas residents to the following rates per semester credit hour: \$16.00 for the 1986-87 through 1988-89 school years; \$18.00 for the 1989-90 and 1990-91 school years; \$20.00 for the 1991-92 and 1992-93 school years; and \$22.00 for the 1993-94 and 1994-95 school years. Tuition for non-Texas residents increased from \$40.00 to \$120.00 per semester credit hour for the 1985-86 and 1986-87 school years. Beginning with the 1987-88 school year and thereafter, tuition for non-Texas residents will be charged at a rate which is approximately equal to the actual cost of providing education to such students. Although the exact impact of future tuition increases cannot be predicted, such increases can be expected to have some negative effect on enrollment. However, even with such tuition increases, the cost of attending System universities is competitive with public universities in other states.

Enrollment and Semester Credit Hours

The following table sets forth information relating to student enrollments at the University.

TABLE III
 Student Enrollment Figures
 Historical and Projected (1)

School Year	Semester		Summer Sessions
	Fall	Spring	
1981-82	48,145	45,825	22,939
1982-83	48,039	45,134	22,391
1983-84	47,631	44,725	22,545
1984-85	47,973	45,291	22,419
1985-86	47,838	44,751	22,000
1986-87	48,000	45,000	22,000
1987-88	48,000	45,000	22,000
1988-89	48,000	45,000	22,000
1989-90	48,000	45,000	22,000
1990-91	48,000	45,000	22,000

- (1) The figures stated for the 1981-82 school year through the spring semester of the 1985-86 school year are actual enrollment figures. The figures stated for the 1985-86 summer session and the school years thereafter are estimates prepared by the University under the direction of the System based on student enrollment forecasts and other assumptions that the University believes are reasonable. However, no assurance can be or is given that the estimates for student enrollment will not materially differ from actual future enrollment figures.

For a number of years the administration of the University has had in effect an admissions policy designed to limit undergraduate enrollment in order to maintain and improve the overall quality of undergraduate education, maintain a reasonable student faculty ratio and maintain the efficient use of the University's existing facilities. Prior to the adoption of more stringent admissions requirements, rapid enrollment increases required the continuous development of new facilities. This policy of enrollment stabilization should permit the full utilization of existing facilities.

The following table sets forth information relating to semester credit hours undertaken by the University students.

TABLE IV
Semester Credit Hours Enrolled (1)

School Year	Semester Credit Hours Enrolled			Total
	Fall Semester	Spring Semester	Summer Sessions	
1981-82	599,172	567,445	154,820	1,321,437
1982-83	598,312	555,337	156,529	1,310,178
1983-84	586,186	544,799	155,581	1,286,566
1984-85	588,027	549,767	156,114	1,293,908
1985-86	579,769	542,092	155,000	1,276,861
1986-87	580,000	549,000	155,000	1,284,000
1987-88	580,000	549,000	155,000	1,284,000
1988-89	580,000	549,000	155,000	1,284,000
1990-91	580,000	549,000	155,000	1,284,000

- (1) The figures stated for the 1981-82 school year through the spring semester of the 1985-86 school year are actual figures. The figures stated for summer sessions of the 1985-86 school year and the school years thereafter represent estimates prepared by the University under the direction of the System based on student enrollment forecasts and other assumptions that the University believes are reasonable. However, no assurance can be or is given that such estimates for will not materially differ from actual future figures.

Accreditation and Academic Programs

The University is fully accredited by the Southern Association of Colleges and Schools. Its eight colleges and seven schools offer a variety of programs leading to 103 bachelor degrees, 91 master degrees and 73 doctor degrees, upon satisfactory completion of resident study in the appropriate curriculum.

Faculty and Employees

As of the 1985 fall semester, the University had a full-time equivalent faculty of approximately 1,810 professors. Approximately 95 percent of the faculty members hold doctorate degrees in their respective fields of study. In addition, 56.6 percent of the faculty members have tenure. The University also had approximately 9833 full-time equivalent employees, including faculty.

Financial Support

As a State institution, the University receives most of its educational and general funds from State appropriations, including local funds. Other operating funds are derived from student tuition and auxiliary enterprises, and sponsored programs, primarily research and public service projects. The University also receives contributions in excess of \$8,000,000 annually from the private sector.

Research and Funding

The University presently receives the following research funds:

TABLE V
Sources of Research Funds

School Year	Federal Government	State Appropriation and State Agencies	Private Organizations	Other	Totals
1980-81	\$54,100,261	\$13,903,107	\$11,647,959	\$ 38,016	\$ 79,689,343
1981-82	56,621,717	18,278,569	12,191,548	7,560	87,099,394
1982-83	59,279,226	25,266,506	13,807,044	—	98,352,776
1983-84	71,678,682	28,992,629	16,575,124	308,214	117,554,649
1984-85	75,985,689	28,617,845	17,132,828	616,573	122,352,935

Select Committee on Higher Education

In 1985, the 69th Legislature of the State established the Select Committee on Higher Education (the "Committee") as a special interim committee to make a comprehensive study of issues and concerns relating to higher education in the State and to report to the 70th Legislature of the State before it convenes in Regular Session in January 1987. The Committee includes the Governor, the Lieutenant Governor and other public officials of the State and members appointed by such officials. The particular areas to be studied include, among others, funding and cost effective alternatives for maintaining the higher education system, with special emphasis on long-term enrollment projections. It is not possible to predict what recommendations may be made by the Committee, or the effect of any such recommendations on the University and its future enrollment or any action taken by the State Legislature in response thereto.

Accounting Practices and Summary Financial Information

The University uses "fund accounting" principles in accounting for its assets, liabilities, fund balances and operations accounts to ensure compliance with restrictions placed on the uses of University resources by outside entities. A separate fund is established for each project or purpose, and all activity affecting each fund is reflected in the accounting records. Funds that have similar characteristics are combined into fund groups for reporting purposes.

The University annually issues a financial report with three basic financial statements: (a) a Balance Sheet; (b) a Statement of Current Funds, Revenues and Expenditures; and (c) a Statement of Changes in Fund Balances. Such financial statements are audited each year by the State Auditor, although substantial delays sometimes occur in completing such audits. The University's unaudited financial statements for the fiscal year ended August 31, 1985 and audited financial statements for the fiscal year ended August 31, 1984 are included in *Appendix E* to this Official Statement. The following tables set forth summary financial information of the University.

TABLE VI
 The University of Texas at Austin
 Summary Balance Sheet (1)

	Fiscal year ended August 31.		
	1983 (2)	1984 (2)	1985 (3)
ASSETS			
Current Funds			
General	\$ 36,951,651	\$ 36,649,738	\$ 59,276,276
Auxiliary Enterprises and Activities	26,698,629	40,485,229	38,373,221
Designated	74,556,262	72,818,413	77,111,085
Restricted	78,250,665	97,991,834	110,599,467
Total Current Funds	<u>216,457,207</u>	<u>247,945,214</u>	<u>285,360,051</u>
Loan Funds	18,879,281	20,926,335	23,278,066
Endowment and Similar Funds	108,820,247	144,518,306	191,798,295
Annuity and Life Income Funds	1,184,606	707,612	737,390
Plant Funds			
Unexpended	47,664,413	83,927,241	71,714,392
Renewals and Replacement	2,058,755	2,584,055	2,822,506
Funds for Retirement of Indebtedness	25,538,059	35,367,181	33,428,288
Investment in Plant	834,099,650	926,013,315	1,035,043,205
Total Plant Funds	<u>909,360,877</u>	<u>1,047,891,793</u>	<u>1,143,008,391</u>
Agency Funds	3,127,920	3,477,123	3,717,513
Deduct: Interfund Group Accounts	23,894,988	11,227,595	11,427,439
GRAND TOTAL ASSETS	<u>1,233,935,150</u>	<u>1,454,238,788</u>	<u>1,636,472,267</u>
Less: Total Liabilities	<u>216,690,949</u>	<u>242,944,562</u>	<u>246,561,790</u>
FUND BALANCES (i.e., Net Worth)	<u>\$1,017,244,201</u>	<u>\$1,211,294,226</u>	<u>\$1,389,910,477</u>

- (1) The University uses modified accrual method of accounting prescribed for Colleges and Universities as set forth in *Colleges and University Business Administration*, Revised Edition, 1974.
- (2) Audited by the State Auditor.
- (3) Unaudited.

TABLE VII
 The University of Texas at Austin
 Summary Statement of Current Funds, Revenues and Expenditures (1)

	Fiscal year ended August 31.		
	1983 (2)	1984 (2)	1985 (3)
CURRENT REVENUES			
Tuition and Fees	\$ 29,904,343	\$ 30,883,107	\$ 31,675,091
Federal Funds	67,274,040	67,897,476	76,032,577
State Appropriations	202,279,770	223,044,195	240,812,020
Private Gifts	23,205,955	23,611,038	26,072,459
Endowment Income (Includes Transfer from Available University Fund)	45,059,466	47,633,563	53,002,577
Sales and Services of Auxiliary Enterprises	46,531,886	56,180,064	65,079,467
Sales and Services of Educational Departments and Other Sources	25,766,201	28,468,304	30,553,229
Total Current Revenues	442,021,663	477,717,749	523,227,440
CURRENT EXPENDITURES AND MANDATORY TRANSFERS			
Educational and General	360,397,119	381,053,942	403,956,126
Auxiliary Enterprises	53,791,142	61,730,203	70,190,692
Mandatory Transfers	10,991,779	19,160,591	12,378,062
Total Current Expenditures and Mandatory Transfers	425,180,040	461,944,736	486,524,882
EXCESS REVENUES OVER EXPENDITURES AND MANDATORY TRANSFERS	\$ 16,841,623	\$ 15,773,013	\$ 36,702,558

- (1) The University uses modified accrual method of accounting prescribed for Colleges and Universities as set forth in Colleges and University Business Administration, Revised Edition, 1974.
- (2) Audited by the State Auditor.
- (3) Unaudited.

SUMMARY OF SELECTED PROVISIONS OF THE RESOLUTION

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

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

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

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

- (i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including Treasury Receipts evidencing ownership of future interest and principal payments due on direct obligations of the United States of America;
- (ii) bonds, participation certificates or other obligations of any agency or instrumentality of the United States of America, including obligations of the Federal National Mortgage Association.

the Government National Mortgage Association, the Federal Financing Bank, the Federal Intermediate Credit Banks, Federal Farm Credit System, Federal Home Loan Banks, and Federal Home Loan Mortgage Corporation;

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

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

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

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

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

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

(ix) any reverse repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the

securities described in clauses (i), (ii), or (iii) above, and with the securities lodged with or as directed by the Board:

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

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

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

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

The term "Pledged Available Fund Surplus" shall have the meaning and be described and defined as follows: The term "Permanent University Fund" means the fund designated by that name which was created pursuant to Article VII, Sections 10, 11, 11a, 15, and 18 of the State Constitution, as amended, and is and will be governed by applicable present and future constitutional and statutory provisions. The term "Available University Fund" means the fund or funds designated by that name or any other name or names into which, or to the credit of which, the dividends, interest, and other income from the Permanent University Fund are deposited pursuant to applicable present and future constitutional and statutory provisions. Under present law, and after payment of expenses of administration of the Permanent University Fund, the Available University Fund is pledged and first used for the payment of principal of and interest on PUF Bonds or Notes heretofore and hereafter issued by The Texas A & M University System and by the System pursuant to Article VII, Section 18 of the State Constitution, as amended. Traditionally, and without exception, the State Legislature biennially has granted and appropriated the constitutionally apportioned share of the balance in the Available University Fund to The Texas A & M University System, and has granted and appropriated the constitutionally apportioned share of such balance to the Board for the support and maintenance of the University and the System administration. The term "Pledged Available Fund Surplus" means any part of the aforesaid amount of the Available University Fund that is actually granted or appropriated by the State Legislature for the support and maintenance of the University or otherwise appropriated or made available to the Board or the System from time to time in any manner that will permit the use thereof by the Board or the System to pay principal of and interest on the Bonds or Additional Bonds. It is recognized in the Resolution that the Pledged Available Fund Surplus is and has been security for and pledged to the obligations being refunded by the Bonds, that such security and pledge merely will be continued and retained for the Bonds, and that such pledge and security have enabled the Board to acquire and construct permanent improvements, new construction, and equipment constituting the Project which has been provided through the issuance of the obligations being refunded, and has been essential to the Board in carrying out its policy of promoting excellence in education at the University.

The term "Project" means and includes the following facilities which have been acquired, constructed, and equipped in Austin, Texas, at the University, for and on behalf of the University, with proceeds from the sale of the bonds being refunded by the Bonds:

(a) A University Special Events Center, consisting of a building and coliseum providing participant and spectator facilities for intercollegiate basketball games and for University related convocations and events such as graduation ceremonies, lectures, concerts, and theatrical presentations, with seating accommodations for approximately 16,500 persons.

(b) A college of Fine Arts and Department of Music Performing Arts Center Complex, comprised of the following:

(1) A University Concert Hall and Music Theatre, consisting of an approximately 3,000 seat theatre and related support facilities for concerts, recitals, opera, and ballet performances;

(2) A University Opera Laboratory Theatre, consisting of an approximately 400 seat theatre and related support facilities for operatic training and performances; and

(3) University Drama Workshops and technical support facilities for the University Concert Hall and Music Theatre and the University Opera Laboratory Theatre; and

(c) All buildings, facilities, and services of all of the foregoing, together with all future improvements, enlargements, and additions thereto, and replacements thereof, acquired or constructed from any sources including the issuance of any Additional Bonds.

Section 8. REVENUE FUND. The Resolution creates a separate account or accounts which individually or collectively shall be known as the "Building Revenue Bonds Revenue Fund" (herein called the "Revenue Fund"). Except as otherwise provided in the Resolution, all collections of Pledged Revenues, other than Pledged Available Fund Surplus, shall be credited to the Revenue Fund immediately upon receipt.

Section 9. INTEREST AND SINKING FUND. To pay the principal or an interest on all outstanding Bonds and any Additional Bonds, as the same come due, the Resolution creates a separate account to be entitled the "Building Revenue Bonds Interest and Sinking Fund" (herein called the "Interest and Sinking Fund").

Section 10. RESERVE FUND. The Resolution also creates a separate account to be entitled the "Building Revenue Bonds Reserve Fund" (herein called the "Reserve Fund"). The Reserve Fund shall be used finally in retiring the last of the outstanding Bonds and Additional Bonds, or for paying principal of and interest on any outstanding Bonds and Additional Bonds, when and to the extent the amount in the Interest and Sinking Fund is insufficient for such purpose.

Section 11. INVESTMENTS. (a) Money in any account or Fund established pursuant to the Resolution may, at the option of the Board, be placed in time deposits secured by Investment Securities, or be invested in Investment Securities; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any such account or Fund will be available at the proper time or times. For all purposes of the Resolution, such investments shall be valued at their market value as of thirty days prior to the end of each fiscal year. Interest and income derived from such deposits and investments shall be credited to the account or Fund from which the deposit or investment was made and shall be used only for the purpose or purposes for which such account or Fund is required or permitted to be used. Such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds or Additional Bonds. Money in any Fund may be invested, together with money in other Funds or with other money of the Board or the System, in common investments of the kind described above, or in a common pool of such investments, which shall be kept and held at an official depository of the System, which shall not be deemed to be or constitute a commingling of such money or Funds provided that the separate accounts maintained on the books of the System for such Funds clearly evidence the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such Fund or held by or on behalf of each such Fund.

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

Section 12. INTEREST AND SINKING FUND DEPOSITS. (a) Immediately after the delivery of the Bonds the Board shall deposit all accrued interest received from the sale and delivery of the Bonds, to the credit of the Interest and Sinking Fund.

(b) The Board shall transfer or cause to be transferred from any Pledged Available Fund Surplus in the Available University Fund and deposit, or cause to be deposited, to the credit of the Interest and Sinking Fund the amounts, at the times, as follows:

(1) on or before January 1, 1987, and semiannually on or before each July 1 and January 1 thereafter, such amounts as will be sufficient, together with other amounts, if any, then on hand in the Interest and Sinking Fund and available for such purpose, to pay the interest scheduled to accrue and come due on the Bonds on the next succeeding interest payment date; and

(2) on or before July 1, 1987, and annually on or before each July 1 thereafter, an amount sufficient, together with other amounts, if any, then on hand in the Interest and Sinking Fund and available for such purpose, to pay the principal of the Bonds scheduled to mature and come due or mandatorily required to be redeemed prior to stated maturity on such July 1;

provided and except, however, that after June 1, 1987, the Board may, at its option, make all or any part of each such aforesaid deposit required to be made to the credit of the Interest and Sinking Fund either from any Pledged Available Fund Surplus, or from the Special Fee in the manner as provided in Sections 14 and 15 of the Resolution or from any other available source; and further provided that for all purposes of the Resolution, the actual deposit of any Pledged Available Fund Surplus directly with the Paying Agent/Registrar, in the amounts and at the times as required by Section 17(a) of the Resolution shall constitute and be the equivalent of the deposit of such amounts to the credit of the Interest and Sinking Fund.

Section 13. RESERVE FUND DEPOSITS. Immediately after the delivery of the Bonds the Board shall deposit, from proceeds from the sale of the Bonds, or from any other funds available to the Board, to the credit of the Reserve Fund an amount equal to the "Required Amount," as hereinafter defined. So long as the money and investments credited to the Reserve Fund are not less than a required amount equal to the lesser of (1) the principal and interest (debt service) requirements of all then outstanding Bonds and Additional Bonds during the fiscal year in which such requirements are scheduled to be the greatest, or (2) 1.25 times the average annual principal and interest (debt service) requirements of all then outstanding Bonds and Additional Bonds (the "Required Amount"), no deposits shall be credited to the Reserve Fund. However, if the Reserve Fund at any time contains less than the Required Amount, then, subject and subordinate to making the required deposits to the credit of the Interest and Sinking Fund, the Board shall transfer or cause to be transferred from Pledged Revenues and deposit, or cause to be deposited, to the credit of the Reserve Fund semiannually, on or before the first day of each January and July thereafter, a sum at least equal to 1/10th of the Required Amount until the Reserve Fund is restored to the Required Amount. So long as the Reserve Fund contains the Required Amount, any surplus in the Reserve Fund over the Required Amount shall be transferred and commingled with the Board's general funds and used for any lawful purpose.

Section 14. LEVY OF SPECIAL FEE. If, for any reason whatsoever, on any January 1 or on any July 1 of any year the deposits specified or required in Section 12(b)(1) and (2) and Section 13 of the Resolution to be made to the credit of the Interest and Sinking Fund and the Reserve Fund, respectively, have not been made, or if for any other reason whatsoever there are, or appear to be, no other Pledged Revenues available to pay the principal of and interest on the Bonds as the same mature and come due, then the Board shall fix, levy, charge, and collect the Special Fee, as provided in Section 15 of the Resolution, effective at the next succeeding regular semester or semesters or summer term or terms, in amounts sufficient to provide and make the deposits specified or required in Section 12(b)(1) and (2) and Section 13 of the Resolution; and in such event the amounts so specified or required to be deposited to the credit of the Interest and Sinking Fund and the Reserve Fund shall

be so deposited, from collections of the Special Fee, on or before the next succeeding interest or principal payment date or dates on the Bonds or Additional Bonds, and the Board shall not be considered to be in default with respect to the Resolution, or the Bonds or any Additional Bonds, if such deposits are so made unless there has been a default in the payment when due of the principal of or interest on any Bonds or Additional Bonds.

Section 15. COLLECTION OF THE SPECIAL FEE. (a) The Board covenants and agrees to fix, levy, charge, and collect the Special Fee on a uniformly applied basis from each student (excepting any student in a category now exempt by law from paying fees) enrolled in the University at each regular fall and spring semester and at each term of each summer session, for the use and availability of all or any part of the Project, in such amounts, without any limitation whatsoever, as will be at least sufficient at all time to provide, together with other Pledged Revenues, the money for making when due all deposits required to be made to the credit of the Interest and Sinking Fund and the Reserve Fund in connection with the Bonds and any Additional Bonds; and to pay the principal of and interest on the Bonds and Additional Bonds as the same mature and come due, and the Special Fee shall be fixed, levied, charged, and collected in the full amounts required by the Resolution without regard to the actual use, availability, or existence of all or any part of the Project; but it is specifically recognized that the Special Fee is to be fixed, levied, charged, and collected only if and when permitted or required and provided in the Resolution.

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

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

(b) Subject to making the required deposits to the credit of the Interest and Sinking Fund and the Reserve Fund, when and as required by the Resolution, or any resolution authorizing the issuance of Additional Bonds, any excess Pledged Revenues may be used for any lawful purpose.

Section 17. PAYMENT OF BONDS. (a) On or before January 1, 1987, and semiannually on or before each July 1 and January 1 thereafter while any of the Bonds are outstanding and unpaid, the Board shall make available to the Paying Agent/Registrar, out of the Pledged Revenues, and/or the Reserve Fund, if necessary, money sufficient to pay such interest on and such principal of the Bonds as will accrue or mature, or be subject to mandatory redemption prior to maturity, on such January 1 or July 1. The Paying Agent/Registrar shall destroy all paid Bonds and shall furnish the Board with an appropriate certificate of destruction.

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

Section 16. SPECIAL OBLIGATIONS. The Bonds and any Additional Bonds, and the interest appertaining thereto, will constitute special obligations of the Board payable from the Pledged Revenues, and the owners of the Bonds and Additional Bonds shall never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than specified in the Resolution.

