

Meeting No. 817

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

Pages 1 - 233

June 5-6, 1986

Austin, Texas

TABLE OF CONTENTS
 THE MINUTES OF THE BOARD OF REGENTS
 OF
 THE UNIVERSITY OF TEXAS SYSTEM
 JUNE 5-6, 1986
 AUSTIN, TEXAS

MEETING NO. 817

JUNE 5, 1986

I.	Attendance	1
II.	Welcome by Dr. William H. Cunningham, President of The University of Texas at Austin	1
III.	U. T. Board of Regents: Approval of Minutes of Regular Meeting Held on April 10-11, 1986, and Special Meeting Held on May 12, 1986	1
IV.	Introduction of Faculty and Student Representatives	2
V.	U. T. Board of Regents: Resolution Authorizing the Issuance and Sale of Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1986, in the Amount of \$85,365,000, and Awarding the Sale of the Bonds to Morgan Guaranty Trust Company of New York, New York, New York; Designation of MBank Dallas, National Association, Dallas, Texas, as Paying Agent/Registrar, and MBank Houston, National Association, Houston, Texas, as Escrow Agent; Approval to Purchase Reserve Insurance from Municipal Bond Association, White Plains, New York; and Authorization for Appropriate Officers to Take Any Actions Necessary to Complete This Refunding	4
VI.	U. T. Board of Regents: Consideration of Matters 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of The University of Texas System, The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986 (Withdrawn)	48

VII.	U. T. Board of Regents: Resolution Authorizing the Issuance of Replacement Bond Number R-234 of Board of Regents of The University of Texas System, The University of Texas at El Paso Combined Fee Revenue Bonds, Series 1974, in the Amount of \$5,000, to Paine Webber Incorporated, New York, New York	48
VIII.	U. T. System: Approval of a Multi-Year Library Enhancement Plan and Appropriation of Permanent University Fund (PUF) Bond Proceeds for the First Year of That Plan (1986-1987)	53
IX.	U. T. System: Permission for Mr. Thomas M. Keel to Serve as Chairman of the Texas Commission on Economy and Efficiency in State Government Task Force on the Implementation of HJR 72 [<u>Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)</u>]	56
X.	U. T. El Paso: Approval of Addendum No. 2 to Lease Agreement Dated June 26, 1961, with the County of El Paso, Texas, Regarding the Sun Bowl	57
XI.	REPORTS AND RECOMMENDATIONS OF STANDING COMMITTEES	62
	A. REPORT OF EXECUTIVE COMMITTEE	62
	U. T. AUSTIN	
	1. Facilities Improvements for School of Architecture - Remodeling and Expansion of Goldsmith Hall and Site Development (Project No. 102-496): Award of Construction Contract to J. A. Jones Construction Company, Dallas, Texas (Exec. Com. Letter 86-17)	62
	2. Athletic Facilities South of Memorial Stadium - Football Facility (Project No. 102-494): Award of Contracts for Furniture and Furnishings to Architectural Interior Services, A Division of Finger Office Furniture, Houston, Texas; Rockford Business Interiors, Austin, Texas; (i.e.) Interior Environments, Inc., Austin, Texas; HiTech Companies, Plano, Texas; CYBEX, Division of Lumex, Inc., Ronkonkoma, New York; Southwest Office Interiors, Austin, Texas; and Dismukes Blind & Drapery, Austin, Texas; and Authorization for the Chancellor to Sign the Contracts (Exec. Com. Letter 86-16)	62

U. T. MEDICAL BRANCH - GALVESTON	
3. Remodeling of John Sealy Hospital (Old Building) - Remodeling of Dietary Facilities, Stage III Cafeteria (Project No. 601-612): Award of Construction Contract to W. J. Hessert Construction Company, Inc., Houston, Texas (Exec. Com. Letter 86-16)	64
B. REPORT AND RECOMMENDATIONS OF THE FINANCE AND AUDIT COMMITTEE	65
U. T. SYSTEM	
1. Approval of <u>Docket No. 28 of the Office of the Chancellor (Catalog Change)</u>	65
2. Approval of Non-Personnel Aspects of the 1986-87 Operating Budgets, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical Service, Research and Development Programs and Authorization for Office of the Chancellor to Make Editorial Corrections Therein	65
3. Acceptance of Aetna Life and Casualty Insurance Company, Hartford, Connecticut, Renewal Rates for Employee Group Medical and Dental Insurance Contract for 1986-87	66
C. REPORT AND RECOMMENDATIONS OF THE ACADEMIC AFFAIRS COMMITTEE	68
U. T. ARLINGTON	
1. Appointment of Dr. Thomas W. Hall as Initial Holder of the Public Accounting Professorship in the College of Business Administration Effective Immediately	68
2. Approval of Rate Increases for University-Owned Residence Halls (Dormitories), University Village and Other Apartments Acquired Through the Land Acquisition Program Effective Fall Semester 1986 (Catalog Change)	68
3. Approval of Memorandum of Affiliation with the Veterans Administration Medical Center, Waco, Texas	70
U. T. AUSTIN	
4. Permission for Dr. Michael L. Lauderdale to Serve on the Good Neighbor Commission of Texas [<u>Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)</u>]	72

5. Authorization to Establish a Master of Arts Degree in Asian Studies and to Submit the Proposal to the Coordinating Board for Approval (Catalog Change) 72
6. Appointments to Endowed Academic Positions in the (a) School of Architecture, (b) College of Business Administration and the Graduate School of Business, (c) College of Engineering, (d) College of Fine Arts, (e) School of Law, (f) College of Liberal Arts, (g) College of Natural Sciences, and (h) College of Pharmacy Effective as Indicated 73
7. College of Engineering: Approval to Name Room 3.432 as The Dow Chemical Company Foundation Polymer Laboratory and Room 2.222 as the Edward H. Ellms Graduate Seminar Room in the Chemical and Petroleum Engineering Building (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings) 76
8. Approval to Name the Tower Carillon in the Main Building as The Kniker Carillon (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings) 77
9. Approval of Memorandum of Affiliation with the Veterans Administration Medical Center, San Juan, Puerto Rico 77
- U. T. DALLAS
10. Establishment of Charges for Graduate and Undergraduate Catalogs Effective Immediately (Catalog Change) 80
- U. T. SAN ANTONIO
11. Approval to Establish Fees for Student Photo Identification Cards Effective Fall Semester 1986 (Catalog Change) 80
- U. T. TYLER
12. Establishment of a Parking Fee Effective September 1, 1986 (Catalog Change) 80
13. U. T. Arlington, U. T. Austin, U. T. Dallas, U. T. El Paso, U. T. Permian Basin, U. T. San Antonio, U. T. Tyler, and U. T. Institute of Texan Cultures - San Antonio: Nominees to Development Boards and Advisory Councils Effective September 1, 1986 81

D.	REPORT AND RECOMMENDATIONS OF THE HEALTH AFFAIRS COMMITTEE	83
	U. T. BOARD OF REGENTS	
1.	Regents' <u>Rules and Regulations</u> , Part One: Amendments to Chapter VIII, Section 3 (Medical and Hospital Services) and Authorization for the Executive Secretary to the Board to Make Appropriate Editorial Changes Therein	83
	U. T. HEALTH SCIENCE CENTER - HOUSTON	
2.	Approval to Increase the Student Services Fee (Compulsory) Effective with the Fall Quarter 1986 (Catalog Change)	83
3.	Authorization to Enter into an Agreement with The Woodlands Corporation, a Texas Corporation, The Woodlands, Texas, for the Relocation of the Cryobiology Research Center to The Woodlands Research Forest	84
4.	Approval of Sublease and Affiliation Agreement with The Gamma Foundation, Houston, Texas, and Authorization for the Executive Vice Chancellor for Health Affairs to Make Necessary Changes Thereto and Execute Final Sublease and Affiliation Agreement for the Establishment of the Brain and Neurosciences Research Institute	88
	U. T. HEALTH SCIENCE CENTER - HOUSTON AND U. T. CANCER CENTER	
5.	Approval of Affiliation Agreement with American Medical International, Inc., Los Angeles, California, American Medical (Central), Inc., Houston, Texas, and Citizens General Hospital, Inc., Houston, Texas, and Authorization for the Executive Vice Chancellor for Health Affairs to Make Necessary Changes Thereto for the Establishment of the Institute for Immunological Disorders	121
	U. T. HEALTH SCIENCE CENTER - SAN ANTONIO	
6.	Appointment of (a) George W. Mitchell, M.D., to the H. Frank Connally, Jr. Professorship in Obstetrics and Gynecology and (b) Carl J. Pauerstein, M.D., as Initial Holder of The Humana Foundation Chair of Obstetrics and Gynecology Effective Immediately	156
7.	Proposed Appointment to the Dan F. Parman Chair in Medicine Effective June 6, 1986 (Withdrawn)	156

U. T. CANCER CENTER	
8.	(U. T. M.D. Anderson Hospital - Houston): Appointment of Douglas E. Johnson, M.D., Initial Holder of the W. A. "Tex" and Deborah Moncrief, Jr. Chair in Urology Effective July 1, 1986 156
U. T. HEALTH CENTER - TYLER	
9.	Approval of Memorandum of Agreement with the Texas Department of Health, Austin, Texas 156
10.	U. T. Health Science Center - Dallas, U. T. Medical Branch - Galveston, U. T. Health Science Center - Houston, U. T. Health Science Center - San Antonio, U. T. Cancer Center and U. T. Health Center - Tyler: Nominations to Development Boards and Advisory Councils Effective September 1, 1986 162
E.	REPORT AND RECOMMENDATIONS OF THE BUILDINGS AND GROUNDS COMMITTEE 163
U. T. SYSTEM	
1.	Permanent University Fund (PUF) Bond Proceeds Capital Improvement Program - Allocation of PUF Bond Proceeds for Equipment and Repair and Rehabilitation Projects for 1986-87 163
U. T. ARLINGTON	
2.	Partial Depression of Cooper Street (Project No. 301-592): Acceptance of Report of Project Analysis and Approval of Preliminary Plans; Authorization for Preparation of Final Plans; Submission to Coordinating Board; and Additional Appropriation Therefor 166
U. T. AUSTIN	
3.	Petroleum Engineering Building - Renovation (Project No. 102-589): Approval of Revised Total Project Cost and Preliminary Plans; Authorization to Prepare Final Plans; Approval to Change Name to Economics Building; Submission to Coordinating Board; and Additional Appropriation Therefor 167
4.	E. P. Schoch Laboratories Renovation (Project No. 102-595): Authorization for Revised Total Project Cost, Preliminary Plans, and Final Plans; Approval to Change Name to E. P. Schoch Building; Submission to Coordinating Board; and Additional Appropriation Therefor 168

U. T. EL PASO		
5.	Physical Plant Facilities (Project No. 201-563): Authorization to Increase Total Project Cost; Award Construction Contract to The Baner Company, El Paso, Texas; Approval of Plaque Inscription; and Additional Appropriation Therefor	169
U. T. SAN ANTONIO		
6.	Engineering/Biotechnology Building: Authorization of Project; Appointment of JonesKell, San Antonio, Texas, as Project Architect to Prepare Preliminary Plans and Cost Estimate; and Appropriation Therefor	170
U. T. TYLER		
7.	Space Completion and Renovation (Project No. 802-607): Approval of Final Plans; Submission to Coordinating Board; Authorization to Advertise for Bids; Authorization for Executive Committee and U. T. Tyler Administration to Award Contracts; and Additional Appropriation Therefor	170
U. T. HEALTH SCIENCE CENTER - DALLAS		
8.	Locke Medical Building: Authorization to Change Building Name to The University of Texas Health Science Center at Dallas School of Allied Health Sciences Building	171
U. T. HEALTH CENTER - TYLER		
9.	Medical Resident Housing (Project No. 801-601): Approval of Final Plans; Authorization to Advertise for Bids and for Executive Committee to Award Contracts; and Additional Appropriation Therefor	171
F.	REPORT AND RECOMMENDATIONS OF THE LAND AND INVESTMENT COMMITTEE	172
1.	Permanent University Fund	
a.	Investment Matters	
	Report on Clearance of Monies to Permanent University Fund for March and April 1986, and Report on Oil and Gas Development as of April 30, 1986	173

b. Land Matters

Permanent University Fund Lands:
Presentation of Petition for
Redress of Grievances Submitted
By the International Union of
Agricultural and Industrial Work-
ers Related to the U. T. Vineyard
Operations in West Texas, and
Authorization to Attempt to Ident-
tify and Resolve Any Issues That
Remain Concerning Working Condi-
tions Over Which the University
Has No Control

174

2. Common Trust Fund

U. T. SYSTEM

Authorization of Additional Amounts
to Be Managed by Investment Coun-
selors for the Common Trust Fund
and Delegation of the Timing of
the Increase to the Office of Asset
Management

175

3. Trust and Special Funds

A. Gifts, Bequests and Estates

U. T. ARLINGTON

1. Acceptance of Gifts from the Robert
Leroy Foundation, Arlington, Texas,
and Establishment of the Robert
Leroy Endowed Scholarship Fund

176

U. T. AUSTIN

2. The Henry Beckman Fund in the
College of Engineering - Approval
to Accept Transfer of Funds and
Redesignation as the Henry Beckman
Fund Endowed Presidential Scholar-
ship

176

3. Second R. H. Bing Fellowship in
Mathematics in the College of
Natural Sciences - Authorization
to Redesignate as The Malcolm and
Minda Brachman Fellowship in Mathe-
matics in Honor of R. H. Bing

176

4. Acceptance of Gift and Pledge from
the Dow Chemical Company Founda-
tion, Midland, Michigan, and Estab-
lishment of The Dow Chemical
Company Foundation Polymer Labora-
tory Endowment in the College of
Engineering

176

5. Data Processing and Analysis Lec-
tureship in the College of Business
Administration and the Graduate
School of Business - Authorization
to Redesignate as the Information
Systems Lectureship

177

6. Acceptance of Pledge from Mr. and Mrs. Robert H. Dedman, Dallas, Texas, and Establishment of the Dedman Merit Scholars Program in the College of Liberal Arts 177
7. Approval to Enlarge Scope of Eligible Awardees for Scholarships Endowed by Delta Kappa Gamma Society International 177
8. Acceptance of Gifts from Mr. D. E. Osterhus, Baytown, Texas, and the Exxon Education Foundation, Florham Park, New Jersey, and Establishment of the Edward H. Ellms Graduate Seminar Room Endowment in the College of Engineering 178
9. Friar Centennial Teaching Fellowship - Designation of Previously Approved Matching Funds Under The Regents' Endowed Teachers and Scholars Program 178
10. Approval to Accept Gifts and Pledges from Members of the Graduate School of Business Class of 1985-86 and to Establish The 1985-86 Graduate Business Students' Endowed Presidential Scholarship in the Graduate School of Business 178
11. Joseph D. Jamail Centennial Research Professorship in Law and W. James Kronzer Chair in Trial and Appellate Advocacy Both in the School of Law - Acceptance of Gifts and Pledges from Vinson & Elkins, Mr. W. James Kronzer, and the Cullen Family, All of Houston, Texas, Redesignation of the Joseph D. Jamail Centennial Research Professorship in Law as the Joseph D. Jamail Centennial Chair in Law, Acceptance of Matching Funds from the Sheffield Challenge Endowment Fund Program for Addition to the W. James Kronzer Chair in Trial and Appellate Advocacy and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program and Establishment of The Lee Hage Jamail Regents Professorship in Fine Arts and The Marie and Joseph D. Jamail, Sr. Regents Professorship in Fine Arts Both in the College of Fine Arts 179
12. Acceptance of Bequest from the Estate of Hedwig T. Kniker, San Antonio, Texas 179
13. Acceptance of Gift from Rauscher Pierce Refsnes, Inc., Dallas, Texas, and Establishment of the Joe P. Liberty Endowed Scholarship in Plan II in the College of Liberal Arts 180

14. Third Pharmaceutical Foundation Fellowship in Psychiatric Pharmacy in the College of Pharmacy - Redesignation as the Alfred and Dorothy Mannino Fellowship in Pharmacy 180
 15. Establishment of the George E. Seay, Sr. Scholarship in the School of Law 180
 16. Acceptance of Gift from Mrs. Adele Sidney Burleson Smith, Austin, Texas, and Establishment of the Mrs. Sidney Burleson Smith Endowed Presidential Scholarship in Plan II in the College of Liberal Arts 180
 17. Sublett Professorship in Industrial Pharmacy in the College of Pharmacy - Redesignation as the Coulter R. Sublett Professorship in Pharmacy 180
 18. Acceptance of Gifts of Cash and Securities from Mr. and Mrs. M. Scott Kraemer, Houston, Texas, and Corporate Matching Funds from Union Pacific Corporation, New York, New York, and Amoco Foundation, Inc., Chicago, Illinois, and Establishment of the Whiting Endowed Presidential Scholarship in Engineering in the College of Engineering 180
 19. Estate of Louis T. Yule, Deceased, Georgetown, Texas - Final Report of Distributions 181
- U. T. EL PASO
20. Acceptance of Gift from The Alumni Association of The University of Texas at El Paso, Inc., El Paso, Texas, and Establishment of the Alumni Association of UTEP Endowed Scholarship Fund 181
 21. Acceptance of Transfer of Funds and Establishment of the Lola B. Dawkins Fund for Excellence in Business Teacher Education 181
 22. Acceptance of Gift from Mrs. Louise B. Murchison, El Paso, Texas, and Establishment of a Second Mr. and Mrs. MacIntosh Murchison Chair in Engineering and Eligibility for Matching Funds Under the Texas Eminent Scholars Program (No Publicity) 182
 23. Don Haskins and Bill Yung Woman's Auxiliary of UTEP Athletic Fund - Redesignation as The Woman's Auxiliary of UTEP Endowed Athletic Scholarship Fund 182

U. T. SAN ANTONIO

24. Approval to Accept Gifts of Real Property Being 7.418 Acres of River Trail Subdivision and 17.222 Acres of Townsend Crossing in Kendall County, Texas, from Mr. and Mrs. Kenneth D. Muller, Boerne, Texas; Establishment of the Kenneth D. and Ada Muller Scholarship Fund; Authorization for the Office of Asset Management to Negotiate the Sale of These Properties; and Authorization for the Executive Vice Chancellor for Asset Management to Execute Documents Pertaining to the Sales 182

U. T. TYLER

25. Acceptance of Gift from Mr. and Mrs. John E. White, Jr., Tyler, Texas, and Corporate Matching Funds from Atlantic Richfield Foundation, Los Angeles, California, and Establishment of the Jack and Dorothy Fay White Endowed Presidential Scholarship II 183

26. Approval to Accept Gift of Securities from Mrs. W. C. Windsor, Tyler, Texas, and Establishment of the Windsor-Richardson Endowed Visiting Professorship and Eligibility for Matching Funds Under the Texas Eminent Scholars Program 183

U. T. HEALTH SCIENCE CENTER - DALLAS

27. Authorization to Redesignate the Charles C. Sprague, M.D. Professorship as the Charles C. Sprague Chair 183

U. T. MEDICAL BRANCH - GALVESTON

28. Acceptance of Transfer of Funds and Establishment of the James F. Arens Chair in Anesthesiology and Eligibility for Matching Funds Under the Texas Eminent Scholars Program 184

29. Acceptance of Gifts from Various Donors and Establishment of the G. W. N. Eggers, M.D., Memorial Fund 184

30. Acceptance of Gift from The Sealy & Smith Foundation for the John Sealy Hospital, Galveston, Texas, and Establishment of the John Woods Harris Chair in Surgery and Eligibility for Matching Funds Under the Texas Eminent Scholars Program 184

31.	Acceptance of Gift of Securities and Pledge from Dr. and Mrs. Seymour Fisher, Galveston, Texas, and Establishment of the Resident Academic Excellence Award	184
	U. T. CANCER CENTER	
32.	(U. T. M.D. Anderson Hospital - Houston): W. A. "Tex" and Deborah Moncrief, Jr., Chair - Redesignation as the W. A. "Tex" and Deborah Moncrief, Jr. Chair in Urology	185
B.	Real Estate Matters	
	U. T. SYSTEM	
1.	Report of Sale of Lots 1-229 and 1-230, Block 16, Unit 1, Tahitian Village, Bastrop County, Texas, from Mr. Louis R. Scarnato, Mt. Prospect, Illinois, to Mr. and Mrs. Wesley E. Thompson, Bastrop, Texas	185
	U. T. CANCER CENTER	
2.	(U. T. M.D. Anderson Hospital - Houston) - Estate of Anise J. Sorrell: Report of Sale of Real Property in Montgomery County, Alabama, to Alabama Land Locators, Inc., Auburn, Alabama	185
4.	Intellectual Property	
	U. T. AUSTIN	
1.	Approval to Accept Assignment of Copyrights in the Words to and Certain Musical Arrangements of "The Eyes of Texas" and Establishment of the Andrew Gurwitz Memorial Scholarship Fund	186
	U. T. HEALTH SCIENCE CENTER - HOUSTON	
2.	Approval to Enter into an Exclusive License Agreement Involving Cryopreparation with CryoM Corporation, The Woodlands, Texas, a Delaware Corporation	200
XII.	ITEMS FOR THE RECORD	230
	U. T. DALLAS	
	Advisory Council for the Callier Center for Communication Disorders: Acceptance of Membership	230
XIII.	REPORT OF BOARD FOR LEASE OF UNIVERSITY LANDS	230

XIV. OTHER MATTERS 231

U. T. AUSTIN

Appearance of Representatives of the
Black Student Alliance Related to
Minority Faculty and Student Recruit-
ment and Retention 231

XV. SCHEDULED MEETING 231

JUNE 6, 1986

I. EXECUTIVE SESSION OF THE BOARD OF REGENTS 232

U. T. CANCER CENTER

1. Settlement of Medical Malpractice
Litigation - A. M. Hansen 232

U. T. SYSTEM

2. Authorization to Execute an Amend-
ment to the Lease Agreement with
The University of Texas Foundation,
Inc., Covering Certain Land in
Austin, Travis County, Texas, 232

3. Proposed Amendment to Lease Agree-
ment for Operation of Commercial
Vineyards and Winery on Permanent
University Fund Lands in West Texas
(Withdrawn) 233

4. Approval of Personnel Aspects of
the 1986-87 Operating Budgets,
Including Auxiliary Enterprises,
Grants and Contracts, Designated
Funds, Restricted Current Funds and
Medical Service, Research and Devel-
opment Programs and Authorization for
Office of the Chancellor to Make
Editorial Corrections Therein 233

MEETING NO. 817

THURSDAY, JUNE 5, 1986.--The members of the Board of Regents of The University of Texas System convened in regular session at 1:30 p.m. on Thursday, June 5, 1986, in the Lobby of the Commons Building at the Balcones Research Center of The University of Texas at Austin, Austin, Texas, with the following in attendance:

ATTENDANCE.--

Present

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

Absent

Regent (Mrs.) Briscoe*

Executive Secretary Dilly

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

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

WELCOME BY DR. WILLIAM H. CUNNINGHAM, PRESIDENT OF THE UNIVERSITY OF TEXAS AT AUSTIN.--Chairman Hay stated that the Board was pleased to be meeting at the Balcones Research Center and then called on Dr. William H. Cunningham, President of The University of Texas at Austin (the host institution).

On behalf of the faculty, staff and students of U. T. Austin, President Cunningham welcomed the members of the Board and other guests to the Balcones Research Center. In view of the Regents' full agenda, President Cunningham elected to forego the usual institutional presentation.

U. T. BOARD OF REGENTS: APPROVAL OF MINUTES OF REGULAR MEETING HELD ON APRIL 10-11, 1986, AND SPECIAL MEETING HELD ON MAY 12, 1986.--Upon motion of Regent Blanton, seconded by Vice-Chairman Baldwin, the Minutes of the regular meeting of the Board of Regents of The University of Texas System held on April 10-11, 1986, in Galveston, Texas, and the Minutes of the special meeting held on May 12, 1986, in Austin, Texas, were approved as distributed by the Executive Secretary. The official copies of these Minutes are recorded in the Permanent Minutes, Volume XXXIII, Pages 2857 - 3866.

*Regent Briscoe was excused because of a previous commitment.

INTRODUCTION OF FACULTY AND STUDENT REPRESENTATIVES.--Chairman Hay called on the chief administrative officers of the component institutions to introduce their respective faculty and student representatives and other guests:

U. T. Arlington

President Nedderman introduced:

Faculty Representative:	Dr. Charles Kneupper Vice-Chairman, Faculty Senate
Student Representative:	Mr. Mike Rupe, General Reporter, <u>The Shorthorn</u>

U. T. Austin

President Cunningham introduced:

Faculty Representative:	Dr. Peter Green, Chairman Graduate Assembly
Student Representatives:	Mr. Andrew Chin, President Students' Association Ms. Laura Rollins, News Assistant, <u>The Daily Texan</u>

U. T. Dallas

President Rutford introduced:

Faculty Representatives:	Dr. Cy Cantrell, Speaker of the Faculty Dr. Blake Cherrington Dean of Engineering and Computer Science Programs
Student Representatives:	Mr. Don Tindall, President Student Government Mr. Sam Rodriguez, Vice President, Student Government

U. T. El Paso

President Monroe introduced:

Staff Representative:	Mr. Robert D. Durrett Director of Personnel
-----------------------	--

U. T. San Antonio

President Wagener introduced:

Faculty Representative:	Dr. Paul H. Rodriguez Professor, Division of Life Sciences
Student Representative:	Mr. Herbert Vallier, Senior Biology Major; Member, University Center Program Council
Staff Representative:	Mr. Dan Williams, Vice President for Business Affairs

U. T. Medical Branch - Galveston

President Levin introduced:

Faculty Representative: Jan Cerny, M.D., Ph.D.
Professor, Department
of Microbiology

Student Representative: Mr. Richard Cronkhite
Graduate Student -
Microbiology

U. T. Health Science Center - Houston

President Bulger introduced:

Faculty Representative: Ms. Stephanie Hamilton, M.Ed.
Assistant Professor,
Interdisciplinary
Studies, U. T. Allied
Health Sciences
School - Houston

Student Representative: Ms. Sandra Degroot, B.S.
Student in Medical
Technology Program,
U. T. Allied Health
Sciences School -
Houston

U. T. Health Science Center - San Antonio

President Howe introduced:

Faculty Representative: Frederick L. Grover, M.D.
Professor, Department
of Surgery

Student Representative: Ms. M. Rita Dehoyos, Second
Year Dental Student

U. T. Cancer Center

President LeMaistre introduced:

Faculty Representative: Dr. James M. Bowen, vice
President for Academic
Affairs

SPECIAL ITEMS

1. U. T. Board of Regents: Resolution Authorizing the Issuance and Sale of Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1986, in the Amount of \$85,365,000, and Awarding the Sale of the Bonds to Morgan Guaranty Trust Company of New York, New York, New York; Designation of MBank Dallas, National Association, Dallas, Texas, as Paying Agent/Registrar, and MBank Houston, National Association, Houston, Texas, as Escrow Agent; Approval to Purchase Reserve Insurance from Municipal Bond Association, White Plains, New York; 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 Board of Regents of The University of Texas System General Tuition Revenue Bonds, Series 1971, Series 1972, and Series 1972-A, and General Tuition Revenue Refunding Bonds, Series 1978, in the amount of \$106,005,000, into a new Series 1986 in the amount of \$85,365,000.

The recommendation originally scheduled for the special meeting on May 12, 1986, was deferred to the June meeting to allow the negotiation of reserve insurance with Municipal Bond Insurance Association, White Plains, New York.

Chairman Hay called on Executive Vice Chancellor for Asset Management Patrick to review the recommendations related to advance refunding of Board of Regents of The University of Texas System General Tuition Revenue Bonds, Series 1971, Series 1972, and Series 1972-A, and General Tuition Revenue Refunding Bonds, Series 1978, with a new Series 1986 refunding issue.

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

- a. Approved the Resolution set out on Pages 6 - 47 authorizing the (1) issuance, sale and delivery of Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1986, in the amount of \$85,365,000 and awarding the sale of the bonds to Morgan Guaranty Trust Company of New York, New York, New York; (2) execution of an Escrow Agreement related to this refunding; and (3) instruments and procedures set forth in the Resolution.

Coincident with the approval of the Resolution, the Board also approved the documents listed below:

Escrow Agreement
Official Statement
Purchase Contract
Paying Agent/Registrar Agreement
Financial Guaranty Agreement

NOTE: These documents are not included in the Minutes but are on file in the Office of the Board of Regents.

- 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 purchase of reserve insurance from Municipal Bond Insurance Association, White Plains, New York
- e. Approved the sale of the refunding bonds according to the terms and conditions presented at the meeting
- f. 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 GENERAL TUITION 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 General Tuition Revenue Bonds, Series 1971, Series 1972, and Series 1972-A; and
- (b) Board of Regents of The University of Texas System General Tuition 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 \$106,005,000, and the Board of Regents of The University of Texas System has determined to refund all of said Outstanding Bonds; and

WHEREAS, the bonds hereinafter authorized are to be issued and delivered pursuant to Vernon's Ann. Tex. Civ. St. Articles 717k, 717q, 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 "Association" means Municipal Bond Insurance Association, a voluntary unincorporated association of insurance companies organized under the laws of the State of New York, and includes any reinsuring surety premitted under the Financial Guaranty Agreement.

The term "Appreciated Amount" means with respect to 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 "Demand for Payment" means the certificate submitted on behalf of the Board to the Association for payment under the Surety Bond substantially in the form attached to the Surety Bond as Attachment 1.

The term "each and every institution, branch, and school now or hereafter operated by or under the jurisdiction of the Board" shall mean and include The University of Texas System and any other institution, branch, or school now or hereafter operated by or placed under the jurisdiction of the Board pursuant to law.

The term "Financial Guaranty Agreement" means the Financial Guaranty Agreement dated the date of delivery of the Initial Bond by and between the Board and the Association, as the same may be amended.

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, 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 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 the Bonds and Additional Bonds paying accrued and compounded interest only at maturity ("Capital Appreciation Bonds").

The term "Pledged General Tuition" shall mean all of the aggregate amount of student tuition charges now or hereafter required or authorized by law to be imposed on students enrolled at each and every institution, branch, and school, now or hereafter operated by or under the jurisdiction of the Board, but specifically excluding and excepting (1) the amount of tuition scholarships now provided for by law, and (2) the following amount of such student tuition charges at each and every such institution, branch, and school which previously has been or hereafter may be pledged to the payment of other bonds (those previously issued bonds being hereafter referred to as the "Prior Bonds") (excepting the Bonds and Additional Bonds) issued by the Board: \$5.00 from each enrolled student for each regular semester and, so long as the Prior Bonds are outstanding, \$5.00 from each enrolled student for each summer session, and after the Prior Bonds are no longer outstanding, \$2.50 from each enrolled student for each summer term of each summer session; and it is provided by law and hereby represented and covenanted that the aggregate amount of student tuition charges which are now required or authorized by law to be imposed, and which are pledged to the payment of the Bonds and any Additional Bonds by this Resolution, shall never be reduced or abrogated while such obligations are outstanding; it being further covenanted that the aggregate amount of student tuition charges now required or authorized by law to be imposed on students enrolled at each and every institution, branch, and school operated by or under the jurisdiction of the Board are set forth in the Texas Education Code, as amended, to which Code reference is hereby made for all purposes.

The term "Pledged Revenues" shall mean collectively (a) the Pledged General Tuition, (b) all interest, income, and earnings derived from the deposit and investment of the Interest and Sinking Fund and Reserve Fund established pursuant to this Resolution, and (c) 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 "Resolution" means this resolution authorizing the Bonds.

The term "Surety Bond" means that surety bond issued by the Association guaranteeing, subject to the terms and limitations thereof, payments of interest on and principal of the Bonds required to be made by the Board, substantially in the form attached to the Financial Guaranty Agreement as Annex A.

The term "Surety Bond Coverage" means the amount available at any particular time to be paid under the terms of the Surety Bond, which amount shall never exceed the Surety Bond Limit.

The term "Surety Bond Limit" means \$7,278,592.98.

The term "The University of Texas System" means and includes each of the following existing and operating institutions, respectively:

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 Health Science Center at San Antonio;
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,

and in the future will mean every other entity not mentioned above which is included within the meaning of the term "each and every institution, branch, and school now or hereafter operated by or under the jurisdiction of the Board", as herein defined.

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 \$85,365,000 FOR THE PURPOSE OF PROVIDING FUNDS TO REFUND GENERAL TUITION REVENUE BONDS AND GENERAL TUITION REVENUE REFUNDING BONDS OF THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, NOW OUTSTANDING IN THE AGGREGATE PRINCIPAL AMOUNT OF \$106,005,000. Each bond issued pursuant to this Resolution shall be designated: "BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM GENERAL TUITION 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.

Without limiting the purpose for the Bonds as stated above, the proceeds from the sale of the Bonds shall be applied, to the extent not otherwise provided for, to pay expenses arising in connection with the issuance of the Bonds, including payment of a Surety Bond premium of \$291,143.72 to the Association.

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 JUNE 1, 1986, in the denomination and aggregate principal amount of \$85,365,000, numbered R-1, payable in annual installments of principal to the initial registered owner thereof, to-wit:

CEDE & CO,

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

\$85,365,000

UNITED STATES OF AMERICA
STATE OF TEXAS
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
GENERAL TUITION 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

CEDE & CO,

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

\$85,365,000

(EIGHTY FIVE MILLION THREE HUNDRED SIXTY FIVE THOUSAND DOLLARS)

in installments of principal due and payable on AUGUST 15 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>
\$3,160,000	1987	\$6,110,000	1994
2,685,000	1988	6,385,000	1995
2,835,000	1989	6,220,000	1996
5,010,000	1990	4,920,000	1997
5,345,000	1991	5,320,000	1998
5,565,000	1992	5,750,000	1999
5,825,000	1993	20,235,000	2002

and to pay interest, calculated on the basis of a 360-day year composed of twelve 30-day months, from JUNE 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	4.75%	1994	7.50%
1988	5.40%	1995	7.70%
1989	6.00%	1996	7.80%
1990	6.40%	1997	8.00%
1991	6.75%	1998	8.00%
1992	7.00%	1999	8.00%
1993	7.25%	2002	8.125%

with said interest being payable on FEBRUARY 15, 1987, and semiannually on each AUGUST 15 and FEBRUARY 15 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, 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 close of business on the last calendar day of the month preceding such principal and/or interest payment 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 GENERAL TUITION REVENUE BONDS AND GENERAL TUITION REVENUE REFUNDING BONDS OF THE BOARD OF REGENTS OF THE

UNIVERSITY OF TEXAS SYSTEM, NOW OUTSTANDING IN THE AGGREGATE PRINCIPAL AMOUNT OF \$106,005,000.

ON AUGUST 15, 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 (expressed as a percentage of principal amount) applicable to the date of redemption falling within the applicable redemption period, as set forth in the following schedule, plus accrued interest to the date fixed for prepayment or redemption:

<u>Redemption Period</u>	<u>Redemption Price</u>
AUGUST 15, 1996 through AUGUST 14, 1997	102%
AUGUST 15, 1997 through AUGUST 14, 1998	101.5%
AUGUST 15, 1998 through AUGUST 14, 1999	101%
AUGUST 15, 1999 through AUGUST 14, 2000	100.5%
AUGUST 15, 2000 and thereafter	100%

ON AUGUST 15, 2000, and each AUGUST 15 thereafter, the installment of principal of this Bond which is due and payable on August 15, 2002, 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:

<u>Prepayment or Redemption Dates</u>	<u>Principal Amounts</u>
AUGUST 15, 2000	\$6,215,000
AUGUST 15, 2001	\$6,730,000

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 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 in the Bond Resolution, which include (i) certain Pledged General Tuition, being certain tuition charges imposed on students enrolled at each and every institution, branch, and school now or hereafter operated by or under the jurisdiction of the Issuer and (ii) 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 JUNE 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 (1) 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 any 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 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 the Initial Bond must be surrendered to the Paying Agent/Registrar for cancellation, and each Bond issued in exchange for any portion of the Initial Bond shall have a single stated 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 the Initial Bond in the same manner as if the initial registered owner were the assignee thereof. If any Bond or portion thereof other than the Initial Bond is assigned and transferred or converted each Bond issued in exchange therefor shall have the same 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. Each Bond issued and delivered pursuant to this Resolution, to the extent of the unpaid or unredeemed principal balance, principal amount or maturity amount thereof, may, upon surrender of such Bond at the principal corporate trust office

of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, may, at the option of the registered owner or such assignee or assignees, as appropriate, be converted into and exchanged for fully registered bonds, without interest coupons, in the FORM 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 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 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.

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

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, 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 close of business on the last calendar day of the month preceding such principal and/or interest payment 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 AUGUST 15, 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 (expressed as a percentage of principal amount) applicable to the date of redemption falling within the applicable redemption period, as

set forth in the following schedule, plus accrued interest to the date fixed for redemption:

<u>Redemption Period</u>	<u>Redemption Price</u>
AUGUST 15, 1996 through AUGUST 14, 1997	102%
AUGUST 15, 1997 through AUGUST 14, 1998	101.5%
AUGUST 15, 1998 through AUGUST 14, 1999	101%
AUGUST 15, 1999 through AUGUST 14, 2000	100.5%
AUGUST 15, 2000 and thereafter	100%

ON AUGUST 15, 2000, and on each AUGUST 15 thereafter, the Bonds of this issue scheduled to mature on August 15, 2002, 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>Redemption Dates</u>	<u>Principal Amounts</u>
AUGUST 15, 2000	\$6,215,000
AUGUST 15, 2001	\$6,730,000

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 August 15, 2002, 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 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 denomination 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 JUNE 1, 1986, authorized in the principal amount of \$85,365,000, FOR THE PURPOSE OF PROVIDING FUNDS TO REFUND GENERAL TUITION REVENUE BONDS AND GENERAL TUITION REVENUE REFUNDING BONDS OF

THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, NOW OUTSTANDING IN THE AGGREGATE PRINCIPAL AMOUNT OF \$100,000,000.

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

ALL BONDS OF THIS SERIES are issuable solely as fully registered bonds, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Bond Resolution, this Bond, or any unredeemed portion hereof, may, at the request of the registered owner or the assignee or assignees hereof, be converted into and exchanged for a like

aggregate principal amount of fully registered bonds, without interest coupons, payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date, 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 in the Bond Resolution, which include (i) certain Pledged General Tuition, being certain tuition charges imposed on students enrolled at each and every institution, branch, and school now or hereafter operated by or under the jurisdiction of the Issuer, and (ii) 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)
Executive Secretary, Board of
Regents of The University of
Texas System

(facsimile signature)
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,
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 "General Tuition Revenue Bonds Revenue Fund" (herein called the "Revenue Fund"). Subject to the provisions of Section 11, all collections of Pledged Revenues 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 "General Tuition 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 "General Tuition 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 the Pledged Revenues in the Revenue Fund and deposit, or cause to be deposited, to the credit of the Interest and Sinking Fund the amounts, at the times, as follows:

(i) on or before October 15, 1986, and semiannually on or before each March 1 and October 15 thereafter, such amounts as will be sufficient, together with other amounts, if any, then on hand in the Interest and Sinking Fund and available for such purpose, to pay the interest scheduled to accrue and come due on the Bonds on the next succeeding interest payment date; and

(ii) on or before March 1, 1987, and annually on or before each March 1 thereafter, an amount equal to the principal of the Bonds scheduled to mature or mandatorily required to be redeemed prior to maturity on the next succeeding August 15.

(c) In the event that the amounts on deposit in the Interest and Sinking Fund on any February 1 or August 1 and available to pay interest on and principal of the Bonds on the following February 15 or August 15, as the case may be, are insufficient for such purpose, the Board promptly shall notify the Paying Agent/Registrar and the Association of the amount of such deficiency; provided that prior to providing such deficiency notice, the Board first shall have transferred all cash from the Reserve Fund to the Interest and Sinking Fund in order to eliminate or reduce such deficiency. Immediately upon receiving such deficiency notice from the Board, the Paying Agent/Registrar shall deliver a Demand for Payment to the Association in the amount of such deficiency, to the extent of the Surety Bond Coverage available at the time, in order to effect payment in full of interest on and principal of the Bonds owing on said February 15 or August 15; provided, that in the event that the Paying Agent/Registrar is then holding other surety bond(s), in addition to the Surety Bond, as a part of the Reserve Fund, demand for payment to satisfy the deficiency shall be made on the Surety Bond and such other surety bonds to the extent practicable on a pro rata basis.

Section 13. RESERVE FUND DEPOSITS. Immediately after the delivery of the Initial Bond the Board shall deposit to the credit of the Reserve Fund an amount equal to the Required Amount, as hereinafter defined. The deposit of the Required

Amount may be made from any one or more of the following sources or in the following forms: (i) proceeds from the sale of the Initial Bond, (ii) any other funds available to the Board; or (iii) amounts represented by the Surety Bond Coverage on the Surety Bond held by the Paying Agent/Registrar and deemed to be on deposit in the Reserve Fund. So long as the money and investments credited to the Reserve Fund are not less than an 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) 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. For purposes of calculating, from time to time, the amount on deposit in the Reserve Fund, an amount equal to the Surety Bond Coverage on the Surety Bond held by the Paying Agent/Registrar shall be deemed to be on deposit in 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 and except as provided below, 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 each March 1 and October 15 thereafter, a sum at least equal to 1/10th of the Required Amount until the Reserve Fund is restored to the Required Amount; provided, however, that at any time when the Surety Bond Coverage is less than the Surety Bond Limit, prior to making any deposits to the credit of the Reserve Fund, the Board shall apply the Pledged Revenues in reimbursement of amounts owed the Association under the Financial Guaranty Agreement until the Surety Bond Coverage equals the Surety Bond Limit. 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. ADDITIONAL AND EXCESS FUNDS. (a) If on any occasion there shall not be Pledged Revenues sufficient to make the required deposits to the credit of 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) Immediately following each required deposit from the Revenue Fund to the credit of the Interest and Sinking Fund and the Reserve Fund, as required by this Resolution, or any resolution authorizing the issuance of Additional Bonds, all remaining surplus Pledged Revenues then on deposit to the credit of the Revenue Fund shall first be applied to pay any amounts owed under the Financial Guaranty Agreement and thereafter be

transferred and commingled with the Board's general funds and used for any lawful purpose. It is specifically covenanted and agreed, however, that none of the Pledged Revenues in the Revenue Fund (including especially the Pledged General Tuition) will be released from the control of the Board, deposited into the State Treasury of the State of Texas, or otherwise expended or disposed of, until after each such required deposit from the Revenue Fund has been made to the credit of the Interest and Sinking Fund and the Reserve Fund.

Section 15. PAYMENT OF BONDS. On or before February 15, 1987, and semiannually on or before each August 15 and February 15 thereafter while any of the Bonds are outstanding and unpaid, the Board shall make available to the Paying Agent/Registrar, out of the Interest and Sinking Fund, 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 February 15 or August 15. The Paying Agent/Registrar shall cancel all paid Bonds and shall furnish the Board with an appropriate certificate of destruction.

Section 16. CESSATION OF DEPOSITS. 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 (excluding any amounts attributable to the Surety Bond or any additional surety bonds delivered pursuant to Section 18) 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 17. SPECIAL OBLIGATIONS. The Bonds and any Additional Bonds, and the interest thereon, 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 18. 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 first lien on and pledge of the Pledged Revenues equally and ratably with, and in the same manner and to the same extent as, the Bonds and any other then outstanding Additional Bonds; and the Additional Bonds permitted by this Section, when issued, shall be payable from and secured by the Interest and Sinking Fund and the Reserve Fund and shall be in all respects of equal dignity and on a parity with the Bonds and any other then outstanding Additional Bonds. Each resolution under which Additional Bonds are issued shall provide and require that, in addition to the amounts required, by the provisions of this Resolution and the provisions of any other resolution or resolutions authorizing Additional Bonds, to be deposited to the credit of the Interest and Sinking Fund, the Board shall transfer from Pledged Revenues and deposit to the credit of the Interest and Sinking Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Bonds then being issued, as the same come due; and that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased (if and to the extent necessary) to an amount not less than the Required Amount and that the required additional amount shall be so accumulated by the deposit to the credit of the Reserve Fund of all or any part of said required additional amount in the form of cash and/or a surety bond, issued by an issuer having a long-term debt rating at least equal to the rating of the Association's long-term debt, with coverage in an amount that, together with any cash so deposited, is at least equal to said required additional amount. Such required additional amount shall be deposited immediately after the delivery of the then proposed Additional Bonds, or, at the option of the Board, by the deposit, from Pledged Revenues, of said required additional amount (or any balance of said required additional amount not deposited in cash as permitted above) in semiannual installments, made on or before March 1 and October 15 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 19. 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 covenant, condition, or obligation in connection with all outstanding Bonds and Additional

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

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

Section 20. COVENANTS. The Board further covenants and agrees that:

(a) It will fix, impose, charge, and collect all Pledged General Tuition; and 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 to the credit of the Interest and Sinking Fund and the Reserve Fund; and any owner 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.

