

OMISSION

Pages 4034 - 4552

A. Ruth Baker

SIGNATURE OF OPERATOR

Meeting No. 755

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

Pages 1 - 312


August 3-4, 1978

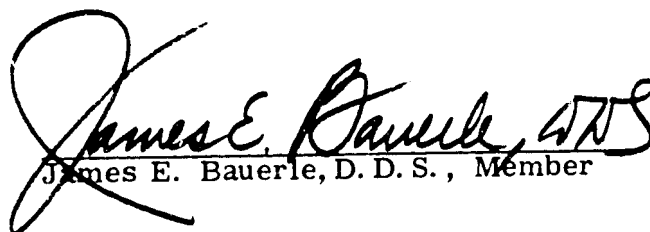
Austin, Texas

We, the undersigned members of the Board of Regents of The University of Texas System, hereby ratify and approve all actions taken at this meeting (August 3-4, 1978) to be reflected in the Minutes.

Signed this the 4th day of August A. D. 1978.

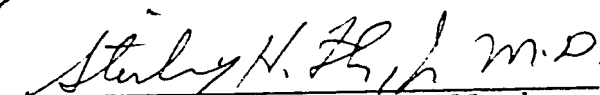

Allan Shivers, Chairman



Dan Q. Williams, Vice-Chairman



James E. Bauerle, D. D. S., Member

Jane Weinert Blumberg, Member
(Mrs. Roland K.)


Edward Clark, Member


Sterling H. Fly, Jr., M. D., Member


Jess Hay, Member


Thos. H. Law, Member


Walter G. Sterling, Member

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MEETING NO. 755

THURSDAY, AUGUST 3, 1978. --The Board of Regents of The University of Texas System convened in regular session at 2:00 p. m. on Thursday, August 3, 1978, in the Regents' Meeting Room, ninth floor, Ashbel Smith Hall, Austin, Texas, with the following in attendance and Chairman Shivers presiding:

ATTENDANCE. --

<u>Present</u>	<u>Absent</u>
Chairman Shivers, presiding	Regent (Mrs.) Blumberg - excused*
Vice-Chairman Williams	
Regent Bauerle	
Regent Clark	
Regent Fly	
Regent Hay	
Regent Law	
Regent Sterling	

Secretary Thedford

President Walker

Chairman Shivers called the meeting to order and stated that the Board had assembled for the specific purpose of considering the items on the agenda of the Buildings and Grounds Committee and that after the meeting of the Committee the Board would recess until 9:00 a. m. on Friday, August 4.

Since a majority of the members of the Buildings and Grounds Committee was present, Chairman Shivers suggested and all members agreed that the Committee dispense with all the items at the Thursday afternoon meeting except those items on which any member of the Board needed additional information or wanted to hold over for a meeting on Friday morning.

The Board then resolved into the Buildings and Grounds Committee. See Pages 125-136 for the report of the Committee.

FRIDAY, AUGUST 4, 1978. --The Board reconvened in regular session at 9:00 a. m. on Friday, August 4, 1978, in the Regents' Meeting Room on the ninth floor of Ashbel Smith Hall, Austin, Texas, with the same members in attendance as at the meeting on Thursday, August 3, and with Chairman Shivers presiding.

Chairman Shivers called the meeting to order.

*Mrs. Blumberg was excused from the meeting because of illness.

INTRODUCTION OF SPECIAL GUESTS AND FACULTY AND STUDENT REPRESENTATIVES. --Chairman Shivers noted several distinguished guests in the audience. He called on Dr. Robert Moreton, Chairman of Texas Board of Health, who introduced:

Fratris L. Duff, M. D., Commissioner of Health, Texas Department of Health

Other distinguished guests recognized by Chairman Shivers were:

- Mr. John Stuart, Vice-President of Ex-Students' Association, U. T. Austin
- Mrs. Jean Kaspar, Treasurer of Ex-Students' Association, U. T. Austin
- Mr. Roy Vaughan, Executive Director of Ex-Students' Association, U. T. Austin
- Mr. Saud Al-Rashoud, Director of the Office of the Rector at the University of Kuwait

Chairman Shivers welcomed these special guests and the faculty and student representatives. The following faculty and student representatives were introduced:

Faculty Representatives

Student Representatives

U. T. Austin - President Rogers introduced:

- Dr. Karl Galinsky, Chairman Graduate Assembly
- Dr. William Livingston, Chairman Faculty Senate
- Dr. Harlan Smith, Director McDonald Observatory

- Ms. Kathi Chatas, Chairman Senior Cabinet
- Mr. Gary Fendler, Editor The Daily Texan
- Mr. John McMillan, Reporter The Daily Texan
- Mr. Glenn Karisch, President Texas Student Publications

U. T. Arlington - President Nedderman introduced:

- Professor Harry Hanks, Chairman Faculty Senate

- Ms. Tammy Bice, Vice Presiden Student Congress
- Mr. Joe Gibbons, News Editor Student Publications
- Mr. Evans Caglage, Photographe Student Publications
- Mr. John Ostdick, Reporter the Shorthorn

U. T. Dallas - President Jordan introduced:

- Dr. George Kimeldorf, Speaker of the Faculty

- Ms. Sandra Shafto, President Student Government
- Ms. Nancy Miller, Vice Preside Student Government

U. T. Permian Basin - President Cardozier introduced:

- Dr. Munro Shintani, President Faculty Senate

U. T. San Antonio - Acting President Wagener introduced:

Dr. William G. Mitchell, Secretary-elect The General Faculty and The University Assembly	Mr. Martin Hinojosa, President Student Representative Assembly
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Dallas Health Science Center - President Sprague introduced:

Dr. Maurice Korman, Professor and Chairman, Division of Psychology, Department of Psychiatry, Dallas Southwestern Medical School	Mr. Ed McCord, Senior Medical Student, President Senior Class
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Galveston Medical Branch - President Levin introduced:

Dr. Evelyn Scott, Professor and Chairman Designate, Department of Allied Health Services	Mr. Randy Sellers Third Year Medical Student
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Houston Health Science Center - Vice President Franklin introduced:

Dr. Frank Moore, Associate Dean of Continuing Education, School of Public Health	Mr. Ron Hayter, Rising Senior Medical School and President of Student Council of the Medical School
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San Antonio Health Science Center - President Harrison introduced:

Dr. Vernon S. Bishop, Professor
Department of Pharmacology

University Cancer Center - President Clark introduced:

Thomas P. Haynie, III, M. D. Acting Head, Department of Medicine	Christopher Logothetis, M. D. Fellow in Medicine
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Tyler Health Center - Dr. Hurst introduced:

Dr. W. T. Matlage
Clinical Director

BOARD OF REGENTS: MEMBERSHIP OF SUBCOMMITTEE ON HOSPITALS OF HEALTH AFFAIRS COMMITTEE. --Chairman Shivers reported to the Board that in accordance with the Regents' Rules and Regulations, Part One, Chapter I, Section 7.18 he had named the following members of the Subcommittee on Hospitals of the Health Affairs Committee:

Regent Thos. H. Law (Chairman of
the Health Affairs Committee), Chairman
Regent Sterling H. Fly, Jr.
Regent Walter G. Sterling

Ex Officio Member

Edward N. Brandt, Jr., M.D., Vice
President for Health Affairs

U. T. SAN ANTONIO: APPOINTMENT OF ADVISORY COMMITTEE FOR THE SELECTION OF CHIEF ADMINISTRATIVE OFFICER (PRESIDENT). -- Chairman Shivers reported for the record that pursuant to the Regents' Rules and Regulations, Part One, Chapter II, Section 4.1, the membership of the Advisory Committee for the Selection of a Chief Administrative Officer (President) at The University of Texas at San Antonio had been completed. The committee is constituted as follows:

Advisory Committee for Selection of Chief Administrative Officer
for
The University of Texas at San Antonio

* President of the System

Dr. E. D. Walker (Chairman)

* Vice President for Academic Affairs

Dr. Ernest T. Smerdon

* Chief Administrative Officers

Dr. V. R. Cardozier, President of The University
of Texas of the Permian Basin
Frank Harrison, M.D., President of The University
of Texas Health Science Center at San Antonio
Dr. Arleigh B. Templeton, President of The
University of Texas at El Paso

* Board of Regents

Regent James E. Bauerle
Regent Jane Weinert Blumberg
Regent Sterling H. Fly, Jr.

Faculty Members - U. T. San Antonio

Dr. E. Lou Curry, College of Business
Dr. Dewey D. Davis, College of Multidisciplinary Studies
Dr. Gordon H. Lamb, College of Fine and Applied Arts
Dr. Woodruff D. Smith, College of Humanities and Social Sciences
Dr. Charles A. Sorber, College of Sciences and Mathematics

Dean's Council Representative - U. T. San Antonio

Dr. Joseph Michel, Dean, College of Multidisciplinary Studies

Student Representatives - U. T. San Antonio

Mr. Gerald M. Flores
Mr. Martin Hinojosa

*Named June 9, 1978 (Permanent Minutes, Volume XXV, Page 3324).

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Ex-Students' Association - U. T. San Antonio

Ms. Yvonne Katz, President

Other

Mr. C. Linden (Corky) Sledge, Frost National
Bank, San Antonio - President of U. T.
San Antonio Development Board

U. T. AUSTIN: APPOINTMENT OF ADVISORY COMMITTEE FOR THE
SELECTION OF CHIEF ADMINISTRATIVE OFFICER (PRESIDENT). --
Chairman Shivers named the following to the Advisory Committee for the
Selection of a Chief Administrative Officer (President) at The University
of Texas at Austin:

President of the System

Dr. E. D. Walker (Chairman)

Vice President for Academic Affairs

Dr. Ernest T. Smerdon

Chief Administrative Officers

Dr. Wendell H. Nedderman, President, The University
of Texas at Arlington
Dr. Bryce Jordan, President, The University of Texas
at Dallas
Dr. William C. Levin, President, The University of
Texas Medical Branch at Galveston

Board of Regents

Regent Edward Clark
Regent Allan Shivers
Regent Walter G. Sterling

Ex-Students' Association

Mr. John Ben Shepperd, President

Chairman Shivers reviewed the provisions of the Regents' Rules and Regula-
tions (Part One, Chapter II, Section 4. 1) relating to the constitution of the
committee and reported that President Rogers was going forward with the
procedure for naming the faculty, dean and student representatives. The
membership of the full committee will be reported at a subsequent meeting.

BOARD OF REGENTS: APPROVAL OF MINUTES OF REGULAR MEETING
ON JUNE 8-9, 1978. -- Upon motion of Vice-Chairman Williams, seconded
by Regent Sterling, the Minutes of the regular meeting of the Board of
Regents of The University of Texas System held on June 8-9, 1978, in
Austin were approved without objection as circulated by Secretary Thedford.
The official copy of these Minutes is recorded in the Permanent Minutes,
Volume XXV, Pages 3184-3721.

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RECESS AND REASSEMBLE. --Awaiting copies of the recommendations of System Administration regarding the bond issues, the Board recessed at 9:10 a. m. for committee meetings. Following the meeting of the Health Affairs Committee, the Board of Regents reassembled to take action on bond issues.

A tabulation of the bids and the recommendations of the Administration for each of the bond issues were distributed.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM GENERAL TUITION REVENUE REFUNDING BONDS, SERIES 1978: (1) RESOLUTION AUTHORIZING THE ISSUANCE OF BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM GENERAL TUITION REVENUE REFUNDING BONDS, SERIES 1978, IN THE AMOUNT OF \$32,280,000 AND AWARDING THE SALE OF THE BONDS TO MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, NEW YORK, NEW YORK; (2) DESIGNATION OF BANK OF THE SOUTHWEST, N. A., HOUSTON, TEXAS, AND BANKERS TRUST COMPANY, NEW YORK, NEW YORK, BANKS OF PAYMENT; AND (3) AWARD OF CONTRACT FOR PRINTING TO HART GRAPHICS & OFFICE CENTERS, INC., AUSTIN, TEXAS. --The following written Resolution (Pages 7-18) was duly introduced for the consideration of the Board of Regents and read in full. It was then duly moved by Regent Clark and seconded by Vice-Chairman Williams that said Resolution be adopted; and after due discussion, said motion, carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

AYES: All members of said Board shown present (Page 1)
voted "Aye."

NOES: None

The adoption of this Resolution authorized issuance of Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1978, in the amount of \$32,280,000 and awarded the sale of the bonds to Merrill Lynch, Pierce, Fenner & Smith Incorporated, New York, New York, for the price of 98.86281% of par, plus accrued interest thereon from the date thereof to the date of actual delivery (Page 18) with a net interest cost of 5.57081%. The rates of interest are reflected on Page 9 .

Upon motion of Regent Clark, seconded by Regent Bauerle, the bid of Bank of the Southwest, N. A., Houston, Texas, to serve as Paying Agent with Bankers Trust Company, New York, New York (Banks of Payment) for Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1978, in the amount of \$32,280,000 was unanimously accepted (Pages 10, 12). There will be no charge by the bank per coupon or per bond paid.

The contract for printing the Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1978, in the amount of \$32,280,000, was awarded unanimously to Hart Graphics & Office Centers, Inc., Austin, Texas, upon motion of Regent Clark, seconded by Regent Sterling. These bonds are to be printed according to specifications with lithographed borders for the sum of \$3,222, there being ten interest rates.

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RESOLUTION AUTHORIZING THE ISSUANCE OF
\$32,280,000 BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM GENERAL
TUITION REVENUE REFUNDING BONDS, SERIES
1978

WHEREAS, the Board of Regents of The University of Texas System (hereinafter sometimes called the "Board" or "Board of Regents"), for the purpose of providing funds to acquire, purchase, construct, improve, enlarge, and/or equip property, buildings, structures, and facilities for The University of Texas at Dallas, The University of Texas of the Permian Basin, The University of Texas at San Antonio, The University of Texas Medical School at Houston, The University of Texas Dental School at San Antonio, The University of Texas (Undergraduate) Nursing School at El Paso, and The University of Texas (Clinical) Nursing School at San Antonio, heretofore authorized the issuance of and sold the following series of bonds payable from, and secured by a first lien on and pledge of, certain pledged revenues:

Board of Regents of The University of Texas System General Tuition Revenue Bonds, Series 1971, dated October 1, 1971, in the original principal amount of \$50,000,000 (hereinafter called the "Series 1971 Bonds");

Board of Regents of The University of Texas System General Tuition Revenue Bonds, Series 1972, dated April 1, 1972, in the original principal amount of \$50,000,000 (hereinafter called the "Series 1972 Bonds"); and

Board of Regents of The University of Texas System General Tuition Revenue Bonds, Series 1972-A, dated October 1, 1972, in the original principal amount of \$17,000,000 (hereinafter called the "Series 1972-A Bonds"); and

WHEREAS, the resolution authorizing the issuance of the Series 1971 Bonds (hereinafter called the "Series 1971 Resolution"), and the resolutions authorizing the issuance of the Series 1972 Bonds and the Series 1972-A Bonds, permit the Board to issue additional parity bonds upon certain terms and conditions, including a coverage test based upon certain pledged revenues; and

WHEREAS, the Board subsequently issued and sold its Board of Regents of The University of Texas System General Tuition Revenue Bonds, New Series 1974, dated October 1, 1974, in the aggregate principal amount of \$33,000,000 (hereinafter called the "Series 1974 Bonds") for the purposes named above and to refund the Board of Regents of The University of Texas System General Tuition Revenue Bonds, New Series 1973, in the aggregate principal amount of \$8,000,000, which had been issued for the same purposes, both of which series of bonds were secured by a junior lien on certain pledged revenues and by a first lien on other revenues because at such times there were insufficient pledged revenues to satisfy the coverage test contained in the requirements for the issuance of additional parity bonds set forth in the Series 1971 Resolution; and

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WHEREAS, the Board can now satisfy all of the requirements for the issuance of \$32,280,000 bonds on a parity with the Series 1971 Bonds, the Series 1972 Bonds and the Series 1972-A Bonds; and

WHEREAS, pursuant to Chapter 55 of the Texas Education Code, particularly Section 55.19 thereof, the Board may issue revenue refunding bonds for the purpose of refunding any of its outstanding bonds in advance of their maturities or dates of redemption; and

WHEREAS, in order to realize substantial annual savings in debt service, the Board desires to advance refund the Series 1974 Bonds by the issuance of revenue refunding bonds on a parity with the Series 1971 Bonds, Series 1972 Bonds and Series 1972-A Bonds, the proceeds of which, together with other funds lawfully available for such purpose, shall be applied to purchase certain direct obligations of the United States of America in amounts, maturities and bearing interest at rates sufficient to provide funds, when needed, which together with other proceeds of the refunding bonds will be sufficient to pay in full the principal, redemption premiums and interest to maturity or redemption on the Series 1974 Bonds and to pay all costs arising in connection with such refunding; and

WHEREAS, to accomplish the foregoing, the Board has adopted this Resolution to authorize the issuance of its Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1978 and contemporaneously herewith has adopted another resolution calling certain of the Series 1974 Bonds for redemption prior to their maturities, authorizing the subscription for certain direct obligations of the United States of America and authorizing the Board to enter into an escrow agreement with City National Bank of Austin, Austin, Texas, pursuant to which provision shall be made for the deposit of such investments and other proceeds to the credit of the escrow fund to be established pursuant to such escrow agreement and for the application of the proceeds thereof to the payment in full of principal, redemption premium and interest to maturity or redemption on the Series 1974 Bonds; and

WHEREAS, upon the issuance of the refunding bonds herein authorized and the application of the proceeds therefrom to fund and establish the escrow fund provided for in the escrow agreement, the Series 1974 Bonds shall no longer be regarded as outstanding obligations of the Board of Regents, and the money and investments credited to the funds established and maintained pursuant to the resolution authorizing the Series 1974 Bonds shall be released from such funds and applied in accordance with the terms of this Resolution; and

WHEREAS, the Board desires to supplement the pledged revenues securing payment of the Series 1971 Bonds, Series 1972 Bonds, Series 1972-A Bonds and the Series 1978 Bonds herein authorized, by agreeing to fix, charge and collect, when and to the extent needed, an Administration Use Fee, without limit as to rate or amount, from regularly enrolled students at each and every institution, branch and school now or hereafter operated by or under the jurisdiction of the Board;

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

Section 1: NAME, AMOUNT, PURPOSE AND AUTHORIZATION.

That for the purpose of effecting annual debt service savings, there shall be issued the negotiable, serial, coupon bonds of the Board of Regents of The University of Texas System in the aggregate principal amount of \$32,280,000, which shall be designated as "BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM GENERAL TUITION REVENUE REFUNDING BONDS, SERIES 1978" (hereinafter called the "Series 1978 Bonds"), the proceeds of which shall be applied to refund all of the bonds of the Board of Regents of The University of Texas System General Tuition Revenue Bonds, New Series 1974, in advance of their maturities or redemption dates, as more fully provided herein, under and in strict conformity with the Constitution and laws of the State of Texas, including particularly Chapter 55 of the Texas Education Code, as amended.

Section 2: DATE, DENOMINATION AND MATURITIES.

That the Series 1978 Bonds shall be dated August 1, 1978, shall be numbered consecutively from 1 upward in order of their maturities, shall be in the denomination of \$5,000 each, and shall mature serially on April 1 in each of the years and in the amounts, respectively, as follows:

<u>YEARS</u>	<u>AMOUNTS</u>	<u>YEARS</u>	<u>AMOUNTS</u>	<u>YEARS</u>	<u>AMOUNTS</u>
1981	\$1,510,000	1987	\$1,985,000	1992	\$2,400,000
1982	1,565,000	1988	2,065,000	1993	2,400,000
1983	1,640,000	1989	2,170,000	1994	2,395,000
1984	1,715,000	1990	2,285,000	1995	2,340,000
1985	1,810,000	1991	2,415,000	1996	1,690,000
1986	1,895,000				

Section 3: INTEREST RATES AND PAYMENT DATES.

That the Series 1978 Bonds shall bear interest from their date until the principal sum is paid at the following rates per annum:

<u>Year Maturing</u>	<u>Interest Rate</u>	<u>Year Maturing</u>	<u>Interest Rate</u>
1981	5.00%	1989	5.25%
1982	5.00%	1990	5.30%
1983	5.00%	1991	5.40%
1984	5.00%	1992	5.50%
1985	5.00%	1993	5.60%
1986	5.00%	1994	5.75%
1987	5.10%	1995	5.80%
1988	5.10%	1996	5.95%

with said interest being evidenced by interest coupons that shall appertain to the Series 1978 Bonds and shall be payable on the dates stated in Section 5 of this Resolution.

Section 4: MANNER OF PAYMENT, OPTIONAL REDEMPTION AND EXECUTION OF BONDS.

That the Series 1978 Bonds and the interest coupons appertaining thereto shall be payable, shall have the characteristics, may be redeemed prior to their scheduled maturities, and shall be signed, executed and sealed all as provided, and in the manner indicated, in Section 5 of this Resolution.

Section 5: FORM OF BONDS, INTEREST COUPONS AND COMPTROLLER'S CERTIFICATE.

That the form of the Series 1978 Bonds, including the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be

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printed and endorsed on each Series 1978 Bond, and the form of interest coupons to be attached to said Series 1978 Bonds, shall be, respectively, in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and permitted by this Resolution:

NO. _____

\$5,000

UNITED STATES OF AMERICA
STATE OF TEXAS
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
GENERAL TUITION REVENUE REFUNDING BOND
SERIES 1978

ON APRIL 1, _____, the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (hereinafter sometimes called the "Board") hereby promises to pay to bearer, solely from the Pledged Revenues hereinafter described, the sum of

FIVE THOUSAND DOLLARS

and to pay interest thereon from the date hereof at the rate of _____% per annum, payable April 1, 1979, and semi-annually thereafter on each October 1 and April 1 until said principal sum is paid, but only upon presentation and surrender of the interest coupons hereto appertaining as they severally become due. The principal of this bond and the interest coupons appertaining hereto shall be payable to bearer, in lawful money of the United States of America, without exchange or collection charges to the bearer, upon presentation and surrender of this bond or proper interest coupon, at the following, which shall be the Banks of Payment for this series of bonds:

Bank of the Southwest National Association, Houston,
Houston, Texas

or, at the option of the bearer, at

Bankers Trust Company, New York, New York

THIS BOND IS ONE OF A DULY AUTHORIZED SERIES OF BONDS of like tenor and effect except as to serial number, interest rate, right of prior redemption and maturity, numbered 1 through 6456 both inclusive, in the denomination of \$5,000 each, in the aggregate principal amount of \$32,280,000, issued pursuant to a resolution (hereinafter called the "Resolution") adopted by the Board on the 4th day of August, 1978, for the purpose of refunding all of the bonds of the Board of Regents of The University of Texas System General Tuition Revenue Bonds, New Series 1974, dated October 1, 1974, under and in strict conformity with the Constitution and laws of the State of Texas, including particularly Chapter 55 of the Texas Education Code, as amended.

THIS BOND AND ALL BONDS OF THE SERIES OF WHICH IT IS A PART, together with the outstanding bonds of the Board of Regents of The University of Texas System General Tuition Revenue Bonds, Series 1971, Series 1972 and Series 1972-A (hereinafter called the "Outstanding Bonds"), are equally and ratably payable from, and secured by a first lien on and pledge of, certain Pledged Revenues, 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

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or under the jurisdiction of the Board, (ii) the gross collections of an Administration Use Fee to be fixed, charged and collected from all students (excepting those exempt as now provided by law) regularly enrolled at each and every institution, branch and school now or hereafter operated by or under the jurisdiction of the Board, (iii) the gross collections of a Library Use Fee to be fixed, charged and collected from all students (excepting those exempt as now provided by law) regularly enrolled at certain designated New System Institutions of the Board, and (iv) certain debt service subsidy grants from the United States Government. This bond and the issue of which it is a part, and the interest thereon, constitute special obligations of the Board and are payable solely from the Pledged Revenues and do not constitute an indebtedness of the State of Texas or the Board. The bearer hereof and the coupons attached hereto shall never have the right to demand payment of this bond or of such coupons out of any funds raised or to be raised by taxation.

ON APRIL 1, 1988, OR ON ANY INTEREST PAYMENT DATE THEREAFTER, the Board shall have the option of calling bonds of this series maturing serially on or after April 1, 1989, for redemption prior to maturity, in whole or in part, in inverse numerical order, at par and accrued interest to the date of redemption.

NOTICE OF REDEMPTION IS TO BE PUBLISHED in a financial publication published in the English language in the City of New York, New York, or in the City of Austin, Texas, at least once, not less than thirty (30) days before the date fixed for such redemption, and thirty (30) days' notice in writing is to be given to the Banks of Payment before the date so fixed for such redemption. On or before the date fixed for redemption, funds shall be placed in the Banks of Payment sufficient to pay the bonds called and accrued interest thereon. If such written notice of redemption is published, and if due provision for such payment is made, all as provided above, the bonds which are to be so redeemed thereby automatically shall be redeemed prior to their scheduled maturities, they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the purpose of being paid by the Banks of Payment with the funds so provided for such payment.

IT IS HEREBY DECLARED AND REPRESENTED that, so long as this bond or the issue of bonds of which it is a part remains outstanding, the Board has covenanted and agreed that it will fix, charge and collect the Administration Use Fee and the Library Use Fee at rates which, together with other Pledged Revenues, will be sufficient to provide money to pay, when due, all principal of and interest on the Outstanding Bonds and the bonds of this series.

IT IS FURTHER DECLARED AND REPRESENTED that this bond has been duly and validly issued and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the issuance or delivery of this bond have been performed, existed, and been done in accordance with law; that this series of bonds does not exceed any Constitutional or statutory limitation; and that provision has been made for the payment of principal of and interest on this bond and the series of which it is a part by the irrevocable pledge of the Pledged Revenues.

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THE BOARD HAS RESERVED THE RIGHT, subject to the restrictions referred to in the Resolution, to issue additional parity revenue bonds which also may be made equally and ratably payable from, and secured by an irrevocable first lien and pledge of, the aforesaid Pledged Revenues.

IN WITNESS WHEREOF, the Board of Regents of The University of Texas System has caused the corporate seal of said Board to be impressed, printed or lithographed hereon and has caused this bond and the interest coupons attached hereto to be executed by the imprinted or lithographed facsimile signatures of the Chairman and the Secretary of the Board, respectively, and this bond has been dated August 1, 1978.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

By _____
Chairman

[SEAL]

ATTEST:

Secretary

(FORM OF INTEREST COUPON)

\$ _____ NO. _____

On the first day of _____, _____, unless the bond to which this coupon appertains shall have been called for previous redemption and due provision made to redeem same, upon surrender of this coupon, the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM PROMISES TO PAY TO BEARER at Bank of the Southwest National Association, Houston, Houston, Texas, or, at the option of the bearer, at Bankers Trust Company, New York, New York, but solely from the Pledged Revenues specified in the bond to which this coupon is attached, the amount shown above, without exchange or collection charges to the bearer hereof, payable in lawful money of the United States, being interest then due on the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM GENERAL TUITION REVENUE REFUNDING BOND, SERIES 1978, bearing the number hereinafter specified, dated August 1, 1978. The bearer hereof shall never have the right to demand payment of this obligation out of funds raised or to be raised by taxation. Bond No. _____.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

Secretary Chairman

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(FORM OF COMPTROLLER'S REGISTRATION CERTIFICATE)

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

I HEREBY CERTIFY that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this bond and the proceedings for the issuance hereof have been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas and that it is a valid and binding special obligation of the Board of Regents of The University of Texas System payable from the revenues and other funds pledged to its payment by and in the proceedings authorizing the same, and I do further certify that this bond has this day been registered by me.