Section 19. ADDITIONAL BONDS. (a) The Board reserves and shall have the right and power to issue in one or more series "Additional Bonds" for any purpose authorized by law, including the refunding of any Bonds or Additional Bonds, which Additional Bonds, when issued, shall be secured by and payable from a lien on and pledge of the Pledged Revenues equally and ratably with, and in the same manner and to the same extent as, the Bonds and any other then outstanding Additional Bonds; and the Additional Bonds permitted by the Resolution, when issued, shall be payable from and secured by the Interest and Sinking Fund and the Reserve Fund and shall be in all respects of equal dignity and on a parity with the Bonds and any other then outstanding Additional Bonds. Each resolution under which Additional Bonds are issued shall provide and require that, in addition to the amounts required by the provisions of the Resolution and the provisions of any other resolution or resolutions authorizing Additional Bonds to be deposited to the credit of the Interest and Sinking Fund, the Board shall transfer from the Pledged Revenues and deposit to the credit of the Interest and Sinking Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Bonds then being issued, as the same come due; and that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased (if and to the extent necessary) to an amount not less than the Required Amount; and that the required additional amount shall be so accumulated by the deposit in the Reserve Fund of all or any part of said required additional amount in cash immediately after the delivery of the then proposed Additional Bonds, or, at the option of the Board, by the deposit, from the Pledged Revenues, of said required additional amount (or any balance of said required additional amount not deposited in cash as permitted above) in semiannual installments, made on or before the first day of each January and July following the adoption of the resolution authorizing the issuance of the then proposed Additional Bonds, of not less than $\frac{1}{10}$ th of said required additional amount (or $\frac{1}{10}$ th of the balance of said required additional amount not deposited in cash as permitted above).

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

(a) The senior financial officer of the System signs a written certificate to the effect that the Board is not in default as to any covenants, conditions or obligations in connection with all outstanding Bonds and Additional Bonds, and the resolutions authorizing same, and that the Interest and Sinking Fund and the Reserve Fund each contains the amount then required to be therein.

(b) The State Auditor or any certified public accountant signs a written certificate to the effect that, during either the next preceding fiscal year of the University, or any twelve consecutive calendar month period ending not more than ninety days prior to the adoption of the resolution authorizing the issuance of the then proposed Additional Bonds, the Pledged Revenues were at least equal to 1.25 times the average annual principal and interest requirements of all Bonds and Additional Bonds which are scheduled to be outstanding after the issuance of the proposed Additional Bonds.

Section 21. COVENANTS. The Board covenants and agrees that:

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

Bonds; and that it will, at the times and in the manner prescribed, deposit or cause to be deposited from the Pledged Revenues the amounts required to be deposited into the Interest and Sinking Fund and the Reserve Fund; and any holder of the Bonds or Additional Bonds may require the Board, its officials and employees, and any appropriate official of the State, to carry out, respect or enforce the covenants and obligations of the Resolution or any resolution authorizing the issuance of Additional Bonds, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the Board, its officials and employees, or any appropriate official of the State. Although the Board presently expects Pledged Available Fund Surplus to be available for its use at all times when necessary in amounts sufficient to make all deposits required by the Resolution to be made to the credit of the Interest and Sinking Fund and the Reserve Fund, the Board cannot and does not make any covenant or representation with respect to any present or future grants or appropriations by the Texas Legislature or the actual availability of any Pledged Available Fund Surplus.

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

(c) It lawfully owns, has title to, and is lawfully possessed of the lands, buildings and the facilities constituting the Project, it warrants that it has, and will defend, the title to all the aforesaid lands, buildings, facilities and every part thereof, for the benefit of the owners of the Bonds and Additional Bonds against the claims and demands of all persons whomsoever, it is lawfully qualified to pledge the Pledged Revenues to the payment of the Bonds and Additional Bonds in the manner prescribed in the Resolution, and has lawfully exercised such rights.

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

(e) While the Bonds or any Additional Bonds are outstanding and unpaid it will continuously and efficiently operate and maintain the Project in good condition, repair, and working order, and at a reasonable cost, and the expenses of operation and maintenance of the Project will be paid from the sources or funds lawfully available to the Board.

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

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

(h) Each year while any of the Bonds or Additional Bonds are outstanding, an audit will be made of its books and accounts relating to the Pledged Revenues by the State Auditor or any

certified public accountant, such audit to be based on the fiscal year of the System. As soon as practicable after the close of each such fiscal year, and when said audit has been completed and made available to the Board, a copy of such audit for the preceding fiscal year shall be mailed to all bondholders who shall so request in writing. Such annual audit reports shall be open to the inspection of the bondholders and their agents and representatives at all reasonable times.

(i) The Board and the officers of the System shall cause the Comptroller of Public Accounts of the State (i) to transfer to the credit of the Board in the Interest and Sinking Fund or deposit directly with the Paying Agent/Registrar, out of any Pledged Available Fund Surplus in the System's Available University Fund (the fund in the State Treasury to which is deposited the System's constitutionally apportioned share of the amounts in the Available University Fund), the amounts, respectively, on the dates, respectively, as required by the Resolution, and (ii) if all or any part of the Interest and Sinking Fund is being maintained in the State Treasury, or if otherwise necessary, cause the Comptroller of Public Accounts, on or before each such date, to deposit said required amount.

(j) The Board and the officers of the System will duly and punctually pay or cause to be paid the principal of every Bond and every Additional Bond, and the interest thereon, from the sources, on the days, at the places, and in the manner mentioned and provided in such obligations, according to the true intent and meaning thereof, and that it will duly cause to be called for redemption prior to maturity, and will cause to be redeemed prior to maturity, all Bonds and all Additional Bonds which by their terms are mandatorily required to be redeemed prior to maturity, when and as so required, and that it will faithfully do and perform and at all times, fully observe all covenants, undertakings and provisions contained in the Resolution and in the aforesaid obligations.

Section 22. INDIVIDUALS NOT LIABLE. All covenants, stipulations, obligations, and agreements of the Board contained in the Resolution shall be deemed to be covenants, stipulations, obligations, and agreements of the System and the Board to the full extent authorized or permitted by the Constitution and laws of the State. No covenant, stipulation, obligation, or agreement therein contained shall be deemed to be a covenant, stipulation, obligation, or agreement of any member of the Board or agent or employee of the Board in his individual capacity and neither the members of the Board nor any officer thereof shall be liable personally on the Bonds or Additional Bonds when issued, or be subject to any personal liability or accountability by reason of the issuance thereof.

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

ABSENCE OF LITIGATION

Neither the Board, the System nor the University is a party to any litigation or other proceeding pending or, to the knowledge of such parties, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely, would have a material adverse effect on the financial condition of the Board, the System or the University or the Pledged Revenues. On the date of delivery of the Bonds to the Underwriters, the Board will cause to be executed and delivered to the Underwriters a certificate to the effect that no litigation of any nature has been filed or, to the knowledge of the persons executing such Certificate, threatened which seeks to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security, or in any manner questioning the validity of the Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the unqualified approval of the Attorney General of the State of Texas and of Fulbright & Jaworski, McCall, Parkhurst & Horton and Vinson & Elkins, Co-Bond Counsel to the Board, whose approving opinion will be printed on the Bonds in substantially the form attached hereto as *Appendix C*, with such alterations as may be required as a result of changes in or actions on pending legislation that occur following the date of this Official Statement and prior to initial delivery of the Bonds. Co-Bond Counsel were not requested to participate, and did not take part, in the preparation of this Official Statement except as hereinafter noted, and such firms have not assumed any responsibility with respect thereto or undertaken to verify any of the information contained herein, except that, in their capacity as Co-Bond Counsel, such firms have reviewed the information relating to the Bonds and the Resolution contained under the captions "Plan of Financing," "Description of the Bonds," "Summary of Selected Provisions of the Resolution," "Security for the Bonds" (except for the financial information under the subheadings "Summary" and "Special Fee"), "Tax Exemption" and "Legal Investments in Texas" in this Official Statement, and such firms are of the opinion that the information relating to the Bonds and the Resolution contained under such captions is a fair and accurate summary of the information purported to be shown. The payment of legal fees to Co-Bond Counsel in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by Jenkins, Hutchison & Gilchrist and Reynolds, Allen & Cook Incorporated.

TAX EXEMPTION

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

The accuracy of the arithmetical and mathematical computations relating to the determination of compliance with the regulations and rulings promulgated under Section 103(c) of the Internal Revenue Code of 1954, as amended (or Sections 147(g) and 149(d) (2) (D) (i) of the proposed Internal Revenue Code of 1985, if enacted as set forth in H.R. 3838), will be verified by Ernst & Whinney, independent certified public accountants. Such verification of arithmetical accuracy and mathematical computations will be based upon information and assumptions supplied by the Board, and such verification, information and assumptions will be relied on by Co-Bond Counsel in rendering their opinion described herein.

Pending Federal Tax Legislation

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

On March 14, 1986, a joint statement (the "Joint Statement") regarding the effective date of certain provisions of H.R. 3838 was made by the chairmen and ranking minority members of the House Committee on Ways and Means and the Senate Committee on Finance and the Secretary of the Treasury. In this Joint Statement, these individuals endorse a postponement, until September 1, 1986 (or the date of enactment of tax reform legislation, if earlier), of any application of certain provisions of H.R. 3838 which would affect the Bonds.

The Board does not intend to comply with the provisions of H.R. 3838 that apply to the Bonds and which would, pursuant to the Joint Statement, have a postponed effective date. Accordingly, if H.R. 3838 is enacted in its pending form without the postponed effective date for certain provisions endorsed by the Joint Statement, interest on the Bonds would become taxable retroactively to their date of issuance.

In the opinion of Co-Bond Counsel, if H.R. 3838 is enacted as passed by the House of Representatives, but with effective dates modified in conformity with the Joint Statement, the exemption of interest on the Bonds from federal income tax under existing law would not be adversely affected, except that interest on the Bonds owned or purchased by casualty insurance companies may be subject to a tax in the nature of an alternative minimum tax on "net gains from operations," including interest from tax-exempt obligations, for taxable years beginning after 1987.

Co-Bond Counsel express no opinion as to the federal income tax exemption of interest on the Bonds in the event that H.R. 3838 is enacted in a manner inconsistent with the Joint Statement or in the event that other legislation affecting the Bonds is enacted; nor do Co-Bond Counsel express any opinion as to whether any particular congressional action with respect to effective dates of H.R. 3838 or the substantive requirements applicable to the Bonds will be enacted into law or as to any other federal tax consequences of acquiring, owning or disposing of the Bonds.

Senate Finance Committee Bill. On May 7, 1986 the Senate Finance Committee approved tax reform legislation which includes provisions affecting the tax treatment of interest on bonds issued by state or local governmental units. The Finance Committee's bill would reduce the top individual income tax rate to 27 percent and the top corporate income tax rate to 33 percent. In addition, the bill would create a new 20 percent alternative minimum tax on corporations (payable in lieu of the regular tax if the amount of minimum tax exceeds the amount of regular tax) for taxable years beginning after December 31, 1986. The bill would include as a corporate minimum tax preference item 50 percent of the excess of (a) a corporation's pre-tax book income (e.g. the income, including interest on bonds issued by state or local governmental units, used in reports or statements to shareholders/owners, or in reports to creditors) over (b) alternative minimum taxable income (as defined in the bill).

The text of the Senate Finance Committee's tax reform legislation has not been made available to the public. However, it appears that the interest on all bonds issued by state or local governmental units, without regard to the date of issuance of such bonds, would be included in pre-tax book income for purposes of calculating the corporate minimum tax preference item described above. Accordingly, if this interpretation is adopted, interest on the Bonds would be included in a corporate taxpayer's pre-tax book income for purposes of computing a corporate taxpayer's alternative minimum tax under the Senate Finance Committee proposal.

LEGAL INVESTMENTS IN TEXAS

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

RATINGS

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

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain customary conditions to delivery, to purchase the Bonds from the Board at an aggregate underwriting discount of \$585,844 from the initial public offering prices of the Bonds set forth on the reverse side of the cover page of this Official Statement. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

OTHER MATTERS

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

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

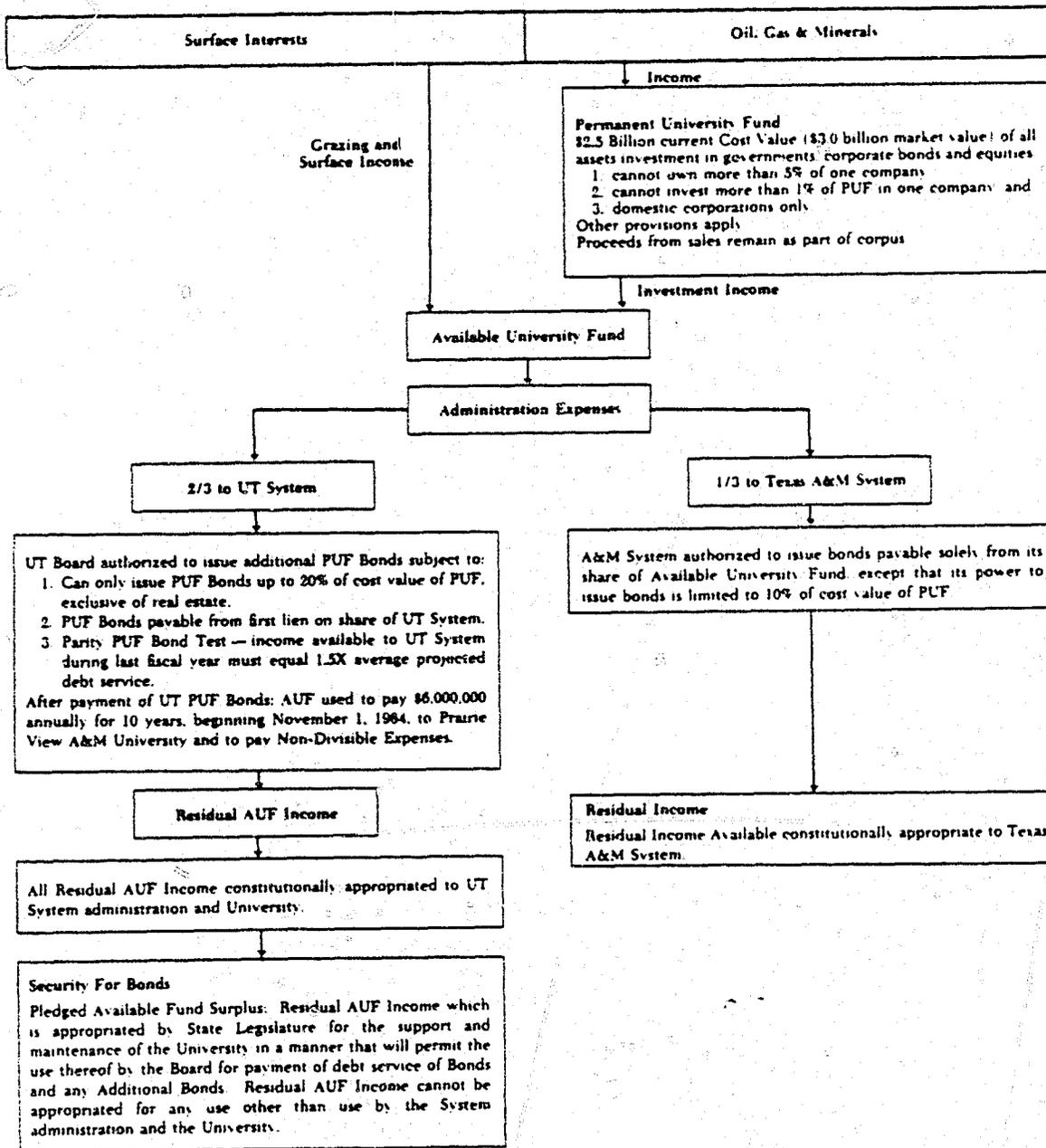
The University of Texas System
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APPENDIX A
 PERMANENT UNIVERSITY FUND

Introduction

A graphic summary and analysis of the relationship among the Permanent University Fund, the Available University Fund, the Residual AUF Income, the Pledged Available Fund Surplus, the System and The Texas A&M University System follows. Such summary and analysis is qualified in its entirety by reference to the full text of this Official Statement and to the documents, laws and constitutional provisions referred to herein.

UNIVERSITY LANDS
 (2,100,000 acres)



As interpreted by the State Supreme Court and by the State Attorney General, the Permanent University Fund must be forever kept intact, and the proceeds from oil, gas, sulphur and water royalties, together with all gains on investments, all rentals on mineral leases, all lease bonuses and all amounts received from the sale of land must be added to the corpus of such fund.

Table A contains a statement of the annual growth in the Permanent University Fund (additions from income and gains required to become a part of the corpus) through the fiscal year ending August 31, 1985.

TABLE A
 PERMANENT UNIVERSITY FUND
 (Annual Fund Growth — 000 omitted)

<u>Fiscal Year Ending August 31</u>	<u>Oil, Gas & Sulphur Royalties</u>	<u>Mineral Lease Bonuses</u>	<u>Other Sources</u>	<u>Total Additions</u>
Prior to September 1, 1973	\$ 391,834	\$226,445	\$ 51,076	\$ 669,355
1974	31,541	12,542	846	44,929
1975	58,512	8,266	710	67,488
1976	70,123	15,379	(12,676)	72,826
1977	76,598	13,862	1,012	91,472
1978	76,845	18,573	1,832	97,250
1979	76,637	10,818	3,043	90,498
1980	119,356	253	3,041	122,650
1981	160,285	98,282	4,316	262,883
1982	178,286	20,221	7,886	206,393
1983	154,702	742	21,431	176,875
1984	145,186	7,254	27,462	179,902
1985	135,422	244	98,687	234,353
Totals	<u>\$1,675,327</u>	<u>\$432,861</u>	<u>\$208,666</u>	<u>\$2,316,874</u>

Assets

In the early years of the Permanent University Fund, approximately 2,000,000 acres of land, located principally in nineteen West Texas Counties, were granted as the permanent initial endowment of the Permanent University Fund. No land has been sold and, as of this date, land holdings of the Permanent University Fund total approximately 2,100,000 acres.

Table B lists, as of March 31, 1986, the distribution and book value of the assets of the Permanent University Fund, with land being carried at nominal value.

TABLE B
ASSETS OF THE PERMANENT UNIVERSITY FUND
 (As of March 31, 1986)

	Book Value
Cash and Cash Equivalents.....	\$ 468,853,557
U.S. Government Obligations.....	586,467,623
U.S. Government Agencies (non-guaranteed).....	37,845,199
Corporate Bonds.....	707,011,728
Common Stocks.....	694,771,902
Convertible Preferred Stocks and Debentures.....	496,231
Preferred Stocks.....	5,961,924
Land(1).....	10,027,384
Total.....	\$2,511,455,548

(1) Land value is reported on the basis of nominal value.

Investment Responsibility

The responsibility for managing and investing the Permanent University Fund is constitutionally assigned to the Board. The Board currently employs seven investment counseling firms to provide professional guidance in optimizing investment performance while complying with legal limitations and policy guidelines. The Board additionally appoints a six-member Investment Advisory Committee of citizen members whose particular qualifications and experience qualify them in the opinion of the Board to advise the Board and the Administration of the System with respect to investment policy, planning and performance evaluations. The Texas Education Code additionally requires the Board to employ a well recognized performance measurement service to evaluate and analyze the investment results of the Permanent University Fund with other public and private funds having similar objectives. The Board for Lease of University Land, comprised of representatives of the System, The Texas A&M University System and the State Land Commissioner, is responsible for developing and approving oil, gas and other mineral leases.

Eligible Investments and Standards

Under current provisions of the State Constitution, the Board is authorized to invest the Permanent University Fund in securities, bonds or other obligations issued, insured or guaranteed in any manner by the United States Government or any of its agencies, and in such bonds, debentures or obligations, and preferred and common stocks issued by corporations, associations or other institutions as the Board deems to be proper investments; provided, however, that no more than one percent of the Permanent University Fund may be invested in the securities of any one corporation, nor shall more than five percent of the voting stock of any one corporation be owned; provided further that stocks eligible for purchase shall be restricted to stocks of companies incorporated within the United States which have paid dividends for five consecutive years or longer immediately prior to the date of purchase and which, except for bank stocks and insurance stocks, are listed upon an exchange registered with the Securities and Exchange Commission or its successors. In making each and all investments, the State Constitution requires the Board to exercise the judgment and care under the circumstances then prevailing which men of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital.

In addition to constitutional restrictions, rules of the Board provide that at the time of investment (a) corporate bonds and preferred stocks must be rated "Baa3," "BBB-," or higher, or if not rated, must in the opinion of the Board's investment staff be of at least equal quality to such ratings; and

(b) commercial paper must be rated no lower than the second highest rating of either Moody's Investors Service or Standard & Poor's Corporation.

To the best knowledge and belief of the System, the current investments, practices and policies of the Board are in full compliance with the requirements of the State Constitution and covenants to bondholders.

Table I under "Security for the Bonds — Summary" above provides a summary of historical and projected earnings of the Permanent University Fund that were and will be deposited, if realized, to the Available University Fund.

Additional PUF Bonds and Notes

The Board has authority to issue additional PUF Bonds and Notes, subject to certain constitutional limitations, and other limitations hereafter discussed, which would be payable from the System's two-thirds share of the income attributable to the Available University Fund. The Board's current borrowing schedule, based on estimated growth of the Permanent University Fund, contemplates the issuance of \$195,000,000 of additional PUF Bonds and Notes during the fiscal years ending August 31, 1986 through 1990. The Board has not adopted any resolutions regarding the issuance of such additional PUF Bonds and Notes but expressly reserves the right to issue such additional PUF Bonds and Notes at such time and from time to time and in such amounts as it deems to be in the best interest of the System or the University.