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

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

(f) While the Bonds or any Additional Bonds are outstanding and unpaid, the 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 each owner of any Bond or Additional Bond who shall so request in writing. Such annual audit reports shall be open to the inspection of the owners of the Bonds and Additional Bonds and their agents and representatives at all reasonable times.

(i) 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 21. 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 22. 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 23. 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 24. 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.

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

(e) Authority for Issuing Replacement Bonds. In accordance with Section 6 of Vernon's Ann. Tex. Civ. St. Art. 717k-6, this Section of this Resolution shall constitute authority for the issuance of any such replacement bond without necessity of further action by the 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 25. 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;
- (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 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 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.

Notwithstanding any provisions set forth above, until the termination of the Financial Guaranty Agreement this resolution will not be amended without the written consent of the Association.

Section 26. 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, 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 28. 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 June 5, 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 29. 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 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, as amended as of May 27, 1986, prior to the date hereof is hereby ratified and confirmed.

Section 30. 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 of the Board of Regents of the University of Texas System 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, to broaden permitted investments and to release certain security previously pledged to the bonds being refunded; 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 31. 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 32. FINANCIAL GUARANTY AGREEMENT. The Executive Vice Chancellor for Asset Management is hereby authorized and directed to execute and deliver the Financial Guaranty Agreement in substantially the form attached hereto as Exhibit A with such changes therein as are approved by the Vice Chancellor and General Counsel.

Section 33. ESCROW AGREEMENT. That the Executive Vice Chancellor for Asset Management and Executive Secretary of the Issuer are 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, with the exhibits thereto to contain information concerning the escrow created under the Escrow Agreement that reflects financial results substantially similar to the report submitted at this meeting by Morgan Guaranty Trust Company of New York. 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. The Executive Vice Chancellor for Asset Management is authorized hereby to take such steps as may be necessary to purchase the Escrowed Securities, as defined in the Escrow Agreement, on behalf of the Issuer and otherwise to create and fund the escrow fund contemplated by the Escrow Agreement.

Section 34. 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, the Financial Guaranty Agreement, the Paying Agent Agreement 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.

2. U. T. Board of Regents: Consideration of Matters 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 (Withdrawn).-- Executive Vice Chancellor for Asset Management Patrick reported that the item related to advance refunding of the non-Permanent University Fund Bond indebtedness excepting the following was withdrawn from consideration:
- a. 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. 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. Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1986
 - d. Board of Regents of The University of Texas System, The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986.

3. U. T. Board of Regents: Resolution Authorizing the Issuance of Replacement Bond Number R-234 of Board of Regents of The University of Texas System, The University of Texas at El Paso Combined Fee Revenue Bonds, Series 1974, in the Amount of \$5,000, to Paine Webber Incorporated, New York, New York.-- Upon motion of Vice-Chairman Ratliff, seconded by Vice-Chairman Baldwin, the Board adopted the Resolution set forth on Pages 49 - 52 authorizing the issuance of replacement bond Number R-234 in the amount of \$5,000 of Board of Regents of The University of Texas System, The University of Texas at El Paso Combined Fee Revenue Bonds, Series 1974, to Paine Webber Incorporated, New York, New York. The Bonds were originally issued by Resolution of the U. T. Board of Regents on November 1, 1974.

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

Paine Webber Incorporated ("Owner") is unable to locate Bond Number 234 in the denomination of \$5,000, bearing interest at the rate of 7.60% per annum, payable semi-annually on each May 1 and November 1 (Interest Coupon No. 23 and subsequent coupons appertaining thereto unpaid), and maturing May 1, 1994.

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

REPLACEMENT BOND RESOLUTION OF THE BOARD OF REGENTS
OF THE UNIVERSITY OF TEXAS SYSTEM
THE UNIVERSITY OF TEXAS AT EL PASO
COMBINED FEE REVENUE BONDS,
SERIES 1974, BOND NUMBER 234

A resolution passed by the Board of Regents of The University of Texas System authorizing the issuance of one \$5,000.00 replacement bond to replace Bond Number 234 of Board of Regents of The University of Texas System, The University of Texas at El Paso Combined Fee Revenue Bonds, Series 1974 and resolving other matters relating to the subject.

WHEREAS, the Board of Regents of The University of Texas System by resolution passed on November 1, 1974 authorized the issuance of and sold its Board of Regents of The University of Texas System, The University of Texas at El Paso, Combined Fee Revenue Bonds, Series 1974, in the aggregate principal amount of \$1,500,000.00, dated November 1, 1974; and

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

Bond Number 234 in the denomination of \$5,000.00, and bearing interest at the rate of 7.60% per annum, payable semiannually on each May 1 and November 1 (Interest Coupon No. 23 and subsequent coupons appertaining thereto unpaid), and maturing May 1, 1994 (the "Bonds")

are outstanding and unpaid; and

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

WHEREAS, at the time the loss occurred, Coupon Number 23, coming due on May 1, 1986, and subsequent coupons were attached to said Bond, and therefore neither said coupon nor any subsequent coupons have been presented for payment; and

WHEREAS, the Owner of said Bond and appurtenant coupons desires that a replacement bond be issued to replace the aforesaid lost Bond and appurtenant coupons; and

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

WHEREAS, a Bond of Indemnity Number 9W98900-3-86-11 dated March 14, 1986, and executed by an authorized representative of the Federal Insurance Company, as obligor, has been received and is on file in the office of the Board of Regents and such Bond of Indemnity is acceptable to the Board of Regents of The University of Texas System as sufficient indemnity under the provisions of Article 715a of the Revised Civil Statutes of Texas, and a certified copy of such Bond of Indemnity Number 9W98900-3-86-11 is attached hereto as a permanent part hereof.

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

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

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

Section 2. That said replacement bond shall be dated November 1, 1974, which is the date of the Bond.

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

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

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

Section 6. That all provisions of the resolution passed by the Members of the Board of Regents of The University of Texas on November 1, 1974 authorizing the series of bonds of which the Bond was a part and which are

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

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

4. U. T. System: Approval of a Multi-Year Library Enhancement Plan and Appropriation of Permanent University Fund (PUF) Bond Proceeds for the First Year of That Plan (1986-1987).---
In December 1985, the Office of the Chancellor described a general strategy for enhancing the libraries of the component institutions of The University of Texas System using Permanent University Fund (PUF) Bond Proceeds. Since that time, the component institutions have refined their estimated needs within the framework of the four-part strategy outlined below. The amounts recommended for each institution for 1986-1987 were based upon requests made by the institutions for library materials under Parts I and II of the Program and for library automation under Part IV.

Chairman Hay stated that adequate library resources are essential to the academic programs of the component institutions and that it would be appropriate to allocate PUF bond proceeds to a library enhancement plan. He then called on Executive Vice Chancellor for Academic Affairs Duncan and Executive Vice Chancellor for Health Affairs Mullins who presented the recommendations related to the proposed library enhancement plan for the U. T. System. A copy of Drs. Duncan's and Mullins' reports are on file in the Office of the Board of Regents.

Following a detailed discussion of (1) the cooperative interinstitutional planning and analysis which resulted in these recommendations and (2) the potential of automation to enhance library resources in new and innovative ways, the Board, upon motion of Vice-Chairman Baldwin, seconded by Regent Roden, unanimously approved a multi-year U. T. System Library Enhancement Plan to be funded from Permanent University Fund (PUF) Bond Proceeds and to consist of the following four elements:

- I. Catch-up, provides for a general collection enhancement for those component institutions where the size of the total collection is below generally accepted standards.
- II. Specific Fields, provides for strengthening the collections where deficiencies exist in specific discipline areas, to support new programs and emerging research areas or other developing specialities.
- III. Special Collections, would set aside a limited reserve fund to facilitate the acquisition of unique special collections appropriate to the needs of components when such collections become available.
- IV. Automation, would fund the purchase of computers, software, telecommunications equipment, and automation tools. This advanced technology would be used to interconnect the libraries of various institutions and eventually enhance holdings on a more cost-effective basis.

Further, appropriations from Permanent University Fund Bond Proceeds for fiscal year 1986-87 as set forth on the following page were made to implement the first year of this Library Enhancement Plan and the component institutions were authorized to purchase approved library automation equipment following standard equipment purchase procedures. Transfer by U. T. System Administration of allocated equipment funds to institutional control or to vendors will coincide with vendor payment requirements. Transfer of funds allocated for the purchase of library materials will follow established institutional reimbursement procedures.

U. T. SYSTEM

LIBRARY ENHANCEMENT APPROPRIATION, 1986-87

<u>Institution</u>	<u>Catch-up</u>	<u>Fields</u>	<u>Automation</u>	<u>Total</u>
UT Arlington	\$ 500,000		\$ 958,000	\$ 1,458,000
UT Austin		\$ 129,000	4,351,000	4,480,000
UT Dallas	1,000,000		538,000	1,538,000
UT El Paso		119,000	25,500	144,500
UT Permian Basin		276,000		276,000
UT San Antonio		365,000		365,000
UT Tyler		139,000		139,000
Sub-total Academic	\$1,500,000	\$1,028,000	\$5,872,500	\$ 8,400,500
UTHSC Dallas		352,500	326,000	678,500
UTMB Galveston		490,500		490,500
UTHSC Houston		72,000	163,500	235,500
UTHSC San Antonio		200,000		200,000
UT Cancer Center			170,000	170,000
UTHC Tyler	74,500			74,500
Sub-total Health	\$74,500	\$1,115,000	\$ 659,500	\$ 1,849,000
Allocation	\$1,574,500	\$2,143,000	\$6,532,000	\$10,249,500
Automation Reserve (Unallocated) (1)				1,000,000
Special Collection Reserve (Unallocated) (2)				1,000,000
TOTAL (Allocated and Reserves)				\$12,249,500

- (1) A recommendation to appropriate funds for library automation will be made to those components not receiving automation funds from this appropriation from the reserve for this purpose after their automation plans are refined.
- (2) Recommendations to appropriate funds for the purchase of special collections will be made from the reserve for that purpose as opportunities to acquire valued collections arise.

Chairman Hay commended the staff on an excellent job of defining this academic support function and noted that with this action, the Board has again evidenced its firm and unwavering commitment to the pursuit of academic excellence at each of the U. T. System component institutions.

To further emphasize the importance of this Regental action, Chairman Hay made the following statement:

STATEMENT BY CHAIRMAN HAY

In the context of the State's current economic condition, I believe this proposed allocation of Permanent University Fund Bond Proceeds for library enhancement deserves special comment to put it into perspective.

In responding to Governor White's February request for targeted spending reductions from the State's general revenues during the current biennium, the U. T. System identified \$91 million in aggregate reductions from a variety of general revenue sources. However, in committing to these reductions, we reiterated our firm resolve to sustain the U. T. System's momentum in its continuing quest to provide a high quality education to our students and to produce world class research, both so vital to the development and diversification of the Texas economy.

Because the U. T. System is committed to these objectives and even with these budget reductions, we have done everything possible:

1. to remain competitive with the national market as far as faculty salaries are concerned;
2. to ensure adequate financial provisions for basic research sufficient to maintain world class achievement in this area; and
3. to provide financial resources to academic support functions sufficient to assure an environment conducive to learning, to teaching, and to creative research.

Clearly, development of an outstanding library system is the ultimate academic support function. Thus, this System-wide library enhancement program proposed for funding today and the supercomputer purchase approved in October, both funded from Permanent University Fund Bond Proceeds and both literally linked in terms of implementation, are the kind of wise and prudent investments in our educational future that must be made if the economic strength of this State is to be sustained and enhanced.

In Texas, General Revenue dollars provide the basic support for library operations, and this proposal assumes that this base, which has made good libraries possible, will be sustained so that PUF Bond Proceeds and other nongeneral revenue sources can be used to provide the dollar enhancements to transform adequate libraries into excellent libraries.

The U. T. System, with a clearly established reputation for scholarship and intellectual leadership, intends to do everything within its power to maintain

and improve that scholarly environment and in turn contribute significantly to the economic future of Texas. If we are to realize the promise which that future holds, we must build on the momentum which has been achieved. While we face more difficult adjustments as our economy adjusts to lower oil prices, we are fortunate to be able to draw upon earnings from the Permanent University Fund, which was built largely from Texas' rich mineral resources, to achieve that future by strengthening one of the State's most valuable resources -- our libraries. (I might add that allocations of this type are now possible only because our legislative leadership and the voters of this State were wise enough to expand the allowable uses of Permanent University Fund Bond Proceeds to include the acquisition of Capital Equipment and library books and materials.)

Combining this allocation for library enhancement with that of the supercomputer and some of the special research and teaching equipment items to be considered on the Buildings and Grounds agenda later in this meeting, will significantly strengthen the State's environment for scholarship -- and without additional drain on the State's already strained general revenue resources.

I am most excited about this opportunity. The potential for scholarly activity and research made possible by the electronic interconnection of all U. T. System library resources and even many beyond the System is truly exciting and could help in the development of a state-wide "community of scholars," if you will. In taking this action today, the Regents again have evidenced their firm and unwavering commitment to the pursuit of academic excellence at each of the System's component institutions.

5. U. T. System: Permission for Mr. Thomas M. Keel to Serve as Chairman of the Texas Commission on Economy and Efficiency in State Government Task Force on the Implementation of HJR 72 [Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)]. -- Permission was granted for Mr. Thomas M. Keel, Executive Director for Finance and Administration of The University of Texas System, to serve as Chairman of the Texas Commission on Economy and Efficiency in State Government Task Force on the Implementation of HJR 72.

This 15-member Commission is charged with analyzing the organization, operation, and productivity of each State agency and determining the feasibility of various management techniques. Mr. Keel's service on this Commission will be without remuneration.

Mr. Keel's appointment to this Commission is of benefit to the State of Texas, creates no conflict with his regular duties, and is in accordance with approval requirements for positions of honor, trust, or profit provided in Article 6252-9a of Vernon's Texas Civil Statutes and Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11) of the Regents' Rules and Regulations.

6. U. T. El Paso: Approval of Addendum No. 2 to Lease Agreement Dated June 26, 1961, with the County of El Paso, Texas, Regarding the Sun Bowl. --Without objection, the Sun Bowl Lease dated June 26, 1961, by and between the U. T. Board of Regents, for and on behalf of The University of Texas at El Paso, as Lessee, and the County of El Paso, Texas, as Lessor, was amended as set out in Lease Addendum No. 2 on Pages 57 - 61 to permit the presentation of three sporting events per year, such as professional football or soccer exhibition games, by non-university athletic teams or groups, provided that such presentations have the prior approval of U. T. El Paso and the County of El Paso, Texas.

The Sun Bowl facility is not owned by the U. T. Board of Regents but is occupied and used by U. T. El Paso pursuant to a Lease Agreement with El Paso County that was executed by the U. T. Board of Regents in 1961. Because the Sun Bowl is a joint venture of the U. T. Board of Regents and El Paso County, the amendment to the Lease Agreement to allow the presentation of a limited number of sporting events not connected with the U. T. El Paso athletic program is appropriate under the circumstances and demonstrates continued cooperation between El Paso County and the U. T. Board of Regents for the benefit of the community.

LEASE ADDENDUM NO. 2

STATE OF TEXAS §

§ KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF TRAVIS §

WHEREAS, by Lease Agreement dated June 26, 1961, the County of El Paso, Texas, as Lessor, leased to the Board of Regents of The University of Texas (now the Board of Regents of The University of Texas System) for the benefit of Texas Western College (now known as The University of Texas at El Paso), as Lessee, approximately 62.88 acres of land as therein described by metes and bounds upon which has been constructed improvements known as the Sun Bowl, with appurtenances; and

WHEREAS, said Lease Agreement had an initial term of 99 years from its effective date, with a provision for renewal for an additional 99-year period; and

WHEREAS, pursuant to the provisions of said Lease, the County of El Paso expended the approximate sum of \$2,000,000.00 in the construction of the Sun Bowl stadium,

parking areas, access roads and related facilities, and upon completion thereof, the Lease became effective on August 21, 1963, as evidenced by a Memorandum Agreement between the Board of Regents and the County dated August 20, 1963; and

WHEREAS, Lessor and Lessee desired to expand the seating capacity and in furtherance of such expansion, the Lessor, County of El Paso, submitted a proposal for a bond issue in the amount of \$3,900,000.00 to the voters of the County to provide the necessary funding; and

WHEREAS, the voters of the County did not approve the issuance of such bonds; and

WHEREAS, because of the failure of such bond issue, the Lessor and Lessee reached an agreement whereby Lessor, the County of El Paso, would grant to the Lessee, the Board of Regents, 50.789 acres of land, such land being a part of the 62.88 acres of land leased by the County to the Board of Regents on June 26, 1961, and the Lessee, the Board of Regents, would undertake and finance the desired expansion to the Sun Bowl; and

WHEREAS, pursuant to such aforementioned agreement, the County, by Deed, dated May 4, 1981, granted the said 50.789 acres of land to the Board of Regents, retaining 12.091 acres of land of the 62.88 acres of land originally leased to the Board in 1961, the Sun Bowl being located upon such retained tract; and

WHEREAS, pursuant to such aforementioned agreement and in consideration of the grant of the aforementioned 50.789 acres of land, the Board of Regents, as Lessee, and the County of El Paso, as Lessor, executed an Addendum to the original lease on May 4, 1981, wherein the Board of Regents agreed to undertake and finance the agreed expansion to the Sun Bowl, and the parties to such Addendum further agreed that the terms of the original lease should remain in full

force and effect as to that portion of leased premises retained by the County, as Lessor, the aforesaid 12.091 acres of land including the Sun Bowl and additional facilities to be constructed by the Lessee; and

WHEREAS, pursuant to such Addendum to Lease, the Lessee, the Board of Regents did complete the expansion of the Sun Bowl as agreed upon at an approximate cost of \$6,600,000.00; and

WHEREAS, both Lessor and Lessee desire to expand the permissible usage of the Sun Bowl premises under the Lease Agreement to permit certain sports presentations not originally contemplated by the Lease;

NOW THEREFORE, the County of El Paso and the Board of Regents agree that the Lease be amended by adding a new paragraph to such Lease, denominated as Paragraph "VIII-A", following Paragraph VIII, such Paragraph to read as follows:

VIII-A

It is specifically provided, however, that for a trial period of five years, the County of El Paso and the administration of The University of Texas at El Paso may agree on the presentation of up to three sporting events per year of the type (such as professional football exhibition games or soccer exhibitions or competitions) appropriate to a facility designed for the playing of American football. In the selection of such events, the County and the administration of The University of Texas at El Paso shall give highest consideration to those events of the type referred to above, which will maximize income to The University of Texas at El Paso and will provide the greatest entertainment benefits to the citizens of El Paso.

This Amendment is effective upon the signing of such Amendment by the parties hereto.

ATTEST:

County Clerk

LESSOR:

COUNTY OF EL PASO, TEXAS

By: _____
County Judge

Date: _____

CONTENT APPROVED:

By: _____

The University of Texas System

FORM APPROVED:

Office of General Counsel
The University of Texas System

LESSEE:

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By: _____

Title: _____

Date: _____

CERTIFICATE OF APPROVAL

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

Executive Secretary Board of Regents
The University of Texas System

RECESS FOR COMMITTEE MEETINGS AND COMMITTEE REPORTS TO THE BOARD.--At 2:30 p.m., the Board recessed for the meetings of the Standing Committees and Chairman Hay announced that at the conclusion of each committee meeting, the Board would reconvene to approve the report and recommendations of that committee.

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

REPORTS AND RECOMMENDATIONS OF STANDING COMMITTEES

REPORT OF EXECUTIVE COMMITTEE (Pages 62 - 64).--In compliance with Section 7.14 of Chapter I of Part One of the Regents' Rules and Regulations, Chairman Hay reported to the Board for ratification and approval all actions taken by the Executive Committee since the last meeting. Unless otherwise indicated, the recommendations of the Executive Committee were in all things approved as set forth below:

1. U. T. Austin - Facilities Improvements for School of Architecture - Remodeling and Expansion of Goldsmith Hall and Site Development (Project No. 102-496): Award of Construction Contract to J. A. Jones Construction Company, Dallas, Texas (Exec. Com. Letter 86-17).--Upon recommendation of the Executive Committee, the Board awarded a construction contract for Facilities Improvements for School of Architecture - Remodeling and Expansion of Goldsmith Hall and Site Development at The University of Texas at Austin to the lowest responsible bidder, J. A. Jones Construction Company, Dallas, Texas, for the Base Bid and Additive Alternates One through Seven in the amount of \$8,745,000.

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

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

2. U. T. Austin - Athletic Facilities South of Memorial Stadium - Football Facility (Project No. 102-494): Award of Contracts for Furniture and Furnishings to Architectural Interior Services, A Division of Finger Office Furniture, Houston, Texas; Rockford Business Interiors, Austin, Texas; (i.e.) Interior Environments, Inc., Austin, Texas; HiTech Companies, Plano, Texas; CYBEX, Division of Lumex, Inc., Ronkonkoma, New York; Southwest Office Interiors, Austin, Texas; and Dismukes Blind & Drapery, Austin, Texas; and Authorization for the Chancellor to sign the Contracts (Exec. Com. Letter 86-16).--The Board, upon recommendation of the Executive Committee, awarded contracts for furniture and furnishings for the Athletic Facilities South of Memorial Stadium - Football Facility at The University of Texas at Austin to the following lowest responsible bidders:

Architectural Interior Services,
A Division of Finger Office
Furniture, Houston, Texas

Base Proposal "A" (Office Furniture)	\$17,922.74
---	-------------

Base Proposal "C" (Interior Modular Seating)	10,078.06
--	-----------

Base Proposal "D" (Exterior Modular Seating)	<u>\$38,362.06</u>
Total Contract Award to Architectural Interior Services, A Division of Finger Office Furniture	\$66,362.86
Rockford Business Interiors Austin, Texas	
Base Proposal "B" (Miscellaneous Items)	23,340.75
(i.e.) Interior Environments, Inc. Austin, Texas	
Base Proposal "E" (Treatment Furniture)	9,378.39
HiTech Companies Plano, Texas	
Base Proposal "AA" (Musculature Therapy Equipment)	\$20,746.25
Base Proposal "BB" (Arm/Leg Cryo/Temp & Diathermy Treatment Equipment)	<u>\$ 7,977.00</u>
Total Contract Award to HiTech Companies	\$28,723.25
CYBEX, Division of Lumex, Inc. Ronkonkoma, New York	
Base Proposal "EE" (Aerobic Exercise Therapy Equipment)	9,595.00
Southwest Office Interiors Austin, Texas	
Base Proposal "FF" (Stacking Chairs)	3,249.80
Dismukes Blind & Drapery Austin, Texas	
Base Proposal "GG" (Window Treatment)	<u>938.60</u>
GRAND TOTAL CONTRACT AWARDS	\$141,588.65

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

3. U. T. Medical Branch - Galveston - Remodeling of John Sealy Hospital (Old Building) - Remodeling of Dietary Facilities, Stage III Cafeteria (Project No. 601-612): Award of Construction Contract to W. J. Hessert Construction Company, Inc., Houston, Texas (Exec. Com. Letter 86-16).--The Executive Committee recommended and the Board awarded a construction contract for the Remodeling of Dietary Facilities, Stage III Cafeteria in the John Sealy Hospital (Old Building) at The University of Texas Medical Branch at Galveston to the lowest responsible bidder, W. J. Hessert Construction Company, Inc., Houston, Texas, for the Base Bid and Additive Alternates One, Two, Three, Four, and Five in the amount of \$2,282,000.

REPORT AND RECOMMENDATIONS OF THE FINANCE AND AUDIT COMMITTEE (Pages 65 - 67).--Committee Chairman Yzaguirre reported that the Finance and Audit Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Finance and Audit Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. System: Approval of Docket No. 28 of the Office of the Chancellor (Catalog Change).--Upon recommendation of the Finance and Audit Committee, the Board approved Docket No. 28 of the Office of the Chancellor in the form distributed by the Executive Secretary. It is attached following Page 233 in the official copies of the Minutes and is made a part of the record of this meeting.

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

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

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

2. U. T. System: Approval of Non-Personnel Aspects of the 1986-87 Operating Budgets, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical Service, Research and Development Programs, and Authorization for Office of the Chancellor to Make Editorial Corrections Therein.--Committee Chairman Yzaguirre called on Chancellor Mark who presented a comprehensive overview of the proposed 1986-87 Operating Budgets for The University of Texas System. In addition, Dr. Mark related this budgetary overview to a status report of the System's efforts for general revenue savings in response to the Executive Order from Governor Mark White. A copy of Chancellor Mark's report is on file in the Office of the Board of Regents.

Committee Chairman Yzaguirre reported that the personnel aspects of the recommended 1986-87 Operating Budgets for The University of Texas System would be considered in Executive Session. Upon recommendation of the Finance and Audit, Academic Affairs and Health Affairs Committees, the Board approved the non-personnel aspects of the 1986-87 Operating Budgets, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds and Medical Service, Research and Development Programs for The University of Texas System set forth on the following page and authorized the Office of the Chancellor to make editorial corrections therein with subsequent adjustments to be reported to the Board through the institutional Dockets.

The University of Texas System Administration
 (including the Available University Fund)
 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, Including
 The University of Texas Institute of Texan
 Cultures 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 Health Science Center
 at San Antonio
 The University of Texas System Cancer Center
 The University of Texas Health Center at Tyler

These budgets are a part of the Minutes of this meeting and the official copy is in bound Volume XLI entitled Annual Budgets for 1986-87.

On behalf of the Board, Chairman Hay expressed appreciation to the Office of the Chancellor and the component institutions for the excellent manner in which the budgetary emphasis remained on the development of academic and research excellence and the maintenance of the program momentum which has been evident during the past decade in spite of the present economic dilemma in the State of Texas.

See Page 233 for approval of personnel aspects of the 1986-87 Operating Budgets.

3. U. T. System: Acceptance of Aetna Life and Casualty Insurance Company, Hartford, Connecticut, Renewal Rates for Employee Group Medical and Dental Insurance Contract for 1986-87.--The Board, upon recommendation of the Finance and Audit Committee, approved renewal of The University of Texas System employee group medical and dental insurance contract with Aetna Life and Casualty Insurance Company, Hartford, Connecticut, for 1986-87 as set forth below with a reduction from three group medical plan options to two plan options and with no increase in rates for the retained plans and with no charge in dental plan options or rates.

a. Group Medical Insurance

	<u>Monthly Rates</u>	
	<u>Plan A</u>	<u>Plan B</u>
Employee	\$ 54.25	\$29.82
Employee/Spouse	130.84	93.35
Employee/Children	98.31	70.34
Employee/Family	162.59	99.01

b. Group Dental Insurance

	<u>Monthly Rate</u>
Employee	\$ 9.28
Employee/Spouse	16.98
Employee/Children	22.70
Employee/Family	28.36

Renewal rates at no increase are the result of extensive negotiations with Aetna Life and Casualty Insurance Company and reflect the benefit of cost containment plan changes and employee information programs utilized in 1985-86. The renewed plan will continue to incorporate these cost containment features in an effort to produce equally desirable effects on rates in the future.

REPORT AND RECOMMENDATIONS OF THE ACADEMIC AFFAIRS COMMITTEE (Pages 68 - 82).--Committee Chairman Baldwin reported that the Academic Affairs Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Academic Affairs Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. Arlington: Appointment of Dr. Thomas W. Hall as Initial Holder of the Public Accounting Professorship in the College of Business Administration Effective Immediately.--Upon recommendation of the Academic Affairs Committee, the Board approved the appointment of Dr. Thomas W. Hall, Associate Professor of Accounting, as initial holder of the Public Accounting Professorship in the College of Business Administration at The University of Texas at Arlington effective immediately.

2. U. T. Arlington: Approval of Rate Increases for University-Owned Residence Halls (Dormitories), University Village and Other Apartments Acquired Through the Land Acquisition Program Effective Fall Semester 1986 (Catalog Change).--In order to remain consistent with inflationary trends and to meet anticipated increased operating costs for the 1986-87 fiscal year, the Board approved the rate schedule set forth below for University-Owned Residence Halls, University Village and other apartments acquired through the land acquisition program at The University of Texas at Arlington effective with the Fall Semester 1986:

The University of Texas at Arlington
Rate Schedule for 1986-87

University-Owned Residence Halls (Dormitories)

LONG SESSION

	1986-87 Rate
Lipscomb (North)	\$1,200
Lipscomb (South)	1,130
Trinity	1,200
Brazos	1,050
Pachl	1,070

SUMMER SESSION

Lipscomb (North)	\$420
Lipscomb (South)	420
Trinity	420
Brazos	420
Pachl	420
 Summer Groups	 \$10 per night per person

Apartments

	<u>No. of Units</u>	<u>Monthly Rate 1986-87</u>
<u>University Village</u>		
1 bedroom (2 people)	80	\$300*
1 bedroom (2 people)	28	320*
1 bedroom (2 people)	12	315*
1 bedroom (2 people)	4	340*
1 bedroom (3 people)	4	370*
 <u>Other Apartments**</u>		
<u>Complex</u>		
<u>Border West</u>		
1 bedroom	18	310
2 bedroom	19	410
<u>Cooper South</u>		
1 bedroom	14	310
2 bedroom	15	410
<u>West</u>		
1 bedroom	7	270*
2 bedroom	7	360*
<u>Pisces</u>		
1 bedroom	58	320
3 bedroom	1	410
<u>Capricorn</u>		
1 bedroom	48	310
1 bedroom	4	320
<u>Campus</u>		
1 bedroom	28	250*
3 bedroom	1	350*
<u>San Suz</u>		
1 bedroom	22	240*
2 bedroom	1	345
<u>Del Mar</u>		
1 bedroom	12	210*
<u>Shelmar North</u>		
	12	210*
<u>Shelmar South</u>		
1 bedroom	7	260
2 bedroom	1	290

* Tenant pays electrical bills.

** These apartments were acquired through the land acquisition program for U. T. Arlington. Rates are based on size and condition of apartments in comparison with pricing schedules in the City of Arlington.

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

3. U. T. Arlington: Approval of Memorandum of Affiliation with the Veterans Administration Medical Center, Waco, Texas. --Approval was given to the Memorandum of Affiliation set out on Pages 70 - 71 by and between The University of Texas at Arlington and the Veterans Administration Medical Center, Waco, Texas.

This agreement, executed by the appropriate officials of the institution and facility to be effective upon approval by the U. T. Board of Regents, will allow students in U. T. Arlington's School of Nursing programs to participate in clinical training activities.

MEMORANDUM OF AFFILIATION

BETWEEN

THE VETERANS ADMINISTRATION MEDICAL CENTER, WACO, TEXAS 76703
(City, State, Zip)

AND

UNIVERSITY OF TEXAS AT ARLINGTON SCHOOL OF NURSING, ARLINGTON, TX 76019
(Educational Affiliate, City, State, Zip)

It is mutually agreed by University of Texas at Arlington School of Nursing (Affiliate) and the Veterans Administration Medical Center Waco, Tx that educational experiences will be provided at the VA facility for students in the following programs(s): (City, State)

<u>Program Name</u>	<u>Academic Degree Anticipated</u>
Undergraduate and graduate nursing program	B.S. and Masters

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

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

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

The University of Texas at Arlington (Affiliate) complies with Title VI of the Civil Rights Act of 1964, Title IX of the Education Amendments of 1972, section 504 of the Rehabilitation Act of 1973, and Title II of the Older Americans Amendments of 1975, and all related regulations, and assures that it does not, and will not, discriminate against any person on the basis of race, color, sex, creed, national origin, age or handicap under any program or activity receiving Federal financial assistance.

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

Protection of faculty members and students of the affiliated institution from personal liability when furnishing professional services covered by this agreement while at the VA health care facility will be that which is provided under the Federal Tort Claims Act, as implemented by 38 U.S.C. 4116.

Periodic review of programs and policies will be conducted under the auspices of the Office of Academic Affairs.

This Memorandum of Affiliation may be terminated by either party on written notice to the other 3 months in advance of the next training experience (Time period)

Date signed
Name (type): WENDELL NEDDERMAN, Ph.D. Title President

Name of Affiliate: University of Texas School of Nursing, Arlington, Tx

Date signed 2/19/86
Name (type): D. HOLL Facility Director
VA Medical Center, Waco, Texas

VA FORM 10-0094
SEPT 1985

668224

* Date Signed: 3-24-86

Myrna R. Pickard, Dean
The University of Texas at
Arlington School of Nursing

Date Signed:

FACILITY:

Medical Center Director
VA Medical Center, Waco, Texas

ATTEST:

(Title)

UNIVERSITY:
By
President

FORM APPROVED:

OFFICE OF General Counsel of The
System

CONTENT APPROVED:

Exec. Vice-Chancellor for Academic
Affairs

I hereby certify that the foregoing Agreement was approved by the Board of Regents of The University of Texas System on the 5TH day of JUNE, 1986.

Exec. Secretary, Board of Regents
The University of Texas System

4. U. T. Austin: Permission for Dr. Michael L. Lauderdale to Serve on the Good Neighbor Commission of Texas [Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)].--Permission was given to Governor Mark White's appointment of Dr. Michael L. Lauderdale, Professor in the School of Social Work and Director of the Center for Social Work Research at The University of Texas at Austin, to the Good Neighbor Commission of Texas.

Dr. Lauderdale's appointment, which is effective immediately, is subject to confirmation by the Texas Senate during the next convening of the State Legislature and expires June 18, 1991. The Commission consists of nine members who serve without remuneration.

Dr. Lauderdale's appointment to this Commission is of benefit to the State of Texas, creates no conflict with his regular position at U. T. Austin and is in accordance with approval requirements for positions of honor, trust, or profit provided in Article 6252-9a of Vernon's Texas Civil Statutes, and Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11) of the Regents' Rules and Regulations.

5. U. T. Austin: Authorization to Establish a Master of Arts Degree in Asian Studies and to Submit the Proposal to the Coordinating Board for Approval (Catalog Change).--Authorization was granted to establish a Master of Arts degree in Asian Studies at The University of Texas at Austin and to submit the proposal to the Coordinating Board, Texas College and University System, for approval. If approved by the Coordinating Board, implementation will be limited to resources on hand until the 1988-89 biennium.

Though the proposal suggests the desirability of the addition of two part-time teaching assistants and a classified staff person, the program can be initiated with no additional personnel. No new faculty positions will be required to ensure the full implementation of the new degree program and no new positions are projected within the framework of the new degree program. The holdings of the General Libraries are more than adequate to support the program, and it is anticipated that modest additions to the Asian Studies collection can be made within the next five years. No new facilities or equipment are needed to implement the program.

This degree program was included in the mission, role and scope of U. T. Austin as approved by the U. T. Board of Regents in December 1985 and is consistent with the U. T. Austin strategic plan as submitted to the Office of the Chancellor.

Upon Coordinating Board approval, the next appropriate catalog published at U. T. Austin will be amended to reflect this action.

6. U. T. Austin: Appointments to Endowed Academic Positions in the (a) School of Architecture, (b) College of Business Administration and the Graduate School of Business, (c) College of Engineering, (d) College of Fine Arts, (e) School of Law, (f) College of Liberal Arts, (g) College of Natural Sciences, and (h) College of Pharmacy Effective as Indicated.--The Board approved the following appointments to endowed academic positions at The University of Texas at Austin effective as indicated with the understanding that the professors would vacate any currently held endowed position on the effective date of the new appointments unless otherwise indicated:

- a. School of Architecture for Spring Semester 1987 only effective January 16, 1987

Dr. Christian Norberg-Schulz, Dean of the Oslo School of Architecture, Norway, to the Eugene McDermott Centennial Visiting Professorship

Dr. Norberg-Schulz will be a Visiting Professor in the School of Architecture at U. T. Austin during this period.

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

Dr. Robert E. Witt, Dean of the College of Business Administration and the Graduate School of Business, to the Centennial Chair in Business Education Leadership

- c. College of Engineering effective September 1, 1986

Dr. Ben G. Streetman, current holder of the Janet S. Cockrell Centennial Chair in Engineering, as initial holder of the Earnest F. Gloyna Regents Chair in Engineering

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

Dr. Maurice J. Sevigny, Professor and Director of the School of Art, Bowling Green State University, Bowling Green, Ohio, to the Marguerite Fairchild Centennial Professorship

Dr. Sevigny will become Professor and Chairman of the Department of Art at U. T. Austin effective September 1, 1986.

- e. School of Law effective September 1, 1986

(1) Mr. Jay L. Westbrook, Strasburger & Price Centennial Faculty Fellow in Law, initial holder of the Andrews & Kurth Centennial Professorship in Law

(2) Mr. Calvin H. Johnson, Professor of Law, initial holder of the Arnold, White & Durkee Centennial Professorship in Law

- (3) Mrs. Inga Markovits, Professor of Law, initial holder of the Morris and Rita Atlas Family Centennial Professorship in Law
- (4) Mr. David W. Robertson, Professor of Law, to the Hines H. Baker and Thelma Kelley Baker Chair in Law
- (5) Mr. Robert O. Dawson, Judge Benjamin Harrison Powell Professor in Law, to the Lloyd M. Bentsen, Jr. Centennial Professorship in Law
- (6) Mr. Lucas A. Powe, Bernard J. Ward Centennial Professor in Law, to the James R. Dougherty Chair for Faculty Excellence in the Law School for the 1986-87 academic year only

Professor Powe will retain his appointment to the Bernard J. Ward Centennial Professorship in Law during his one-year appointment to this chair.

- (7) Mr. Thomas O. McGarity, Cooper K. Ragan Regents Professor in Law, to the William Stamps Farish Professorship in Law
- (8) Mr. John J. Sampson, Ben Gardner Sewell Professor in Civil Trial Advocacy, initial holder of The Fondren Foundation Centennial Chair for Faculty Excellence for the 1986-87 academic year only
- (9) Mr. J. Leon Lebowitz, Vinson & Elkins Professor in Law, initial holder of the Thos. H. Law Centennial Professorship in Law
- (10) Mr. Sanford V. Levinson, The Graves, Dougherty, Hearon & Moody Centennial Faculty Fellow in Law, to the Charles Tilford McCormick Professorship of Law
- (11) Mr. William C. Powers, Joseph C. Hutcheson Professor in Law, to the Judge Benjamin Harrison Powell Professorship in Law
- (12) Mr. David B. Filvaroff, The W. St. John Garwood Centennial Professor in Law, to the Cooper K. Ragan Regents Professorship in Law
- (13) Mr. Corwin W. Johnson, Edward Clark Centennial Professor in Law, initial holder of the Tom Sealy Centennial Research Professorship in Energy Law for the 1986-87 academic year only
- (14) Mr. Harold H. Bruff, John S. Redditt Professor in State and Local Government, initial holder of the Thompson & Knight Centennial Professorship in Law
- (15) Mr. David A. Anderson, Stanley D. Rosenberg Centennial Professor in Property Law, to the Vinson & Elkins Professorship in Law
- (16) Mr. George E. Dix, Lloyd M. Bentsen, Jr. Centennial Professor in Law, to the A. W. Walker Centennial Chair in Law

f. College of Liberal Arts effective September 1, 1986

- (1) Dr. Richard Graham, Professor, Department of History, initial holder of the Frances Higginbotham Nalle Centennial Professorship in History
- (2) Ambassador H. Eugene Douglas, President, Alpha Environmental, Inc., initial holder of the C. B. Smith, Sr. Centennial Chair in United States-Mexico Relations #1 for the 1986-87 academic year only

Ambassador Douglas will become a Visiting Professor at U. T. Austin effective September 1, 1986.

- (3) Dr. Bryan R. Roberts, Professor of Sociology, University of Manchester (Great Britain), initial holder of the C. B. Smith, Sr. Centennial Chair in United States-Mexico Relations #4

Dr. Roberts will be joining the U. T. Austin faculty as a Professor in the Department of Sociology effective June 1986.

- (4) Dr. Alan S. Knight, Lecturer in Modern History, University of Essex (England), initial holder of the Annabel Irion Worsham Centennial Professorship

Dr. Knight will join the U. T. Austin faculty as a Professor in the Department of History effective September 1986.

g. College of Natural Sciences effective September 1, 1986

- (1) Dr. William L. Fisher, Morgan J. Davis Centennial Professor in Petroleum Geology, Chairman of the Department of Geological Sciences, and Director of the Bureau of Economic Geology, to the Leonidas T. Barrow Centennial Chair in Mineral Resources
- (2) Dr. Bryce S. DeWitt, Professor, Department of Physics, initial holder of the Jane and Roland Blumberg Centennial Professorship in Physics
- (3) Dr. Josef Michl, Professor of Chemistry, University of Utah, initial holder of the Marvin K. Collie - Welch Regents Chair in Chemistry

Dr. Michl will join the U. T. Austin faculty as Professor in the Department of Chemistry effective Fall Semester 1986.

- (4) Dr. Cameron M. Gordon, Professor, Department of Mathematics, reappointed to the Joe B. and Louise Cook Professorship in Mathematics
- (5) Dr. Austin M. Gleeson, Professor, Department of Physics, reappointed to the Marian Harris Gilliam Centennial Professorship in Mathematics or Physics

- (6) Mr. C. A. R. Hoare, Professor of Computer Science, University of Oxford (England), initial holder of the Admiral B. R. Inman Centennial Chair in Computing Theory

Professor Hoare will join the U. T. Austin faculty as a Professor in the Department of Computer Sciences in September 1986.

- (7) Dr. Dennis Sullivan, Einstein Professor of Mathematics, Queens College, City University of New York, initial holder of the Fourth Sid W. Richardson Foundation Regents Chair in Mathematics for the 1986-87 academic year only

Dr. Sullivan's appointment as a visiting professor in the Department of Mathematics at U. T. Austin will be effective September 1, 1986.

- (8) Dr. Dorothea Bennett, Professor of Cell Biology and Genetics, Sloan-Kettering Institute for Cancer Research (New York), initial holder of the Alfred W. Roark Centennial Professorship in Natural Sciences

Dr. Bennett will be appointed Professor and Chairman of the Department of Zoology effective September 1986.

- (9) Dr. James T. Sprinkle, Professor, Department of Geological Sciences, to The First Mr. and Mrs. Charles E. Yager Professorship

- (10) Dr. John M. Sharp, Professor, Department of Geological Sciences, to The Third Mr. and Mrs. Charles E. Yager Professorship

h. College of Pharmacy effective September 1, 1986

Dr. Creed W. Abell, Professor and Director of Human Biological Chemistry and Genetics at The University of Texas Medical Branch at Galveston, to the Henry M. Burlage Centennial Endowed Professorship in Pharmacy

Dr. Abell's appointment as a professor in the College of Pharmacy at U. T. Austin will be effective September 1, 1986.

7. U. T. Austin - College of Engineering: Approval to Name Room 3.432 as The Dow Chemical Company Foundation Polymer Laboratory and Room 2.222 as the Edward H. Ellms Graduate Seminar Room in the Chemical and Petroleum Engineering Building (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings).--Approval was granted to name the rooms listed below in the new Chemical and Petroleum Engineering Building, College of Engineering at The University of Texas at Austin, in accordance with the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, relating to the naming of facilities other than buildings:

- a. Room 3.432 - The Dow Chemical Company Foundation Polymer Laboratory

See Page 176 related to establishment of permanent endowment account.

b. Room 2.222 - Edward H. Ellms Graduate Seminar Room

See Page 178 related to establishment of permanent endowment account.