WITNESS MY SIGNATURE AND SEAL OF OFFICE at Austin, Texas, this _____.

[SEAL]

Comptroller of Public Accounts
of the State of Texas

Section 6: DEFINITIONS. That as used in this Resolution (except in Section 5 hereof) all of the definitions of terms contained in the Series 1971 Resolution (as hereinafter defined) are hereby adopted by reference except to the extent specifically modified or supplemented below, and the following terms shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

The term "Additional Bonds" shall mean the additional parity revenue bonds permitted to be authorized in the Series 1971 Resolution, excluding any Bonds heretofore issued.

The term "Administration Use Fee" shall mean the gross collections of a special fee to be fixed, charged and collected from all students (excepting those exempt as provided by law) regularly enrolled at each and every institution, branch and school now or hereafter operated by or under the jurisdiction of the Board, respectively, for the use and availability of the principal administration building or buildings, and all administration and student services facilities provided therein, at each such institution, branch and school, respectively, in the manner and to the extent provided in this Resolution.

The term "Board" shall mean the Board of Regents of The University of Texas System.

The term "Bonds" shall mean collectively the Board of Regents of The University of Texas System General Tuition Revenue Bonds, Series 1971, authorized by the resolution of the Board on December 2, 1971; the Board of Regents of The University of Texas System General Tuition Revenue Bonds, Series 1972, authorized by resolution of the Board on March 16, 1972; the Board of Regents of The University of Texas System General Tuition Revenue Bonds, Series 1972-A,

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Resolution, (b) the Administration Use Fee, (c) the Library Use Fee, as defined in the Series 1971 Resolution, (d) all debt service subsidy and interest grants received from the United States Government in connection with the Bonds and Additional Bonds, and (e) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter may be pledged to the payment of the Bonds or the Additional Bonds.

The term "Reserve Fund" shall mean the General Tuition Revenue Bonds Reserve Fund established in the Series 1971 Resolution.

The term "Revenue Fund" shall mean the separate account or accounts established on the books of the Board pursuant to the Series 1971 Resolution, to which all collections of Pledged Revenues are credited immediately upon receipt.

The term "Series 1971 Resolution" shall mean the resolution adopted by the Board on December 2, 1971, authorizing the issuance of the Series 1971 Bonds.

The term "Series 1978 Bonds" shall mean the bonds authorized by this Resolution.

The term "Series 1974 Bonds" shall mean the Board of Regents of The University of Texas System General Tuition Revenue Bonds, New Series 1974, which shall be refunded and defeased with the proceeds of the Series 1978 Bonds.

The term "Series 1974 Resolution" shall mean the resolution adopted by the Board on September 20, 1974 authorizing the issuance of the Series 1974 Bonds.

Section 7: APPLICATION OF SERIES 1978 BOND PROCEEDS.
That the proceeds from the sale of the Series 1978 Bonds shall be disbursed as follows:

(a) To the Interest and Sinking Fund, the accrued interest and premium, if any, received from the sale of the Series 1978 Bonds;

(b) To be applied, along with the proceeds of the New Series Tuition Revenue Bonds Reserve Fund (the disposition of which is provided for in Section 8 of this Resolution), to fund and establish at City National Bank of Austin, Austin, Texas, as Escrow Agent, an escrow fund to be entitled "Board of Regents of The University of Texas System General Tuition Revenue Bonds, New Series 1974 Escrow Fund" in accordance with the terms of that certain Escrow Agreement to be entered into between the Board and said Escrow Agent at or prior to delivery of the Series 1978 Bonds, which escrow fund shall have deposited to its credit the required beginning cash balance (if necessary) and direct obligations of the United States of America, in amounts, bearing interest and maturing in such a manner as to provide funds sufficient for the payment of principal of, redemption premiums on and interest to maturity or redemption on the Series 1974 Bonds, all as more fully set forth in such Escrow Agreement;

(c) To pay expenses connected with the refunding of the Series 1974 Bonds and the issuance of the Series 1978 Bonds;

(d) To the Reserve Fund, an amount equal to the highest average annual principal and interest requirements of the Series 1978 Bonds; and

(e) The balance, if any, to the Interest and Sinking Fund.

Section 8: DISPOSITION OF FUNDS MAINTAINED PURSUANT TO SERIES 1974 RESOLUTION. That the Board has heretofore maintained in accordance with the terms of the Series 1974 Resolution the New Series Tuition Revenue Bonds Interest and Redemption Fund and the New Series Tuition Revenue Bonds Reserve Fund. Upon the establishment of the escrow fund referred to in Section 7(b) hereof, the Series 1974 Bonds and the Series 1974 Resolution shall be defeased and all moneys and investments deposited to the credit of the above funds shall no longer be subject to the terms of the Series 1974 Resolution. Therefore, upon the issuance of, and payment of the purchase price for, the Series 1978 Bonds, all proceeds of such funds shall be disposed of as follows:

(a) Proceeds of the New Series Tuition Revenue Bonds Interest and Redemption Fund shall be transferred to the Interest and Sinking Fund for the benefit of the Bonds and any Additional Bonds.

(b) Proceeds of the New Series Tuition Revenue Bonds Reserve Fund shall be deposited with the Escrow Agent, to be applied in accordance with the terms of the Escrow Agreement.

Section 9: SOURCE OF PAYMENT. That the Series 1978 Bonds are "Additional Bonds" as permitted by Sections 19, 20 and 21 of the Series 1971 Resolution, and the Series 1971 Bonds, the Series 1972 Bonds, the Series 1972-A Bonds and the Series 1978 Bonds (herein collectively called the "Bonds") are and shall be secured and payable equally and ratably on a parity. The Bonds, any Additional Bonds and the interest thereon, are and shall be payable from, and secured by an irrevocable first lien on and pledge of, the Pledged Revenues, as that term has been amended in this Resolution. The Bonds, any Additional Bonds and interest coupons appertaining thereto shall constitute special obligations of the Board, payable solely from the Pledged Revenues, and such obligations shall not constitute an indebtedness of the University, the Board, or the State of Texas, and the holders of the Bonds, any Additional Bonds and the coupons attached thereto shall never have the right to demand payment thereof out of funds raised or to be raised by taxation.

Section 10: ADOPTION OF CERTAIN SECTIONS OF SERIES 1971 RESOLUTION. That Sections 7 through 22 of the Series 1971 Resolution are hereby adopted by reference and shall be and are hereby made applicable to the Series 1978 Bonds for all purposes, except to the extent herein specifically modified and supplemented.

Section 11: ADDITIONAL DEPOSITS TO INTEREST AND SINKING FUND. That, in addition to all deposits required to be made to the Interest and Sinking Fund in the Series 1971 Resolution, and in the resolutions authorizing the issuance

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of the Series 1972 Bonds and the Series 1972-A Bonds, 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 Interest and Sinking Fund, the following amounts at the following times:

(a) On or before March 25, 1979, and semi-annually on or before each September 25th and March 25th thereafter, an amount which will be sufficient, together with other monies, if any, then on hand therein and available for such purpose, to pay the interest scheduled to accrue and come due on the Series 1978 Bonds on the next succeeding interest payment date; and

(b) On or before March 25, 1979, an amount equal to the principal scheduled to mature and come due on the Series 1978 Bonds on April 1, 1979; and

(c) On or before September 25, 1979, and semi-annually on or before each March 25th and September 25th thereafter, an amount equal to one-half of the principal scheduled to mature and come due on the Series 1978 Bonds on the next succeeding principal maturity date.

Section 12: ADDITIONAL DEPOSITS TO RESERVE FUND.

That, so long as the money and investments in the Reserve Fund are at least equal in market value to the average annual principal and interest requirements of the Bonds, then no additional deposits need be made to the Reserve Fund, unless and until the Reserve Fund should be depleted to less than said amount in market value, in which case deposits to the Reserve Fund shall be made semi-annually on or before each succeeding March 25 and September 25 in an amount equal to 1/10th of the average annual principal and interest requirements of the Bonds until the Reserve Fund is restored to said amount.

Section 13: ADMINISTRATION USE FEE.

(a) That the Board covenants and agrees to fix, levy, charge and collect a uniform Administration Use Fee from all students (excepting those exempt as now provided by law) regularly enrolled in each and every institution, branch and school now or hereafter operated by or under the jurisdiction of the Board, respectively, at each regular fall and spring semester and at each term of each summer session, for the use and availability of the principal administration building or buildings, and all administration and student services facilities provided therein, at each such institution, branch and school, respectively, in such amounts, without any limitation whatsoever, as will be at least sufficient at all times to provide, together with other Pledged Revenues, the money for making all deposits required to be made to the credit of the Interest and Sinking Fund in connection with the Bonds, and to pay, when due, all principal of and interest on the Bonds and any Additional Bonds.

(b) The Administration Use Fee shall be fixed, levied, charged and collected when and as required by this Section; and the Administration Use Fee shall be increased if and when required by this Section, and may be decreased or abrogated, so long as all Pledged Revenues are sufficient to provide the money for making all deposits required to be made to the credit of the Interest and Sinking Fund in connection with the Bonds and any Additional Bonds. All changes in such Administration Use Fee shall be made by

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resolution of the Board, but such procedure shall not constitute or be regarded as an amendment of this Resolution, but merely the carrying out of the provisions hereof.

Section 14: NO ARBITRAGE. (a) That the Board certifies that based upon all facts, estimates and circumstances now known or reasonably expected to be in existence on the date the Series 1978 Bonds are delivered and paid for, the Board reasonably expect that the proceeds of the Series 1978 Bonds will not be used in a manner that would cause the Series 1978 Bonds or any portion thereof to be an "arbitrage bond" under Section 103(c) of the Internal Revenue Code of 1954, as amended, and the temporary and proposed regulations heretofore prescribed thereunder. Furthermore, all officers, employees and agents of the Board are authorized and directed to provide certifications of facts, estimates and circumstances which are material to the reasonable expectations of the Board as of the date the Series 1978 Bonds are delivered and paid for, and any such certifications may be relied upon by counsel, by the holders of the Series 1978 Bonds, or by any person interested in the exemption of interest on the Series 1978 Bonds from federal income taxation. Moreover, the Board covenants that it shall make such use of the proceeds of the Series 1978 Bonds, regulate investments of proceeds of the Series 1978 Bonds, and take such other and further action as may be required so that the Series 1978 Bonds shall not be "arbitrage bonds" under Section 103(c) of the Internal Revenue Code of 1954, as amended, and regulations prescribed from time to time thereunder.

(b) That the Board further certifies that based on all facts, estimates and circumstances now known or reasonably expected to be in existence on the date the Series 1978 Bonds are delivered and paid for, the Board does not reasonably expect to use any amounts accumulated in the Reserve Fund to pay principal or interest on the Series 1978 Bonds.

Section 15: DISCHARGE BY DEPOSIT. That the Board may discharge its obligation to the holders of any or all of the Series 1978 Bonds and coupons appertaining thereto to pay principal, interest and redemption premium (if any) thereon by depositing with the State Treasurer or at the Banks of Payment either: (1) cash equivalent to the principal amount and redemption premium, if any, plus interest to the date of maturity or redemption, or (2) direct obligations of, or obligations the principal and interest of which are guaranteed by, the United States of America, in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of the principal amount and redemption premium, if any, on such Series 1978 Bonds plus interest to the date of maturity or redemption; provided, however, that if any of such Series 1978 Bonds are to be redeemed prior to their date of maturity, provision shall have been made for giving notice of redemption as provided herein. Upon such deposit, the Series 1978 Bonds and coupons appertaining thereto shall no longer be regarded as outstanding and unpaid. Also, whenever provision is made in the above manner for payment of any Series 1974 Bonds or Additional Bonds, such bonds shall no longer be deemed outstanding for purposes of any provision contained herein.

Section 16: APPROVAL AND REGISTRATION. That the Chairman of the Board is hereby authorized to have control of the Series 1978 Bonds and all necessary records and proceedings pertaining to the Series 1978 Bonds pending

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their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of said Series 1978 Bonds, said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate printed and endorsed on each of the Series 1978 Bonds and the seal of said Comptroller shall be impressed, or placed in facsimile, on each of the Series 1978 Bonds.

Section 17: SALE AND DELIVERY. That the sale of the Series 1978 Bonds is hereby awarded to Merrill Lynch, Pierce, Fenner & Smith Incorporated, for a price of 98.86281% of par, plus accrued interest thereon from the date thereof to the date of actual delivery, subject to the approving opinions, as to the legality of the Bonds, of the Attorney General of the State of Texas and Vinson & Elkins, Houston, Texas, market attorneys. When said Series 1978 bonds have been approved by the Attorney General and registered by the Comptroller of Public Accounts of the State of Texas, they shall be delivered to the named purchaser upon receipt of the full purchase price.

Section 18: OFFERING DOCUMENTS. That the Preliminary Official Statement, Official Notice of Sale and Official Statement, together with any supplements and amendments thereto, are hereby ratified, authorized and approved for use in connection with the solicitation of bids for, and the sale and distribution of, the Series 1978 Bonds. *

Section 19: CAPTIONS. The captions of the Sections of this Resolution have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof.

ADOPTED AND APPROVED at Austin, Texas, this 4th day of August, 1978.

/s/ Allan Shivers

Chairman, Board of Regents of
The University of Texas System

ATTEST:

/s/ Betty Anne Thedford

Secretary, Board of Regents of
The University of Texas System

*Inserted following this page

PRELIMINARY OFFICIAL STATEMENT DATED JULY 25, 1978

NEW ISSUE

On August 3, 1978, at 10:00 A.M., C.D.T., sealed underwriting bids received in response to the Official Notice of Sale will be opened by the Board of Regents of the University of Texas System for the purchase of the following bond issue:

\$33,000,000

**Board of Regents of
The University of Texas System**

**General Tuition Revenue Refunding Bonds,
Series 1978**

Dated: August 1, 1978

(Interest exempt from present federal income taxes)

It is estimated that the Bonds will be delivered within 30 days following the Board's acceptance of an underwriting bid. The Bonds are to be issued subject to the unqualified approving legal opinion of Vinson & Elkins, Houston, Texas, Bond Counsel, and the Attorney General of the State of Texas.

Copies of the Official Notice of Sale and the Official Statement may be obtained from the Executive Director for Investments, Trusts and Lands, The University of Texas System, 210 West Sixth Street, Austin, Texas, 78701 or from the offices of the

Financial Advisor

**Rauscher Pierce Securities Corporation
Mercantile Dallas Building
1807 Commerce Street
Dallas, Texas 75201
(214) 748-0111**

OFFICIAL NOTICE OF SALE

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

\$33,000,000
GENERAL TUITION REVENUE REFUNDING BONDS, SERIES 1978

Bids to be Opened

Thursday, August 3, 1978, at 10:00 A.M., C.D.T.

PLACE AND TIME OF SALE: Sealed bids will be received by representatives of the Board of Regents of The University of Texas System in the Office of Investments, Trusts and Lands, 210 W. 6th Street, Austin, Texas, until 10:00 A.M., C.D.T., Thursday, August 3, 1978, for the Bonds described in the Official Statement, at which time said bids will be publicly opened and read. The Board will consider and act on said bids at a separate meeting to be held at 9:00 A.M., C.D.T., Friday, August 4, 1978, by the Board of Regents of The University of Texas System.

ADDRESS OF BIDS: Sealed bids, plainly marked "Bid for Bonds", should be addressed to "Board of Regents of The University of Texas System, c/o Mr. W. L. Lobb, Executive Director for Investments, Trusts and Lands, The University of Texas System, 210 W. 6th Street, Austin, Texas 78701". All bids must be submitted on the "Official Bid Form", copies of which are enclosed herewith.

DESCRIPTION OF BONDS: The General Tuition Revenue Refunding Bonds, which are more fully described in the Official Statement, will be dated August 1, 1978, will be in the denomination of \$5,000 and will mature April 1 in each of the respective years as follows:

<u>Maturity (April 1)</u>	<u>Principal Amounts</u>	<u>Maturity (April 1)</u>	<u>Principal Amounts</u>
1981	\$1,510,000	1989	\$2,170,000
1982	1,565,000	1990	2,285,000
1983	1,640,000	1991	2,415,000
1984	1,715,000	1992	2,400,000
1985	1,810,000	1993	2,400,000
1986	1,895,000	1994	2,395,000
1987	1,985,000	1995	2,340,000
1988	2,065,000	1996	(a) 2,410,000

(a) Prior to award, this principal amount is subject to adjustment as set forth in the following Section.

ADJUSTMENT IN THE PRINCIPAL AMOUNT OF BONDS TO BE SOLD: The proposed refunding, which is designed to comply with the requirements of Section 103(c) of the Internal Revenue Code with respect to "arbitrage bonds", is based upon certain assumptions including the interest rate that will be obtained on the subject Bonds being herein offered, and the yield that will be available on the United States Government obligations to be purchased from the proceeds of said Bonds. If after final computation of the bids, the Board determines that the funds necessary to accomplish the refunding are more than the proceeds from the sale of the proposed Bonds, the Board reserves the right to decrease to the extent necessary the principal amount of the Bonds. In the event such adjustment is necessary, the adjustment will be made by deducting from the principal amount maturing in the last year, being 1996. In the event of any such adjustment, no rebidding or recalculations of the bids submitted will be required or permitted. The price and interest rate at which the adjusted principal amount of Bonds will be sold will be exactly the same as that shown on the bid of the successful bidder. The successful bidder will be notified by 9:00 A.M., C.D.T. on August 4, 1978 of any such required adjustment in the principal amount which will be made.

TYPE OF BIDS AND INTEREST RATES: The Bonds will be sold in one block, on an all or none basis and discount bids will be permitted, provided that any discount bid does not exceed 1 1/2% of the par value of the Bonds to be sold. Bidders must specify the rate or rates of interest to be borne by the bonds in multiples of 1/8 or 1/20 of 1%. Bidders are not restricted as to the

number of interest rates that may be named; provided that such rates must be in ascending order, in that each interest rate specified must be equal to or higher than the interest rate specified for the preceding year. Bids involving supplemental interest coupons or split interest rates will not be considered, and all Bonds of one maturity must bear the same interest rate.

BASIS OF AWARD: For the purpose of awarding the sale of the Bonds, the interest cost of each bid will be computed by determining, at the rate or rates specified therein, the total dollar amount of all interest on the \$33,000,000 General Tuition Revenue Refunding Bonds from the date thereof to their respective maturities, and adding thereto the amount of the discount bid, if any, or deducting therefrom the premium bid, if any. Subject to the Board's right to reject any and all bids, the Bonds will be awarded to the bidders complying with the Official Notice of Sale whose bid, under the foregoing computation, produces the lowest net interest cost to the issuer. Rauscher Pierce Securities Corporation, the Board's Financial Advisor, will not bid on the Bonds.

GOOD FAITH DEPOSIT: Cashier's check, payable to the "Board of Regents of The University of Texas System" in the amount of \$660,000 is required. Such check will be considered as a good faith deposit, and the check of the successful bidder will be cashed and retained by the Board to secure performance of the contract by such bidder. In the event such bidder should fail or refuse to take up and pay for the Bonds in accordance with his bid, then said good faith deposit shall be accepted by the Board as full and complete liquidated damages. Otherwise, said good faith deposit will be applied to the purchase price of the Bonds. The required cashier's check may accompany the "Official Bid Form" or it may be submitted separately. If submitted separately, it shall be made available to the Board prior to the opening of the bids and shall be accompanied by instructions from the bank on which drawn authorizing its use as a good faith deposit by the successful bidder who shall be named in such instructions. No interest will be allowed on the good faith deposit of the successful bidder, and the checks of the unsuccessful bidders will be returned as soon as the best bid is determined.

PRINTED BONDS AND CUSIP NUMBERS: The Board will furnish printed bonds on lithographed or steel engraved borders to the purchaser. It is anticipated that CUSIP identification numbers will be printed on said Bonds, but neither the failure to print such number on any bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for said Bonds in accordance with the terms of the purchase contract. The cost of printing the CUSIP numbers on said Bonds shall be paid for by the issuer; provided, however, that the CUSIP Service Bureau charge for the assignment of said number shall be the responsibility of and shall be paid for by the purchaser.

PAYING AGENT BANKS: On the date these Bonds are sold, the Board of Regents of The University of Texas System will select a Texas bank with assets in excess of \$200,000,000 as paying agent on these Bonds and a New York City bank as co-paying agent. The selection of paying agents will be at the sole discretion of the Board of Regents.

ELIGIBILITY AS INVESTMENTS: The Bonds are legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, small business investment corporations, insurance companies of all kinds and types, fiduciaries, trustees, and guardians, and for all interest and sinking funds and other public funds of the State of Texas and all agencies, subdivisions, and districts, and all other kinds and types of districts, public agencies, and bodies politic. The Bonds are also eligible and lawful security for all deposits of public funds of the State of Texas and all agencies, subdivisions, and instrumentalities thereof, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the Bonds when accompanied by any unmatured interest coupons appurtenant thereto. No review by the Board has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL OPINIONS: The Board will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the Board, and, based upon examination of such transcript of the proceedings, the unqualified approving legal opinions of Vinson & Elkins, bond counsel for the University of Texas System, to a like effect and to the effect that the interest on the Bonds is exempt from federal income taxation under existing statutes, regulations, published rulings and court decisions. Vinson & Elkins took no part in the preparation of the Official Notice of Sale or the Official Statement nor has such firm undertaken independently to verify any of the information contained therein, except that, in their capacity as bond counsel, such firm has reviewed

the information describing the Bonds in such Notice and Statement to verify that such description conforms to the provisions of the bond resolution. The legal fees to be paid Vinson & Elkins for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds.

NO-LITIGATION CERTIFICATE: The Board will execute and deliver to the successful purchaser a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain or enjoin the issuance or delivery of said bonds or the coupons appertaining thereto, or which would affect the provisions made for their payment or security, or in any manner questioning the validity of said bonds or coupons.

DELIVERY: Delivery of the Bonds will be made at the expense of the Board at City National Bank of Austin, Austin, Texas. It is anticipated that delivery can be made on or about August 31, 1978 and it is understood and agreed that the purchaser will accept delivery and make payment in Federal Funds of the agreed purchase price, less the amount of the good faith deposit, on or before August 31, 1978. The purchaser shall be given at least seven days' notice of time which the Board has fixed for delivery. The purchaser shall make proper payment for the Bonds prior to 12:00 noon, C.D.T., on the date so fixed for delivery. If for any reason The University of Texas System is unable to tender the Bonds for delivery on or before August 31, 1978, then the good faith deposit will be returned and The University of Texas System and the successful bidder shall be relieved of further obligation.

CERTIFICATION AS TO OFFICIAL STATEMENT: At the time of payment for and delivery of the Bonds, the Board will furnish the successful bidder a certificate, executed by a proper officer or officers of such Board, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the description and statements of or pertaining to the issuer contained in the Official Statement, as supplemented and amended, on the date of such Official Statement, on the date of sale of the Bonds and the acceptance of the best bid therefor, and on the date of the delivery of the Bonds, were and are true and correct in all material respects; (b) insofar as the issuer and its affairs, including the financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the description and statements, including financial data contained in such Official Statement, as supplemented and amended, of or pertaining to entities other than the Board and its activities are concerned, such statements and data have been obtained from sources which the Board believes to be reliable and that the Board has no reason to believe that they are untrue in any material respect.

CHANGE IN TAX EXEMPT STATUS: At any time before the Bonds are tendered for delivery, the purchaser may withdraw his bid if the interest received by private holders from bonds of the same type and character shall be declared to be taxable income under present Federal income tax laws, either by ruling of the Internal Revenue Service or by a decision of any Federal court, or shall be declared taxable or be required to be taken into account in computing any Federal income taxes, by the terms of any Federal income tax law enacted subsequent to the date of this Official Notice of Sale.

NOT AN OFFER TO SELL: This Official Notice of Sale does not alone constitute an offer to sell but is merely a Notice of Sale of bonds as directed by the Board of Regents. The offer by the Board of Regents of The University of Texas System to sell the Bonds to the successful bidder is being made by means of the Official Notice of Sale, the Official Statement, and the Official Bid Form. Prospective bidders are urged to examine the Official Statement carefully to determine the investment quality of the Bonds.

RESPONSIBILITY FOR QUALIFICATION OF BONDS FOR SALE IN RESPECTIVE STATES: The Board assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities rating provisions.

RATINGS: Rating applications have been made to Moody's Investors Service, Inc. and to Standard & Poor's Corporation. The outcome of their determinations will be provided as soon as possible.

SALE OF ADDITIONAL BONDS: The Board does not intend to issue any additional parity bonds within ninety (90) days after the date these bonds are sold.

MATHEMATICAL VERIFICATION: The accuracy of (a) the arithmetical computations of the adequacy of the maturing principal amounts of and interest on the Federal Securities and certain other available funds to pay, when due, the principal or redemption price of and interest on the Series of Bonds being refunded and (b) the mathematical computations supporting the conclusion of Bond Counsel that the Series 1978 Bonds are not "arbitrage bonds" under Section 103(c) of the Internal Revenue Code, will be verified by Ernst & Ernst, certified public accountants. Such verification of arithmetical accuracy and mathematical computations shall be based upon information and assumptions supplied by the issuer and on interpretations of Section 103(c) of the Internal Revenue Code provided by bond counsel.

ADDITIONAL COPIES OF NOTICE OF SALE, OFFICIAL STATEMENT, BID FORM, AND BOND RESOLUTION: Additional copies of the Official Notice of Sale, Official Statement, Official Bid Form, and copies of the Bond Resolution may be obtained at the Office of the Executive Director for Investments, Trusts and Lands, The University of Texas System, 210 West Sixth Street, Austin, Texas 78701, or at the offices of Rauscher Pierce Securities Corporation, 1200 Mercantile Dallas Building, Dallas, Texas 75201, Financial Advisor to the Board. Each successful bidder will be furnished with up to 300 copies of the Official Statement at no expense. Arrangements have been made with the printer to supply additional copies, if desired, at the successful bidder's expense.

OFFICIAL STATEMENT: Upon award of the Bonds, the initial purchaser may arrange for the amendment and completion of the cover page in accordance with the terms of the sale and subsequently may use the Official Statement in presentation of the Bonds to prospective purchasers. Information with respect to interest rates and other matters relating to the reoffering for sale of the Bonds is the responsibility of the successful bidder and such information is not provided herein.

THE BOARD OF REGENTS RESERVES THE RIGHT TO REJECT ANY AND ALL BIDS AND WAIVE ANY IRREGULARITIES, EXCEPT TIME OF FILING.

W. L. Lobb, Executive Director
for Investments, Trusts & Lands
The University of Texas System
210 West Sixth Street
Austin, Texas 78701

July 25, 1978.

OFFICIAL BID FORM

A.

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

Members of the Board:

Reference is made to your Official Notice of Sale dated July 25, 1978, and Official Statement relative to \$33,000,000 Board of Regents of The University of General Tuition Revenue Refunding Bonds, Series 1978, which Notice and Official made a part hereof.