Constitutional Debt Power, Debt Limitations of the Available University Fund

The discretion to direct the use of the two-thirds share of the System in the Available University Fund, after expenses, for constitutionally authorized purposes is vested in the Board.

Article VII, Section 18(b) of the State Constitution authorizes the Board to issue PUF Bonds and Notes, payable from all or any part of its interest in the Available University Fund for the purpose of (a) acquiring land with or without permanent improvements, (b) constructing and equipping buildings or other permanent improvements, (c) making major repairs and rehabilitations of buildings and other permanent improvements, (d) acquiring capital equipment, library books and library materials, and (e) refunding bonds or notes issued under said section or prior law at or for administration of the System and the component institutions of the System.

The State Constitution limits the aggregate amount of bonds and notes (payable from the System's share of the Available University Fund) that may be issued by the Board to amounts not exceeding, at the time of issuance, 20% of the cost value of the Permanent University Fund, exclusive of real estate. As of March 31, 1986, the cost value of the Permanent University Fund, exclusive of real estate, was \$2,501,428,164. For the purpose of making these calculations, "cost value" and "book value" are treated as equivalent terms.

In addition to the State Constitution limitations the Board cannot issue additional PUF Bonds on a parity with the outstanding PUF Bonds unless during the fiscal year immediately preceding the date of issuance the amount of the interest of the System in the Available University Fund was at least 1½ times the average annual principal and interest requirements and all then outstanding PUF Bonds and additional parity PUF Bonds which will be outstanding after the issuance and delivery of the additional PUF Bonds. Under this test and the Constitutional limitation the Board has authority to issue \$54,315,632 of additional parity and subordinated PUF Bond and Notes.

APPENDIX B
 DESCRIPTION OF THE SYSTEM

History, Administration, Sources of Funding

The System commenced in 1883 with the opening of the University. Today, the System is one of the largest educational organizations in the United States and through its component institutions provides instruction, research and public service throughout the State.

The Board consists of nine regents who serve without pay. Members are appointed to staggered six-year terms. Administration of the University conforms to that of leading American universities. The System is headquartered in Austin, Texas, and is supported by State appropriations, private gifts and endowments, Federal appropriations and grants, student tuitions and fees, its interest in the Available University Fund, and miscellaneous sources. The percentage division of these fund sources for the fiscal year ended August 31, 1985 is as follows:

State Appropriations	51.2%
Federal Funds	10.9
Sales and Service of Hospitals	15.7
Private Gifts	4.7
General Tuition and Fees	3.4
Sales and Services of Auxiliary Enterprises	5.8
Endowment Income (Including Allocations from Available University Fund)	3.4
Sales and Service of Education Activities and Other	4.9
Total	<u>100.0%</u>

Institutional Enrollment

The 1985 fall student enrollments of the teaching institutions of the System are as shown below:

U.T. Arlington	23,109
U.T. Austin	47,838
U.T. Dallas	7,177
U.T. El Paso	14,110
U.T. Permian Basin	1,859
U.T. San Antonio	12,137
U.T. Tyler	3,620
U.T. Health Science Center at Dallas	1,436
U.T. Medical Branch at Galveston	1,646
U.T. Health Science Center at Houston	2,675
U.T. Health Science Center at San Antonio	2,205
Total	<u>117,812</u>

The University of Texas System Cancer Center, The University of Texas Health Center at Tyler and The University of Texas Institute of Texan Cultures at San Antonio are not teaching institutions and therefore have no enrollment.

General Academic Institutions

The University of Texas at Arlington, which has the fifth largest university enrollment in the State, is located in Arlington, between Dallas and Fort Worth. Serving both a resident and commuter student body, this institution offers 96 degree programs at the baccalaureate, master and doctoral levels. Degree programs are offered through the Colleges of Liberal Arts, Science, Engineering, and Business Administration; Graduate School of Social Work; Institute of Urban Studies, which is a statutory unit; School of Architecture and Environmental Design; School of Nursing; and Center for Professional Teacher Education.

The University of Texas at Austin is a major research university with many nationally ranked academic programs at the graduate level. Its library collections and research resources are ranked among the finest in the world. The present site has expanded into more than 300 acres since classes began on the original 40 acres near downtown Austin. Additionally, University-owned property located in other areas of Austin includes the Balcones Research Center and the Brackenridge Tract, partially used for married student housing. The McDonald Observatory on Mount Locke in West Texas, the Marine Science Institute at Port Aransas and the Institute for Geophysics (Galveston) on the Gulf Coast operate as specialized research units of The University of Texas at Austin.

The University of Texas at Dallas was established in 1969 as an upper-level institution and offers curricula leading to more than 50 degrees at the baccalaureate, master and doctoral levels. This university is structured to meet the needs of the community college graduate through its undergraduate programs and, at the same time, maintain high quality graduate programs. Those activities are enhanced by a campus of more than 600 acres. A graduate level school of engineering was recently approved for the University. The Callier Center for Communication Disorders, a teaching, research and treatment organization, is located near downtown Dallas. Several education related agencies are also located on the campus, including Southwestern Legal Foundation and the Association for Higher Education of North Texas.

The University of Texas at El Paso was established by the State Legislature in 1913 as the Texas School of Mines and Metallurgy. It was renamed the College of Mines after becoming a branch of the System in 1919. It changed its name to Texas Western College in 1949 and since 1967 has been called The University of Texas at El Paso. Both baccalaureate and graduate degrees are offered in more than 60 majors through six colleges: Business Administration, Education, Engineering, Liberal Arts, Nursing and Allied Health Sciences, and Science, plus the Graduate School. The University is accredited through the doctoral level by the Southern Association of Colleges and Schools and offers a doctorate in Geological Sciences. The location on the Texas-Mexico border brings many students from Mexico to the campus.

The University of Texas of the Permian Basin in Odessa opened for classes in September 1973. As directed by the State Legislature in 1969, U.T. Permian Basin admits only upper-level students, and offers baccalaureate degrees in 27 fields and masters degrees in 15 fields. Innovative classroom and laboratory techniques are emphasized, especially self-paced instruction, experimental learning and open laboratory and art areas.

The University of Texas at San Antonio was authorized by the State Legislature in 1969. Graduate programs were initiated in leased facilities in June 1973; during the summer of 1975, the University moved to a 600-acre campus in northwest San Antonio. Junior and senior students were admitted in September 1975, and freshmen and sophomores were enrolled in the summer of 1976, when the first phase of campus construction was completed. This institution is a part of the Southwest Research Consortium.

The University of Texas at Tyler became a part of the System in 1979 by action of the State Legislature. Created in 1971 as Tyler State College, this institution became Texas Eastern University in 1976. The upper-division (junior and senior) and graduate institution is located in east Texas midway between Dallas and Shreveport. The four schools within this university organization are: Business Administration, Education and Psychology, Liberal Arts, and Sciences and Mathematics. Current degree programs include 48 baccalaureate degrees in 33 academic areas and 15 masters degrees in nine fields.

Health Related Institutions

The University of Texas Health Science Center at Dallas was established in the fall of 1972 as a component institution of the System consisting of Southwestern Medical School, the Graduate School of Biomedical Sciences and the School of Allied Health Sciences. Southwestern Medical School was founded as Southwestern Medical College in 1943 by the Southwestern Medical Foundation and was

added to the System in 1949. More than \$68 million in buildings and facilities have been added in the last decade to enable the center to engage in significant programs of teaching, research and patient care. Southwestern Medical School now graduates over 200 physicians each year while the Graduate School of Biomedical Sciences and the School of Allied Health Sciences graduate a total of more than 180 health scientists and professionals.

The University of Texas Health Science Center at Galveston is the State's only multicategorical health referral center and serves as a major health resource and health referral center for much of the southwest. The Medical Branch includes the oldest medical school in Texas, founded in 1891, and now has the 10th largest medical school in the United States. In addition, the Medical Branch consists of the School of Nursing, School of Allied Health Sciences, Graduate School of Biomedical Sciences, Marine Biomedical Institute and Institute for the Medical Humanities. The Medical Branch has undergone rapid expansion in the past two decades and includes sophisticated health care facilities. The Medical Branch employs approximately 7,400 people, making it the largest single employer in Galveston County.

The University of Texas Health Science Center at Houston, the largest of the health science centers in the System, consists of eight components, six of which are schools — the Dental Branch (established in 1905 as the Texas Dental College); the Graduate School of Biomedical Sciences (1963); the School of Public Health in Texas (1967); the Medical School (1970); the School of Nursing (1972); and the School of Allied Health Sciences (1973). The Division of Continuing Education and the Speech and Hearing Institute complete the eight components. With its 668 full-time and 138 part-time faculty in eight teaching and research buildings, the Houston Health Science Center also is the largest institutional member of the Texas Medical Center.

The University of Texas Health Science Center at San Antonio was established by the Board of Regents in the fall of 1972. The operational units of the Health Science Center include schools of Medicine, Dentistry, Nursing, Allied Health Sciences and Graduate Biomedical Sciences. Expanding programs both in research and instruction have allowed the institution to maintain its role in the South Texas Medical Center.

The University of Texas System Cancer Center is the official State agency for the care of Texans with cancer, for training and research in cancer, and for activities related to prevention of the disease. With M. D. Anderson Hospital and Tumor Institute at Houston as its hub, the Cancer Center also includes a 110-bed Rehabilitation Center for recovering cancer patients, the Anderson Mayfair patient and family hotel and the 1,100-acre Science Park. Since the hospital opened in 1944, more than 165,000 persons with cancer have been treated there. At least 10,000 health professionals and scientists have received training at M. D. Anderson Hospital. Cancer Center researchers are involved in more than 525 scientific projects aimed at cancer control and prevention. The Science Park in central Texas includes two divisions devoted to cancer research and veterinary resources.

The University of Texas Health Center at Tyler is the primary facility for patient care, education, and research in diseases of the chest. The institution became a part of the System on September 1, 1977, by action of the 65th State Legislature. The Health Center's mission was expanded at that time to include its patient care facilities as a teaching hospital.

THE UNIVERSITY OF TEXAS SYSTEM
 SUMMARY BALANCE SHEET (1)

	Fiscal Year Ended August 31.				
	1981	1982	1983	1984	1985 (2)
ASSETS:					
Current Funds:					
General	\$ 148,292,519	\$ 156,153,972	\$ 227,027,921	\$ 247,981,349	\$ 342,135,901
Auxiliary Enterprises and Activities	41,086,421	49,707,283	54,386,358	69,045,826	67,661,072
Designated	170,250,925	217,800,724	268,112,875	258,443,462	288,045,846
Restricted	228,796,274	235,307,561	254,457,856	295,377,193	334,433,976
Total Current Funds	<u>588,426,139</u>	<u>658,969,540</u>	<u>803,985,010</u>	<u>870,847,830</u>	<u>1,032,276,795</u>
Loan Funds	<u>38,590,766</u>	<u>40,602,759</u>	<u>44,900,251</u>	<u>49,506,865</u>	<u>53,482,646</u>
Endowment and Similar Funds:					
State (Permanent University Fund)	1,529,378,125	1,735,771,704	1,912,646,657	2,092,548,880	2,326,902,086
Other than State	<u>144,822,583</u>	<u>186,846,894</u>	<u>245,694,952</u>	<u>319,456,771</u>	<u>381,433,462</u>
Total Endowment and Similar Funds	<u>1,674,200,708</u>	<u>1,922,618,598</u>	<u>2,158,341,609</u>	<u>2,412,005,651</u>	<u>2,708,335,548</u>
Annuity and Life Income	<u>4,015,977</u>	<u>4,270,404</u>	<u>4,386,988</u>	<u>4,226,482</u>	<u>4,427,271</u>
Available University Fund	<u>47,068,980</u>	<u>59,393,741</u>	<u>59,206,856</u>	<u>72,965,475</u>	<u>69,866,535</u>
Plant Funds:					
Unexpended	270,703,051	278,900,348	267,487,890	297,931,609	248,595,573
Renewals and Replacements	6,734,106	8,516,618	7,120,412	7,709,931	10,435,057
Fund for Retirement of Indebtedness	89,173,578	93,410,709	95,856,259	110,710,094	111,867,596
Invested in Plant	<u>1,951,020,466</u>	<u>2,125,924,201</u>	<u>2,294,183,734</u>	<u>2,507,827,796</u>	<u>2,749,592,679</u>
Total Plant Funds	<u>2,317,631,201</u>	<u>2,506,751,876</u>	<u>2,664,648,295</u>	<u>2,924,153,430</u>	<u>3,120,490,905</u>
Agency Funds	<u>29,503,453</u>	<u>35,083,786</u>	<u>37,333,713</u>	<u>44,697,696</u>	<u>46,401,399</u>
DEDUCT: Interfund Group					
Accounts	<u>73,261,894</u>	<u>90,698,279</u>	<u>68,935,844</u>	<u>82,075,062</u>	<u>65,221,084</u>
GRAND TOTAL ASSETS	<u>4,626,175,330</u>	<u>5,136,992,425</u>	<u>5,703,866,878</u>	<u>6,296,328,367</u>	<u>6,970,060,019</u>
Less: Total Liabilities	<u>789,319,094</u>	<u>785,988,129</u>	<u>825,706,649</u>	<u>971,939,797</u>	<u>1,034,768,557</u>
FUND BALANCES (i.e. Net Worth)	<u><u>\$3,836,856,236</u></u>	<u><u>\$4,351,004,296</u></u>	<u><u>\$4,878,160,229</u></u>	<u><u>\$5,324,388,570</u></u>	<u><u>\$5,935,291,462</u></u>

(1) The University of Texas System used the modified accrual method accounting prescribed for Colleges and Universities as set forth in *Colleges and University Business Administration*, Revised Edition, 1974.

(2) Unaudited.

THE UNIVERSITY OF TEXAS SYSTEM
SUMMARY STATEMENT OF CURRENT FUNDS, REVENUES AND EXPENDITURES (1)

	Fiscal Year Ended August 31.				
	1981	1982	1983	1984	1985 (2)
CURRENT INCOME:					
Tuition and Fees	\$ 55,256,693	\$ 59,036,224	\$ 61,934,707	\$ 64,924,264	\$ 68,739,972
Federal Funds	185,711,999	180,387,675	179,785,974	188,382,504	217,238,697
State Appropriations	672,548,506	819,657,916	921,708,827	943,976,556	1,022,961,019
Private Gifts	56,685,641	68,289,677	80,689,465	90,114,683	95,066,926
Endowment Income (Includes Transfers from Available University Fund)	28,870,244	40,625,397	52,391,655	66,204,235	67,346,232
Sales and Services of Auxiliary Enterprises	68,306,297	80,232,658	92,082,396	102,697,165	115,765,775
Sales and Services of Hospitals and Clinics; Professional Fees ..	198,496,158	248,670,301	278,501,338	285,632,549	313,447,996
Sales and Services of Educational Departments and Other Services	67,724,050	90,636,591	74,960,624	89,629,200	98,851,925
Total Current Revenues	<u>1,333,599,588</u>	<u>1,587,536,439</u>	<u>1,742,054,986</u>	<u>1,833,561,179</u>	<u>1,999,458,544</u>
CURRENT EXPENDITURES AND MANDATORY TRANSFERS					
Educational	1,144,811,625	1,340,635,540	1,498,598,949	1,625,843,582	1,729,620,907
Auxiliary Enterprises	83,192,241	95,195,123	104,758,914	116,490,743	128,544,823
Mandatory Transfers	26,690,578	26,059,335	38,760,677	54,047,509	28,685,341
Total Current Expenditures and Mandatory Transfers	<u>1,254,694,444</u>	<u>1,461,889,998</u>	<u>1,642,118,540</u>	<u>1,796,381,834</u>	<u>1,886,851,071</u>
EXCESS REVENUES OVER EXPENDITURES AND MANDATORY TRANSFERS ...	<u>\$ 78,905,144</u>	<u>\$ 125,646,441</u>	<u>\$ 99,936,446</u>	<u>\$ 37,179,345</u>	<u>\$ 112,607,473</u>

(1) The University of Texas System uses the modified accrual method of accounting prescribed for Colleges and Universities as set forth in *Colleges and University Business Administration*, Revised Edition, 1974.

(2) Unaudited.

APPENDIX C

FULBRIGHT & JAWORSKI McCALL, PARKHURST VINSON & ELKINS
 &
 HORTON

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM,
 THE UNIVERSITY OF TEXAS AT AUSTIN, BUILDING REVENUE
 REFUNDING BOND, SERIES 1986
 DATED MAY 1, 1986, IN THE PRINCIPAL AMOUNT OF
\$36,410,000

ACTING COLLECTIVELY AS BOND COUNSEL for the Board of Regents of The University of Texas System (the "Issuer"), the undersigned firms of attorneys, respectively, have examined into the legality and validity of an issue of bonds initially evidenced by the bond described above, which is the "Initial Bond" as defined and designated in the resolution authorizing the issuance of such bonds (the "Bond Resolution"), which Initial Bond has been issued and delivered as a single fully registered bond.

THE INITIAL BOND is payable in principal installments due on JULY 1 in each of the years 1987 through 1996, and on JULY 1, 2004, with the unpaid balance of each installment of principal of the Initial Bond bearing interest from May 1, 1986, to the scheduled due date or to the date of prepayment or redemption, at the following rates per annum for each maturity, respectively:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Interest Rate</u>
1987	4.70%	1993	6.50%
1988	5.20%	1994	6.70%
1989	5.50%	1995	6.90%
1990	5.75%	1996	7.10%
1991	6.00%	*****	
1992	6.25%	2004	7.625%

Interest on the Initial Bond is payable on JANUARY 1, 1987, and semiannually on each JULY 1 and JANUARY 1 thereafter. Installments of principal of the Initial Bond are subject to prepayment or redemption prior to the scheduled maturities, at the option of the Issuer, on JULY 1, 1996, or on any date thereafter, in accordance with the terms and conditions

stated on the face of the Initial Bond. The installment of principal of the Initial Bond that is due and payable on JULY 1, 2004 is subject to mandatory sinking fund prepayment or redemption prior to its scheduled maturity, on JULY 1 in each of the years 1997 through 2003 in accordance with the terms and conditions stated on the face of the Initial Bond.

THE INITIAL BOND, at the request of the registered owner, may be transferred and converted into, and/or exchanged for, fully registered bonds with similar characteristics, but having a single stated maturity date, in the denomination of any integral multiple of \$5,000, and such bonds again may be transferred and/or exchanged, all subject to the conditions stated and in the manner provided in the Bond Resolution, with any such bonds that are registered, authenticated, and delivered in accordance with the Bond Resolution being hereinafter called "Definitive Bonds". The Initial Bond and the Definitive Bonds are referred to collectively herein as the "Bonds".

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer, and other pertinent instruments relating to the authorization of the Bonds and the issuance and delivery of the Initial Bond, including the executed Initial Bond and a printed specimen of the forms for the Definitive Bonds initially made available by the Issuer for completion and exchange for the Initial Bond, and we have examined and relied upon the report and mathematical verifications of Ernst & Whinney, certified public accountants, with respect to the adequacy of certain escrowed funds to accomplish the refunding purposes of the Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, and that the Initial Bond has been duly issued and delivered, all in accordance with law; and that, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization, and other similar matters affecting creditors' rights, the covenants and provisions in the Bond Resolution constitute valid and binding obligations of the Issuer, and the Initial Bond constitutes and the Definitive Bonds will constitute valid and legally binding special obligations of the Issuer, secured by and payable from a first lien on and pledge of the "Pledged Revenues", as such term is defined in the Bond Resolution.

IT IS FURTHER OUR OPINION, relying on the Issuer's No-Arbitrage Certificate of even date herewith, incorporating certain schedules prepared by Morgan Guaranty Trust Company of New York, that the interest on the Bonds is excludable from the gross income (as defined in Section 61 of the Internal Revenue Code of 1954, as amended) of the owners thereof for federal income tax purposes under existing law.

WE CALL YOUR ATTENTION TO THE FACT THAT on December 17, 1985, the U.S. House of Representatives adopted H.R. 3838, which includes proposed amendments to the provisions of the Internal Revenue Code that generally relate to tax-exempt bonds. The proposed amendments as adopted are, in general, to be effective for bonds issued on or after January 1, 1986. On March 14, 1986, however, a joint statement (the "Joint Statement") was made by the chairmen and ranking minority members of the House Committee on Ways and Means and the Senate Committee on Finance and the Secretary of the Treasury, endorsing a postponement until September 1, 1986 (or the date of enactment of tax reform legislation, if earlier), of the application of certain provisions of H.R. 3838. We are of the opinion that, if H.R. 3838 is enacted as passed by the House of Representatives, but with effective dates modified in conformity with the Joint Statement, the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes would not be adversely affected, except that interest on Bonds owned by property and casualty insurance companies may be subject to a tax in the nature of an alternative minimum tax on their "net gains from operations", for tax years beginning after 1987.

FURTHERMORE, WE CALL YOUR ATTENTION TO THE FACT THAT, on May 7, 1986, the Senate Finance Committee approved tax reform legislation which would create a new alternative minimum tax on corporations for taxable years beginning after December 31, 1986. The bill would include as a corporate minimum tax preference item a portion of the excess of (i) a corporation's pre-tax book income, including the interest on tax-exempt bonds such as the Bonds, over (ii) alternative minimum taxable income (as defined in the bill).