The room names are in recognition of gifts for the College of Engineering endowment program for the new Chemical and Petroleum Engineering Building.

8. U. T. Austin: Approval to Name the Tower Carillon in the Main Building as The Kniker Carillon (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings).--In accordance with the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, relating to the naming of facilities other than buildings, approval was granted to name the tower carillon in the Main Building at The University of Texas at Austin The Kniker Carillon.

The tower carillon is being named to recognize a bequest from Miss Hedwig T. Kniker, San Antonio, Texas, to expand the existing set of 17 bells in the tower of the Main Building to a full concert carillon of 56 bells. The amount of the bequest will cover the cost of manufacture, installation by the manufacturer, and electrical work to be done by U. T. Austin.

See related item on Page 179.

9. U. T. Austin: Approval of Memorandum of Affiliation with the Veterans Administration Medical Center, San Juan, Puerto Rico.--Upon recommendation of the Academic Affairs Committee, the Board approved the Memorandum of Affiliation set out on Pages 78 - 79 by and between The University of Texas at Austin and the Veterans Administration Medical Center, San Juan, Puerto Rico.

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

MEMORANDUM OF AFFILIATION

BETWEEN

THE VETERANS ADMINISTRATION MEDICAL CENTER, SAN JUAN, PUERTO RICO 00936

AND

THE UNIVERSITY OF TEXAS AT AUSTIN GRADUATE SCHOOL OF SOCIAL WORK
AUSTIN, TEXAS, 78712-1703

It is mutually agreed by The University of Texas at Austin Graduate School of Social Work and the Veterans Administration Medical Center, San Juan, Puerto Rico that educational experiences will be provided at the VA facility for students in the following program: Master's Degree Program in Social Work.

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

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

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

The University of Texas at Austin Graduate School of Social Work complies with Title VI of the Civil Rights Act of 1964, Title IX of the Education Amendments of 1972, Section 504 of the Rehabilitation Act of 1973, and Title III of the Older Americans Amendments of 1975, and all related regulations, and assures that it does not, and will not, discriminate against any person on the basis of race, color, sex, creed, national origin, age or handicap under any program or activity receiving Federal financial assistance.

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

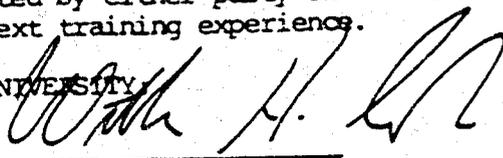
Protection of faculty members and students of the affiliated institution from personal liability when furnishing professional services covered by this agreement while at the VA health care facility will be that which is provided under the Federal Tort Claims Act, as implemented by 38 U.S.C. 4116.

Periodic reviews of programs and policies will be conducted under the auspices of the Office of Academic Affairs.

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

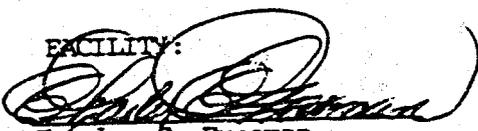
Date Signed: 2/26/86

UNIVERSITY:

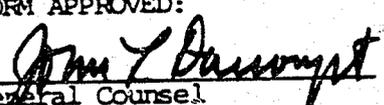

William H. Cunningham
President, The University
of Texas at Austin

Date Signed 2/6/86

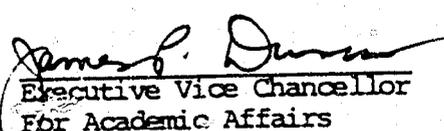
FACILITY:


Charles C. Freeman
Center Director
VA Medical & Regional
Office Center
San Juan, Puerto Rico

FORM APPROVED:

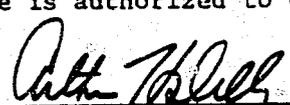

General Counsel
The University of Texas System

CONTENT APPROVED:


Executive Vice Chancellor
For Academic Affairs
The University of Texas System

CERTIFICATE OF APPROVAL

I hereby certify that the foregoing Agreement was approved by the Board of Regents of The University of Texas System on the 5th day of JUNE, 1986, and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.


Executive Secretary, Board of Regents
The University of Texas System

10. U. T. Dallas: Establishment of Charges for Graduate and Undergraduate Catalogs Effective Immediately (Catalog Change).--The Board, upon recommendation of the Academic Affairs Committee, approved implementation of a \$2 charge for graduate and undergraduate catalogs at The University of Texas at Dallas as well as mailing and handling charges of \$1 for catalogs mailed in North America and \$5 for catalogs mailed outside North America beginning with the distribution of the 1986-88 catalogs.

It was reported that these new charges reasonably reflect the cost to U. T. Dallas of the materials and services for which the fees are levied and are in accordance with Section 54.504 of the Texas Education Code.

A system will be implemented to insure that each newly enrolled student receives one free catalog.

In addition to providing each new student with one free catalog, catalogs will be provided at no charge to community college counselors, admissions officers, and other external users where a charge would be inappropriate.

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

11. U. T. San Antonio: Approval to Establish Fees for Student Photo Identification Cards Effective Fall Semester 1986 (Catalog Change).--Upon recommendation of the Academic Affairs Committee, the Board established a \$5 fee for a student photo identification card and a \$10 replacement charge for a lost card for The University of Texas at San Antonio effective with the Fall Semester 1986.

These new charges reasonably reflect the cost to U. T. San Antonio of the materials and services for which the fees are levied and are in accordance with Section 54.504 of the Texas Education Code.

The Student Representative Assembly at U. T. San Antonio endorsed the concept of the plastic photo identification card and asked the administration to establish the means for implementing such a program.

It was ordered that the next appropriate catalog published at U. T. San Antonio be amended to conform to this action.

12. U. T. Tyler: Establishment of a Parking Fee Effective September 1, 1986 (Catalog Change).--The Academic Affairs Committee recommended and the Board approved the establishment of a Parking Fee at The University of Texas at Tyler effective September 1, 1986. All full and part-time students, faculty, and staff who operate or park a motor vehicle on property or streets owned or controlled by the University will be required to register each vehicle with the University Police Department. An annual, non-refundable, fee of \$15 per academic year was approved, prorated by semester of payment as follows:

Fall Semester	\$15
Spring Semester	10
First Summer Session	5
Second Summer Session	3

Additional vehicles may be registered by paying a \$2 fee for each additional vehicle.

It was noted that the fee should generate \$65,000 in the 1986-87 fiscal year and will be utilized to support street and lot improvements and campus police operations.

The fees were approved under the authority of the Texas Education Code, Section 51.202(a).

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

13. U. T. Arlington, U. T. Austin, U. T. Dallas, U. T. El Paso, U. T. Permian Basin, U. T. San Antonio, U. T. Tyler, and U. T. Institute of Texan Cultures - San Antonio: Nominees to Development Boards and Advisory Councils Effective September 1, 1986. --Approval was given to nominees for membership on the following development boards and advisory councils of the general academic institutions of The University of Texas System to be effective September 1, 1986.

The names of those accepting membership will be reported for the record at a subsequent meeting of the U. T. Board of Regents.

a. The University of Texas at Arlington

Development Board
Graduate School of Social Work Advisory Council
School of Architecture and Environmental Design
Advisory Council
College of Business Administration Advisory Council
College of Engineering Advisory Council
School of Nursing Advisory Council

b. The University of Texas at Austin

Development Board
School of Architecture Foundation Advisory Council
College of Business Administration Foundation
Advisory Council
College of Communication Foundation Advisory Council
College of Education Foundation Advisory Council
College of Engineering Foundation Advisory Council
College of Fine Arts Foundation Advisory Council
Geology Foundation Advisory Council
Graduate School Foundation Advisory Council
Graduate School of Library and Information Science
Foundation Advisory Council
College of Liberal Arts Foundation Advisory Council
College of Natural Sciences Foundation Advisory
Council
Pharmaceutical Foundation Advisory Council
School of Social Work Foundation Advisory Council
Marine Science Institute Advisory Council
McDonald Observatory and Department of Astronomy
Board of Visitors
School of Nursing Advisory Council
Texas Union Advisory Council

c. The University of Texas at Dallas

Development Board
School of Management Advisory Council
Callier Center for Communication Disorders Advisory
Council
School of General Studies Advisory Council
School of Arts and Humanities Advisory Council
School of Social Sciences Advisory Council

d. The University of Texas at El Paso

Development Board

e. The University of Texas of the Permian Basin

Development Board

f. The University of Texas at San Antonio

Development Board
College of Business Advisory Council

g. The University of Texas at Tyler

Development Board

h. The University of Texas Institute of Texan Cultures
at San Antonio

Development Board

REPORT AND RECOMMENDATIONS OF THE HEALTH AFFAIRS COMMITTEE (Pages 83 - 162).--In the absence of Committee Chairman Briscoe, Committee Vice-Chairman Yzaguirre reported that the Health Affairs Committee had met in open session to consider those items on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Health Affairs Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. Board of Regents - Regents' Rules and Regulations, Part One: Amendments to Chapter VIII, Section 3 (Medical and Hospital Services) and Authorization for the Executive Secretary to the Board to Make Appropriate Editorial Changes Therein.--Approval was given to amend Section 3 of Chapter VIII of Part One of the Regents' Rules and Regulations (Medical and Hospital Services) as set forth below:

Sec. 3. Medical and Hospital Services. No health care services shall be provided by any component institution of the System to any person without compensation or reimbursement to the System, except that in the case of health care facilities operated by the System, which under the law are open to the general public, free or partly free health care services may be rendered to persons who are indigent and who are able to offer proof that they are not financially able to pay either all or any part of their health care expenses.

Health components may accept patients for acute or continuing, or both, care without referral by another physician or agency. The patients are accepted for total and continuing care including the obligation to obtain the services of other physicians when indicated.

Further, authorization was given for the Executive Secretary to the U. T. Board of Regents, in consultation with the Office of General Counsel, to make appropriate editorial changes in the remainder of the Regents' Rules and Regulations that may be necessary in order to conform to the foregoing changes related to medical and hospital services.

These changes, which will allow the health institutions of The University of Texas System to accept patients for medical or hospital services without referral by a physician or agency, are needed in order to adapt and conform to changing health care delivery systems in family practice, other primary care and emergency care.

2. U. T. Health Science Center - Houston: Approval to Increase the Student Services Fee (Compulsory) Effective with the Fall Quarter 1986 (Catalog Change).--Upon recommendation of the Health Affairs Committee, the Board approved an increase in the Student Services Fee (Compulsory) from a maximum of \$45 per quarter (\$3.75 per hour per quarter) to a maximum of \$55 per quarter (\$4.58 per hour per quarter) for full-time students at The University of Texas Health Science Center at Houston effective with the Fall Quarter 1986.

The fee for part-time students will be prorated as set forth below:

<u>Hours</u>	<u>Student Services Fee (Compulsory)</u>
1 - 3 hours	\$13.75
4 - 6 hours	27.50
7 - 9 hours	41.25
Over 9 hours	55.00

The late registration fee will not be affected by this increase.

Pursuant to Section 54.503, Texas Education Code, the Student Services Fee increase was approved by the Student Intercouncil and is directly related to operating costs associated with the student health service and the recreational facility. The proceeds from the \$55 quarterly fee shall be allocated as follows:

Student Health	\$29.00
Recreational Programs	23.00
Student Government	3.00

It was ordered that the next appropriate catalog published at the U. T. Health Science Center - Houston be amended to reflect this action.

3. U. T. Health Science Center - Houston: Authorization to Enter into an Agreement with The Woodlands Corporation, a Texas Corporation, The Woodlands, Texas, for the Relocation of the Cryobiology Research Center to The Woodlands Research Forest.--The Board, upon recommendation of the Health Affairs Committee, authorized the Office of the Chancellor and the Office of General Counsel to continue and, if possible, conclude negotiations on behalf of The University of Texas Health Science Center at Houston with The Woodlands Corporation, The Woodlands, Texas, a subsidiary of the Mitchell Energy and Development Corporation, to relocate the Cryobiology Research Center of the U. T. Health Science Center - Houston to the facilities of Woodlands Corporation known as The Woodlands Research Forest.

These negotiations shall proceed in accordance with the parameters of the letter of May 5, 1986, written to Dr. R. W. Butcher, Director, Institute for Technology Development and Assessment at the U. T. Health Science Center - Houston, by The Woodlands Corporation, as set forth on Pages 85 - 87. A final agreement will be presented for approval to the U. T. Board of Regents at a future meeting.

The Cryobiology Research Center at the U. T. Health Science Center - Houston utilizes a science and technology (cryopreparation) involving a patented ultra low temperature (cryogenic) technique which permits the preservation of tissues without cell destruction encountered in other low temperature processes. The technique was pioneered and developed by Dr. John Linner, a faculty member at the U. T. Health Science Center - Houston, and has become known as "The Linner Process." Pursuant to the Regents' Rules and Regulations, the U. T. Board of Regents owns patents on this technology.

See Page 200 related to approval of license agreement on this technology.



The Woodlands Corporation

2000 West Loop West
Houston, Texas 77056
713/865-1000

May 5, 1986

Dr. R. W. Butcher, PhD
Director, Institute for Technology
Development and Assessment
University of Texas
Health Science Center at Houston
P. O. Box 20034
Houston, Texas 77225

Dear Bill:

By this letter, and in conformance with our past discussions, The Woodlands Corporation (TWC), a wholly-owned subsidiary of Mitchell Energy & Development Corp., hereby sets forth this proposal to relocate the University of Texas Health Science Center at Houston's Cryobiology Research Center to The Woodlands Research Forest. TWC seeks approval from the University of Texas' Board of Regents for an agreement in principle to commence the appropriate actions to effect this relocation. The basic concept of this relocation is as follows:

BACKGROUND

Mr. George Mitchell, President of Mitchell Energy & Development Corp., has expressed an interest in attracting preferred research, education, and/or health care entities of the University of Texas System to The Woodlands Research Forest. As a tangible sign of Mr. Mitchell's interest, support funds and land has been set aside for such purposes.

In September, 1985, the University, through your office, contacted TWC to explore the possibility of obtaining support for the relocation of the Cryobiology Research Center to The Woodlands Research Forest. The central thrust of this contact was, and is, that Dr. John G. Linner, of the Cryobiology Research Center, having developed a revolutionary system for the preparation of tissue for cell ultrastructure analysis and preservation, required first class laboratory facilities to enhance his state of the art research activity.

TWC undertook a comprehensive evaluation of the Cryobiology Research Center and of the research being proposed by Dr. John G. Linner. A major consideration involved in determining the feasibility of this relocation was consideration of how Dr. Linner and the Center might complement and interact with the other research groups located in The Woodlands Research Forest. We concluded that, indeed, the Cryobiology Research Center would be an important addition to the activities in the Forest and, on that basis, decided to pursue discussions which would lead to a formal agreement with the Board of Regents of the University of Texas System.

May 5, 1986
Dr. R. W. Butcher

Page 2

PROPOSAL

After some preliminary discussions on the matter, we asked for, and received, an itemized two year budget for the relocation and support of the Cryobiology Research Center. This budget, under cover of a letter dated December 5, 1985, from Bob Davis of your office, to David Gottlieb of TWC, set forth both space and dollar needs for this initial period. It was understood that the budget presented for this two year period was expressed as "funds needed", as opposed to "funds requested" from TWC.

Subsequent discussions produced some modifications of the original estimates. Furthermore, it was agreed that the success of the Center to attract external funding might further reduce TWC and the University's funding obligations. Still, since it was important to frame a firm proposal for the Regents' consideration, the following budget outline, as previously discussed with you, is hereby provided.

- I. The Woodlands Corporation pledges to support the relocation and research activities of the Cryobiology Research Center at The Woodlands Research Forest for a period of two (2) years, commencing with the opening of the Center which is estimated to be October 1, 1986, by contributing a sum of money, not to exceed Five Hundred Eighty Thousand Dollars (\$580,000.00) payable in twenty-four (24) equal installments. This two year commitment represents funds to provide suitable laboratory and office space sufficient to assure the viability of the Center for the two (2) year period.
- II. The University of Texas Health Science Center at Houston agrees to provide a sum of money not to exceed Six Hundred Eighty-eight Thousand Dollars (\$688,000.00) over a period of two (2) years. It is understood that these funds will provide for salaries, fringe benefits, certain specialized equipment, and equipment maintenance.
- III. The University of Texas Health Science Center at Houston intends to support the Cryobiology Research Center in The Woodlands Research Forest for an additional three (3) year period beginning October 1, 1988. It shall be understood that this support shall include the provision of funds for lease space, sufficient for the operation of a viable research center, either from University funds, external contract and/or grant funds.

3952

May 5, 1986
Dr. R. W. Butcher

Page 3

- IV. The programs of the Cryobiology Research Center will be evaluated by the University of Texas Health Science Center at Houston at the end of the second year of operations (September 30, 1988) to determine level of continued support beginning October 1988.
- V. CryoM Corporation, partially owned by The Woodlands Venture Capital Company, an affiliate of The Woodlands Corporation, under the terms of a separate exclusive licensing agreement with the Board of Regents, has agreed to contribute the sum of Three Hundred Sixty Thousand Dollars (\$360,000.00) to the University of Texas Health Science Center at Houston.
- VI. It is understood that the University and TWC will, prior to October 1, 1986, mutually agree to formal contract documents on the preceding points, to be submitted to the Board of Regents for review and approval.

As you know, Bill, we are most excited about the relationship being proposed here. We look forward to a long and mutually beneficial collaboration.

Sincerely,

Michael Richmond

Michael Richmond

David Gottlieb

David Gottlieb

DG:MR:cam

3953

4. U. T. Health Science Center - Houston: Approval of Sublease and Affiliation Agreement with The Gamma Foundation, Houston, Texas, and Authorization for the Executive Vice Chancellor for Health Affairs to Make Necessary Changes Thereto and Execute Final Sublease and Affiliation Agreement for the Establishment of the Brain and Neurosciences Research Institute.--At the February 1986 meeting, the U. T. Board of Regents agreed in principle to the establishment of a formal relationship between The Gamma Foundation, Houston, Texas, and The University of Texas Health Science Center at Houston for the support of the operation of an institute for research relating to brain and neurological systems.

Upon recommendation of the Health Affairs Committee, the Board:

- a. Agreed to the provisions, terms, and conditions of the Sublease and Affiliation Agreement set forth on Pages 89 - 120 by and between The Gamma Foundation, Houston, Texas, and the U. T. Health Science Center - Houston for the establishment of the Brain and Neurosciences Research Institute
- b. Authorized the Executive Vice Chancellor for Health Affairs to make necessary changes thereto so long as they are not substantial, and instructed the Executive Vice Chancellor for Health Affairs to return to the Board for approval of substantial changes
- c. Authorized the Executive Vice Chancellor for Health Affairs to execute the final Sublease and Affiliation Agreement on behalf of the U. T. Board of Regents.

The concept is that the U. T. Health Science Center - Houston and The Gamma Foundation will establish permanent research activities and attract world-class scientists to conduct research activities at the Institute. The financial contribution of the U. T. Health Science Center - Houston will be to furnish appropriate facilities for the Institute, at a nominal cost.

The Brain and Neurosciences Research Institute will be free-standing and the scientists will be responsible to the director of the Institute. The director is responsible to The Gamma Foundation's Board of Trustees.

BRAIN AND NEUROSCIENCES RESEARCH INSTITUTE

SUBLEASE AND AFFILIATION AGREEMENT

THE GAMMA FOUNDATION

THE BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM
ON BEHALF OF
THE UNIVERSITY OF TEXAS HEALTH
SCIENCE CENTER AT HOUSTON

JUNE 1986

Table of Contents

Sublease and Affiliation Agreement

Parties
Recitals

Part I: NAME OF INSTITUTE, EXHIBITS AND DEFINITIONS

Section 1. Name of Institute.....
Section 2. Exhibits.....
Section 3. Definitions.....

Part II: MISSION OF AND USE OF SUBLEASED PREMISES

Section 4. Mission of Institute.....
Section 5. Use of Subleased Premises.....

Part III: SUBLEASE

Section 6. Demise of Subleased Premises.....
Section 7. Facilities.....
Section 8. Alterations.....
Section 9. Utilities.....
Section 10. Repairs and Maintenance.....
Section 11. Mechanic's Liens.....
Section 12. Damage and Destruction.....
Section 13. Access.....
Section 14. Right of Inspection.....
Section 15. Covenants Run with Land.....
Section 16. Quiet Possession.....
Section 17. Rent.....
Section 18. No Subletting

Part IV: AFFILIATION AGREEMENT

Section 19. Responsibilities of The Gamma Foundation...
Section 20. Use of Names, Intellectual Property
Policy, and Licenses.....
Section 21. Responsibilities of UTHSC-H.....
Section 22. Cooperation.....
Section 23. Faculty Assignments.....
Section 24. Faculty Appointments.....
Section 25. Joint Employment.....
Section 26. Nonassignability.....

Part V. MISCELLANEOUS PROVISIONS

Section 27. Accreditation.....
Section 28. Governmental Regulations.....
Section 29. Force Majeure.....
Section 30. Default, Remedies and Waivers.....
Section 31. Waivers.....
Section 32. Applicable Law.....
Section 33. Compliance with Law.....
Section 34. Partial Invalidity.....
Section 35. No Partnership or Joint Venture.....
Section 36. Liabilities and Indemnification.....
Section 37. Taxes and Insurance.....
Section 38. Notices.....
Section 39. Construction of Agreement.....
Section 40. Amendments.....
Section 41. Limitation.....

Part VI: TERM

Section 42. Term of Sublease.....
Section 43. Term of Affiliation Agreement.....

Part VII: CONDITIONS

Section 44. Conditions.....

Execution by Parties

Attachments

- Exhibit 1: Survey of Leased Premises
- Exhibit 2: Floor Plans of Leased Premises
- Exhibit 3: Description of Subleased Premises
- Exhibit 4: List of Services to be Provided Under
Sublease
- Exhibit 5: Policy on Intellectual Property

BRAIN AND NEUROSCIENCES RESEARCH INSTITUTE
SUBLEASE AND AFFILIATION AGREEMENT

PARTIES

THIS SUBLEASE and AFFILIATION AGREEMENT by and between The Gamma Foundation, a Texas nonprofit corporation, and The Board of Regents of The University of Texas System, acting on behalf of its component institution, The University of Texas Health Science Center at Houston,

WITNESSETH:

RECITALS

WHEREAS, The Gamma Foundation is a Texas, nonprofit, tax-exempt corporation, with the principal purpose of engaging in basic research with respect to the brain and related neurological systems, and

WHEREAS, the Board of Regents of The University of Texas System, pursuant to Senate Bill 1295, 69th Legislature, Regular Session, 1985, (Section 73.501, Texas Education Code), is vested with the governance, operation, management, and control of The University of Texas Mental Sciences Institute (UTMSI), which is a part of The University of Texas Health Science Center at Houston (UTHSC-H), and

WHEREAS, The Gamma Foundation desires to enter into a sublease of a portion of the premises of UTMSI and an affiliation agreement with The University of Texas Health Science Center at Houston, for the purpose of operating a research institute on such premises to be called The Brain and Neurosciences Research Institute, and

WHEREAS, U. T. Board of Regents considers such a proposal consistent with the intent and purposes of Senate Bill 1295 and the commitment of UTHSC-H to education, research, and care of patients with mental illness as evidenced by the establishment of UTMSI and the operation of the new 250-bed Harris County Psychiatric Center by UTHSC-H,

NOW, THEREFORE, THE PARTIES MUTUALLY AGREE AS FOLLOWS:

Part I: NAME OF INSTITUTE, EXHIBITS AND DEFINITIONS

Section 1. Name of Institute

The Gamma Foundation hereby names the institute, to be established at the Subleased Premises at The University of Texas Health Science Center at Houston, "The Brain and Neurosciences Research Institute." It may be referred to as "Brain/Neurosciences Research Institute."

Section 2. Exhibits

Incorporated into this Sublease and Affiliation Agreement and made a part hereof for all purposes as if recited verbatim or described fully and completely are the following exhibits:

- EXHIBIT 1: Survey of Leased Premises
- EXHIBIT 2: Floor Plans of Leased Premises
- EXHIBIT 3: Description of Subleased Premises

- EXHIBIT 4: List of Services to be Provided Under
Sublease and Cost Schedule
EXHIBIT 5: Policy on Intellectual Property

Section 3. Definitions

The following definitions apply throughout this Sublease and Affiliation Agreement unless it is expressly indicated otherwise or unless the context indicates another meaning:

"Administrative Services" means those services, to be provided by The University of Texas Health Science Center at Houston to The Gamma Foundation for The Brain and Neurosciences Research Institute, listed in Exhibit 4.

"Agreement for Lease and Transfer" means that agreement, dated August 19, 1985, by and between the Texas Board of Mental Health and Mental Retardation and U. T. Board of Regents wherein the facilities of the former Texas Research Institute of Mental Sciences were leased by MHMR to U. T. Board of Regents and U. T. Board of Regents established UTMSI.

"Authorized representatives" mean those persons authorized in writing by The Gamma Foundation and the U. T. Board of Regents to take such actions as are necessary under this Sublease and Affiliation Agreement.

"Board of Regents of The University of Texas System" or "U. T. Board of Regents" means the governing board of The University of Texas System of higher education institutions.

"Effective Date" means the date upon which the Subleased Premises are accepted for occupancy by The Gamma Foundation.

"Facilities" mean that portion of the building currently housing The University of Texas Mental Sciences Institute, as described in Exhibits 2 and 3.

"Leased Premises" means the land, the legal description of which is found at Exhibit 16 of the Agreement for Lease and Transfer, and buildings, improvements, and major fixed equipment situated thereon, including all utilities.

"Subleased Premises" means that interior portion of the Leased Premises that is drawn on the floor plans at Exhibit 2 and more particularly described at Exhibit 3, together with the Facilities situated thereon, the schedules of fixed equipment and provided utilities, and the number of parking spaces listed at Exhibit 4, or other mutually agreed upon premises at UTHSC-H.

"The Gamma Foundation" means the Texas, nonprofit corporation of that name.

"The University of Texas Health Science Center at Houston" or "UTHSC-H" means the health institution that is a component of The University of Texas System.

"The University of Texas System Center for High Performance Computing" or "CHPC" means the center for high performance computing located at the Balcones Research Center on the campus of The University of Texas at Austin in Austin, Texas.

"Utilities" means those services provided by or through UTHSC-H as listed at Exhibit 4.

Part II: MISSION OF AND USE OF SUBLEASED PREMISES

Section 4. Mission of Institute

The mission of The Brain and Neurosciences Research Institute shall be to recruit and provide facilities for world-class scientists to engage in basic neuroscience research projects with respect to the brain and related neurological systems.

Section 5. Use of Subleased Premises

The Gamma Foundation covenants that the Subleased Premises shall be used and maintained throughout the Term of the Sublease or Term of the Affiliation Agreement as a basic science research institute for projects directly related to the mission of The Brain and Neurosciences Research Institute. The Gamma Foundation covenants not to abandon the Subleased Premises and not to use the Subleased Premises for any purpose other than as stated herein.

Part III: SUBLEASE

Section 6. Demise of Subleased Premises

- (a) U. T. Board of Regents, as Sublessor of the Subleased Premises, in consideration of the rents, covenants, agreements, and conditions herein set forth, and for other good and valuable consideration, which The Gamma Foundation, acting as Sublessee herein, on behalf of The Brain and Neurosciences Research Institute, hereby agrees shall be paid, kept and performed by Sublessee, does hereby lease, let, demise, and rent exclusively unto Sublessee, and Sublessee does hereby rent and lease from Sublessor, the Subleased Premises, together with all and singular the rights, privileges, and appurtenances thereunto attaching or in anywise belonging or hereinafter provided for under the Terms of this Sublease;

SUBJECT HOWEVER, among other matters, to the provisions of Senate Bill 1295, (Subchapter H, Chapter 73, Texas Education Code), and such other laws as may be enacted by the Texas Legislature relating to Subleased Premises, and subject to the Agreement for Lease and Transfer and the Easements provided for in subsection (b), below;

TO HAVE AND TO HOLD the Subleased Premises subject to the matters as aforesaid, together with all and singular the rights, privileges and appurtenances thereunto attaching or in anywise belonging or hereinafter provided for under the terms of this Sublease, exclusively unto Sublessee, its successors or assigns, for an initial Term commencing on the Effective Date of this Sublease and ending on September 1, 1996, and, unless prior written notice of cancellation is given as provided for herein, automatically renewable for ten-year Terms thereafter; and upon and subject to the covenants, agreements, terms, provisions, and limitations hereinafter set forth, all of which Sublessee covenants and agrees to perform and observe.

- (b) Sublessor, U. T. Board of Regents, retains the right to have access to the premises by way of driveways,

walkways, and corridors of the Subleased Premises for purposes of inspection as provided for at Section 14, below.

Section 7. Facilities

- (a) The Gamma Foundation shall pay all remodeling and partition costs incurred in preparing the Subleased Premises for occupancy, and, upon expiration of the Sublease, shall pay all costs of restoration of the Subleased Premises to their condition as of the date of initiation of remodeling. All plans, specifications, and drawings for remodeling of the premises shall be subject to the approval of UTHSC-H.
- (b) The Subleased Premises and all improvements related thereto that are constructed or otherwise made by The Gamma Foundation to the Subleased Premises, including alterations permitted under Section 8, below, and subject to the provisions of subsection (c), below, shall be subleased by The Gamma Foundation from the date of actual installation and throughout the Term of the Sublease.
- (c) Any and all newly acquired fixtures shall be owned by The Gamma Foundation during the Term of the Sublease, and shall be transferred free of charge to UTHSC-H upon termination of the Sublease and Affiliation Agreement; provided, however, that The Gamma Foundation may remove any fixtures if they can be removed without damage to the Subleased Premises; provided further, that if any fixtures are removed and damage results, The Gamma Foundation agrees to repair the Subleased Premises and to restore them to their original condition. The Gamma Foundation shall own any and all previously acquired or newly acquired movable equipment that it brings into the Subleased Premises. The Gamma Foundation shall maintain an inventory of fixed and movable equipment for purposes of disposition of properties at the expiration of the Sublease and Affiliation Agreement.

Section 8. Alterations

The Gamma Foundation, or its authorized representatives, shall have the right at any time and from time to time after completion of the remodeling, during the Term hereof, subject to the prior written approval of UTHSC-H of the plans, specifications, and drawings for such work, to make any and all necessary or desirable changes and alterations in or to the Subleased Premises or improvements thereto. All such permitted changes and alterations shall be immediately considered a part of the Subleased Premises. The Gamma Foundation covenants and agrees that all work done in connection with any alteration shall be done in a good and workmanlike manner and in compliance with all applicable federal, state, and local rules and regulations.

Section 9. Utilities

- (a) UTHSC-H shall obtain and install utility and sewer services required for use of the Subleased Premises. UTHSC-H shall pay or cause to be paid all charges for gas, electricity, water, sewer service, telecommunications, and other utilities obtained for the Subleased Premises during the Term of the Sublease and all sewer use charges or similar charges or assessments for

utilities levied against the Subleased Premises during the Term of the Sublease.

- (b) Telecommunication and data support services provided by UTHSC-H to The Brain and Neurosciences Research Institute shall be substantially equivalent to those services available to all departments or divisions of UTHSC-H, with no unnecessary barriers to transparent linking of facilities, including reasonable access to The University of Texas System Center for High Performance Computing (CHPC); provided, however, that access to such services shall always be subject to the rules and regulations of the CHPC Executive Committee and the Rules and Regulations of the U. T. Board of Regents.
- (c) The Gamma Foundation shall reimburse UTHSC-H for these services in accordance with the terms of Exhibit 5.

Section 10. Repairs and Maintenance

- (a) The Gamma Foundation covenants, throughout the Term hereof, to take good care of the Subleased Premises and all improvements to and upon the Subleased Premises and, subject to the provisions of the Sublease, elsewhere set forth, to keep the same in good working order and condition, excepting reasonable wear and tear, and to make all necessary nonstructural repairs to the interior of the Subleased Premises. The Gamma Foundation shall keep and maintain all portions of the improvements within the Subleased Premises in a clean, orderly, and safe condition.
- (b) UTHSC-H shall keep and maintain in good repair the exterior of the Subleased Premises and the structural, mechanical, and heating, ventilating, and air conditioning aspects of the Subleased Premises.

Section 11. Mechanics' Liens

The Gamma Foundation shall not suffer or permit any mechanics' or materialmen's liens to be affixed or enforced against the Subleased Premises by reason of work, labor, services or materials supplied or claimed to have been supplied to The Gamma Foundation on behalf of The Brain and Neurosciences Research Institute or anyone holding the Subleased Premises, or any part thereof, through or under the Sublease. If any such mechanics' or materialmen's liens shall at any time be filed against the Subleased Premises, The Gamma Foundation shall, within ninety (90) days after notice to The Gamma Foundation of the filing thereof, cause the same to be discharged of record or make provisions acceptable to the U. T. Board of Regents for the discharge of such lien; provided, however, that The Gamma Foundation shall have the right to contest the amount or validity, in whole or in part, of any such lien by appropriate proceedings.

Section 12. Damage and Destruction

If, at any time during the Term of the Sublease, the Subleased Premises or any part thereof shall be damaged or destroyed by fire or other casualty of any kind or nature, ordinary or extraordinary, foreseen or unforeseen, The Gamma Foundation shall repair, alter, restore, replace or rebuild the same to the extent that insurance proceeds, if any, are received by The Gamma Foundation to do so, and in such manner as the parties may mutually agree is appropriate.

Section 13. Access

U. T. Board of Regents hereby retains the right to have access to its premises by way of driveways, walkways, and corridors of the Subleased Premises.

Section 14. Right of Inspection

U. T. Board of Regents, or its authorized representatives, shall have full right and authority to enter in and upon the Subleased Premises, and any building or improvements thereon, at any and all reasonable times during the Term of the Sublease upon reasonable notice to The Gamma Foundation for the purpose of inspecting the same, without the interference or hindrance by The Gamma Foundation, its agents or representatives.

Section 15. Covenants Run with Land

All of the covenants, agreements, conditions and restrictions set forth in this Sublease and Affiliation Agreement are intended to be and shall be construed as covenants running with the land.

Section 16. Quiet Possession

The U. T. Board of Regents covenants to The Gamma Foundation that if The Gamma Foundation shall discharge the covenants, agreements and obligations herein set forth to be performed, The Gamma Foundation shall have and enjoy, during the Term hereof, the quiet and undisturbed possession of the Sublease Premises.

Section 17. Rent

The Gamma Foundation shall pay one dollar (\$1.00) per year to U. T. Board of Regents for the Sublease.

Section 18. No Subletting

The Gamma Foundation shall not have the right to sublet any portion of the Subleased Premises.

Part IV: AFFILIATION AGREEMENT

Section 19. Responsibilities of The Gamma Foundation

For purposes of this Sublease and Affiliation Agreement, The Gamma Foundation:

- (a) shall establish, manage, and operate The Brain and Neurosciences Research Institute within the Subleased Premises;
- (b) shall appoint the President of the UTHSC-H to its Board of Directors;
- (c) shall consult with the President of UTHSC-H prior to appointing a director of The Brain and Neurosciences Research Institute to serve at the pleasure of The Gamma Foundation; any dismissal of

- the Director shall be with the consultation of the President of UTHSC-H;
- (d) shall establish and maintain a program of research fellowships;
 - (e) shall employ research scientists who meet the qualifications for appointment to the faculty of UTHSC-H;
 - (f) shall establish and maintain employment policies that:
 - (1) provide classified positions at salaries comparable to similar positions at UTHSC-H; and
 - (2) require full consultation with UTHSC-H prior to employment;
 - (g) shall pay UTHSC-H for those items scheduled on Exhibit 5;
 - (h) shall annually report any results of research projects to U. T. Board of Regents;
 - (i) may accept undergraduate or graduate students for educational experience programs or for part-time project assignments by executing standard affiliation agreements and program agreements; and
 - (j) shall act on such other matters as the parties may agree upon in writing from time to time.

Section 20. Use of Names, Intellectual Property Policy, and Licenses

(a) Use of Names

The names "Board of Regents of The University of Texas System," "The University of Texas Health Science Center at Houston," "The University of Texas Mental Sciences Institute," "The University of Texas System Center for High Performance Computing," and any abbreviated forms thereof, as well as logos, or any other symbols of these entities, may not be used in any way by The Gamma Foundation in any advertisement, prospectus, or solicitation materials, without prior written approval of the full text of the material by U. T. Board of Regents or its authorized representatives.

(b) Intellectual Property Policy

- (1) The Intellectual Property Policy of U. T. Board of Regents, and amendments thereto, shall govern the intellectual property rights of members of the UTHSC-H faculty. Any license fees or royalties received by the U. T. Board of Regents that are derived by UTHSC-H faculty from work done at The Brain and Neurosciences Research Institute shall be used by U. T. Board of Regents in such a manner as to support the mission of The Brain and Neurosciences Research Institute.
- (2) The Policies on Intellectual Property of The Brain and Neurosciences Research Institute as promulgated by The Gamma Foundation, as set out in Exhibit 5, and as may from time to time be modified, shall

3964

govern those of its employees and faculty members from universities other than component institutions of The University of Texas System.

- (3) The Gamma Foundation agrees that The Brain and Neurosciences Institute shall timely convey in any convenient manner information and intangibles such as in seminars and informal consultations, and tangibles such as biomaterials, reports, experimental data, prototypes, etc., to designated employees in order that significant intellectual properties can be created for the benefit of the parties and their mutual commitment to the public. Accordingly, a full flow of scientific information, both intangibles and tangibles is intended to occur, with rights to any intellectual properties being determined by the respective intellectual property policies of the parties hereto.
- (4) The Gamma Foundation and U. T. Board of Regents agree to keep each other informed of changes in intellectual property policies and to make efforts to maintain reasonably consistent policies that produce equitable results for all concerned.

(c) Licenses

With respect to any intellectual property owned or developed by The Gamma Foundation for which licenses may be issued, The Gamma Foundation during the term of this Sublease and Affiliation Agreement hereby agrees to grant U. T. Board of Regents, U. T. System, and its component institutions a royalty-free, nonexclusive, irrevocable and nontransferable license for the use of such intellectual property, but not to make and sell nor license to others.

Section 21. Responsibilities of UTHSC-H

For purposes of this Sublease and Affiliation Agreement, U. T. Board of Regents acting through UTHSC-H:

- (a) shall provide those administrative and other services to The Brain and Neurosciences Research Institute as scheduled at Exhibit 4;
- (b) may assign faculty to The Brain and Neurosciences Research Institute, as provided in Section 24;
- (c) may make available UTHSC-H undergraduate and graduate students for the support of the research projects of The Brain and Neurosciences Research;
- (d) shall assist The Gamma Foundation by supplying any necessary information for applications for research project grants;
- (e) shall act on such other matters as the parties may agree upon in writing from time to time; and
- (f) shall take all necessary steps to keep its lease of the Leased Premises in effect during the Term of this Sublease and Affiliation Agreement.

Section 22. Cooperation

The Gamma Foundation and U. T. Board of Regents recognize their mutual interests in carrying out the provisions of the Sublease and Affiliation Agreement and agree that there shall be consultation and good faith cooperation between them and among all of their respective authorized representatives.

Section 23. Faculty Assignments

UTHSC-H may assign its faculty members to full or part-time project assignments that the President of UTHSC-H finds appropriate to UTHSC-H, and in accordance with the terms of written contracts for services mutually agreed upon between The Gamma Foundation and UTHSC-H.

Section 24. Faculty Appointments

Research scientists of The Gamma Foundation working at The Brain and Neurosciences Research Institute may apply to UTHSC-H for appointment to the faculty. UTHSC-H shall process such applications for appointment in accordance with U. T. Board of Regents' Rules and Regulations and the UTHSC-H Handbook of Operating Procedures.

Section 25. Joint Employment

Nothing contained in this Sublease and Affiliation Agreement shall prohibit additional agreements providing for the joint employment of persons by The Gamma Foundation and U. T. Board of Regents and for pro rata apportionment of salaries.

Section 26. Nonassignability

Neither party hereto may assign its interests under this Sublease and Affiliation Agreement without the prior written consent of the other party.

Part V: MISCELLANEOUS PROVISIONS

Section 27. Accreditation

The Gamma Foundation shall cause the administrative practices and procedures of The Brain and Neurosciences Research Institute to meet applicable accreditation standards consistent with or required by any rules and regulations of persons granting The Brain and Neurosciences Research Institute funds for research.

Section 28. Government Regulations

The Gamma Foundation shall cause The Brain and Neurosciences Research Institute to be operated in such a manner as to comply with any and all applicable governmental regulations involving research projects it anticipates engaging or has engaged.

Section 29. Force Majeure

The time within which either party hereto shall be required to perform any act under the Sublease and Affiliation Agreement shall be extended by a period of time equal to the number of days during which performance of such act is delayed unavoidably by strikes, lockouts, Acts of God, governmental restrictions, failure or inability to secure materials or labor by reason of priority or similar regulations or order of any governmental or regulatory body, enemy action, civil disturbance, fire, unavoidable casualties or any other cause beyond the reasonable control of either party hereto; provided, however, that the party whose performance is delayed shall give written notice of the cause of such delay within a reasonable time period following the event or events relied upon as cause.

Section 30. Default, Remedies, and Waivers

In the event of any default in performance of any covenant contained in this Sublease and Affiliation Agreement, the aggrieved party shall notify the defaulting party regarding the particulars of such default in writing, which writing shall designate a reasonable period of time (but at least thirty (30) days) for the cure of such default (or if the aggrieved party so chooses, for the accomplishment of an alternative proposal described therein which shall be acceptable to said party as grounds for waiver of default). If the defaulting party shall have failed to cure the default (or to comply substantially with any such alternative proposal) identified in such notice within such reasonable period following said notice, then such aggrieved party may, in addition to and not in lieu of any other remedy otherwise available, terminate the Sublease and Affiliation Agreement by giving written notice thereof to the other party, in which case such termination shall occur on the date stated in said notice.

Section 31. Waivers

No variations, modifications or changes herein or hereof shall be binding upon any party hereto unless reduced to writing and duly executed by the parties hereto or their duly authorized representatives. No waiver or waivers of any breach or default or any breaches or defaults by either party of any term, condition or liability of or a performance by the other party of any duty or obligation hereunder, including without limitation the acceptance by U. T. Board of Regents of payment by The Gamma Foundation of any rentals, balances, or portions of accounts due, or reimbursements due at any time or in any manner other than as herein provided, shall be deemed a waiver thereof or of any waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver or waivers of subsequent breaches or defaults of any kind, character or description under any circumstances.

Section 32. Applicable Law

The Sublease and Affiliation Agreement shall be construed according to and be enforceable in accordance with the laws of the State of Texas.

Section 33. Compliance with Law

The Gamma Foundation covenants that during the Term of the Sublease and Affiliation Agreement, it will cause compliance, at its sole cost and expense, with all federal, state, or local laws that may be applicable to the Subleased Premises, the buildings, improvements and building equipment to be situated on the Subleased Premises, the use or manner of use of the Subleased Premises or the carrying on of business on the Subleased Premises.

Section 34. Partial Invalidity

If any term, provision, condition or covenant of the Sublease and Affiliation Agreement or the application thereof to any party or circumstances shall, to any extent, be held invalid or unenforceable, the remainder of the Sublease and Affiliation Agreement, or the application of such term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of the Sublease and Affiliation Agreement shall be valid and enforceable to the fullest extent permitted by law.