For your legally issued bonds, as described in said Official Notice of Sale Statement, we will pay you _____ (stated in dollar price as a percentage accrued interest from August 1, 1978, to the date of delivery for bonds maturing interest as follows:

Principal Amount	Maturity (April 1)	Rate	Principal Amount	Maturity (April 1)
\$1,510,000	1981	—%	\$2,170,000	1989
1,565,000	1982	—%	2,285,000	1990
1,640,000	1983	—%	2,415,000	1991
1,715,000	1984	—%	2,400,000	1992
1,810,000	1985	—%	2,400,000	1993
1,895,000	1986	—%	2,395,000	1994
1,985,000	1987	—%	2,340,000	1995
2,065,000	1988	—%	(a)2,410,000	1996

(a) This principal amount is subject to being reduced prior to the award of Bonds as provided in the Official Notice of Sale. Such adjustment, however, be taken into account in determining the lowest net interest cost for awarding the sale of the Bonds.

For information purposes only, and not as a part of this bid, we have calculated Interest Rate as follows:

Gross Interest Cost	\$ _____
Plus: Discount	\$ _____
Less: Premium	_____
NET INTEREST COST	\$ _____
EFFECTIVE INTEREST RATE	_____ %

Cashier's Check of the _____ Bank, _____ in the amount of \$660,000 (is attached hereto) (has been made available to you prior to of this bid), and is submitted in accordance with the terms set forth in the Official Sale.

Respectfully submitted,

By: _____
Authorized Represent

Return of Good Faith Check is hereby acknowledged:

Firm: _____

By: _____
Authorized Represent

BOND YEARS
\$33,000,000
BOARD OF REGENTS OF
THE UNIVERSITY OF TEXAS SYSTEM
GENERAL TUITION REVENUE REFUNDING BONDS
SERIES 1978

Dated: August 1, 1978

Due: April 1

Bond Years	Cumulative Bond Years	Year
4,026.566	4,026.566	1981
5,738.229	9,764.795	1982
7,653.224	17,418.019	1983
9,718.219	27,136.238	1984
12,066.546	39,202.784	1985
14,528.207	53,730.991	1986
17,203.201	70,934.192	1987
19,961.529	90,895.721	1988
23,146.522	114,042.243	1989
26,658.181	140,700.424	1990
30,589.839	171,290.263	1991
32,799.840	204,090.103	1992
35,199.840	239,289.943	1993
37,521.507	276,811.450	1994
38,999.844	315,811.294	1995
42,576.506	358,387.800	1996

AVERAGE MATURITY --- 10.8602 YEARS

OFFICIAL BID FORM

August 3, 1978

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

Members of the Board:

Reference is made to your Official Notice of Sale dated July 25, 1978, and accompanying Official Statement relative to \$33,000,000 Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1978, which Notice and Official Statement are made a part hereof.

For your legally issued bonds, as described in said Official Notice of Sale and Official Statement, we will pay you _____ (stated in dollar price as a percentage of par) and accrued interest from August 1, 1978, to the date of delivery for bonds maturing and bearing interest as follows:

Principal Amount	Maturity (April 1)	Rate	Principal Amount	Maturity (April 1)	Rate
\$1,510,000	1981	—%	\$2,170,000	1989	—%
1,565,000	1982	—%	2,285,000	1990	—%
1,640,000	1983	—%	2,415,000	1991	—%
1,715,000	1984	—%	2,400,000	1992	—%
1,810,000	1985	—%	2,400,000	1993	—%
1,895,000	1986	—%	2,395,000	1994	—%
1,985,000	1987	—%	2,340,000	1995	—%
2,065,000	1988	—%	(a)2,410,000	1996	—%

(a) This principal amount is subject to being reduced prior to the award of the Bonds as provided in the Official Notice of Sale. Such adjustment, however, will not be taken into account in determining the lowest net interest cost for purposes of awarding the sale of the Bonds.

For information purposes only, and not as a part of this bid, we have calculated the Effective Interest Rate as follows:

Gross Interest Cost	\$ _____
Plus: Discount	\$ _____
Less: Premium	_____
NET INTEREST COST	\$ _____
EFFECTIVE INTEREST RATE	_____ %

Cashier's Check of the _____ Bank, _____ in the amount of \$660,000 (is attached hereto) (has been made available to you prior to the opening of this bid), and is submitted in accordance with the terms set forth in the Official Notice of Sale.

Respectfully submitted,

By: _____
Authorized Representative

Return of Good Faith Check is hereby acknowledged:

Firm: _____

By: _____
Authorized Representative

BOND YEARS
\$33,000,000
BOARD OF REGENTS OF
THE UNIVERSITY OF TEXAS SYSTEM
GENERAL TUITION REVENUE REFUNDING BONDS
SERIES 1978

Dated: August 1, 1978

Due: April 1

Year	Amount	Bond Years		Year
		Bond Years	Cumulative Bond Years	
1981	\$1,510,000	4,026.566	4,026.566	1981
1982	1,565,000	5,738.229	9,764.795	1982
1983	1,640,000	7,653.224	17,418.019	1983
1984	1,715,000	9,718.219	27,136.238	1984
1985	1,810,000	12,066.546	39,202.784	1985
1986	1,895,000	14,528.207	53,730.991	1986
1987	1,985,000	17,203.201	70,934.192	1987
1988	2,065,000	19,961.529	90,895.721	1988
1989	2,170,000	23,146.522	114,042.243	1989
1990	2,285,000	26,658.181	140,700.424	1990
1991	2,415,000	30,589.839	171,290.263	1991
1992	2,400,000	32,799.840	204,090.103	1992
1993	2,400,000	35,199.840	239,289.943	1993
1994	2,395,000	37,521.507	276,811.450	1994
1995	2,340,000	38,999.844	315,811.294	1995
1996	2,410,000	42,576.506	358,387.800	1996

AVERAGE MATURITY --- 10.8602 YEARS

In the opinion of Bond Counsel, the interest on the Series 1978 Bonds is exempt from present federal income taxes under existing statutes, regulations, published rulings and court decisions.

NEW ISSUE

Moody's:
Standard & Poor's:

\$33,000,000

**Board of Regents of
The University of Texas System
General Tuition Revenue Refunding Bonds
Series 1978**

Dated: August 1, 1978

Due: April 1, as shown below

The Series 1978 Bonds are special obligations of the Board of Regents of The University of Texas System (the "Board of Regents" or "Board") secured under a Bond Resolution adopted by the Board (the "1978 Resolution") and are payable solely from the Pledged Revenues as provided in the 1978 Resolution. The Series 1978 Bonds do not constitute general obligations of the State of Texas, the Board of Regents of The University of Texas System, or any political subdivision of the State of Texas. Neither the credit nor the taxing power of the State of Texas or any political subdivision of the State of Texas is pledged to the payment of the principal of or interest on the Series 1978 Bonds. The Board of Regents has no taxing power, and bondholders shall never have the right to demand payment from any money raised or to be raised by taxation.

Principal and semi-annual interest (April 1, 1979 and thereafter on each October 1 and April 1) will be payable at _____ Bank, _____ Texas, or, at the option of the holder, at _____ Bank, New York, New York; bearer coupon bonds in the denomination of \$5,000, not registrable.

The Series 1978 Bonds maturing April 1, 1989 through April 1, 1996, inclusive, shall be redeemable, in whole or in part in inverse numerical order on April 1, 1988 or any interest payment date thereafter at par and accrued interest to date of redemption.

MATURITIES, AMOUNTS, COUPON RATES AND PRICES

Year	Amount	Coupon	Price or Yield	Year	Amount	Coupon	Price or Yield
1981	\$1,510,000			1989	\$2,170,000		
1982	1,565,000			1990	2,285,000		
1983	1,640,000			1991	2,415,000		
1984	1,715,000			1992	2,400,000		
1985	1,810,000			1993	2,400,000		
1986	1,895,000			1994	2,395,000		
1987	1,985,000			1995	2,340,000		
1988	2,065,000			1996	2,410,000*		

(Accrued Interest to be Added)

The Series 1978 Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without any notice, and to the approval of legality of the Series 1978 Bonds by Vinson & Elkins Houston, Texas and by the Attorney General of the State of Texas. It is expected that the Series 1978 Bonds in definitive form will be available for delivery to the Underwriter in Austin, Texas on or about August 30, 1978.

* 1996 maturity subject to change in amount in accordance with the terms the Official Notice of Sale.

The date of this Official Statement is July 25, 1978.

BOND YEARS
\$33,000,000
BOARD OF REGENTS OF
THE UNIVERSITY OF TEXAS SYSTEM
GENERAL TUITION REVENUE REFUNDING BONDS
SERIES 1978

Dated: August 1, 1978

Due: April 1

Year	Amount	Bond Years		Year
		Bond Years	Cumulative Bond Years	
1981	\$1,510,000	4,026.566	4,026.566	1981
1982	1,565,000	5,738.229	9,764.795	1982
1983	1,640,000	7,653.224	17,418.019	1983
1984	1,715,000	9,718.219	27,136.238	1984
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1986	1,895,000	14,528.207	53,730.991	1986
1987	1,985,000	17,203.201	70,934.192	1987
1988	2,065,000	19,961.529	90,895.721	1988
1989	2,170,000	23,146.522	114,042.243	1989
1990	2,285,000	26,658.181	140,700.424	1990
1991	2,415,000	30,589.839	171,290.263	1991
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1993	2,400,000	35,199.840	239,289.943	1993
1994	2,395,000	37,521.507	276,811.450	1994
1995	2,340,000	38,999.844	315,811.294	1995
1996	2,410,000	42,576.506	358,387.800	1996

AVERAGE MATURITY --- 10.8602 YEARS

In the opinion of Bond Counsel, the interest on the Series 1978 Bonds is exempt from present federal income taxes under existing statutes, regulations, published rulings and court decisions.

NEW ISSUE

Moody's:
Standard & Poor's:

\$33,000,000

Board of Regents of
The University of Texas System
General Tuition Revenue Refunding Bonds
Series 1978

Dated: August 1, 1978

Due: April 1, as shown below

The Series 1978 Bonds are special obligations of the Board of Regents of The University of Texas System (the "Board of Regents" or "Board") secured under a Bond Resolution adopted by the Board (the "1978 Resolution") and are payable solely from the Pledged Revenues as provided in the 1978 Resolution. The Series 1978 Bonds do not constitute general obligations of the State of Texas, the Board of Regents of The University of Texas System, or any political subdivision of the State of Texas. Neither the credit nor the taxing power of the State of Texas or any political subdivision of the State of Texas is pledged to the payment of the principal of or interest on the Series 1978 Bonds. The Board of Regents has no taxing power, and bondholders shall never have the right to demand payment from any money raised or to be raised by taxation.

Principal and semi-annual interest (April 1, 1979 and thereafter on each October 1 and April 1) will be payable at _____ Bank, _____ Texas, or, at the option of the holder, at _____ Bank, New York, New York; bearer coupon bonds in the denomination of \$5,000, not registrable.

The Series 1978 Bonds maturing April 1, 1989 through April 1, 1996, inclusive, shall be redeemable, in whole or in part in inverse numerical order on April 1, 1988 or any interest payment date thereafter at par and accrued interest to date of redemption.

MATURITIES, AMOUNTS, COUPON RATES AND PRICES

Year	Amount	Coupon	Price or Yield	Year	Amount	Coupon	Price or Yield
1981	\$1,510,000			1989	\$2,170,000		
1982	1,565,000			1990	2,285,000		
1983	1,640,000			1991	2,415,000		
1984	1,715,000			1992	2,400,000		
1985	1,810,000			1993	2,400,000		
1986	1,895,000			1994	2,395,000		
1987	1,985,000			1995	2,340,000		
1988	2,065,000			1996	2,410,000*		

(Accrued Interest to be Added)

The Series 1978 Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without any notice, and to the approval of legality of the Series 1978 Bonds by Vinson & Elkins, Houston, Texas and by the Attorney General of the State of Texas. It is expected that the Series 1978 Bonds in definitive form will be available for delivery to the Underwriter in Austin, Texas on or about August 30, 1978.

* 1996 maturity subject to change in amount in accordance with the terms the Official Notice of Sale.

The date of this Official Statement is July 25, 1978.

The information in this Official Statement has been obtained for and provided by the Board of Regents of The University of Texas System except as otherwise indicated. The sources of such information are considered to be reliable and those customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness. A copy of the complete 1978 Resolution under which the Series 1978 Bonds are issued is available upon request to the Board of Regents. All estimates and assumptions contained herein are believed to be reliable but no representation is made that such estimates or assumptions are correct or will be realized. No person, including any broker, dealer or salesman, has been authorized to give any information or to make any representation other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Board of Regents. Any information or expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create an implication that there has been no change as to the affairs of the Board of Regents since the date hereof.

This Official Statement does not constitute an offer to sell the Series 1978 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

The Series 1978 Bonds have not been registered with the Securities and Exchange Commission by reason of the exemption provisions of Section 3(a)(2) of the Securities Act of 1933, as amended. The Series 1978 Bonds have not been approved or disapproved by the Securities and Exchange Commission and the Commission has not passed upon the accuracy or adequacy of this Official Statement.

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OFFICIAL STATEMENT

\$33,000,000

Board of Regents of The University of Texas System

General Tuition Revenue Refunding Bonds, Series 1978

July 25, 1978

INTRODUCTION

This Official Statement, including the cover page and exhibits, is furnished in connection with the offering of \$33,000,000 principal amount of General Tuition Revenue Refunding Bonds, Series 1978 (the "Series 1978 Bonds") of the Board of Regents of The University of Texas System (the "Board of Regents" or "Board").

The Series 1978 Bonds are authorized to be issued by and secured by a Bond Resolution to be adopted August 4, 1978 (the "1978 Resolution") by the Board. Pursuant to the 1978 Resolution, the Series 1978 Bonds, together with other parity bonds, will be payable from and secured by a pledge of and first lien on the Pledged Revenues of the Board as defined in the 1978 Resolution (see "The Bond Resolution"). The Series 1978 Bonds, together with the interest payable thereon, will be special obligations of the Board payable solely from the Pledged Revenues, and are payable at the Bank. The Series 1978 Bonds do not constitute general obligations of the State of Texas, the Board of Regents of The University of Texas System, or any political subdivision of the State of Texas. Neither the credit nor the taxing power of the State of Texas or any political subdivision of the State of Texas is pledged to the payment of the principal of, or interest on the Series 1978 Bonds. The Board of Regents has no taxing power, and bondholders shall never have the right to demand payment from any money raised or to be raised by taxation.

The net proceeds of the Series 1978 Bonds, together with other available funds, will be applied to refund the outstanding \$33,000,000 Board of Regents of The University of Texas System, General Tuition Revenue Bonds, New Series 1974 (the "Series 1974 Bonds").

PLAN OF FINANCING

The Board has previously issued \$50,000,000 General Tuition Revenue Bonds, Series 1971 (the "Series 1971 Bonds"), \$43,665,000 of which are presently outstanding; \$50,000,000 General Tuition Revenue Bonds, Series 1972 (the "Series 1972 Bonds"), \$45,880,000 of which are presently outstanding; \$17,000,000 General Tuition Revenue Bonds, Series 1972-A (the "Series 1972-A Bonds"), \$15,915,000 of which are presently outstanding; and \$33,000,000 General Tuition Fee Revenue Bonds, New Series 1974, all of which are presently outstanding.

The Series 1974 Bonds are payable from and secured by a lien and pledge of Pledged Revenues which is subordinate to the first lien and pledge held by the Series 1971 Bonds, the Series 1972 Bonds, and the Series 1972-A Bonds. The proceeds of the Series 1978 Bonds, together with other

available funds, will be applied to refund and defease the Series 1974 Bonds. Upon delivery, the Series 1978 Bonds will be secured by a first lien and pledge of Pledged Revenues on a parity with the Series 1971 Bonds, the Series 1972 Bonds and the Series 1972-A Bonds.

The purpose of the refunding is to allow parity security for all General Tuition Revenue issues and to effect total debt service savings with an estimated present value of approximately \$2,000,000.

The monies required to refund the Series 1974 Bonds will be provided from the net proceeds of the Series 1978 Bonds and from other monies available in the Series 1974 Bond Reserve Fund. Such monies shall be applied to the purchase of direct obligations of the United States of America ("Federal Securities"). The Federal Securities will be held by the City National Bank, Austin, Texas as Escrow Agent under an Escrow Agreement to be dated the date of the delivery of the Series 1978 Bonds by and between the Board and the Escrow Agent. The Federal Securities are scheduled to mature at such times and in such amounts and bear interest at such rates so that sufficient monies will be available from such maturing principal and interest payments to pay, when due, the principal, interest, and redemption premium, if any, on the Series 1974 Bonds to their respective maturity or redemption dates.

ESTIMATED SOURCES AND USES OF FUNDS

Sources

Principal Amount of the Series 1978 Bonds	\$33,000,000
Available Funds from Series 1974 Bond Reserve Fund	\$ 4,025,000
Total Sources	<u>\$37,025,000</u>

Uses

Federal Securities	\$36,304,000
Bond Discount and other Financing Expenses	721,000
Total Uses	<u>\$37,025,000</u>

THE SERIES 1978 BONDS

General Terms

The Series 1978 Bonds are issued as serial bonds and are dated August 1, 1978. The Series 1978 Bonds are issued in the principal amount of \$33,000,000 and mature from April 1, 1981 to and including April 1, 1996. The Series 1978 Bonds are issued in coupon bearer form in the denomination of \$5,000 each, without the privilege of registration. Principal and Interest are payable at the Bank, the Paying Agent. The first coupon will be payable April 1, 1979 with subsequent coupons payable each October 1 and April 1 thereafter.

Security

The Series 1978 Bonds are special obligations of the Board and, together with the Series 1971 Bonds, the Series 1972 Bonds and Series 1972-A Bonds, are equally and ratably payable from and secured by a first lien on and pledge of the following Pledged Revenues:

- (1) Pledged General Tuition Revenues which represent 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, or school now or hereinafter operated by or under the jurisdiction of the Board, but specifically excluding (1) the amount of tuition scholarships provided for by law, and (2) an amount equal to \$5.00 per regular semester or \$2.50

per summer session for each student enrolled for 12 or more semester credit hours and \$0.42 per semester credit hour for each student enrolled for less than 12 semester hours, which fees are commonly known as the "Skiles Act" fees.

(2) All revenues received pursuant to annual interest subsidy grants from the United States Department of Health, Education and Welfare which are applicable to the Series 1971, 1972 and the 1972-A Bonds. Present annual interest subsidy grants which are pledged total \$509,619 and are payable in each fiscal year through 2002.

(3) The gross collections of an Administration Use Fee to be fixed, charged and collected without limitation as to rate or amount from all students regularly enrolled at each component institution which now or hereafter comprises The University of Texas System. This fee is not currently being collected; nor has such fee ever been imposed or collected in the past.

(4) The gross collections of the Library Use Fee to be fixed, charged and collected without limitation as to rate or amount from all students regularly enrolled at certain designated "New System Institutions" of the Board. The "New System Institutions" mean and include the following institutions: The University of Texas at Dallas, The University of Texas of the Permian Basin, The University of Texas at San Antonio, The University of Texas Medical School at Houston, The University of Texas Dental School at San Antonio, The University of Texas (Undergraduate) Nursing School at El Paso, and The University of Texas (Clinical) Nursing School at San Antonio. Such fee is not currently being collected; nor has such fee ever been imposed or collected in the past.

Optional Redemption of the Bonds

The Series 1978 Bonds maturing April 1, 1989 through April 1, 1996, inclusive, shall be redeemable at the option of Board, in whole or in part, in inverse numerical order, on April 1, 1988 or any interest payment date thereafter at par and accrued interest to the date of redemption.

Additional Bonds

Pursuant to enabling legislation, the Board is authorized to issue General Tuition Revenue Bonds payable from general tuition revenues in an amount not to exceed \$150,000,000. The Board has previously issued this entire authorization, of which \$138,460,000 are currently outstanding. Unless amending legislation is enacted by subsequent legislatures, the Board may not legally issue any additional General Tuition Revenue Bonds, except for refunding bonds. However, under the Bond Resolution, the Board has reserved the right to issue additional parity revenue bonds. Such Additional Bonds shall only be issued and delivered if (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, and the resolutions authorizing same, and that the Interest and Sinking Fund and the Reserve Fund each contains the amount then required to be therein, and (b) the State Auditor of the State of Texas, or a certified public accountant, signs a written certificate to the effect that, during either the next preceding University of Texas System fiscal year, 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, either the Pledged Revenues were, or the System Tuition was, at least equal to 1.25 times the average annual principal and interest requirements of all Bonds and Additional Bonds to be outstanding after the issuance of the then proposed Additional Bonds.

Flow of Funds

Under the Bond Resolution, there are created the Revenue Fund, the General Tuition Revenue Bonds Interest and Sinking Fund and the General Tuition Revenue Bonds Reserve Fund. All collec-

tions of Pledged Revenues shall be credited to the Revenue Fund immediately upon receipt. The Board shall transfer Pledged Revenues in the Revenue Fund to the Interest and Sinking Fund as follows: (1) on or before each September 25 and March 25, an amount which will be sufficient, together with other monies, if any, then on hand therein and available for such purpose, to pay the interest scheduled to accrue and come due on all outstanding Bonds on the next succeeding interest payment date; and (2) on or before each September 25th and March 25th or amount equal to one-half of the principal scheduled to mature and come due on all outstanding Bonds on the next succeeding principal maturity date.

The Board shall also transfer from the Pledged Revenues in the Revenue Fund and deposit to the credit of the Reserve Fund on or before each March 25th and September 25th an amount equal to 1/10th of the average annual principal and interest requirements of the Series 1978 Bonds. When the monies and investments in the Reserve Fund are at least equal in market value to the amount of the average annual debt service requirements of all outstanding Bonds, all such deposits may be discontinued. It is anticipated that upon delivery of the Series 1978 Bonds, the Reserve Fund will contain monies or investments at least equal in market value to the combined average annual debt service requirements of the Series 1978 Bonds, the Series 1971 Bonds, the Series 1972 Bonds and the Series 1972-A Bonds.

After each required semiannual deposit from the Revenue Fund to the credit of the Interest and Sinking Fund and the Reserve Fund, all remaining surplus Pledged Revenues then on deposit in the Revenue Fund may be used by the Board for any lawful purpose. It is specifically covenanted that none of the Pledged Revenues will be released from the control of the Board, or otherwise expended or disbursed, until after each such required semiannual deposit has been made.

ESTIMATED DEBT SERVICE REQUIREMENTS - ALL GENERAL TUITION REVENUE DEBT

Fiscal Years Ending 8/31	Total Requirements All Other Issues	This 33,000,000 Issue Dated August 1, 1978		Total	Total Annual Requirements
		Principal (4-1)	Interest*		
1979	\$ 7,829,115	\$ - 0 -	\$ 1,210,000	\$ 1,210,000	\$ 9,039,115
1980	7,829,715	- 0 -	1,815,000	1,815,000	9,643,715
1981	7,824,965	1,510,000	1,815,000	3,325,000	11,149,965
1982	7,822,565	1,565,000	1,731,950	3,296,950	11,119,515
1983	7,820,565	1,640,000	1,645,575	3,285,575	11,106,740
1984	7,817,245	1,715,000	1,555,675	3,270,675	11,087,920
1985	7,817,745	1,810,000	1,461,350	3,271,350	11,059,095
1986	7,814,832	1,595,000	1,361,800	3,256,800	11,071,632
1987	7,811,755	1,985,000	1,257,575	3,242,575	11,054,330
1988	7,810,592	2,065,000	1,148,400	3,213,400	11,024,292
1989	7,813,190	2,170,000	1,034,825	3,204,825	11,018,015
1990	7,820,580	2,265,000	915,475	3,200,475	11,021,055
1991	7,824,235	2,415,000	789,800	3,204,800	11,029,035
1992	7,826,572	2,400,000	656,975	3,056,975	10,883,547
1993	7,831,375	2,400,000	524,975	2,924,975	10,756,350
1994	7,831,550	2,395,000	392,975	2,787,975	10,619,525
1995	7,837,335	2,340,000	261,250	2,601,250	10,435,585
1996	7,841,520	2,410,000	132,550	2,542,550	10,384,070
1997	7,845,390				7,845,390
1998	7,853,090				7,853,090
1999	7,855,920				7,855,920
2000	7,860,580				7,860,580
2001	7,872,775				7,872,775
2002	7,855,425				7,855,425
	<u>\$187,968,231</u>	<u>\$33,000,000</u>	<u>\$19,711,450</u>	<u>\$52,711,450</u>	<u>\$240,679,681</u>

Maximum Annual Requirements - (F/Y) 1981 \$11,149,965
Average Annual Requirement - (F/Y) 1981/96 \$10,925,354

* For purpose of illustration interest computed at an average interest rate of 5 1/2%.

**HISTORICAL SUMMARY OF REVENUES PLEDGED FOR THE PAYMENT
OF GENERAL TUITION REVENUE BONDS**

	Fiscal Years Ending August 31					Estimated 1975
	1973	1974	1975	1976	1977	
TUITION REVENUES						
U.T. Arlington	\$ 1,889,351	\$ 1,965,441	\$ 2,149,776	\$ 2,248,355	\$ 2,356,585	\$ 2,443,000
U.T. Austin	5,870,246	5,942,175	6,015,205	5,918,306	5,930,357	5,952,000
U.T. Dallas	27,555	67,452	121,852	497,382	644,453	669,750
U.T. El Paso	1,590,839	1,572,752	1,694,849	1,922,871	2,036,396	2,076,750
U.T. Permian Basin	—	156,342	193,177	200,573	199,881	213,450
U.T. San Antonio	25,022	156,107	216,749	623,126	995,917	1,048,500
Dallas HSC	206,833	227,550	288,505	308,488	340,416	370,500
Galveston Med. Branch	316,525	365,736	351,294	354,335	395,850	393,500
Houston HSC	349,465	334,149	429,702	410,731	430,734	494,500
San Antonio HSC	219,956	197,123	219,291	246,493	420,718	459,150
System Nursing School	81,974	146,766	201,764	233,602 (1)	—	—
TOTAL	\$10,577,766	\$11,131,593	\$11,882,164	\$12,982,265	\$13,751,307	\$14,151,250
HEW SUBSIDY	\$ —	\$ —	\$ 84,378	\$ 385,905	\$ 506,649	\$ 506,649
TOTAL AVAILABLE FOR DEBT SERVICE	\$10,577,766	\$11,131,593	\$11,966,542	\$13,368,170	\$14,257,956	\$14,657,900
Coverage of Estimated Maximum Annual Debt Service (F/Y) 1981 (\$11,149,965)	\$.95x	1.00x	1.07x	1.20x	1.28x	1.31x
Coverage of Estimated Average Annual Debt Service (F/Y) 1981 to 1986 (\$10,928,354)	\$.97x	1.02x	1.09x	1.22x	1.30x	1.34x

(1) System Nursing School was decentralized effective September, 1976, with subsequent revenues being reported U.T. Arlington, U.T. Austin and U.T. El Paso.