WE EXPRESS NO OPINION as to the federal income tax exemption of interest on the Bonds in the event that H.R. 3838 is enacted in a manner inconsistent with the Joint

Statement or in the event that other legislation affecting the Bonds is enacted; nor do we express any opinion as to whether any particular congressional action with respect to the effective dates of H.R. 3838 or the substantive requirements applicable to the Bonds will be enacted into law, or as to any other federal tax consequences of acquiring, owning or disposing of the Bonds.

THE ISSUER has reserved the right, subject to the restrictions stated in the Bond Resolution, to amend the Bond Resolution with the approval of the owners of fifty-one percent of the total principal amount of all bonds and notes that are secured by and payable from a first lien on and pledge of the Pledged Revenues.

THE ISSUER also has reserved the right, subject to the restrictions stated in the Bond Resolution, to issue additional parity revenue bonds and notes which also may be secured and payable from a first lien on and pledge of the Pledged Revenues.

THE REGISTERED OWNERS of the Bonds shall never have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised by taxation, or from any source whatsoever other than specified in the Bond Resolution.

WE HAVE ACTED AS BOND COUNSEL for the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exemption of the interest on the Bonds from federal income taxes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer and have not assumed any responsibility with respect thereto.

Respectfully,

APPENDIX D
 SCHEDULE OF BONDS TO BE REFUNDED

<u>Series</u>	<u>Amounts Outstanding at April 15, 1986</u>	<u>Original Issue Amount</u>
Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1974	\$41,525,000	\$53,000,000
Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Refunding Bonds, Series 1978	\$ 4,605,000	\$ 6,310,000
Totals	<u>\$46,130,000</u>	<u>\$59,310,000</u>

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UNIVERSITY OF TEXAS BOWNE OF DALLAS (214) 651-1001

APPENDIX E

FINANCIAL STATEMENTS
OF
THE UNIVERSITY OF TEXAS AT AUSTIN
FOR THE FISCAL YEARS ENDING
AUGUST 31, 1985 AND AUGUST 31, 1984

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UNIVERSITY OF TEXAS BOWNE OF DALLAS (214) 651-1001

APPENDIX F
APPRECIATED AMOUNTS TABLE

Valuation Dates

Appreciated Amounts

\$

EXHIBIT A
THE UNIVERSITY OF TEXAS AT AUSTIN
BALANCE SHEET
at August 31, 1985

ASSETS

CURRENT FUNDS
UNRESTRICTED
GENERAL

Cash on Hand (Schedule A-1)		\$ 345,314.35	
Cash in Bank (Schedule A-1)			
Demand Accounts	\$ 839,780.16		
Time Deposits	<u>11,886,275.31</u>	12,726,055.47	
Cash with State Treasurer (Schedule A-1)		3,453,354.99	
Reimbursement in Transit from State Treasurer		4,941,971.16	
Balance in State Appropriation (Schedule A-2)		16,610,876.71	
Investments (Schedule A-3)		141,296.79	
Accounts Receivable (Net of \$ 137,293.31 allowance in 1985) ..		295,245.63	
Accrued Interest Receivable		197,416.73	
Other Receivables		980,740.63	
Due from Current Restricted Funds		2,000,000.00	
Due from System Administration		13,497,099.00	
Due from Component Institutions - The University of Texas			
at Tyler	10.05		
Institute of Texan Cultures	6.90		
Health Science Center at Dallas	272.73		
Galveston Medical Branch	6,809.40		
Health Science Center at Houston	1,608.36		
System Cancer Center	<u>3,982.10</u>	12,689.54	
Inventories			
Physical Plant Inventories	1,653,897.71		
University Supply and Mail Service	383,584.57		
Typewriter Inventory	<u>11,441.29</u>	2,048,923.57	
Prepaid Expenses		<u>2,427,183.47</u>	
Total General			\$ 59,276,278.04
DESIGNATED			5,145.00
Cash on Hand (Schedule A-1)			
Cash in Bank (Schedule A-1)			
Demand Accounts	763,746.22		
Time Deposits	<u>38,235,182.22</u>	38,998,928.44	
Accounts Receivable		811,503.92	
Accrued Interest Receivable		293,183.72	
Due from General Current Funds		9,427,438.89	
Due from System Administration		20,760,791.37	
Inventories		6,183,621.69	
Prepaid Expenses		<u>630,471.91</u>	
Total Designated			57,111,084.94
AUXILIARY ENTERPRISES			671,084.25
Cash on Hand (Schedule A-1)			
Cash in Bank (Schedule A-1)			
Demand Accounts	1,074,182.27		
Time Deposits	<u>31,617,191.43</u>	32,691,373.70	
Investments (Schedule A-3)		63,067.01	
Accounts Receivable		1,194,425.47	
Accrued Interest Receivable		205,772.75	
Inventories		2,734,531.01	
Prepaid Expenses		<u>512,966.31</u>	
Total Auxiliary Enterprises			38,372,207.15
Total Unrestricted			104,760,385.93
RESTRICTED			1,750.00
Cash on Hand (Schedule A-1)			
Cash in Bank (Schedule A-1)			
Demand Accounts	1,035,306.53		
Time Deposits	<u>33,895,214.56</u>	34,930,523.09	
Investments (Schedule A-3)		2,542.00	
Federal Accounts Receivable		8,332,400.22	
State Accounts Receivable		2,440,217.06	
Accrued Interest Receivable		62,488.42	
Other Receivables		24,281.42	
Federal, Contract and Grant Awards		1,587,763.34	
Non-Federal, Contract and Grant Awards		1,739,388.38	
Due from Tyler Health Center		22,360.00	
Prepaid Expenses		<u>127,619.20</u>	
Total Restricted			1,750.00
TOTAL CURRENT FUNDS			\$ 106,512,135.93

(Continued on next page)

Liabilities and Fund Balance

CURRENT FUNDS
UNRESTRICTED

GENERAL

Accounts Payable	\$	5,263,623.53	
Due to Designated Funds		9,227,438.89	
Due to System Administration		551.44	
Due to Component Institutions - The University of Texas at San Antonio	\$	8,000.00	
Health Science Center at San Antonio		5,898.60	
Deposits			13,898.60
Fund Balances			1,228,161.34
Allocated			
Provision for Prepaid Expenses		166,956.47	
Provision for Inventories		2,048,923.57	
Provision for Renegotiating Overhead Rate on Contracts ..		200,000.00	
Provision for Orders and Contracts Outstanding		7,554,895.92	
Provision for Balances Subject to Reappropriations		10,429,324.88	
Provision for Balances Subject to Lease		14,922,708.44	
Provision for 1985-86 Operating Budget		2,382,683.00	
Provision for 1985-86 Special Equipment		3,606,372.67	
Provision for 1986-87 Operating Budget		1,500,000.00	
Unallocated		530,736.82	-3,342,602.22

Total General \$ 59,276,278.04

DESIGNATED

Accounts Payable	2,695,529.98
Sales Taxes Payable	155,214.76
Due to Component Institutions - The University of Texas at Arlington	2,196.00
Deferred Revenue	11,826,715.38
Fund Balances (Schedule B-1)	
Allocated	
Provision for Orders and Contracts Outstanding	4,607,438.09
Unallocated	17,423,490.83
	62,431,429.92

Total Designated 77,111,084.94

AUXILIARY ENTERPRISES

Accounts Payable	1,653,526.08
Deposits	896,742.00
Deferred Revenue	9,039,513.42
Fund Balances (Schedule B-2)	
Allocated	
Provision for Orders and Contracts Outstanding	3,355,373.20
Unallocated	23,428,066.31
	29,783,439.51

Total Auxiliary Enterprises 38,377,221.00

Total Unrestricted 174,760,583.94

RESTRICTED

Accounts Payable	720,746.29
Due to Current General Funds	2,000,000.00
Fund Balances (Unearned) (Schedule B-3)	
Allocated	
Provisions for Orders and Contracts Outstanding	5,493,190.60
Unallocated	99,385,530.55
	107,578,721.44

Total Restricted 117,704,467.28

TOTAL CURRENT FUNDS \$ 289,360,251.00

(Continued on next page)

EXHIBIT A (Continued)
THE UNIVERSITY OF TEXAS AT AUSTIN
BALANCE SHEET
As August 31, 1985

ASSETS

LOAN FUNDS		
Cash in Banks (Schedule A-1)		
Demand Accounts	\$ 202,396.00	\$ 1,398,277.37
Time Deposits	1,195,880.03	32,572.93
Investments (Schedule A-3)		9,814.32
Accrued Interest Receivable		21,357,410.83
Notes Receivable (Net of \$ 2,075,612.32 allowance in 1985)		168,348.59
Federal Accounts Receivable		11,634.75
Other Receivables		
TOTAL LOAN FUNDS		<u>\$ 12,378,065.81</u>
ENDOWMENT AND SIMILAR FUNDS		
Funds Held by System Administration		
Cash on Hand (Schedule A-1)		341,120.81
Cash in Banks (Schedule A-1)		
Demand Deposits	30,910.73	
Time Deposits	2,065,689.28	2,096,600.01
Investments (Schedule A-3)		189,356,574.17
TOTAL ENDOWMENT AND SIMILAR FUNDS		<u>\$ 191,708,294.99</u>
ANNUITY AND LIFE INCOME FUNDS		
Funds Held by System Administration		
Cash in Banks (Schedule A-1)		
Demand Accounts	113.46	
Time Deposits	7,450.46	7,563.92
Investments (Schedule A-3)		729,426.53
TOTAL ANNUITY AND LIFE INCOME FUNDS		<u>\$ 77,990.45</u>
PLANT FUNDS		
UNEXPENDED		
Cash in Banks (Schedule A-1)		
Demand Accounts	924,426.46	
Time Deposits	36,067,076.26	36,991,502.72
Accrued Interest Receivable		234,593.07
Due from System Administration		34,488,296.72
Total Unexpended		<u>\$ 71,714,392.51</u>
FUNDS FOR RENEWALS AND REPLACEMENTS		
Cash in Banks (Schedule A-1)		
Demand Accounts	42,337.59	
Time Deposits	2,780,168.74	2,922,506.33
Total Funds for Renewals and Replacements		<u>2,922,506.33</u>
FUNDS FOR RETIREMENT OF INDEBTEDNESS		
Funds Held by System Administration		
Cash in Banks (Schedule A-1)		
Demand Accounts	956.78	
Time Deposits	5,858,302.96	5,869,259.74
Cash in State Treasury - Fund 22 (Schedule A-1)		2,109,536.25
Investments (Schedule A-3)		23,945,117.01
Accounts Receivable		1,272,379.00
Total Funds for Retirement of Indebtedness		<u>27,194,291.99</u>
INVESTMENT IN PLANT		
Land		34,438,377.12
Buildings		501,204,075.94
Improvements Other Than Buildings		99,744,896.57
Equipment		24,706,356.81
Library Books		94,444,592.15
Construction in Progress		96,111,944.00

(Continued on next page)

Liabilities and Fund Balance

LOAN FUNDS			\$ 11,722.75
Accounts Payable			
National Direct Student Loan Program			
Federal Government	\$ 17,487,509.43		
Institutional Matching Funds	1,948,333.67	\$ 19,435,843.10	
Health Profession Student Loan Program			
Federal Government	323,332.79		
Institutional Matching Funds	51,048.06	374,380.85	
Nursing Student Loan Program			
Federal Government	563,488.35		
Institutional Matching Funds	138,099.60	703,588.15	
Other Student Loan Programs		2,760,759.99	
			<u>23,274,592.09</u>
TOTAL LOAN FUNDS			\$ <u>23,278,364.81</u>
ENDOWMENT AND SIMILAR FUNDS			
Fund Balances (Schedule B-6)		176,370,892.29	
Endowment Funds		352,275.84	
Term Endowment Funds		14,875,126.86	
Quasi-Endowment Funds			
			<u>191,798,294.99</u>
TOTAL ENDOWMENT AND SIMILAR FUNDS			\$ <u>191,798,294.99</u>
ANNUITY AND LIFE INCOME FUNDS			
Fund Balances (Schedule B-7)		737,390.45	
			<u>737,390.45</u>
TOTAL ANNUITY AND LIFE INCOME FUNDS			\$ <u>737,390.45</u>
PLANT FUNDS			
UNEXPENDED			
Accounts Payable			\$ 6,126,464.02
Bonds Payable (Schedule A-6)			18,766,293.26
Retainage Payable			3,684,101.95
Fund Balances (Schedule B-8)			
Restricted			
Provision for Orders and Contracts Outstanding		29,343,287.59	
Unrestricted			
Provision for Orders and Contracts Outstanding		13,794,266.60	
			<u>71,714,392.51</u>
Total Unexpended			
FUNDS FOR RENEWALS AND REPLACEMENTS			
Fund Balances (Schedule B-10)			
Restricted		1,187,922.07	
Unrestricted		1,434,584.25	
			<u>2,622,506.32</u>
Total Funds for Renewals and Replacements			
FUNDS FOR RETIREMENT OF INDEBTEDNESS			
Fund Balances (Schedule B-11)			
Restricted		33,528,288.00	
			<u>33,528,288.00</u>
Total Funds for Retirement of Indebtedness			
INVESTMENT IN PLANT			
Bonds Payable (Schedule A-6)		196,108,707.74	
Net Investment in Plant (Schedule B-12)		368,934,497.21	

(Continued on next page)

EXHIBIT A (Continued)
 THE UNIVERSITY OF TEXAS AT AUSTIN
 BALANCE SHEET
 As August 31, 1985

ASSETS

Total Investment in Plant		<u>\$ 338,041,000.00</u>
TOTAL PLANT FUNDS		<u>\$ 338,041,000.00</u>
 AGENCY FUNDS		
Cash on Hand (Schedule A-1)	\$	250.00
Cash in Banks (Schedule A-1)		
Demand Accounts	\$	56,112.77
Time Deposits	<u>1,804,449.11</u>	1,860,561.88
Investments (Schedule A-3)		693,850.84
Accounts Receivable		471,697.63
Accrued Interest Receivable		9,937.08
Prepaid Expenses		453,750.91
Land		97,000.00
Buildings		<u>130,769.00</u>
TOTAL AGENCY FUNDS		<u>\$ 3,717,913.32</u>

Liabilities and Fund Balance

Total Investment in Plant			<u>1,031,000.00</u>
TOTAL PLANT FUNDS			<u>1,031,000.00</u>
 AGENCY FUNDS			
Accounts Payable	\$	68,790.47	
Student Deposits		1,137.50	
Investment in Plant		227,769.00	
Deposits Held in Custody for Others (Schedule A-5)			
Provision for Orders and Contracts Outstanding	\$	24,261.12	
Net Fund Balance		<u>3,413,555.25</u>	<u>3,437,816.37</u>
 TOTAL AGENCY FUNDS			<u>\$ 3,717,513.34</u>

EXHIBIT B
THE UNIVERSITY OF TEXAS AT AUSTIN
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended August 31, 1983

	CURRENT FUNDS				RESTRICTED FUNDS
	General	Designated	Auxiliary Enterprises	Total Unrestricted	
FUND BALANCES, Sept. 1, 1982	\$ 22,944,364.29	\$ 42,522,154.14	\$ 27,663,344.79	\$ 112,729,863.22	\$ 94,119,524.44
REVENUES AND OTHER ADDITIONS:					
Unrestricted Current					
Fund Revenues	226,923,797.63	42,986,190.63	77,566,408.40	347,476,396.66	
State Appropriations - Restricted					29,115,385.59
Federal Grants and Contracts - Restricted					85,957,998.72
State Grants and Contracts - Restricted					5,334,409.54
Local Grants and Contracts - Restricted					619,373.00
Private Gifts, Grants and Contracts - Restricted					28,550,486.22
Proceeds from Sale of Bonds					14,827,635.91
Investment Income					
Realized Gain on Investments					
Interest on Loans Receivable					
U. S. Government Advances Expended for Plant Facilities (Including \$ 23,692,954.68 charged to Current Fund Expenditures)					
Net Change in Bonds Payable					
Reclassification from Other Components					
Other Additions	29,379.38	1,262,658.69		1,291,938.07	2,589,385.00
Total Revenues and Other Additions	226,953,077.01	44,248,849.32	77,566,408.40	348,746,334.73	157,092,274.22
EXPENDITURES AND OTHER DEDUCTIONS:					
Expenditures	258,088,909.68	18,104,514.33	68,514,280.33	344,707,704.34	129,439,115.24
Appropriations Lapsed	4,160.06			4,160.06	
Indirect Costs Recovered					14,377,742.14
Refunded to Grantors					589,791.74
Loan Cancellations and Write-offs					
Administrative and Collection Costs					
Realized Losses on Investments					
Expended for Plant Facilities					
Retirement of Indebtedness and Interest Paid					
Disposal of Plant Facilities					
Other Deductions	50,957.74	1,348,205.18	51,166.16	1,660,329.08	1,660,329.08
Total Expenditures and Other Deductions	258,144,027.48	19,452,719.51	68,575,446.49	346,172,193.48	128,118,791.24
TRANSFERS					
Mandatory:					
To System Administration General Tuition Revenue Bonds		(3,520,000.00)		(3,520,000.00)	
To Retirement of Indebtedness Funds Building Use Fee Sales Act		188,425.25		188,425.25	
Dormitory Revenue Bonds Series 1954			175,325.00	175,325.00	
Dormitory Revenue Bonds Series 1956			466,170.33	466,170.33	
Student Union Revenue Bonds Series 1958			143,453.94	143,453.94	
Student Housing Revenue Bonds Series 1963			(332,360.27)	(332,360.27)	

(Continued on next page)

PLAN FUNDS	ENDOWMENT AND SIMILAR FUNDS	ANNUITY AND LIFE INCOME FUNDS	PLANT FUNDS			
			Unexpended	Renovals and Replacements	Retirement of Incapacity	Investment Plant
\$ 27,818,920.55	\$ 1,118,306.17	\$ 107,812.46	\$ 54,024,875.73	\$ 2,584,055.53	\$ 35,367,181.00	\$ 754,059,511.23
					355,398.00	
16,554.94	21,050,299.45	1,000.00	2,504,000.00			7,365,896.41
			3,000,000.00			
192,229.92	920,170.05	69,223.53	3,723,481.62		3,661,687.29	
	164,009.28	9,587.50			1,013.72	
-12,686.00						
1,841,302.00						
						104,300,296.25
			4,584,545.02			635,454.98
			19,271,669.08			
122,119.36			273,592.00		44,077.22	1,893,109.49
2,585,066.22	22,134,478.78	76,091.03	33,359,287.72		4,062,176.23	114,194,757.13
		46,289.50	1,818,259.57			
189,307.38						
-42,571.28						
	22,840.04				124,112.32	
			80,582,632.79			
					18,641,851.63	
						-529,411.71
207,059.81	754,773.57		866,032.57			
-38,938.27	777,613.71	46,289.50	83,266,925.03		18,765,963.95	-529,411.71
						-85,401.25
						75,925.00
						-66,170.00
						-3,853.94
						330,360.27

(Continued on next page)

EXHIBIT B (Continued)

	CURRENT FUNDS				RESTRICTED FUNDS
	UNRESTRICTED FUNDS	UNRESTRICTED FUNDS		UNRESTRICTED	
	General	Designated	Auxiliary Enterprises	Total	
To Retirement of Indebtedness - Continued					
Student Union Revenue Bonds Series 1967	\$	\$	\$ (800,067.04)	\$ (800,067.04)	\$
Building Revenue Bonds of 1968			(117,657.79)	(117,657.79)	
Combined Fee Revenue Bonds, Series 1971, 1972, 1973 and 1978		(3,956,593.14)	(207,603.00)	(4,164,196.14)	
Building Revenue Bonds Series 1969 and 1983		(1,060,000.00)		(1,060,000.00)	
Student Housing Revenue Bonds, Series 1971 and 1981			(706,131.50)	(706,131.50)	
Parking Facilities Revenue Bonds, Series 1984		(367,571.25)	(107,975.01)	(475,546.26)	
To Renewals and Replacements Fund			(127,728.14)	(127,728.14)	
To General Funds (Tuition)	5,493,405.71	(5,493,405.71)			
To Endowment and Similar Funds (Centennial Scholars Matching)		(21,117,672.22)		(21,117,672.22)	
From System Administration					
Non-Mandatory Between Funds					
To General Funds	12,498,782.69	(12,498,782.69)			
To Designated Funds		185,748.75		185,748.75	
To Auxiliary Enterprises Funds		(100,000.00)	300,000.00	200,000.00	
To Restricted Current Funds					(7,963.79)
To Loan Funds		(204,598.00)		(204,598.00)	
To Endowment and Similar Funds		(145,000.00)	(250,000.00)	(395,000.00)	(3,415,251.53)
To Unexpended Plant Fund		(1,997,395.80)	(5,935,395.27)	(5,932,791.07)	(831,000.00)
To Renewal and Replacement Funds		(310,722.66)		(310,722.66)	
To/From Agency Funds		14,562.97		14,562.97	2,000.00
To System Administration		(800,000.00)		(800,000.00)	
From System Administration	34,000,000.00	27,175,000.00		61,175,000.00	330,908.82
To Component Institutions	(3,000.00)			(3,000.00)	8,000.00
From Component Institutions					
Total Transfers	51,989,188.40	(24,684,855.03)	(9,870,867.19)	17,433,466.18	(5,029,284.30)
Net Increase (Decrease) for the Year	20,798,237.93	(90,725.22)	(879,605.28)	19,827,907.43	(1,724,194.52)
FUND BALANCE, August 31, 1985	\$ 43,342,602.22	\$ 62,431,428.92	\$ 26,783,439.51	\$ 132,557,470.65	\$ 1,073,797,721.24

Schedule Reference

B-1

B-2

B-3

EXHIBIT B (Continued)