Section 35. No Partnership or Joint Venture

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

Section 36. Liabilities and Indemnification

- (a) By entering into and performing the Sublease and Affiliation Agreement, U. T. Board of Regents shall not assume or become liable for any of the obligations, liabilities or debts of The Gamma Foundation, its employees, doctors, research scientists, agents, or servants.
- (b) The Gamma Foundation shall indemnify and hold harmless U. T. Board of Regents, its officers, employees and agents, UTHSC-H, its officers, employees, and agents, from any and all liability, loss, cost or obligation, including without limitation reasonable attorneys' fees and expenses, on account of, or arising out of any injury to or death of persons, or damage to property from whatever cause, while in or on the Subleased Premises, or in any way connected with occupancy by The Gamma Foundation of the Subleased Premises or with the improvements or personal property thereon or therein, including any liability for injury to or death of persons, or damage to property of The Brain and Neurosciences Research Institute, its officers, doctors, research scientists, employees and agents, but excluding any injury, death or damage caused by the willful or negligent acts or omissions of U. T. Board of Regents, its officers, employees or agents.
- (c) The Gamma Foundation agrees to indemnify and hold harmless the U. T. Board of Regents, The University of Texas System, the component institutions, their officers, agents, and employees from any liability, loss or damage they may suffer as a result of claims, demands, costs or judgments against them arising out of the activities to be carried out pursuant to the obligations of this Sublease and Affiliation Agreement and the use by The Gamma Foundation of the results obtained from

their activities hereunder as well as activities performed by components of U. T. Board of Regents under this Sublease and Affiliation Agreement, save and except for any such liability, loss or damage resulting from the following:

- (1) a negligent failure of a component institution to comply with any applicable FDA or other governmental requirements; or
- (2) any willful or negligent act or omission of the U. T. Board of Regents, or any officer, employee, or agent of The University of Texas System or its components.

Both parties agree that within thirty (30) days of the receipt of a notice of claim or action arising out of the activities to be carried out pursuant to the activities described in this Agreement, that party will notify the other. The Gamma Foundation agrees, at its own expense, to provide attorneys to defend against any actions brought or filed against U. T. Board of Regents, The University of Texas System, its component institutions, officers, employees, or agents with respect to the subject of indemnity contained herein, whether such claims or actions are rightfully brought or filed, and U. T. Board of Regents agrees to cooperate with The Gamma Foundation in the defense of such claim or action.

- (d) Neither The Gamma Foundation nor U. T. Board of Regents acts under the terms of this Sublease and Affiliation Agreement as an agent for the other.
- (e) Notwithstanding anything contained in this Sublease and Affiliation Agreement to the contrary, the indemnity obligations of The Gamma Foundation under this Section shall be limited to the amount of insurance proceeds, if any, that are actually received by The Gamma Foundation.

Section 37. Taxes and Insurance

- (a) The Gamma Foundation and U. T. Board of Regents, as nonprofit and charitable institutions, are generally exempt from payment of ad valorem or other taxes based upon ownership, rental or occupancy of real property. In the event that any governmental entity should assert or contend that this Sublease and Affiliation Agreement may create a possessory interest subject to property taxation and that The Gamma Foundation may be subject to property taxation and that The Gamma Foundation may be subject to the payment of such taxes, The Gamma Foundation agrees to pay prior to delinquency any taxes that may be lawfully levied; provided, however, that The Gamma Foundation may contest any assessment of such taxes and, in such event, U. T. Board of Regents shall cooperate and furnish any data appropriate to prosecute such contest by The Gamma Foundation.
- (b) The Gamma Foundation shall maintain comprehensive general liability insurance or self-insurance to cover the acts and omissions of its respective officers, employees and agents during the Term of this Sublease and Affiliation Agreement, such insurance policies to name U. T. Board of Regents as an additional insured. The liability coverage for bodily injury and property damage shall at all times be at least One Million Dollars (\$1,000,000) combined single limit per person per occurrence, and shall, upon request and if permissible, name the other party as an additional

insured insofar as its interest in the Subleased Premises and this Sublease and Affiliation Agreement may be concerned. Upon request, The Gamma Foundation shall furnish U. T. Board of Regents with a copy of the policy or policies evidencing such coverage or a certificate of insurance in the case of blanket coverage, and shall give at least thirty (30) days' written notice before any such insurance is cancelled or changed with respect to parties, coverage or limits of liability.

Section 38. Notices

Any notice, communication, request, reply or advice, or duplicate thereof (hereinafter severally and collectively, for convenience, called "Notice") in this Sublease and Affiliation Agreement provided or permitted to be given, made or accepted by the parties must be in writing, and may, unless otherwise in this instrument expressly provided, be given or be served by depositing the same in the United States mail, postpaid and registered or certified and addressed to the party to be notified, with return receipt requested; or by delivering the same in person to such party. Notice deposited in the mail in the manner hereinabove described shall be effective from and after the expiration of five (5) days after it is so deposited. Notice given in any other manner shall be effective only if and when actually received by the party to be notified. For purposes of this Section the addresses of the persons to be notified on behalf of the parties shall, until changed as hereinafter provided, be as follows:

If to The Gamma Foundation, addressed to:

The Gamma Foundation
3301 First City Tower
1001 Fannin
Houston, Texas 77002-6760
Attention: Rush Record

with a copy to:

Vinson & Elkins
3300 First City Tower
1001 Fannin
Houston, Texas 77002-6760
Attention: James B. Rylander, Attorney

If to U. T. Board of Regents, addressed to:

The Board of Regents of The University of Texas
System
c/o The University of Texas System
Office of the Board of Regents
201 West Seventh Street
Austin, Texas 78701
Attention: Arthur H. Dilly, Executive Secretary

with copies to:

The University of Texas Health Science Center
at Houston
P. O. Box 20036
Houston, Texas 77225
Attention: Dr. Roger J. Bulger, President

Office of General Counsel
The University of Texas System
201 West Seventh Street
Austin, Texas 78701
Attention: John L. Darrouzet, Attorney

However, the parties hereto shall have the right from time to time and at any time to change the name and address of the person or persons to be notified on their behalf by at least fifteen (15) days' written notice to the other party.

Section 39. Construction of Agreement

This Sublease and Affiliation Agreement shall be construed consistent with Senate Bill 1295; the Rules and Regulations of the Board of Regents of The University of Texas System; and the Handbook of Operating Procedures of The University of Texas Health Science Center at Houston; and the Agreement for Lease and Transfer.

Section 40. Amendments

This Sublease and Affiliation Agreement may be amended only by written instrument executed by authorized representatives of the parties hereto.

Section 41. Limitation

Anything to the contrary herein notwithstanding, U. T. Board of Regents does not, by entering into this Sublease and Affiliation Agreement, authorize the expenditure of any state or locally generated funds without prior approval of the U. T. Board of Regents.

Part VI. TERM

Section 42. Term of Sublease

The Sublease between The Gamma Foundation and U. T. Board of Regents shall be for the initial Term beginning on the Effective Date of the Sublease and ending on September 1, 1996, and shall be automatically renewable for ten-year Terms thereafter unless written notice of termination is given prior to a renewal term as provided for herein.

Section 43. Term of Affiliation Agreement

The Affiliation Agreement between The Gamma Foundation and U. T. Board of Regents shall be for the initial Term beginning on the Effective Date of the Sublease and ending on September 1, 1996, and shall be automatically renewable for ten-year Terms thereafter unless written notice of cancellation is given prior to a renewal term.

Part VII. CONDITIONS

Section 44. Conditions

This Sublease and Affiliation Agreement shall be subject to the following conditions:

- (1) For purposes of Section 44, the initial fund raising goal shall be that amount of money proposed in writing by The Gamma Foundation, recommended in writing by the President of UTHSC-H, and approved in writing by the Executive Vice Chancellor of The University of Texas System prior to January 10, 1987.
- (2) Prior to occupancy of the Subleased Premises, The Gamma Foundation must obtain written evidence of pledges acceptable to U. T. Board of Regents or its authorized representatives of firm financial support for The Brain and Neurosciences Research Institute through September 1, 1988, in an amount of money equal to fifty percent (50%) of its initial fund raising goal.
- (3) Prior to commencement of remodeling of the Subleased Premises, The Gamma Foundation must first obtain written evidence of pledges acceptable to U. T. Board of Regents or its authorized representatives, of firm financial support for The Brain and Neurosciences Research Institute through September 1, 1988, in an amount of money equal to seventy percent (70%) of its initial fund raising goal.
- (4) Prior to September 1, 1987, The Gamma Foundation must obtain written evidence of pledges acceptable to U. T. Board of Regents or its authorized representatives of firm financial support for The Brain and Neurosciences Research Institute through September 1, 1988, in an amount of money equal to one hundred percent (100%) of its initial fund raising goal.
- (5) Prior to occupancy, Texas Board of Mental Health and Mental Retardation must have approved this Sublease by formal action.

EXECUTION

Executed on the _____ day of _____, 1986.

ATTEST:

The Gamma Foundation

By: _____

Title: _____

FORM APPROVED:

RECOMMENDED:

Office of General Counsel
The University of Texas
System

Dr. Roger J. Bulger
President
The University of Texas
Health Science Center at
Houston

The Board of Regents of The
University of Texas System

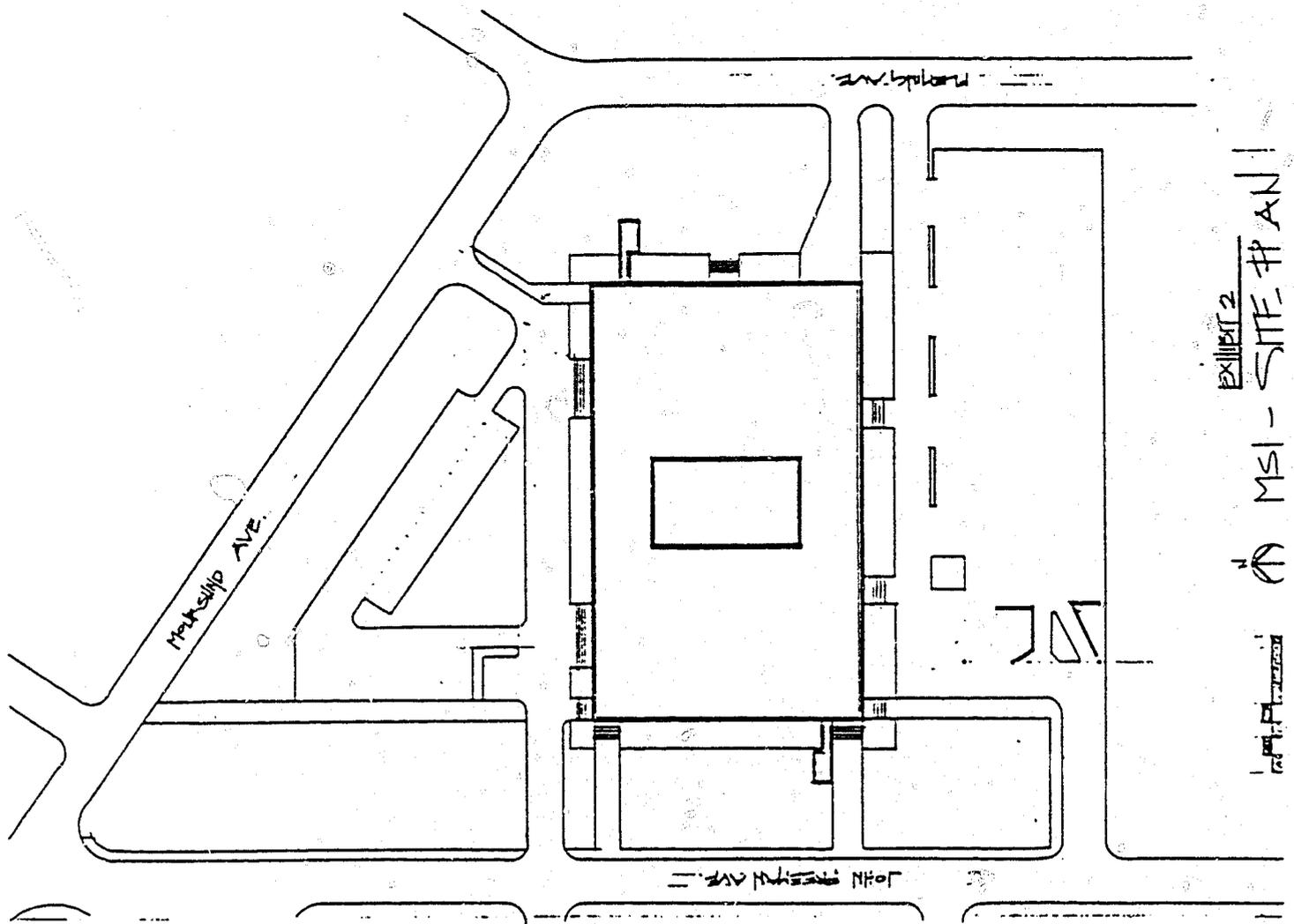
By: _____
Dr. Charles B. Mullins
Executive Vice Chancellor
The University of Texas
System

CERTIFICATE OF APPROVAL
BY U. T. BOARD OF REGENTS

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

Executive Secretary, Board of Regents
The University of Texas System

EXHIBIT 1.
SURVEY OF LEASED PREMISES



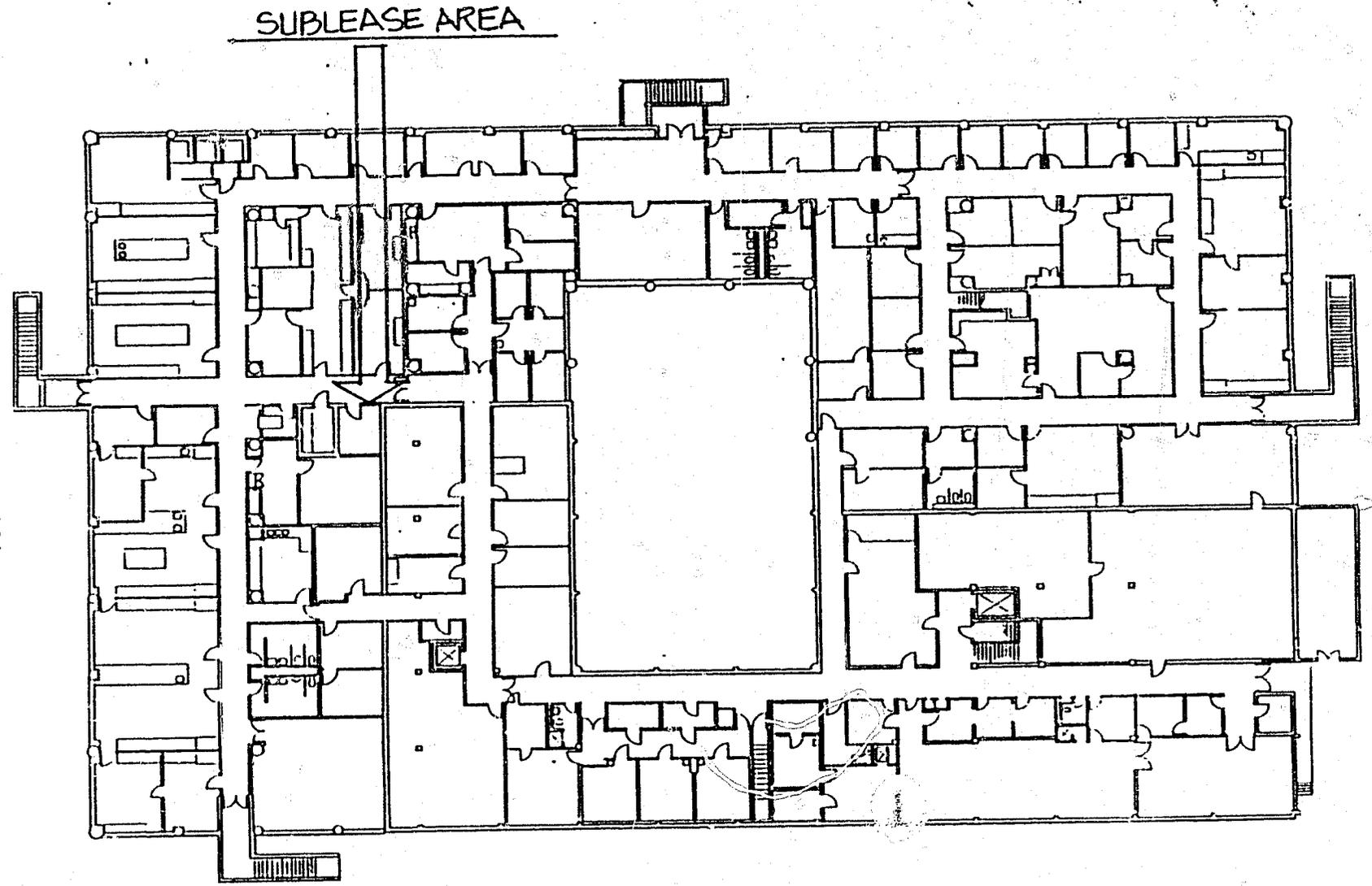
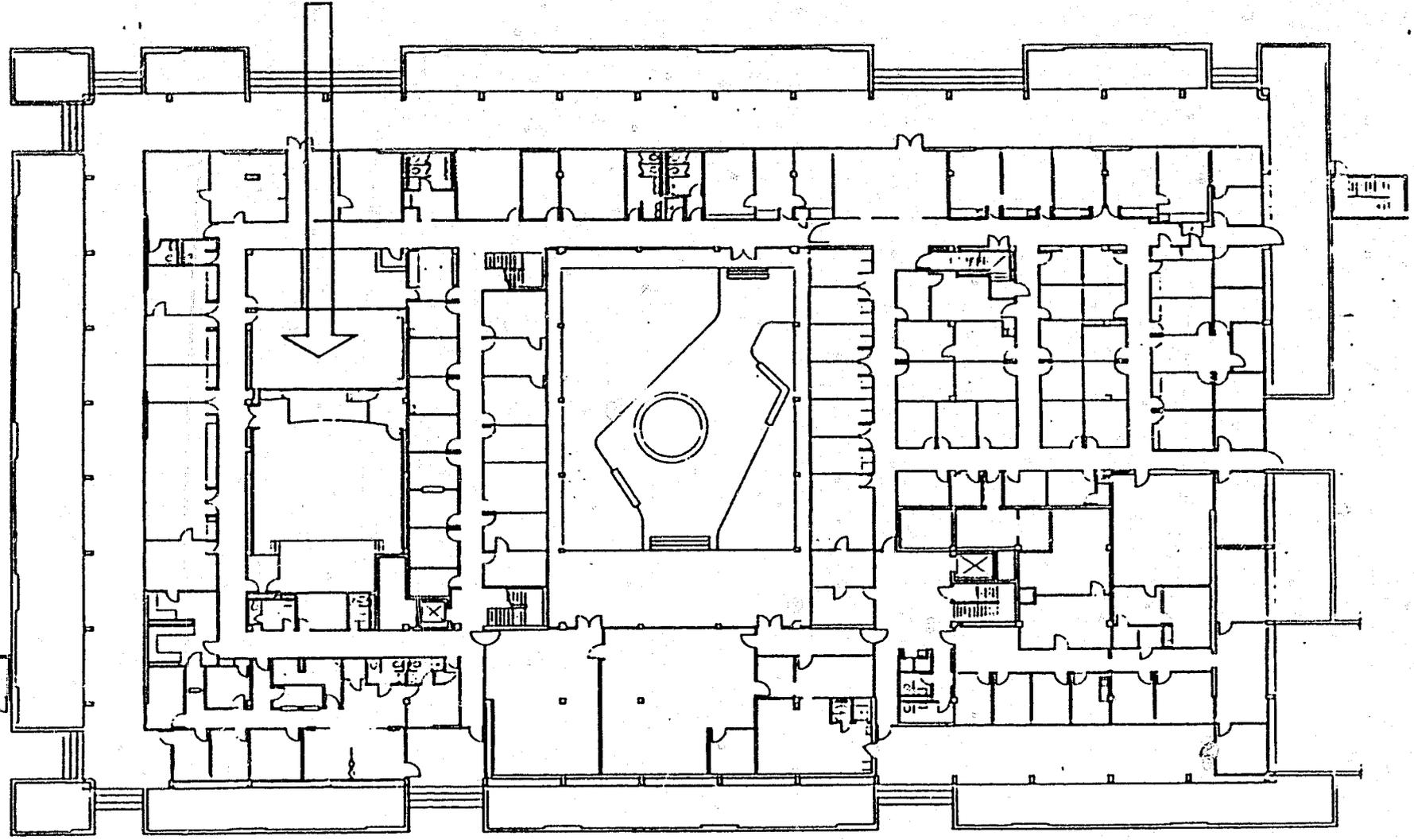


EXHIBIT 3 BASEMENT FLOOR PLAN ϕ MS1-B

- 109 -

3975

SUBLEASE AREA

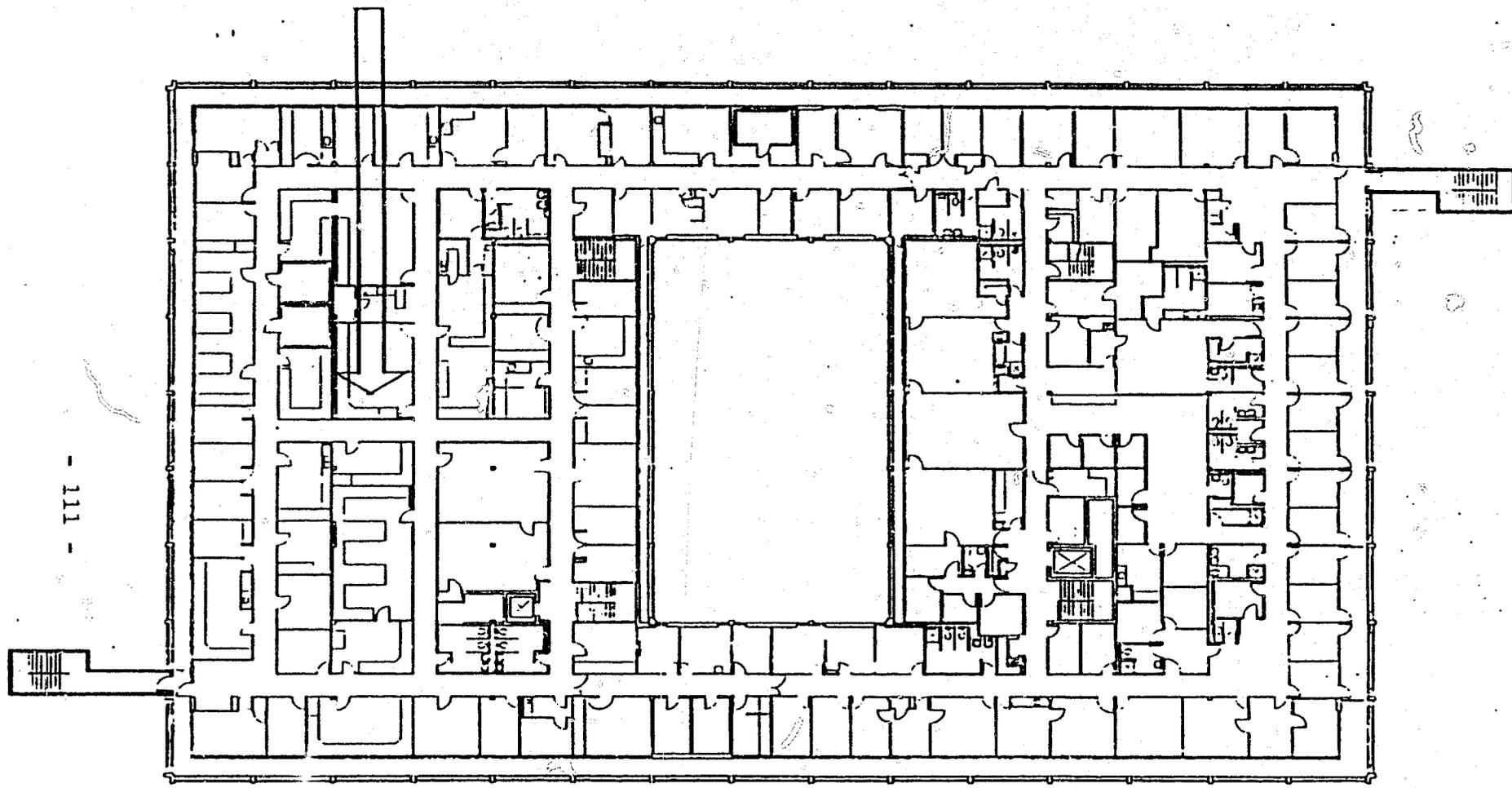


- 110 -

3976

EXHIBIT 3 FIRST FLOOR PLAN MS1-1

SUBLEASE AREA



- 111 -

3977

EXHIBIT 3 SECOND FLOOR PLAN ϕ MSI=2

EXHIBIT 3.

DESCRIPTION OF SUBLEASED PREMISES

The subleased premises will be located in the western part of the basement, first and second floor of the building, approximately equally distributed on each floor, and amounting to approximately 42,000 gross square feet.

The sublease premises include offices, laboratories and support areas having painted drywall partitions, resilient floor finishes and lay-in acoustical ceilings. They are provided with light fixtures, heating ventilating and air conditioning and utilities.

EXHIBIT 4.

LIST OF SERVICES TO BE PROVIDED UNDER SUBLEASE

- Access to The University of Texas Center for High Performance Computing, to magnetic resonance imaging equipment, to cyclotron equipment and other available equipment via separate contractual arrangements with UTHSC-H, subject to the Rules and Regulations of the U. T. Board of Regents and other applicable rules and regulations and subject to established changes.
- Committee for protection of human subjects - When research involves the use of humans, the UTHSC-H has an existing committee for the protection of human subjects available for consultation on a no cost basis to the Brain/Neurosciences Research Institute.
- Accounting/purchasing supplies - The staff of UTHSC-H will assist and provide available information relevant in establishment of accounting and purchasing procedures at the Institute.
- Hiring/salaries - Use of the UTHSC-H Pay Plan and job descriptions should be utilized to insure equitable working conditions. The UTHSC-H and Institute agree not to proselyte employees between institutions.
- Insurance, retirement programs, malpractice - The staff of the UTHSC-H will assist and provide available information relevant in establishment of employee benefits at the Institute.
- Maintenance/repair - The staff of the UTHSC-H will provide routine maintenance to the building and grounds at no expense to the Institute. Requested changes to the existing building will be charged at the same standard rates charged to all departments within the UTHSC-H. All modifications to the building will be requested through the UTHSC-H. Additional air conditioning for cooling of computers and other automated equipment is the responsibility of the user and not funded as part of maintenance.
- Utilities - Utility costs will be assessed on the basis of the percent of usable square footage occupied by the Institute proportionally to the total monthly utility expense of the building.
- Security - The UTHSC-H will provide security services at no cost to the Institute.
- Print Shop/audio visual - The UTHSC-H will provide printing and audio visual services to the Institute. The level of services and corresponding costs will be standard as provided to all departments within the UTHSC-H.
- Computer systems - All direct costs of computer services and equipment will be borne by the Institute. Any indirect cost will be allocated on the basis of the percentage of computer resource units consumed to the total cost.
- Environmental safety - Basic safety services will be provided by the staff of the UTHSC-H at no expense to the Institute. Basic services include the servicing of fire extinguishers, response to emergency situations,

consultations, and surveys of the space. Hazardous waste disposal is not included in the basis services.

- Animals - Animal care facilities are available to the Institute at the same standard rates applicable to all departments within the UTHSC-H.
- Library - Library resources available include the Houston Academy of Medicine Library (UTHSC-H is a member) and The University of Texas Mental Science Institute Library.

POLICY ON INTELLECTUAL PROPERTY

THE BRAIN AND NEUROSCIENCES RESEARCH INSTITUTE

1. Statement of Basic Philosophy and Objectives:

While the creation of intellectual property is not the basic primary function of The Brain and Neurosciences Institute (the Institute), it is the objective of the Institute to provide intellectual property policies which will encourage the development of intellectual creations for the best interest of the public, the creator, the Institute, and the research sponsor, if any, and that will permit the timely protection and disclosure of such intellectual property, whether by development and commercialization, by publication, or other appropriate actions. The Institute's intellectual property policies are intended to protect the respective interests of all concerned by ensuring that the benefits of such intellectual property accrue to the public, the creator, the Institute and the sponsors of specific research in varying degrees of protection, monetary return and recognition, as circumstances justify or require.

2. General Policies:

2.1 The Institute's intellectual property policies shall apply to all persons and entities employed or retained by the Institute, and anyone using the Institute's time or facilities, and postdoctoral and predoctoral fellows.

2.2 The Institute's intellectual property policies shall apply to the following types of intellectual property:

a. Information, data, know-how, ideas, procedures, processes, systems, methods of operation, concepts, principles, inventions, discoveries or improvements, all of which can be the subject of intellectual property rights provided by state contract laws and laws of unfair competition (such as, state laws protecting confidential information and trade secrets and providing the right of first publication), and some of which may also be the subject matter of intellectual property rights provided by United States and foreign patent laws; and

b. Forms of expression of ideas reduced to tangible media of expression and constituting the subject of copyright, thereby becoming subject to the United States copyright laws and giving rise to intangible rights of copyright; and

c. Names and marks (service marks or trademarks) adopted and used by the Institute in connection with its activities, and registrations thereof, which may be the basis of intellectual property rights protecting the goodwill of the Institute in such names and marks and the registrations thereof.

2.3 It is the intent of the Institute's policies to permit the creator(s) of intellectual property

substantial participation in the revenues, if any, received from the development and commercialization of the types of intellectual property specified in Paragraphs 2.2(a) and (b) above commensurate with the Institute's obligations to the various sponsors, governmental units and entities to whom the Institute otherwise owes obligations with respect to the intellectual property in question. However, the Institute shall be the owner of all worldwide rights, title and interest in and to all names and marks adopted and used by the Institute in connection with its business, activities, goods or services and no individual shall have any intellectual property rights in such names and marks, or any registrations thereof, irrespective of the individual's participation in the selection, adoption, or use by the Institute of such names and marks.

2.4 The Institute will review the intellectual property created by persons governed by these policies to determine whether the intellectual property is subject to the state contract laws and laws of unfair competition and, if so, whether it should be protected as confidential information or a trade secret or whether such intellectual property should be published; to determine if in the intellectual property there exist ideas, concepts, inventions, discoveries or improvements which appear to rise to the level of patentable inventions, and, if so, whether applications for United States or foreign Letters Patent should be filed thereon; to determine whether forms of expression of ideas reduced to tangible media of expression, such as source code for computer programs and works of authorship, have given rise to intangible rights of copyright and, if so, how such rights should best be protected; and to evaluate the protection of the Institute's intellectual property rights in its name and marks.

2.5 It is a basic policy of the Institute that intellectual property be developed primarily to serve the public interest. This objective usually will require development and commercialization by nonexclusive licensing, but the public interest in certain circumstances may best be promoted by the grant of a limiting exclusive license or even an exclusive license for the period of a patent. This determination will be recommended and made in accordance with administrative procedures to be hereafter set by the Institute.

3. Classification of intellectual property by degree of Institute involvement:

3.1 Intellectual property which is unrelated to the individual's employment responsibility or the work that he or she has been retained to perform for the Institute and which has been developed as a result of the individual's efforts on his or her own time with no Institute support and no use of the Institute's facilities.

3.2 Intellectual property which is related to the individual's employment responsibilities or the work that he or she has been retained to perform for the Institute or has resulted either from activities performed by the individual on the

Institute's time or with support by or use of the Institute's facilities.

3.3 Intellectual property which has resulted from research supported by a grant or contract with the Federal Government or an agency thereof, a non-profit or forprofit nongovernmental entity, or a private gift to the Institute.

4. Rights and obligations of individuals with respect to the types of intellectual property specified in Sections 2.2(a) and (b) above:

4.1 Intellectual property unrelated to the individual's employment responsibility or the work he or she was retained to perform for the Institute and was developed on the individual's own time and not on the time of the Institute and without Institute support and without use of the Institute's facilities (intellectual property of the type described in Section 3.1 above):

4.1.1 Such intellectual property shall be the exclusive property of the creator(s), and the Institute shall have no right, title or interest in such intellectual property and no claim to any revenues resulting therefrom. The individual creating this type of intellectual property shall be responsible for determining whether such intellectual property is to be maintained under state laws (contract laws and laws of unfair competition) as confidential information or a trade secret, or whether it should be published, or whether the information rises to the level of a patentable invention and, if so, whether an application for patent should be filed thereon, or, in the case of intellectual property covered by the federal copyright laws, whether the work shall be published without maintaining the intangible rights of copyright therein. Should the individual creator choose to offer the intellectual property to the Institute, the Institute shall evaluate the intellectual property and the rights offered to the Institute and, if it has an interest in obtaining some right, title or interest in and to the intellectual property, the Institute shall negotiate with the individual to structure a relationship for the ownership and development of the intellectual property in a manner which comports with the basic philosophies and objectives of the Institute.

4.2 Intellectual property either related to the individual's employment or retainer responsibilities for the Institute, or which results from activities performed using the Institute's time or with support by the Institute's funds or from using the Institute's facilities (intellectual property of the type described in Section 3.2 above):

4.2.1 Before publishing or disclosing any such intellectual property to third parties not affiliated with the Institute, the creator(s) of such intellectual property shall promptly submit such creations to the Institute in writing. The right of the Institute to analyze the creations before they have been published or otherwise disclosed to third parties is paramount as "publishing" a work covered by the federal copyright laws in certain instances results in the loss of all intangible rights of copyright

therein and the act of describing an invention in a printed publication commences the running of the one year so-called "statute of limitations" in which to file an application for United States letters patent and in many foreign countries destroys absolutely the right to obtain patent protection.

- 4.2.2 The Institute shall be entitled to all worldwide right, title and interest in and to such intellectual property (intellectual property of the type described in Section 3.2 above) and all intellectual property rights flowing therefrom, such as, the right to effect first publication, the right to maintain the information in confidence, the right to file applications for United States and the foreign letters patent thereon, and the intangible rights of copyright provided by the federal copyright laws -- unless the Institute decides to assign all or a portion of its worldwide right, title and interest in and to such intellectual property to the creator(s) as hereinafter provided. It is mandatory that all individuals employed or retained by the Institute who participate in the creation of such intellectual property, whether they be academic or nonacademic individuals, assign all right, title and interest in and to such intellectual property to the Institute when their creations fall within the scope of this Section 4.2. It shall also be mandatory that all such individuals employed or retained by the Institute execute all formal documents necessary to effect such assignment and necessary to allow the Institute to maintain and protect its intellectual property rights.
- 4.2.3 Unless the Institute notifies the creator within 90 days of the date of submission and he or she shall be assigned all or a portion of the worldwide right, title and interest in and to such creation, the Institute will have been deemed to have elected to maintain all of its worldwide right, title and interest therein. In the event that the Institute elects to grant or assign to the creator(s) all or a portion of such rights (such as ownership of the information and the right to determine whether the information will be published or maintained in confidence or whether an application for United States letter patent will be filed thereon), then the individual shall be free to publish, market or transfer the information and all intellectual property rights therein as he or she wishes, and the Institute shall have no further rights, obligations or duties concerning such intellectual property and intellectual property rights therein. It is agreed that in some instances the Institute may elect to impose certain limits or obligations on these rights, depending upon the degree of Institute support that was involved in the creation of the intellectual property.
- 4.2.4 If the Institute elects to maintain its worldwide right, title and interest in and to the intellectual property in question, it shall have the right, in its sole discretion, to determine how best to protect the intellectual property and its rights therein and how to proceed with the development of the intellectual property, including but not limited to, the right to determine whether or not

the information, data, know-how, ideas, concepts or the like shall be maintained in confidence or published, the right to determine if components thereof rise to the level of a patentable invention, and if so, whether applications should be filed for United States or foreign Letters Patent, and, with respect to intellectual property covered by the federal copyright laws, to determine what steps should be taken to maintain the intangible rights of copyright therein. In those situations, the Institute shall proceed either through its own efforts or those of appropriate private firms or attorneys to obtain protection and to manage the intellectual property rights in question.

- 4.2.5 It is the intent of the Institute that there shall be a division between the Institute and the creator(s) of all revenues, royalties or other income received by the Institute, after the costs of protecting the intellectual property (such as, by obtaining United States or foreign Letters Patent) and commercializing (such as, licensing) the intellectual property have first been recaptured. It is the intent of the Institute that such division shall ordinarily be 50% to the Institute and 50% to the creator(s), but it is recognized that such division may be subject to the preexisting obligations of the creator(s) to other entities which sponsor the Institute or with which the creator is affiliated. Therefore, in the absence of preexisting obligations of the creator(s) to another entity, such division shall be 50% to the Institute and 50% to the creator(s). If the creator(s) owe preexisting obligations to other entity which requires that such other entities are entities to some right, title or interest in intellectual property conceived, created or developed by the individuals while employed or retained by the Institute, the Institute shall attempt to negotiate an agreement with such other entities that the intellectual property shall be owned by the Institute and that the division of royalties, revenues or income derived from the intellectual property shall be among the Institute and the creator(s). In connection with those negotiations the Institute shall be empowered to grant to the other entity a perpetual, royalty-free, nonexclusive, nontransferable right and license to use (but not to sell, license or otherwise market) the intellectual property in question, as well as to all of the Institute's intellectual property. Further, in connection with those negotiations, the Institute shall be empowered to agree to a different division of royalties, revenues or income between the Institute and the creator(s), but the Institute is not empowered to agree to a division which results in the creator(s) being entitled to receive more than 50% of such royalties, revenues or income, and the Institute shall not, except where absolutely necessary, agree to a division which results in the creator(s) being entitled to receive less than 25% of such royalties, revenues or income.

- 4.3 Intellectual property resulting from research supported by a grant or contract with the Federal Government, or an agency thereof, with a nonprofit or forprofit nongovernmental entity, or by a private gift to the Institute (intellectual

property of the type described in Section 3.3 above):

- 4.3.1 Administrative approval of application requests to, and acceptance of grants or contracts with, the Federal Government, or any agency thereof, with a nonprofit or forprofit nongovernmental entity, or a private donor that contain provisions that are not consistent with this policy, or other policies and guidelines adopted by the Board from time to time implies a definite decision that the value to the Institute of receiving the grant or performing the contract outweighs the impact of any nonconforming provisions of the grant or contract on the basic intellectual property policies of the Institute.
- 4.3.2 The intellectual property policies of the Institute are subject to, and thus amended and superseded by, the specific terms pertaining to intellectual property rights included in Federal grants and contracts, or grants and contracts with nonprofit and forprofit nongovernmental entities or private donors, to the extent of any conflict.
- 4.3.3 In those instances where it is possible to negotiate intellectual property agreements with the Federal agencies or nonprofit and forprofit nongovernmental entities, or private donors and thereby obtain more favorable treatment for the creator(s) and the Institute, an effort will be made to do so.
- 4.3.4 Employees of the Institute whose intellectual property creations result from a grant or contract with the Federal Government, or any agency thereof, with a nonprofit or forprofit nongovernmental entity, or by private gift to the Institute shall make such assignment of such creations as is necessary in each case in order that the Institute may discharge its obligation, expressed or implied, under the particular agreement.

5. U. T. Health Science Center - Houston and U. T. Cancer Center: Approval of Affiliation Agreement with American Medical International, Inc., Los Angeles, California, American Medical (Central), Inc., Houston, Texas, and Citizens General Hospital, Inc., Houston, Texas, and Authorization for the Executive Vice Chancellor for Health Affairs to Make Necessary Changes Thereto for the Establishment of the Institute for Immunological Disorders.--At the February 1986 meeting, the U. T. Board of Regents agreed in principle to a relationship with American Medical International, Inc., and authorized the Executive Vice Chancellor for Health Affairs and the Office of General Counsel to enter into negotiations, within certain parameters, concerning support of an institute for immunological and infectious disorders.

Upon recommendation of the Health Affairs Committee, the Board:

- a. Agreed to the provisions, terms, and conditions of the Affiliation Agreement set forth on Pages 122 - 155 by and among The University of Texas Health Science Center at Houston, The University of Texas System Cancer Center, American Medical International, Inc., Los Angeles, California, American Medical (Central), Inc., Houston, Texas, and Citizens General Hospital, Inc., Houston, Texas, subject to its execution by the Chairman of the Board

The agreement provides for the establishment of the Institute for Immunological Disorders.

- b. Authorized the Executive Vice Chancellor for Health Affairs to make necessary changes thereto so long as they are not substantial, and instructed the Executive Vice Chancellor for Health Affairs to return to the Board for approval of substantial changes.

INSTITUTE
FOR
IMMUNOLOGICAL
DISORDERS

AFFILIATION AGREEMENT

AMERICAN MEDICAL
INTERNATIONAL, INC.

AMERICAN MEDICAL (CENTRAL), INC.

CITIZENS GENERAL HOSPITAL, INC.

THE BOARD OF REGENTS OF
THE UNIVERSITY OF TEXAS
SYSTEM ON BEHALF OF THE
UNIVERSITY OF TEXAS HEALTH
SCIENCE CENTER AT HOUSTON
AND THE UNIVERSITY OF
TEXAS SYSTEM CANCER CENTER

JUNE 1986

Table of Contents

AFFILIATION AGREEMENT

Parties
Recitals

Part I: NAME OF INSTITUTE, EXHIBITS, AND DEFINITIONS

Section 1. Name of Institute.....
Section 2. Exhibits.....
Section 3. Definitions.....

Part II: ORGANIZATION OF INSTITUTE

Section 4. Ownership of Facility.....
Section 5. Governance of Institute.....
Section 6. Medical Matters.....

Part III: FACILITIES

Section 7. Facilities.....
Section 8. Remodeling.....
Section 9. Repairs, Maintenance, and Replacement.....

Part IV: INSTITUTE

Section 10. Mission.....
Section 11. Management Objectives.....
Section 12. Standards of Performance.....
Section 13. Patient Services.....
Section 14. Patient Admissions.....
Section 15. Patient Transfer and Discharge Policy.....
Section 16. Confidentiality of Patient Records.....
Section 17. Responsibilities of AMI, AMC, and CGH.....
Section 18. Responsibilities of U. T. Board of Regents.....
Section 19. Community Relations and Public Education....
Section 20. Office of Medical Director.....
Section 21. Institute Administrator.....
Section 22. Cooperation.....
Section 23. Joint Conference Committee.....
Section 24. Operations Review Committee.....
Section 25. Institute Staffing.....
Section 26. Professional Clinical Consultation and Support Services.....
Section 27. Joint Contracting.....
Section 28. Research.....
Section 29. Accreditation.....
Section 30. Uses of Names, Intellectual Property, and Licenses.....
Section 31. Student Assignments.....

Part V: FISCAL MATTERS

Section 32. Financial and Other Related Reports.....
Section 33. Patient Charges.....
Section 34. Collection of Accounts.....
Section 35. Compensation and Fees for Physician and Research Staff.....

Part VI. LIABILITIES, INSURANCE AND LICENSES

Section 36. No Partnership or Joint Venture.....
Section 37. Liabilities and Insurance.....
Section 38. Licenses and Permits.....

Part VII. TERM

Section 39. Term.....
Section 40. Nonassignability.....
Section 41. Termination.....

Part VIII. MISCELLANEOUS PROVISIONS

- Section 42. Government Regulations.....
- Section 43. Government Access.....
- Section 44. Force Majeure.....
- Section 45. Waivers.....
- Section 46. Applicable Law.....
- Section 47. Compliance with Law.....
- Section 48. Right to Contest Law.....
- Section 49. Partial Invalidity.....
- Section 50. Amendments.....
- Section 51. Notices.....
- Section 52. Entire Agreement.....