**SUMMARY OF RATES AND CHARGES FOR
GENERAL TUITION AND OTHER PLEDGED STUDENT USE FEES**

The General Tuition Fee is charged and collected on all students regularly enrolled at the component institutions of The University of Texas System. Certain partial or total exemptions from payment of such tuition fees are permitted by law, including certain scholarship recipients, veterans and their dependents, children of disabled firemen and peace officers, persons who are blind or deaf, persons from low income families, and other miscellaneous categories. Certain refunds of tuition fees are allowed for withdrawal from enrollment within a certain time period after the commencement of classes for each semester. Tuition fees are higher for non-resident students than resident students. However, recent court decisions and laws have facilitated the ability of students to obtain resident status. In general, state law presently authorizes the following schedule of rates to be charged as a General Tuition Fee:

- (a) Resident students; \$4.00 per semester credit hour with a minimum of \$50.00 per regular semester or 12-week summer session or \$25.00 per 6-week summer session.
- (b) Non-resident students; \$40.00 per semester credit hour.
- (c) Resident students registered in a medical or dental branch, school or college; \$400.00 per 12 month academic year.
- (d) Non-resident students registered in a medical or dental branch, school or college; \$1,200.00 per twelve month academic year.
- (e) Students who are citizens of a foreign country; \$40.00 per semester credit hour, lower fees may be charged based on financial need with a minimum of \$200.00 per regular semester or 12-week summer session or \$100.00 per 6-week summer session.
- (f) Students who are citizens of a foreign country registered in medical or dental branch; \$1,200.00 per twelve month academic year, lower fees may be charged based upon financial need with a minimum of \$500.00 per twelve month academic year.
- (g) Students registered in a school of nursing; \$50.00 per semester.

All of the monies collected as General Tuition Fees are pledged to the payment of The University System's General Tuition Revenue Bonds, Series 1971, Series 1972, Series 1972-A, and Series 1975 with the following exemptions: (1) the amount of tuition fees collected and set aside for tuition scholarship, which is currently established by statute as \$0.25 per semester credit hour for each resident student and \$1.50 per semester credit hour for each non-resident student and (2) the amount of tuition fees collected equal to \$5.00 per regular semester or \$2.50 per summer session for each student enrolled for 12 or more semester credit hours and \$0.42 per semester credit hour for each student enrolled for less than 12 semester hours.

The Administration Use Fee has been authorized to be fixed, charge and collected without limitation as to rate or amount from all students regularly enrolled at all of the component institutions of The University of Texas System. All monies collected from such fee are pledged to the payment of The University System's General Tuition Revenue Bonds, Series 1971, Series 1972, Series 1972-A and Series 1978. However, sufficient funds have been and are currently being generated from other Pledged Revenues to pay the debt service of such Bonds, and the Administration Use Fee is not currently being collected; nor has such fee ever been collected in the past. Based upon 1976-77 enrollments, a \$1.00 per semester credit hour Administration Use Fee would produce estimated additional Pledged Revenues of \$2,300,000.

The Library Use Fee has been authorized to be fixed, charged and collected without limitation as a rate or amount from all students regularly enrolled at the following institutions: The University of Texas at Dallas, The University of Texas of the Permian Basin, The University of Texas at San Antonio,

The University of Texas Medical School at Houston, The University of Texas Dental School at San Antonio, The University of Texas (Undergraduate) Nursing School at El Paso, and The University of Texas (Clinical) Nursing School at San Antonio. All monies collected from such fee are pledged to the payment of The University System's General Tuition Revenue Bonds, Series 1971, Series 1972, Series 1972-A and Series 1978. However, sufficient funds have been and are currently being generated from other Pledged Revenues to pay the debt service of such Bonds, and the Library Use Fee is not currently collected; nor has such fee ever been collected in the past. Based upon 1976-77 enrollments, a \$1.00 per semester credit hour Library Use Fee would produce estimated additional Pledged Revenues of \$300,000.

The Board is generally authorized to fix and collect rentals, rates, charges and/or fees for each component institution from students and others for the occupancy, services, use, and/or availability of all or any of its property, buildings, structures, activities, operations or other facilities. Certain student use fees, which include the Library Use Fee and the Administration Use Fee, are fixed and collected in proportion to the number of semester credit hours for which a student registers. The total of such fees shall not exceed \$6.00 per semester hour, with the exception of any such fees, whether limited or unlimited, pledged to the payment of the bonds. Any such fees pledged to the payment of bonds may be charged and collected without regard to such limitation, if at the time of the issuance of the bonds, the total of such fees currently being charged, together with the estimated maximum amount of such pledged fees required to pay such bonds, based upon current enrollment and conditions, does not exceed \$6.00 per semester credit hour. No component institution of The University of Texas System is currently charging total student fees in excess of \$6.00 per semester credit hour nor is it anticipated based upon current enrollment and conditions that total student use fees in excess of \$6.00 per semester credit hour will be required to be collected in order to pay debt service of the Bonds.

SUMMARY OF ACADEMIC SEMESTER CREDIT HOURS
General Academic Institutions - Excluding Health Related(b)

Fiscal Year		Univer- sity of Texas at Austin	Univer- sity of Texas at Arlington	Univer- sity of Texas at El Paso	Univer- sity of Texas at San Antonio	Univer- sity of Texas at Dallas	Univer- sity of Texas at Permian Basin	Total
1977-78	Fall	526,915	198,156	180,740	78,590	41,570	13,132	1,039,403
	Fall	527,382	194,704	170,598	73,504	38,177	12,915	1,017,280
	Spring	492,267	177,783	169,683	70,973	36,799	12,855	960,360
1976-77	Summer Session							
	First Term	142,943	43,957	39,946	24,073	14,410	4,263	268,592
	Second Term	(a)	18,658	26,949	4,966	4,625	2,069	57,267
	Fall	543,977	186,679	157,659	35,446	29,230	13,145	966,136
	Spring	503,822	170,475	155,641	38,249	30,950	12,915	912,082
1975-76	Summer Session							
	First Term	146,141	44,823	36,395	16,695	15,968	4,552	264,574
	Second Term	(a)	19,749	27,247	11,307	(a)	2,221	60,524
	Fall	539,597	178,448	132,177	8,446	5,030	13,303	877,001
	Spring	499,556	165,103	134,241	8,652	5,794	13,414	826,760
1974-75	Summer Session							
	First Term	156,628	44,819	35,527	5,174	3,827	4,255	250,260
	Second Term	(a)	20,344	25,720	3,486	(a)	1,850	51,400
	Fall	525,536	177,584	129,772	5,590	3,013	11,033	852,528
	Spring	486,464	157,453	123,737	6,343	3,088	10,681	787,766
1973-74	Summer Session							
	First Term	149,376	39,138	31,669	4,561	2,191	3,701	229,636
	Second Term	(a)	17,979	23,460	3,045	(a)	2,464	46,948

(a) Included in first summer session total.

(b) Semester credit hours are not applicable to students enrolled in Health-Related Institutions.

SUMMARY OF ENROLLMENT HEAD COUNT

	University of Texas at Austin	University of Texas at Arlington	University of Texas at El Paso	University of Texas at San Antonio	University of Texas at Dallas	University of Texas at Permian Basin	Galveston Medical Branch(2)	Houston Health Science Center(2)	San Antonio Health Science Center(2)	System Nursing School(2)	Total
1977-78	41,660	17,201	15,836	7,849	5,333	1,575	1,468	2,162	1,749		94,833
Fall	41,387	16,745	14,795	7,498	4,416	1,471	1,338	1,905	1,551		91,106
Spring	39,048	15,525	14,345	7,352	4,463	1,471					82,204
Summer Session											
First Term	18,071	7,761	7,807	4,451	2,670	827					41,587
Second Term	2,186	3,816	5,716	1,173	1,087	452					14,430
1975-76	42,598	16,309	13,614	4,437	3,333	1,432	1,108	1,440	810	1,332	86,403
Fall	39,912	15,280	13,441	4,643	3,586	1,474					78,336
Spring	19,597	15,546	7,065	3,392	2,497	846					48,943
Summer Session	(1)	19,597	5,611	2,507	(1)	473					28,188
First Term	41,841	15,434	11,418	1,620	700	1,352	1,002	1,351	648	1,825	77,191
Second Term	39,525	14,603	11,634	1,651	827	1,344					69,614
1974-75	20,587	8,500	6,812	1,217	614	763					38,493
Fall	(1)	4,067	5,454	849	(1)	399					10,769
Spring	40,611	14,866	10,980	1,113	382	1,112	1,259	769	631	924	72,647
Summer Session	38,114	13,468	10,591	1,172	398	1,088					64,831
First Term	19,643	7,275	5,830	968	330	693					34,739
Second Term	(1)	3,510	4,509	526	(1)	484					9,029

(1) Included in first summer session total.

(2) Enrollment figures are computed on an annual basis due to the nature of the academic programs.

SUMMARY OF FULL TIME EQUIVALENT STUDENTS
General Academic Institutions - Excluding Health Related

Fiscal Year	University of Texas at Austin	University of Texas at Arlington	University of Texas at El Paso	University of Texas at Dallas	University of Texas at San Antonio	University of Texas at Permian Basin
1976-77	38,753	14,503	13,539	5,764	3,134	1,070
1975-76	39,798	14,058	12,565	3,390	2,539	1,094
1974-75	39,859	13,624	10,922	859	488	1,095
1973-74	38,713	13,038	10,288	651	276	929

GEOGRAPHIC DISTRIBUTION OF ENROLLMENTS

Residence of Student	Fall Semester		
	1976	1975	1974
State of Texas	78,272	74,619	64,005
Out-of-State	3,789	3,465	5,161
Foreign Country	4,236	3,639	3,189
Totals	86,257	78,084	72,365

THE UNIVERSITY OF TEXAS SYSTEM

Administration

The University of Texas System commenced operations in 1883 with the opening of the original University of Texas campus in Austin and has since grown to be one of the largest educational organizations in the United States. The System is supported by State appropriations, private endowments and gifts, Federal funds, student fees, miscellaneous sources of income, and its interest in the income from the Permanent University Fund.

The Government of the University System is vested in a board of nine regents who serve without pay. They are nominated by the Governor for six-year terms, three each two years, and are subject to approval by the Senate. Administration of the University conforms to that of leading American universities.

The Members of the Board of Regents are as follows:

	Term Expires
The Honorable Allan Shivers, Chairman	Austin January 1979
Mr. Dan C. Williams, Vice Chairman	Dallas January 1981
James E. Bauerle, D.D.S.	San Antonio January 1979
Jane Weinert Blumberg (Mrs. Roland K.)	Seguin January 1983
The Honorable Edward Clark	Austin January 1979
Sterling H. Fly, Jr., M.D.	Uvalde January 1983
Mr. Jess Thomas Hay	Dallas January 1983
Mr. Thos. H. Law	Fort Worth January 1981
Mr. Walter G. Sterling	Houston January 1981
Betty Anne Thedford, Secretary	

The Principal Administrative Officers and Staff of the System are as follows:

Dr. Charles A. LeMaistre, Chancellor
Dr. E. D. Walker, President and Chief Operating Officer
Dr. Ernest T. Smerdon, Vice President for Academic Affairs
Mr. Robert L. Hardesty, Vice President for Administration
Mr. Joe E. Boyd, Jr., Vice President for Business Affairs
Mr. James T. Fitzpatrick, Vice President and General Counsel
Dr. Edward N. Brandt, Jr., Vice President for Health Affairs
Mr. Graves W. Landrum, Vice President for Operations
Mr. W. L. Lobb, Executive Director for Investments, Trusts and Lands
Mr. Frank Craydon, Budget Director
Mr. R. L. Anderson, Comptroller
Mr. R. S. Kristoferson, Director of Facilities Planning and Construction
Mr. Herman Adams, Director for Public Affairs
Mr. James C. Werchan, Director of Accounting

Organization

The Component Institutions of The University of Texas System, with the administrative heads shown, are:

The University of Texas at ARLINGTON

Dr. Wendell Nedderman, President
The University of Texas Institute of Urban Studies at Arlington
Dr. Sherman Wyman, Director
The University of Texas School of Nursing at Arlington
Dr. Myrna Pickard, Dean

The University of Texas at AUSTIN

Dr. Lorene L. Rogers, President
The University of Texas Marine Science Institute at Galveston and Port Aransas
Dr. Creighton A. Burk, Director
The University of Texas McDonald Observatory at Mount Locke
Dr. Harlan Smith, Director
The University of Texas School of Nursing at Austin
Dr. Billye Brown, Dean

The University of Texas at DALLAS

Dr. Bryce Jordan, President

The University of Texas at EL PASO

Dr. Arleigh B. Templeton, President
The University of Texas School of Nursing at El Paso
Dr. Eileen Jacobi, Dean

The University of Texas of the PERMIAN BASIN

Dr. V. R. Cardozier, President

The University of Texas at SAN ANTONIO

Dr. James W. Wagener, Acting President
The University of Texas Institute of Texan Cultures at San Antonio
Mr. Jack R. Maguire, Executive Director

The University of Texas Health Science Center at DALLAS

Dr. Charles C. Sprague, President

The University of Texas Southwestern Medical School at Dallas

Dr. Frederick Bonte, Dean
The University of Texas Graduate School of Biomedical Sciences at Dallas
Dr. Kern Wildenthal, Dean
The University of Texas School of Allied Health Sciences at Dallas
Dr. John Schermerhorn, Dean

The University of Texas Medical Branch at GALVESTON

Dr. William C. Levin, President
The University of Texas Medical School at Galveston
Dr. George T. Bryan, Dean
The University of Texas Graduate School of Biomedical Sciences at Galveston
Dr. J. Palmer Saunders, Dean
The University of Texas School of Allied Health Sciences at Galveston
Dr. Robert K. Bing, Dean
The University of Texas Institute for the Medical Humanities at Galveston
Dr. William B. Bean, Director
The University of Texas Marine Biomedical Institute at Galveston
Dr. William D. Willis, Acting Director
The University of Texas School of Nursing at Galveston
Dr. Dorothy Damewood, Dean

The University of Texas Health Science Center at HOUSTON

Dr. Truman C. Blocker, Jr., Acting President
The University of Texas Medical School at Houston
Dr. Robert L. Tuttle, Dean
The University of Texas Dental Branch at Houston
Dr. John V. Olson, Dean
The University of Texas Graduate School of Biomedical Sciences at Houston
Dr. Roger Hewitt, Acting Dean
The University of Texas School of Allied Health Sciences at Houston
Dr. Alton Hodges, Dean
The University of Texas School of Public Health at Houston
Dr. Reuel A. Stallones, Dean
The University of Texas Speech and Hearing Institute at Houston
Dr. Tina Bangs, Director
The University of Texas School of Nursing at Houston
Dr. Arlowayne Swort, Dean

The University of Texas Health Science Center at SAN ANTONIO

Dr. Frank Harrison, President
The University of Texas Medical School at San Antonio
Dr. Stanley E. Crawford, Dean
The University of Texas Dental School at San Antonio
Dr. Edwin M. Collins, Acting Dean
The University of Texas Graduate School of Biomedical Sciences at San Antonio
Dr. Armand J. Guarino, Dean
The University of Texas School of Nursing at San Antonio
Dr. Patty Lynn Hawken, Dean

The University of Texas System Cancer Center

Dr. R. Lee Clark, President
The University of Texas M. D. Anderson Hospital and Tumor Institute at Houston
Dr. Robert C. Hickey, Director

The University of Texas Science Park - Research Division
Dr. Ronald M. Humphrey, Associate Director
The University of Texas System Health Center at TYLER
Dr. George Hurst, Superintendent

General Academic Institutions

The University of Texas at Arlington is located midway between Dallas and Fort Worth. Founded in 1895 as a private college, U.T. Arlington, under various names, was one of the nation's leading junior colleges and a part of the Texas A&M System before joining The University of Texas System in 1965. U. T. Arlington's enrollment has been annually increasing to its current level. Current degree programs offer bachelors degrees in 40 fields, masters degrees in 34 fields and doctoral programs in six fields. These degrees are offered through the colleges of Liberal Arts, Science, Engineering, Business Administration, Graduate school of Social Work, Institute of Urban Studies, School of Architecture and Environmental Design, School of Nursing and the Graduate School. To serve the growing enrollment and expanding degree programs, the physical plant is being expanded with construction valued at \$31 million, with completion scheduled for 1978. As of August 31, 1977 the total physical plant value was \$92.8 million.

The University of Texas at Austin is located in the capital city of Texas, resulting from popular vote in 1881. The present site has expanded into more than 360 acres since classes began on the original 40 acres near downtown Austin. Additional University-owned property located in other areas of Austin include the Balcones Research Center and the Brackenridge Tract, partially used for married student housing. U. T. Austin teaches over 3,500 courses and offers master's and doctoral degrees in more than 50 fields; its library system contains more than four million volumes. The McDonald Observatory on Mount Locke in West Texas and the Marine Science Institute at Galveston and Port Aransas on the Gulf Coast are also operated as units of U.T. Austin. The University contains Colleges of Arts and Sciences, Business Administration, Education, Engineering, Fine Arts, Pharmacy, Architecture, Communications and Law, with Graduate programs in each of the colleges including Graduate schools of Library Science, Social Work and Nursing. As of August 31, 1977 the total physical plant value was \$553.1 million.

The University of Texas at Dallas was established in 1969 by the Texas Legislature which authorized curriculum leading to degrees at the baccalaureate, master's and doctoral levels. U.T. Dallas was authorized to enroll junior and senior undergraduates in September, 1975, with an anticipated enrollment of 4,500 students. The present U.T. Dallas campus encompasses 608 acres of land and 900,000 square feet of buildings. As of August 31, 1977 the total physical plant value was \$62.1 million.

The University of Texas at El Paso was initially established by the Texas Legislature in 1913 as the Texas School of Mines and Metallurgy and placed under the control of the Board of Regents of The University of Texas. In 1949, the school's name was changed to Texas Western College; in 1967, the name again changed to The University of Texas at El Paso. U. T. El Paso is composed of six separate schools, has more than 450 faculty members and offers over 60 major fields of study. As of August 31, 1977 the total physical plant value was \$82.1 million.

The University of Texas of the Permian Basin in Odessa opened for classes in September, 1973, with 1,112 students. As directed by the Texas Legislature in 1969, U. T. Permian Basin accepts only upper-level students and offers baccalaureate degrees in 31 fields and master's degrees in 15 fields. The U.T. Permian Basin Library opened with more than 250,000 volumes, and more than 105,000 volumes were added during the first year of operation. Buildings in the first phase of development of the 555-acre campus had a total project cost of approximately \$13 million, with initial occupancy of the innovative classroom and laboratory facility taking place during the summer of 1974. As of August 31, 1977 the total physical plant value was \$21.7 million.

The University of Texas at San Antonio was authorized in 1969 by the Texas Legislature. The campus is located on 600 acres in the northwestern area of greater San Antonio. After completion of site development work, construction contracts were awarded in the spring of 1972, with an estimated completion date of May, 1975. In early 1972, the Board of Regents of The University of Texas System and the Coordinating Board, Texas College and University System, approved U. T. San Antonio's academic organization of five colleges with seventeen divisions and its proposed forty-two degree programs. Current academic organization consists of five colleges with fourteen divisions, in addition to a Division of Continuing Education. Graduate courses were first offered to approximately 670 students in June, 1973, with the initial enrollment of undergraduate students in September, 1975. As of August 31, 1977 the total physical plant value was \$64.8 million.

Health-Related Institutions

The University of Texas Health Science Center at Dallas was established by The University of Texas Board of Regents in the fall of 1972 as a component institution composed of three schools: Southwestern Medical School, the Graduate School of Biomedical Sciences, and the School of Allied Health Sciences. An outgrowth of Southwestern Medical College, founded in 1943 by Southwestern Medical Foundation and added to The University of Texas System in 1949, the Dallas Health Science Center is engaged in broad programs of training, research, and patient care in conjunction with its principal teaching hospital and fifteen other affiliated institutions. A \$50 million building program, with the first phase completed, will nearly double the number of doctors graduated each year and expand teaching of other health professions. As of August 31, 1977 the total physical plant value was \$96.4 million.

The University of Texas Medical Branch at Galveston is located two miles from the Texas mainland and represents the largest single industry on Galveston Island. The Medical Branch has awarded more than 6,716 Doctor of Medicine degrees since its founding in 1890; with over 700 undergraduate medical students currently enrolled, it is the largest medical school in Texas and the ninth largest such center in the nation. The Medical Branch also includes the Graduate School of Biomedical Sciences and the School of Allied Health Sciences as units located in the University medical complex, each offering its own degree programs. Located on 80 acres the medical branch contains nine hospitals with more than 50 major buildings in the University complex, including the John Sealy Hospital, which serves as the principal service and teaching facility on campus. The Medical Branch also operates the Institute for the Medical Humanities and the Marine Biomedical Institute on campus, which serves as a major research facility for the area. A wide variety of degree programs are available in the School of Medicine, Graduate School of Biomedical Services, School of Nursing and School of Allied Health Services. As of August 31, 1977 the total physical plant value was \$134 million.

The University of Texas Health Science Center at Houston was established by the Board of Regents in the fall of 1972. Four of its operational units had previously been components of the U. T. System: the Medical School since creation by the Texas Legislature in 1969, the Dental Branch since 1943, the Graduate School of Biomedical Sciences since 1963 and the School of Public Health since 1967. Other units of the Health Science Center include the Speech and Hearing Institute and the Division of Continuing Education, both formerly divisions of the Graduate School of Biomedical Sciences, and the School of Allied Health Sciences, activated in 1973. Units of the Health Science Center are located in or near the Texas Medical Center. The Medical School graduated its first class in 1973 and has extensive facilities under construction. The Health Science Center is committed to providing a broad program of biomedical education, research, and patient and related services. As of August 31, 1977 the total physical plant value was \$90.2 million.

The University of Texas Health Science Center at San Antonio was established by the Board of Regents in the fall of 1972. The operational units of the Health Science Center include the San Antonio Medical School, the San Antonio Dental School, the Graduate School of Biomedical

Sciences and the School of Allied Health Sciences. The Medical and Dental Schools had previously been individual component institutions within the U. T. System, authorized by the Legislature in 1959 and 1969, respectively. The Medical School first began admitting students in 1966, graduating its first class in 1970, while the Dental School conferred its first degrees in 1974. The U. T. Health Science Center at San Antonio is located on 100 acres of land in the South Texas Medical Center in northwest San Antonio. Principal teaching hospitals include the Bexar County Hospital and the Audie Murphy Veterans' Hospital located in the South Texas Medical Center. As of August 31, 1977 the total physical plant value was \$72 million.

The University of Texas System Cancer Center was established by the Board of Regents in the fall of 1972 as a component institution. The Cancer Center is composed of the M. D. Anderson Hospital and Tumor Institute at Houston and the Environmental Science Park. Founded by the Legislature in 1941, M. D. Anderson is one of three major comprehensive cancer centers in the United States where research, education and improved cancer patient care are primary concerns. The Hospital and Clinic facilities are located in the Texas Medical Center, with a major expansion program currently underway to provide an additional 350 beds, and clinical facilities to accommodate 1,200 outpatients per day. These new facilities will be housed in the Lutheran Hospital Pavilion and the Clinic Building, while 100,000 square feet of laboratory and research space are being added to existing structures. As of August 31, 1977 the total physical plant value was \$138.9 million.

The University of Texas Health Center at Tyler. The 65th Legislature transferred all jurisdiction over the East Texas Chest Hospital and its operations from the Texas Department of Health Resources to The University of Texas System, effective September 1, 1977, and pursuant to such authority, the Board of Regents of The University of Texas System changed the name of the East Texas Chest Hospital to The University of Texas Health Center at Tyler, to be effective on the same date. The Center will continue to provide a program for the treatment of patients with chest diseases and a program is being developed for treatment of patients with other diseases. The Center is to be used as a teaching facility related to the various health related educational programs of other components of The University of Texas System.

THE PERMANENT UNIVERSITY FUND

The Permanent University Fund was established in 1836 by the Republic of Texas for the purpose of creating an endowment for public education in Texas. The initial assets of the Fund consisted of 50 leagues of land (approximately 220,000 acres) and has grown to approximately 2,100,000 acres of land, predominately in West Texas, together with cash and securities. The principal of the Fund cannot be spent for any purpose but must be kept as a permanent endowment. Two-thirds of the income from the Permanent University Fund is available to the University of Texas System. The Texas A & M System receives the other one-third of the income from the Permanent University Fund with the exception of income from grazing leases which is distributed solely to the University of Texas System.

Decisions of the Supreme Court of Texas and of the Attorney General of Texas have decreed that the Permanent University Fund shall be forever kept intact, and that there shall be added to the corpus thereof all oil, gas, and water royalties received, all gains on investments, all rentals on mineral leases, all lease bonuses, and all consideration for such lands as may be sold.

The University of Texas System does not explore or operate oil properties belonging to the Permanent University Fund. Instead, it sells under competitive bids leases on selected tracts of land to leading oil and gas companies. As of February 28, 1978, 1,058,993 acres of land belonging to said Fund were subject to oil and gas leases, of which 367,434 were held by production from 5,903 oil wells and 237 gas wells.

During recent years approximately 32,700,000 barrels of crude oil and 134,000,000 MCF of gas were produced from these lands each year on which one-eighth to one-fifth royalty was reserved for the Permanent University Fund.

The University of Texas System's proportionate two-thirds share of the Investment Income of the Permanent University Fund is appropriated biennially by the state legislature and deposited into the Available University Fund and applied in the following sequence (net of management expenses which are limited by covenant to one-fifth of one percent annually of the book value of the Fund):

1. Debt service on The University of Texas System Permanent University Fund Bonds (the total amount of debt limited to an amount not exceeding two-thirds of twenty percent of the book value of the Permanent University Fund, exclusive of real estate at the time of issuance and investment yield maintained at an annual amount of not less than one and one-half times annual debt service requirements).

2. Debt service on The University of Texas at Austin Building Revenue Bonds, Series 1974 and Series 1974-A. (The Series 1974-A Bonds are scheduled to be refunded by the sale of Refunding Bonds on August 3, 1978.)

3. Any lawful purpose, including but not limited to capital additions and improvements at the University of Texas at Austin and the University of Texas Medical Branch at Galveston.

ADDITIONS TO THE PERMANENT UNIVERSITY FUND (Dollars in Thousands)

Fiscal Year Ending 8-31	Oil & Gas Royalty	Water Royalty	Minerals, Lease Rentals & Misch.	Mineral Lease Bonuses	Total
1977	\$ 76,598(1)	\$ 184	\$ 1,106	\$ 13,584	\$ 91,472
1976	70,123(1)	192	(12,867)(2)	15,379	72,827
1975	58,513	156	753	8,066	67,488
1974	31,541	202	1,796	11,359	44,928
1973	18,967	131	12,716	6,966	38,780
1972	19,518	154	10,999	5,055	35,726
1971	18,388	173	6,272	1,838	26,671
Prior to 1970	334,961	1,570	21,236	210,412	568,179

(1) Includes sulphur royalties.

(2) Includes \$12,632,427 adjustment for certain bond exchanges not qualifying as bond exchanges under current procedures.