LOAN FUNDS	ENDOWMENT AND SIMILAR FUNDS	ANNUITY AND LIFE INCOME FUNDS	PLANT FUNDS			
			Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant
					\$ 800,067.04	\$
					117,657.79	
					6,164,196.14	
					1,060,000.00	
					706,131.50	
					475,546.26	
				127,728.14		
	21,117,672.22					4,220,310.00
						(185,748.75)
				(200,000.00)		
7,943.79 204,598.00						
	4,910,251.53					
			9,763,791.07			
				310,722.66		
	(50,000.00)	(23.54)				
			29,256,404.79			
	-5,200.70					
<u>210,541.79</u>	<u>25,923,123.75</u>	<u>(23.54)</u>	<u>39,020,145.86</u>	<u>238,450.80</u>	<u>12,764,994.70</u>	
2,358,671.54	27,279,988.82	29,777.40	(10,887,441.45)	238,450.80	(1,914,893.02)	109,663,345.42
<u>\$ 23,771,592.08</u>	<u>\$ 191,708,294.99</u>	<u>\$ 737,390.45</u>	<u>\$ 43,137,534.29</u>	<u>\$ 2,802,506.33</u>	<u>\$ 33,128,298.00</u>	<u>\$ 366,934,407.25</u>
B-4	B-6	B-7	B-8	B-10	B-11	B-12

EXHIBIT C
THE UNIVERSITY OF TEXAS AT AUSTIN
STATEMENT OF CURRENT FUNDS REVENUES AND EXPENDITURES
For the Year Ended August 31, 1983

	UNRESTRICTED			Total Unrestricted	RESTRICTED	TOTAL
	General	Designated	Auxiliary Enterprises			
CURRENT REVENUES (Schedule C-1)						
Tuition and Fees	\$ 4,733,244.07	\$ 17,859,703.09	\$ 9,082,143.67	\$ 31,675,090.78	\$ 29,115,185.50	\$ 60,790,276.28
State Appropriations	206,090,867.64			206,090,867.64	67,755,195.02	273,846,062.66
Federal Grants and Contracts	11,426,427.61	850,754.61		12,277,182.22	5,320,192.59	17,597,374.81
State Grants and Contracts	285,179.11	220.22		285,399.33		285,399.33
Local Grants and Contracts	40,918.71			40,918.71	515,110.95	556,029.66
Private Gifts, Grants and Contracts	1,774,140.93	3,004,381.01		4,778,521.94	20,715,807.75	25,494,329.69
Endowment Income					6,688,648.75	6,688,648.75
Sales and Services of Educational Activities	235,987.95	17,508,944.53		17,744,932.48		17,744,932.48
Sales and Services of Auxiliary Enterprises		140,546.74	64,918,950.15	65,070,486.89		65,070,486.89
Other Sources	2,316,956.59	3,617,640.43	3,545,324.63	9,499,921.65	3,108,374.63	12,608,296.28
TOTAL CURRENT REVENUES (Exhibit B)	\$ 226,933,797.63	\$ 42,984,190.63	\$ 77,566,408.40	\$ 347,474,396.66	\$ 129,439,115.21	\$ 476,913,511.87
CURRENT EXPENDITURES (Schedule C-2)						
Educational and General	\$ 123,307,353.63	\$ 4,546,820.86	\$	\$ 127,854,174.49	\$ 25,313,780.47	\$ 153,167,954.96
Instruction	23,337,590.03	1,908,474.57		25,246,064.60	77,849,062.75	103,095,127.35
Research	689,666.14	6,265,700.02		6,955,366.16	1,854,991.50	8,810,357.66
Public Services	26,108,350.82	667,164.26		26,775,515.08	5,634,607.15	32,410,122.23
Student Support	7,105,205.01	4,406,252.64		11,511,457.65	1,855,198.81	13,366,656.46
Student Services	13,409,278.58	(825,785.64)		12,583,492.92	2,726,217.31	15,309,710.23
Institutional Support	55,416,599.11	287,305.07		55,703,904.18	3,009,217.28	58,713,121.46
Operation and Maintenance of Plant	10,714,666.36	719,560.38		11,434,226.74	10,449,001.49	21,883,228.23
Scholarships and Fellowships						
Total Educational and General	258,088,909.68	17,975,492.14		276,064,401.82	127,891,725.71	403,956,127.53
Auxiliary Enterprises		129,022.19	68,514,280.33	68,643,302.52	3,547,189.50	72,190,692.02
TOTAL CURRENT EXPENDITURES (Exhibit B)	\$ 258,088,909.68	\$ 18,104,514.33	\$ 68,514,280.33	\$ 344,707,704.34	\$ 129,439,115.21	\$ 474,146,819.55

EXHIBIT A
THE UNIVERSITY OF TEXAS AT AUSTIN
BALANCE SHEET
As of August 31, 1984

ASSETS

CURRENT FUNDS
UNRESTRICTED

GENERAL

Cash on Hand (Schedule A-1)		\$	246,750.00
Cash in Bank (Schedule A-1)			
Demand Accounts	1,965,378.35		7,840,852.83
Time Deposits	5,875,474.48		6,328,308.68
Cash with State Treasurer (Schedule A-1)			348,224.49
Reimbursement in Transit from State Treasurer			3,593,359.08
Balance in State Appropriation (Schedule A-2)			152,418.57
Investments (Schedule A-3)			189,956.51
Accounts Receivable (Net of \$ 136,170.31 allowance in 1984) ..			103,652.50
Accrued Interest Receivable			621,140.16
Other Receivables			3,568,693.16
Due from Current Restricted Funds			9,647,684.63
Due from System Administration			
Due from Component Institutions - The University of Texas			
at Arlington	69.45		
at San Antonio	828.62		
Health Science Center at Dallas	847.99		
Galveston Medical Branch	1,829.15		
Health Science Center at Houston	14,699.70		18,274.91
Inventories			
Physical Plant Inventories	1,804,902.85		2,150,093.61
University Supply and Mail Service	375,190.76		1,870,428.58
Prepaid Expenses			
Total General		\$	36,649,738.71

DESIGNATED

Cash on Hand (Schedule A-1)			5,045.00
Cash in Bank (Schedule A-1)			
Demand Accounts	234,916.23		27,714,811.44
Time Deposits	27,479,895.21		637,538.93
Accounts Receivable			353,118.39
Accrued Interest Receivable			7,688,395.83
Due from General Current Funds			30,776,512.12
Due from System Administration			5,596,269.83
Inventories			46,721.00
Prepaid Expenses			
Total Designated			72,818,412.54

AUXILIARY ENTERPRISES

Cash on Hand (Schedule A-1)			530,546.02
Cash in Bank (Schedule A-1)			
Demand Accounts	635,353.86		33,585,577.45
Time Deposits	32,950,221.59		244,306.32
Investments (Schedule A-3)			1,472,498.94
Accounts Receivable			283,530.63
Accrued Interest Receivable			3,438,577.73
Inventories			530,191.62
Prepaid Expenses			
Total Auxiliary Enterprises			40,485,209.71

Total Unrestricted

149,953,379.96

RESTRICTED

Cash on Hand (Schedule A-1)			2,675.00
Cash in Bank (Schedule A-1)			
Demand Accounts	300,286.75		29,633,351.10
Time Deposits	29,333,064.35		5,748.05
Investments (Schedule A-3)			3,923,782.95
Federal Accounts Receivable			2,721,375.38
Other Accounts Receivable			109,421.12
Accrued Interest Receivable			289,628.14
Other Receivables			52,156,951.34
Federal Contract and Grant Awards			7,950,100.86
Non-Federal Contract and Grant Awards			1,443,570.00
Prepaid Expenses			
Total Restricted			97,649,631.24

TOTAL CURRENT FUNDS

\$ 347,556,213.44

(Continued on next page)

Liabilities and Fund Balance

CURRENT FUNDS
UNRESTRICTED

GENERAL

Accounts Payable	\$	\$	3,210,064.48
Due to Designated Funds			7,688,395.82
Due to Component Institutions - The University of Texas			
Institute of Texan Cultures		457.35	
Health Science Center at San Antonio		4,939.05	5,396.60
Deposits			1,195,517.33
Fund Balances			
Allocated			
Provision for Prepaid Expenses		216,639.58	
Provision for Inventories		2,180,093.61	
Provision for Renegotiating Overhead Rate on Contracts		200,000.00	
Provision for Orders and Contracts Outstanding		4,931,594.13	
Provision for Balances Subject to Reappropriations		9,721,033.84	
Provision for 1984-85 Operating Budget		2,184,107.00	
Provision for 1984-85 Special Equipment		2,736,869.79	
Unallocated		374,026.34	22,544,364.29

Total General \$ 36,649,738.71

DESIGNATED

Accounts Payable		2,880,288.21
Due to Component Institutions - The University of Texas		
at Arlington		1,386.25
Deferred Revenue		7,414,583.94
Fund Balances (Schedule B-1)		
Allocated		
Provision for Orders and Contracts Outstanding	1,805,397.47	
Unallocated	60,716,756.67	62,522,154.14

Total Designated 72,818,412.54

AUXILIARY ENTERPRISES

Accounts Payable		822,358.63
Due to Unexpended Plant Funds		30,505.73
Deposits		852,287.00
Deferred Revenue		11,106,732.36
Fund Balances (Schedule B-2)		
Allocated		
Provision for Orders and Contracts Outstanding	1,404,304.20	
Unallocated	26,259,040.59	27,663,344.79

Total Auxiliary Enterprises 40,481,228.71

Total Unrestricted 149,952,379.96

RESTRICTED

Accounts Payable		320,183.79
Due to MW		28,430.38
Due to Current General Funds		3,508,693.16
Fund Balances (Unearned) (Schedule B-3)		
Allocated		
Provisions for Orders and Contracts Outstanding	3,958,488.46	
Unallocated	90,175,038.10	94,133,526.56

Total Restricted 97,091,833.89

TOTAL CURRENT FUNDS \$ 247,944,213.81

(Continued on next page)

EXHIBIT A (Continued)
THE UNIVERSITY OF TEXAS AT AUSTIN
BALANCE SHEET
AS AUGUST 31, 1984

ASSETS

LOAN FUNDS		
Cash in Banks (Schedule A-1)	\$ 55,273.37	
Demand Accounts	<u>1,237,987.08</u>	\$ 1,293,260.45
Time Deposits		133,747.22
Investments (Schedule A-3)		12,918.44
Accrued Interest Receivable		19,237,323.70
Notes Receivable (Net of \$ 2,015,492.27 allowance in 1984)		238,447.37
Federal Accounts Receivable		<u>10,387.30</u>
Other Receivables		
TOTAL LOAN FUNDS		<u>\$ 20,924,334.50</u>
ENDOWMENT AND SIMILAR FUNDS		
Funds Held by System Administration		1,764,337.97
Cash on Hand (Schedule A-1)		
Cash in Banks (Schedule A-1)	4,009.04	
Demand Accounts	<u>1,425,893.48</u>	1,429,908.52
Time Deposits		<u>141,324,059.68</u>
Investments (Schedule A-3)		
TOTAL ENDOWMENT AND SIMILAR FUNDS		<u>\$ 144,519,306.17</u>
ANNUITY AND LIFE INCOME FUNDS		
Funds Held by System Administration		
Cash in Banks (Schedule A-1)	2,216.64	
Demand Accounts	<u>123,404.89</u>	125,621.53
Time Deposits		<u>381,990.93</u>
Investments (Schedule A-3)		
TOTAL ANNUITY AND LIFE INCOME FUNDS		<u>\$ 707,612.46</u>
PLANT FUNDS		
UNEXPENDED		
Cash in Banks (Schedule A-1)	240,869.49	
Demand Accounts	<u>39,105,557.82</u>	39,346,427.31
Time Deposits		163,781.59
Accrued Interest Receivable		30,505.73
Due from Auxiliary Enterprises Funds		<u>44,186,527.70</u>
Due from System Administration		
Total Unexpended		<u>\$ 83,927,242.33</u>
FUNDS FOR RENEWALS AND REPLACEMENTS		
Cash in Banks (Schedule A-1)	12,920.28	
Demand Accounts	<u>2,571,135.25</u>	2,584,055.53
Time Deposits		
Total Funds for Renewals and Replacements		<u>2,584,055.53</u>
FUNDS FOR RETIREMENT OF INDEBTEDNESS		
Funds Held by System Administration		
Cash in Banks (Schedule A-1)	11.89	
Demand Accounts	<u>4,512,741.65</u>	4,512,753.54
Time Deposits		2,110,773.75
Cash in State Treasury - Fund 22 (Schedule A-1)		<u>28,743,633.72</u>
Investments (Schedule A-3)		
Total Funds for Retirement of Indebtedness		<u>\$ 35,367,161.02</u>
INVESTMENT IN PLANT		
Land		34,759,422.65
Buildings		468,326,942.66
Improvements Other Than Buildings		56,225,165.89
Equipment		210,528,309.33
Library Books		89,520,905.20
Construction in Progress		<u>66,652,568.52</u>

(Continued on next page)

Assets, Liabilities and Fund Balance

ASSETS			
Accounts Payable			\$ 1,000.00
National Direct Student Loan Program			
Federal Government	\$ 11,487,080.19		
Institutional Matching Funds	1,723,912.79	\$ 17,212,994.97	
Health Profession Student Loan Program			
Federal Government	355,382.06		
Institutional Matching Funds	49,609.16	404,991.22	
Nursing Student Loan Program			
Federal Government	620,456.82		
Institutional Matching Funds	123,942.17	744,398.99	
Other Student Loan Programs		2,541,528.77	20,918,926.55
TOTAL LOAN FUNDS			\$ 20,926,334.50
ENDOWMENT AND SIMILAR FUNDS			
Fund Balances (Schedule B-6)		128,220,901.50	
Endowment Funds		347,930.84	
Term Endowment Funds		15,949,473.83	
Quasi-Endowment Funds			
TOTAL ENDOWMENT AND SIMILAR FUNDS			\$ 144,518,306.17
ANNUITY AND LIFE INCOME FUNDS			
Fund Balances (Schedule B-7)		707,612.46	
TOTAL ANNUITY AND LIFE INCOME FUNDS			\$ 707,612.46
PLANT FUNDS			
UNEXPENDED			
Accounts Payable			\$ 3,729,582.17
Bonds Payable (Schedule A-4)			23,350,837.28
Retainage Payable			2,821,847.15
Fund Balances (Schedule B-9)			
Restricted			
Provision for Orders and Contracts Outstanding		32,065,700.67	
Unrestricted			
Provision for Orders and Contracts Outstanding		21,959,275.06	54,024,975.73
Total Unexpended			83,927,240.33
FUNDS FOR RENEWALS AND REPLACEMENTS			
Fund Balances (Schedule B-10)			
Restricted		1,260,193.93	
Unrestricted		1,323,861.60	
Total Funds for Renewals and Replacements			2,584,055.53
FUNDS FOR RETIREMENT OF INDEBTEDNESS			
Fund Balances (Schedule B-11)			
Restricted		35,367,181.02	
Total Funds for Retirement of Indebtedness			35,367,181.02
INVESTMENT IN PLANT			
Bonds Payable (Schedule A-4)		166,744,162.77	
Net Investment in Plant (Schedule B-12)		759,269,151.83	

(Continued on next page)

EXHIBIT A (Continued)
 THE UNIVERSITY OF TEXAS AT AUSTIN
 BALANCE SHEET
 As August 31, 1984

ASSETS

Total Investment in Plant			\$ 226,013.31
TOTAL PLANT FUNDS			<u>\$ 1,047,891,793.43</u>
AGENCY FUNDS		\$	20.00
Cash on Hand (Schedule A-1)			
Cash in Banks (Schedule A-1)	\$	18,470.47	
Demand Accounts		<u>1,542,723.97</u>	1,661,194.46
Time Deposits			669,130.86
Investments (Schedule A-3)			505,733.16
Accounts Receivable			12,976.33
Accrued Interest Receivable			400,279.40
Prepaid Expenses			97,000.00
Land			<u>130,769.00</u>
Buildings			
TOTAL AGENCY FUNDS			<u>\$ 1,477,123.17</u>

Liabilities and Fund Balance

Investment in Plant		\$ 227,769.00
TOTAL PLANT FUNDS		<u>\$ 227,769.00</u>
AGENCY FUNDS		
Accounts Payable	\$	18,017.34
Investment in Plant		227,769.00
Deposits Held in Custody for Others (Schedule A-5)	\$	29,845.35
Provision for Orders and Contracts Outstanding		<u>3,201,691.48</u>
Net Fund Balance		<u>3,231,336.83</u>
TOTAL AGENCY FUNDS		<u>\$ 3,231,336.83</u>

EXHIBIT B
THE UNIVERSITY OF TEXAS AT AUSTIN
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended August 31, 1984

	CURRENT FUNDS				RESTRICTED FUNDS
	UNRESTRICTED FUNDS			Total Unrestricted	
	General	Designated	Auxiliary Encumbrance		
FUND BALANCES, Sept. 1, 1983	\$ 13,919,027.64	\$ 57,650,210.75	\$ 21,381,047.97	\$ 92,950,286.36	\$ 70,911,784.64
REVENUES AND OTHER ADDITIONS:					
Unrestricted Current					
Fund Revenues	209,404,857.64	41,699,565.69	68,090,833.30	319,195,256.63	
State Appropriations - Restricted					27,871,815.37
Federal Grants and Contracts - Restricted ..					86,400,591.08
State Grants and Contracts - Restricted ..					5,562,007.16
Local Grants and Contracts - Restricted					318,114.00
Private Gifts, Grants and Contracts - Restricted ..					27,925,419.39
Proceeds from Sale of Bonds					11,902,907.03
Investment Income					
Realized Gain on Investment					
ments					
Interest on Loans					
Receivable					
U. S. Government Advances					
Expensed for Plant					
Facilities (Including					
(\$23,392,611.27 charged					
to Current Fund Expen-					
ditures)					
Reclassification from Other					
Components					
Other Additions	52,500.37	1,630,611.35	148,496.22	1,631,605.94	2,636,490.87
Total Revenues and Other	209,457,357.81	43,330,177.04	68,239,327.32	320,826,862.37	162,617,351.90
ADDITIONS					
EXPENDITURES AND OTHER DEDUCTIONS:					
Expenditures	247,926,207.30	17,826,575.87	60,220,985.38	325,973,768.75	116,810,376.29
Appropriations Lapsed					12,348,002.69
Indirect Costs Recovered ..					2,157,688.03
Refunded to Grantors					
Loan Cancellations and					
Write-offs					
Administrative and					
Collection Costs					
Realized Losses on Invest-					
ments					
Expensed for Plant					
Facilities					
Retirement of Indebtedness					
and Interest Paid					
Disposal of Plant					
Facilities					
Net Change in Bonds Payable					
Other Deductions	423,265.55	2,112,749.81		1,536,015.36	3,483,441.75
Total Expenditures and	248,349,472.85	18,939,325.68	60,220,985.38	327,509,784.11	134,799,508.76
OTHER DEDUCTIONS					
TRANSFERS					
Mandatory:					
To System Administration					
General Tuition					
Revenue Bonds		(3,520,000.00)		(3,520,000.00)	
To Retirement of					
Indebtedness Funds					
Building Use Fee					
Skiles Act		(480,604.58)		(480,604.58)	
Dormitory Revenue					
Bonds Series 1954			(75,045.00)	(75,045.00)	
Dormitory Revenue					
Bonds Series 1956			(91,688.75)	(91,688.75)	
Student Union Revenue					
Bonds Series 1958			(43,461.10)	(43,461.10)	
Student Housing Revenue					
Bonds Series 1963			(43,937.50)	(43,937.50)	

(Continued on next page)

EXHIBIT B (Continued)

	CURRENT FUNDS				RESTRICTED FUNDS
	UNRESTRICTED FUNDS	UNRESTRICTED FUNDS		Total Unrestricted	
	General	Designated	Auxiliary Enterprises	Total Unrestricted	
To Retirement of Indebtedness (Continued)					
Students Union Revenue Bonds Series 1967 .. \$		\$	(799,350.35)	(799,350.35)	\$
Building Revenue Bonds of 1968			(17,225.00)	(17,225.00)	
Combined Fee Revenue Bonds, Series 1971, 1972, 1973 and 1978		(3,654,709.26)	(208,633.00)	(3,863,342.26)	
Building Revenue Bonds Series 1959		(8,851,144.56)		(8,851,144.56)	
Student Housing Revenue Bonds, Series 1971 and 1981			(831,831.50)	(831,831.50)	
To Renewals and Replacements Fund			(360,193.93)	(360,193.93)	
Loan Funds Matching Grants		(182,567.10)		(182,567.10)	
To General Funds (Tuition)	5,891,908.97	(5,891,908.97)			
To Endowment and Similar Funds (Centennial Scholars Matching)		(19,240,890.41)		(19,240,890.41)	
To Retirement of Indebtedness					
Non-Mandatory Between Funds					
To General Funds	10,409,228.78	(10,409,228.78)			
To Auxiliary Enterprises		(4,500,000.00)	4,500,000.00		
To Restricted Current Funds					38,707.00
To Endowment and Similar Funds			(275,000.00)	(275,000.00)	(2,465,508.17)
To Unexpended Plant Fund	219,313.94	(6,611,747.51)	(3,489,263.99)	(9,881,697.56)	(2,366,335.20)
To Renewal and Replacement Funds		(165,106.82)		(165,106.82)	
To/From Agency Funds ..		14,000.00	(215.00)	13,785.00	11,301.93
To System Administration		(800,000.00)		(800,000.00)	(1,487.33)
From System Administration	31,000,000.00	44,975,000.00		75,975,000.00	188,420.55
To Component Institution	(3,000.00)			(3,000.00)	
Total Transfers	47,517,451.69	(19,318,907.97)	(1,736,045.12)	26,462,498.60	(4,595,101.22)
Net Increase (Decrease) for the Year	8,625,336.65	4,871,943.39	6,202,296.82	19,779,576.86	23,222,741.92
FUND BALANCE, August 31, 1984	\$ 22,544,364.29	\$ 62,522,154.14	\$ 27,663,344.79	\$ 112,729,863.22	\$ 94,134,526.56