Execution by Parties

Exhibits

- Exhibit 1: Facilities of the Institute
- Exhibit 2: Plan of Remodeling
- Exhibit 3: List of Patient Services
- Exhibit 4: Bylaws of Citizens General Hospital, Inc.
- Exhibit 5: Indigent Care Plan
- Exhibit 6: Medical Malpractice Plan
- Exhibit 7: Intellectual Property Policy
- Exhibit 8: Authorized Representatives

AFFILIATION AGREEMENT

THIS AFFILIATION AGREEMENT, made and entered into on the _____ day of June, 1986, by and among American Medical International, Inc., (AMI), a for-profit corporation, incorporated under the laws of the State of Delaware; American Medical (Central), Inc., (AMC), a for-profit corporation, incorporated under the laws of the State of California; Citizens General Hospital, Inc. (CGH), a for-profit corporation, incorporated under the laws of the State of Texas; and the Board of Regents of The University of Texas System (U. T. Board of Regents), on behalf of its component institutions: The University of Texas Health Science Center at Houston (UTHSC-H) and The University of Texas System Cancer Center (UTSCC),

WITNESSETH:

RECITALS

WHEREAS, immunological and infectious disorders have become substantial threats to the health, well-being, and lives, and, most recently, the cause of death in alarming and increasing numbers of persons in Texas, in the United States, and in the world, and

WHEREAS, presently the most deadly of such disorders, with no known cure and with the potential to devastate all the peoples of the world, is the disorder known as Acquired Immune Deficiency Syndrome (AIDS), and

WHEREAS, AMI is one of the leading international health care services companies, with hospitals and health care centers in over 20 states of the United States of America and in over 12 foreign countries, and

WHEREAS, AMI wholly owns American Medical (Central), Inc. (AMC); AMC wholly owns Citizens General Hospital, Inc. (CGH); and CGH owns and operates Citizens General Hospital in Houston, Texas, and

WHEREAS, the U. T. Board of Regents has established, pursuant to Texas law, patient care, education, and research as the three primary missions for its component health institutions, and

WHEREAS, two of The University of Texas System health institutions in Houston, Texas, are The University of Texas Health Science Center at Houston and The University of Texas System Cancer Center, and

WHEREAS, both AMI and the U. T. Board of Regents are dedicated to discovering cures for immunological and infectious disorders, particularly for AIDS, and

WHEREAS, AMI is committed to converting the Citizens General Hospital into exemplary facilities capable of housing an institute for the purposes of (a) treatment of patients with immunological or infectious disorders; (b) education of persons desiring the opportunity to learn about such disorders; and (c) research into the causes, advantageous treatments, and possible cures of such disorders, and

WHEREAS, AMI, AMC, and CGH desire to establish an institute to be named the "Institute for Immunological Disorders" with medical and research scientist staff having faculty appointments at component institutions of The University of Texas System, and

WHEREAS, AMI has pledged \$1 million to the Foundation for Immunological Disorders, a Texas nonprofit foundation dedicated to supporting the research efforts of the Institute for Immunological Disorders and similar institutes, facilities and programs through grants and other means, and

WHEREAS, AMI, AMC, and CGH desire to affiliate with the U. T. Board of Regents to achieve AMI's above stated purposes by contractual agreement with The University of Texas System

3991

Health Science Center at Houston and The University of Texas System Cancer Center, and

WHEREAS, the U. T. Board of Regents desires to affiliate with AMI, AMC, and CGH to facilitate the accomplishment of its above stated missions for its component institutions,

NOW, THEREFORE, IT IS MUTUALLY AGREED AS FOLLOWS:

Part I: NAME OF INSTITUTE, EXHIBITS, DEFINITIONS

Section 1. Name of Institute

The facility currently named Citizens General Hospital shall be renamed the Institute for Immunological Disorders. Throughout this Agreement, it shall be referred to as the Institute.

Section 2. Exhibits

Incorporated into this Affiliation Agreement and made a part hereof for all purposes as if recited verbatim or described fully and completely are the following exhibits:

- Exhibit 1: Facilities of the Institute
- Exhibit 2: Plan of Remodeling
- Exhibit 3: List of Patient Services
- Exhibit 4: Bylaws of Citizens General Hospital, Inc.
- Exhibit 5: Indigent Care Plan
- Exhibit 6: Medical Malpractice Plan
- Exhibit 7: Intellectual Property Policy
- Exhibit 8: Authorized Representatives

Section 3. Definitions

The following definitions apply throughout this Affiliation Agreement unless expressly indicated otherwise or unless the context indicates another meaning:

"Authorized representatives" mean those person authorized in writing by AMI, AMC, CGH, and U. T. Board of Regents to take such actions as are necessary under this Affiliation Agreement.

"AMI" means American Medical International, Inc., a for-profit corporation, organized and incorporated under the laws of the State of Delaware, with principal headquarters located at 414 North Camden Drive, Beverly Hills, California, or its authorized representatives.

"AMC" means American Medical (Central), Inc., a wholly-owned subsidiary of AMI, and a for-profit corporation, organized and incorporated under the laws of the State of California, with principal headquarters located at 414 North Camden Drive, Beverly Hills, California, 90210, or its authorized representatives.

"CGH" means Citizens General Hospital, Inc., a wholly-owned subsidiary of AMC, and a for-profit corporation, organized and incorporated under the laws of the State of Texas, with principal headquarters located at 7407 North Freeway, Houston, Texas, 77076, or its authorized representatives.

"Effective Date" means the date CGH opens the Institute for admissions of patients.

"Organized Medical and Research Staff" means the medical doctors and research scientists organized at the Institute in accordance with the Bylaws of the Organized Medical and Research Staff.

"U. T. Board of Regents" means the Board of Regents of The University of Texas System, a state agency of the State of Texas, with offices located at 201 West Seventh Street, Austin, Texas, or its authorized representatives.

"UTHSC-H" means The University of Texas Health Science Center at Houston, a component, health institution of The University of Texas System, with offices located at 1100 Holcombe, Houston, Texas, or its authorized representatives.

"UTSCC" means The University of Texas System Cancer Center, M. D. Anderson Hospital and Tumor Institute, a component, health institution of The University of Texas System, with offices located at 6723 Bertner Avenue, Houston, Texas, or its authorized representatives.

Part II: ORGANIZATION OF INSTITUTE

Section 4. Ownership of Facility

The facilities of the Institute as described in Exhibit 1, are owned by CGH.

Section 5. Governance of Institute

- (a) AMI, AMC, CGH, and U. T. Board of Regents agree that the Board of Directors of CGH shall at all times exercise ultimate control over the affairs of the Institute, that the Board of Directors of CGH shall establish general operating policies to be carried out under this Agreement, and that the Board of Directors of CGH shall be responsible to the extent required by law for the operations of the Institute. CGH shall perform the specific duties and services to be performed by it under this Agreement and agrees to perform such duties and services in a reasonable manner.
- (b) AMI, AMC, CGH, and U. T. Board of Regents agree (1) that U. T. Board of Regents shall have the right to review periodically operating decisions made by CGH; (2) that U. T. Board of Regents shall have the right to recommend changing, repealing, or altering policies adopted by the Board of Directors of CGH concerning operation of the Institute and to participate in the formulation of new policies relating to professional services and research activities; and (3) that, in order to provide U. T. Board of Regents with an informed basis for reviewing the Institute's performance hereunder, CGH shall make available for inspection upon request to U. T. Board of Regents, or its authorized representatives, from time to time operating and financial records of the Institute.
- (c) Except as to those matters provided for in Sections 14 and 15, below, CGH may make changes in the operational policies of the Institute with prior consultation with the Institute's Medical Director and, when reasonably possible with the President of UTHSC-H, the President of UTSCC, or their designees.

Section 6. Medical Matters

All medical matters shall be initially reviewed by the Medical Director of the Institute and the Organized Medical and Research Staff.

Part III: FACILITIES

Section 7. Facilities

CGH shall provide the facilities, as listed at Exhibit 1, to the Institute for use consistent with the mission of the Institute, as provided for in Section 10, below.

Section 8. Remodeling

CGH shall remodel the facilities in accordance with the Plan of Remodeling as provided in Exhibit 2.

Section 9. Repairs, Maintenance, and Replacement

CGH shall repair the facilities and maintain them throughout the term of this Agreement and shall replace equipment that no longer can be reasonably used for their intended purposes during the term of this Agreement.

Part IV: INSTITUTE

Section 10. Mission

AMI, AMC, CGH, and U. T. Board of Regents agree that the Institute for Immunological Disorders shall have the following as its statement of Mission:

Mission of Institute

As soon as possible, given the necessary resources, the standard of patient care, health professional education and research, and public education conducted at the Institute for Immunological Disorders will become comparable to that of the best institutes of its kind in the United States for patients with immunological or infectious disorders.

Section 11. CGH's Management Objectives

As owner of the Institute facilities and as manager of the operations of the Institute, CGH shall have the following management objectives consistent with the mission of the Institute:

- (1) to manage and administer the operations of the Institute in a competent manner and to be responsive to the needs of the Institute, the Institute's patients, and the Organized Medical and Research Staff;
- (2) to staff the Institute in such a manner as to fulfill and support the mission of the Institute;

- (3) to operate the Institute on a sound and profitable financial basis;
- (4) to establish effective financial, accounting and reporting systems, adequate internal controls, effective budgeting procedures, efficient billing and collection systems, and policies to assure the businesslike management of the cash resources of the Institute; and
- (5) to assure that the Institute enjoys an excellent public image.

Section 12. Standards of Performance

AMI, AMC, CGH, and U. T. Board of Regents agree that the Institute shall be operated in accordance with the standards of performance promulgated for hospitals by the Joint Commission on the Accreditation of Hospitals.

Section 13. Patient Services

The Institute shall provide its patients those services listed on Exhibit 3.

Section 14. Patient Admissions

- (a) Except in emergencies, only those persons who have been referred by their physicians, or who present themselves, and who give their written, informed consent to the provision of the Institute's patient services shall be eligible for treatment and all persons admitted to the Institute shall be treated and be available and suitable for teaching and research purposes whenever reasonably and legally possible. In emergencies, persons shall be treated in accordance with Texas law.
- (b) CGH shall obtain in conjunction with the patient's treating physician the written, informed consent to treatment of the Institute's patients together with all necessary documentation for research protocols.
- (c) Persons who want to be admitted to the Institute shall provide to the Institute's admissions office such information as the policies of the Institute shall require and shall request to be placed upon the Institute's list of patient applicants.
- (d) No person shall be denied admission to available facilities on the basis of his or her race, color, ethnicity, religion, creed, sex, sexual orientation, age, national origin, mental or physical handicap, or other class basis protected by law.
- (e) Indigent care shall be rendered to patients at the Institute's facilities in accordance with the Indigent Care Plan, attached hereto as Exhibit 5; and, to the extent that it is consistent with the Indigent Care Plan, no patient shall be denied admission to the Institute's facilities on the basis of economic status.
- (f) No person once admitted shall be discharged or transferred on the basis of his or her inability to pay for the patient services ordered by the Medical Director of the Institute or the patient's attending physician.

- (g) The admissions office shall maintain a waiting list, as necessary.
- (h) All other factors being equal and to the extent reasonably and legally possible, persons who are candidates for research investigations of immunological or infectious disorders shall be the first persons admitted.
- (i) The Medical Director, or designee, in conjunction with the patient's attending physician, shall make the final decision on admission; provided that all such decisions shall be consistent with the Institute's other admission policies.
- (j) The patient admission policies provided for in this Section may be amended, but only in writing, and any amendment shall not be effective until approved by AMI, AMC, CGH and the U. T. Board of Regents.

Section 15. Patient Transfer and Discharge Policy

- (a) Subject to the Institute's policies regarding voluntary transfer and discharge, the Medical Director of the Institute, or a designee, together with the patient's attending physician shall make the final decision on a patient's transfer or discharge.
- (b) Patients needing care or treatment not provided by the Institute, or for longer periods of time than research protocols may call for, may be transferred in accordance with policies of the Institute concerning transfers of patients to other facilities that have indicated their willingness to admit them, by written affiliation agreements where possible. Patients may not be transferred when services are available at the Institute unless at the request of the patient.
- (c) Referred patients being discharged from the facilities shall be referred back to their referring physician.
- (d) The patient transfer and discharge policies provided for in this Section may be amended, but only in writing, and any amendment shall not be effective until approved by AMI, AMC, CGH and the U. T. Board of Regents.

Section 16. Confidentiality of Patient Records

To the extent allowable under law, the Institute shall protect the confidentiality of all its patients' records, those of persons applying for admission to the Institute, and the records of the Institute itself. The Institute shall comply with all applicable federal, state, and local laws. The Institute shall maintain sufficient records to demonstrate compliance with any and all applicable accreditation standards.

Section 17. Responsibilities of AMI, AMC, and CGH

- (a) For purposes of this Affiliation Agreement, AMI shall cause AMC to cause CGH to act as follows, and CGH:
 - (1) shall continue its ownership of the Facilities of the Institute as provided in Section 4, and shall file all necessary legal instruments to do business under the name: "Institute for Immunological Disorders";

- (2) shall seek, at all times during the Term of this Affiliation Agreement, to fulfill the mission of the Institute;
- (3) shall seek, at all times during the Term of this Affiliation Agreement, to meet the management objectives provided for in Section 11;
- (4) shall adopt Rules and Regulations for the Institute and Bylaws for the Organized Medical and Research Staff after they have been approved by the Executive Vice Chancellor for Health Affairs of The University of Texas System, or his designee;
- (5) shall remodel the Facilities in accordance with the Plan of Remodeling;
- (6) shall repair and maintain the Facilities and replace equipment as provided in Section 9;
- (7) shall manage and operate the Institute subject to the provisions of this Affiliation Agreement;
- (8) shall cause the Institute at all times during the Term of this Affiliation Agreement to perform its services in accordance with the standards provided for in Section 12;
- (9) shall cause the Institute to provide the patient services listed at Exhibit 3;
- (10) shall cause prospective patients to be admitted to the Institute in accordance with the provisions of Section 14;
- (11) shall cause patients to be discharged or transferred only as provided in Section 15;
- (12) shall maintain records as provided in Section 16;
- (13) shall establish an office of community relations and public education within the Institute as provided in Section 19;
- (14) shall participate in the Joint Conference Committee, as provided in Section 23;
- (15) shall participate in the Operations Review Committee, as provided in Section 24;
- (16) shall, to the extent mutually agreeable, comply with all reasonable requirements for UTHSC-H and UTSCC to maintain accreditation of any and all education programs related to the Institute;
- (17) shall identify and provide for all staff, other than the Organized Medical and Research staff, necessary to accomplish the Institute's mission;
- (18) may enter into Program Agreements with UTHSC-H and UTSCC for student educational experiences;
- (19) shall provide for any and all fiscal matters reasonably necessary to operate the Institute, subject to the provisions of Sections 32 through 35; provided, however, that nothing herein shall obligate AMI, AMC, CGH, U. T. Board of Regents, UTHSC-H, or UTSCC to incur any liability or expense with respect to the Institute except as otherwise

expressly provided for under this Affiliation Agreement;

- (20) shall hold U. T. Board of Regents, U. T. System, UTHSC-H, and UTSCC, their members, officers, and employees harmless, and indemnify them against losses as provided in Section 37;
 - (21) shall obtain and keep in force insurance as provided in Section 37;
 - (22) shall, in all respects, comply with the provisions of this Affiliation Agreement; and
 - (23) shall take any and all other necessary actions to accomplish the mission of the Institute, consistent with the policies of AMI, AMC and CGH.
- (b) Subject to the provisions of Section 41, below, AMI shall contribute \$1 million in annual installments of \$250,000 over a four-year period to the Foundation for Immunological Disorders as seed money for supporting research activities of the Institute done by full-time faculty of UTHSC-H or UTSCC.
- (c) AMI agrees to cause AMC and CGH to perform all of their obligations and duties under this Affiliation Agreement and, to the extent that AMC or CGH fail to perform, AMI shall perform said obligations and duties to the extent required hereunder.

Section 18. Responsibilities of U. T. Board of Regents

For purposes of this Affiliation Agreement, U. T. Board of Regents:

- (1) shall itself support and cause, at all times during the Term of this Affiliation Agreement, its component institutions, UTHSC-H and UTSCC, to support to the fullest extent permitted by law and the Rules and Regulations of the Board, CGH in the fulfillment of the mission and management objectives of the Institute;
- (2) may delegate to UTHSC-H and UTSCC all necessary authority to fully perform the responsibilities of U. T. Board of Regents under this Affiliation Agreement;
- (3) shall nominate a member of the full-time faculty of UTHSC-H or UTSCC as Medical Director of the Institute;
- (4) shall assign to the Organized Medical and Research Staff of the Institute, consistent with the Plan for Compensation and Fees, as provided for in Section 35, a sufficient number of qualified physicians, who are members of the faculty of UTHSC-H or of UTSCC, to provide, direct, and supervise medical services to all patients of the Institute;
- (5) shall, through the Executive Vice Chancellor of Health Affairs for The University of Texas System, or his designee, approve the Rules and Regulations of CGH as they relate to the Institute and approve the Organized Medical and Research Staff Bylaws for the Organized Medical and Research Staff;

3998

- (6) shall establish or facilitate the use of present UTHSC-H and UTSCC institutional review boards to provide any and all necessary reviews and protocols for research projects;
- (7) shall cause its employees, officers, and agents to participate as necessary in the Institute's Joint Conference Committee and Operations Review Committee;
- (8) shall cause UTHSC-H and UTSCC to maintain, respectively, accreditation for their education and research programs that are provided in relation to the Institute;
- (9) shall assist CGH in the development of all contractual matters, related to the operation of the Institute, that require the involvement of UTHSC-H or UTSCC;
- (10) shall assist CGH in the legal responses, related to the Institute, that may arise due to this Affiliation Agreement;
- (11) shall maintain and keep in force a medical malpractice plan, a copy of which is set forth as Exhibit 6, for the medical staff supplied by UTHSC-H or UTSCC who are assigned by either to the Institute;
- (12) shall, in all respects, comply with the provisions of this Affiliation Agreement; and
- (13) shall take any and all other necessary actions, consistent with its Rules and Regulations, and this Affiliation Agreement, to assist CGH in the fulfillment of the mission and management objectives of the Institute.

Section 19. Office of Community Relations and Public Education

CGH and U. T. Board of Regents mutually agree that the success of the Institute may depend in great part upon the way in which the Institute relates to and educates the communities in which the Institute will exist. CGH shall establish within the Institute an Office of Community Relations and Public Education for the purpose of establishing and maintaining for the Institute an excellent relationship with the public at large. The person assigned by CGH to the Office shall be responsible for a full and ongoing program of public education involving immunological and infectious disorders.

Section 20. Medical Director

CGH shall appoint, with the concurrence of the President of UTHSC-H and the President of UTSCC, a medical director of the Institute who shall serve as chairman of the Organized Staff. The Medical Director shall be a member of the faculty of UTHSC-H or a member of the faculty of UTSCC. The appointment shall continue unless and until CGH, the President of UTHSC-H, or the President of UTSCC withdraws approval of the appointment.

Section 21. Institute Administrator

CGH shall appoint, with the concurrence of the President of UTHSC-H and the President of UTSCC, an institute administrator who shall act as the chief executive officer of the Institute. The appointment shall continue unless and until CGH withdraws its approval. In the event either the President of UTHSC-H or the President of UTSCC requests that CGH withdraw its approval, CGH agrees that it will withdraw its approval of the Institute Administrator upon presentation of compelling facts or reasons for withdrawal of approval.

Section 22. Cooperation

AMI, AMC, CGH, and U. T. Board of Regents recognize the interdependent relationship among AMI, AMC, CGH, U. T. Board of Regents, UTHSC-H, and UTSCC, in carrying out the provisions of this Affiliation Agreement, and agree that there shall be consultation and good faith cooperation among all persons representing AMI, AMC, CGH, and U. T. Board of Regents.

Section 23. Joint Conference Committee

- (a) CGH shall appoint a Joint Conference Committee of the Board of Directors of CGH to recommend to the entire Board of CGH policies concerning matters affecting the Institute, other than its management, and, in this connection, to act as liaison between CGH and the Organized Medical and Research Staff.
- (b) The Joint Conference Committee shall consist of the following eight persons:
 - (1) four persons who shall be members of the Board of Directors of CGH; and
 - (2) four members of the active Organized Medical and Research Staff.
- (c) In addition, the following persons shall serve as ex officio members of the Joint Conference Committee:
 - (1) the Dean of the UTHSC-H Medical School;
 - (2) the Medical Director of the Institute; and
 - (3) the Institute Administrator.
- (d) The Joint Conference Committee shall meet regularly prior to the meetings of CGH's Board of Directors or upon call of Chairman of CGH's Board of Directors.

Section 24. Operations Review Committee

- (a) An Operations Review Committee shall be appointed by CGH, UTHSC-H, and UTSCC to recommend policies to CGH affecting the management of the Institute, and in this connection, act as liaison among AMI, AMC, CGH, UTHSC-H, UTSCC, and the Institute.
- (b) The Operations Review Committee shall consist of the following five persons:
 - (1) the President of CGH, or a designee;

- (2) the Medical Director of the Institute;
 - (3) the President of UTHSC-H, or a designee;
 - (4) the President of UTSCC, or a designee; and
 - (5) the Institute Administrator.
- (c) The Operations Review Committee shall meet regularly or upon the call of the Medical Director or the Institute Administrator.

Section 25. Institute Staffing

- (a) CGH shall identify and provide for all staff, other than the Organized Medical and Research Staff.
- (b) CGH and U. T. Board of Regents agree that before CGH may appoint a medical practitioner to the Organized Medical and Research Staff of the Institute, the medical practitioner must first have obtained an appointment to the faculty of UTHSC-H or UTSCC; and that the processes of appointment to the Institute's Organized Medical and Research Staff shall be those provided for in the Bylaws of the Organized Medical and Research Staff.
- (c) The Medical Director in consultation with the Presidents of UTHSC-H and UTSCC, or their respective designees, shall make all decisions relative to the following matters:
 - (1) recommendations to CGH concerning its final appointments to the Organized Medical and Research Staff;
 - (2) recommendations to CGH concerning the number of health professional students and residents assigned to the Institute provided that such are consistent with the provisions of Section 31; and
 - (3) recommendations to CGH concerning teaching and research assignments in the Institute.

Section 26. Professional Clinical Consultation and Support Services

CGH agrees to contract with UTHSC-H or UTSCC, or both, for the provision of all hospital-based physicians and other clinical services requiring physician input, except for those covered by the Plan for Compensation and Fees as provided for in Section 35; provided that:

- (a) the UTHSC-H or UTSCC physicians providing the services are recognized specialists;
- (b) the fees charged by the physicians are reasonable and customary;
- (c) the physicians are acceptable to CGH; and
- (d) the physicians execute a written contract previously approved by the Office of General Counsel of The University of Texas System for the provision of such services.

Section 27. Joint Contracting

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

Section 28. Research

Research projects proposed to be conducted with Institute patients shall be reviewed by the Institutional Review Boards (IRB) of UTHSC-H or UTSCC prior to their commencement. Once approved by an IRB, the research project shall be conducted at the Institute in consultation with the Institute's Medical Director. If mutually agreeable to CGH and U. T. Board of Regents, or the Executive Vice Chancellor for Health Affairs, an IRB may be established at the Institute for review of Institute research projects.

Section 29. Accreditation

Any and all educational experience programs, courses, or research projects shall be conducted in compliance with applicable accreditation standards.

Section 30. Uses of Names, Intellectual Property, and Licenses

(a) Use of Names

- (1) The names "Board of Regents of The University of Texas System," "The University of Texas Health Science Center at Houston," "The University of Texas System Cancer Center," and any abbreviated forms thereof, as well as logos, or any other symbols of these entities, may not be used in any way by AMI in any advertisement, prospectus, or solicitation materials, without prior written approval of the full text of the material by U. T. Board of Regents or its authorized representatives.
- (2) The names "American Medical International, Inc.," "AMI," "American Medical (Central), Inc.," "AMC," "Citizens General Hospital, Inc.," "Citizens General Hospital," "Institute for Immunological Disorders," and any abbreviated forms thereof, as well as logos, or any other symbols of these entities, may not be used in any way by U. T. Board of Regents, UTHSC-H, or UTSCC, in any advertisement or prospectus, without prior written approval of the full text of the materials by AMI, AMC, or CGH, respectively, or by their authorized representatives.

- (b) The Intellectual Property Policy of U. T. Board of Regents, as set out in Exhibit 7, and amendments thereto, shall govern the intellectual property rights of the members of the faculties of UTHSC-H and UTSCC at the Institute. For purposes of this Affiliation Agreement, and for intellectual property related to the Institute, percentages of royalties split between the faculty member and U. T. Board of Regents shall not be changed unless mutually agreed upon between AMI, AMC, CGH, and U. T. Board of Regents. Any revenue, remuneration, license fees, royalties, or other benefits received by the U. T. Board of Regents that are derived from work

done by UTHSC-H or UTSCC faculty at the Institute shall be allocated as follows. First, all expenses of the creation, patenting, licensing of the intellectual property, together with all costs related to such actions, including marketing, shall be deducted. Second, the remainder shall be allocated to the Institute for the purposes of research projects or programs, including facilities and staff related to authorized and approved research and indigent care.

- (c) Upon termination of this Affiliation Agreement, or upon closing of the Institute, U. T. Board of Regents and AMI shall mutually agree as to the disposition of any intellectual property and any proceeds related thereto.

(d) Patents and Licenses

With respect to any intellectual property developed at the Institute pursuant to the terms of this Affiliation Agreement for which patents or licenses may be issued, the parties agree:

- (1) to take all reasonable steps necessary to patent, market, and license the intellectual property; and
 - (2) to grant each other royalty-free, nonexclusive, irrevocable, and nontransferable licenses for the use of such intellectual property; provided that the grantee of said license shall not have the right to sell, lease, sublease, or transfer the license or otherwise assign use of the license or the property to any other party; provided, however, that UTHSC-H or UTSCC may permit any of the component institutions of The University of Texas System to use any such intellectual property under this license, subject to the same grantee restrictions; provided, further, that AMI may permit any subsidiary corporation, facility, or health care center owned or controlled by AMI to use such intellectual property under this license subject to the same grant restrictions.
- (e) For purposes of this Affiliation Agreement and as related to the mission of the Institute, AMI, AMC, CGH and U. T. Board of Regents on behalf of UTHSC-H and UTSCC agree to convey information to each other in a cost effective manner through such means as seminars, informal consultations, biomaterials, reports, experimental data, prototypes, etc., in order that significant intellectual properties can be created for the benefit of the parties and the public. Accordingly, a full flow of scientific information, both tangible and intangible is intended to occur.
- (f) With the prior written approval of the Institute's Medical Director, which approval shall not be unreasonably withheld, AMI, AMC or CGH may contract with any third party to conduct test studies or protocols at the Institute. Unless otherwise agreed upon in writing, U. T. Board of Regents, UTHSC-H, or UTSCC shall not receive or be entitled to any information, data, royalties, benefits or remuneration of any kind in connection with any intellectual property rights relating to such third-party contracts.

Section 31. Student Assignments

The Dean of UTHSC-H Medical School and the President of UTSCC shall be ultimately responsible for the assignment of students, residents and fellows, to the Institute. Assignments shall be made in consultation with the Institute's Medical Director and Institute Administrator and shall be subject to the Institute's rules and regulations.

Part V: FISCAL MATTERS

Section 32. Financial and Other Related Reports

The Institute Administrator shall cause any and all financial and other related Institute reports to be prepared.

Section 33. Patient Charges

It shall be the primary intent of CGH and U. T. Board of Regents to make the patient services of the Institute available to persons at reasonable and competitive rates.

Section 34. Collection of Accounts

- (a) CGH shall provide for billing for services rendered by the Institute and provide for collection of accounts resulting therefrom.
- (b) UTHSC-H shall provide for billing for services rendered by Institute physicians who are members of the UTHSC-H faculty and provide for collection of accounts resulting therefrom.
- (c) UTSCC shall provide for billing for services rendered by Institute physicians who are members of the UTSCC staff and provide for collection of accounts resulting therefrom.
- (d) Community practitioners, who are also members of UTHSC-H or UTSCC part-time faculty, may bill for their services and provide for collection of accounts resulting therefrom.

Section 35. Compensation and Fees for Physician and Research Staff

CGH shall provide compensation and fees for UTHSC-H and UTSCC physicians and research staff in accordance with a written Plan for Compensation and Fees to be approved by the Executive Vice Chancellor for Health Affairs of The University of Texas System and by CGH.

Part VI: LIABILITIES, INSURANCE, AND LICENSES

Section 36. No Partnership or Joint Venture

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

Section 37. Liabilities and Insurance

- (a) U. T. Board of Regents shall not by entering into and performing the Affiliation Agreement, assume or become liable for any of the obligations, liabilities or debts of AMI, of AMC, or of CGH or any of their employees, doctors, research scientists, agents, or servants.
- (b) AMI, AMC, and CGH shall not, by entering into and performing this Affiliation Agreement, assume or become liable for any of the obligations, liabilities or debts of the U. T. Board of Regents, UTHSC-H, UTSCC, or any of their employees, doctors, research scientists, agents or servants.
- (c) AMI, AMC, and CGH, each shall indemnify and hold harmless U. T. Board of Regents, U. T. System, its officers, employees and agents, from any and all liability, loss, cost or obligation, including without limitation reasonable attorneys' fees and expenses, on account of, or arising out of any injury to or death of persons, or damage to property from whatever cause, while in or on the Institute's Premises, or with the improvements or personal property thereon or therein, including any liability for injury to or death of persons or damage to property of the Institute, its officers, doctors, research scientists, employees and agents, but excluding:
- (1) any injury, death or damage solely caused by the willful or negligent acts or omissions of U. T. Board of Regents, its officers, employees or agents; and
 - (2) any injury, death, or damage to an officer, doctor, research scientist, employee, or agent of UTHSC-H or UTSCC resulting from or relating to any disease, disorder, or illness, including without limitation the immunological and infectious disorder known as AIDS.
- (c) Any injury, death, or damage caused only in part by the willful or negligent acts or omissions of U. T. Board of Regents, its officers, employees, or agents, shall nevertheless be indemnified by CGH, but only to the extent that the injury, death, or damage was not caused by the willful or negligent acts of U. T. Board of Regents, its officers, employees, or agents.
- (d) To the extent permitted by law, U. T. Board of Regents shall indemnify and hold harmless AMI, AMC, and CGH, its officers, employees, and agents from any liability, loss, cost, or obligation, including without limitation reasonable attorney fees and expenses, resulting from any injury, death or damage caused by the willful or negligent acts or omissions of the U. T. Board of Regents, its officers, employees, or agents.
- (e) CGH shall maintain comprehensive general liability insurance to cover the acts and omissions of its respective officers, employees and agents during the Term of this Affiliation Agreement. The liability coverage for bodily injury and property damage shall at all times be at least One Million Dollars (\$1,000,000) combined single limit per person per occurrence. Upon request, CGH shall furnish the U. T. Board of Regents with a copy of the policy or policies evidencing such coverage and shall give at least thirty (30) days' written notice before any such insurance is cancelled or changed with respect to parties, coverage or limits of liability.

- (f) Neither AMI, AMC, CGH, nor U. T. Board of Regents acts under the terms of this Affiliation Agreement as an agent for any of the others.

Section 38. Licenses and Permits

CGH shall obtain and keep in force any and all licenses or permits required by law for the operation of the Institute's facilities.

Part VIII: TERM

Section 39. Term

The Affiliation Agreement between AMI, AMC, CGH, and the U. T. Board of Regents on behalf of UTHSC-H and UTSCC shall be for the initial Term beginning on the Effective Date, as defined in Section 3, above, and continuing thereafter until September 1, 1996, at which time the Affiliation Agreement shall be automatically renewable for two-year Terms thereafter unless prior written notice of cancellation is given.

Section 40. Nonassignability

AMI, AMC, CGH, and U. T. Board of Regents agree that none of them may assign interests or obligations under this Affiliation Agreement unless otherwise provided herein or unless the written consent of the other is obtained first; provided, however, nothing herein shall restrict or prohibit AMI from selling, assigning, conveying or transferring its interest and obligations hereunder in connection with the sale, assignment, conveyance or transfer of any or all of AMI's assets or stock; provided further, however, that should AMI contemplate any such actions, it shall give U. T. Board of Regents reasonable advance notice of its intentions if reasonably possible if such actions would affect the operations or mission of the Institute.

Section 41. Termination

- (a) This Affiliation Agreement shall not be terminated by any of the parties for the first five years after the Effective Date; provided, however, that it may be terminated at any time in accordance with a written, mutually acceptable agreement to terminate.
- (b) Subject to subsection (a), AMI, AMC, and CGH may terminate this Affiliation Agreement without presenting U. T. Board of Regents with any explanation of their reasons so long as AMI, AMC, and CGH first give U. T. Board of Regents written notice of their intention to terminate two years in advance of the date they intend to terminate the Affiliation Agreement. The termination notice provided herein may not be withdrawn, but can be given at any time following the third anniversary of this Affiliation Agreement.
- (c) Subject to subsection (a), AMI, AMC, and CGH may terminate this Affiliation Agreement by presenting U. T. Board of Regents with an explanation of their reasons so long as they give U. T. Board of Regents written notice of their intention to terminate, along with its written explanation, one year in advance of the date they intend to terminate the Affiliation Agreement, which notice can

be given at any time following the fourth anniversary of this Affiliation Agreement.

- (d) Subject to subsection (a), U. T. Board of Regents may terminate this Affiliation Agreement without presenting AMI, AMC, and CGH with any explanation of U. T. Board of Regents' reasons so long as U. T. Board of Regents first gives them written notice of its intention to terminate two years in advance of the date U. T. Board of Regents intends to terminate the Affiliation Agreement. The termination notice provided herein may not be withdrawn, but can be given at any time following the third anniversary of this Affiliation Agreement.
- (e) Subject to subsection (a), U. T. Board of Regents may terminate this Affiliation Agreement by presenting AMI, AMC, and CGH with an explanation of U. T. Board of Regents' reasons so long as U. T. Board of Regents gives them written notice of its intention to terminate, along with its written explanation, one year in advance of the date U. T. Board of Regents intends to terminate the Affiliation Agreement, which notice can be given at any time following the fourth anniversary of this Affiliation Agreement.
- (f) Upon the occurrence of any of the following events, each of which shall be an ongoing condition of this Affiliation Agreement, either AMI, AMC, CGH, or U. T. Board of Regents, in their reasonable discretion, shall have the right to terminate this Affiliation Agreement on 12 months written notice that:
- (1) CGH is unable to operate the Institute on a sound financial basis, taking into account that AMI, AMC, and CGH are receiving positive humanitarian recognition and are making important research contributions; or
 - (2) the Medical Director is unavailable or unable to continue in that capacity and CGH and U. T. Board of Regents are unable to agree on a successor Medical Director.

Part IX: MISCELLANEOUS PROVISIONS

Section 42. Government Regulations

CGH shall cause the Institute to be operated in such a manner as to comply with any and all applicable governmental regulations involving research projects it engages in.

Section 43. Government Access

To the extent required by state or federal law, until the expiration of four years after the expiration of the Affiliation Agreement, CGH shall make available, upon written request to authorized government officials of the state or federal government or any of their duly authorized representatives, the Affiliation Agreement, any books, documents and records of the Institute that are necessary to verify the nature and extent of any costs claimed for grant or other government sponsored research programs with respect to the research results provided thereunder.

Section 44. Force Majeure

The time within which either party hereto shall be required to perform any act under the Affiliation Agreement shall be extended by a period of time equal to the number of days during which performance of such act is delayed unavoidably by strikes, lockouts, Acts of God, governmental restrictions, failure or inability to secure materials or labor by reason of priority or similar regulations or order of any governmental or regulatory body, enemy action, civil disturbance, fire, unavoidable casualties or any other cause beyond the reasonable control of either party hereto; provided, however, that written notice of the cause of such delay shall be given within a reasonable time period following the event or events relied upon as cause.

Section 45. Waivers

No variations, modifications or changes herein or hereof shall be binding upon any party hereto unless reduced to writing and executed by the parties hereto or their duly authorized representatives. No waiver or waivers of any breach or default or any breaches or defaults by either party of any term, condition or liability of or a performance by the other party of any duty or obligation hereunder, including without limitation the acceptance by U. T. Board of Regents of payment by CGH of any balances or portions of accounts due, or reimbursements at any time or in any manner other than as herein provided, shall be deemed a waiver thereof or of any waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver or waivers of subsequent breaches or defaults of any kind, character or description under any circumstances.

Section 46. Applicable Law

The Affiliation Agreement shall be construed according to and be enforceable in accordance with the laws of the State of Texas.

Section 47. Compliance with Law

CGH covenants that during the Term of the Affiliation Agreement, it will cause compliance, at its sole cost and expense, with all federal, state, or local laws that may be applicable to the Institute, its buildings, improvements and building equipment to be situated therein, the use or manner of use of the Institute's premises or the carrying on of business on the Institute's premises.

Section 48. Right to Contest Law

CGH or its authorized representatives shall have the right, and U. T. Board of Regents agree to cooperate to the extent fully reasonable, including if necessary the joining in suit, or the requesting of official opinions of the Texas Attorney General's Office, after written notice to them, to contest by appropriate legal proceedings the validity or urge an interpretation of any law, ordinance, rule, regulation or requirement of the nature referred to in Section 47, above and to postpone compliance with the same, provided such contest or request for opinion shall be promptly and diligently prosecuted. U. T. Board of Regents, at their expense, shall also have the right, but not the obligation, to contest any such law, ordinance, rule, regulation or requirement.

Section 49. Partial Invalidity

If any term, provision, condition or covenant of the Affiliation Agreement or the application thereof to any party or circumstances shall, to any extent, be held invalid or unenforceable, the remainder of the Affiliation Agreement, or the application of such term, provisions, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of the Affiliation Agreement shall be valid and enforceable to the fullest extent permitted by law.

Section 50. Amendments

This Affiliation Agreement may be amended only by written instrument executed by authorized representatives of the parties hereto.

Section 51. Notices

Any notice, communication, request, reply or advice, or duplicate thereof (hereinafter severally and collectively, for convenience, called "Notice") in this Affiliation Agreement provided or permitted to be given, made or accepted by the parties must be in writing, and may, unless otherwise in this instrument expressly provided, be given or be served by depositing the same in the United States mail, postpaid and registered or certified and addressed to the party to be notified, with return receipt requested; or by delivering the same in person to such party; or if the party or parties to be notified be incorporated, to an officer of such party; or by prepaid telegram when appropriately addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be effective, unless otherwise stated in this Affiliation Agreement, from and after the expiration of five (5) days after it is so deposited. Notice given in any other manner shall be effective only if and when actually received by the party to be notified. For purposes of this Section the addresses of the persons to be notified on behalf of the parties shall, until changed as hereinafter provided, be as follows:

If to AMI, addressed to:

American Medical International, Inc.
One Commerce Green
515 West Greens Road
Suite 100
Houston, Texas 77067
Attention: Richard D'Antoni, Houston Regional
Director

with a copy to:

American Medical International, Inc.
414 North Camden Drive
Beverly Hills, California 90210
Attention: Richard A. Haas, Legal Department

If to U. T. Board of Regents, addressed to:

The Board of Regents of The University of Texas
System
c/o The University of Texas System
Office of the Board of Regents
201 West Seventh Street
Austin, Texas 78701
Attention: Arthur H. Dilly, Executive Secretary

with copies to:

The University of Texas Health Science Center at
Houston
P. O. Box 20036
Houston, Texas 77225
Attention: Dr. Roger J. Bulger, President

The University of Texas System Cancer Center
M. D. Anderson Hospital and Tumor Institute
6723 Bertner Avenue
Houston, Texas 77030
Attention: Dr. Charles A. LeMaistre, President

Office of General Counsel
The University of Texas System
201 West Seventh Street
Austin, Texas 78701
Attention: John L. Darrouzet, Attorney

However, the parties hereto shall have the right from time to time and at any time to change the names and addresses of the person or persons to be notified on their behalf by at least fifteen (15) days written notice to the other party.

Section 52. Entire Agreement

- (a) This Affiliation Agreement constitutes the entire agreement among the parties and supersedes all previous agreements, understandings, and negotiations.
- (b) Except to the extent required by law, the U. T. Board of Regents, UTHSC-H, and UTSCC and their employees and agents agree not to disclose to any third party the terms of this Affiliation Agreement or any other information within their possession or control regarding AMI, AMC, CGH and the Institute.

EXECUTION

Executed on the day first noted above in quadruplicate originals.

ATTEST: AMERICAN MEDICAL INTERNATIONAL, INC.

By: _____
Name: _____
Title: _____

ATTEST: AMERICAN MEDICAL (CENTRAL), INC.

By: _____
Name: _____
Title: _____

ATTEST: CITIZENS GENERAL HOSPITAL, INC.

By: _____
Name: _____
Title: _____

FORM APPROVED:

Richard Haas,
Senior Attorney
American Medical International, Inc.

RECOMMENDED FOR APPROVAL:

Dr. Roger J. Bulger,
President
The University of Texas Health
Science Center at Houston

RECOMMENDED FOR APPROVAL:

Dr. Charles A. LeMaistre,
President
The University of Texas System
Cancer Center

FORM APPROVED:

Office of General Counsel
The University of Texas System

CONTENT APPROVED:

Dr. Charles B. Mullins
Executive Vice Chancellor for
Health Affairs
The University of Texas System

The Board of Regents of The
University of Texas System

By: _____
Mr. Jess Hay, Chairman

CERTIFICATE OF APPROVAL
BY U. T. BOARD OF REGENTS

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

Executive Secretary, Board of Regents
The University of Texas System

EXHIBIT 1.

FACILITIES OF THE INSTITUTE

(Due to length, this exhibit has not been included herein, but will be available to the U. T. Board of Regents upon request.)

EXHIBIT 2.

PLAN OF REMODELING

HOSPITAL

Ensure compliance with current Life Safety Code and Joint Commission on Accreditation of Hospitals (JCAH) Standards.

Basement Level

Construct morgue in current environmental services area.

First Floor

1. Relocate administrative offices to second floor - labor and delivery area.
2. Convert existing administrative area into offices and physician lounge.
3. Expand current chapel to include adjacent lounge.
4. Upgrade Radiography/Fluoroscopy equipment in two (2) radiology rooms.
5. Expand and upgrade pharmacy.

Second Floor

Convert Nursery into conference and meeting areas.

EXHIBIT 3.

LIST OF PATIENT SERVICES

Ultrasound

Cat Scan

Nuclear Medicine

Diagnostic Radiology

Hematology

Chemistry

Blood Bank

Micro-Bacteriology

Histology

Cytology

EEG

EKG

Respiratory Therapy

Cardiology - Stress Testing

Holtars

2-D Echos

M-Mode

Blood Gases

Pulmonary Functions

Incentive Spirometry

Surgery/Recovery Room Services

Anesthesia Services

Endoscopy/Treatment Room Services

Outpatient Services

Physical Therapy

Central Supply Services/Materials Management

Pharmacy

ICU/CCU (TPN, Respirator, etc.)

Telemetry

Home Health

Nutritional Counseling

Social Services

EXHIBIT 4.

BYLAWS OF CITIZENS GENERAL HOSPITAL, INC.

(Due to length, this exhibit has not been included herein, but will be available to the U. T. Board of Regents upon request.)

EXHIBIT 5.

INDIGENT CARE PLAN

- (a) Pursuant to the Affiliation Agreement by and among American Medical International, Inc., American Medical (Central), Inc., Citizens General Hospital, Inc., (CGH), and the U. T. Board of Regents, CGH agrees to undertake certain obligations with respect to rendering indigent care to patients at the Institute for Immunological Disorders (Institute) who are residents of the State of Texas.
- (b) Commencing with the fiscal year September 1, 1986, through August 31, 1987, and for each fiscal year thereafter, CGH agrees to provide the following amounts in indigent care to patients from within Texas and treated at the Institute:
- (1) for fiscal year September 1, 1986, through August 31, 1987, CGH shall provide \$250,000 or ten percent (10%) of the Institute's pre-tax income, whichever is greater;
 - (2) for fiscal year September 1, 1987, through August 31, 1988, CGH will provide \$500,000 or ten percent (10%) of the Institute's pre-tax income, whichever is greater;
 - (3) for fiscal year September 1, 1988, through August 31, 1989, the President of CGH, the Presidents of UTSCC and UTHSCH, and the Executive Vice Chancellor for Health Affairs of The University of Texas System shall mutually agree upon a stated amount of dollars or percentage of the Institute's income to be provided for indigent care, subject to the approval of AMI, AMC, CGH, and U. T. Board of Regents; such agreed amount shall be reduced to writing not later than April 30, 1988; and
 - (4) for subsequent fiscal years, the process provided in paragraph (3) shall be followed unless otherwise mutually agreed in writing.
- (c) Pre-tax income, as used herein, and indigent care charges shall be calculated in accordance with the general accounting policies and procedures generally recognized within American Medical International, Inc., for the calculation of pre-tax income and indigent care charges at its hospital facilities.
- (d) Eligibility for indigent care shall be formulated in a written policy agreed to by CGH and U. T. Board of Regents or their respective authorized representatives, who may revise the policy as necessary. Included in such policy shall be rules for reexamination of indigency criteria. Based on such policy, eligibility for indigent care of a patient shall be determined prior to delivery of services to that person at the Institute, except as follows. Determinations of eligibility may be made after services have been provided if it is impractical to make the determination of eligibility in advance of provision of these services or if events subsequent to the rendering of such services may impact upon the individual's ability to pay. A person will generally be considered eligible for indigent care under this plan if he or she does not have financial ability

to pay for the hospital care which is proposed or has been provided.