INVESTMENTS IN THE PERMANENT UNIVERSITY FUND (As of May 31, 1978)

	Book Value
United States Government Securities	
U. S. Treasury Bonds	\$ 145,084,077
Various Government Guaranteed Bonds	152,634,316
FHA Mortgages	8,513,858
U. S. Government Agencies	1,000,000
Total	\$ 307,232,251
Corporate Securities	
Bonds	\$ 293,738,583
Convertible Debentures	6,983,090
Convertible Preferred Stocks	2,434,505
Common Stocks	356,841,521
Total Corporate Securities	\$ 659,997,699
Total Securities	\$ 967,229,950
Cash and Equivalents	\$ 58,444,594
Total Securities, Cash and Equivalents	\$1,025,674,544

INCOME FROM INVESTMENTS IN PERMANENT UNIVERSITY FUND
(Dollars in Thousands)

Fiscal Year Ending 8-31	Net Total (1)	University of Texas System Portion	Other Income (2)	Total Income To Available University Fund	Debt Service on PUF Bonds (3)	Transfers or Other Debt Service (4)	Amount Credited to U.T. Austin (5)
1977	\$53,409	\$35,606	\$ 1,645	\$37,251	\$12,672	\$ 4,248	\$18,549
1976	46,542	31,025	1,544	32,572	11,321	4,249	16,593
1975	39,105	26,070	1,539	27,609	10,060	4,215	12,385
1974	35,611	23,741	1,532	25,273	9,059	-0-	14,964
1973	31,199	20,500	1,036	21,536	8,239	-0-	12,039

- (1) Reflects net amount collected after administrative expenses.
 (2) Includes grazing Lease Rentals and miscellaneous income not shared with Texas A & M System.
 (3) Represents debt service on University of Texas System Permanent University Fund Bonds.
 (4) Represents transfers or debt service on University of Texas at Austin Building Revenue Bonds, Series 1974 and Series 1974-A.
 (5) Transfers to U.T. Austin to be used for any lawful purpose, as appropriated by the Board of Regents.

Note: Income in excess of allocations detailed above in Notes (3), (4) and (5) may be appropriated to the U.T. System administration and/or may be held as a balance for future allocations.

THE UNIVERSITY OF TEXAS SYSTEM
CURRENT REVENUES, EXPENSES AND MANDATORY TRANSFERS

	Fiscal Year Ended August 31		
	1975	1976	1977
CURRENT REVENUES			
Tuition and Fees	\$ 34,038,275	\$ 37,113,131	\$ 40,154,601
Federal Funds	94,357,130	103,050,426	114,029,385
State Appropriations	273,019,312	359,865,867	408,334,353
Private Gifts	23,222,270	26,132,234	33,273,177
Endowment Income (Includes Transfers from Available University Fund)	10,468,184	14,953,267	17,137,713
Sales and Services of Auxiliary Enterprises	28,481,534	34,245,265	38,548,980
Sales and Services of Hospitals and Clinics; Professional Fees	65,317,505	77,351,011	91,025,130
Sales and Services of Educational Departments and Other Services	12,867,365	18,116,506	21,272,761
Total Current Revenues	\$541,771,575	\$670,827,707	\$763,776,100
CURRENT EXPENDITURES AND MANDATORY TRANSFERS			
Educational and General	\$465,137,468	\$552,090,903	\$644,044,133
Auxiliary Enterprises	30,980,381	38,949,885	45,325,841
Mandatory Transfers	25,348,608	28,763,154	28,249,347
Total Current Expenditures and Mandatory Transfers	\$521,464,457	\$619,803,942	\$715,619,321
EXCESS REVENUES OVER EXPENDITURES AND MANDATORY TRANSFERS	\$ 20,307,118	\$ 51,023,765	\$ 48,156,779

THE UNIVERSITY OF TEXAS SYSTEM
CONDENSED STATEMENT OF ASSETS AND NET WORTH
(As of August 31, 1977)

ASSETS	
Current Funds	\$ 86,078,771
General	24,237,749
Auxiliary Enterprises and Activities	86,149,100
Designated	159,772,930
Restricted	
Total Current Funds	\$ 356,234,550
Loan Funds	\$ 25,792,698
Endowment and Similar Funds	\$ 956,072,982
State (Permanent University Fund)	108,188,637
Other than State	
Total Endowment and Similar Funds	\$1,064,261,619
Annuity and Life Income Funds	\$ 2,873,488
Available University Fund	\$ 17,457,942
Plant Funds	\$ 155,492,098
Unexpended	2,384,198
Renewals and Replacements	61,891,319
Funds for Retirement of Indebtedness	1,419,137,559
Invested in Plant	
Total Plant Funds	\$1,638,905,174
Agency Funds	\$ 9,837,596
DEDUCT: Inter-Fund Groups Accounts	\$ 66,713,458
GRAND TOTAL ASSETS	\$3,048,893,589
Less: Total Liabilities (not including orders and contracts)	610,559,305
FUND BALANCES (i.e., Net Worth)	\$2,438,124,284

**THE UNIVERSITY OF TEXAS SYSTEM
OUTSTANDING BONDED INDEBTEDNESS BY UNITS OF THE SYSTEM
(As of May 31, 1978)**

The University of Texas System

	<u>Original Amount Issued</u>	<u>Outstanding May 31, 1978</u>	<u>Reserve Funds Inv. May 31, 1978</u>
General Tuition Revenue Bonds, Series 1971	\$50,000,000	\$43,865,000	\$10,247,341
General Tuition Revenue Bonds, Series 1972	50,000,000	45,880,000	(1)
General Tuition Revenue Bonds, Series 1972-A	17,000,000	15,915,000	(1)
General Tuition Revenue Bonds, New Series 1974(2)	33,000,000	33,000,000	7,039,307(2)

(1) Series 1972 and Series 1972-A are parity issues with Series 1971. Reserve Fund figure for 1971 issue includes all three issues.

(2) New Series 1974 will be refunded by the issuance of the Series 1978 Bonds described herein.

Permanent University Fund

	<u>Original Amount Issued</u>	<u>Outstanding May 31, 1978</u>	<u>Reserve Funds Inv. May 31, 1978</u>
Permanent University Fund Bonds, Series 1959	\$ 4,000,000	\$ 480,000	(1)
Permanent University Fund Bonds, Series 1960	5,000,000	900,000	(1)
Permanent University Fund Bonds, Series 1961	6,000,000	1,440,000	(1)
Permanent University Fund Bonds, Series 1962	5,000,000	1,475,000	(1)
Permanent University Fund Bonds, Series 1963	4,000,000	1,400,000	(1)
Permanent University Fund Bonds, Series 1964	4,000,000	1,620,000	(1)
Permanent University Fund Bonds, Series 1965	6,000,000	2,760,000	(1)
Permanent University Fund Bonds, Series 1966	11,000,000	5,610,000	(1)
Permanent University Fund Bonds, New Series 1967	14,000,000	7,540,000	(2)
Permanent University Fund Bonds, New Series 1968	15,000,000	9,150,000	(2)
Permanent University Fund Bonds, New Series 1969	7,000,000	4,620,000	(2)
Permanent University Fund Bonds, New Series 1970	7,500,000	5,295,000	(2)
Permanent University Fund Bonds, New Series 1971	9,000,000	6,750,000	(2)

(1) Secured by a first lien on and pledge of the interest of The University of Texas System in the income from the Permanent University Fund.

Permanent University Fund - (Continued)

	<u>Original Amount Issued</u>	<u>Outstanding May 31, 1978</u>	<u>Reserve Funds Inv. May 31, 1978</u>
Permanent University Fund Bonds, New Series 1972	\$ 9,000,000	\$ 7,155,000	(2)
Permanent University Fund Bonds, New Series 1973	11,000,000	9,240,000	(2)
Permanent University Fund Bonds, New Series 1974	11,000,000	9,650,000	(2)
Permanent University Fund Bonds, New Series 1975	14,000,000	12,880,000	(2)
Permanent University Fund Bonds, New Series 1976	16,000,000	15,360,000	(2)
Permanent University Fund Bonds, New Series 1977	20,000,000	20,000,000	(2)
Permanent University Fund Bonds, New Series 1978	21,000,000	21,000,000	(2)(3)

(2) Secured by a lien on and pledge of the interest of The University of Texas System in the income from the Permanent University Fund, subject and subordinate to the first lien on and pledge of said interest created in connection with all Permanent University Fund Bonds issued prior to 1967.

(3) Issued and outstanding subsequent to May 31, 1978.

U. T. Austin

	<u>Original Amount Issued</u>	<u>Outstanding May 31, 1978</u>	<u>Reserve Funds Inv. May 31, 1978</u>
University of Texas Hospital Refunding Bonds, Series 1951(1)	\$ 950,000	\$ 95,000	\$ 100,200
Dormitory Revenue Bonds, Series 1954(2)	3,402,000	1,995,000	454,236
Dormitory Revenue Bonds, Series 1956(3)	4,150,000	2,511,000	636,926
University of Texas Student Union Revenue Bonds, Series 1958, Series B(4)	1,220,000	765,000	316,647
Student Housing Revenue Bonds of 1963(5)	1,500,000	1,455,000	237,341
Housing System Revenue Bonds, Series 1967(6)	16,500,000	14,720,000	1,054,075
Building Revenue Bonds of 1968(7)	520,000	460,000	56,355
Building Revenue Bonds, Series 1969(8)	25,000,000	22,715,000	1,570,192

(1) Secured by first lien on and pledge of revenues from compulsory student hospital fee.

(2) Secured by first lien on and pledge of net revenues from Blanton Dormitory, Simkins Hall, Moore Hall, and Varsity Cafeteria.

(3) Secured by first lien on and pledge of net revenues from Kinsolving Dormitory, plus surplus revenues from debt-free Andrews and Carothers Dormitories for Women.

(4) Secured by first lien on and pledge of revenues from compulsory student union fee.

(5) Secured by first lien on and pledge of net revenues from 200 apartments for married students.

(6) Secured by first lien on and pledge of gross revenues of University Housing System.

(7) Secured by first lien on and pledge of gross revenues from Student Co-op Housing System.

(8) Secured by first lien on and pledge of net revenues of Utility Plant and gross Student Building Use Fees.

U. T. Austin - (Continued)

	Original Amount Issued	Outstanding May 31, 1978	Reserve Funds Inv. May 31, 1978
Combined Fee Revenue Bonds, Series 1970(9)(14)	\$10,000,000	\$ 9,120,000	\$ 6,193,899
Combined Fee Revenue Bonds, Series 1971(9)	20,000,000	15,490,000	(11)
Married Student Housing Revenue Bonds, Series 1971(10)	3,100,000	3,015,000	247,064
Combined Fee Revenue Bonds, Series 1972, dated 10/1/72(9)	10,000,000	9,135,000	(11)
Combined Fee Revenue Bonds, Series 1973, dated 10/1/73(9)	34,000,000	32,560,000	(11)
Building Revenue Bonds, Series 1974, dated 1/1/74(12)	53,000,000	50,005,000	5,913,333
Building Revenue Bonds, Series 1974-A(12)(14)	6,000,000	5,760,000	(13)
Combined Fee Revenue Bonds, Series 1974(9)(14)	6,900,000	6,565,000	(11)

- (9) Secured by first lien on and pledge of Building Use Fee and General Fee.
 (10) Secured by first lien on gross revenues from Married Student Housing System.
 (11) Reserve Funds for Combined Fee Revenue Bonds Series 1970, 1971, 1972, 1973 and 1974 consolidated.
 (12) Secured by first lien on and pledge of Available Fund Surplus and Special Fee.
 (13) Reserve Funds for Building Revenue Bonds Series 1974 and 1974-A consolidated.
 (14) Issues are scheduled to be refunded through the sale of refunding bonds on August 3, 1979

U. T. El Paso

	Original Amount Issued	Outstanding May 31, 1978	Reserve Funds Inv. May 31, 1978
Texas Western College, Student Union Revenue Bonds, Series A of 1967 and Series B of 1967(1)	\$ 3,158,000	\$ 2,667,000	\$ 195,448
Texas Western College, Student Housing Revenue Bonds of 1961(2)	1,000,000	736,000	109,463
Building Revenue Bonds, Series 1969(3)	8,500,000	7,960,000	635,566

- (1) Secured by first lien on and pledge of student use fees and net revenues of operation of all services afforded. Series A issued in amount of \$458,000 refunding Series 1957; Series B issued in amount of \$2,700,000.
 (2) Secured by first lien on and pledge of net revenues from project operation.
 (3) Secured by first lien on and pledge of net revenues from Housing System and student fees for Gymnasium and Library Facilities.

U. T. El Paso - (Continued)

	Original Amount Issued	Outstanding May 31, 1978	Reserve Funds Inv. May 31, 1978
Combined Fee Revenue Bonds, Series 1970(4)	\$5,500,000	5,200,000	1,197,148
Combined Fee Revenue Bonds, Series 1971(4)	4,000,000	3,730,000	(5)
Combined Fee Revenue Bonds, Series 1973(4)	5,000,000	4,730,000	(5)
Combined Fee Revenue Bonds, Series 1974(4)	1,500,000	1,405,000	(5)

- (4) Secured by first lien on and pledge of Building Use Fee and General Fee.
 (5) Reserve Fund for Combined Fee Revenue Bonds, Series 1970, 1971, 1973 and 1974 consolidated.

Galveston Medical Branch

	Original Amount Issued	Outstanding May 31, 1978	Reserve Funds Inv. May 31, 1978
University of Texas, Medical Branch Dormitory Revenue Bonds, Series 1955(1)	\$ 2,512,000	\$ 1,475,000	\$ 639,594
University of Texas Medical Branch, Endowment and Hospital Revenue Bonds, Series 1973(2)	31,500,000	33,740,000	3,808,182

- (1) Secured by first lien on and pledge of net revenues from project operation.
 (2) Secured by first lien on proceeds of the sale of endowment land, pledge of net revenues from the Sealy & Smith Foundation for the John Sealy Hospital and pledge of net revenues from patients fees and charges.

M. D. Anderson Hospital and Tumor Institute at Houston

	Original Amount Issued	Outstanding May 31, 1978	Reserve Funds Inv. May 31, 1978
Endowment and Hospital Revenue Bonds, Series 1972(1)	\$16,000,000	\$15,600,000	\$ 2,008,105
Endowment and Hospital Revenue Bonds, Series 1976(1)	2,500,000	2,500,000	(2)
Hospital Revenue Bonds, Subordinate Lien Series 1976(3)	1,770,000	4,770,000	120,598

- (1) Secured by first lien on proceeds of the sale of endowment land and pledge of gross revenues from patients fees and charges.
 (2) Reserve Fund combined with Series 1972 Issue.
 (3) Secured by pledge of surplus gross revenues of the hospital facilities and other income.

U. T. Permian Basin

	Original Amount Issued	Outstanding May 31, 1978	Reserve Funds Inv. May 31, 1978
Building and General Fee Revenue Bonds, Series 1976(1)	\$ 600,000	\$ 350,000	\$ 149,546

- (1) Secured by first lien on and pledge of Housing System revenue and General Fee.

U. T. Arlington

	Original Amount Issued	Outstanding May 31, 1978	Reserve Funds Inv. May 31, 1978
Student Center Fee Bonds, Series 1960(1)	\$ 600,000	\$ 356,000	\$ 53,447
Gymnasium Fee Bonds, Series 1961(2)	650,000	404,000	89,160
West Campus Dormitory Revenue Notes, Series 1963(3)	75,000	6,100	-0-
Housing System Revenue Refunding Bonds, Series 1963(4)	1,506,000	1,221,000	107,975
Parking Facilities Revenue Bonds, Series 1964(5)	350,000	60,000	34,921
Student Fee Revenue Bonds, Series 1964(6)	3,250,000	2,410,000	382,450
Student Fee Revenue Bonds, Series 1966(8)	1,750,000	1,370,000	(7)
Student Fee Revenue Bonds, Series 1968(8)	1,285,000	1,055,000	(7)
Combined Fee Revenue Bonds, Series 1971(9)	875,000	420,000	1,781,304
Combined Fee Revenue Bonds, Series 1971-A(9)	5,000,000	4,560,000	(10)
State Ad Valorem Tax Bonds, Series 1972(11)	10,300,000	2,200,000	
Combined Fee Revenue Bonds, Series 1973(9)	8,500,000	8,075,000	(10)
Combined Fee Revenue Bonds, Series 1973-A(9)	7,500,000	7,280,000	(10)
State Ad Valorem Tax Bonds, Series 1974(11)	1,865,000	445,000	
Combined Fee Revenue Bonds, Series 1974(9)	1,300,000	1,225,000	(10)
Subordinate State Ad Valorem Tax Bonds, Series 1976(11)	4,750,000	4,750,000	

- (1) Secured by first lien on student center use fees.
- (2) Secured by first lien on gymnasium use fees.
- (3) Secured by net revenues from West Campus housing and dining facilities.
- (4) Secured by net revenues from dormitories for 604 men and 339 women.
- (5) Secured by revenues from parking fees.
- (6) Secured by first lien on auditorium and hospital use fees.
- (7) Reserve Funds for Student Fee Revenue Bonds, Series 1964, 1966 and 1968 are consolidated.
- (8) Secured by first lien on library use fee, auditorium and hospital use fee and student center fee (subject to Student Center Fee Bonds, Series 1960).
- (9) Secured by first lien on building use fee and general fee.
- (10) Reserve Funds for Combined Fee Revenue Bonds, Series 1971, 1971-A, 1973, 1973-A, and 1974, consolidated.
- (11) Secured by a lien upon U.T. Arlington's prorata portion of a constitutional tax levied at the rate of 10¢ per \$100 valuation on all of the taxable property in the State of Texas.

THE UNIVERSITY OF TEXAS SYSTEM RETIREMENT PLANS

All full and half-time employees of the University of Texas System are required to be covered by either a state-administered retirement program or by an optional private plan.

Teacher Retirement System of Texas

The Teacher Retirement System of Texas is a group annuity plan which makes provision for retirement, disability and death and survivor benefits to all employees of the public school and university systems of Texas. The retirement plan was established in 1937 for teacher classified members and in 1949, the plan was offered to auxiliary employees.

Under the plan, members contribute 6.65 percent of up to their first \$25,000 of annual gross income, and the State contributes 7.50 percent. The University system makes no contributions on behalf of employees and has no liability for the unfunded portion. The University estimates that there are approximately 28,000 employees currently enrolled in this plan. The unfunded liability of the plan as shown in the Actuarial Certification as of August 31, 1977 was \$1,974.0 million and the total book value as of the same date was \$3,513.3 million.

Optional Retirement Plan

Certain selected faculty and professional administrative staff may elect to enroll in an optional retirement plan. Participation in an optional retirement plan, which was authorized by the Legislature in 1967, enables teachers, research personnel and professional administrative staff to transfer among educational institutions throughout the United States while continuing to accumulate retirement benefits. The optional plans which are underwritten by various insurance companies are individual programs with contributions by employees and the State being on the same basis as for the Teacher Retirement System. The University system estimates that approximately 8,000 employees are presently enrolled in the optional retirement program.

THE BOND RESOLUTION

The following summaries represent excerpts of certain provisions of the 1978 Bond Resolution which authorizes the issuance of the Series 1978 Bonds and certain provisions of the Series 1971 Bond Resolution which has been incorporated by reference into the 1978 Bond Resolution. For more complete information, reference is made to the entire documents, copies of which are available upon request.

Definitions

The term "Administration Use Fee" shall mean the gross collections of a special fee to be fixed, charged, and collected from all students (excepting those exempt as provided by law) regularly enrolled at each Established System Institution and each New System Institution, respectively, for the use and availability of the principal administration building or buildings, and all administration and student services facilities provided therein, at each such Established Institution and New System Institution, respectively, in the manner and to the extent provided in this Resolution.

The term "Board" shall mean the Board of Regents of The University of Texas System.

The term "Bonds" shall mean collectively the Board of Regents of The University of Texas System General Tuition Revenue Bonds, Series 1971, authorized by the resolution of the Board on December 2, 1971; the Board of Regents of The University of Texas System General Tuition Revenue Bonds, Series 1972, authorized by resolution of the Board on March 16, 1972; the Board of Regents of The University of Texas System General Tuition Revenue Bonds, Series 1972-A, authorized by resolution of the Board on December 8, 1972; and the Series 1978 Bonds herein authorized.

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 all of the following:

- (a) each Established System Institution, and
- (b) each New System Institution,

together with any other institution, branch, or school now or hereafter operated by or placed under the jurisdiction of the Board pursuant to law (all collectively known as The University of Texas System).

The term "Established System Institution" shall mean and include each of the following existing and operating institutions, respectively:

The University of Texas at Austin
The University of Texas at Arlington
The University of Texas El Paso
The University of Texas M. D. Anderson Hospital and Tumor Institute at Houston
The University of Texas Graduate School of Biomedical Sciences at Houston
The University of Texas School of Public Health at Houston
The University of Texas Dental Branch at Houston
The University of Texas Medical Branch at Galveston
The University of Texas Southwestern Medical School at Dallas
The University of Texas Medical School at San Antonio
The University of Texas Nursing School (System Wide), excepting the Nursing Schools at El Paso and San Antonio.

The term "Library Use Fee" shall mean the gross collections of a special fee to be fixed, charged and collected from all students (excepting those exempt as provided by law) regularly enrolled at each New System Institution, respectively, for the use and availability of all library facilities at each such New System Institution, respectively, in the manner and to the extent provided in this Resolution.

The term "New System Institution" shall mean and include each of the following institutions, respectively, to be operated by and under the jurisdiction of the Board, and which were newly created by various Acts of the 61st Legislature, Regular Session, 1969:

The University of Texas at Dallas
The University of Texas of the Permian Basin
The University of Texas at San Antonio
The University of Texas Medical School at Houston
The University of Texas Dental School at San Antonio
The University of Texas (Undergraduate) Nursing School at El Paso
The University of Texas (Clinical) Nursing School at San Antonio;

except and provided that although the Board intends to use its best efforts to acquire, purchase, construct, improve, enlarge, and/or equip buildings, structures, and facilities for the foregoing institutions as soon as practicable and to the extent permitted by law, in order to establish and commence full operation of each of said institutions as a part of The University of Texas System, the Board does not warrant or represent any particular date for commencing or completing any work at any such institution, and it is agreed and shall be understood that each such institution shall become and constitute a New System Institution, and the lien on the Pledged Revenues at any such institution shall be effective, only upon the actual enrollment of students on a regular basis and the commencement of regular operation of such institution, if and when such event occurs.

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 (excepting the Bonds and Additional Bonds) issued by the Board:

- (a) \$5.00 per regular semester and summer session for each student enrolled for 12 or more Semester Credit Hours; and
- (b) \$0.42 per Semester Credit Hour per regular semester and summer session for each student enrolled for less than 12 Semester Credit Hours;

and Section 55.17 (f) (2) of the Texas Education Code provides, and it is hereby 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 Chapter 54 of the Texas Education Code, as amended, to which reference is hereby made for all purposes.

The term "Pledged Revenues" shall mean collectively (a) the Pledged General Tuition, (b) the Library Use Fee (c) the Administration Use Fee, (d) all debt service subsidy and interest grants received from the United States Government in connection with the Bonds and Additional Bonds, and (e) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter may be pledged to the payment of the Bonds or the Additional Bonds.

The term "Series 1971 Resolution" shall mean the resolution adopted by the Board on December 2, 1971, authorizing the issuance of the Series 1971 Bonds.

The term "Series 1978 Bonds" shall mean the bonds authorized by this Resolution.

The term "Series 1974 Bonds" shall mean the Board of Regents of The University of Texas System General Tuition Revenue Bonds, New Series 1974, which shall be refunded and defeased with the proceeds of the Series 1978 Bonds.

The term "System Tuition" shall mean the aggregate amount of all student tuition charges actually received by The University of Texas System during any University of Texas System fiscal year, or during any twelve consecutive calendar month period, after deducting from such aggregate amount (1) the amount of tuition scholarships provided by law, and (2) the amount of such student tuition charges which has been pledged to the payment of other bonds (excepting the Bonds and Additional Bonds) issued by the Board.

General Covenants

The Board covenants and agrees that 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 manner prescribed in such resolutions and Bonds or Additional Bonds; and that it will, at the times and in the manner prescribed, deposit or cause to be deposited from the Pledged Revenues the amounts required to be deposited into the Interest and Sinking Fund and the Reserve Fund; and any holder of the Bonds or Additional Bonds may require

the Board, its officials and employees, and any appropriate official of the State of Texas, to carry out, respect, or enforce the covenants and obligations of this Resolution or any resolution authorizing the issuance of Additional Bonds, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the Board, its officials and employees, or any appropriate official of the State of Texas.

Administration Use Fee

(a) The Board covenants and agrees to fix, levy, charge, and collect a uniform Administration Use Fee from all students (excepting those exempt as provided by law) regularly enrolled in each Established System Institution and New System Institution, respectively, at each regular fall and spring semester and at each term of each summer session, for the use and availability of the principal administration building or buildings, and all administration and student services facilities provided therein, at each such Established System Institution and each New System Institution, respectively, in such amounts, without any limitation whatsoever, as will be at least sufficient at all times to provide, together with other Pledged Revenues, the money for making all deposits required to be made to the credit of the Interest and Sinking Fund in connection with the Bonds, and to pay, when due, all principal of and interest on the Bonds.

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

Library Use Fee

(a) The Board covenants and agrees to fix, levy, charge, and collect a uniform Library Use Fee from all students (excepting those exempt as provided by law) regularly enrolled in each New System Institution, respectively, at each regular fall and spring semester and at each term of each summer session, for the use and availability of all library facilities at each such New System Institution, respectively, in such amounts, without any limitation whatsoever, as will be at least sufficient at all times to provide, together with other Pledged Revenues, the money for making all deposits required to be made to the credit of the Interest and Sinking Fund and the Reserve Fund in connection with the Bonds and any Additional Bonds.

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

Creation of Fund Accounts

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 "Revenue Fund". All collections of Pledged Revenues shall be credited to the Revenue Fund immediately upon receipt.

In order 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 at an official depository of the Board (which must be a member of the Federal Deposit Insurance Corporation) a separate fund to be entitled the "General Tuition Revenue Bonds Interest and Sinking Fund" (herein called the "Interest and Sinking Fund").

There is hereby created and there shall be established at an official depository of the Board (which must be a member of the Federal Deposit Insurance Corporation) a separate fund 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.

Flow of Funds

The Board shall transfer from the Pledged Revenues in the Revenue Fund and deposit to the credit of the Interest and Sinking Fund the amounts, at the times, as follows:

(1) on or before September 25, 1978, and semi-annually on or before each March 25th and September 25th thereafter, an amount which will be sufficient, together with other monies, if any, then on hand therein and available for such purpose, to pay the interest scheduled to accrue and come due on the Bonds on the next succeeding interest payment date; and

(2) on or before September 25, 1978, and semi-annually on or before each March 25th and September 25th thereafter, an amount equal to one-half of the principal scheduled to mature and come due on the Bonds on the next succeeding principal maturity date.