Schedule Reference

B-1

B-2

B-3

EXHIBIT B (Continued)

PLAN FUNDS	ENDOWMENT AND SIMILAR FUNDS	ANNUITY AND LIFE INCOME FUNDS	PLANT FUNDS			
			Expended	Acquired and Replacements	Acquisition of Indebtedness	Investment in Plant
					\$ 786,550.35	
					17,225.00	
					3,863,342.26	
					8,851,144.54	
					331,831.50	
				360,193.93		
192,567.10						
	19,240,890.41					
			(2,846,253.00)			2,846,253.00
(5,380.03)		(30,326.97)				
	3,371,155.49	(630,647.32)				
	(2,000,000.00)		14,248,232.76			
				165,106.82		
			(33,960.02)			
	146,810.23		26,653,037.65			4,220,010.00
<u>174,187.07</u>	<u>22,758,856.13</u>	<u>(660,974.29)</u>	<u>38,021,057.39</u>	<u>525,300.75</u>	<u>22,164,093.58</u>	
<u>2,052,871.80</u>	<u>35,459,059.36</u>	<u>(475,992.91)</u>	<u>10,216,398.41</u>	<u>525,300.75</u>	<u>9,829,121.94</u>	<u>90,915,664.14</u>
<u>\$ 20,915,920.55</u>	<u>\$ 144,518,306.17</u>	<u>\$ 707,912.46</u>	<u>\$ 54,024,975.73</u>	<u>\$ 2,584,055.33</u>	<u>\$ 35,367,161.02</u>	<u>\$ 759,269,151.83</u>
B-4	B-6	B-7	B-9	B-10	B-11	B-12

EXHIBIT C
THE UNIVERSITY OF TEXAS AT AUSTIN
STATEMENT OF CURRENT FUNDS REVENUES AND EXPENDITURES
For the Year Ended August 31, 1984

	UNRESTRICTED				RESTRICTED	TOTAL
	General	Designated	Auxiliary Enterprises	Total Unrestricted		
CURRENT REVENUES (Schedule C-1)						
Tuition and Fees	\$ 4,470,809.32	\$ 17,982,305.96	\$ 8,479,991.68	\$ 30,883,106.96	\$	\$ 30,883,106.96
State Appropriations	190,710,207.78			190,710,207.78	27,871,815.37	218,582,023.15
Federal Grants and Contracts	9,905,344.39	737,297.82		10,642,642.21	57,254,816.04	67,897,478.25
State Grants and Contracts	338,300.06			338,300.06	4,723,872.05	4,462,172.11
Local Grants and Contracts	1,826.58			1,826.58	82,617.27	84,443.85
Private Gifts, Grants and Contracts	1,463,233.84	2,786,750.05		4,251,983.89	19,274,610.50	23,526,594.39
Endowment Income					5,921,446.48	5,921,446.48
Sales and Services of Educational Activities	222,233.32	16,300,210.11		16,522,443.43		16,522,443.43
Sales and Services of Auxiliary Enterprises		117,131.00	56,062,932.63	56,180,063.63		56,180,063.63
Other Sources	2,440,902.13	3,775,870.75	3,547,908.99	9,764,681.89	2,181,170.58	11,945,852.47
TOTAL CURRENT REVENUES (Exhibit B)	\$ 209,404,857.44	\$ 41,699,545.69	\$ 68,090,833.72	\$ 319,195,236.85	\$ 116,810,376.29	\$ 436,005,613.14
CURRENT EXPENDITURES (Schedule C-2)						
Educational and General						
Instruction	\$ 114,585,862.66	\$ 9,957,730.04		\$ 124,543,592.70	\$ 23,901,358.94	\$ 148,444,951.64
Research	23,629,635.00	1,829,853.35		25,459,488.35	67,385,982.95	92,845,471.30
Public Service	405,229.93	6,001,214.37		6,406,444.30	2,311,835.11	8,718,279.41
Academic Support	24,407,820.38	84,581.54		24,492,401.92	5,242,408.67	29,734,810.59
Student Services	6,805,278.94	3,091,285.69		9,896,564.63	1,896,005.91	11,792,570.54
Institutional Support	12,432,409.37	378,654.82		12,811,064.19	2,683,451.60	15,494,515.79
Operation and Maintenance of Plant	56,703,722.75	284,580.14		56,988,302.89	2,934,958.11	59,923,261.00
Scholarships and Fellowships	8,756,248.27	687,927.84		9,444,176.11	9,057,505.64	18,501,681.75
Total Educational and General	247,926,207.30	17,714,027.79		265,640,235.09	115,613,706.73	381,253,941.82
Auxiliary Enterprises		112,548.08	60,220,985.58	60,333,533.66	1,394,669.56	61,728,203.22
TOTAL CURRENT EXPENDITURES (Exhibit B)	\$ 247,926,207.30	\$ 17,826,575.87	\$ 60,220,985.58	\$ 325,973,768.75	\$ 117,008,376.29	\$ 442,982,145.04

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3826

PURCHASE CONTRACT

RELATING TO

\$36,410,000

Board of Regents of The University of Texas System
The University of Texas at Austin Building Revenue Refunding Bonds,
Series 1986

May 12, 1986

The Board of Regents
The University of Texas System
Austin, Texas 78701

Ladies and Gentlemen:

The undersigned (the "Representatives"), acting on behalf of themselves and the other underwriters named on the list attached hereto as Exhibit A, as such list may be changed from time to time by the Representatives (the Representatives together with such other underwriters are collectively referred to herein as the "Underwriters") offer to enter into this Purchase Contract with the Board of Regents of The University of Texas System (the "Issuer"). The Representatives need not advise the Issuer of any change in the Underwriters. This offer is made subject to the Issuer's acceptance of this Purchase Contract on or before 11:00 p.m., Austin, Texas, time on May 12, 1986, and if not so accepted will be subject to withdrawal by the Underwriters upon notice delivered to the Issuer at any time prior to the acceptance hereof by the Issuer. Capitalized terms used herein that are not otherwise defined shall have the meanings assigned to them in the Official Statement (as hereinafter defined).

1. Upon the terms and conditions and upon the basis of the representations set forth herein, the Underwriters, jointly and severally, hereby agree to purchase from the Issuer, and the Issuer hereby agrees to sell and deliver to the Underwriters an aggregate of \$36,410,000 principal amount of the Issuer's The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986 (the "Bonds"). The Bonds shall be dated May 1, 1986, and shall have the maturities and bear interest from their dated date at the rate or rates per annum set forth on Exhibit B hereto. The aggregate purchase price for the Bonds shall be \$35,721,756.25, plus interest accrued on the Bonds from their date to the date of Closing (as hereinafter defined). The allocation of such purchase price is set forth in Exhibit C hereto.

2. The Bonds shall be as described in, and shall be issued and secured under the provisions of, the resolution adopted by the Issuer on May 12, 1986, authorizing the issuance of the Bonds (the "Resolution"). The Bonds shall be subject to redemption and shall be payable as provided in the Resolution. The Official Statement with respect to the Bonds, dated May 12, 1986, as amended in accordance with the terms hereof, is hereinafter referred to as the "Official Statement."

3. As set forth in the Official Statement, the proceeds of the Bonds, together with other funds of the Issuer, will be used at Closing (as hereinafter defined) to pay certain costs and expenses connected with the issuance of the Bonds. In addition, the proceeds of the Bonds will be used (i) to acquire, purchase construct, improve, enlarge, and/or equip any property, buildings, structures, activities, services, operations or other facilities for and on behalf of the University, and (ii) to purchase a portfolio of United States government obligations that will be deposited in escrow, the maturing principal of and interest on which will be sufficient to pay, when due, the principal and interest on the bonds to be refunded (the "Refunded Bonds"). In order to accomplish such advance refunding and defeasance, it will be necessary for the Issuer to subscribe for certain direct obligations of the United States of America (the "Federal Securities") to be purchased at the Closing with proceeds of the Bonds, the maturing principal of and interest on which will be sufficient to provide for the full and timely payment of the Refunded Bonds.

4. Morgan Guaranty Trust Company of New York has been duly authorized to execute this Purchase Contract and to act hereunder by and on behalf of the Underwriters.

5. It shall be a condition of the obligation of the Issuer to sell and deliver the Bonds to the Underwriters, and of the obligation of the Underwriters to purchase and accept delivery of the Bonds, that the entire \$36,410,000 principal amount of the Bonds authorized by the Resolution shall be sold and delivered by the Issuer and accepted and paid for by the Underwriters at the Closing. The Underwriters agree to make a bona fide public offering of all of the Bonds at prices not in excess of the initial public offering prices as set forth on the reverse side of the cover page of the Official Statement, plus interest accrued thereon from the date of the Bonds.

6. On behalf of the Underwriters, Morgan Guaranty Trust Company of New York has delivered to the Issuer its corporate check payable to the order of the Issuer in the amount of \$375,000 (the check hereinafter referred to as the "Good Faith Deposit"). In the event that the Issuer does not accept this offer, the Good Faith Deposit shall be immediately returned to Morgan Guaranty Trust Company of New York. In the event that the Issuer does accept this offer, the Issuer shall retain the Good Faith Deposit uncashed pending the Closing. The Good Faith Deposit shall be returned to Morgan Guaranty Trust Company of New York at the time of delivery of the Bonds and the payment of the purchase price of the Bonds as provided in Paragraph 9 hereof. In the event the Issuer fails to deliver the Bonds at the Closing, or in the event the Issuer is unable to satisfy the conditions to the obligations of the Underwriters to purchase, accept delivery of and pay for the Bonds, as set forth in this Purchase Contract (unless waived by the Underwriters), or in the event such obligations of the Underwriters are terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and the Good Faith Deposit shall immediately be returned to Morgan Guaranty Trust Company of New York. In the event that the Underwriters fail (other than for a reason permitted hereunder) to purchase, accept delivery of and pay for the Bonds at the Closing as herein provided, the Good Faith Deposit shall be retained by the Issuer and cashed as and for full liquidated damages for such failure and for any defaults hereunder on the part of the Underwriters and, except as set forth in Paragraphs 12 and 14 hereof, neither party hereto shall have any further rights against the other hereunder.

7. The Issuer hereby authorizes the Underwriters to use the Resolution, the Official Statement and the information contained in either of those documents in connection with the public offering and sale of the Bonds. The Issuer confirms its consent to the use by the Underwriters prior to the date hereof of the Preliminary Official Statement for the Bonds, dated May 2, 1986 (the "Preliminary Official Statement") (a copy of which has been previously provided by the Representatives to the Issuer, the receipt of which is hereby acknowledged), in connection with the public offering of the Bonds.

8. On the date hereof, the Issuer represents, warrants and agrees as follows:

(a) The University of Texas System (the "System") is and will be at the date of Closing duly organized and existing as an agency of the State of Texas, and the Issuer is the duly appointed governing body of the System. The Issuer and the System have the powers and authority, among others, set forth in the Texas Education Code, and The University of Texas at Austin (the "University") is and will be at the date of Closing, a duly organized and existing university included in the System;

(b) By official action of the Issuer concurrently with the execution and delivery of this Purchase Contract, the Issuer has duly adopted the Resolution and will have duly authorized and approved the execution and delivery of, and the performance by the Issuer of the obligations contained in, the Bonds, the Resolution and this Purchase Contract;

(c) Neither the Issuer, the System nor the University is in breach of or in default under any applicable law or administrative regulation, any applicable judgment or decree, or any loan agreement, note, resolution, agreement or other instrument to which the Issuer, the System or the University is a party or by which they or any of their respective properties are otherwise subject, which would have a material and adverse effect upon the business or financial condition of the System, the University or the Pledged Revenues;

(d) The Issuer is not in breach of or in default under any of its prior resolutions (the "Prior Resolutions") that authorized the issuance of the Refunded Bonds, and the execution and delivery of the Bonds and this Purchase Contract by the Issuer and the adoption of the Resolution by the Issuer will not violate or constitute a breach of or default under any existing law, administrative regulation, judgment or decree or any loan agreement, note, resolution, agreement or other instrument to which the Issuer, the System or the University is a party or by which they or any of their respective properties are otherwise subject;

(e) All approvals, consents and orders of any governmental authority or agency having jurisdiction of any matter which would constitute a condition precedent to the performance by the Issuer of its obligations to sell and deliver the Bonds hereunder will be obtained prior to the Closing;

(f) The descriptions and summaries contained in the Official Statement accurately describe and summarize the provisions of the

Resolution and the Bonds, and the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(g) Between the date of this Purchase Contract and the Closing, neither the Issuer, the System nor the University will, without the prior written consent of the Underwriters, issue any additional bonds, notes or other obligations for borrowed money, and neither the Issuer, the System nor the University will incur any material liabilities, direct or contingent, nor will there be any material adverse change in the financial position or condition of the System, the University or the Pledged Revenues;

(h) Except as described in the Official Statement, no litigation is pending or, to the knowledge of the Chairman of the Issuer, the Executive Vice Chancellor for Asset Management of the System, or the Vice Chancellor and General Counsel to the System, threatened in any court affecting the Issuer's existence as a state agency, its powers, or the title of its officers to their respective offices, or seeking to restrain or enjoin the issuance or delivery of the Bonds, or the collection or application of the Pledged Revenues pledged by the Issuer to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Resolution, or this Purchase Contract, or contesting in any manner the completeness, accuracy, or fairness of the Preliminary Official Statement or the Official Statement;

(i) The Issuer will cooperate with counsel to the Underwriters in arranging for the qualification of the Bonds for sale and the determination of their eligibility for investment under the laws of such jurisdictions as the Underwriters designate and will use its best and reasonable efforts to continue such qualifications in effect so long as required for distribution of the Bonds; provided, however, that the Issuer will not be required to execute a special or general consent to service of process or qualify to do business in connection with any such qualification in any jurisdiction;

(j) The Resolution creates a valid first lien on the Pledged Revenues, and the Bonds, when validly executed, authenticated, certified and delivered in accordance with the Resolution and sold to the Underwriters as provided herein, will be validly issued and outstanding obligations of the Issuer entitled to the benefits of the Resolution; and

(k) If prior to the Closing any event occurs affecting the Issuer, the University, the System or the Pledged Revenues which is materially adverse for the purpose for which the Official Statement is to be used and is not disclosed in the Official Statement, the Issuer shall notify the Underwriters, and if in the opinion of the Underwriters such event requires a supplement or amendment to the Official Statement, the Issuer will supplement or amend the Official Statement in a form and in a manner approved by the Underwriters, counsel to the Underwriters and Bond Counsel.

9. At 9:00 a.m., Houston, Texas time, on or about May 29, 1986, at the offices of MBank Houston, N.A., Houston, Texas, at 333 Clay Street, Houston, Texas,

or at such other time, date and place as may be mutually agreed upon by the parties (the "Closing"), the Issuer will deliver the Initial Bonds in the principal amount of \$36,410,000 to the Underwriters, duly executed and authenticated, approved by the Attorney General of Texas and registered by the Comptroller of Public Accounts of the State of Texas, together with the other documents hereinafter mentioned, and the Underwriters will accept such delivery and pay to the Issuer with immediately available funds in the amount of the purchase price of such Bonds as set forth in Paragraph 1 hereof plus accrued interest on the Bonds from their dated date to the date of Closing. The Bonds in definitive form will be available for delivery on or about May 29, 1986, in New York, New York. The definitive Bonds shall be printed or lithographed on lithographed or steel engraved borders; shall be fully registered in such name or names as the Underwriters shall have specified to MBank Dallas, National Association, Dallas, Texas (the "Paying Agent/Registrar") provided such specification is made not less than five business days prior to the Closing; shall be prepared and delivered in definitive form bearing CUSIP numbers, executed by the Issuer by manual or facsimile signature and authenticated by the Paying Agent/Registrar; and, if the Underwriters shall so request, shall be made available to the Underwriters at least one business day before the Closing for the purpose of inspection, but in any event, such definitive Bonds shall remain under the control of the Issuer pending payment therefor.

10. The Underwriters have entered into this Purchase Contract in reliance upon the representations and warranties of the Issuer contained herein and to be contained in the documents and instruments to be delivered at the Closing, and upon the performance by the Issuer of its obligations hereunder and under such documents and instruments, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriters' obligations under this Purchase Contract to purchase and pay for the Bonds shall be subject to the performance by the Issuer of its obligations hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following conditions:

(a) The representations and warranties of the Issuer contained herein shall be true, complete and correct in all material respects at the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) At the time of the Closing, the Resolution, and the Prior Resolutions shall be in full force and effect, and shall not have been amended, modified, or supplemented, and the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to by the Underwriters;

(c) At the time of the Closing, all official action of the Issuer related to the Resolution shall be in full force and effect and shall not have been amended, modified or supplemented;

(d) The Issuer shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money or otherwise be in default on any such obligation, and there does not exist any event which with giving of notice would constitute a default;

(e) At or prior to the Closing, the Underwriters shall have received each of the following documents:

(1) The Official Statement executed on behalf of the Issuer by the Executive Vice Chancellor for Asset Management;

(2) The Resolution certified by the Issuer's Executive Secretary, under the Issuer's seal as having been duly adopted by the Issuer and as being in effect, with such changes or amendments as may have been agreed to by the Underwriters;

(3) An unqualified bond opinion, dated the date of Closing, of Fulbright & Jaworski, Austin, Texas, McCall, Parkhurst & Horton, Dallas, Texas, and Vinson & Elkins, Houston and Austin, Texas, Co-Bond Counsel, in substantially the form attached to the Official Statement as Appendix C, or in such form and substance satisfactory to the Underwriters;

(4) A supplemental opinion, dated the date of Closing, of Co-Bond Counsel, in form and substance satisfactory to the Underwriters;

(5) An unqualified opinion or certificate, dated on or prior to the date of Closing, of the Attorney General of Texas, approving the initial Bonds delivered to the Underwriters;

(6) An opinion, dated the date of Closing, of Jenkens, Hutchison & Gilchrist, Dallas, Texas, and Reynolds, Allen & Cook Incorporated, Houston, Texas, co-counsel to the Underwriters, in form and substance attached hereto as Exhibit D;

(7) A certificate, dated the date of Closing, signed by the Chairman of the Issuer, the Executive Vice Chancellor for Asset Management of the System, and the Vice Chancellor and General Counsel to the System, to the effect that to the best of their knowledge (a) the representations and warranties of the Issuer contained herein are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing; (b) except to the extent disclosed in the Official Statement, no litigation is pending or, to the knowledge of such persons, threatened in any court to restrain or enjoin the issuance or delivery of the Bonds, or the collection or receipt of the Pledged Revenues pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity of the Bonds, the Resolution, or this Purchase Contract, or contesting the powers of the Issuer or contesting the authorization of the Bonds, the Refunded Bonds, the Resolution or the Prior Resolutions, or contesting in any way the accuracy, completeness or fairness of the Preliminary Official Statement or the Official Statement (but in lieu of or in conjunction with such certificate, the Underwriters may, in their sole discretion, accept certificates or opinions of the Vice Chancellor and General Counsel to the System, that, in his opinion, the issues raised

in any such pending or threatened litigation are without substance or that the contentions of all plaintiffs herein are without merit); (c) the Official Statement does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (d) no event affecting the Issuer, the System, the University or the Pledged Revenues has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any respect; and (e) there has not been any material adverse change in the financial condition of the System, the University or the Pledged Revenues from that reflected in the unaudited and audited financial statements and other financial information contained in the Official Statement;

(8) A fully executed escrow agreement between the Issuer and MBank Houston, N.A., Houston, Texas (the "Escrow Agent") which (together with any other appropriate documentation) evidences that all Federal Securities and cash required to be deposited with the Escrow Agent have been purchased by or delivered to the Escrow Agent, all as described in the Official Statement, together with a certificate, dated as of the date of Closing, executed by an appropriate official of the Escrow Agent, to the effect that such escrow agreement has been duly authorized, executed, and entered into by the Escrow Agent;

(9) A certificate by an appropriate official of the Issuer or the System to the effect that, on the basis of the facts, estimates and circumstances in effect on the date of delivery of the Bonds, it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be arbitrage bonds within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended;

(10) A report of Ernst & Whinney, independent certified public accountants, stating that such firm has verified the mathematical accuracy of certain computations based upon assumptions provided to them relating to (a) the adequacy of the maturing principal amounts of the Federal Securities and the interest thereon held in the escrow fund required by the Resolution to pay when due all of the principal of and interest and redemption premiums, if any, on the Refunded Bonds, and (b) certain mathematical computations used by Co-Bond Counsel to support their opinion that the Refunding Bonds are not arbitrage bonds within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended (or Sections 147(g) and 149(d)(2)(D)(i) of the proposed Internal Revenue Code of 1985, if enacted, as set forth in H.R. 3838);

(11) A certificate dated the date of Closing by the Executive Vice Chancellor for Asset Management of the System stating in effect that on the basis of (a) a reading of the Official

Statement and of the financial statements of the System and the University, (b) consultations with board members, officers and other officials of the Issuer and the System responsible for financial and accounting matters, and (c) a reading of the minutes of the meetings of the Issuer, nothing has come to his attention which causes him to believe that as of a subsequent specified date not more than five business days prior to the date of Closing, there was (i) any material change in long-term debt of the System or the University as compared with the amount shown in such financial statements, except for changes that the Official Statement discloses, which have occurred or may occur or which are described in such letter, or (ii) any material decrease in total assets or total fund balances of the System or the University, in each case compared with amounts shown in such financial statements, except in all instances for changes or decreases which the Official Statement discloses have occurred or may occur or which are described in such certificate;

(12) A certificate dated the date of Closing of the Executive Vice Chancellor for Asset Management of the System stating in effect that, to the best of his knowledge, (i) the "Schedule of Bonds to Be Refunded" as set forth in Appendix D of the Official Statement and Exhibit E of this Purchase Contract is true and correct in all material respects, and (ii) the information supplied to the Representatives for the purpose of developing and producing their computer analysis and schedules with regard to the refunded debt service, is true and correct in all material respects;

(13) A copy of all proceedings of the Issuer relating to the authorization of this Purchase Contract and to the authorization and issuance of the Bonds, certified as true, accurate and complete by the Executive Secretary of the Issuer; and

(14) Such additional legal opinions, certificates, instruments and other documents as the Underwriters may reasonably request to evidence the truth, accuracy and completeness, as of the date hereof and as of the date of Closing, of the Issuer's representations and warranties contained herein and of the statements and information contained in the Official Statement, and the due performance and satisfaction by the Issuer at or prior to the date of Closing of all agreements then to be performed and all conditions then to be satisfied by the Issuer.