- (e) In emergency situations, the Medical Director shall have the authority to make exceptions to the above policies. The Medical Director and the Institute Administrator may jointly grant other exceptions to the above policies. If there is a disagreement between them, either may take an individual case to the CGH Board of Directors for final decision.
- (f) This plan shall not obligate CGH to provide services to any particular patient nor shall it include payments or obligations to physicians providing services to patients at the Institute.

EXHIBIT 6.

MEDICAL MALPRACTICE PLAN

(Due to length, this exhibit has not been included herein,
but will be available to the U. T. Board of Regents upon
request.)

EXHIBIT 7.

INTELLECTUAL PROPERTY POLICY

(Due to length, this exhibit has not been included herein, but will be available to the U. T. Board of Regents upon request.)

EXHIBIT 8.

AUTHORIZED REPRESENTATIVES

For each of the entities noted, below are listed their respective authorized representatives for purposes of the Affiliation Agreement:

AMI - President

AMC - President

CGH - President

U. T. Board Of Regents - Executive Vice Chancellor for
Health Affairs

UTHSC-H - President

UTSCC - President

6. U. T. Health Science Center - San Antonio: Appointment of (a) George W. Mitchell, M.D., to the H. Frank Connally, Jr. Professorship in Obstetrics and Gynecology and (b) Carl J. Pauerstein, M.D., as Initial Holder of The Humana Foundation Chair of Obstetrics and Gynecology Effective Immediately.--Approval was granted to appoint the following individuals to the indicated endowed academic positions at The University of Texas Health Science Center at San Antonio effective immediately:

- a. George W. Mitchell, M.D., Professor and Director of Gynecology Services, to the H. Frank Connally, Jr. Professorship in Obstetrics and Gynecology
- b. Carl J. Pauerstein, M.D., Professor and Chairman of the Department of Obstetrics and Gynecology, initial holder of The Humana Foundation Chair of Obstetrics and Gynecology

Dr. Pauerstein will relinquish the H. Frank Connally, Jr. Professorship in Obstetrics and Gynecology on the effective date of this appointment.

7. U. T. Health Science Center - San Antonio: Proposed Appointment to the Dan F. Parman Chair in Medicine Effective June 6, 1986 (Withdrawn).--The item related to a proposed appointment to the Dan F. Parman Chair in Medicine at The University of Texas Health Science Center at San Antonio effective June 6, 1986, was withdrawn from consideration.

8. U. T. Cancer Center (U. T. M.D. Anderson Hospital - Houston): Appointment of Douglas E. Johnson, M.D., Initial Holder of the W. A. "Tex" and Deborah Moncrief, Jr. Chair in Urology Effective July 1, 1986.--The Health Affairs Committee recommended and the Board approved the appointment of Douglas E. Johnson, M.D., Professor and Ashbel Smith Professor, Department of Urology at the U. T. M.D. Anderson Hospital - Houston of The University of Texas System Cancer Center, as initial holder of the W. A. "Tex" and Deborah Moncrief, Jr. Chair in Urology effective July 1, 1986.

See Page 185 related to the redesignation of this chair.

9. U. T. Health Center - Tyler: Approval of Memorandum of Agreement with the Texas Department of Health, Austin, Texas.--Approval was given to the Memorandum of Agreement set forth on Pages 157 - 161 by and between The University of Texas Health Center at Tyler and the Texas Department of Health, Austin, Texas.

This agreement, executed by the appropriate officials of the institution and facility to be effective upon approval by the U. T. Board of Regents, will provide for the examination, diagnosis, referral, hospitalization, and treatment of tuberculosis patients. The U. T. Health Center - Tyler agrees to accommodate all tuberculosis patients or suspected tuberculosis patients referred by the Texas Department of Health, local health authorities, physicians in private practice, or other sources.

MEMORANDUM OF AGREEMENT

This AGREEMENT made this 5th day of June, 1986, by and between The University of Texas Health Center at Tyler, hereinafter referred to as the "Health Center", and The Texas Department of Health for and on behalf of Public Health Region 7 and 10, hereinafter referred to as the "Department".

WITNESSETH, the Health Center and the Department acting pursuant to the provisions of Article 4414b, 3201a-4, 4477-11 and 4477-12, Texas Civil Statutes, enter into this agreement for examination, diagnosis, referral, hospitalization, and treatment of tuberculosis patients.

NOW THEREFORE, in consideration of the promises and terms, conditions, and provisions set forth hereinafter, the parties hereby agree as follows:

I.

The Health Center agrees, subject to the terms and conditions herein, to accommodate all tuberculosis patients or suspected tuberculosis patients both hereinafter referred to as "patients", referred by the Department, local health authorities, physicians in private practice, or other sources, including patients quarantined according to the provisions of the Tuberculosis Code or other State statutes. The Health Center will provide outpatient tuberculosis control clinic services for patients referred by the Department, local health departments, and private physicians. Outpatient clinic appointments will be available daily Monday through Friday. Routine appointments will be scheduled within two weeks, and emergency appointments within 48 hours, of the date of request.

II.

The priority of admissions of tuberculosis patients will be as follows:

- (1) Referral from the Department, including the outpatient clinics;
- (2) Referral from local health departments or other local health authorities;
- (3) Referral from physicians in private practice.

III.

The Health Center agrees to hospitalize, within forty-eight (48) hours, any patients with tuberculosis or suspected tuberculosis who are acutely ill or who are potentially contagious.

IV.

The Health Center agrees to submit to the Department monthly formal written reports of the census of tuberculosis and other mycobacteriosis patients at the Health Center. The monthly report will include the number, characteristics, and length of stay of Health Center inpatients with tuberculosis or other mycobacteriosis.

V.

Regarding the operation and continuation of Tuberculosis Control medical clinics in Public Health Regions 7 and 10, the parties agree as follows:

The Health Center will provide the necessary physicians to conduct clinics in the following locations at the estimated frequency indicated:

<u>LOCATION</u>	<u>FREQUENCY</u>
Livingston	Quarterly
Texarkana	Monthly

Center	Quarterly
Jasper	Quarterly
Lufkin	Monthly
Nacogdoches	Quarterly
Palestine	Quarterly (as needed)
Paris	Quarterly (as needed)
Carthage	Quarterly (as needed)

In addition to the above clinics, the Health Center further agrees to provide physicians to conduct up to eight (8) additional tuberculosis control medical clinics per year in Public Health Regions 7 and 10, when needed to provide adequate tuberculosis control services.

The physicians of the Health Center will complete tuberculosis program report forms as necessary to comply with requirements of the Department. The Health Center also agrees to provide radiologic interpretations, record evaluations, and prescription renewals as needed in urgent situations, or in instances where circumstances prevent a patient's attendance at a regular medical clinic.

The Department will provide other necessary personnel, supplies, and equipment for the above clinics. Specifically, the Department agrees to:

- (1) Schedule the clinics.
- (2) Provide adequate clinic facilities with necessary supplies and medical equipment, including x-ray view boxes.
- (3) Provide anti-tuberculosis medications.
- (4) Provide necessary nursing or clerical personnel.
- (5) Maintain up-to-date records and obtain previous roentgenograms on all patients to be evaluated by the physician.

- (6) Provide reimbursement for mileage and per diem travel expenses of such Health Center physicians conducting the above tuberculosis medical clinics according to State travel regulations (not to exceed \$2,400 per year)

VI.

Regarding the remaining Public Health Regions 7 and 10 Tuberculosis Control clinics, the Health Center agrees to provide contract physicians with any initial orientation or inservice training which may be needed for the detection of tuberculosis and the proper conduct of the clinics.

The parties each agree to appoint one or more persons to serve as a committee to review and recommend changes to resolve any problems which may arise under the procedures and revisions outlined in this agreement. It is mutually agreed that ongoing coordination will be maintained between the Health Center and Public Health Regions 7 and 10 to assure continuation and adequacy of tuberculosis control services.

VII.

The Health Center agrees to notify the appropriate Tuberculosis Control Program manager or director at least three (3) work days in advance of any planned discharge ("with medical advice") of a tuberculosis patient who is in a potentially infectious stage of the disease, or who is receiving injectable medications. Also, the Health Center agrees to immediately notify the appropriate T B Program Manager or Director of any potentially contagious tuberculosis patient who leaves or threatens to leave the hospital against medical advice.

VIII.

The parties further agree that the Health Center will assist, as appropriate, the Department in carrying out its duties in controlling tuberculosis.

IX.

This Agreement shall be effective from year to year unless terminated by either party upon ninety (90) days advance written notice.

TEXAS DEPARTMENT OF HEALTH

THE UNIVERSITY OF TEXAS
HEALTH CENTER AT TYLER

By

Hermas L. Miller
Hermas L. Miller, Deputy
Commissioner, Management and
Administration

By

George A. Hurst
George A. Hurst, M.D.
Director

RECOMMENDED BY:

FORM APPROVED:

By

Jerpme H. Greenberg
Jerpme H. Greenberg, M.D.
Associate Commissioner for
Preventable Diseases

By

John L. Sawoyt
Office of General Counsel
The University of Texas System

APPROVED AS TO FORM:

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

Hel Nelson
Office of General Counsel

By

Charles H. Hollins
Title EVC for Health Affairs

CERTIFICATE OF APPROVAL

I hereby certify that the foregoing Agreement was approved by the Board of Regents of The University of Texas System on the 5TH day of JUNE, 1986, and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.

Auth. Kelly
Executive Secretary, Board of Regents
The University of Texas System

10. U. T. Health Science Center - Dallas, U. T. Medical Branch - Galveston, U. T. Health Science Center - Houston, U. T. Health Science Center - San Antonio, U. T. Cancer Center and U. T. Health Center - Tyler: Nominees to Development Boards and Advisory Councils Effective September 1, 1986.--

Approval was given to nominees for membership on the following development boards and advisory councils of the health-related institutions of The University of Texas System to be effective September 1, 1986:

- a. The University of Texas Health Science Center at Dallas
Development Board
- b. The University of Texas Medical Branch at Galveston
Development Board
School of Allied Health Sciences Advisory Council
School of Nursing Advisory Council
- c. The University of Texas Health Science Center at Houston
Development Board
Speech and Hearing Institute Advisory Council
- d. The University of Texas Health Science Center at San Antonio
Development Board
Medical School Advisory Council
Nursing School Advisory Council
- e. The University of Texas System Cancer Center
University Cancer Foundation Board of Visitors
- f. The University of Texas Health Center at Tyler
Development Board

The names of those accepting membership will be reported to the U. T. Board of Regents at a subsequent meeting.

REPORT AND RECOMMENDATIONS OF THE BUILDINGS AND GROUNDS COMMITTEE (Pages 163 - 171).--Committee Chairman Rhodes reported that the Buildings and Grounds Committee had met in open session to consider those items on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, all actions set forth in the Minute Orders which follow were recommended by the Buildings and Grounds Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. System: Permanent University Fund (PUF) Bond Proceeds Capital Improvement Program - Allocation of PUF Bond Proceeds for Equipment and Repair and Rehabilitation Projects for 1986-87.--In October 1985, the U. T. Board of Regents approved a six-year (1985-1991) Capital Improvement Program for The University of Texas System to be funded from Permanent University Fund (PUF) Bond Proceeds. Included in the plan were lump sum allocations for Institutional Equipment and Repair and Rehabilitation Projects to be apportioned as each two-year cycle of the Capital Improvement Program was funded. While the Board has already made several allocations from these expenditure categories for the 1986 and 1987 fiscal years, this agenda item was to effectively allocate funds for specific equipment purchases and repair and rehabilitation projects for the period ending August 31, 1987.

Committee Chairman Rhodes called on Executive Vice Chancellor for Academic Affairs Duncan and Executive Vice Chancellor for Health Affairs Mullins to summarize the specific prioritized project proposals for their respective institutions.

Following these presentations and upon recommendation of the Academic Affairs, Health Affairs and Buildings and Grounds Committees, funds reserved in the Permanent University Fund Capital Improvement Program adopted in October 1985 for Institutional Equipment Purchases and Repair and Rehabilitation Projects for 1985-87 were allocated to U. T. System component institutions as set forth on Pages 164 - 166.

Further, the component institutions were authorized to purchase approved equipment items following standard equipment purchase procedures and within approved Permanent University Fund Bond Proceeds dollar limits or a combination of allocated bond proceeds and other funds, where appropriate. Substitute equipment purchases are to receive prior approval by the Office of the Chancellor and, where appropriate, the U. T. Board of Regents. Transfer by U. T. System Administration of allocated funds to institutional control or to vendors shall coincide with vendor payment requirements.

Final approval of specific repair and rehabilitation projects and subsequent appropriation of funds shall be in accordance with Board established procedures for construction and repair or rehabilitation projects.

I. INSTITUTIONAL EQUIPMENT PURCHASES

U. T. ARLINGTON		\$ 2,741,605
Physics Research Equipment	\$350,000	
Mass Spectrometer Research Facility	330,000	
Radar Cross Section Measurement Laboratory	300,000	
Molecular Beam Epitaxy (MBE) System	478,416	
Computational Fluid Dynamics (CFD) Workstations	263,769	
Microcomputer Laboratory Equipment	247,030	
Foreign Language & Linguistics Laboratory Equipment	205,290	
Power System Laboratory	567,100	
U. T. DALLAS		\$ 1,249,553
Electron Microprobe Facility	290,558	
Nuclear Magnetic Resonance Spectrometer	250,000	
Mass Spectrometer	183,995	
Brain Activity Mapping System	200,000	
Administrative Computer Upgrade	150,000	
Microcomputer System Enhancement	175,000	
U. T. EL PASO		\$ 1,232,000
Materials Science Research Equipment	281,000	
Manufacturing Engineering Laboratory	205,000	
Computer Center Upgrade	354,000	
Instructional Computing Laboratory Expansion	392,000	
U. T. PERMIAN BASIN		\$ 197,000
Psychology Laboratory Equipment	82,450	
Education Laboratory Equipment	40,000	
Micro-computing Laboratory	34,000	
Fine Arts Equipment	40,550	
U. T. SAN ANTONIO		\$ 1,084,000
Undergraduate Engineering Equipment	195,000	
Biotechnology/Molecular Neurobiology Research Equipment	494,000	
Graduate Engineering Equipment	395,000	
U. T. TYLER		\$ 181,000
Academic Personal Computer Laboratory	62,000	
Administrative Computing Equipment	119,000	
U. T. HEALTH SCIENCE CENTER - DALLAS		\$ 2,757,425
Academic Computing Equipment	712,500	
Administrative Computing Equipment	837,925	
Electron Microscopes	455,000	
Macromolecular Synthesis and Sequencing Equipment	752,000	
U. T. MEDICAL BRANCH - GALVESTON		\$ 3,929,917
Pharmacology Department Equipment	440,000	
Physiology Department Equipment	818,000	
Nutrition Research Equipment	1,567,000	
Internal Medicine Department Equipment	1,104,917	
U. T. HEALTH SCIENCE CENTER - HOUSTON		\$ 2,148,000
Nuclear Magnetic Resonance Spectrometers	600,000	
Administrative Software Development	950,000	
Chemistry Equipment	598,000	
U. T. HEALTH SCIENCE CENTER - SAN ANTONIO		\$ 1,818,000
Biopolymer Facility	376,000	
Nuclear Magnetic Resonance Spectrometer	950,000	
Dentist-Scientist Resource Laboratory	319,000	
Radiation Bioeffects Equipment	173,000	

U. T. CANCER CENTER		\$ 1,370,000
Research Sterilization Equipment	\$600,000	
Operating Room Sterilization Equipment	400,000	
Pathological/Radioactive Waste Incineration	370,000	
U. T. HEALTH CENTER - TYLER		\$ 541,500
Protein Sequencer	149,550	
Cell Sorter	150,450	
Electron Microscope/X-Ray Analysis System	241,500	
Total Equipment		\$19,250,000

II. Repair and Rehabilitation Projects

U. T. ARLINGTON		\$ 401,685
Language & Linguistic Classroom Upgrade	44,875	
Transformer Reclassification	206,810	
Asbestos Identification Project	150,000	
U. T. AUSTIN		\$ 3,721,000
Waterproofing, Roof Repairs and other Major Repairs - Multiple Buildings	1,931,000	
Transformer Reclassification	650,000	
Electrical Switchgear Modification	400,000	
Molecular Biology Laboratory	480,000	
Office Conversion - U. T. System Center for High Performance Computing	260,000	
U. T. DALLAS		\$ 745,000
4th floor Cecil H. Green Center Renovation	200,000	
Administrative Data Processing Center Relocation	190,000	
Library Mezzanine Renovation	280,000	
Chemical Storage Facility	75,000	
U. T. EL PASO		\$ 940,000
Transformer Reclassification	140,000	
Library Annex Renovation	200,000	
Roof Repair - Fox Fine Arts	350,000	
Elevators for Handicapped	250,000	
U. T. PERMIAN BASIN		\$ 194,000
Recarpet Mesa Building	140,000	
Music Department Renovation	54,000	
U. T. SAN ANTONIO		\$ 595,110
Roof Repair - Multiple Buildings	258,000	
Recarpet Phase I Buildings	299,110	
Library Skylight Replacement	38,000	
U. T. TYLER		\$ 244,394
Remote Fire Alarm Panel	63,394	
Roof Repair - Multiple Buildings	181,000	
U. T. HEALTH SCIENCE CENTER - DALLAS		\$ 1,041,000
Waterproof Multiple Buildings	900,000	
Elevator Modification - Locke Medical Building	141,000	
U. T. MEDICAL BRANCH - GALVESTON		\$ 1,930,000
Department of Physiology Renovation	400,000	
Pharmacology Office Renovation	300,000	
Analytical Chemistry Center Renovation	480,000	
Nutrition Laboratory Renovation	750,000	

U. T. HEALTH SCIENCE CENTER - HOUSTON		\$ 1,218,100
Transformer Reclassification	\$450,000	
Asbestos Removal - Multiple Locations	348,100	
Roof Repair - Multiple Locations	420,000	
U. T. HEALTH SCIENCE CENTER - SAN ANTONIO		\$ 829,711
Animal Facilities Improvement	221,345	
Instrumentation & Educational Resources Expansion	93,366	
Transformer Reclassification	515,000	
U. T. CANCER CENTER		\$ 980,000
Immunology: Lab Upgrade and Expansion	450,000	
Cell Biology: Convert Temporary Animal Quarters to Laboratories	350,000	
Research Kitchens: Upgrade Sterilization Services	180,000	
U. T. HEALTH CENTER - TYLER		\$ 205,000
Emergency Electrical Power	90,000	
Asbestos Removal	40,000	
Heat Recovery System	40,000	
Security Lighting	35,000	
U. T. System Reserve for Emergencies and Unanticipated Repair Needs		\$ 1,355,000*

* includes \$200,000 reserved for equipment purchases during fiscal years 1985-86 and 1986-87 on behalf of Nobel Laureates Dr. Michael Brown and Dr. Joseph Goldstein at U. T. Health Science Center - Dallas. These commitments were made by the U. T. Board of Regents in a special meeting on October 24, 1985. The 1985-86 equipment allocation (\$100,000) was approved by the Board on December 5, 1985. Additional equipment allocations of \$100,000 each for fiscal years 1987-88, 1988-89 and 1989-90 (a five-year total of \$500,000) are to be funded from PUF Capital Improvement Program reserves for capital equipment purchases.

Total Repair and Rehabilitation \$14,400,000

Committee Chairman Rhodes noted that this allocation marks a significant change in the way some Permanent University Fund Bond Proceeds are to be used. With this action, the Board is signalling a real commitment to first preserve and improve the investment in campus buildings and perhaps even more importantly, making direct investments in laboratory equipment which will be used by the faculty, staff and students.

2. U. T. Arlington - Partial Depression of Cooper Street (Project No. 301-592): Acceptance of Report of Project Analysis and Approval of Preliminary Plans; Authorization for Preparation of Final Plans; Submission to Coordinating Board; and Additional Appropriation Therefor.--Mr. Don deBlonk, representing the Project Engineer, Carter and Burgess, Inc., Fort Worth, Texas, presented the preliminary plans for the Partial Depression of Cooper Street at The University of Texas at Arlington to the Buildings and Grounds Committee.

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

- a. Accepted the Report of Project Analysis and approved preliminary plans for the Partial

Depression of Cooper Street at U. T. Arlington at an estimated total project cost of \$6,157,830

- b. Authorized the Project Engineer to prepare final plans and specifications to be presented to the U. T. Board of Regents at a future meeting
- c. Authorized submission of the project to the Coordinating Board, Texas College and University System
- d. Appropriated \$300,000 from Permanent University Fund Bond Proceeds for fees and administrative expenses through preparation of final plans. Previous appropriations had been \$75,000 from Unappropriated Plant Funds - Interest on Local Funds.

The plans and cost allocations have been reviewed by the staffs of the City of Arlington and the Texas Department of Highways and Public Transportation. It is anticipated that the cost allocations will approximate 49% to U. T. Arlington, 14% to the Texas Highway Department and 37% to the City of Arlington. The Arlington City Council has a staff report on the partial depression and appears to be in general agreement.

Final plans and specifications will be developed in cooperation with the City of Arlington, Texas Department of Highways and Public Transportation and the U. T. System. Any funds expended by the University during preparation of plans and specifications will become a part of U. T. Arlington's pro rata share of the total project cost when completed.

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

3. U. T. Austin - Petroleum Engineering Building - Rencvation (Project No. 102-589): Approval of Revised Total Project Cost and Preliminary Plans; Authorization to Prepare Final Plans; Approval to Change Name to Economics Building; Submission to Coordinating Board; and Additional Appropriation Therefor.--Mr. Al Simmons, representing the Project Architect, Graeber, Simmons & Cowan, Austin, Texas, presented the preliminary plans for the Petroleum Engineering Building Renovation at The University of Texas at Austin to the Buildings and Grounds Committee.

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

- a. Approved an increase in the estimated total project cost for the Petroleum Engineering Building Renovation at U. T. Austin from \$3,000,000 to \$3,675,000
- b. Approved the preliminary plans and authorized the Project Architect to prepare final plans and specifications to be presented to the U. T. Board of Regents for consideration at a future meeting

- c. Approved the change of building name from Petroleum Engineering Building to Economics Building
- d. Authorized submission of the project to the Coordinating Board, Texas College and University System
- e. Appropriated \$140,000 from balances on hand from U. T. Austin General Fee for fees and administrative expenses through completion of final plans. Previous appropriations had been \$85,000 from Interest on Proceeds of Permanent University Fund Bonds.

This building, until recently, was occupied by the Department of Petroleum Engineering which has relocated to the new Chemical and Petroleum Engineering Building. Upon completion of the renovation of the 1942 Petroleum Engineering Building, the five-level, 51,490 gross square feet building will be occupied by the Department of Economics.

4. U. T. Austin - E. P. Schoch Laboratories Renovation (Project No. 102-595): Authorization for Revised Total Project Cost, Preliminary Plans, and Final Plans; Approval to Change Name to E. P. Schoch Building; Submission to Coordinating Board; and Additional Appropriation Therefor.-- Mr. Ron Gettys and Mr. Robert Miller, representing the Project Architect, MGM Architects, Inc., Austin, Texas, presented the preliminary plans for the E. P. Schoch Laboratories Renovation at The University of Texas at Austin to the Buildings and Grounds Committee.

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

- a. Approved an increase in the estimated total project cost for the E. P. Schoch Laboratories Renovation at U. T. Austin from \$3,375,000 to \$4,225,000
- b. Approved the preliminary plans and authorized the Project Architect to prepare final plans and specifications to be presented to the U. T. Board of Regents for consideration at a future meeting
- c. Approved the change of building name from E. P. Schoch Laboratories to E. P. Schoch Building
- d. Authorized submission of the project to the Coordinating Board, Texas College and University System
- e. Appropriated \$165,000 from balances on hand from U. T. Austin General Fee for fees and administrative expenses through completion of final plans. Previous appropriations had been \$90,000 from Permanent University Fund Bond Proceeds.

This building, until recently, was occupied by the Department of Chemical Engineering which has relocated to the new Chemical and Petroleum Engineering Building. Upon

completion of this renovation, the existing five-level, 51,700 gross square feet building will contain classroom and office facilities for the Departments of Germanic Languages and Anthropology.

5. U. T. El Paso - Physical Plant Facilities (Project No. 201-563): Authorization to Increase Total Project Cost; Award Construction Contract to The Banes Company, El Paso, Texas; Approval of Plaque Inscription; and Additional Appropriation Therefor.--The Board, upon recommendation of the Finance and Audit and Buildings and Grounds Committees:
- a. Approved an increase in the total project cost of the Physical Plant Facilities at The University of Texas at El Paso from \$6,980,000 to \$7,860,000 (excluding the cost of the Project Analysis)
 - b. Awarded a construction contract for the Physical Plant Facilities at U. T. El Paso to the lowest responsible bidder, The Banes Company, El Paso, Texas, for the Base Bid and Alternates 1 and 3, in the amount of \$6,771,500
 - c. Approved the inscription set forth below for a plaque to be placed on the main Physical Plant building. The inscription follows the standard pattern approved by the U. T. Board of Regents in June 1979.

PHYSICAL PLANT FACILITIES
1986

BOARD OF REGENTS

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

Hans Mark
Chancellor, The
University of Texas System
Haskell Monroe
President, The University
of Texas at El Paso

Langford Anderson Thacker, Inc.
Project Architect
The Banes Company
Contractor

- d. Appropriated additional funds in the sum of \$880,000 from Permanent University Fund Bond Proceeds to cover the revised total project cost. Previous appropriations had been \$6,980,000 from the same source.

At the December 1985 meeting of the U. T. Board of Regents, the project scope was revised to include only the new Physical Plant Facilities and site work associated with those facilities, at an estimated total project cost of \$6,980,000 (excluding the cost of the Project Analysis).

6. U. T. San Antonio - Engineering/Biotechnology Building: Authorization of Project; Appointment of JonesKell, San Antonio, Texas, as Project Architect to Prepare Preliminary Plans and Cost Estimate; and Appropriation Therefor.--In order to meet the growing demands of the engineering program at The University of Texas at San Antonio, the Board, upon recommendation of the Finance and Audit, Academic Affairs and Buildings and Grounds Committees:
- a. Authorized a project for the construction of an Engineering/Biotechnology Building at U. T. San Antonio at an estimated total project cost of \$27,900,000
 - b. Appointed the firm of JonesKell, San Antonio, Texas, Project Architect, to prepare preliminary plans and a detailed cost estimate to be presented to the U. T. Board of Regents for consideration at a future meeting
 - c. Appropriated \$150,000 from U. T. San Antonio Local Funds and \$50,000 from Permanent University Fund Bond Proceeds for fees and related expenses through the preparation of preliminary plans.

This project is within the scope of the Capital Improvement Program approved by the U. T. Board of Regents in October 1985 with first allocation of construction dollars anticipated in fiscal year 1987-88.

7. U. T. Tyler - Space Completion and Renovation (Project No. 802-607): Approval of Final Plans; Submission to Coordinating Board; Authorization to Advertise for Bids; Authorization for Executive Committee and U. T. Tyler Administration to Award Contracts; and Additional Appropriation Therefor.--Mr. Charles F. Potter, Jr., Project Architect, Tyler, Texas, presented the final plans and specifications for the Space Completion and Renovation at The University of Texas at Tyler to the Buildings and Grounds Committee.

Based upon this presentation and the recommendation of the Buildings and Grounds Committee, the Board:

- a. Approved final plans and specifications for the Space Completion and Renovation at U. T. Tyler at an estimated total project cost of \$3,800,000
- b. Authorized submission of applicable portions of the project to the Coordinating Board, Texas College and University System
- c. Authorized the Office of Facilities Planning and Construction to advertise for bids, after approval of the Coordinating Board, where applicable
- d. Authorized the Executive Committee to award all contracts of \$300,000 or more associated with this project and the U. T. Tyler Administration to award all other contracts all within the authorized total project cost

- e. Appropriated \$3,550,000 from Permanent University Fund Bond Proceeds to complete total project funding. Previous appropriations had been \$250,000 from the same source.

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

8. U. T. Health Science Center - Dallas - Locke Medical Building: Authorization to Change Building Name to The University of Texas Health Science Center at Dallas School of Allied Health Sciences Building.--The Buildings and Grounds Committee recommended and the Board approved a change in the name of the building that houses the School of Allied Health Sciences from the Locke Medical Building to The University of Texas Health Science Center at Dallas School of Allied Health Sciences Building.

When acquired by the U. T. Health Science Center - Dallas in 1980, the building that now houses the School of Allied Health Sciences was known as the Locke Medical Building. This name was retained until all non-Health Science Center tenants vacated the building. The building is now occupied totally by the U. T. Health Science Center - Dallas.

9. U. T. Health Center - Tyler - Medical Resident Housing (Project No. 801-601): Approval of Final Plans; Authorization to Advertise for Bids and for Executive Committee to Award Contracts; and Additional Appropriation Therefor.--The Board, upon recommendation of the Buildings and Grounds Committee:

- a. Approved the final plans and specifications for Medical Resident Housing at The University of Texas Health Center at Tyler at an estimated total project cost of \$750,000
- b. Authorized the Office of Facilities Planning and Construction to advertise for bids upon completion of final review and availability of funds
- c. Authorized the Executive Committee to award all contracts associated with this project within the authorized total project cost
- d. Appropriated \$705,000 from Gift Funds designated for this project for total project funding. Previous appropriations had been \$45,000 from the same source.

This project was approved by the Coordinating Board, Texas College and University System in January 1986.

REPORT AND RECOMMENDATIONS OF THE LAND AND INVESTMENT COMMITTEE (Pages 172 - 229).--Committee Chairman Milburn reported that the Land and Investment Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, all actions set forth in the Minute Orders which follow were recommended by the Land and Investment Committee and approved in open session and without objection by the U. T. Board of Regents.

The execution of documents authorized in this report will be in accordance with the Regents' Rules and Regulations, Part Two, Chapter IX, Section 1.3 as set forth below:

- 1.3 Authority to Execute Instruments Relating to Land and Mineral Interests.--The Chairman of the Board, the Vice-Chairmen, the Chancellor, or his delegate, and the Executive Vice Chancellor for Asset Management are each authorized to execute conveyances, deeds, surface and/or mineral leases, easements, rights-of-way, oil and gas division orders, and transfer orders, geophysical and material source permits, water contracts, pooling and unitization agreements, and any other instruments as may be necessary or appropriate from time to time, relating to the handling, management, control, and disposition of any real estate or mineral interest held or controlled by the Board as a part of the PUF or as a part of any trust or special fund.

I. PERMANENT UNIVERSITY FUND

A. INVESTMENT MATTERS

Report on Clearance of Monies to Permanent University Fund for March and April 1986, and Report on Oil and Gas Development as of April 30, 1986.--The following reports with respect to (a) certain monies cleared to the Permanent University Fund for March and April 1986, and (b) Oil and Gas Development as of April 30, 1986, were submitted by the Executive Director for Investments and Trusts:

<u>Permanent University Fund</u>	<u>March 1986</u>	<u>April 1986</u>	<u>Cumulative Through April of this Fiscal Year (1985-1986)</u>	<u>Cumulative Through April of Preceding Fiscal Year (1984-1985)</u>	<u>Per Cent Change</u>
<u>Royalty</u>					
Oil	\$ 8,350,973.78	\$ 5,840,993.93	\$ 62,835,662.54	\$ 68,548,066.42	(8.33%)
Gas	3,211,259.44	2,169,221.62	21,350,425.56	21,548,598.96	(0.92%)
Sulphur	10,000.00	16,378.29	174,561.84	369,667.75	
Water	49,440.93	75,876.63	428,933.62	228,807.21	
Brine	5,606.57	3,736.48	68,773.19	66,621.03	
<u>Rental</u>					
Oil and Gas Leases	26,570.09	1,926.80	812,341.97	1,728,323.98	
Other	534.00	300.00	2,234.00	11,539.67	
Sale of Sand, Gravel, Etc.	1,464.30	-0-	35,354.30	18,142.00	
Gain or (Loss) on Sale of Securities	15,752,887.59	16,160,855.01	117,002,027.53	63,492,186.26	
<u>Sub-Total</u>	<u>27,408,736.70</u>	<u>24,269,288.76</u>	<u>202,710,314.55</u>	<u>156,011,953.28</u>	<u>29.93%</u>
<u>Bonuses</u>					
Oil and Gas Lease Sales	--	--	5,913,600.00	--	
Amendments and Extensions to Mineral Leases	12,296.26	5,041.13	204,383.67	227,270.46	
<u>Total Bonuses</u>	<u>12,296.26</u>	<u>5,041.13</u>	<u>6,117,983.67</u>	<u>227,270.46</u>	
<u>TOTAL CLEARANCES</u>	<u>\$27,421,032.96</u>	<u>\$24,274,329.89</u>	<u>\$208,828,298.22</u>	<u>\$156,239,223.74</u>	<u>33.66%</u>

Oil and Gas Development - April 30, 1986
Acreage Under Lease - 767,874

Number of Producing Acres - 569,767

Number of Producing Leases - 2,285

B. LAND MATTERS

Permanent University Fund Lands: Presentation of Petition for Redress of Grievances Submitted By the International Union of Agricultural and Industrial Workers Related to the U. T. Vineyard Operations in West Texas, and Authorization to Attempt to Identify and Resolve Any Issues That Remain Concerning Working Conditions Over Which the University Has No Control.--Committee Chairman Milburn called on Vice Chancellor and General Counsel Crowson for the report and recommendations on the Petition for Redress of Grievances presented to the Office of General Counsel by the International Union of Agricultural and Industrial Workers related to the U. T. vineyard operations on Permanent University Fund Lands in West Texas. A copy of the Petition for Redress of Grievances was before the Board and is on file in the Office of the Board of Regents.

General Counsel Crowson introduced the following who were allocated thirty minutes to address the issues presented in the Petition:

Mr. W. O. Shultz II, General Attorney and Associate General Counsel

Mr. Steve F. Hartmann, Manager of University Lands - Surface Interests

Mr. Stephen C. McIntyre, Attorney at Law, Texas Rural Legal Aid, Inc.

Mr. Shultz reported that a Petition for Redress of Grievances under Article I, Section 27, Texas Constitution, had been presented to the Office of General Counsel, as agent for the U. T. Board of Regents, by the Texas Rural Legal Aid, Inc., Hereford, Texas, on behalf of the International Union of Agricultural and Industrial Workers. In summary, the Petition sets forth allegations concerning the Union's perception of alleged unhealthy and unsanitary working conditions in the vineyards, alleged instances where workers have been sprayed with pesticides, allegations that the labor contractors have failed to comply with certain federal statutes and regulations pertaining to agricultural workers and numerous other matters. The Petition complained not only of alleged action by The University of Texas System but also S-G-R-C, Ltd., the Sheriff of Pecos County, the labor contractors, and the aerial pesticide spraying companies.

Following Mr. Shultz' remarks, Mr. Stephen C. McIntyre, Attorney at Law, Texas Rural Legal Aid, Inc., and Mr. Jesus Moya, Director of the International Union of Agricultural and Industrial Workers, addressed the issues presented in the Petition.

At the conclusion of Mr. McIntyre's and Mr. Moya's remarks, Mr. Shultz and Mr. Hartmann responded to the allegations set forth in the Petition.

After a lengthy discussion, Regent Blanton noted that it appeared from the presentations that had been made that the matters presented in the Petition for Redress of Grievances relating to the University had already been appropriately corrected or responded to, and moved that the Board direct that efforts to arrange the meeting that had already been proposed by the Office of General Counsel

continue in order to attempt to identify and resolve any issues that may remain concerning working conditions at the vineyards over which the University has no control.*

Vice-Chairman Ratliff seconded the motion which prevailed by unanimous vote.

Chairman Hay instructed Mr. Shultz to make it clear to the parties involved the legal and managerial relationship between The University of Texas System and S-G-R-C in the operation of the vineyards.

*SECRETARY'S NOTE: Those to be included in the meeting are:

1. Stephen C. McIntyre, Attorney for the International Union of Agricultural and Industrial Workers
2. Jesus Moya, Director of the International Union of Agricultural and Industrial Workers
3. W. O. Shultz II
4. Judy Coffin, Attorney for S-G-R-C and Ste. Genevieve
5. Appropriate representatives of S-G-R-C and Ste. Genevieve
6. Steve Hartmann, Charles McKinney, Gene Drennan, and other appropriate persons from the University's Midland offices
7. Michael Patrick, Executive Vice Chancellor for Asset Management, The University of Texas System
8. The labor contractors who furnish workers to the University and Ste. Genevieve.

II. COMMON TRUST FUND

U. T. System: Authorization of Additional Amounts to Be Managed by Investment Counselors for the Common Trust Fund and Delegation of the Timing of the Increase to the Office of Asset Management.--At the October 1985 meeting, the U. T. Board of Regents authorized the employment of the following investment counselors for the Common Trust Fund of The University of Texas System and the management by those counselors of up to \$80 million with each of the investment counselors managing \$16 million:

Breau Capital Management, Boston, Massachusetts
GeoCapital Corporation, New York, New York;
Kahn Brothers & Company, New York, New York
D. S. Kennedy & Company, San Francisco, California
W. H. Reaves & Co., Inc., Jersey City, New Jersey

Upon recommendation of the Land and Investment Committee, the Board authorized an additional amount not to exceed \$45 million to be managed by the five investment counselors for the Common Trust Fund and delegated the timing of any increases in the amount managed by these investment counselors to the Office of Asset Management. The maximum amount authorized for management by these investment counselors would then be \$125 million.

III. TRUST AND SPECIAL FUNDS

A. GIFTS, BEQUESTS AND ESTATES

1. U. T. Arlington: Acceptance of Gifts from the Robert Leroy Foundation, Arlington, Texas, and Establishment of the Robert Leroy Endowed Scholarship Fund.--Approval was given to accept gifts of cash, securities, and mineral/royalty interests with an estimated total value of \$572,000 from the Robert Leroy Foundation, Arlington, Texas, and to establish the Robert Leroy Endowed Scholarship Fund at The University of Texas at Arlington.

Income from the endowment will be used to provide financial assistance to students based on academic achievement and financial need with particular emphasis being given to qualified students of Chinese descent or ancestry.

2. U. T. Austin: The Henry Beckman Fund in the College of Engineering - Approval to Accept Transfer of Funds and Redesignation as the Henry Beckman Fund Endowed Presidential Scholarship.--The Board authorized acceptance of a \$14,704.79 transfer of accumulated income from current restricted funds and \$295.21 in future earned income for a total of \$15,000 for addition to The Henry Beckman Fund in the College of Engineering at The University of Texas at Austin and redesignated The Henry Beckman Fund as the Henry Beckman Fund Endowed Presidential Scholarship with a total endowment of \$25,000.

Income earned from the endowment will be awarded to graduate students conducting research on some facet of engineering related to the conservation of Texas resources.

3. U. T. Austin: Second R. H. Bing Fellowship in Mathematics in the College of Natural Sciences - Authorization to Redesignate as The Malcolm and Minda Brachman Fellowship in Mathematics in Honor of R. H. Bing.--Authorization was given to redesignate the second R. H. Bing Fellowship in Mathematics in the College of Natural Sciences at The University of Texas at Austin as The Malcolm and Minda Brachman Fellowship in Mathematics in Honor of R. H. Bing.

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

4. U. T. Austin: Acceptance of Gift and Pledge from the Dow Chemical Company Foundation, Midland, Michigan, and Establishment of The Dow Chemical Company Foundation Polymer Laboratory Endowment in the College of Engineering.--Upon recommendation of the Land and Investment Committee, the Board accepted a \$12,500 gift and a \$37,500 pledge, payable prior to December 31, 1989, for a total of \$50,000 from the Dow Chemical Company Foundation, Midland, Michigan, and established The Dow Chemical Company Foundation Polymer Laboratory Endowment in the College of Engineering at The University of Texas at Austin.

Income earned from the endowment will be used to maintain and improve equipment and to support the research and teaching functions of a room to be named in honor of the donor.

See related item on Page 76.

5. U. T. Austin: Data Processing and Analysis Lectureship in the College of Business Administration and the Graduate School of Business - Authorization to Redesignate as the Information Systems Lectureship. --Authorization was granted to redesignate the Data Processing and Analysis Lectureship in the College of Business Administration and the Graduate School of Business at The University of Texas at Austin as the Information Systems Lectureship.

This redesignation was made in accordance with the donors' request to reflect the name change of the College of Business Administration Data Processing and Analysis Advisory Council to the College of Business Administration Information Systems Advisory Council.

6. U. T. Austin: Acceptance of Pledge from Mr. and Mrs. Robert H. Dedman, Dallas, Texas, and Establishment of the Dedman Merit Scholars Program in the College of Liberal Arts. --The Board, upon recommendation of the Land and Investment Committee, accepted a \$10,000,000 pledge, payable at \$1,000,000 per year for ten consecutive years beginning in 1986, from Mr. and Mrs. Robert H. Dedman, Dallas, Texas, and established the Dedman Merit Scholars Program in the College of Liberal Arts at The University of Texas at Austin.

Income earned from the endowment will be used to award scholarships to National Merit Scholars sponsored by U. T. Austin and to outstanding undergraduates in the College of Liberal Arts.

7. U. T. Austin: Approval to Enlarge Scope of Eligible Awardees for Scholarships Endowed by Delta Kappa Gamma Society International. --It was reported that The University of Texas System presently administers five scholarship endowment funds donated by the Delta Kappa Gamma Society International as set forth below:

- a. Annie Webb Blanton Delta Kappa Gamma Scholarship, established on September 26, 1936
- b. Eula Lee Carter Texas Delta Kappa Gamma Scholarship, established on September 30, 1939
- c. Mamie Sue Bastian Delta Kappa Gamma Scholarship, established on March 22, 1941
- d. Clara M. Parker Delta Kappa Gamma Scholarship, established on May 22, 1942
- e. Maggie C. Murchison Delta Kappa Gamma Scholarship, established on May 26, 1950.

These funds were endowed to fund scholarships for qualified students selected by the Society pursuing graduate studies at The University of Texas. At the

time of the gifts, candidates would necessarily be required to attend U. T. Austin, since no other qualifying graduate-level institutions of The University of Texas existed.

The Society has recently selected an awardee who plans to attend The University of Texas at Tyler and has requested that the U. T. System's administration of the Delta Kappa Gamma scholarship endowment funds be amended to allow awards to qualified awardees who will attend any component institution of the U. T. System.

Upon recommendation of the Land and Investment Committee, approval was given to enlarge the scope of eligible awardees for scholarships endowed by the Delta Kappa Gamma Society International to include qualified students accepted for enrollment at any component institution of The University of Texas System.

8. U. T. Austin: Acceptance of Gifts from Mr. D. E. Osterhus, Baytown, Texas, and the Exxon Education Foundation, Florham Park, New Jersey, and Establishment of the Edward H. Ellms Graduate Seminar Room Endowment in the College of Engineering.--Upon recommendation of the Land and Investment Committee, the Board accepted gifts of \$2,500 from Mr. D. E. Osterhus, Baytown, Texas, and \$7,500 from the Exxon Education Foundation, Florham Park, New Jersey, for a total of \$10,000 and established the Edward H. Ellms Graduate Seminar Room Endowment in the College of Engineering at The University of Texas at Austin.

Income earned from the endowment will be used to maintain and improve equipment and to support the research and teaching functions of a room to be named in honor of the donor's grandfather, Mr. Ellms.

See related item on Page 77.

9. U. T. Austin: Friar Centennial Teaching Fellowship - Designation of Previously Approved Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--The Board designated the use of \$100,000 in previously approved matching funds under The Regents' Endowed Teachers and Scholars Program to increase the endowment of the Friar Centennial Teaching Fellowship at The University of Texas at Austin. A total of \$79,574.85 has been received and is eligible for matching. The remaining pledge will be matched upon receipt.