On or before September 25, 1978, and semi-annually on or before each March 25th and September 25th thereafter, the Board shall transfer from the Pledged Revenues in the Revenue Fund and deposit to the credit of the Reserve Fund an amount equal to 1/10th of the average annual principal and interest requirements of the Series 1975 Bonds; provided, however, that when the money and investments in the Reserve Fund are at least equal in market value to the amount of the average annual principal and interest requirements of the Bonds, then such deposits may be discontinued, unless and until the Reserve Fund should be depleted to less than said amount in market value, in which case said deposits shall be resumed and continued until the Reserve Fund is restored to said amount; and so long as the Reserve Fund contains said amount, any surplus in the Reserve Fund over said amount may be used to retire any Bonds or Additional Bonds by purchase on the open market, at such price as shall be determined by the Board, or by call for redemption prior to maturity (provided that if any Bond or Additional Bond is subject to call for redemption prior to maturity on the next succeeding interest payment date, its purchase price shall not exceed the redemption price that would be applicable on such date), or such surplus may be used for any other lawful purpose, at the option of the Board.

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

Immediately following each required semi-annual 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 may be used by the Board 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 semi-annual deposit from the Revenue Fund has been made to the credit of the Interest and Sinking Fund and the Reserve Fund.

On or before the last day of September, 1978, and semi-annually on or before the last day of each March and of each September thereafter while any of the Bonds or Additional Bonds are outstanding and unpaid, the Board shall make available to the paying agents therefor, 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 and Additional Bonds as will accrue or mature on the April 1st or October 1st immediately following. The paying agents shall totally destroy all paid Bonds and Additional Bonds, and the coupons appertaining thereto, and shall furnish the Board with an appropriate certificate of destruction.

At such times as the aggregate amount of money and investments in the Interest and Sinking Fund and the Reserve Fund are at least equal in market value to (1) the aggregate principal amount of all unpaid (unmatured and matured) outstanding Bonds and Additional Bonds, plus (2) the aggregate amount of all unpaid (unmatured and matured) outstanding interest coupons appertaining to 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 coupons appertaining thereto, outstanding at any time, there shall be subtracted and excluded the amount of any such Bonds and Additional Bonds, and interest coupons appertaining thereto, which shall have been duly called for redemption and for which funds shall have been deposited with the paying agents therefor sufficient, including any required redemption premium, for such redemption.

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

Additional Bonds

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

(a) The Interest and Sinking Fund and the Reserve Fund established by this Resolution shall secure and be used to pay all Additional Bonds as well as the Bonds. However, each resolution under which Additional Bonds are issued shall provide and require that, in addition to the amounts required by the provisions of this Resolution and the provisions of any other resolution or resolutions authorizing Additional Bonds to be deposited to the credit of the Interest and Sinking Fund, the Board shall transfer from the Pledged Revenues and deposit to the credit of the Interest and Sinking Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Bonds then being issued, as the same comes due, and that the Board shall transfer from said Pledged Revenues and deposit to the credit of the Reserve Fund at least such amounts, in approximately equal semi-annual installments, as will, together with any other amounts already required to be deposited in the Reserve Fund in connection with the Bonds and any other outstanding Additional Bonds, be sufficient to cause the Reserve Fund to accumulate and contain within a period of not to exceed sixty months after the date of said Additional Bonds then being issued, a total amount of money and investments at least equal in market value to the average annual principal and interest requirements of all Bonds and Additional Bonds to be outstanding after the issuance of the then proposed Additional Bonds.

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

(c) Additional Bonds shall be issued only in accordance with this Resolution, but notwithstanding any provision of this Resolution to the contrary, no installment, Series, or issue of Additional Bonds shall be issued or delivered unless:

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

(2) The State Auditor of the State of Texas, or a certified public accountant, signs a written certificate to the effect that, during either the next preceding University of Texas System fiscal year, 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, either the Pledged Revenues were, or the System Tuition was, at least equal to 1.25 times the average annual principal and interest requirements of all Bonds and Additional Bonds to be outstanding after the issuance of the then proposed Additional Bonds.

Investments

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

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

Application of Series 1978 Bond Proceeds

The proceeds from the sale of the Series 1978 Bonds shall be disbursed as follows:

(a) To the Interest and Sinking Fund, the accrued interest and premium, if any, received from the sale of the Series 1978 Bonds;

(b) To be applied, along with certain proceeds of the Series 1974 Bonds Reserve Fund, to fund and establish at the City National Bank, Austin, Texas, an escrow fund to be entitled "Board of Regents of The University of Texas System General Tuition Revenue Bonds, New Series 1974 Escrow Fund" in accordance with the terms of that certain Escrow Agreement to be entered into between the Board and said bank at or prior to delivery of the Series 1978 Bonds, which escrow fund shall have deposited to its credit the required beginning cash balance (if necessary) and direct obligations of the United States of America, in amounts bearing interest and maturing in such a manner as to provide funds sufficient for the payment of principal of, redemption premiums on and interest to maturity or redemption on the Series 1974 Bonds, all as more fully set forth in such Escrow Agreement;

(c) To pay expenses connected with the refunding of the Series 1974 Bonds and the issuance of the Series 1978 Bonds; and

(d) The balance, if any, to the Interest and Sinking Fund.

No Arbitrage

The Board certifies that based upon all facts, estimates and circumstances now known or reasonably expected to be in existence on the date the Series 1978 Bonds are delivered and paid for, the Board reasonably expect that the proceeds of the Series 1978 Bonds will not be used in a manner that would cause the Series 1978 Bonds or any portion thereof to be an "arbitrage bond" under Section 103(c) of the Internal Revenue Code of 1954, as amended, and the temporary and proposed regulations heretofore prescribed thereunder. Furthermore, all officers, employees and agents of the Board are authorized and directed to provide certifications of facts, estimates and circumstances which are material to the reasonable expectations of the Board as of the date the Series 1978 Bonds are delivered and paid for, and any such certifications may be relied upon by counsel, by the holders of the Series 1978 Bonds, or by any person interested in the exemption of interest on the Series 1978 Bonds from federal income taxation. Moreover, the Board covenants that it shall make such use of the proceeds of the Series 1978 Bonds, regulate investments of proceeds of the Series 1978 Bonds, and to take such other and further action as may be required so that the Series 1978 Bonds shall not be "arbitrage bonds" under Section 103(c) of the Internal Revenue Code of 1954, as amended, and regulations prescribed from time to time thereunder.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the arithmetical computations of the adequacy of (i) the maturing principal and interest income derived from the United States Government Securities to pay, when due, the principal of interest and redemption premium on the Series 1974 Bonds and (ii) the accuracy of the mathematical computations only, supporting the conclusion of Bond Counsel with reference to "arbitrage bonds" (noted above) will be verified by Ernst & Ernst, independent public accountants. Such verification of arithmetical accuracy and mathematical computations shall be based on information supplied by the Board through the Financial Advisor.

ELIGIBILITY AS INVESTMENTS

Section 55.21 of the Texas Education Code provides that the Series 1978 Bonds are legal and authorized investments in Texas for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, trustees, and guardians, and for all interest and sinking funds and other public funds of the State of Texas and for all agencies, subdivisions, and instrumentalities thereof, including all counties, cities, towns, villages, school districts, and for all other kinds and types of districts, public agencies and bodies politic. The Series 1978 Bonds also shall be eligible and lawful security for all deposits of public funds of the State of Texas and all agencies, subdivisions, and instrumentalities thereof, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the Series 1978 Bonds, when accompanied by any unmatured interest coupons appurtenant thereto. The Board and Underwriter make no representations regarding the investment eligibility of the Series 1978 Bonds for any particular institution, and such decisions are the sole responsibility of the particular purchaser.

RATINGS

The Board of Regents has made application to Moody's Investors Service Inc. and Standard and Poor's Corporation for the purpose of attaining a credit rating. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations at the time such ratings were given and the Board makes no representation as to the appropriateness of the ratings.

There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

TAX EXEMPTION

The issuance of the Series 1978 Bonds is subject to the opinion of Vinson & Elkins, Houston, Texas, Bond Counsel, to the effect that interest on the Series 1978 Bonds is exempt from present federal income taxes under existing statutes, regulations, published rulings and court decisions.

The Board will issue a certificate, accompanied by an opinion of counsel, to the effect that on the basis of the facts, estimates and circumstances in existence on the date of delivery of the Series 1978 Bonds it is not expected that the proceeds of the Series 1978 Bonds will be used in a manner that would cause the Series 1978 Bonds to be "arbitrage bonds" under Section 103(c) of the Internal Revenue Code. The opinion of Vinson & Elkins will state that, based on their examinations of the law and their review of the no-arbitrage certificate of the Board and the verification of the arithmetical and mathematical computations by Ernst & Ernst, independent public accountants, the facts, estimates and circumstances are sufficiently set forth in such no-arbitrage certificate and the above-mentioned verification to satisfy the criteria which are necessary under Section 103(c) of the Internal Revenue Code of 1954, as amended, and applicable Treasury Regulations, to support the conclusion that the Series 1978 Bonds will not be arbitrage bonds.

FINANCIAL ADVISORS

The Board of Regents has retained the services of Rauscher Pierce Securities Corporation in the capacity as Financial Advisors to the Board for a fee based upon the amount of Bonds actually issued, sold and delivered. The payment of such fee is contingent upon the sale and delivery of the Bonds. The Financial Advisors have agreed not to submit an underwriting bid at the public sale of the Series 1978 Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series 1978 Bonds are subject to the unqualified approval of the Attorney General of the State of Texas and Messrs. Vinson & Elkins, Houston, Texas, Bond Counsel, whose approving opinion will be printed on the Bonds and delivered with the Series 1978 Bonds. Messrs. Vinson & Elkins were not requested to participate, and did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "The Series 1978 Bonds" and "The Bond Resolutions". No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any other information contained herein.

SOURCE AND USE OF INFORMATION

This Official Statement has been prepared under the direction of the Board of Regents of The University of Texas System by Rauscher Pierce Securities Corporation, a firm employed by the Board to perform professional services in the capacity of financial advisors. The information set forth herein has been obtained from the Board's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates con-

tained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to official documents in all respects.

The Board of Regents of The University of Texas System has reviewed and approved the Official Notice of Sale, Official Bid Form and Official Statement and said instruments have been authorized for use and distribution by Rauscher Pierce Securities Corporation, Financial Advisors, for the purpose of securing bids on the bonds offered hereby.

Approved and adopted by resolution of the Board of Regents of The University of Texas System this 4th day of August, 1978.

/S/

Chairman, Board of Regents of
The University of Texas System

ATTEST:

/S/

Secretary, Board of
Regents of The University
of Texas System

EXHIBIT A

APPENDIX

The information contained in this appendix consists of excerpts from The University of Texas System Financial Report for the Fiscal Year ended August 31, 1977 and is not intended to be a complete statement of the System's financial condition. Reference is made to the complete Financial Report for further information. The accounts and records of The University of Texas System are audited annually by the State Auditor. The audit for the 1977 fiscal year is currently in progress. When completed, the Auditor's opinion will be available upon request.

Combined Balance Sheet

at August 31, 1977

Assets		1977	Comparative 1976
CURRENT FUNDS UNRESTRICTED			
GENERAL			
Cash and Reimbursement in Transit	\$	43,600,922	\$ 37,640,420
Balance in State General Revenue Appropriation		6,617,104	5,330,588
Investments (See Note C)		253,330	284,067
Accounts Receivable (Net of \$23,111,292 Allowance in 1977)		14,695,388	12,811,314
Other Receivables and Prepayments		701,707	527,587
Due from Other Funds		11,647,145	8,114,171
Inventories		8,563,175	7,524,588
Total General		86,078,771	72,309,757
DESIGNATED			
Cash		66,427,671	52,710,040
Accounts Receivable (Net of \$3,322,480 Allowance in 1977)		2,030,144	2,185,818
Other Receivables and Prepayments		215,283	48,188
Due from Other Funds		16,134,635	13,843,777
Inventories		1,341,367	701,289
Total Designated		86,149,100	69,490,002
AUXILIARY ENTERPRISES			
Cash		17,399,706	14,202,209
Investments (See Note C)		263,058	267,600
Accounts Receivable, Notes Receivable and Prepayments		1,113,377	951,480
Due from Other Funds		1,391,942	9,880
Inventories		4,069,666	4,053,768
Total Auxiliary Enterprises		24,237,749	19,484,947
Total Unrestricted		196,465,620	161,285,605
RESTRICTED			
Cash		33,493,700	21,303,855
Investments (See Note C)		701,858	564,577
Federal Accounts Receivable		12,517,007	21,192,278
Other Accounts Receivable		10,337,424	7,256,219
Other Receivables and Prepayments		1,905,820	731,951
Federal Contract and Grant Awards		88,338,207	85,699,418
Non-Federal Contract and Grant Awards		12,478,914	11,195,660
Due from Other Funds			27,069
Total Restricted		159,772,930	147,970,138
Total Current Funds	\$	356,238,550	\$ 309,255,743

Liabilities and Fund Balances

	1977	Comparative 1976
CURRENT FUNDS UNRESTRICTED		
GENERAL		
Accounts Payable	\$ 6,529,898	\$ 4,674,920
Due to Other Funds	30,829,568	21,163,989
Deposits and Deferred Revenue	3,484,861	4,047,209
Fund Balances		
Allocated	39,252,181	37,023,443
Unallocated	5,982,263	5,400,206
Total General	86,078,771	72,309,767
DESIGNATED		
Accounts Payable	651,394	209,079
Due to Other Funds	953,894	195,390
Deposits and Deferred Revenue	13,437,544	12,580,194
Fund Balances	71,106,268	56,506,228
Total Designated	86,149,100	69,490,891
AUXILIARY ENTERPRISES		
Accounts Payable	1,524,037	1,175,469
Due to Other Funds		187,695
Deposits and Deferred Revenue	4,936,988	4,596,265
Fund Balances	17,776,724	13,525,518
Total Auxiliary Enterprises	24,237,749	19,484,947
Total Unrestricted	196,465,620	161,285,605
RESTRICTED		
Accounts Payable	767,359	691,848
Undistributed Income	8,000	8,000
Due to Other Funds	16,788,381	13,316,558
Fund Balances (Unearned)	142,209,190	133,953,732
Total Restricted	159,772,930	147,970,138
Total Current Funds	\$ 356,238,550	\$ 309,255,743

Combined Balance Sheet

at August 31, 1977

Assets		1977	Comparative 1976
LOAN FUNDS			
Cash	\$ 2,650,188	\$ 2,179,000	
Investments (See Note C)	92,238	194,200	
Notes Receivable	22,196,919	17,344,181	
Other Receivables	556,257	284,177	
Due from Other Funds	297,096	100,000	
Total Loan Funds	\$ 25,792,698	\$ 21,997,558	
ENDOWMENT AND SIMILAR FUNDS			
STATE (Permanent University Fund) (See Note D)			
Cash	\$ 924,424	\$ 31,174	
Investments (See Note C)	955,148,558	864,000,000	
Accounts Receivable		170,000	
Total State	956,072,982	864,600,783	
OTHER THAN STATE			
Cash	1,814,664	1,750,000	
Investments (See Note C)	105,503,010	100,700,000	
Accounts Receivable		100,000	
Funds Held by Sealy and Smith Foundation (See Note E)	870,963	870,963	
Total Other Than State	108,188,637	102,847,112	
Total Endowment and Similar Funds	\$1,064,261,619	\$ 967,447,895	
ANNUITY AND LIFE INCOME FUNDS			
Cash	\$ 45,336	\$ 212,679	
Investments (See Note C)	2,828,132	4,037,400	
Accounts Receivable		5,150	
Total Annuity and Life Income Funds	\$ 2,873,468	\$ 4,255,532	
AVAILABLE UNIVERSITY FUND			
Cash	\$ 17,386,842	\$ 15,254,407	
Investments (See Note C)	101,100	100,100	
Accounts Receivable		100,000	
Total Available University Fund	\$ 17,487,942	\$ 15,372,268	

Liabilities and Fund Balances

	1977	Comparative 1976
LOAN FUNDS		
Accounts Payable	\$ 461	\$ 1,111
Fund Balances	20,954,494	17,684,036
U. S. Government Grants Refundable	4,837,743	4,237,367
University Funds		
Total Loan Funds	\$ 25,792,698	\$ 21,922,514
ENDOWMENT AND SIMILAR FUNDS		
STATE (Permanent University Fund)		
Fund Balance	\$ 956,072,982	\$ 864,600,783
Endowment		
Total State	956,072,982	864,600,783
OTHER THAN STATE		
Due to Other Funds		27,069
Fund Balances	68,127,879	60,413,104
Endowment	646,207	639,932
Temp Endowment	39,414,551	39,267,007
Quasi-Endowment		
Total Other Than State	108,188,637	102,847,112
Total Endowment and Similar Funds	\$1,064,261,619	\$ 967,447,895
ANNUITY AND LIFE INCOME FUNDS		
Fund Balances	\$ 2,873,468	\$ 4,255,532
Total Annuity and Life Income Funds	\$ 2,873,468	\$ 4,255,532
AVAILABLE UNIVERSITY FUND		
Due to the Texas A&M University System	\$ 241,962	\$ 163,624
Due to Other Funds	16,679,800	14,725,905
Fund Balances	566,180	482,739
Total Available University Fund	\$ 17,487,942	\$ 15,372,268

Combined Balance Sheet

For the Year Ended August 31, 1977

Assets		1977	Comparative 1976
PLANT FUNDS			
UNEXPENDED			
Cash	\$ 89,524,139	\$ 154,769,331	
Balance in State General Revenue Appropriation	23,249,193	32,287,327	
Accounts Receivable	193,005	554,417	
Federal Grants Receivable	5,135,696	8,957,638	
Non-Federal Grants Receivable	945,859	2,120,800	
Due from Other Funds	36,444,206	26,293,333	
Total Unexpended	155,492,098	224,974,333	
FUNDS FOR RENEWALS AND REPLACEMENTS			
Cash	1,807,139	1,178,447	
Due from Other Funds	577,059		
Total Funds for Renewals and Replacements	2,384,198	1,178,447	
FUNDS FOR RETIREMENT OF INDEBTEDNESS			
Cash	17,109,378	10,317,749	
Investments (See Note C)	38,724,522	36,699,799	
Accounts Receivable	221,375	1,805,947	
Due from Other Funds	5,836,044		
Funds Held by State Treasurer			
Total Funds for Retirement of Indebtedness	61,891,319	48,824,402	
INVESTMENT IN PLANT			
Land	70,841,804	68,570,000	
Buildings	557,855,992	469,804,374	
Improvements Other than Buildings	54,627,390	47,530,666	
Equipment	356,771,113	309,088,443	
Construction in Progress	379,041,260	376,447,174	
Total Investment in Plant	1,419,137,559	1,271,436,593	
Total Plant Funds	\$1,638,905,174	\$1,546,417,772	
AGENCY FUNDS			
Cash	\$ 3,639,131	\$ 2,956,001	
Investments (See Note C)	4,173,381	1,771,514	
Accounts Receivable	1,512,649	905,193	
Federal Contract and Grant Awards	262,211	278,364	
Real Estate	250,224	250,304	
Total Agency Funds	\$ 9,837,596	\$ 6,161,376	

Liabilities and Fund Balances

	1977	Comparative 1976
PLANT FUNDS		
UNEXPENDED		
Accounts Payable	\$ 1,797,446	\$ 343,945
Due to Other Funds	1,000,000	59,937,197
Bonds Payable	22,314,662	
Fund Balances		
Restricted	85,056,145	120,253,639
Unrestricted	45,323,845	44,444,579
Total Unexpended	155,492,098	224,979,330
FUNDS FOR RENEWALS AND REPLACEMENTS		
Fund Balances		
Restricted	813,414	400,702
Unrestricted	1,570,784	777,745
Total Funds for Renewals and Replacements	2,384,198	1,178,447
FUNDS FOR RETIREMENT OF INDEBTEDNESS		
Fund Balances		
Restricted	61,891,319	48,824,402
Total Funds for Retirement of Indebtedness	61,891,319	48,824,402
INVESTMENT IN PLANT		
Due to Other Funds	417,000	550,000
Bonds, Notes, Mortgages and Advances Payable	545,071,912	513,505,956
Net Investment in Plant	823,648,647	757,379,637
Total Investment in Plant	1,419,137,559	1,271,436,593
Total Plant Funds	\$1,638,905,174	\$1,546,417,772
AGENCY FUNDS		
Accounts Payable	\$ 2,956,001	\$ 19,159
Due to Other Funds	44,815	6,130
Investment in Plant	250,224	250,224
Deposits Held in Custody for Others	9,532,591	5,886,484
Total Agency Funds	\$ 9,837,596	\$ 6,161,897

See page A-12 for notes to financial statements and summary of accounting policies

Combined Statement of Changes in Fund Balances

For the Year Ended August 31, 1977

	CURRENT FUNDS				ENDOWMENT AND SIMILAR FUNDS STATE	OTHER THAN STATE	ANNUITY AND LIFE INCOME FUNDS	AVAILABLE UNIVERSITY FUND	PLANT FUNDS				
	UNRESTRICTED FUNDS General	Designated	Auxiliary Enterprises	Total Unrestricted					Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	
BALANCES, September 1, 1976	\$ 42,423,649	\$ 56,506,228	\$ 13,525,518	\$112,455,395	\$1,403	\$64,001,783	\$102,820,043	\$ 4,255,532	\$ 482,739	\$164,698,188	\$ 1,178,447	\$ 48,824,402	\$757,379,637
REVENUES AND OTHER ADDITIONS													
Unrestricted Current Fund Revenues	438,691,859	88,653,048	47,418,823	574,763,730						1,670,000			
State Appropriations - Restricted										3,561,387		862,708	348,690
Federal Grants and Contracts - Restricted													
State Grants and Contracts - Restricted													
Local Grants and Contracts - Restricted													
Private Gifts, Grants and Contracts - Restricted						4,061,976	253,525			1,277,765		1,500,000	2,054,547
Proceeds from Sale of Bonds					91,626,761	1,448,339	171,935	37,250,640		20,000,000	4,120	6,567,179	
Investment Income						201,459				6,472,630		12,870	
Realized Gains on Investments													
Interest on Loans Receivable													
U.S. Government Advances													
Expended for Plant Facilities (Including \$31,711,291 Charged to Current Fund Expenditures)													145,732,839
Net Change in Bonds Payable										37,622,535			
Ad Valorem Tax Funds in State Treasury at September 1, 1976												4,118,362	
Ad Valorem Tax Allocation												4,321,089	
Other Additions	463,732	2,399,971	30,525	2,894,228						322,075		154,736	5,382,126
Total Revenues and Other Additions	439,155,591	91,053,019	47,449,348	577,657,958	91,626,761	5,711,774	425,460	37,250,640	70,926,392	4,120	17,536,944	153,518,202	
EXPENDITURES AND OTHER DEDUCTIONS													
Expenditures	420,124,453	51,022,518	42,807,975	513,954,946			199,755	1,100,371	3,324,834		4,288		
Appropriations Lapsed	2,916,283			2,916,283									
Indirect Costs Recovered													
Refunded to Grantor													
Loan Cancellations and Write-offs													
Administrative and Collection Costs													
Realized Losses on Investments													
Expended for Plant Facilities													
Retirement of Indebtedness and Interest Paid													
Disposal of Plant Facilities													
Net Change in Bonds, Notes, Mortgages and Advances Payable	148,972	338,533	29,607	517,112			73,330	4,365	63,808				31,437,956
Other Deductions													129,237
Total Expenditures and Other Deductions	422,189,708	51,361,051	42,837,582	517,388,341	434,062	73,330	940,780	1,139,277	135,344,162		49,615,898		37,249,192
TRANSFERS													
MANDATORY													
Retirement of Indebtedness Funds													12,672,216
Permanent University Fund Bonds									(12,672,216)				13,735,480
General Tuition Revenue Bonds		(13,735,480)		(13,735,480)									13,008,409
Other Revenue Bonds		(9,830,467)	(2,224,290)	(12,054,757)		(953,652)							
Renewals and Replacement Funds			(125,500)	(125,500)							125,500		
Loan Funds Matching Grant		(160,317)	(104,830)	(265,147)									
NON-MANDATORY													
Between Funds	(13,155,453)	(1,501,018)	2,090,257	(12,566,214)			(866,744)	(23,355,706)	30,099,572	1,076,131		5,729,756	
From (To) Agency Funds	365	135,354	3,803	139,522									
Total Transfers	(13,155,088)	(25,091,928)	(360,560)	(38,607,576)									
Net Increase (Decrease) for the Year	2,810,795	14,600,040	4,251,206	21,662,041	91,472,199	5,368,594	(1,382,064)	83,441	(34,318,198)	1,205,751	13,066,917		116,269,010
BALANCES, August 31, 1977	\$ 45,234,444	\$ 71,106,268	\$ 17,776,724	\$134,117,436	\$956,072,982	\$108,188,637	\$ 2,873,468	\$ 566,180	\$130,379,990	\$ 2,384,198	\$ 61,891,319		\$873,648,647

See page A-12 for notes to financial statements and summary of accounting policies

Combined Statement of Current Funds
Revenues and Expenditures

For the Year Ended August 31, 1977

	General	Designated	UNRESTRICTED Auxiliary Enterprises	Total Unrestricted	RESTRICTED	TOTAL 1977	Comparative 1976
CURRENT REVENUES						\$ 40,154,601	\$ 37,113,131
Tuition and Fees	\$ 3,809,244	27,648,326	\$ 8,697,226	\$ 40,154,601	\$	\$ 40,154,601	\$ 37,113,131
Federal Appropriations				361,042,936	36,323,923	397,366,859	795,785
State Appropriations	261,242,000	1,170,144		20,463,396	93,565,989	114,029,385	350,921,838
Federal Grants and Contracts	19,233,000	679		394,236	10,573,258	10,967,494	102,254,641
State Grants and Contracts	393,000			53,530	2,048,115	2,101,645	8,444,029
Local Grants and Contracts	53,000			3,285,043	27,886,489	31,171,532	1,245,366
Private Gifts, Grants and Contracts	1,666,000	1,384,688	234,349	354,533	3,185,838	3,540,371	24,786,868
Endowment Income		354,533		57,025,250		57,025,250	2,803,217
Sales and Services of Hospitals	47,342,000	9,683,072		9,523,578		9,523,578	48,476,924
Sales and Services of Educational Activities	1,667,000	7,836,400	38,323,400	38,548,980		38,548,980	8,728,834
Sales and Services of Auxiliary Enterprises		225,560		33,999,880		33,999,880	34,245,265
Professional Fees		33,999,880		9,917,767	1,831,416	11,749,183	28,874,087
Other Sources	3,424,000	6,349,746	163,848				9,387,672
Total Current Revenues	\$438,691,000	66,653,048	\$ 47,418,823	\$574,763,730	\$175,415,028	\$750,178,758	\$650,677,657
CURRENT EXPENDITURES							
EDUCATIONAL AND GENERAL							
Instruction	\$171,585,000	20,382,977	\$	\$192,568,017	\$ 42,451,217	\$235,019,234	\$207,713,052
Research	18,744,000	1,313,909		20,060,865	90,979,362	111,040,227	99,166,757
Public Service	1,188,000	4,022,329		5,210,609	10,834,968	16,045,577	13,756,944
Hospitals	77,884,000	15,493,891		93,378,292	9,387,750	102,766,042	83,225,146
Academic Support	31,346,000	1,574,896		32,921,523	3,727,993	36,649,516	32,332,853
Student Services	7,432,000	510,943		7,943,634	1,726,344	9,669,978	8,429,809
Institutional Support	25,842,000	6,260,267		42,102,795	5,011,443	47,114,238	39,476,963
Operation and Maintenance of Plant	1,781,000	34,979		73,216,473	3,189,211	76,405,684	60,302,137
Scholarships and Fellowships	2,888,000	620,484		3,508,492	5,825,145	9,333,637	7,687,242
Total Educational and General	420,096,000	50,814,615		470,910,700	173,133,433	644,044,133	552,090,903
AUXILIARY ENTERPRISES	26,300,000	207,903	42,807,975	43,044,246	2,281,595	45,325,841	38,949,885
Total Current Expenditures	\$426,124,000	\$1,022,518	\$ 42,807,975	\$513,954,946	\$175,415,028	\$689,369,974	\$591,040,788

See page A-12 for notes to financial statements and summary of accounting policies

Notes to Financial Statements

Note A. Significant changes in reporting procedures affecting the comparability of amounts reported on the financial statements for the fiscal year ended August 31, 1977, with the prior year amounts include the following:

1. As authorized in Section 17, Article VII of the Constitution of Texas, as amended, the Board of Regents of The University of Texas System has issued \$16,915,000 Constitutional Tax Bonds, Series 1972, 1974 and 1976 for The University of Texas at Arlington of which \$7,395,000 was outstanding at August 31, 1977. These Tax Bond liabilities are payable by the State Treasurer solely from collections of the continuing Ad Valorem Tax levied under the cited Article. In accordance with revised reporting instructions to State institutions, the Tax Bonds payable have been included in the Bonds Payable reported at August 31, 1977 (\$1,084,843 is included in the Bonds Payable reported in Unexpended Plant Funds and \$6,310,157 is included in the Bonds Payable reported in Investment in Plant). Bonds payable reported for the prior fiscal year end, August 31, 1976, do not include the Tax Bond liabilities outstanding in the amount of \$9,790,000 at that date. Consistent with the above procedures, the transactions and balances of the "Building Bond Sinking Fund" held by the State Treasurer for the interest and principal retirement of the Tax Bonds have been included in the amounts reported for the Fiscal Year Ended August 31, 1977, but were not included in the reported amounts for the prior year. Following is a summary of such Building Bond Sinking Fund transactions and balances which are reflected in the Statement of Changes in Fund Balances for the 1977 year:

		Plant Funds Retirement of Indebtedness
Revenues and Other Additions:		
Ad Valorem Tax Funds in State Treasury at September 1, 1976	\$4,118,362	
Ad Valorem Tax Allocation	4,321,089	
Investment Income	233,592	
Total Revenues and Other Additions	8,673,043	
Less Expenditures and Other Deductions:		
Retirement of Indebtedness	\$2,395,000	
Interest Paid	441,999	2,836,999
Fund Balance at August 31, 1977	\$5,836,044	

As stated above, comparable prior year transactions were not reflected in the Statement of Changes in Fund Balances for the 1976 year.