All the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Contract shall be deemed to be in compliance with the provisions hereof if, but only if, they are satisfactory to the Underwriters.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds as set forth in this Purchase Contract, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate, and

neither the Underwriters nor the Issuer shall be under further obligation hereunder, except that: (a) the Good Faith Deposit shall immediately be returned to the Underwriters; and (b) the respective obligations of the Issuer and the Underwriters set forth in Paragraphs 12 and 14 hereof shall continue in full force and effect.

11. The Underwriters may terminate their obligation to purchase the Bonds at any time on or after the date of this Purchase Contract or on or before the date of Closing if any of the following should occur:

(a) (i) Legislation shall have been enacted by the Congress of the United States, recommended to Congress for passage by the President of the United States or favorably reported for passage to either Chamber of Congress by any Committee of such Chamber, or (ii) a decision shall have been rendered by a court established under Article III of the Constitution of the United States or by the United States Tax Court, or (iii) an order, ruling or regulation shall have been issued or proposed by or on behalf of the Treasury Department of the United States or the Internal Revenue Service or any other agency of the United States, or (iv) a release or official statement shall have been issued by the President of the United States, by the Treasury Department of the United States, by the Internal Revenue Service or by the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, the effect of which, in any such case described in clauses (i), (ii), (iii), or (iv), would be to, directly or indirectly, affect the status of the Issuer, its property or income, its securities (including the Bonds) or the interest thereon or interest received on obligations of the general character of the Bonds in such a manner as in the judgment of the Underwriters would materially impair the marketability or materially reduce the market price of obligations of the general character of the Bonds.

(b) Legislation shall have been enacted by the Congress of the United States to become effective on or prior to the Closing, any action shall have been taken by the Securities and Exchange Commission, by a court or by any other agency having jurisdiction over the issuance, sale and delivery of the Bonds, or any other obligations of any similar public body of the general character of the Issuer, which would require registration of any security under the Securities Act of 1933, as amended, or qualification of any indenture under the Trust Indenture Act of 1939, as amended, in connection with the public offering of the Bonds, or any action shall have been taken by any court or by any governmental authority suspending the use of the Preliminary Official Statement or the Official Statement or any amendment or supplement thereto, or any proceeding for that purpose shall have been initiated or threatened in any such court or by any such authority.

(c) (i) The Constitution of the State of Texas shall be amended or an amendment shall be proposed, or (ii) legislation shall be enacted, or (iii) a decision shall have been rendered as to matters of Texas law, or (iv) any order, ruling or regulation shall have been issued or proposed by or on behalf of the State of Texas by an official, agency or department thereof, affecting the tax status of the Issuer, its property or income, its bonds (including the Bonds) or the interest thereon or any tax exemption granted or authorized

under the Act which in the judgment of the Underwriters would materially affect the market price of the Bonds.

(d) (i) A general suspension of trading in securities shall have occurred on the New York Stock Exchange, or (ii) the United States shall have become engaged in hostilities which have resulted in the declaration of a national emergency or war, the effect of which, in either case described in clause (i) and (ii), is, in the judgment of the Underwriters, so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Bonds on the terms and in the manner contemplated in this Purchase Contract and the Official Statement.

(e) An event described in Paragraph 8(k) hereof occurs which, in the opinion of the Underwriters, requires a supplement or amendment to the Official Statement.

(f) A general banking moratorium shall have been declared by authorities of the United States, the State of New York or the State of Texas.

(g) The debt ceiling of the United States is such that the Federal Securities required to fund any escrow agreement referenced in the Resolution are not available for delivery on the date of the delivery of the Bonds unless satisfactory Federal Securities can be obtained in the open market.

12. (a) The Underwriters shall be under no obligation to pay, and the Issuer shall pay, any expenses incident to the performance of the Issuer's obligations hereunder, including but not limited to: (i) the fees and disbursements of Co-Bond Counsel to the Issuer; (ii) the fees and disbursements of the Issuer's accountants and advisors, and of any other experts or consultants retained by the Issuer; (iii) the fees for bond ratings, relating to the Bonds and the Refunded Bonds; (iv) the initial registration and paying agent's acceptance fees; (v) the fees and disbursements for the Escrow Agent and each paying agent for the Refunded Bonds, and (vi) all other miscellaneous and closing costs not paid by the Underwriters as provided in subparagraph (b) of this paragraph 12.

(b) The Underwriters shall pay: (i) the cost of the preparation, printing and distribution of the Resolution, the Preliminary Official Statement, the final Official Statement and the Bonds; (ii) the cost of the preparation and printing of the Agreement Among Underwriters, this Purchase Contract and the Blue Sky and Legal Investment Surveys; (iii) all advertising expenses in connection with the offering of the Bonds; (iv) all other expenses incurred by them or any of them in connection with their offering and distribution of the Bonds, including the fees and disbursements of counsel retained by them; and (v) the fees and disbursements for the accountant certifying escrow adequacy.

13. Any notice or other communication to be given to the Issuer under this Purchase Contract may be given by delivering the same in writing at the address for the Issuer set forth above, and any notice or other communication to be

given to the Underwriters under this Purchase Contract may be given by delivering the same, in writing to Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, New York 10015, Attention: James J. Corcoran.

14. This Purchase Contract is made solely for the benefit of the Issuer and the Underwriters (including the successors or assigns of any Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. The Issuer's representations, warranties and agreements contained in this Purchase Contract shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of any of the Underwriters and (ii) delivery of any payment for the Bonds hereunder; and the Issuer's representations and warranties contained in Paragraph 8 of this Purchase Contract shall remain operative and in full force and effect, regardless of any termination of this Purchase Contract.

15. This Purchase Contract shall become effective upon the execution of the acceptance hereof by the Issuer and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

Morgan Guaranty Trust Company
of New York
First Southwest Company
Goldman, Sachs & Co.
MBank Capital Markets, a unit of
MBank Dallas, N.A.
Merrill Lynch Capital Markets
Rauscher Pierce Refsnes, Inc.
Rotan Mosle Inc.
Salomon Brothers Inc
Texas Commerce Bank, National
Association
Underwood, Neuhaus & Co. Incorporated

By: Morgan Guaranty Trust Company
of New York

By: _____

Title: Vice President

ACCEPTED:

This 12th day of May, 1986.

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By: _____

Title: _____

Attest:

Executive Secretary

0132m

EXHIBIT A

UNDERWRITERS

Morgan Guaranty Trust Company of New York
First Southwest Company
Goldman, Sachs & Co.
MBank Capital Markets, a unit of MBank Dallas, N.A.
Merrill Lynch Capital Markets
Rauscher Pierce Refsnes, Inc.
Rotan Mosle Inc.
Salomon Brothers Inc
Texas Commerce Bank, National Association
Underwood, Neuhaus & Co. Incorporated

0132m

EXHIBIT B

\$36,410,000

Board of Regents of The University of Texas System
The University of Texas at Austin Building Revenue Refunding Bonds,
Series 1986

\$15,930,000 Serial Bonds

<u>Due July 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Price</u>
1987	\$ 855,000	4.70%	100%
1988	1,320,000	5.20	100
1989	1,385,000	5.50	100
1990	1,465,000	5.75	100
1991	1,550,000	6.00	100
1992	1,640,000	6.25	100
1993	1,750,000	6.50	100
1994	1,860,000	6.70	100
1995	1,985,000	6.90	100
1996	2,120,000	7.10	100

\$20,480,000 - 7.625% Term Bonds due July 1, 2004 -- Price 99.50%

0132m

EXHIBIT C

\$36,410,000

Board of Regents of The University of Texas System
The University of Texas at Austin Building Revenue Refunding Bonds,
Series 1986

The purchase price of the Bonds is computed as follows:

Aggregate principal amount of Bonds	\$36,410,000.00
Less:	
Aggregate Underwriters' Discount for all Bonds	(585,843.75)
Original Issue Discount on Bonds due July 1, 2004	(102,400.00)
Purchase Price	<u>\$35,721,756.25</u>
Plus Accrued Interest on the Bonds	<u>198,503.86</u>
Total Payable to Issuer at Closing	<u>\$35,920,260.11</u>

c132m

EXHIBIT D

May 29, 1986

Morgan Guaranty Trust Company of New York
First Southwest Company
Goldman, Sachs & Co.
MBank Capital Markets, a unit of MBank Dallas, N.A.
Merrill Lynch Capital Markets
Rauscher Pierce Refsnes, Inc.
Rotan Mosle Inc.
Salomon Brothers Inc
Texas Commerce Bank, National Association
Underwood, Neuhaus & Co. Incorporated

Re: \$36,410,000 Board of Regents of The University of Texas System, The
University of Texas at Austin Building Revenue Refunding Bonds,
Series 1986

Gentlemen:

We have acted as counsel for you as the Underwriters of the above-captioned bonds (the "Bonds"), dated May 1, 1986, issued by the Board of Regents of The University of Texas System (the "Issuer"), pursuant to a resolution adopted by the Issuer on May 12, 1986 (the "Resolution"). You are purchasing the Bonds pursuant to a certain Purchase Contract (the "Purchase Contract") with respect thereto, dated May 12, 1986.

We have examined such documents and satisfied ourselves as to such matters as we have deemed necessary in order to enable us to express the opinions set forth below.

We have not examined the Bonds, except a specimen thereof, and have relied upon a certificate of the Issuer as to the execution thereof. As to various questions of fact material to these opinions, we have relied upon representations of the Issuer and statements in the Official Statement, dated May 12, 1986 (the "Official Statement"), of the Issuer related to the Bonds.

0112m

Based upon the foregoing, in our opinion:

1. The Purchase Contract has been duly authorized, executed and delivered by the Underwriters and constitutes a valid and enforceable agreement of the Underwriters in accordance with its terms;

2. The requirements contained in the Purchase Contract which are conditions precedent to the obligations of the Underwriters to accept and pay for the Bonds have been met or waived by the Underwriters; and

3. The Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and it is not necessary in connection with the sale of the Bonds to the public to register the Bonds under the Securities Act of 1933, as amended, or the Resolution under the Trust Indenture Act of 1939, as amended.

Except as otherwise specified herein, we have not verified and are not passing upon, and do not assume any responsibility for, the accuracy, completeness or fairness of the statements contained in the Official Statement. We have, however, participated in its preparation. In connection therewith, we have participated in conferences with officials of the Issuer, and we have examined various laws, documents, records and official actions of the Issuer pertaining to the Bonds and to the matters disclosed in the Official Statement. Based upon our participation in the preparation of the Official Statement and without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, we have no reason to believe that, as of its date, the Official Statement (except for financial or statistical data contained therein as to which no opinion is expressed) contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

This letter is furnished to you by us as counsel for the Underwriters and is solely for the benefit of the Underwriters, and no one other than the Underwriters is entitled to rely upon this letter.

Respectfully submitted,

0112m

EXHIBIT E

THE UNIVERSITY OF TEXAS AT AUSTIN
BUILDING REVENUE BONDS
SERIES 1974 (\$83,000,000)

SUMMARY DEBT SERVICE REPORT

THE MORGAN BANK
PUBLIC FINANCE DEPARTMENT
INVESTMENT BANKING GROUP

PERIOD ENDING DATE	BOND COUPON RATE	INTEREST PAYMENT FREQUENCY	PRINCIPAL DEBT SERVICE	INTEREST DEBT SERVICE	TOTAL DEBT SERVICE	PRINCIPAL DEBT SERVICE	INTEREST DEBT SERVICE	ANNUAL DEBT SERVICE
10.0186	.000	0	.00	1,144,190.00	1,144,190.00	.00	.00	.00
4.0187	6.500	SEM'L	1,380,000.00	1,144,190.00	2,504,190.00	1,380,000.00	2,288,380.00	3,648,380.00
10.0187	.000	0	.00	1,099,990.00	1,099,990.00	.00	.00	.00
4.0188	5.500	SEM'L	1,440,000.00	1,099,990.00	2,539,990.00	1,440,000.00	2,199,980.00	3,639,980.00
10.0188	.000	0	.00	1,060,390.00	1,060,390.00	.00	.00	.00
4.0189	5.500	SEM'L	1,528,000.00	1,060,390.00	2,588,390.00	1,525,000.00	2,120,780.00	3,648,780.00
10.0189	.000	0	.00	1,018,462.50	1,018,462.50	.00	.00	.00
4.0190	5.500	SEM'L	1,615,000.00	1,018,462.50	2,633,462.50	1,615,000.00	2,036,905.00	3,651,905.00
10.0190	.000	0	.00	974,040.00	974,040.00	.00	.00	.00
4.0191	5.500	SEM'L	1,710,000.00	974,040.00	2,684,040.00	1,710,000.00	1,948,080.00	3,658,080.00
10.0191	.000	0	.00	927,015.00	927,015.00	.00	.00	.00
4.0192	5.500	SEM'L	1,810,000.00	927,015.00	2,737,015.00	1,810,000.00	1,854,030.00	3,664,030.00
10.0192	.000	0	.00	877,240.00	877,240.00	.00	.00	.00
4.0193	5.500	SEM'L	1,915,000.00	877,240.00	2,792,240.00	1,915,000.00	1,754,480.00	3,669,480.00
10.0193	.000	0	.00	824,577.50	824,577.50	.00	.00	.00
4.0194	5.500	SEM'L	2,025,000.00	824,577.50	2,849,577.50	2,025,000.00	1,649,155.00	3,674,155.00
10.0194	.000	0	.00	768,890.00	768,890.00	.00	.00	.00
4.0195	5.500	SEM'L	2,146,000.00	768,890.00	2,913,890.00	2,145,000.00	1,537,780.00	3,682,780.00
10.0195	.000	0	.00	709,902.50	709,902.50	.00	.00	.00
4.0196	5.500	SEM'L	2,275,000.00	709,902.50	2,984,902.50	2,275,000.00	1,419,805.00	3,694,805.00
10.0196	.000	0	.00	647,340.00	647,340.00	.00	.00	.00
4.0197	5.500	SEM'L	2,405,000.00	647,340.00	3,052,340.00	2,405,000.00	1,294,680.00	3,699,680.00
10.0197	.000	0	.00	580,000.00	580,000.00	.00	.00	.00
4.0198	5.500	SEM'L	2,545,000.00	580,000.00	3,125,000.00	2,545,000.00	1,160,000.00	3,705,000.00
10.0198	.000	0	.00	508,740.00	508,740.00	.00	.00	.00
4.0199	5.500	SEM'L	2,695,000.00	508,740.00	3,203,740.00	2,695,000.00	1,017,480.00	3,712,480.00
10.0199	.000	0	.00	433,280.00	433,280.00	.00	.00	.00
4.0100	5.700	SEM'L	2,855,000.00	433,280.00	3,288,280.00	2,855,000.00	866,560.00	3,721,560.00
10.0100	.000	0	.00	391,912.50	391,912.50	.00	.00	.00
4.0101	5.700	SEM'L	3,025,000.00	391,912.50	3,416,912.50	3,025,000.00	707,825.00	3,728,825.00
10.0101	.000	0	.00	366,700.00	366,700.00	.00	.00	.00
4.0102	4.700	SEM'L	3,200,000.00	366,700.00	3,465,700.00	3,200,000.00	621,400.00	3,731,400.00
10.0102	.000	0	.00	174,500.00	174,500.00	.00	.00	.00
4.0103	5.000	SEM'L	3,380,000.00	174,500.00	3,554,500.00	3,380,000.00	349,000.00	3,739,000.00
10.0103	.000	0	.00	89,750.00	89,750.00	.00	.00	.00
4.0104	5.000	SEM'L	3,590,000.00	89,750.00	3,679,750.00	3,590,000.00	179,500.00	3,769,500.00
0000	.000	0	41,525,000.00	24,911,820.00	66,436,820.00	41,525,000.00	24,911,820.00	66,436,820.00

MAXIMUM ANNUAL D-S
AVERAGE ANNUAL D-S

3,789,500.00
3,690,924.44

THE UNIVERSITY OF TEXAS AT AUSTIN
BUILDING REVENUE BONDS
SERIES 1978 (\$4,310,000)

SUMMARY DEBT SERVICE REPORT

THE MORGAN BANK
PUBLIC FINANCE DEPARTMENT
INVESTMENT BANKING GROUP

PERIOD ENDING DATE	BOND COUPON RATE	INTEREST PAYMENT FREQUENCY	PRINCIPAL DEBT SERVICE	INTEREST DEBT SERVICE	TOTAL DEBT SERVICE	PRINCIPAL DEBT SERVICE	INTEREST DEBT SERVICE	ANNUAL DEBT SERVICE
10.0186	.000	0	.00	128,833.75	128,833.75	.00	.00	.00
4.0187	5.100	SEM'L	310,000.00	128,833.75	438,833.75	310,000.00	297,867.50	567,867.50
10.0187	.000	0	.00	120,928.75	120,928.75	.00	.00	.00
4.0188	5.100	SEM'L	330,000.00	120,928.75	450,928.75	330,000.00	241,857.50	571,857.50
10.0188	.000	0	.00	112,513.75	112,513.75	.00	.00	.00
4.0189	5.250	SEM'L	340,000.00	112,513.75	452,513.75	340,000.00	225,027.50	545,027.50
10.0189	.000	0	.00	103,588.75	103,588.75	.00	.00	.00
4.0190	5.300	SEM'L	366,000.00	103,588.75	469,588.75	358,000.00	207,177.50	562,177.50
10.0190	.000	0	.00	94,181.25	94,181.25	.00	.00	.00
4.0191	5.400	SEM'L	370,000.00	94,181.25	464,181.25	370,000.00	188,362.50	558,362.50
10.0191	.000	0	.00	84,191.25	84,191.25	.00	.00	.00
4.0192	5.500	SEM'L	380,000.00	84,191.25	464,191.25	380,000.00	168,382.50	548,382.50
10.0192	.000	0	.00	73,741.25	73,741.25	.00	.00	.00
4.0193	5.600	SEM'L	400,000.00	73,741.25	473,741.25	400,000.00	147,482.50	547,482.50
10.0193	.000	0	.00	62,541.25	62,541.25	.00	.00	.00
4.0194	5.750	SEM'L	415,000.00	62,541.25	477,541.25	415,000.00	125,082.50	540,082.50
10.0194	.000	0	.00	50,810.00	50,810.00	.00	.00	.00
4.0195	5.800	SEM'L	430,000.00	50,810.00	480,810.00	430,000.00	101,220.00	531,220.00
10.0195	.000	0	.00	38,140.00	38,140.00	.00	.00	.00
4.0196	5.950	SEM'L	440,000.00	38,140.00	478,140.00	440,000.00	78,280.00	518,280.00
10.0196	.000	0	.00	25,050.00	25,050.00	.00	.00	.00
4.0197	6.000	SEM'L	440,000.00	25,050.00	465,050.00	440,000.00	50,100.00	510,100.00
10.0197	.000	0	.00	11,250.00	11,250.00	.00	.00	.00
4.0198	6.000	SEM'L	375,000.00	11,250.00	386,250.00	375,000.00	22,500.00	397,500.00
.0000	.000	0	4,608,000.00	1,811,140.00	6,419,140.00	4,608,000.00	1,811,140.00	6,419,140.00

HIGHEST ANNUAL D-S
AVERAGE ANNUAL D-S

571,857.50
534,678.33

PAYING AGENT/REGISTRAR AGREEMENT

THIS AGREEMENT is entered into as of _____, 1986 (the "Agreement"), by and between the Board of Regents of The University of Texas System (the "Issuer"), and MBank Dallas, National Association, Dallas, Texas (the "Bank"), a national banking association duly organized and operating under the laws of the United States of America.

RECITALS OF THE ISSUER

The Issuer has duly authorized and provided for the issuance of its bonds, entitled "Board of Regents of The University of Texas System, The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986" (the "Bonds") in an aggregate principal amount of \$36,410,000 to be issued as fully registered bonds without coupons, in the denomination of any integral multiple of \$5,000 of principal amount, pursuant to a Resolution adopted by the Issuer on May 12, 1986 (the "Bond Resolution");

All things necessary to make the Bonds the valid obligations of the Issuer, in accordance with their terms, will be taken upon the issuance and delivery thereof;

The Issuer is desirous that the Bank act as the Paying Agent of the Issuer in paying the principal of and interest on the Bonds, in accordance with the terms thereof, and that the Bank act as Registrar for the Bonds;

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

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE ONE

APPOINTMENT OF THE BANK AS PAYING AGENT AND REGISTRAR

Section 1.01. Appointment.