10. U. T. Austin: Approval to Accept Gifts and Pledges from Members of the Graduate School of Business Class of 1985-86 and to Establish The 1985-86 Graduate Business Students' Endowed Presidential Scholarship in the Graduate School of Business.--Approval was given to accept \$23,508.37 in gifts and \$53,491.63 in pledges for a total of \$77,000 from members of the Graduate School of Business class of 1985-86 and to establish The 1985-86 Graduate Business Students' Endowed Presidential Scholarship in the Graduate School of Business at The University of Texas at Austin.

Income earned from the endowment will be used to award one or more annual scholarships to students seeking an M.B.A. or M.P.A. in the Graduate School of Business.

11. U. T. Austin: Joseph D. Jamail Centennial Research Professorship in Law and W. James Kronzer Chair in Trial and Appellate Advocacy Both in the School of Law - Acceptance of Gifts and Pledges from Vinson & Elkins, Mr. W. James Kronzer, and the Cullen Family, All of Houston, Texas, Redesignation of the Joseph D. Jamail Centennial Research Professorship in Law as the Joseph D. Jamail Centennial Chair in Law, Acceptance of Matching Funds from the Sheffield Challenge Endowment Fund Program for Addition to the W. James Kronzer Chair in Trial and Appellate Advocacy and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program and Establishment of The Lee Hage Jamail Regents Professorship in Fine Arts and The Marie and Joseph D. Jamail, Sr. Regents Professorship in Fine Arts Both in the College of Fine Arts.--The Board accepted gifts of \$25,000 and \$5,000 from the law firm of Vinson & Elkins and Mr. W. James Kronzer, respectively, and pledges of \$375,000, payable prior to August 31, 1989, from members of the Cullen family, all of Houston, Texas, for a total of \$405,000 for addition to the Joseph D. Jamail Centennial Research Professorship in Law in the School of Law at The University of Texas at Austin and redesignated the Professorship as the Joseph D. Jamail Centennial Chair in Law with a total endowment of \$505,000.

Further, \$260,000 in matching funds from the Sheffield Challenge Endowment Fund Program will be used to match in part this gift and pledge for addition to the W. James Kronzer Chair in Trial and Appellate Advocacy in the School of Law at U. T. Austin for a total endowment in excess of \$739,000.

The gift and pledge totaling \$405,000 will be matched under The Regents' Endowed Teachers and Scholars Program to establish The Lee Hage Jamail Regents Professorship in Fine Arts and The Marie and Joseph D. Jamail, Sr. Regents Professorship in Fine Arts both in the College of Fine Arts with \$202,500 each.

12. U. T. Austin: Acceptance of Bequest from the Estate of Hedwig T. Kniker, San Antonio, Texas.--Approval was given to accept a distribution of \$134,626 from the Estate of Hedwig T. Kniker, San Antonio, Texas, to expand the existing set of 17 bells in the tower of the Main Building at The University of Texas at Austin to a full concert carillon of 56 bells. An additional distribution will be made at a later date to reimburse the University for all electrical work associated with the installation of the additional bells.

See Page 77 related to naming the carillon in the tower of the Main Building.

13. U. T. Austin: Acceptance of Gift from Rauscher Pierce Refsnes, Inc., Dallas, Texas, and Establishment of the Joe P. Liberty Endowed Scholarship in Plan II in the College of Liberal Arts.--Approval was given to accept a \$10,000 gift from Rauscher Pierce Refsnes, Inc., Dallas, Texas, and to establish the Joe P. Liberty Endowed Scholarship in Plan II in the College of Liberal Arts at The University of Texas at Austin.
- Income earned from the endowment will be used to award scholarships to students enrolled in the Plan II program in the College of Liberal Arts.
14. U. T. Austin: Third Pharmaceutical Foundation Fellowship in Psychiatric Pharmacy in the College of Pharmacy - Redesignation as the Alfred and Dorothy Mannino Fellowship in Pharmacy.--Upon recommendation of the Land and Investment Committee, the Board redesignated the third Pharmaceutical Foundation Fellowship in Psychiatric Pharmacy in the College of Pharmacy at The University of Texas at Austin as the Alfred and Dorothy Mannino Fellowship in Pharmacy.
15. U. T. Austin: Establishment of the George E. Seay, Sr. Scholarship in the School of Law.--At the request of the Law School Foundation (an external foundation), the George E. Seay, Sr. Scholarship was established in the School of Law at The University of Texas at Austin in accordance with the Regents' Rules and Regulations. The funding for this scholarship (\$12,000) will be retained by the Law School Foundation and will be administered per the agreement between the Foundation and the U. T. Board of Regents.
16. U. T. Austin: Acceptance of Gift from Mrs. Adele Sidney Burleson Smith, Austin, Texas, and Establishment of the Mrs. Sidney Burleson Smith Endowed Presidential Scholarship in Plan II in the College of Liberal Arts.--The Board accepted a \$25,000 gift from Mrs. Adele Sidney Burleson Smith, Austin, Texas, and established the Mrs. Sidney Burleson Smith Endowed Presidential Scholarship in Plan II in the College of Liberal Arts at The University of Texas at Austin.
17. U. T. Austin: Sublett Professorship in Industrial Pharmacy in the College of Pharmacy - Redesignation as the Coulter R. Sublett Professorship in Pharmacy.--Upon recommendation of the Land and Investment Committee and in accordance with the donor's request, the Sublett Professorship in Industrial Pharmacy in the College of Pharmacy at The University of Texas at Austin was redesignated as the Coulter R. Sublett Professorship in Pharmacy.
18. U. T. Austin: Acceptance of Gifts of Cash and Securities from Mr. and Mrs. M. Scott Kraemer, Houston, Texas, and Corporate Matching Funds from Union Pacific Corporation, New York, New York, and Amoco Foundation, Inc., Chicago, Illinois, and Establishment of the Whiting Endowed Presidential Scholarship in Engineering in the College of Engineering.--The Board accepted gifts of \$1,000 in cash and various securities valued at approximately \$18,486.56 for a total of \$19,486.56 from Mr. and Mrs. M. Scott Kraemer, Houston, Texas, \$2,000 in corporate matching funds from Union Pacific

Corporation, New York, New York, and \$4,200 in corporate matching funds from Amoco Foundation, Inc., Chicago, Illinois, for a total endowment of \$25,686.56 and established the Whiting Endowed Presidential Scholarship in Engineering in the College of Engineering at The University of Texas at Austin.

Income earned from the endowment will be used to provide scholarships to outstanding and worthy students in petroleum engineering or other engineering majors related to the production of energy. Preference will be given to students of high academic standing who have been gainfully employed during their formative years of preparing for college or during college.

19. U. T. Austin: Estate of Louis T. Yule, Deceased, Georgetown, Texas - Final Report of Distributions.-- A report was received that the final distribution from the Estate of Louis T. Yule, Georgetown, Texas, in the amount of \$8,872.11 for a total bequest of \$78,979.36 had been made for the benefit of the College of Engineering at The University of Texas at Austin. As approved by the U. T. Board of Regents at its April 1985 meeting, the initial distribution of \$70,107.25 has been used to partially fund the Louis T. Yule Fellowship in Engineering and the Banks McLaurin Fellowship in Engineering. Funding for the Fellowships was completed by a \$29,892.75 transfer of previously reported gifts from various donors for an endowment of \$50,000 each. The \$8,872.11 has been placed in the Engineering Foundation Various Donors-Variou s Purposes account.

20. U. T. El Paso: Acceptance of Gift from The Alumni Association of The University of Texas at El Paso, Inc., El Paso, Texas, and Establishment of the Alumni Association of UTEP Endowed Scholarship Fund.--The Land and Investment Committee recommended and the Board accepted a \$10,000 gift from The Alumni Association of The University of Texas at El Paso, Inc. and established the Alumni Association of UTEP Endowed Scholarship Fund at The University of Texas at El Paso.

Income earned from the endowment will be used to award an annual scholarship of \$750 or more per academic year, renewable for four years, to qualified students in accordance with the U. T. El Paso Presidential Endowed Scholarship Program.

21. U. T. El Paso: Acceptance of Transfer of Funds and Establishment of the Lola B. Dawkins Fund for Excellence in Business Teacher Education.--The Board, upon recommendation of the Land and Investment Committee, accepted an \$11,253.72 transfer of current restricted funds and established the Lola B. Dawkins Fund for Excellence in Business Teacher Education at The University of Texas at El Paso.

Income earned from the endowment will be used to benefit business administration students seeking business education certification or to aid current business education teachers in graduate work.

22. U. T. El Paso: Acceptance of Gift from Mrs. Louise B. Murchison, El Paso, Texas, and Establishment of a Second Mr. and Mrs. MacIntosh Murchison Chair in Engineering and Eligibility for Matching Funds Under the Texas Eminent Scholars Program (No Publicity).-- Approval was given to accept a \$500,000 gift from Mrs. Louise B. Murchison, El Paso, Texas, and to establish a second Mr. and Mrs. MacIntosh Murchison Chair in Engineering at The University of Texas at El Paso.

The actual income which will be earned on the gift of \$500,000 will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code.

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

23. U. T. El Paso: Don Haskins and Bill Yung Woman's Auxiliary of UTEP Athletic Fund - Redesignation as The Woman's Auxiliary of UTEP Endowed Athletic Scholarship Fund.--In accordance with the donor's request, the Board redesignated the Don Haskins and Bill Yung Woman's Auxiliary of UTEP Athletic Fund at The University of Texas at El Paso as The Woman's Auxiliary of UTEP Endowed Athletic Scholarship Fund.

24. U. T. San Antonio: Approval to Accept Gifts of Real Property Being 7.418 Acres of River Trail Subdivision and 17.222 Acres of Townsend Crossing in Kendall County, Texas, from Mr. and Mrs. Kenneth D. Muller, Boerne, Texas; Establishment of the Kenneth D. and Ada Muller Scholarship Fund; Authorization for the Office of Asset Management to Negotiate the Sale of These Properties; and Authorization for the Executive Vice Chancellor for Asset Management to Execute Documents Pertaining to the Sales.--The Board accepted the following gifts of real property in Kendall County, Texas, from Mr. and Mrs. Kenneth D. Muller, Boerne, Texas, and established the Kenneth D. and Ada Muller Scholarship Fund at The University of Texas at San Antonio:

- a. An undivided 1/4 interest in a 68.5% interest in 7.418 acres of River Trail Subdivision more specifically described as Lots 36, 37, 39, 68 and 122 recorded in Volume 1, Pages 55-56 of the Kendall County Plat Records
- b. An undivided 1/4 interest in an undivided 5% interest in 17.222 acres of Townsend Crossing more specifically described as Lots 1, 2, 4, 5, 6, 7, and 8 as recorded in Volume 1, Pages 169-170 of the Kendall County Plat Records.

Further, the Office of Asset Management was authorized to negotiate the sale of these interests at fair market value and the Executive Vice Chancellor for Asset Management was authorized to execute all documents pertaining to the sales.

According to the appraisals provided by the donors, the value of the parcel located in the River Trail Subdivision is \$90,500 and U. T. San Antonio's share

of that amount is estimated to be approximately \$15,500. The value of the parcel located in Townsend Crossing is valued at \$1,350,000 and U. T. San Antonio's share of that amount is estimated to be approximately \$16,875.

25. U. T. Tyler: Acceptance of Gift from Mr. and Mrs. John E. White, Jr., Tyler, Texas, and Corporate Matching Funds from Atlantic Richfield Foundation, Los Angeles, California, and Establishment of the Jack and Dorothy Fay White Endowed Presidential Scholarship II.--The Land and Investment Committee recommended and the Board accepted a gift of \$10,000 from Mr. and Mrs. John E. White, Jr., Tyler, Texas, and \$20,000 in corporate matching funds from the Atlantic Richfield Foundation, Los Angeles, California, for a total of \$30,000 and established the Jack and Dorothy Fay White Endowed Presidential Scholarship II at The University of Texas at Tyler.

Income earned from the endowment will be used to provide an annual scholarship to students who are in need of financial assistance in order to attend U. T. Tyler.

26. U. T. Tyler: Approval to Accept Gift of Securities from Mrs. W. C. Windsor, Tyler, Texas, and Establishment of the Windsor-Richardson Endowed Visiting Professorship and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--Approval was given to accept a gift of 3,579 shares of Boatman Bancshares common stock valued at approximately \$152,331.19 from Mrs. W. C. Windsor, Tyler, Texas, and to establish the Windsor-Richardson Endowed Visiting Professorship at The University of Texas at Tyler.

Further, the actual income which will be earned on the \$152,331.19 gift of securities will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code.

27. U. T. Health Science Center - Dallas: Authorization to Redesignate the Charles C. Sprague, M.D. Professorship as the Charles C. Sprague Chair.--At the request of the Southwestern Medical Foundation (an external foundation), the Charles C. Sprague, M.D. Professorship at The University of Texas Health Science Center at Dallas was redesignated the Charles C. Sprague Chair. The increased funding required for the Chair will be provided by the Foundation which will hold and administer the funds per the agreement with the U. T. Board of Regents. The specific discipline for the Chair will be recommended at a later date.

In recognition of Dr. Sprague on his retirement as President, the Southwestern Medical Foundation has increased the endowment to be in excess of \$500,000.

On behalf of the Board, Chairman Hay congratulated President Sprague on this recognition of his distinguished service to the U. T. Health Science Center - Dallas.

28. U. T. Medical Branch - Galveston: Acceptance of Transfer of Funds and Establishment of the James F. Arens Chair in Anesthesiology and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--The Board accepted a \$500,000 transfer from the U. T. Medical Branch - Galveston restricted funds to establish the James F. Arens Chair in Anesthesiology at The University of Texas Medical Branch at Galveston.

Further, the actual income which will be earned on the \$500,000 transfer will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code.

29. U. T. Medical Branch - Galveston: Acceptance of Gifts from Various Donors and Establishment of the G. W. N. Eggers, M.D., Memorial Fund.--Approval was given to accept \$57,000 in gifts from various donors and to establish the G. W. N. Eggers, M.D., Memorial Fund at The University of Texas Medical Branch at Galveston.

Income earned from the endowment will be used at the discretion of the Chief of the Division of Orthopedic Surgery to support division operations.

30. U. T. Medical Branch - Galveston: Acceptance of Gift from The Sealy & Smith Foundation for the John Sealy Hospital, Galveston, Texas, and Establishment of the John Woods Harris Chair in Surgery and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--Upon recommendation of the Land and Investment Committee, the Board accepted a \$500,000 gift from The Sealy & Smith Foundation for the John Sealy Hospital, Galveston, Texas, and established the John Woods Harris Chair in Surgery at The University of Texas Medical Branch at Galveston.

The actual income which will be earned on the \$500,000 gift will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code.

31. U. T. Medical Branch - Galveston: Acceptance of Gift of Securities and Pledge from Dr. and Mrs. Seymour Fisher, Galveston, Texas, and Establishment of the Resident Academic Excellence Award.--Approval was given to accept a gift of Teledyne, Inc. common stock valued at \$34,551.84 and a pledge of \$15,448.16 due in December 1986, for a total endowment of \$50,000 from Dr. and Mrs. Seymour Fisher, Galveston, Texas, and to establish the Resident Academic Excellence Award at The University of Texas Medical Branch at Galveston.

Income earned from the endowment will be used to award annual Academic Excellence Awards, one to a senior resident and one to a junior resident, in the Department of Psychiatry and Behavioral Sciences in the School of Medicine.

32. U. T. Cancer Center (U. T. M.D. Anderson Hospital - Houston): W. A. "Tex" and Deborah Moncrief, Jr., Chair - Redesignation as the W. A. "Tex" and Deborah Moncrief, Jr. Chair in Urology.--Authorization was given to redesignate the W. A. "Tex" and Deborah Moncrief, Jr., Chair at the U. T. M.D. Anderson Hospital - Houston of The University of Texas System Cancer Center as the W. A. "Tex" and Deborah Moncrief, Jr. Chair in Urology.

See Page 156 related to an appointment to this chair.

B. REAL ESTATE MATTERS

1. U. T. System: Report of Sale of Lots 1-229 and 1-230, Block 16, Unit 1, Tahitian Village, Bastrop County, Texas, from Mr. Louis R. Scarnato, Mt. Prospect, Illinois, to Mr. and Mrs. Wesley E. Thompson, Bastrop, Texas.--It was reported that the gift of real property being Lots 1-229 and 1-230, Block 16, Unit 1, Tahitian Village, Bastrop County, Texas, from Mr. Louis R. Scarnato, Mt. Prospect, Illinois, for the benefit of The University of Texas System had been sold to Mr. and Mrs. Wesley E. Thompson, Bastrop, Texas, for \$12,100 less settlement costs of \$510.15 for a net amount of \$11,589.85. This sale price exceeds the estimated market value of the property according to a recent appraisal.

Net proceeds from the sale of this property are to be added to The Chancellor's Council Unrestricted Account.

2. U. T. Cancer Center (U. T. M.D. Anderson Hospital - Houston) - Estate of Anise J. Sorrell: Report of Sale of Real Property in Montgomery County, Alabama, to Alabama Land Locators, Inc., Auburn, Alabama.--The Office of the Chancellor reported the sale of a 427.555 acre tract of land from the Estate of Anise J. Sorrell of Pike County, Alabama, for \$460 per acre to Alabama Land Locators, Inc., Auburn, Alabama, with no commission paid by The University of Texas System and reserving fifty percent of the minerals presently owned by the University. The sale price of \$196,675.30 less settlement charges and expenses of \$4,154.33 provides a net amount of \$192,520.97 for the U. T. M.D. Anderson Hospital - Houston of The University of Texas System Cancer Center. In February 1986, the market value of the property was estimated to be \$500 per acre and the standard real estate commission in Alabama was eight percent. The net price of \$460 is equal to the amount which would have been received if the University had been required to pay real estate commissions.

The net proceeds of the sale have been made available for immediate investment, and a recommendation for the possible use of these funds for the establishment of an endowed professorship will be made at a future date.

IV. INTELLECTUAL PROPERTY

1. U. T. Austin: Approval to Accept Assignment of Copyrights in the Words to and Certain Musical Arrangements of "The Eyes of Texas" and Establishment of the Andrew Gurwitz Memorial Scholarship Fund.--The Board, upon recommendation of the Land and Investment Committee, accepted an assignment of copyrights in the words and certain musical arrangements to "The Eyes of Texas" from Southern Music Company, San Antonio, Texas.

Further, the Board established the Andrew Gurwitz Memorial Scholarship Fund to provide scholarships for The University of Texas at Austin band members. The scholarships will be funded by Southern Music Company from income received by the company from certain reserved rights.

The Assignment Agreement is set forth on Pages 187 - 199 and contains the following key provisions:

- a. Southern Music Company will retain the unrestricted right to sell sheet music and lyrics to the copyrighted version of "The Eyes of Texas" without accounting to the U. T. Board of Regents. Southern Music will, however, be obligated to pay any preexisting copyright royalties owed to others by virtue of such sales. At least some of this music will be sold in folders that have been separately licensed under the U. T. Board of Regents' trademark policy and for which a royalty will be paid under the trademark license.
- b. Proceeds stemming from American Society of Composers and Publishers (ASCAP) payments to Southern Music Company for public performances of the copyrighted items will be distributed by Southern Music Company as follows:
 - (1) 50% of net payments will be placed in the Andrew Gurwitz Memorial Scholarship Fund for establishment of a band scholarship at The University of Texas at Austin. The Scholarship contribution from Southern Music Company will be at least \$500 per year regardless of ASCAP earnings. Thus, Southern Music Company will make up the difference between a shortfall in ASCAP earnings and the \$500.
 - (2) U. T. Austin will have the unrestricted use of the remaining 50%
 - (3) Southern Music Company will pay all pre-existing royalties due to the previous copyright owners out of the proceeds received from ASCAP before distributions are made to the Scholarship fund and U. T. Austin.

1200/028/vjw/skh
05/13/86/F134/12

AGREEMENT

This Agreement is made this 5th day of June, 1986, between Southern Music Company (the "Publisher") and The Board of Regents of the University of Texas (the "University"). The Publisher and University agree:

1. The Publisher currently is the sole owner, with no outstanding licenses by or through the Publisher, of the registered copyright, Registration Number Eu 7107, May 27, 1929, and renewed under Registration Number R 192410, May 27, 1957, of the lyrics of the composition known as "The Eyes of Texas" (the "Work"), by virtue of a copyright assignment from Wylbert Brown ("Brown"), dated the 1st day of March, 1986, which was recorded in the Registrar's Office of the Library of Congress, Washington, D.C., on the day of , 1986, Registration Number , a copy of which assignment is attached hereto as Exhibit "A" and incorporated herein by reference (collectively the "Lyric's Copyright").

2. The Publisher is also currently the sole owner, with no outstanding licenses by or through the Publisher, of the registered copyright S578, "The Eyes of Texas" for marching band, by Glen Richter, Vincent DiNino, Tom Rhodes, including words by Wylbert Brown, which was recorded with the Registrar's Office of the Library of Congress, Washington, D.C., on the day of , 1986, Registration Number , a copy of said Copyright Agreement being attached hereto as Exhibit "B" and incorporated herein by reference (collectively the "Marching Band Composition Copyright").

3. Publisher hereby sells, assigns, transfers and delivers to the University, its successors and assigns, any and all interests which the Publisher may own or possess in the Lyric's Copyright and the Marching Band Composition Copyright by reason of this Assignment, but the University shall accept this Assignment subject to the obligations for any payments to Brown during his lifetime as provided in the attached Exhibit "A" and to Brown (through Southern Music Company), to Glen Richter, Vincent DiNino and Tom Rhodes, by virtue of the attached Exhibit "B", and the University hereby authorizes the Publisher to make any and all such payments for its account.

4. The Publisher retains the right to be the sole publisher and distributor of sheet music for the Lyric's Copyright and the Marching Band Composition Copyright for fifty (50) years or until the related copyright expires, whichever is sooner. As such, Publisher may regulate the published retail selling price and any discounts thereof, and Publisher may sell the sheet music of the Lyric's Copyright or the Marching Band Composition Copyright to such parties and at such discount as Publisher deems appropriate; provided, however, that Publisher agrees to publish the Marching Band Composition in quantities and at prices suitable to meet demand.

5. The Publisher neither retains nor claims any performance rights to the Lyric's Copyright or the Marching Band Composition Copyright and hereby assigns to the University any such rights the Publisher may have or hereafter acquire therein.

6. Fifty percent (50%) of any and all ASCAP payments received by the Publisher or the University relating to the Lyric's Copyright or the Marching Band Composition Copyright shall be placed in a fund for the Andrew Gurwitz Memorial Scholarship (the "Fund"), which is to be hereinafter created in accordance with normal procedures of the University. The University will be entitled to unrestricted use of the remaining fifty percent (50%) of the ASCAP payments received by the Publisher or the University, but the Publisher requests (without any obligation on behalf of the University) that this share be given to the Longhorn Band at the University of Texas at Austin.

7. The Andrew Gurwitz Memorial Scholarship shall be created by the University in memory of Andrew Gurwitz to provide an annual scholarship(s) for a member(s) of the Longhorn Band at the University of Texas at Austin, in such manner and amount, and based upon such criteria as the University may from time to time determine, and the scholarship shall be funded by the proceeds hereinabove allocated to the Fund together with such other contributions to the Fund which may be received. The Publisher guarantees that ASCAP payments and/or payments from the Publisher to the University each year will be at least Five Hundred and No/100 Dollars (\$500.00) to establish the Fund.

8. This Agreement contains the entire agreement and understanding between the parties. It shall not be amended or revoked orally, and shall be amended only by written agreement of both parties hereto. This agreement shall be construed and interpreted in accordance with the laws of the State of Texas and is performable in San Antonio, Bexar County, Texas.

In witness whereof, the parties hereto have executed this Agreement the same date first written above.

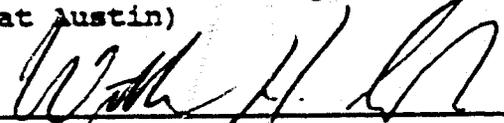
PUBLISHER:

SOUTHERN MUSIC COMPANY

By: 
Arthur Gurwitz, President

CONTENT APPROVED:

(For The University of Texas
at Austin)

By: 

Title: President

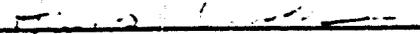
FORM APPROVED:



Office of General Counsel
The University of Texas System

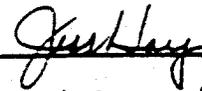
CONTENT APPROVED:

(For The University of Texas
System)

By: 

Title: CHANCELLOR

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By: 

Title: Chairman

CERTIFICATE OF APPROVAL

I hereby certify that the foregoing Agreement was approved by the Board of Regents of The University of Texas System on the 5th day of JUNE, 1986, and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.



Executive Secretary, Board of Regents
The University of Texas System

1200/028/jrd/sh
02/26/86/F133/7

EXHIBIT "A"

COPYRIGHT ASSIGNMENT

This Agreement is made this 1st day of March, 1986, between Wylbert Brown ("Brown") and Southern Music Company (the "Publisher"). Brown and Publisher agree:

1. Brown hereby sells, assigns, transfers and delivers to the Publisher, its successors and assigns, any and all rights of any nature which Brown now has or may hereafter acquire in the words to the song "The Eyes of Texas", which is considered to the official song (alma mater) of the University of Texas at Austin (said words being hereafter referred to as the "Work"), including the original composition and manuscript thereof as well, the exclusive ownership of all copyright and all extensions and renewals of copyright therein throughout the world, together with all rights embraced therein, and further including specifically the following copyrights registered on the following dates with the Registrar's Office of the Library of Congress, Washington, D.C.: May 27, 1929, Registration No. 7107, and on February 27, 1930, Registration No. 13625 (collectively the "Copyright").

2. Brown hereby covenants, represents and warrants that he is the sole owner of the Copyright and all rights therein, and that he has not sold, assigned, set over or transferred, hypothecated or mortgaged any right, title or interest in or to the Copyright or any part thereof, and that to Brown's knowledge no person, firm or corporation (other than the University of Texas) has asserted any claim of any right or interest in the Copyright.

3. In consideration for the conveyance of the Copyright, the Publisher agrees that during Brown's lifetime the Publisher will pay to Brown:

A. In respect to any sheet music copies, including regular piano copies, or books or octavo copies including the Work and orchestrations and/or band arrangements sold by the Publisher and paid for in the United States of America, its territories or possessions, a royalty of ten percent (10%) of the retail net selling price thereof as such price may be regulated by the Publisher. As to copies sold by the Publisher outside the

United States, its territories or possessions, one-half (1/2) of the aforesaid royalties shall be payable.

B. A royalty of fifty percent (50%) of all net sums received by the Publisher in respect of any licenses issued authorizing manufacturer of parts of instruments serving to reproduce mechanically any composition including the Work (referring to player rolls, which includes commercial phonograph records, so-called electrical transcriptions, and similar devices).

C. A royalty of fifty percent (50%) of all net sums received by the Publisher in respect of any license issued authorizing the recording of any composition which include the Work, which is in synchronization with sound motion pictures.

D. A royalty of fifty percent (50%) of all net sums received by the Publisher in respect to the licensing of public performance of any composition which include the Work, if licensed directly by the Publisher to the user for the fixed compensation; but no royalties shall be payable hereunder in respect of licensing of public performance of any composition which include the Work which is through the intervention of ASCAP (American Society of Composers, Authors and Publishers) as a result of an agreement between Publisher and ASCAP, any composer and ASCAP, or any similar organization or society in the United States or any foreign country.

E. A royalty of fifty percent (50%) of all net sums received by reason of the loan or rental of copies of the Work.

F. No royalties shall be paid upon complimentary copies, copies distributed gratuitously for advertising purposes, professional copies, copies published in newspapers, magazines or other periodicals.

4. With respect to the Copyright of any composition which includes the Work, any of the monies otherwise payable under Sections 3(A) through 3(F), above, will be shared in equal shares between Brown and each of the writer(s)/arranger(s) of such composition.

5. Brown will at any time and from time to time hereafter, take such steps and execute and deliver such further documents as the Publisher may reasonably request for the purpose of confirming and enforcing the rights in copyright herein assigned to the Publisher.

6. This Agreement contains the entire agreement and understanding between the parties. It shall not be amended or revoked orally, and shall only be amended by written agreement of both parties hereto. This agreement shall be construed and interpreted in accordance with the laws of the State of Texas and is performable in San Antonio, Bexar County, Texas.

7. The rights of Publisher in and to the Copyright are assignable.

8. This Agreement shall be for a term from the date hereof until the expiration of the terms of all available protection of the Copyright throughout the World.

9. This Agreement shall bind the heirs, executors, administrators and assigns of the parties hereto.

In witness whereof, the parties hereto have executed this Agreement the same date first written above.

BROWN:

Wylbert Brown
Wylbert Brown

PUBLISHER:

SOUTHERN MUSIC COMPANY

By: Arthur Gurwitz
Arthur Gurwitz, President

STATE OF OREGON

COUNTY OF LANE

NOTARY

This instrument was acknowledged before me on the 13th day of March, 1986 by Wylbert Brown.

John R. Humbert
Notary Public, State of Oregon
Notary's Printed Name:
John R. Humbert
My Commission Expires: 9-12-90

STATE OF TEXAS

COUNTY OF BEXAR

NOTARY

This instrument was acknowledged before me on the 11th day of March, 1986 by Arthur Gurwitz, President of SOUTHERN MUSIC COMPANY.

Dorothy Alcorn
Notary Public, State of Texas
Notary's/Printed Name:
Dorothy Alcorn
My Commission Expires: 2/4/90

COMPOSERS CONTRACT

EXHIBIT "B"

AGREEMENT made this 10th day of March, 1986, between
 SOUTHERN MUSIC COMPANY (hereinafter called "Publisher")
 and GLEN RICHTER, VINCENT DININO, TOM RHODES, and SOUTHERN MUSIC COMPANY (as
 the successor in interest to Wylbert Brown, original owner of words)

jointly and/or severally, (hereinafter called "Writer(s)");

1. The writer(s) hereby sells, assigns, transfers and delivers to the Publisher, its successors and assigns, a certain heretofore unpublished original composition and the manuscript thereof, by the above-named Writer(s), now entitled
 S578 THE EYES OF TEXAS for marching band by Glenn Richter, Vincent Dinino,
 Tom Rhodes, including words by Wylbert Brown

including the title, words, if any, and music thereof, and the right to secure and the exclusive ownership of all copyrights, and all extensions and renewals of copyright therein throughout the world, together with all rights embraced therein, including each and every right to enjoy and/or to use said composition, which the Writer(s) now owns or which may be hereafter created or developed, to the same extent that the Writer(s) might have and enjoy if this conveyance had not been made; all of which work and rights are hereby conveyed, to have and to hold the same absolutely unto the Publisher, its successors and assigns forever.

2. The Writer(s) hereby covenants, represents and warrants that the composition hereby sold is an original work and that neither said work nor any part thereof infringes upon the title of or the literary or musical property in any work protected by copyright throughout the world, and that he is the sole owner thereof and of all rights therein, and that he has not sold, assigned, set over, transferred, hypothecated or mortgaged any right, title or interest in or to the said composition or any part thereof, and that no person, firm or corporation other than the Writer(s) has or has had, claims or has claimed any right, title or interest in or to said work or any part thereof or any use thereof or any copyright therein, and that the Writer(s) has full right, power and authority to make this present instrument of sale and transfer.

3. In consideration of this agreement the Publisher agrees to pay to the Writer(s) his heirs or assigns, as follows:
- (A) In respect of regular piano copies or other sheet music copies or books or octavo copies sold and paid for in the United States of America, a royalty of TEN (10%) percent of the retail net selling price thereof as such price may be regulated by the Publisher. In respect of orchestrations and/or band arrangements, sold and paid in the United States of America, a royalty of TEN (10%) percent of the retail net price thereof as such price may be regulated by the Publisher. As to copies sold by the Publisher outside the United States, its territories or possessions, one-half (1/2) of the aforesaid royalties shall be payable.
 - (B) A royalty of FIFTY (50%) percent of all net sums received by the Publisher in respect of any licenses issued authorizing manufacturer of parts of instruments serving to reproduce mechanically the said composition (referring to player rolls, ordinary commercial phonograph records, so-called electrical transcriptions, and similar devices).
 - (C) A royalty of FIFTY (50%) percent of all net sums received by the Publisher in respect of any license issued authorizing the recording of the said composition in synchronization with sound motion pictures.
 - (D) A royalty of FIFTY (50%) percent of all net sums received by the Publisher from foreign sources except as otherwise herein provided.
 - (E) A royalty of FIFTY (50%) percent of all net sums received by the Publisher in respect to the licensing of public performance of said composition directly by the Publisher to the user for a fixed compensation, but no royalties shall be payable in respect of licensing of public performance of said composition through the intervention of ASCAP (American Society of Composers, Authors and Publishers) as a result of an agreement between Publisher and ASCAP, composer and ASCAP, or any similar organization or society in the United States or any foreign country.
 - (F) A royalty of FIFTY (50%) percent of all net sums received by reason of the loan or rental of copies of said composition.

* All royalties received by the Publisher through the intervention of ASCAP will be paid out in the following manner by the Publisher:

1. Fifty percent (50%) of all aforesaid ASCAP royalties will be paid to the Andrew R. Gurwitz Memorial Scholarship Fund for the University of Texas at Austin Longhorn Band.
2. Fifty percent (50%) of all aforesaid ASCAP royalties will be paid to the University of Texas at Austin requesting that this share be given to the University of Texas Longhorn Band.

(C) No royalties shall be paid upon complimentary copies, copies distributed gratuitously for advertising purposes, professional copies, copies published in newspapers, magazines or other periodicals.

4. The Publisher agrees to publish in salable form the said musical composition within two years from the date hereof. Should the Publisher fail to do, the Writer(s) shall have the right in writing to demand the return of said composition, whereupon the Publisher must, within one month after receipt of said notice, either publish the said composition, in which event this agreement remains in full force and effect, or upon failure so to publish, all rights of any and every nature, and the right to secure copyright, and/or any copyright, secured by the Publisher before publication in and to the said composition, shall revert to and become the property of the Writer(s) and shall be reassigned to him, in which event the Publisher shall be relieved of all duty, liability and responsibility hereunder.

5. In furtherance of the terms of this grant, and in order to insure to the Publisher the full, complete and unrestricted enjoyment of the composition and the copyright therein hereby conveyed, as well as of all extensions and renewals of said copyright, the Writer(s) hereby agrees to sign any and all applications, documents, affidavits, assignments or other instruments of whatsoever kind that may be necessary from time to time in order to procure for and to assign to the Publisher any and all extensions and renewals of copyright.

6. The Writer agrees to co-operate with the Publisher to establish and maintain the rights, title and interest of the Publisher in the above composition, and specifically authorizes the Publisher at its discretion and at the Writer's expense to employ attorneys and to institute and defend any action or proceeding and to take any other steps proper to protect the rights of the Publisher in the above composition. The Publisher has sole authority to litigate, settle, compromise or in any manner dispose of any claim, action or proceeding and to satisfy any judgment that may be rendered. The Writer shall pay such expenses to the Publisher on demand. Whenever the Publisher's right, title or interest, to any of the the Writer's works are questioned or there is a breach of any of the covenants, warranties or representations contained in this Contract or in any similar contract between the Publisher and the Writer, the Writer further authorizes the Publisher to withhold any and all royalties that may be or become due to the Writer pursuant to all such contracts until such questions shall have been settled or such breach repaired.

7. The Writer(s) agree that he will not transfer nor assign this agreement nor any interest therein nor any sums that may be or become due hereunder without the written consent of the Publisher first hereon endorsed.

8. The Publisher agrees that it will render statement of and pay unto the Writer within a reasonable time after January 1st and July 1st of each year, all royalties earned by the Writer and then due and owing, excepting balances due and owing of less than Five Dollars (\$5.00) which shall be paid at such time as Five Dollars (\$5.00) is accrued in the Writer's account.

9. The Agreement contains the entire agreement and understanding between the parties. It may not be changed or revoked orally, but may only be amended by written agreement of both parties hereto. This Agreement shall be construed and interpreted in accordance with the laws of the State of Texas and is performable in San Antonio, Texas.

10. It is understood and agreed by and between all of the parties hereto that all sums hereunder payable jointly to the Writer(s) shall be divided amongst them respectively as follows:

Name	Share
<u>GLENN RICHTER</u>	<u>One-fourth share as set out in paragraph 3</u>
<u>VINCENT DI NINO</u>	<u>One-fourth share as set out in paragraph 3</u>
<u>TOM RHODES</u>	<u>One-fourth share as set out in paragraph 3</u>
<u>SOUTHERN MUSIC COMPANY, as successor in interest to Wylbert Brown</u>	<u>One-fourth share as set out in paragraph 3</u>

In witness whereof the parties hereto have executed this agreement the day and year first above written.

Aracelis S. Lopez
Witness

Glenn Richter
Writer

James O. [Signature]
Witness

SOUTHERN MUSIC COMPANY
By: Arthur [Signature]

(C) No royalties shall be paid upon complimentary copies, copies distributed gratuitously for advertising purposes, professional copies, copies published in newspapers, magazines or other periodicals.

4. The Publisher agrees to publish in salable form the said musical composition within two years from the date hereof. Should the Publisher fail to do, the Writer(s) shall have the right in writing to demand the return of said composition, whereupon the Publisher must, within one month after receipt of said notice, either publish the said composition, in which event this agreement remains in full force and effect, or upon failure so to publish, all rights of any and every nature, and the right to secure copyright, and/or any copyright, secured by the Publisher before publication in and to the said composition, shall revert to and become the property of the Writer(s) and shall be reassigned to him, in which event the Publisher shall be relieved of all duty, liability and responsibility hereunder.

5. In furtherance of the terms of this grant, and in order to insure to the Publisher the full, complete and unrestricted enjoyment of the composition and the copyright therein hereby conveyed, as well as of all extensions and renewals of said copyright, the Writer(s) hereby agrees to sign any and all applications, documents, affidavits, assignments or other instruments of whatsoever kind that may be necessary from time to time in order to procure for and to assign to the Publisher any and all extensions and renewals of copyright.

6. The Writer agrees to co-operate with the Publisher to establish and maintain the rights, title and interest of the Publisher in the above composition, and specifically authorizes the Publisher at its discretion and at the Writer's expense to employ attorneys and to institute and defend any action or proceeding and to take any other steps proper to protect the rights of the Publisher in the above composition. The Publisher has sole authority to litigate, settle, compromise or in any manner dispose of any claim, action or proceeding and to satisfy any judgment that may be rendered. The Writer shall pay such expenses to the Publisher on demand. Whenever the Publisher's right, title or interest to any of the the Writer's works are questioned or there is a breach of any of the covenants, warranties or representations contained in this Contract or in any similar contract between the Publisher and the Writer, the Writer further authorizes the Publisher to withhold any and all royalties that may be or become due to the Writer pursuant to all such contracts until such questions shall have been settled or such breach repaired.

7. The Writer(s) agree that he will not transfer nor assign this agreement nor any interest therein nor any sums that may be or become due hereunder without the written consent of the Publisher first hereon endorsed.

8. The Publisher agrees that it will render statement of and pay unto the Writer within a reasonable time after January 1st and July 1st of each year, all royalties earned by the Writer and then due and owing, excepting balances due and owing of less than Five Dollars (\$5.00) which shall be paid at such time as Five Dollars (\$5.00) is accrued in the Writer's account.

9. The Agreement contains the entire agreement and understanding between the parties. It may not be changed or revoked orally, but may only be amended by written agreement of both parties hereto. This Agreement shall be construed and interpreted in accordance with the laws of the State of Texas and is performable in San Antonio, Texas.

10. It is understood and agreed by and between all of the parties hereto that all sums hereunder payable jointly to the Writer(s) shall be divided amongst them respectively as follows:

Name	Share
<u>GLENN RICHTER</u>	<u>One-fourth share as set out in paragraph 3</u>
<u>VINCENT DI NINO</u>	<u>One-fourth share as set out in paragraph 3</u>
<u>TOM RHODES</u>	<u>One-fourth share as set out in paragraph 3</u>
<u>SOUTHERN MUSIC COMPANY, as successor in interest to Wylbert Brown</u>	<u>One-fourth share as set out in paragraph 3</u>

In witness whereof the parties hereto have executed this agreement the day and year first above written.

Barney H. H. H. H.
Witness

Vincent F. Di Nino
Writer

James O. Galt
Witness

SOUTHERN MUSIC COMPANY
By: Arthur Smith

(G) No royalties shall be paid upon complimentary copies, copies distributed gratuitously for advertising purposes, professional copies, copies published in newspapers, magazines or other periodicals.

4. The Publisher agrees to publish in salable form the said musical composition within two years from the date hereof. Should the Publisher fail to do, the Writer(s) shall have the right in writing to demand the return of said composition, whereupon the Publisher must, within one month after receipt of said notice, either publish the said composition, in which even this agreement remains in full force and effect, or upon failure so to publish, all rights of any and every nature, and the right to secure copyright, and/or any copyright, secured by the Publisher before publication in and to the said composition, shall revert to and become the property of the Writer(s) and shall be reassigned to him, in which event the Publisher shall be relieved of all duty, liability and responsibility hereunder.

5. In furtherance of the terms of this grant, and in order to insure to the Publisher the full, complete and unrestricted enjoyment of the composition and the copyright therein hereby conveyed, as well as of all extensions and renewals of said copyright, the Writer(s) hereby agrees to sign any and all applications, documents, affidavits, assignments or other instruments of whatsoever kind that may be necessary from time to time in order to procure for and to assign to the Publisher any and all extensions and renewals of copyright.

6. The Writer agrees to co-operate with the Publisher to establish and maintain the rights, title and interest of the Publisher in the above composition, and specifically authorizes the Publisher at its discretion and at the Writer's expense to employ attorneys and to institute and defend any action or proceeding and to take any other steps proper to protect the rights of the Publisher in the above composition. The Publisher has sole authority to litigate, settle, compromise or in any manner dispose of any claim, action or proceeding and to satisfy any judgment that may be rendered. The Writer shall pay such expenses to the Publisher on demand. Whenever the Publisher's right, title or interest to any of the the Writer's works are questioned or there is a breach of any of the covenants, warranties or representations contained in this Contract or in any similar contract between the Publisher and the Writer, the Writer further authorizes the Publisher to withhold any and all royalties that may be or become due to the Writer pursuant to all such contracts until such questions shall have been settled or such breach repaired.

7. The Writer(s) agree that he will not transfer nor assign this agreement nor any interest therein nor any sums that may be or become due hereunder without the written consent of the Publisher first hereon endorsed.

8. The Publisher agrees that it will render statement of and pay unto the Writer within a reasonable time after January 1st and July 1st of each year, all royalties earned by the Writer and then due and owing, excepting balances due and owing of less than Five Dollars (\$5.00) which shall be paid at such time as Five Dollars (\$5.00) is accrued in the Writer's account.

9. The Agreement contains the entire agreement and understanding between the parties. It may not be changed or revoked orally, but may only be amended by written agreement of both parties hereto. This Agreement shall be construed and interpreted in accordance with the laws of the State of Texas and is performable in San Antonio, Texas.

10. It is understood and agreed by and between all of the parties hereto that all sums hereunder payable jointly to the Writer(s) shall be divided amongst them respectively as follows:

Name	Share
<u>GLENN RICHTER</u>	<u>One-fourth share as set out in paragraph 3</u>
<u>VINCENT DI NINO</u>	<u>One-fourth share as set out in paragraph 3</u>
<u>TOM RHODES</u>	<u>One-fourth share as set out in paragraph 3</u>
<u>SOUTHERN MUSIC COMPANY, as successor in interest to Wyibert Brown</u>	<u>One-fourth share as set out in paragraph 3</u>

In witness whereof the parties hereto have executed this agreement the day and year first above written.

Dorothy Adams
witness

Tom C. Rhodes
writer

SOUTHERN MUSIC COMPANY

William O. Stark
witness

by: Dorothy Adams

(C) No royalties shall be paid upon complimentary copies, copies distributed gratuitously for advertising purposes, professional copies, copies published in newspapers, magazines or other periodicals.