2. The University of Texas System School of Nursing is reported in the financial statements as an individual component institution. However, effective September 1, 1976, the System School of Nursing was reorganized to place each of the six Schools of Nursing under the administrative control of the U.T. component institution where the school is located. Accordingly, the System School of Nursing financial statements included in the expanded edition of the Annual Financial Report reflect the transfers of fund balances to other component institutions. Such transfers represent fund balances at September 1, 1976, together with Legislative Appropriations and other revenues for fiscal year 1977, reduced by phase out costs and transitional adjustments. As a result of the above mentioned reorganization and reported transactions, the financial statements for The University of Texas System School of Nursing included in the expanded edition show no remaining assets, liabilities or fund balances at August 31, 1977.

Note B. Cash balances at August 31, 1977 reported in the various fund groups include time deposits totaling \$255,909,701.

Note C. At August 31, 1977, book values of all investments (excluding Permanent University Fund and Available University Fund lands carried at nominal values of \$10,002,384 and \$101,100 respectively) are classified as follows:

Bonds	\$ 638,584,507
Stocks	370,050,090
Real Estate Mortgages and Other Notes	71,212,863
Real Estate	15,475,736
Other Investments	2,362,507
	\$1,097,685,703

The total market value of these investments at August 31, 1977, was at least \$1,086,000,000. During the year, bonds were sold and other bonds of equal par value and greater yield were purchased as replacements; these sales and purchases were treated as "exchanges", thus recognizing no gains or losses. Descriptions of these exchanges are shown in the narrative section of this report, page 18.

Note D. By acts of the Legislature and provisions of the Constitution, the net income of the Permanent University Fund is divided two-thirds to The University of Texas System and one-third to The Texas A&M University System (with the exception of income from grazing leases on University land, all of which goes to The University of Texas System).

Note E. The Special Fund for John Sealy Hospital has been under the joint control of the Board of Regents and the Sealy and Smith Foundation since January 31, 1927, but has always been in the custody of the Foundation.

Note F. Orders and Contracts of \$92,538,841 were outstanding at August 31, 1977 against the Fund Balances of Unexpended Plant Funds.

Some Designated Fund Service Expenditures at component institutions carried negative balances at August 31, 1977.

and materials received as of August 31, 1977, as shown below:

THE UNIVERSITY OF TEXAS	
at Arlington	\$102,000
at Austin	244,000
at Dallas	100,000
at El Paso	200,000
at San Antonio	240,000
Health Science Center at Dallas	100,000
Medical Branch at Galveston	100,000
Health Science Center at Houston	100,000
System Cancer Center	100,000
	\$7,420,000

Note G. At August 31, 1977, The University of Texas System had outstanding Bonds, Notes, Mortgages, and Advances Payable of \$567,386,574. Of this amount approximately \$23,500,000 is payable in the following fiscal year ending August 31, 1978. These liabilities are as follows:

BONDS PAYABLE	
Permanent University Fund Bonds	\$1,084,843
Constitutional Tax Bonds	7,395,000
Building Bond Sinking Fund	4,321,089
Investment Income	233,592
	\$13,034,524

NOTES AND MORTGAGES PAYABLE	
Notes Payable	\$1,000,000
Mortgages Payable	1,000,000
	\$2,000,000

Note H. The financial statements do not reflect the balances or transactions of funds held in trust by others. At August 31, 1977, thirty-eight such funds existed for the benefit of The University of Texas System and other thirty-seven were for five specified component institutions and one for System-wide purposes. Based upon the most recent available information, the assets of these funds held in trust by others are carried by the Trustee at values totaling more than \$45,891,000.

Note I. Beginning September, 1975, the provisions of Senate Bill 52, 64th Legislature, Article 5, Section 7 required the complete payment of accumulated vacation and one-half of accumulated sick leave to terminating employees. During the fiscal year ended August 31, 1977, each component institution established a vacation and sick leave reserve account to fund such payments and wages applied to all eligible salaries and wages credited to the reserve account. The rates used were those negotiated with the U.S. Department of Health, Education, and Welfare for the purpose of charging costs to Federal grants and contracts. The reserve accounts have been classified as Service Departments and are reported in the Designated Current Fund group.

The above mentioned sick leave payment policy was changed by House Bill 1011, 65th Legislature which eliminated lump sum sick leave payments to employees terminating after August 31, 1977, except for payments to the estates of deceased employees of one-half of the individual's accumulated sick leave, or for 336 hours of sick leave, whichever is less. Terminating employees and the estates of deceased employees are still entitled to payment for all vacation time accrued at the time of separation from State employment.

Some Designated Fund Service Expenditures at component institutions carried negative balances at August 31, 1977.

Payments charged to the above-mentioned vacation and sick leave reserve accounts used such deficit account balances at ten component institutions, totaling \$2,538,113. These negative balances will be recovered in subsequent years by credits based on revised vacation and sick leave rates to be charged to appropriate departments and various grants and contracts. In addition to the aforementioned deficits, a computer acquisition during the year resulted in a deficit account balance at U.T. San Antonio of \$668,020. The acquisition costs of the computer will be recovered through charges for services performed in subsequent years.

Note J. In the Combined Statement of Current Funds Revenues and Expenditures for the year ended August 31, 1977, the category "Federal Grants and Contracts" includes \$89,349 of revenues from the College Work Study Program at UT Austin, which under prior year reporting procedures, would have been classified as "Federal Appropriations". The comparable amount included in the "Federal Appropriations" reported in the Combined Statement of Current Funds Revenues and Expenditures for the year ended August 31, 1976 was \$784,704.

Note K. Prepaid Expenses reported in Restricted Current Funds on the Balance Sheet include \$1,778,896 of costs charged to payroll clearing accounts of various U.T. Austin federally sponsored research centers. These costs had not been distributed to expenditure accounts at August 31, 1977, but charges to be appropriate Federal grants and/or contracts will be reported as expenditures in the subsequent fiscal year.

Summary of Significant Accounting Policies

PRINCIPLES OF CONSOLIDATION

The combined financial statements include The System Administration and all component institutions of The University of Texas System. All amounts due between component institutions, amounts held for component institutions by the System Administration and other duplications in reporting are eliminated in preparing the combined financial statements.

ACCURAL BASIS OF ACCOUNTING

The financial statements of The University of Texas System are prepared on a modified accrual basis consistent with principles recommended in *College and University Business Administration*, Third Edition, published in 1974.

The Statement of Current Funds Revenues and Expenditures is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of revenues and expenses.

FUND ACCOUNTING

In order to ensure observance of limitations and restrictions placed on resources available to The University of Texas System, the accounts of the System are maintained in accordance with the principles of "fund ac-

counting" as outlined in *College and University Business Administration*, Third Edition, published in 1974. This is the procedure by which resources are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. The University of Texas System maintains individual accounts for each fund, however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group. To ensure proper stewardship in accordance with stated objectives the following fund groups are objected by The University of Texas System:

Current Funds - Funds expendable for current operating purposes. Within the current fund group, funds are segregated between those for general, designated, auxiliary enterprises, and restricted purposes. **Restricted Funds** refer to resources that have been externally restricted and may only be utilized in accordance with the purposes stipulated by the source of such funds. This is in contrast with general, designated and auxiliary enterprises funds over which the Board of Regents retain full control to use in achieving its institutional purposes. Restricted current funds include contract and grant awards for which cash may not have been received nor expenditures made, and also include cash received but not expended, such resources are reported as revenue when expended. **Designated Funds** are resources arising from sources that have been designated by the Board of Regents to be used for special purposes. The separate current fund group styled "Designated Funds" has been established by The University of Texas System to distinguish such internally designated funds from externally restricted as well as other current funds. Included in the Designated Fund group are the Service Department fund balances. That portion of Service Department revenues from outside sources is reported as Sales and Services of Educational Activities. The remainder of the credits from services are netted against the total service department expenditures. Any excess of expenditures is reported in the Institutional Support expenditures category on the Statement of Current Funds Revenues and Expenditures (conversely, if credits from services exceed the expenditures for the year, the excess will reduce the Institutional Support category). These procedures are consistent with, although not specified in *College and University Business Administration*, Third Edition, published in 1974. **Auxiliary Enterprises Funds** are resources used by institutional entities which provide services for students, faculty, and staff and charge a fee directly related to the cost of the service provided. All other current fund resources and activities are recorded in the General Fund.

Loan Funds - Funds available for loans to students.

Endowment and Similar Funds - Funds subject to restrictions of endowment instruments requiring that principal be maintained in perpetuity and that only the income be utilized. The *Permanent University Fund* (State Endowment) is restricted by the Constitution of the State of Texas and only the income of the fund is available for use. (See page 16.) The income from the Per-

manent University Fund is the Available University Fund which is described below. All other endowment income is accounted for in the fund to which it is restricted or designated.

ANNUITY AND LIFE INCOME FUNDS

Annuity Funds - Funds donated to The University of Texas System on condition that the System pay a stipulated amount to the donor or designated individuals for a specified time or until the time of death of the annuitant.

Life Income Funds - Funds similar to Annuity funds, except that the System is required to pay to the donor or designated individuals only the income earned by assets of the funds after deduction of appropriate management expenses.

Available University Fund - Funds created by income from the Permanent University Fund. Although not specified in *College and University Business Administration*, Third Edition, published in 1974, The University of Texas System has established a separate "Available Fund" group because of the unique manner in which it functions.

Plant Funds - This group of funds includes *Unexpended Plant Funds* which account for the unexpended resources derived from various sources to finance the acquisition of long-lived plant assets and the associated liabilities. *Funds for Renewals and Replacements* which provide for the renewal and replacement of plant fund assets as distinguished from additions and improvements to plant. *Funds for Retirement of Indebtedness* which account for the accumulation of resources for interest and principal payments and other debt service charges. *Investment in Plant* includes all long-lived assets in the service of the institution and all construction in progress. However, it does not include any long-lived assets held as investments in the Endowment and Similar Funds and the Available University Fund. Plant Fund bonded indebtedness is reported as a liability of Unexpended Plant Funds to the extent that the bond proceeds are unexpended, and the bonded indebtedness represented by expended proceeds is reported as a liability of the Investment in Plant Fund group.

Agency Funds - Funds in the custody of The University of Texas System held by the System as custodian or fiscal agent for others.

DEPRECIATION

Depreciation policy follows that recommended in *College and University Business Administration*, Third Edition, published in 1974. Accordingly, no depreciation is taken on physical plant and equipment. However, to maintain the principal of endowments unimpaired, depreciation is recorded on real estate which is the investment of Endowment funds.

INVESTMENTS

Investments are carried at cost or, if donated, at fair market value at date of donation, adjusted for amortization of any premium or discount computed on the "scientific" basis. The cost of bond investments reflect "exchanged" cost as described in footnote "B" to the financial statements.

In the opinion of Bond Counsel, the interest on the Series 1978 Bonds is exempt from present federal income taxes under existing statutes, regulations, published rulings and court decisions.

NEW ISSUE

Moody's: A-1
Standard & Poor's: AA

\$32,280,000

**Board of Regents of
The University of Texas System
General Tuition Revenue Refunding Bonds
Series 1978**

Dated: August 1, 1978

Due: April 1, as shown below

The Series 1978 Bonds are special obligations of the Board of Regents of The University of Texas System (the "Board of Regents" or "Board") secured under a Bond Resolution adopted by the Board (the "1978 Resolution") and are payable solely from the Pledged Revenues as provided in the 1978 Resolution. The Series 1978 Bonds do not constitute general obligations of the State of Texas, the Board of Regents of The University of Texas System, or any political subdivision of the State of Texas. Neither the credit nor the taxing power of the State of Texas or any political subdivision of the State of Texas is pledged to the payment of the principal of or interest on the Series 1978 Bonds. The Board of Regents has no taxing power, and bondholders shall never have the right to demand payment from any money raised or to be raised by taxation.

Principal and semi-annual interest (April 1, 1979 and thereafter on each October 1 and April 1) will be payable at Bank of The Southwest, N.A., Houston, Texas, or, at the option of the holder, at Bankers Trust Company, New York, New York; bearer coupon bonds in the denomination of \$5,000, not registrable.

The Series 1978 Bonds maturing April 1, 1989 through April 1, 1996, inclusive, shall be redeemable, in whole or in part in inverse numerical order on April 1, 1988 or any interest payment date thereafter at par and accrued interest to date of redemption.

MATURITIES, AMOUNTS, COUPON RATES AND PRICES

Year	Amount	Coupon	Price or Yield	Year	Amount	Coupon	Price or Yield
1981	\$1,510,000	5.00	4.80	1989	\$2,170,000	5.25	100
1982	1,565,000	5.00	4.85	1990	2,285,000	5.30	5.35
1983	1,640,000	5.00	4.90	1991	2,415,000	5.40	5.45
1984	1,715,000	5.00	4.95	1992	2,400,000	5.50	5.55
1985	1,810,000	5.00	100	1993	2,400,000	5.60	5.65
1986	1,895,000	5.00	5.05	1994	2,395,000	5.75	100
1987	1,985,000	5.10	100	1995	2,340,000	5.80	5.85
1988	2,065,000	5.10	5.15	1996	1,690,000	5.95	100

(Accrued Interest to be Added)

The Series 1978 Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without any notice, and to the approval of legality of the Series 1978 Bonds by Vinson & Elkins, Houston, Texas and by the Attorney General of the State of Texas. It is expected that the Series 1978 Bonds in definitive form will be available for delivery to the Underwriter in Austin, Texas on or about August 30, 1978.

Merrill Lynch White Weld Capital Markets Group
Merrill Lynch, Pierce, Fenner & Smith Incorporated

The date of this Official Statement is August 4, 1978.

The information in this Official Statement has been obtained for and provided by the Board of Regents of The University of Texas System except as otherwise indicated. The sources of such information are considered to be reliable and those customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness. A copy of the complete 1978 Resolution under which the Series 1978 Bonds are issued is available upon request to the Board of Regents. All estimates and assumptions contained herein are believed to be reliable but no representation is made that such estimates or assumptions are correct or will be realized. No person, including any broker, dealer or salesman, has been authorized to give any information or to make any representation other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Board of Regents. Any information or expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create an implication that there has been no change as to the affairs of the Board of Regents since the date hereof.

This Official Statement does not constitute an offer to sell the Series 1978 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

The Series 1978 Bonds have not been registered with the Securities and Exchange Commission by reason of the exemption provisions of Section 3(a)(2) of the Securities Act of 1933, as amended. The Series 1978 Bonds have not been approved or disapproved by the Securities and Exchange Commission and the Commission has not passed upon the accuracy or adequacy of this Official Statement.

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OFFICIAL STATEMENT

\$32,280,000

Board of Regents of The University of Texas System

General Tuition Revenue Refunding Bonds, Series 1978

July 25, 1978

INTRODUCTION

This Official Statement, including the cover page and exhibits, is furnished in connection with the offering of \$32,280,000 principal amount of General Tuition Revenue Refunding Bonds, Series 1978 (the "Series 1978 Bonds") of the Board of Regents of The University of Texas System (the "Board of Regents" or "Board").

The Series 1978 Bonds are authorized to be issued by and secured by a Bond Resolution to be adopted August 4, 1978 (the "1978 Resolution") by the Board. Pursuant to the 1978 Resolution, the Series 1978 Bonds, together with other parity bonds, will be payable from and secured by a pledge of and first lien on the Pledged Revenues of the Board as defined in the 1978 Resolution (see "The Bond Resolution"). The Series 1978 Bonds, together with the interest payable thereon, will be special obligations of the Board payable solely from the Pledged Revenues, and are payable at the Bank of The Southwest, N.A., Houston, Texas or Bankers Trust Company, New York, New York. The Series 1978 Bonds do not constitute general obligations of the State of Texas, the Board of Regents of The University of Texas System, or any political subdivision of the State of Texas. Neither the credit nor the taxing power of the State of Texas or any political subdivision of the State of Texas is pledged to the payment of the principal of, or interest on the Series 1978 Bonds. The Board of Regents has no taxing power, and bondholders shall never have the right to demand payment from any money raised or to be raised by taxation.

The net proceeds of the Series 1978 Bonds, together with other available funds, will be applied to refund the outstanding \$33,000,000 Board of Regents of The University of Texas System, General Tuition Revenue Bonds, New Series 1974 (the "Series 1974 Bonds").

PLAN OF FINANCING

The Board has previously issued \$50,000,000 General Tuition Revenue Bonds, Series 1971 (the "Series 1971 Bonds"), \$43,665,000 of which are presently outstanding; \$50,000,000 General Tuition Revenue Bonds, Series 1972 (the "Series 1972 Bonds"), \$45,890,000 of which are presently outstanding; \$17,000,000 General Tuition Revenue Bonds, Series 1972-A (the "Series 1972-A Bonds"), \$15,915,000 of which are presently outstanding; and \$33,000,000 General Tuition Fee Revenue Bonds, New Series 1974, all of which are presently outstanding.

The Series 1974 Bonds are payable from and secured by a lien and pledge of Pledged Revenues which is subordinate to the first lien and pledge held by the Series 1971 Bonds, the Series 1972 Bonds, and the Series 1972-A Bonds. The proceeds of the Series 1978 Bonds, together with other

available funds, will be applied to refund and defease the Series 1974 Bonds. Upon delivery, the Series 1978 Bonds will be secured by a first lien and pledge of Pledged Revenues on a parity with the Series 1971 Bonds, the Series 1972 Bonds and the Series 1972-A Bonds.

The purpose of the refunding is to allow parity security for all General Tuition Revenue issues and to effect total debt service savings with an estimated present value of approximately \$2,062,000.

The monies required to refund the Series 1974 Bonds will be provided from the net proceeds of the Series 1978 Bonds and from other monies available in the Series 1974 Bond Reserve Fund. Such monies shall be applied to the purchase of direct obligations of the United States of America ("Federal Securities"). The Federal Securities will be held by the City National Bank, Austin, Texas as Escrow Agent under an Escrow Agreement to be dated the date of the delivery of the Series 1978 Bonds by and between the Board and the Escrow Agent. The Federal Securities are scheduled to mature at such times and in such amounts and bear interest at such rates so that sufficient monies will be available from such maturing principal and interest payments to pay, when due, the principal, interest, and redemption premium, if any, on the Series 1974 Bonds to their respective maturity or redemption dates.

ESTIMATED SOURCES AND USES OF FUNDS

Sources

Principal Amount of the Series 1978 Bonds	\$32,280,000
Accrued Interest	138,485
Available Funds from Series 1974 Bond Reserve Fund	6,999,284
Total Sources	\$39,417,769

Uses

Federal Securities	\$35,699,657
Bond Discount and Other Financing Expenses	557,205
Capitalized Reserve Fund	3,015,494
Interest and Sinking Fund	145,413
Total Uses	\$39,417,769

THE SERIES 1978 BONDS

General Terms

The Series 1978 Bonds are issued as serial bonds and are dated August 1, 1978. The Series 1978 Bonds are issued in the principal amount of \$32,280,000 and mature from April 1, 1981 to and including April 1, 1996. The Series 1978 Bonds are issued in coupon bearer form in the denomination of \$5,000 each, without the privilege of registration. Principal and Interest are payable at the Bank of The Southwest, N.A., Houston, Texas or Bankers Trust Company, New York, New York. The first coupon will be payable April 1, 1979 with subsequent coupons payable each October 1 and April 1 thereafter.

Security

The Series 1978 Bonds are special obligations of the Board and, together with the Series 1971 Bonds, the Series 1972 Bonds and Series 1972-A Bonds, are equally and ratably payable from and secured by a first lien on and pledge of the following Pledged Revenues;

- (1) Pledged General Tuition Revenues which represent 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, or school now or hereinafter operated by or under the jurisdiction of the Board, but specifically excluding (1) the amount of tuition scholarships provided for by law, and (2) an amount equal to \$5.00 per regular semester or \$2.50

per summer session for each student enrolled for 12 or more semester credit hours and \$0.42 per semester credit hour for each student enrolled for less than 12 semester hours, which fees are commonly known as the "Skiles Act" fees.

(2) All revenues received pursuant to annual interest subsidy grants from the United States Department of Health, Education and Welfare which are applicable to the Series 1971, 1972 and the 1972-A Bonds. Present annual interest subsidy grants which are pledged total \$509,649 and are payable in each fiscal year through 2002.

(3) The gross collections of an Administration Use Fee to be fixed, charged and collected without limitation as to rate or amount from all students regularly enrolled at each component institution which now or hereafter comprises The University of Texas System. This fee is not currently being collected; nor has such fee ever been imposed or collected in the past.

(4) The gross collections of the Library Use Fee to be fixed, charged and collected without limitation as to rate or amount from all students regularly enrolled at certain designated "New System Institutions" of the Board. The "New System Institutions" mean and include the following institutions: The University of Texas at Dallas, The University of Texas of the Permian Basin, The University of Texas at San Antonio, The University of Texas Medical School at Houston, The University of Texas Dental School at San Antonio, The University of Texas (Undergraduate) Nursing School at El Paso, and The University of Texas (Clinical) Nursing School at San Antonio. Such fee is not currently being collected; nor has such fee ever been imposed or collected in the past.

Optional Redemption of the Bonds

The Series 1978 Bonds maturing April 1, 1989 through April 1, 1996, inclusive, shall be redeemable at the option of Board, in whole or in part, in inverse numerical order, on April 1, 1988 or any interest payment date thereafter at par and accrued interest to the date of redemption.

Additional Bonds

Pursuant to enabling legislation, the Board is authorized to issue General Tuition Revenue Bonds payable from general tuition revenues in an amount not to exceed \$150,000,000. The Board has previously issued this entire authorization, of which \$138,160,000 are currently outstanding. Unless amending legislation is enacted by subsequent legislatures, the Board may not legally issue any additional General Tuition Revenue Bonds, except for refunding bonds. However, under the Bond Resolution, the Board has reserved the right to issue additional parity revenue bonds. Such Additional Bonds shall only be issued and delivered if (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, and the resolutions authorizing same, and that the Interest and Sinking Fund and the Reserve Fund each contains the amount then required to be therein, and (b) the State Auditor of the State of Texas, or a certified public accountant, signs a written certificate to the effect that, during either the next preceding University of Texas System fiscal year, 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, either the Pledged Revenues were, or the System Tuition was, at least equal to 1.25 times the average annual principal and interest requirements of all Bonds and Additional Bonds to be outstanding after the issuance of the then proposed Additional Bonds.

Flow of Funds

Under the Bond Resolution, there are created the Revenue Fund, the General Tuition Revenue Bonds Interest and Sinking Fund and the General Tuition Revenue Bonds Reserve Fund. All collec-

tions of Pledged Revenues shall be credited to the Revenue Fund immediately upon receipt. The Board shall transfer Pledged Revenues in the Revenue Fund to the Interest and Sinking Fund as follows: (1) on or before each September 25 and March 25, an amount which will be sufficient, together with other monies, if any, then on hand therein and available for such purpose, to pay the interest scheduled to accrue and come due on all outstanding Bonds on the next succeeding interest payment date; and (2) on or before each September 25th and March 25th or amount equal to one-half of the principal scheduled to mature and come due on all outstanding Bonds on the next succeeding principal maturity date.

The Board shall also transfer from the Pledged Revenues in the Revenue Fund and deposit to the credit of the Reserve Fund on or before each March 25th and September 25th an amount equal to 1/10th of the average annual principal and interest requirements of the Series 1978 Bonds. When the monies and investments in the Reserve Fund are at least equal in market value to the amount of the average annual debt service requirements of all outstanding Bonds, all such deposits may be discontinued. It is anticipated that upon delivery of the Series 1978 Bonds, the Reserve Fund will contain monies or investments at least equal in market value to the combined average annual debt service requirements of the Series 1978 Bonds, the Series 1971 Bonds, the Series 1972 Bonds and the Series 1972-A Bonds.

After each required semiannual deposit from the Revenue Fund to the credit of the Interest and Sinking Fund and the Reserve Fund, all remaining surplus Pledged Revenues then on deposit in the Revenue Fund may be used by the Board for any lawful purpose. It is specifically covenanted that none of the Pledged Revenues will be released from the control of the Board, or otherwise expended or disbursed, until after each such required semiannual deposit has been made.