The Issuer hereby appoints the Bank to act as Paying Agent with respect to the Bonds, in paying to the Registered Owners of the Bonds in accordance with the terms and provisions of this Agreement and the Bond Resolution, the principal of and interest on all or any of the Bonds.

The Issuer hereby appoints the Bank as Registrar with respect to the Bonds.

The Bank hereby accepts its appointment, and agrees to act as, the Paying Agent and Registrar.

Section 1.02. Consideration.

The consideration for the Bank being named and acting as Paying Agent/Registrar for the Bonds is set forth in Annex "A" hereto.

ARTICLE TWO

DEFINITIONS

Section 2.01. Definitions.

In addition to the terms defined above, and for all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

"Bank Office" means the principal corporate trust office of the Bank as indicated on the signature page of the Bank hereon. The Bank will notify the Issuer in writing of any change in location of the Bank Office.

"Bond Register" means Bond Registration Book, or other record of the Persons in whose names Bonds are registered, required to be maintained by the Bank pursuant to Section 4.04 hereof.

"Bond Resolution" means the resolution of the Issuer adopted May 12, 1986, pursuant to which the Bonds are

issued, certified by the Executive Secretary or any other officer of the Issuer and delivered to the Bank.

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

"Paying Agent/Registrar" means the Bank when it is performing the functions associated with such terms in this Agreement.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government.

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

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

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

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

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

ARTICLE THREE

THE PAYING AGENT

Section 3.01. Duties of the Paying Agent.

Pursuant to the requirements of the Bond Resolution the Issuer will cause funds for the payment of the principal of and interest on the Bonds to be provided to the Bank not later than each date upon which such principal and/or interest are due and payable as provided in the Bond Resolution.

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

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

As Paying Agent, the Bank shall pay on behalf of the Issuer, provided adequate funds have been provided to it for such purpose by or on behalf of the Issuer, the interest on each Bond when due, by computing the amount of interest to be paid each Registered Owner, preparing the checks and mailing the checks on the payment date, to the Registered Owner of each Bond as shown on the Bond Register at the close of business on the Record Date. Such checks are to be mailed in accordance with the provisions of the Bond Resolution to the address of such Registered Owner appearing on the Bond Register.

Section 3.02. Payment Date.

The Issuer hereby instructs the Bank to pay the principal of and interest on the Bonds on the dates specified in the Bond Resolution.

ARTICLE FOUR

REGISTRAR

Section 4.01. Initial Registration of Bonds.

Initially one bond (the "Initial Bond") representing the entire principal amount of the Bonds shall be delivered by the Bank to the initial purchaser of the Bonds as provided in the Bond Resolution and pursuant to written instructions of the Issuer. If the Bank is in receipt, at least five (5) business days prior to the date of delivery of and payment for the Initial Bond, of written instructions (on forms to be provided in advance by the Bank) from the initial purchaser of the Initial Bond, designating the names in which the substitute Bonds are to be registered, the addresses of the Registered Owners, the maturities, the interest rates and denominations, then the Bank, upon payment for the Initial Bond, shall cancel the Initial Bond and deliver, without cost, registered substitute Bonds pursuant to such instructions, all in accordance with the Bond Resolution.

Section 4.02. Transfer and Exchange of Bonds.

The Bank shall keep at the Bank Office the Bond Register in which, subject to such reasonable written regulations as it may prescribe, the Bank shall provide for the registration, exchange and transfer of Bonds. The Bank is hereby appointed "Registrar" for the purpose of registering, transferring and exchanging of Bonds as herein provided. The Bank agrees to maintain the Bond Register while it is Registrar.

Each Bond shall be transferable only upon the presentation and surrender thereof at the Bank with such endorsement or other evidence of transfer acceptable to the Bank. No transfer of any Bond shall be effective until entered on the Bond Register. A new Bond or Bonds will be delivered by the Bank to the last assignee in exchange for such transferred and assigned Bonds within seventy-two (72) hours after receipt of the Bonds to be transferred in proper form and with proper instructions directing such transfer.

All Bonds shall be exchangeable upon the presentation and surrender thereof at the Bank for a Bond or Bonds of the same maturity and interest rate and in any authorized

ARTICLE FOUR

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Each Bond shall be transferable only upon the presentation and surrender thereof at the Bank with such endorsement or other evidence of transfer acceptable to the Bank. No transfer of any Bond shall be effective until entered on the Bond Register. A new Bond or Bonds will be delivered by the Bank to the last assignee in exchange for such transferred and assigned Bonds within seventy-two (72) hours after receipt of the Bonds to be transferred in proper form and with proper instructions directing such transfer.

All Bonds shall be exchangeable upon the presentation and surrender thereof at the Bank for a Bond or Bonds of the same maturity and interest rate and in any authorized

denomination, in an aggregate principal amount equal to the unpaid principal amount of the Bond presented for exchange. All Bonds delivered in exchange for other Bonds shall be authenticated and registered so that neither gain nor loss in interest shall result from such exchange. The Bank shall authenticate and deliver exchange Bonds in accordance with the provisions hereof and the Bond Resolution.

No service charge shall be made to the Registered Owner for the initial registration or any subsequent transfer or exchange of the Bonds, but the Bank shall require the owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the registration, transfer, exchange, or discharge from registration of such Bond.

Section 4.03. Unauthenticated Bonds.

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

Section 4.04. Form of Bond Register.

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

Section 4.05. List of Bond Owners.

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

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

Section 4.06. Return of Cancelled Bonds.

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

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

Upon the presentation and surrender to the Bank of a mutilated Bond, the Bank shall, subject to the requirements and provisions of the Bond Resolution, authenticate and deliver in exchange therefor a replacement Bond of like tenor and principal amount.

In the event that any Bond is lost, apparently destroyed, or wrongfully taken, the Bank shall authenticate and deliver a replacement bond of like tenor and principal amount, subject to the requirements and provisions of the Bond Resolution.

Section 4.08. Transaction Information to the Issuer.

Within a reasonable time after receipt of written request from the Issuer, the Bank will furnish the Issuer information concerning the Bonds it has paid pursuant to Section 3.01, Bonds it has delivered upon the transfer or exchange of any Bonds pursuant to Sections 4.01 and 4.02, and Bonds it has delivered in exchange for or in lieu of mutilated, destroyed, lost, or stolen Bonds pursuant to Section 4.07.

ARTICLE FIVE

THE BANK

Section 5.01. Duties of the Bank.

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

Section 5.02. Reliance on Documents, Etc.

(a) The Bank may rely conclusively, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank hereunder.

(b) The Bank shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it be proved that the Bank was negligent in ascertaining the pertinent facts.

(c) No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

(d) The Bank may rely upon, and shall be protected in acting or refraining from acting upon, any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Without limiting the generality of the foregoing statement, the Bank need not examine the ownership of any Bonds, but is protected in acting upon receipt of Bonds containing an endorsement or instruction of transfer or power of transfer that appears on its face to be signed by a

Registered Owner or an attorney-in-fact of the Registered Owner. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document supplied by the Issuer.

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

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

Section 5.03. Recitals of the Issuer.

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

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

Section 5.04. May Own Bonds.

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

Section 5.05. Moneys Held by the Bank.

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

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

Any money deposited with the Bank for the payment of the principal, premium (if any), or interest on any Bond and

remaining unclaimed for two years after final maturity of the Bond has become due and payable will be paid by the Bank to the Issuer, and the Registered Owner of such Bond shall thereafter look only to the Issuer for payment thereof, and all liability of the Bank with respect to such moneys shall thereupon cease.

ARTICLE SIX

MISCELLANEOUS PROVISIONS

Section 6.01. Amendment.

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

Section 6.02. Assignment.

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

Section 6.03. Notices.

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

Section 6.04. Effect of Headings.

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

Section 6.05. Successors and Assigns.

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

Section 6.06. Severability.

In case any provision herein shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability

of the remaining covenants shall not be affected or impaired thereby in any way.

Section 6.07. Benefits of Agreement.

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

Section 6.08. Entire Agreement.

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

Section 6.09. Counterparts.

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

Section 6.10. Term and Termination.

This Agreement shall be effective from and after its date for a term ending on the earlier to occur of the Stated Maturity or Redemption Date of the last Bond to mature or be redeemed, and may be terminated by the Issuer for cause at any time upon 120 days written notice to the Bank, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event of early termination, regardless of circumstances, the Bank shall deliver to the Issuer or its designee all books and records pertaining to the Bank's role as Paying Agent/Registrar with respect to the Bonds, including, but not limited to, the Bond Register.

Section 6.11. Governing Law.

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

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By _____

M. E. Patrick
Executive Vice Chancellor
for Asset Management

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

MBANK DALLAS, NATIONAL ASSOCIATION
DALLAS, TEXAS

By _____

Title: _____

Address: _____

Dallas, Texas _____

ATTEST:

Title:

(SEAL)

ANNEX "A"

The Bank will pay to the Board of Regents \$ _____
as a one time lump sum to act as Paying Agent/Registrar for
the Bonds.

3. U. T. Board of Regents: Authorization for Office of Asset Management and Office of General Counsel to Take All Necessary Steps to Bring Recommendations to the Board Concerning the Advance Refunding of the Non-Permanent University Fund Bond Indebtedness Excepting (a) the Board of Regents of The University of Texas System, The University of Texas M. D. Anderson Hospital and Tumor Institute at Houston Endowment and Hospital Revenue Bonds, Series 1972 and 1976; (b) the Board of Regents of The University of Texas System, The University of Texas M. D. Anderson Hospital and Tumor Institute at Houston Hospital Revenue Bonds, Subordinate Lien Series 1976; (c) the Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1986; and (d) the Board of Regents of The University of Texas System, The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986; Appointment of Senior Managing Underwriters and Co-Managing Underwriters, Underwriters Counsel, Co-Bond Counsel and Co-Tax Counsel; Authorization to Advertise for Bids for Escrow Agent and Paying Agent and Registrar; and Designation of Pricing Committee.--Chairman Hay called on Executive Vice Chancellor for Asset Management Patrick to review the recommendations related to the advance refunding of the non-Permanent University Fund Bond Indebtedness excepting (a) the Board of Regents of The University of Texas System, The University of Texas M. D. Anderson Hospital and Tumor Institute at Houston Endowment and Hospital Revenue Bonds, Series 1972 and 1976, (b) the Board of Regents of The University of Texas System, The University of Texas M. D. Anderson Hospital and Tumor Institute at Houston Hospital Revenue Bonds, Subordinate Lien Series 1976, (c) the Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1986, and (d) the Board of Regents of The University of Texas System, The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986.

Following a brief discussion and upon motion of Vice-Chairman Baldwin, seconded by Regent Blanton, the Board:

- a. Authorized the Office of Asset Management and the Office of General Counsel to take all necessary steps to bring to the U. T. Board of Regents at its next meeting a firm recommendation concerning the combined advance refunding of certain non-Permanent University Fund bonds with the exception of the:
1. Board of Regents of The University of Texas System, The University of Texas M. D. Anderson Hospital and Tumor Institute at Houston Endowment and Hospital Revenue Bonds, Series 1972 and 1976
 2. Board of Regents of The University of Texas System, The University of Texas M. D. Anderson Hospital and Tumor Institute at Houston Hospital Revenue Bonds, Subordinate Lien Series 1976
 3. Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1986
 4. Board of Regents of The University of Texas System, The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986.

- b. Appointed an underwriting syndicate consisting of Morgan Guaranty Trust Company of New York, New York, New York, as senior managing underwriters and First Southwest Company, Dallas, Texas; Goldman, Sachs & Co., New York, New York; MBank Capital Markets, Dallas, Texas; Merrill Lynch Capital Markets, New York, New York; Rauscher Pierce Refsnes, Inc., Dallas, Texas; Rotan Mosle Inc., Houston, Texas; Salomon Brothers Inc., New York, New York; Texas Commerce Bank, N.A., Houston, Texas; and Underwood Neuhaus & Co., Inc., Houston, Texas, as co-managing underwriters

The Office of Asset Management was authorized to make changes in the underwriting syndicate as it was deemed necessary.

- c. Appointed Jenkins, Hutchison and Gilchrist, Dallas, Texas; and Reynolds, Allen & Cook, Incorporated, Houston, Texas, as underwriters counsel
- d. Appointed McCall, Parkhurst & Horton, Dallas, Texas; Vinson & Elkins, Houston and Austin, Texas; and Fulbright & Jaworski, Austin, Texas, as co-bond counsel and co-tax counsel
- e. Authorized the Office of Asset Management to advertise for bids for Escrow Agent and Paying Agent and Registrar
- f. Designated the members of the Land and Investment Committee of the U. T. Board of Regents, the Executive Vice Chancellor for Asset Management, the Manager of Debt Administration and the Vice Chancellor and General Counsel as a Pricing Committee to agree on pricing terms to be recommended to the U. T. Board of Regents at its next meeting
- g. Authorized the Office of Asset Management to establish from the proceeds of refunding bonds any necessary accounts to receive and disburse monies related to the cost of the advance refunding.

In approving these actions, the Board noted that the Office of Asset Management and the Office of General Counsel, after consultation with Morgan Guaranty Trust Co. of New York, and co-bond counsel had determined that significant cost savings and legal simplification can be realized by simultaneously advance refunding the following bonds with this single refunding bond issue:

The University of Texas at Arlington

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

The University of Texas at Austin

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

The University of Texas at Dallas

Combined Fee Revenue Bonds, Series 1978
Utility Revenue Bonds, Series 1980

The University of Texas at El Paso

Building Revenue Bonds, Series 1969
Student Union Building Revenue Bonds,
Series 1967-A, 1967-B
Combined Fee Revenue Bonds, Series 1970,
1971, 1973, 1974, 1979

The University of Texas at San Antonio

Combined Fee Revenue Bonds, Series 1980, 1984
Utility Revenue Bonds, Series 1980

The University of Texas at Tyler

Combined Fee Revenue Bonds, Series 1976

The University of Texas Health Science Center at Houston

Housing System Revenue Bonds, Series 1981

Under this financing structure, the pledged revenues securing these bond issues would be aggregated to form a single pool of security for the refunding bonds. The joint liability created by such a credit would elevate the credit basis of the bonds from a fee or project level at a particular component to a System level and produce the following benefits: (a) lower annual debt service requirements, (b) improve credit quality through diversification of security and pledge of the unlimited General Fee, (c) reduce future financing costs, (d) permit financing of projects with low coverage in early years, and (e) modernize covenants and investment restrictions.

4. U. T. Health Science Center - Houston: Approval to Waive the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.1 and to Name the School of Public Health Building as the Reuel A. Stallones Building.--Upon motion of Regent Briscoe, seconded by Regent Blanton, Subsection 1.1 of Section 1 of Chapter VIII of 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 School of Public Health Building at The University of Texas Health Science Center at Houston was named the Reuel A. Stallones Building.

The naming of this building is in recognition of Dean Stallones' outstanding contributions to public health education and his distinguished service as founding dean of the U. T. Public Health School - Houston.

5. U. T. Austin: Resolutions of Commendation to the (a) 1986 Lady Longhorn Basketball Team and (b) 1986 Lady Longhorn Swimming and Diving Team.--Chairman Hay stated that the final item on the agenda for the special meeting was one which gives the Board a particular feeling of pleasure and accomplishment. He noted that for many years successive Boards of Regents have recognized that intercollegiate athletic programs are an important factor in the overall quality of the University experience and that the relatively recent growth and development of the intercollegiate athletics program for women has added a new dimension to that experience and has similarly had the complete support and encouragement of the Board. Chairman Hay commented that the Board has directed substantial resources from appropriate funding sources to the active support of scholar-athletes and to the construction of facilities to enhance the quality of play for both the team members and the spectators.

Within the past few months, the Lady Longhorn teams representing The University of Texas at Austin in swimming and diving and basketball received national recognition and achieved NCAA championship status. These teams brought distinction to the U. T. Austin campus for the exceptional quality of their sportsmanship and competition, and, also, for the overall manner in which they personally represented the University before national audiences.

Chairman Hay recognized President Cunningham who commented briefly on the U. T. Austin women's athletics program and introduced the following members of that staff:

Dr. Donna Lopiano, Director, Intercollegiate Athletics for Women

Ms. Jody Conradt, Associate Director, Intercollegiate Athletics for Women and Head Basketball Coach

Mr. Richard Quick, Swimming Coach, Intercollegiate Athletics for Women

Following brief comments by Dr. Lopiano and Coaches Conradt and Quick, Regents Milburn and Briscoe presented the following Resolutions of Commendation to the 1986 Lady Longhorn Basketball Team and the 1986 Lady Longhorn Swimming and Diving Team at The University of Texas at Austin which were adopted by unanimous vote:

RESOLUTION OF COMMENDATION

WHEREAS, The 1986 Lady Longhorn Basketball Team, through skill, determination, hard work, individual and team effort, completed the season with an undefeated 34-0 record, the highest achievement in the history of University of Texas basketball and the first women's basketball team to complete an undefeated basketball season in the history of the National Collegiate Athletic Association;

WHEREAS, The 1986 Lady Longhorn Basketball Team won the Southwest Athletic Conference Championship with a 16-0 undefeated record and extended their consecutive winning streak over Southwest Conference opponents to 116;

WHEREAS, The 1986 Lady Longhorn Basketball Team won the NCAA Division I Women's National Basketball Championship, a University of Texas at Austin accomplishment which was viewed on national network television by over five million viewers;

WHEREAS, These athletic achievements were brought about under the leadership of Coach Jody Conradt, whose hard work and professional skill earned her the honor of being named National Coach of the Year for the second time and whose high educational standards have resulted in a 100% graduation rate among all female basketball players who have completed four years of athletic eligibility;

WHEREAS, Clarissa Davis was named Most Valuable Player at the National Championship and Kamie Ethridge was named CBS Player of the Game, for which The University of Texas at Austin received a \$1,000 scholarship in her name;

WHEREAS, Kamie Ethridge was named the winner of the Wade Trophy, awarded to the top women's player in the nation and the Frances Pomeroy Naismith Award, given to the nation's best senior player under 5'6";

WHEREAS, Fran Harris, Andrea Lloyd and Kamie Ethridge were named to the All-Southwest Conference team and Clarissa Davis was named Southwest Conference Newcomer of the Year; and

WHEREAS, The entire Lady Longhorn Basketball Team has demonstrated those qualities of character, sportsmanship and teamwork which represent the highest ideals in intercollegiate sports; now, therefore, be it

RESOLVED, That the Board of Regents of The University of Texas System this 12th day of May, 1986, does express its appreciation for the excellence manifested in the performance of the 1986 Lady Longhorn Basketball Team, the leadership and inspiration of Coach Conradt and her staff, and the notable recognition brought to the University by those who played the game of basketball with distinction.

(Signed by all members of the Board)

RESOLUTION OF COMMENDATION

WHEREAS, The 1986 Lady Longhorn Swimming and Diving Team, through skill, determination, hard work, individual and team effort, won its fourth consecutive Southwest Athletic Conference Championship and its third consecutive NCAA Division I Women's National Championship, a University of Texas at Austin accomplishment which was viewed on national network television by over one million viewers;

WHEREAS, These athletic achievements were brought about under the leadership of Swimming Coach Richard Quick and Diving Coach Michael Brown, whose hard work and professional skills have earned them National Coach of the Year honors twice and once respectively;

WHEREAS, Swimming Coach Richard Quick was named the United States Olympic Coach for the 1988 Olympiad, the highest honor in his profession, and whose high educational standards have resulted in a 100% graduation rate among all female swimmers who have completed four years of athletic eligibility;

WHEREAS, The Lady Longhorn swimmers have also demonstrated academic excellence by earning a mean grade point average of 3.1 as a team with over 60% of the team's individual members earning overall grade point averages of 3.0 or better;

WHEREAS, Nineteen of the twenty athletes who qualified to compete in the 1986 NCAA National Swimming and Diving Championship earned All-American honors by virtue of their performances in that championship;

WHEREAS, Betsy Mitchell was a 1986 Individual National Champion in the 100 and 200 Backstroke, Patty Sabo was a 1986 Individual National Champion in the 400 Individual Medley, and the University won the 1986 400 Medley Relay National Championship title; and

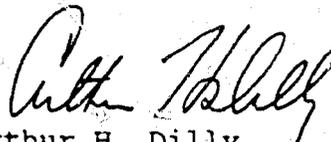
WHEREAS, The entire Lady Longhorn Swimming and Diving Team has demonstrated those qualities of character, sportsmanship and teamwork which represent the highest ideals in intercollegiate sports; now, therefore, be it

RESOLVED, That the Board of Regents of The University of Texas System this 12th day of May, 1986, does express its appreciation for the excellence manifested in the performance of the 1986 Lady Longhorn Swimming and Diving Team, the leadership and inspiration of Coaches Quick and Brown and their staff, and the notable recognition brought to the University by those who competed with distinction in the sports of swimming and diving.

(Signed by all members of the Board)

On behalf of the Board, Chairman Hay expressed appreciation for the exceptional manner in which these teams have represented all of the best that U. T. Austin has to offer. He noted their service as remarkable academic and athletic ambassadors of the University and wished them every success in the future.

ADJOURNMENT.--There being no further business, the meeting was adjourned at 10:25 a.m.



Arthur H. Dilly
Executive Secretary

May 21, 1986