4. The Publisher agrees to publish in salable form the said musical composition within two years from the date hereof. Should the Publisher fail to do, the Writer(s) shall have the right in writing to demand the return of said composition, whereupon the Publisher must, within one month after receipt of said notice, either publish the said composition, in which even this agreement remains in full force and effect, or upon failure so to publish, all rights of any and every nature, and the right to secure copyright, and/or any copyright, secured by the Publisher before publication in and to the said composition, shall revert to and become the property of the Writer(s) and shall be reassigned to him, in which event the Publisher shall be relieved of all duty, liability and responsibility hereunder.

5. In furtherance of the terms of this grant, and in order to insure to the Publisher the full, complete and unrestricted enjoyment of the composition and the copyright therein hereby conveyed, as well as of all extensions and renewals of said copyright, the Writer(s) hereby agrees to sign any and all applications, documents, affidavits, assignments or other instruments of whatsoever kind that may be necessary from time to time in order to procure for and to assign to the Publisher any and all extensions and renewals of copyright.

6. The Writer agrees to co-operate with the Publisher to establish and maintain the rights, title and interest of the Publisher in the above composition, and specifically authorizes the Publisher at its discretion and at the Writer's expense to employ attorneys and to institute and defend any action or proceeding and to take any other steps proper to protect the rights of the Publisher in the above composition. The Publisher has sole authority to litigate, settle, compromise or in any manner dispose of any claim, action or proceeding and to satisfy any judgment that may be rendered. The Writer shall pay such expenses to the Publisher on demand. Whenever the Publisher's right, title or interest to any of the the Writer's works are questioned or there is a breach of any of the covenants, warranties or representations contained in this Contract or in any similar contract between the Publisher and the Writer, the Writer further authorizes the Publisher to withhold any and all royalties that may be or become due to the Writer pursuant to all such contracts until such questions shall have been settled or such breach repaired.

7. The Writer(s) agree that he will not transfer nor assign this agreement nor any interest therein nor any sums that may be or become due hereunder without the written consent of the Publisher first hereon endorsed.

8. The Publisher agrees that it will render statement of and pay unto the Writer within a reasonable time after January 1st and July 1st of each year, all royalties earned by the Writer and then due and owing, excepting balances due and owing of less than Five Dollars (\$5.00) which shall be paid at such time as Five Dollars (\$5.00) is accrued in the Writer's account.

9. The Agreement contains the entire agreement and understanding between the parties. It may not be changed or revoked orally, but may only be amended by written agreement of both parties hereto. This Agreement shall be construed and interpreted in accordance with the laws of the State of Texas and is performable in San Antonio, Texas.

10. It is understood and agreed by and between all of the parties hereto that all sums hereunder payable jointly to the Writer(s) shall be divided amongst them respectively as follows:

Name	Share
<u>GLENN RICHTER</u>	<u>One-fourth share as set out in paragraph 3</u>
<u>VINCENT DI NINO</u>	<u>One-fourth share as set out in paragraph 3</u>
<u>TOM RHODES</u>	<u>One-fourth share as set out in paragraph 3</u>
<u>SOUTHERN MUSIC COMPANY, as successor in interest to wy!bert brown</u>	<u>One-fourth share as set out in paragraph 3</u>

In witness whereof the parties hereto have executed this agreement the day and year first above written.

Donny Olson
Witness

Southern Music Co by Arthur Guinty
Writer Pres.

SOUTHERN MUSIC COMPANY

Kenneth O. Stok
Witness

by: Arthur Guinty

2. U. T. Health Science Center - Houston: Approval to Enter into an Exclusive License Agreement Involving Cryopreparation with CryoM Corporation, The Woodlands, Texas, a Delaware Corporation.--Approval was given to the Exclusive License Agreement set out on Pages 201 - 229 by and between The University of Texas Health Science Center at Houston and CryoM Corporation, The Woodlands, Texas, formed by a Mitchell Energy and Development Corporation subsidiary, for the licensing of certain patent rights and technical information related to a process referred to as cryopreparation. This process involves an ultra low temperature technique for preparing tissues for microscopic examination without the cell destruction that is encountered in other low temperature processes currently in use.

This agreement differs from the usual patent license in that it provides for the distribution of stock to the U. T. Board of Regents on behalf of the U. T. Health Science Center - Houston and the right of the U. T. Board of Regents to designate a representative on the Board of Directors of CryoM.

In addition to the stock distribution to the U. T. Board of Regents and the inventors, CryoM will also provide \$360,000 to the U. T. Health Science Center - Houston over a three-year period for additional research. Operations under the License Agreement require the payment to the U. T. Board of Regents of 3% of net sales under the patented processes and 2% of the net sales resulting from use of unpatented technology. There is a five year limit on payment for unpatented technology.

See related item on Page 84.

EXCLUSIVE LICENSE AGREEMENT

This Agreement, effective as of May 6, 1986, is entered into by and between The Board of Regents (hereinafter "BOARD"), of The University of Texas System (hereinafter "SYSTEM"), a higher education agency of the State of Texas, whose address is 201 West 7th Street, Austin, Texas 78701 and CryOM Corp. (hereinafter "LICENSEE"), a Delaware corporation, whose address is 2201 Timberloch Place, The Woodlands, Texas 77380.

WITNESSETH:

WHEREAS, BOARD is the owner of the BOARD Patent Rights and BOARD Technical Information, as hereinafter defined, developed by the University of Texas Health Science Center at Houston (hereafter "UTHSCH"), a component institution of said SYSTEM; and

WHEREAS, LICENSEE is desirous of obtaining a world-wide, non-assignable (except as expressly provided herein), exclusive license, with the right to grant sublicenses, under the BOARD Patent Rights and BOARD Technical Information; and

WHEREAS, LICENSEE desires the right to use the names Board of Regents, The University of Texas System and The University of Texas Health Science Center-Houston to the extent necessary to enforce and protect LICENSEE's rights hereunder; and

WHEREAS, BOARD desires to grant LICENSEE such a world-wide, exclusive license under the following terms and conditions;

NOW, THEREFORE, in consideration of the foregoing, and the covenants and promises contained herein, the sufficiency of which are hereby acknowledged by both parties, BOARD and LICENSEE hereby agree as follows:

I.

DEFINITIONS

A. The term "BOARD Patent Rights", when used herein, shall mean those United States and foreign patents and patent applications or prospective patent applications, including any division, continuation, continuation-in-part or reissue thereof, or substitute therefor, and the letters patent that may be issued thereon, which relate to the Licensed Subject Matter; together with all other patents and patent applications, which claim any invention or discovery useful in connection with the Licensed Subject Matter, developed or invented by John Linner and Stephen Livesey, or either of them, during the life of the BOARD Patent Rights, in which BOARD now has or in the future acquires any interest. Without limiting the generality of the preceding sentence, the term "BOARD Patent Rights" shall include, but not be limited to, the patents and patent applications listed on Schedule I.(A) which is attached to this Agreement and incorporated herein by reference for all purposes.

B. The term "BOARD Technical Information", when used herein, shall mean (i) any technical information disclosed or claimed in connection with any patent or patent application included within the BOARD Patent Rights; and (ii) any invention, discovery, know-how, process, procedure, method, protocol, formula,

technique, software, design, drawing, data, devices, specifications, sketches or other technical information relating to the Licensed Subject Matter.

C. The term "Licensed Patented Product or Process", when used herein, shall mean any product, apparatus or process made, used, marketed or sold in any country where such product, apparatus or process is covered by the claims of an issued patent or a pending patent application included within the BOARD Patent Rights, together with any product made by the use of any process in a country in which such process or apparatus is covered by the claims of an issued patent or a pending patent application included within the BOARD Patent Rights.

D. The term "Licensed Non-Patented Product or Process", when used herein, shall mean any product, apparatus or process utilizing or relating to the Licensed Subject Matter which is manufactured, used, marketed or sold with the use of any BOARD Technical Information (but which are not covered by BOARD Patent Rights), together with any product utilizing the Licensed Subject Matter which is manufactured by a process or apparatus which uses any BOARD Technical Information.

E. The term "Licensed Subject Matter" shall mean the system, apparatus or process developed by Dr. John Linner for the preparation of materials for analysis and/or preservation. This process, in general, involves (i) vitrifying the material, (ii) depressurizing the atmosphere surrounding the vitrified material, (iii) bringing the material to equilibrium at low temperature, and (iv) dehydrating the vitrified material.

F. The term "Net Sales", when used herein, shall mean the amount received or collected from commercial sales or other use or disposition for value of Licensed Patented Products or Processes and Licensed Non-Patented Products or Processes to independent, unrelated third parties in bona fide arms-length transactions, f.o.b. place of manufacture or point of storage, less (i) cash, trade and/or quantity discounts, (ii) amounts repaid or credited by reason of rejections, defects or returns or because of retroactive price reductions, (iii) re-imbursed transportation costs, storage costs, or other re-imbursed expenses, and (iv) sales taxes and other use taxes.

G. The term "Improvement", when used herein, shall mean any change or modification to an invention disclosed in the BOARD Patent Rights or disclosed in the BOARD Technical Information, provided such modification, if unlicensed, would infringe one or more claims of any issued patent included within the BOARD Patent Rights.

H. The term "Subsidiary" shall mean a corporation or other entity of which LICENSEE or any of LICENSEE's Subsidiaries owns or controls such number of outstanding shares or other interests aggregating more than 50% of the ordinary voting power for the election of directors or the exercise of control.

II.

GRANT OF RIGHTS

A. BOARD hereby grants to LICENSEE an exclusive, worldwide license, including the right to grant sublicenses, under the

BOARD Patent Rights and the BOARD Technical Information to manufacture, use, market and sell any Licensed Patented Product or Process and any Licensed Non-Patented Product or Process and any Improvement throughout the United States of America, its territories and possessions and in all foreign countries.

B. BOARD hereby grants to LICENSEE the right to use the name "Board of Regents, The University of Texas System" and "The University of Texas Health Science Center-Houston" to the extent necessary to enforce and protect LICENSEE's rights hereunder; provided however, that LICENSEE shall not be obligated to use the name "Board of Regents, The University of Texas System" or "The University of Texas Health Science Center" in any manner.

C. BOARD hereby grants to LICENSEE the right of access to, during normal business hours, and the use of, all experimental or other data which relate in any manner to the BOARD Patent Rights or the BOARD Technical Information, including without limitation, all data which BOARD has provided to the United States Patent Office, the Food and Drug Administration (FDA) or any other state, federal foreign or local regulatory authority which relate in any manner to the BOARD Patent Rights or the BOARD Technical Information, and BOARD agrees that it will not use, or permit the use of, such information and data, or do anything else which will adversely affect LICENSEE's rights under this Agreement in any manner. BOARD shall cooperate fully with LICENSEE, at LICENSEE's expense, in order to obtain the regulatory approval of any state, federal, foreign or local authority which now is or later becomes necessary to develop, manufacture, use, market or sell any

Licensed Patented Product or Process, Licensed Non-Patented Product or Process or Improvement. Such cooperation shall include, but not be limited to, obtaining all necessary regulatory approvals which are now required, or may in the future be required, to manufacture, use, market or sell any Licensed Patented Product or Process, Licensed Non-Patented Product or Process or Improvement for use on human or animal tissue or organs, or plant tissue. BOARD shall execute any and all documents reasonably necessary to obtain such approvals upon request by LICENSEE. LICENSEE shall reimburse BOARD for any reasonable out-of-pocket costs, including attorneys' fees, incurred by BOARD in connection with such cooperation.

D. BOARD, through UTHSCH or other components of SYSTEM, shall promptly provide LICENSEE and shall continue to provide LICENSEE, during the term of this Agreement, with all information relating to (i) pharmacological, toxicological or clinical data, (ii) synthetic, formulative, manufacturing or analytical data, and (iii) such other chemical, physical or biological data which BOARD may now or in the future possess or control which relates in any manner to the Licensed Subject Matter, except for that information made confidential by law or prior agreement.

E. The parties recognize that LICENSEE may encounter patents held by third parties which dominate activities covered by the BOARD Patent Rights and that cross-licenses between the BOARD (or LICENSEE) and such third parties may be necessary in order to enable LICENSEE to make or market Licensed Patented Products or Processes or Licensed Non-Patented Products or

Processes or Improvements. In that event, LICENSEE has the right to enter into cross-licensing agreements with third parties and to grant cross-licenses under any or all of the BOARD Patent Rights, provided:

1. BOARD is consulted beforehand and is reasonably satisfied that the third party does in fact hold a patent that limits LICENSEE's competitiveness in making or marketing Licensed Patented Products or Processes or Licensed Non-Patented Products or Processes;

2. The rights received by LICENSEE under such cross-licensing agreement cover only Licensed Patented Products or Processes or Licensed Non-Patented Products or Processes and are not directed to other products;

3. BOARD incurs no financial or legal liabilities under the cross-licensing;

4. Any money or the value of any equipment received by LICENSEE in exchange for such cross-licensing is treated as Net Sales for Licensed Patented Products or Processes or Licensed Non-Patented Products or Processes.

III.

COMMON STOCK

In consideration of the right to use the names set forth in Section II.B. above in connection with the grant by BOARD to LICENSEE of this license, LICENSEE agrees that, upon execution of this Agreement by BOARD, it shall issue BOARD 650,000 shares of its Common Stock, \$.001 par value. In addition, LICENSEE agrees to reserve a seat on its Board of Directors for a designee selected by BOARD, until the closing of the first public offering of equity securities by LICENSEE.

IV.

ROYALTIES

A. In consideration of the grant by BOARD to LICENSEE of this license, LICENSEE shall pay to BOARD as follows:

1. An earned royalty of three percent (3%) of the Net Sales of a Licensed Patented Product or Process by LICENSEE or its Subsidiaries in each country where a patent included within the BOARD Patent Rights issues, or a patent application has been filed and is pending, with claims covering such Licensed Patented Product or Process, until the expiration, termination or invalidation of the patent in that country by a Court of final jurisdiction or the determination that a patent will not issue in that country.

2. An earned royalty of two percent (2%) of the Net Sales of a Licensed Non-Patented Product or Process by LICENSEE or its Subsidiaries during the term of this Agreement.

3. An earned royalty of thirty-three percent (33%) of the Net Sales of a Licensed Patented Product or Process and Licensed Non-Patented Product or Process by sublicensees of LICENSEE or its Subsidiaries, such royalty to be measured upon and based on the actual proceeds received by LICENSEE or its Subsidiaries under the Sublicense Agreement and not the total net sales generated by the marketing or distribution of the Licensed Patented Products or Processes and the Licensed Non-Patented Products or Processes by the sublicensee; provided however, that such royalty under this Section IV.A.3. shall not in any event exceed that amount which would otherwise be due and payable under Section IV.A.1. or IV.A.2., as the case may be, had such royalties been paid. Such earned royalty shall be due for as long as LICENSEE or its Subsidiary is receiving proceeds from the sublicensee, but not in excess of the duration of this Agreement.

4. In no event will LICENSEE be obligated to pay royalties under Sections IV.A.1., IV.A.2. and IV.A.3. simultaneously for Net Sales of any particular product or process in any given country. A single royalty will be due on each sale of Licensed Patented Products or Processes no matter how many items in the BOARD Patent Rights cover such Licensed Patented Products or Processes. All obligations of LICENSEE to pay royalties to BOARD under any provision of this Agreement shall be reduced in amount by fifty percent (50%) when the total amount of royalties paid to BOARD by LICENSEE shall reach Ten Million Dollars (\$10,000,000). No royalty shall be paid on a Licensed Patented

Product or Process after the BOARD Patent Rights covering said Licensed Patented Product or Process have expired.

5. Earned royalties under Section IV.A.2. shall accrue in each country only for the period that the LICENSEE is the exclusive commercial source in that country of a Licensed Non-Patented Product or Process and in any event shall terminate five years after the date of first commercial sale in that country of such Licensed Non-Patented Product or Process. The term "exclusive commercial source" as used above shall mean that the LICENSEE is the sole commercial source of the Licensed Non-Patented Product or Process in that country and that there is no commercial product available in that country that is substantially equivalent in market acceptance. If the LICENSEE believes that it is not the exclusive commercial source of a Licensed Non-Patented Product or Process in any designated country, then it shall so notify the BOARD and provide reasonable evidence thereto. Within 45 days of receipt of said notice and evidence, BOARD shall notify the LICENSEE in writing of its acceptance or rejection of the evidence as to the existence of another commercial source. Upon acceptance by the BOARD, the LICENSEE shall, as of said date of acceptance, no longer have any obligation to pay royalties on Net Sales in that country under Section IV.A.2. herein. If rejected by BOARD, the LICENSEE may request arbitration in the manner set forth in Article XIV herein.

6. BOARD agrees that in order to successfully market products and processes covered by this Agreement, LICENSEE must have complete freedom in marketing. Thus, BOARD understands that

LICENSEE makes no warranty that it will market the products or processes covered by this Agreement or, if LICENSEE does market any of such products or processes, that they will be the exclusive means by which LICENSEE will participate in this field. All business decisions relating to use, manufacture, sale or marketing of products covered under this Agreement will be within the sole discretion of LICENSEE.

7. In the event that LICENSEE enters into a joint venture with another entity and utilizes BOARD Technical Information in combination with the technology of such entity, then Net Sales for purposes of calculating royalties shall be deemed to be LICENSEE's income received from such joint venture. Subject to the foregoing sentence, where a Licensed Patented Product or Process or a Licensed Non-Patented Product or Process is not sold separately but is sold in combination with or as part of other products, the Net Sales of the Licensed Patented Product or Process or the Licensed Non-Patented Product or Process so sold shall be calculated, for the purpose of computing royalties due, by applying to the total selling price of the combination or composite product a fractional multiplier having as its denominator the total selling price of the combined or composite product (determined by accepted and consistent accounting procedures) and as its numerator the selling price of the included Licensed Patented Product or Process or Licensed Non-Patented Product or Process (similarly determined).

B. In the event that the BOARD, the University of Texas Health Science Center or any other entity under the BOARD's

jurisdiction, invents an Improvement relating to the Licensed Subject Matter, in connection with the activities discussed under Article VI hereof, LICENSEE shall pay BOARD an earned royalty on Net Sales of such Improvement(s), or any products or processes utilizing or incorporating such Improvement(s), equal to the amount set forth in IV.A.1., 2., or 3., as the case may be.

V.

REPORTING, PAYMENT AND MARKING

A. LICENSEE agrees to keep proper records and books of account in accordance with good accounting practices, showing the sales upon which the royalty payments of LICENSEE are based, and all other information necessary for the accurate determination of payment to be made hereunder and to deliver to BOARD, within forty-five (45) days after each calendar quarter ending on March 31, June 30, September 30 and December 31, a report showing the information on which the payments herein provided are calculated and to accompany each such report with the payments shown to be due thereby.

B. On reasonable written notice, BOARD, at its own expense, shall have the right, exercisable only once in any calendar year, to have an independent certified public accountant or an appropriate representative of BOARD, satisfactory to LICENSEE, inspect and audit the books and records of LICENSEE, its Subsidiaries and its sublicensees during usual business hours of LICENSEE, its Subsidiaries and its sublicensees for the sole purpose of, and only to the extent necessary for, determining the correctness of payments due under this Agreement. Such examina-

tion with respect to any fiscal year shall not take place later than two years following the expiration of such period.

C. Royalties based on Net Sales in any foreign country shall be payable to BOARD in the United States in United States Dollars. Dollar amounts shall be calculated using the foreign exchange rate, as published by the Wall Street Journal, in effect for such foreign currency on the last business day of each calendar quarter for which a report is required. Where royalties are due for Net Sales in a country where, for reasons of currency, tax or other regulations, transfer of foreign currency out of such country is prohibited, LICENSEE has the right to place BOARD's royalties in a bank account in such country in the name of and under the sole control of BOARD; provided, however, that the bank selected be reasonably acceptable to BOARD and that LICENSEE inform BOARD of the location, account number, amount and currency of money deposited therein. After BOARD has been so notified, those monies shall be considered as royalties duly paid to BOARD, will be completely controlled by BOARD, and LICENSEE will have no further responsibility with respect thereto.

D. ~~All~~ foreign taxes on royalty payments hereunder, imposed upon or required to be withheld by LICENSEE, its Subsidiaries or its sublicensees, shall be deducted from such payments, and evidence of such foreign taxes shall be delivered to BOARD at the time of the reports with respect to such royalty payments. LICENSEE agrees, however, to assist BOARD in recovering or preventing the levy or withholding of any such taxes, pro-

vided that LICENSEE shall be reimbursed for its out-of-pocket expenses incurred in rendering any such assistance.

E. LICENSEE agrees to mark all Licensed Patented Products or Processes sold by it or its sublicensees covered by the BOARD Patent Rights with appropriate patent marking, such marking to be agreed upon between the parties hereto, together with notice of copyright sufficient to maintain legal claim to copyright in the country of origin of such Licensed Patented Product or Process.

VI.

RESEARCH AND DEVELOPMENT

A. In addition to the above agreements on its part, LICENSEE agrees to contribute the sum of \$360,000.00 to the Cryobiology Center of UTHSCH for further research and development of the Licensed Subject Matter; such sum to be applied over the next three years following the date of this Agreement and shall be paid in such manner and on such dates as UTHSCH and LICENSEE mutually agree. In consideration thereof, BOARD hereby grants a right of first refusal to LICENSEE for any and all patentable technology relating to the Licensed Subject Matter which is developed by UTHSCH. Pursuant to such right, BOARD shall engage in exclusive good faith negotiations with LICENSEE, for a period not in excess of ninety (90) days, prior to discussing such technology with any other potential licensees or sponsors.

B. BOARD, through UTHSCH, or other component, employees and agents, shall have the right to publish papers disclosing the general scientific findings related to the BOARD Patent Rights and BOARD Technical Information, including research and develop-

mental activities under this Agreement, provided that BOARD provides LICENSEE a copy of any proposed publication ninety (90) days in advance of publication thereof in order for LICENSEE to comment upon the contents thereof, and to take steps to prepare and file patent applications including the contents thereof, if desired by LICENSEE.

C. Notwithstanding any other provision of this Agreement, BOARD shall specifically retain, for itself, SYSTEM, and its component institutions, the right to use the Licensed Subject Matter, the BOARD Patent Rights, Improvements, and the BOARD Technical Information for research, teaching, and other related non-commercial purposes.

D. In the event that subsequent to the date of this Agreement, any Improvement (as defined in Section I.G. hereof) is developed by BOARD, SYSTEM, UTHSCH, or any other component of SYSTEM, such Improvement, to the extent not previously obligated, shall be subject to Section II.A. of this Agreement (and not Section VI.A above), and LICENSEE shall be obligated to pay royalties to BOARD as set forth in Section IV.B. hereof. BOARD agrees to provide LICENSEE with notice of all such previous obligations prior to or promptly following the effective date hereof, of which BOARD is aware.

VII.

ADDITIONAL PATENT APPLICATIONS AND RIGHT TO FILE SUIT

A. 1) BOARD shall file additional patent applications in the United States and in any foreign countries in which LICENSEE notifies BOARD that LICENSEE desires applications to be filed,

and such additional patent applications, and all patents issuing thereon, shall be included within the BOARD Patent Rights. LICENSEE shall reimburse BOARD for its reasonable out-of-pocket costs, including attorneys' fees, of filing and prosecuting such additional patent applications. BOARD shall be free to file in any foreign country not elected by LICENSEE, provided that BOARD provides LICENSEE with forty-five (45) days advance written notice of its desire to file for any such patent. If LICENSEE does not notify BOARD within such time period of its desire to have BOARD file for a patent on LICENSEE's behalf, then the patent rights associated with such filing shall not be subject to this Agreement.

2) BOARD shall have the full and complete control over the prosecution of such domestic and foreign patent applications, but shall keep LICENSEE advised as to such patent prosecution by supplying to LICENSEE copies of Official Actions, amendments, responses and other correspondence, including copies of patents or other material referred to or cited therein, within a reasonable period of time after receipt or filing thereof by BOARD.

B. 1) LICENSEE shall have the right, exercisable at LICENSEE's sole discretion, to file and control the prosecution of any and all suits seeking to enjoin or recover damages from any and all infringers of any patent which is then included within the BOARD Patent Rights, and shall have the right to join BOARD as a party in any such suit filed by LICENSEE. LICENSEE shall bear the expense of any such suit, and any amounts re-

covered, whether by final judgment, settlement or otherwise, as a result of such suit shall be the sole property of LICENSEE.

2) In the event that LICENSEE shall not institute or prosecute any suit to enjoin or recover damages from any infringer, BOARD may do so at its sole expense, provided BOARD has first given LICENSEE 60 days' advance notice of its intention to take such action and, provided further, that LICENSEE has not itself taken appropriate action during such 60-day period. Any amounts recovered in an action brought by BOARD, whether by final judgment, settlement or otherwise in any such suit shall be the sole property of BOARD.

3) LICENSEE and BOARD agree that neither will settle any action commenced by it in a manner that is prejudicial to any BOARD Patent Rights without the other party's prior written approval. BOARD and LICENSEE each agree that it will notify the other of any infringement or potential infringement of any BOARD Patent Rights which comes to its attention.

4) In any suit or dispute involving any infringement, BOARD and LICENSEE shall cooperate fully, and upon the request of the party bringing suit, the other party shall make available all relevant records, papers, information, samples, specimens, and the like which may be relevant and in its possession. In the event a court of competent, final jurisdiction determines that one or more of the BOARD Patent Rights are invalid or unenforceable, no further royalty payments on operations covered by such BOARD Patent Rights shall be due or owing hereunder with respect thereto.

In the event the making, using or selling of the Licensed Patented Products or Processes or Licensed Non-Patented Products or Processes is determined, by a court of final competent jurisdiction, to infringe one or more claims of a valid, subsisting patent owned by a third party, no royalty payments shall be due BOARD with respect to such product or process from such infringing activities in that jurisdiction from the time such determination is made until such patent expires. In the event that either party is able to negotiate a license with royalties based on a bona fide assessment of the strength and enforceability of said third party's patent, royalty payments due hereunder will be paid only to the extent that such payments exceed any royalty payments made by LICENSEE to such third party as a result of such negotiated license but in no event shall such payments be reduced below fifty percent (50%) of that otherwise due.

VIII.

DURATION AND TERMINATION

A. 1) Unless otherwise provided herein, this Agreement shall remain in force and effect for 17 years from the date of the issuance of the patent described as Patent No. 4,510,169 itemized on Schedule I.A. hereto, and, at the option of LICENSEE, from year to year thereafter; however, it is understood that no royalties shall be due on any sales of Licensed Patented Products or Processes, Licensed Non-Patented Product or Processes, and Improvements in any country where the applicable BOARD Patent rights have previously expired or where, pursuant to other pro-

visions of this Agreement, no further royalty payments are due for other reasons.

2) LICENSEE, upon one hundred and eighty (180) days prior written notice to BOARD, may terminate this Agreement without cause. If LICENSEE terminates without cause at any time, LICENSEE will give BOARD access to all clinical and technical data developed by LICENSEE relating to any Licensed Patented Product or Process or Licensed Non-Patented Product or Process, and shall grant a license to BOARD to use such data in exchange for an appropriate royalty to be negotiated.

B. This Agreement may be terminated by either party, if the other party substantially fails to perform or otherwise materially breaches any of the material terms, covenants or provisions of this Agreement, such termination to be effected by giving written notice of intent to terminate to the breaching party stating the grounds therefor. The party receiving the notice shall have sixty (60) days thereafter to correct such breach. If such breach is not corrected within said sixty (60) days after notice as aforesaid, then the party sending the notice of intent to terminate, at its option, may terminate this Agreement by further written notice thereof to the party in breach, provided however, that if such breaching party notifies the terminating party that it is in good faith attempting to cure such breach, describing the manner thereof, or if the breach is incurable and the breaching party is willing to compensate in damages, such termination may not occur during the period of such cure or negotiation of damages.

C. After three (3) years from the date of this Agreement, BOARD shall have the right, upon ninety (90) days' written notice, to terminate this Agreement if LICENSEE has failed to commercialize the Licensed Subject Matter, provided, however, that this period shall be tolled for any period during which LICENSEE was prevented from commercializing the Licensed Subject Matter due to requirements for obtaining approvals of governmental agencies. If, as of said date, LICENSEE has commercialized some but not all aspects of the Licensed Subject Matter, then the BOARD's right to terminate this Agreement shall not apply.

D. In the event of termination of the Agreement in whole or in part for any reason whatsoever, the following shall apply, limited, however, to those BOARD Patent Rights being terminated and applicable Licensed Patented Products or Processes and Licensed Non-Patented Products or Processes:

1) LICENSEE shall not thereby be discharged from any liability or obligation to BOARD which became due or payable prior to the effective date of such termination;

2) If LICENSEE, its Subsidiaries or its sublicensees then possess Licensed Patented Products or Processes or Licensed Non-Patented Products or Processes, have started the manufacture thereof or have accepted orders therefor, LICENSEE, its Subsidiaries or sublicensees shall have the right to sell their inventories thereof, complete the manufacture thereof and market such fully manufactured Licensed Patented Products or Processes or Licensed Non-Patented Products or Processes, and/or manufacture

and sell Licensed Patented Products or Processes or Licensed Non-Patented Products or Processes, in order to fulfill such accepted orders, subject to the obligation of LICENSEE to pay BOARD the earned royalty payments therefor as provided in Section IV of this Agreement;

3) Subject to Section VIII.D.2), LICENSEE shall discontinue, and shall cause its Subsidiaries and sublicensees to discontinue, the manufacture, use, marketing and sale of Licensed Patented Products or Processes or Licensed Non-Patented Products or Processes, and shall assign any sublicenses granted hereunder to BOARD, and LICENSEE shall immediately discontinue use of the words "Board of Regents, The University of Texas System", "University of Texas Health Science Center", or any language which would connect sales of products by LICENSEE with or imply the sponsorship of BOARD, except that packaging and advertising material may be used for products permitted to be sold under Section VIII.D.2) above, and

4) All rights sold, assigned or transferred by BOARD to LICENSEE hereunder and then subject to termination shall revert to BOARD, and LICENSEE agrees to execute all instruments necessary and desirable to revest said rights in BOARD.

IX.

ADDRESSES

A. The payments to be made hereunder to BOARD shall be made by mailing checks for the required amount to BOARD's address. Notices provided for herein shall effectively be given by mailing the same by certified or registered mail, properly

addressed. For the purposes of making payments and giving notices, the addresses of the parties hereto are as follows:

Board of Regents, The University of Texas System
201 West 7th Street
Austin, Texas 78701
Attention: Intellectual Property Office

Cryom Corp.
2201 Timberloch Place
The Woodlands, Texas 77380
Attention: President

or to such subsequent addresses as either party may furnish the other in writing by giving notice thereof as provided in this Article IX.

X.

CONFIDENTIAL INFORMATION

A. BOARD and LICENSEE each agree that all information contained in documents marked "Confidential" which are forwarded to one by the other shall be received in strict confidence, used only for the purposes of this Agreement, and not disclosed by the recipient party (except as required by the Texas Open Records Act), its agents or employees without the prior written consent of the other party, unless such information (i) was in the public domain at the time of disclosure, (ii) later became part of the public domain through no act or omission of the recipient party, its employees, agents, successors, or assigns, (iii) was lawfully disclosed to the recipient party by a third party having the right to disclose it, (iv) was already known by the recipient party at the time of disclosure or (v) was independently

developed or is required to be submitted to a government agency pursuant to any obligation imposed or right granted hereunder.

Each party's obligation of confidence hereunder shall be fulfilled by using the same degree of care with the other party's confidential information it uses to protect its own confidential information. This obligation shall exist while this Agreement is in force and for a period of three (3) years thereafter. Nothing contained herein shall prevent BOARD or LICENSEE, its Subsidiaries or its sublicensees from disclosing information to the extent such information is required to be disclosed, and after securing or making a good faith effort to secure, confidentiality limitations comparable to the foregoing, (i) in connection with the securing of necessary governmental authorization for LICENSEE's, its Subsidiaries' or sublicensees' manufacture, use or sale of a Licensed Patented Product or Process or Licensed Non-Patented Product or Process, (ii) for the purpose of BOARD's, LICENSEE's, its Subsidiaries' or sublicensees' compliance with governmental regulations, (iii) for the purpose of sublicensing or distribution and sale, or (iv) in connection with the development, manufacture, use or sale of any Licensed Patented Product or Process or Licensed Non-Patented Product or Process.

XI.

ENTIRE AGREEMENT

A. This Agreement contains the entire agreement and understanding between the parties with respect to the subject matter hereof, and merges all prior discussions, representations and

negotiations with respect to the subject matter of this Agreement and is to be interpreted in accordance with the Laws of the State of Texas.

XII.

ASSIGNMENT

A. This Agreement may not be assigned by either party, without the prior written consent of the other, which consent shall not be unreasonably withheld, provided that LICENSEE may assign this Agreement to any purchaser or transferee of all or substantially all of LICENSEE's business upon prior written notice to BOARD, and provided further, that nothing shall prevent LICENSEE from entering into sublicensing agreements with other parties. This Agreement shall be binding upon and inure to the benefit of BOARD, LICENSEE and their respective permitted assigns and successors in interest and is to be interpreted in accordance with the Laws of the State of Texas.

XIII.

REPRESENTATIONS AND WARRANTIES

A. BOARD represents and warrants that it is the owner of the entire right, title and interest in and to the BOARD Patent Rights, including without limitation the patents and patent applications listed on Schedule I.(A), and the BOARD Technical Information and that there are no outstanding liens, encumbrances, agreements or understandings of any kind, either written, oral or implied which are inconsistent with any provision of this Agreement, except to the extent that research funded by Federal Government grants may be subject to a reserved non-

exclusive license to the Government. BOARD represents and warrants that it has the sole right to grant licenses under the BOARD Patent Rights and BOARD Technical Information and that it has not granted licenses to any other person.

B. BOARD represents and warrants that no individual or entity has asserted that BOARD, or any employee, agent, representative or other person affiliated with BOARD is infringing or has infringed any foreign or domestic patent or has misappropriated or improperly used or disclosed any trade secret, confidential information or know-how which relates in any manner to the subject matter of this Agreement.

C. BOARD represents and warrants that it has no knowledge that any person or individual is infringing or has infringed any foreign or domestic patent or has misappropriated or improperly used or disclosed any trade secret, confidential information, or know-how which relates in any manner to the subject matter of this Agreement.

D. BOARD represents and warrants that no patent or patent application listed on Schedule I.(A) is the subject of any re-examination proceeding or any pending interference, opposition, cancellation or other protest proceeding.

E. BOARD represents and warrants that it has no knowledge of any foreign or domestic patent or patent application which is reasonably expected by BOARD to restrict LICENSEE from manufacturing, using or selling any Licensed Patented Product or Process or any Licensed Non-Patented Product or Process or any portion of the BOARD Technical Information.

XIV.

ARBITRATION

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

XV.

INDEMNIFICATION

A. LICENSEE shall hold harmless and indemnify BOARD, SYSTEM, UTHSCH, and any person or component thereof or working therefor, from and against any claims, demands, or causes of action on account of any claims, loss or damage caused by, arising out of, or resulting from, the exercise or practice of the license granted hereunder; provided, however, that such obligation shall not extend to any claim, demand, or cause of action to the extent arising in favor of any such person or entity, growing out of, incident to, or resulting directly or indirectly from the negligence (whether sole, joint, or otherwise), of such person or entity.

ATTEST:

Cynthia M. Moore
Assistant Secretary

CryoM Corp.

By [Signature]

Title President

CONTENT APPROVED:
(For U.T. Health Science Center
Houston)

By [Signature]
Executive Vice President for
Title Administration and Finance

FORM APPROVED:

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

CONTENT APPROVED:
(For U.T. System)

By [Signature]
Title Chancellor

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By [Signature]
Title Chairman

CERTIFICATE OF APPROVAL

I hereby certify that the foregoing Agreement was approved by the Board of Regents of The University of Texas System on the 5TH day of June, 1986, and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.

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

SCHEDULE I. (A)

<u>COUNTRY</u>	<u>APPLICATION SERIAL NO.</u>	<u>FILING DATE</u>	<u>PATENT NO.</u>	<u>ISSUE DATE</u>
United States	525626	08/23/83	4,510,169	04/09/85
Australia	3166/84	08/07/84		
Canada	460541	08/08/84		
European Patent Convention(1)	84305391.9	08/08/84		
Japan	175807/84	08/23/84		
United States	777083	09/17/85		
United States	676855	11/30/84	4,567,847	02/04/86
Australia				
Canada	495267	11/13/85		
European Patent Convention(2)	85308760.9	12/02/85		
Japan	275080/85	11/30/85		
United States	676856	11/30/84		
United States	770772	08/29/85		
United States(3)				

- (1) Designating France, Great Britain, West Germany, Sweden, Switzerland, and Liechtenstein.
- (2) Designating Austria, Belgium, France, Great Britain, West Germany, Italy, Luxembourg, Netherlands, Sweden, Switzerland, and Liechtenstein.
- (3) Inclusive as part of Schedule I. (A) are two invention disclosures currently being drafted for application by the patent firm of Arnold, White & Durkee, relating to the Licensed Subject Matter.

ITEM FOR THE RECORD

U. T. Dallas - Advisory Council for the Callier Center for Communication Disorders: Acceptance of Membership.--At the U. T. Board of Regents' meeting in April 1986, Mr. W. H. Bowen, Jr., Mrs. George V. Charlton, Mr. Jay M. Goltz, Miss Nelle C. Johnston, Mr. John M. Stemmons, Jr., and Mr. C. J. Thomsen, all of Dallas, Texas, were approved for membership on The University of Texas at Dallas Advisory Council for the Callier Center for Communication Disorders for terms to expire August 31, 1988. Their acceptances for membership are herewith reported for the record.

REPORT OF BOARD FOR LEASE OF UNIVERSITY LANDS

Regent Rhodes, Vice-Chairman of the Board for Lease of University Lands, submitted the following report on behalf of that Board:

Report

The Board for Lease of University Lands met on May 12, 1986, in Austin, Texas, to approve the terms for a special sealed bid oil and gas lease sale which was held on June 5, 1986.

The Board received requests for four tracts to be offered for this special sale. Three tracts were in Callahan County and were a part of the fifty (50) leagues set aside to the University in 1839 by the Republic of Texas, and one tract in Reagan County.

Two tracts were sold. Only one tract in Callahan County was leased and the bonus for that tract averaged \$85 per acre. A total of \$11,900 was paid for this 140-acre tract. The Reagan County tract, consisting of 320 acres, received a bid of \$16,958 for an average of \$52.87 per acre. Both leases provided a one-fourth royalty to the University.

Today's oil and gas lease sale was the first one for Mr. Wallie Gravitt as Manager of University Lands -- Oil, Gas, and Mineral Interests. He replaces Mr. Laddie Long who retired in April 1986. Mr. Gravitt has been with the Midland Office for fifteen years and the Board is looking forward to working with him and his staff in the future.

OTHER MATTERS

U. T. Austin: Appearance of Representatives of the Black Student Alliance Related to Minority Faculty and Student Recruitment and Retention.--In response to a request from the Black Student Alliance, members of that student organization had been allocated thirty (30) minutes for a presentation regarding minority faculty and student recruitment and retention at The University of Texas at Austin.

Chairman Hay recognized Miss Nedre Deajon, President of the Black Student Alliance, who lead the presentation on the issue of minority faculty and student recruitment and retention and introduced the following speakers:

Mr. Russell Scott, past Editor of The Daily Texan

Mr. Dale Robertson, incoming Chairperson of the Steve Biko Committee

Following these presentations, Chairman Hay noted that the Board had been aware of some of the problems experienced by the minority students and that it was firmly committed to the abolition of racism that may exist not only at U. T. Austin but other schools throughout the world. He commented that during the last decade the Board and the administration of U. T. Austin have cooperatively directed significant resources, time and talent to the enhancement of minority student recruitment and retention.

In response to the remarks of the Black Student Alliance, Chairman Hay called on President Cunningham who reviewed for the Board some of the efforts that have been underway for a number of years related to this issue.

On behalf of the Board, Chairman Hay expressed appreciation to the Black Student Alliance for the dialogue and method of the presentation and stated that the Board looked forward to the report from the committee which President Cunningham has reviewing this matter.

Chairman Hay commended to the members of the Black Student Alliance a recent paper entitled Beyond Divestment: The Moral University, written by Mr. Alan Pifer, President Emeritus of the Carnegie Corporation, and stated that it is a well-reasoned, sensitive and thoughtful discourse on the divestment issue.

SCHEDULED MEETING.--Chairman Hay announced that the next meeting of the U. T. Board of Regents would be held in Austin, Texas, on August 14-15, 1986.

RECESS.--At 6:00 p.m., Chairman Hay announced that the Board would recess to reconvene at 9:00 a.m. on Friday, June 6, in executive session.

Friday, June 6, 1986

At 9:00 a.m. on Friday, June 6, 1986, the members of the Board reconvened in Executive Session in the Regents' Conference Room on the ninth floor of Ashbel Smith Hall to discuss matters in accordance with Article 6252-17, Sections 2(e), (f) and (g) of Vernon's Texas Civil Statutes: Litigation, Land Acquisition and Personnel Matters.

RECONVENE.--At 11:35 a.m., the Board reconvened in open session for the purpose of acting on items discussed in Executive Session.

EXECUTIVE SESSION OF THE BOARD OF REGENTS

Chairman Hay reported that the Board had met in Executive Session in the Regents' Conference Room on Friday morning (June 6) to discuss matters in accordance with Article 6252-17, Sections 2(e), (f) and (g) of Vernon's Texas Civil Statutes. In response to Chairman Hay's inquiry regarding the wishes of the Board, the following actions were taken:

1. U. T. Cancer Center: Settlement of Medical Malpractice Litigation - A. M. Hansen.--Regent Yzaguirre moved that the Office of the Chancellor and the Office of General Counsel be authorized to settle the medical malpractice claim (A. M. Hansen) filed against the U. T. M.D. Anderson Hospital - Houston of The University of Texas System Cancer Center in accordance with the proposal presented in Executive Session.

Vice-Chairman Ratliff seconded the motion which carried by unanimous vote.

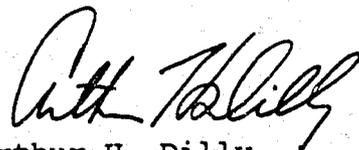
2. U. T. System: Authorization to Execute an Amendment to the Lease Agreement with The University of Texas Foundation, Inc., Covering Certain Land in Austin, Travis County, Texas.--Upon motion of Regent Rhodes, seconded by Vice-Chairman Baldwin, the Executive Vice Chancellor for Asset Management was authorized to execute an amendment to the lease agreement between the U. T. Board of Regents and The University of Texas Foundation, Inc., covering certain land in Austin, Travis County, Texas, after approval as to form by the Office of General Counsel.

3. U. T. System: Proposed Amendment to Lease Agreement for Operation of Commercial Vineyards and Winery on Permanent University Fund Lands in West Texas (Withdrawn).--Chairman Hay reported that the Board heard a report from the Executive Vice Chancellor for Asset Management and the General Counsel on the proposed amendment to the lease agreement for the operation of commercial vineyards and a winery on Permanent University Fund Lands in West Texas and that no action by the U. T. Board of Regents was necessary or advisable at this time.
4. U. T. System: Approval of Personnel Aspects of the 1986-87 Operating Budgets, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds and Medical Service, Research and Development Programs and Authorization for Office of the Chancellor to Make Editorial Corrections Therein.--Vice-Chairman Baldwin moved that the personnel aspects of the 1986-87 Operating Budgets, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical Service, Research and Development Programs for The University of Texas System be approved and that the Office of the Chancellor be authorized to make editorial corrections and for subsequent adjustments to be reported to the U. T. Board of Regents through the institutional Dockets.

Vice-Chairman Ratliff seconded the motion which prevailed without objection.

See Page 65 for approval of the non-personnel aspects of the 1986-87 Operating Budgets.

ADJOURNMENT.--There being no further business, the meeting was adjourned at 11:40 a.m.



Arthur H. Dilly
Executive Secretary



June 12, 1986

4099