DEBT SERVICE REQUIREMENTS - ALL GENERAL TUITION REVENUE DEBT

Fiscal Years Ending 8/31	Total Requirements All Other Issues	This \$32,280,000 Issue Dated August 1, 1978			Total Annual Requirements
		Principal (4-1)	Interest	Total	
1979	\$ 7,829,115	\$ -0-	\$ 1,146,085	\$ 1,146,085	\$ 8,975,200
1980	7,828,715	-0-	1,719,127	1,719,127	9,547,842
1981	7,824,965	1,510,000	1,719,126	3,229,127	11,054,092
1982	7,822,565	1,565,000	1,643,626	3,208,627	11,031,192
1983	7,820,865	1,640,000	1,565,376	3,205,377	11,026,242
1984	7,817,245	1,715,000	1,483,376	3,198,377	11,015,622
1985	7,817,745	1,810,000	1,397,626	3,207,627	11,025,372
1986	7,814,832	1,895,000	1,307,126	3,202,127	11,016,959
1987	7,811,755	1,985,000	1,212,376	3,197,377	11,009,132
1988	7,810,892	2,065,000	1,111,142	3,176,142	10,987,034
1989	7,813,190	2,170,000	1,005,826	3,175,827	10,989,017
1990	7,820,580	2,285,000	891,902	3,176,902	10,997,482
1991	7,824,235	2,415,000	770,796	3,185,797	11,010,032
1992	7,826,572	2,400,000	640,386	3,040,387	10,866,959
1993	7,831,375	2,400,000	508,386	2,908,387	10,739,762
1994	7,831,550	2,395,000	373,986	2,768,987	10,600,537
1995	7,837,335	2,340,000	236,274	2,576,275	10,413,610
1996	7,841,520	1,690,000	100,554	1,790,555	9,632,075
1997	7,845,390				7,845,390
1998	7,853,090				7,853,090
1999	7,855,920				7,855,920
2000	7,860,580				7,860,580
2001	7,872,775				7,872,775
2002	7,855,425				7,855,425
	<u>\$187,968,231</u>	<u>\$32,280,000</u>	<u>\$18,833,117</u>	<u>\$51,113,117</u>	<u>\$239,081,348</u>
					Maximum Annual Requirement - (F/Y) 1981
					\$11,054,092
					Average Annual Requirements - (F/Y) 1981/96
					\$10,838,445

**HISTORICAL SUMMARY OF REVENUES PLEDGED FOR THE PAYMENT
OF GENERAL TUITION REVENUE BONDS**

	Fiscal Years Ending August 31					Excess (1)
	1973	1974	1975	1976	1977	
TUITION REVENUES						
U.T. Arlington	\$ 1,889,351	\$ 1,965,441	\$ 2,149,776	\$ 2,248,355	\$ 2,356,585	\$ 124,409
U.T. Austin	5,870,246	5,942,175	6,015,205	5,918,306	5,930,357	530,000
U.T. Dallas	27,555	67,452	121,552	497,382	644,453	84,000
U.T. El Paso	1,590,839	1,572,752	1,694,849	1,922,871	2,036,396	210,000
U.T. Permian Basin	-	156,342	193,177	200,573	199,551	200,000
U.T. San Antonio	25,022	156,107	216,749	623,126	995,917	140,000
Dallas HSC	206,833	227,550	288,505	308,488	340,416	70,000
Galveston Med. Branch	316,525	365,736	351,291	354,338	395,850	70,000
Houston HSC	349,465	334,149	429,702	410,731	430,734	40,000
San Antonio HSC	219,956	197,123	219,291	246,493	420,715	40,000
System Nursing School	81,974	146,766	201,764	233,602(1)	-	-
TOTAL	\$10,577,766	\$11,131,593	\$11,882,164	\$12,982,265	\$13,751,307	\$14,150,000
HEW SUBSIDY	\$ -	\$ -	\$ 84,378	\$ 385,905	\$ 506,619	\$ 500,000
TOTAL AVAILABLE FOR DEBT SERVICE	\$10,577,766	\$11,131,593	\$11,966,542	\$13,368,170	\$14,257,956	\$14,650,000
Coverage of Estimated Maximum Annual Debt Service (F/Y) 1981 (\$11,054,092)	.96x	1.01x	1.05x	1.21x	1.29x	
Coverage of Estimated Average Annual Debt Service (F/Y) 1981 to 1986 (\$10,838,445)	.98x	1.03x	1.10x	1.23	1.32	

(1) System Nursing School was decentralized effective September, 1976, with subsequent revenues being reported to U.T. Arlington, U.T. Austin and U.T. El Paso.

**SUMMARY OF RATES AND CHARGES FOR
GENERAL TUITION AND OTHER PLEDGED STUDENT USE FEES**

The General Tuition Fee is charged and collected on all students regularly enrolled at the component institutions of The University of Texas System. Certain partial or total exemptions from payment of such tuition fees are permitted by law, including certain scholarship recipients, veterans and their dependents, children of disabled firemen and peace officers, persons who are blind or deaf, persons from low income families, and other miscellaneous categories. Certain refunds of tuition fees are allowed for withdrawal from enrollment within a certain time period after the commencement of classes for each semester. Tuition fees are higher for non-resident students than resident students. However, recent court decisions and laws have facilitated the ability of students to obtain resident status. In general, state law presently authorizes the following schedule of rates to be charged as a General Tuition Fee:

- (a) Resident students; \$4.00 per semester credit hour with a minimum of \$50.00 per regular semester or 12-week summer session or \$25.00 per 6-week summer session.
- (b) Non-resident students; \$40.00 per semester credit hour.
- (c) Resident students registered in a medical or dental branch, school or college; \$400.00 per 12 month academic year.
- (d) Non-resident students registered in a medical or dental branch, school or college; \$1,200.00 per twelve month academic year.
- (e) Students who are citizens of a foreign country; \$40.00 per semester credit hour, lower fees may be charged based on financial need with a minimum of \$200.00 per regular semester or 12-week summer session or \$100.00 per 6-week summer session.
- (f) Students who are citizens of a foreign country registered in medical or dental branch; \$1,200.00 per twelve month academic year, lower fees may be charged based upon financial need with a minimum of \$800.00 per twelve month academic year.
- (g) Students registered in a school of nursing; \$50.00 per semester.

All of the monies collected as General Tuition Fees are pledged to the payment of The University System's General Tuition Revenue Bonds, Series 1971, Series 1972, Series 1972-A, and Series 1978 with the following exemptions: (1) the amount of tuition fees collected and set aside for tuition scholarship, which is currently established by statute as \$0.25 per semester credit hour for each resident student and \$1.50 per semester credit hour for each non-resident student and (2) the amount of tuition fees collected equal to \$5.00 per regular semester or \$2.50 per summer session for each student enrolled for 12 or more semester credit hours and \$0.42 per semester credit hour for each student enrolled for less than 12 semester hours.

The Administration Use Fee has been authorized to be fixed, charge and collected without limitation as to rate or amount from all students regularly enrolled at all of the component institutions of The University of Texas System. All monies collected from such fee are pledged to the payment of The University System's General Tuition Revenue Bonds, Series 1971, Series 1972, Series 1972-A and Series 1978. However, sufficient funds have been and are currently being generated from other Pledged Revenues to pay the debt service of such Bonds, and the Administration Use Fee is not currently being collected; nor has such fee ever been collected in the past. Based upon 1976-77 enrollments, a \$1.00 per semester credit hour Administration Use Fee would produce estimated additional Pledged Revenues of \$2,300,000.

The Library Use Fee has been authorized to be fixed, charged and collected without limitation as a rate or amount from all students regularly enrolled at the following institutions: The University of Texas at Dallas, The University of Texas of the Permian Basin, The University of Texas at San Antonio,

The University of Texas Medical School at Houston, The University of Texas Dental School at San Antonio, The University of Texas (Undergraduate) Nursing School at El Paso, and The University of Texas (Clinical) Nursing School at San Antonio. All monies collected from such fee are pledged to the payment of The University System's General Tuition Revenue Bonds, Series 1971, Series 1972, Series 1972-A and Series 1978. However, sufficient funds have been and are currently being generated from other Pledged Revenues to pay the debt service of such Bonds, and the Library Use Fee is not currently collected; nor has such fee ever been collected in the past. Based upon 1976-77 enrollments, a \$1.00 per semester credit hour Library Use Fee would produce estimated additional Pledged Revenues of \$300,000.

The Board is generally authorized to fix and collect rentals, rates, charges and/or fees for each component institution from students and others for the occupancy, services, use, and/or availability of all or any of its property, buildings, structures, activities, operations or other facilities. Certain student use fees, which include the Library Use Fee and the Administration Use Fee, are fixed and collected in proportion to the number of semester credit hours for which a student registers. The total of such fees shall not exceed \$6.00 per semester hour, with the exception of any such fees, whether limited or unlimited, pledged to the payment of the bonds. Any such fees pledged to the payment of bonds may be charged and collected without regard to such limitation, if at the time of the issuance of the bonds, the total of such fees currently being charged, together with the estimated maximum amount of such pledged fees required to pay such bonds, based upon current enrollment and conditions, does not exceed \$6.00 per semester credit hour. No component institution of The University of Texas System is currently charging total student fees in excess of \$6.00 per semester credit hour nor is it anticipated based upon current enrollment and conditions that total student use fees in excess of \$6.00 per semester credit hour will be required to be collected in order to pay debt service of the Bonds.

**SUMMARY OF ACADEMIC SEMESTER CREDIT HOURS
General Academic Institutions - Excluding Health Related (b)**

	Univer- sity of Texas at Austin	Univer- sity of Texas at Arlington	Univer- sity of Texas at El Paso	Univer- sity of Texas at San Antonio	Univer- sity of Texas at Dallas	Univer- sity of Texas at Permian Basin	Total
Fall	526,915	198,156	180,740	78,590	41,870	13,132	1,039,403
Fall	527,392	194,704	170,598	73,504	38,177	12,915	1,017,280
Spring	492,267	177,783	169,683	70,973	36,799	12,855	960,360
Summer Session							
First Term	142,943	43,957	38,948	24,073	14,410	4,263	269,592
Second Term	(a)	19,658	26,949	4,966	4,625	2,069	57,267
Fall	543,977	186,679	157,359	35,446	29,230	13,145	966,136
Spring	503,822	170,475	155,641	38,249	30,980	12,915	912,052
Summer Session							
First Term	146,141	44,823	36,395	16,695	15,968	4,552	264,574
Second Term	(a)	19,749	27,247	11,307	(a)	2,221	60,524
Fall	539,597	175,445	132,177	8,446	5,030	13,303	877,001
Spring	499,556	165,103	134,241	8,652	5,794	13,414	826,760
Summer Session							
First Term	156,628	44,819	35,527	5,174	3,927	4,255	250,260
Second Term	(a)	20,344	25,720	3,456	(a)	1,850	51,400
Fall	525,536	177,584	129,772	5,590	3,013	11,033	852,528
Spring	486,464	157,453	123,737	6,343	3,055	10,681	787,766
Summer Session							
First Term	149,376	38,135	31,689	4,561	2,191	3,701	229,636
Second Term	(a)	17,979	23,460	3,045	(a)	2,464	46,948

) Included in first summer session total.
) Semester credit hours are not applicable to students enrolled in Health-Related Institutions.

SUMMARY OF ENROLLMENT HEAD COUNT

	University of Texas at Austin	University of Texas at Arlington	University of Texas at El Paso	University of Texas at San Antonio	University of Texas at Dallas	University of Texas at Permian Basin	Calveson Medical Branch (2)	Houston Health Science Center (2)	San Antonio Health Science Center (2)	System Nursing School (2)	Total
1977-78	41,680	17,201	15,836	7,849	5,333	1,575	1,465	2,162	1,749		94,833
	41,357	16,745	14,795	7,498	4,416	1,471	1,335	1,905	1,551		91,106
1976-77	39,048	15,525	14,345	7,552	4,463	1,471					82,204
Summer Session	18,071	7,761	7,907	4,451	2,670	527					41,557
First Term	2,188	3,816	5,716	1,173	1,087	432					14,430
Second Term	42,598	16,309	13,014	4,437	3,333	1,432	1,105	1,440	810	1,332	86,403
1975-76	39,912	15,280	13,441	4,643	3,586	1,474					78,336
Summer Session	19,597	15,546	7,065	3,392	2,497	516					48,943
First Term	(1)	19,597	5,011	2,507	(1)	473					28,155
Second Term	41,641	15,434	11,418	1,620	700	1,332	1,062	1,351	615	1,825	77,191
1974-75	39,525	14,603	11,634	1,651	827	1,314					68,614
Summer Session	20,557	8,500	6,912	1,217	614	763					38,493
First Term	(1)	4,087	5,454	849	(1)	399					10,769
Second Term	40,611	14,888	10,980	1,113	382	1,112	1,259	769	631	924	72,647
1973-74	38,114	13,468	10,591	1,172	386	1,055					64,531
Summer Session	19,643	7,275	5,930	965	330	693					34,739
First Term	(1)	3,510	4,509	526	(1)	454					9,029
Second Term											

(1) Included in first summer session total.

(2) Enrollment figures are computed on an annual basis due to the nature of the academic programs.

SUMMARY OF FULL TIME EQUIVALENT STUDENTS
General Academic Institutions - Excluding Health Related

Fiscal Year	University of Texas at Austin	University of Texas at Arlington	University of Texas at El Paso	University of Texas at Dallas	University of Texas at San Antonio	University of Texas at Permian Basin
1976-77	38,753	14,503	13,539	5,764	3,134	1,070
1975-76	39,795	14,058	12,565	3,390	2,539	1,094
1974-75	39,859	13,624	10,922	659	498	1,095
1973-74	35,713	13,038	10,255	651	276	929

GEOGRAPHIC DISTRIBUTION OF ENROLLMENTS

Residence of Student	Fall Semester			
	1976	1975	1974	1973
State of Texas	75,272	74,619	64,005	60,547
Out-of-State	3,759	3,465	5,161	5,092
Foreign Country	4,236	3,639	3,159	3,025
Totals	83,267	81,723	72,325	68,664

THE UNIVERSITY OF TEXAS SYSTEM

Administration

The University of Texas System commenced operations in 1883 with the opening of the original University of Texas campus in Austin and has since grown to be one of the largest educational organizations in the United States. The System is supported by State appropriations, private endowments and gifts, Federal funds, student fees, miscellaneous sources of income, and its interest in the income from the Permanent University Fund.

The Government of the University System is vested in a board of nine regents who serve without pay. They are nominated by the Governor for six-year terms, three each two years, and are subject to approval by the Senate. Administration of the University conforms to that of leading American universities.

The Members of the Board of Regents are as follows:

Name	Location	Term Expires
The Honorable Allan Shivers, Chairman	Austin	January 1979
Mr. Dan C. Williams, Vice Chairman	Dallas	January 1981
James E. Bauerle, D.D.S.	San Antonio	January 1979
Jane Weinert Blumberg (Mrs. Roland K.)	Seguin	January 1983
The Honorable Edward Clark	Austin	January 1979
Sterling H. Fly, Jr., M.D.	Uvalde	January 1983
Mr. Jess Thomas Hay	Dallas	January 1983
Mr. Thos. H. Law	Fort Worth	January 1981
Mr. Walter C. Sterling	Houston	January 1981
Betty Anne Thedford, Secretary		

The Principal Administrative Officers and Staff of the System are as follows:

Dr. Charles A. LeMaistre, Chancellor
Dr. E. D. Walker, President and Chief Operating Officer
Dr. Ernest T. Smerdon, Vice President for Academic Affairs
Mr. Robert L. Hardesty, Vice President for Administration
Mr. Joe E. Boyd, Jr., Vice President for Business Affairs
Mr. James T. Fitzpatrick, Vice President and General Counsel
Dr. Edward N. Brandt, Jr., Vice President for Health Affairs
Mr. Graves W. Landrum, Vice President for Operations
Mr. W. L. Lobb, Executive Director for Investments, Trusts and Lands
Mr. Frank Graydon, Budget Director
Mr. R. L. Anderson, Comptroller
Mr. R. S. Kristoferson, Director of Facilities Planning and Construction
Mr. Herman Adams, Director for Public Affairs
Mr. James C. Werchan, Director of Accounting

Organization

The Component Institutions of The University of Texas System, with the administrative heads shown, are:

The University of Texas at ARLINGTON

Dr. Wendell Nedderman, President
The University of Texas Institute of Urban Studies at Arlington
Dr. Sherman Wyman, Director
The University of Texas School of Nursing at Arlington
Dr. Myrna Pickard, Dean

The University of Texas at AUSTIN

Dr. Lorene L. Rogers, President
The University of Texas Marine Science Institute at Galveston and Port Aransas
Dr. Creighton A. Burk, Director
The University of Texas McDonald Observatory at Mount Locke
Dr. Harlan Smith, Director
The University of Texas School of Nursing at Austin
Dr. Billye Brown, Dean

The University of Texas at DALLAS

Dr. Bryce Jordan, President

The University of Texas at EL PASO

Dr. Arleigh B. Templeton, President
The University of Texas School of Nursing at El Paso
Dr. Eileen Jacobi, Dean

The University of Texas of the PERMIAN BASIN

Dr. V. R. Cardozier, President

The University of Texas at SAN ANTONIO

Dr. James W. Wagener, Acting President
The University of Texas Institute of Texan Cultures at San Antonio
Mr. Jack R. Maguire, Executive Director

The University of Texas Health Science Center at DALLAS

Dr. Charles C. Sprague, President

The University of Texas Southwestern Medical School at Dallas
Dr. Frederick Borte, Dean
The University of Texas Graduate School of Biomedical Sciences at Dallas
Dr. Ken Wildenthal, Dean
The University of Texas School of Allied Health Sciences at Dallas
Dr. John Schermerhorn, Dean

The University of Texas Medical Branch at GALVESTON

Dr. William C. Levin, President
The University of Texas Medical School at Galveston
Dr. George T. Bryan, Dean
The University of Texas Graduate School of Biomedical Sciences at Galveston
Dr. J. Palmer Saunders, Dean
The University of Texas School of Allied Health Sciences at Galveston
Dr. Robert K. Bing, Dean
The University of Texas Institute for the Medical Humanities at Galveston
Dr. William B. Bean, Director
The University of Texas Marine Biomedical Institute at Galveston
Dr. William D. Willis, Acting Director
The University of Texas School of Nursing at Galveston
Dr. Dorothy Damewood, Dean

The University of Texas Health Science Center at HOUSTON

Dr. Truman G. Blocker, Jr., Acting President
The University of Texas Medical School at Houston
Dr. Robert L. Tuttle, Dean
The University of Texas Dental Branch at Houston
Dr. John V. Olson, Dean
The University of Texas Graduate School of Biomedical Sciences at Houston
Dr. Roger Hewitt, Acting Dean
The University of Texas School of Allied Health Sciences at Houston
Dr. Alton Hodges, Dean
The University of Texas School of Public Health at Houston
Dr. Reuel A. Stallones, Dean
The University of Texas Speech and Hearing Institute at Houston
Dr. Tina Bangs, Director
The University of Texas School of Nursing at Houston
Dr. Arlowayne Swort, Dean

The University of Texas Health Science Center at SAN ANTONIO

Dr. Frank Harrison, President
The University of Texas Medical School at San Antonio
Dr. Stanley E. Crawford, Dean
The University of Texas Dental School at San Antonio
Dr. Edwin M. Collins, Acting Dean
The University of Texas Graduate School of Biomedical Sciences at San Antonio
Dr. Armand J. Guarino, Dean
The University of Texas School of Nursing at San Antonio
Dr. Patty Lynn Hawken, Dean

The University of Texas System Cancer Center

Dr. R. Lee Clark, President
The University of Texas M. D. Anderson Hospital and Tumor Institute at Houston
Dr. Robert C. Hickey, Director

The University of Texas Science Park — Research Division
Dr. Ronald M. Humphrey, Associate Director
The University of Texas System Health Center at TYLER
Dr. George Hurst, Superintendent

General Academic Institutions

The University of Texas at Arlington is located midway between Dallas and Fort Worth. Founded in 1895 as a private college, U.T. Arlington, under various names, was one of the nation's leading junior colleges and a part of the Texas A&M System before joining The University of Texas System in 1965. U. T. Arlington's enrollment has been annually increasing to its current level. Current degree programs offer bachelors degrees in 40 fields, masters degrees in 34 fields and doctoral programs in six fields. These degrees are offered through the colleges of Liberal Arts, Science, Engineering, Business Administration, Graduate school of Social Work, Institute of Urban Studies, School of Architecture and Environmental Design, School of Nursing and the Graduate School. To serve the growing enrollment and expanding degree programs, the physical plant is being expanded with construction valued at \$31 million, with completion scheduled for 1978. As of August 31, 1977 the total physical plant value was \$92.5 million.

The University of Texas at Austin is located in the capital city of Texas, resulting from popular vote in 1881. The present site has expanded into more than 360 acres since classes began on the original 40 acres near downtown Austin. Additional University-owned property located in other areas of Austin include the Balcones Research Center and the Brackenridge Tract, partially used for married student housing. U. T. Austin teaches over 3,800 courses and offers master's and doctoral degrees in more than 50 fields; its library system contains more than four million volumes. The McDonald Observatory on Mount Locke in West Texas and the Marine Science Institute at Galveston and Port Aransas on the Gulf Coast are also operated as units of U.T. Austin. The University contains Colleges of Arts and Sciences, Business Administration, Education, Engineering, Fine Arts, Pharmacy, Architecture, Communications and Law, with Graduate programs in each of the colleges including Graduate schools of Library Science, Social Work and Nursing. As of August 31, 1977 the total physical plant value was \$553.1 million.

The University of Texas at Dallas was established in 1969 by the Texas Legislature which authorized curriculum leading to degrees at the baccalaureate, master's and doctoral levels. U.T. Dallas was authorized to enroll junior and senior undergraduates in September, 1975, with an anticipated enrollment of 4,500 students. The present U.T. Dallas campus encompasses 605 acres of land and 900,000 square feet of buildings. As of August 31, 1977 the total physical plant value was \$62.1 million.

The University of Texas at El Paso was initially established by the Texas Legislature in 1913 as the Texas School of Mines and Metallurgy and placed under the control of the Board of Regents of The University of Texas. In 1949, the school's name was changed to Texas Western College; in 1967, the name again changed to The University of Texas at El Paso. U. T. El Paso is composed of six separate schools, has more than 450 faculty members and offers over 60 major fields of study. As of August 31, 1977 the total physical plant value was \$52.1 million.

The University of Texas of the Permian Basin in Odessa opened for classes in September, 1973, with 1,112 students. As directed by the Texas Legislature in 1969, U. T. Permian Basin accepts only upper-level students and offers baccalaureate degrees in 31 fields and master's degrees in 15 fields. The U.T. Permian Basin Library opened with more than 250,000 volumes, and more than 105,000 volumes were added during the first year of operation. Buildings in the first phase of development of the 588-acre campus had a total project cost of approximately \$13 million, with initial occupancy of the innovative classroom and laboratory facility taking place during the summer of 1974. As of August 31, 1977 the total physical plant value was \$21.7 million.

The University of Texas at San Antonio was authorized in 1969 by the Texas Legislature. The campus is located on 600 acres in the northwestern area of greater San Antonio. After completion of site development work, construction contracts were awarded in the spring of 1972, with an estimated completion date of May 1975. In early 1972, the Board of Regents of The University of Texas System and the Coordinating Board, Texas College and University System, approved U. T. San Antonio's academic organization of five colleges with seventeen divisions and its proposed forty-two degree programs. Current academic organization consists of five colleges with fourteen divisions, in addition to a Division of Continuing Education. Graduate courses were first offered to approximately 670 students in June, 1973, with the initial enrollment of undergraduate students in September, 1975. As of August 31, 1977 the total physical plant value was \$64.8 million.

Health-Related Institutions

The University of Texas Health Science Center at Dallas was established by The University of Texas Board of Regents in the fall of 1972 as a component institution composed of three schools: Southwestern Medical School, the Graduate School of Biomedical Sciences, and the School of Allied Health Sciences. An outgrowth of Southwestern Medical College, founded in 1943 by Southwestern Medical Foundation and added to The University of Texas System in 1947, the Dallas Health Science Center is engaged in broad programs of training, research, and patient care in conjunction with its principal teaching hospital and fifteen other affiliated institutions. A \$50 million building program, with the first phase completed, will nearly double the number of doctors graduated each year and expand teaching of other health professions. As of August 31, 1977 the total physical plant value was \$96.1 million.

The University of Texas Medical Branch at Galveston is located two miles from the Texas mainland and represents the largest single industry on Galveston Island. The Medical Branch has awarded more than 8,716 Doctor of Medicine degrees since its founding in 1890; with over 700 undergraduate medical students currently enrolled, it is the largest medical school in Texas and the ninth largest such center in the nation. The Medical Branch also includes the Graduate School of Biomedical Sciences and the School of Allied Health Sciences as units located in the University medical complex, each offering its own degree programs. Located on 80 acres the medical branch contains nine hospitals with more than 50 major buildings in the University complex, including the John Sealy Hospital, which serves as the principal service and teaching facility on campus. The Medical Branch also operates the Institute for the Medical Humanities and the Marine Biomedical Institute on campus, which serves as a major research facility for the area. A wide variety of degree programs are available in the School of Medicine, Graduate School of Biomedical Services, School of Nursing and School of Allied Health Services. As of August 31, 1977 the total physical plant value was \$134 million.

The University of Texas Health Science Center at Houston was established by the Board of Regents in the fall of 1972. Four of its operational units had previously been components of the U. T. System: the Medical School since creation by the Texas Legislature in 1969, the Dental Branch since 1943, the Graduate School of Biomedical Sciences since 1963 and the School of Public Health since 1967. Other units of the Health Science Center include the Speech and Hearing Institute and the Division of Continuing Education, both formerly divisions of the Graduate School of Biomedical Sciences, and the School of Allied Health Sciences, activated in 1973. Units of the Health Science Center are located in or near the Texas Medical Center. The Medical School graduated its first class in 1973 and has extensive facilities under construction. The Health Science Center is committed to providing a broad program of biomedical education, research, and patient and related services. As of August 31, 1977 the total physical plant value was \$90.2 million.

The University of Texas Health Science Center at San Antonio was established by the Board of Regents in the fall of 1972. The operational units of the Health Science Center include the San Antonio Medical School, the San Antonio Dental School, the Graduate School of Biomedical

Sciences and the School of Allied Health Sciences. The Medical and Dental Schools had previously been individual component institutions within the U. T. System, authorized by the Legislature in 1959 and 1969, respectively. The Medical School first began admitting students in 1966, graduating its first class in 1970, while the Dental School conferred its first degrees in 1974. The U. T. Health Science Center at San Antonio is located on 100 acres of land in the South Texas Medical Center in northwest San Antonio. Principal teaching hospitals include the Bexar County Hospital and the Audie Murphy Veterans' Hospital located in the South Texas Medical Center. As of August 31, 1977 the total physical plant value was \$72 million.

The University of Texas System Cancer Center was established by the Board of Regents in the fall of 1972 as a component institution. The Cancer Center is composed of the M. D. Anderson Hospital and Tumor Institute at Houston and the Environmental Science Park. Founded by the Legislature in 1941, M. D. Anderson is one of three major comprehensive cancer centers in the United States where research, education and improved cancer patient care are primary concerns. The Hospital and Clinic facilities are located in the Texas Medical Center, with a major expansion program currently underway to provide an additional 350 beds, and clinical facilities to accommodate 1,200 outpatients per day. These new facilities will be housed in the Lutheran Hospital Pavilion and the Clinic Building, while 100,000 square feet of laboratory and research space are being added to existing structures. As of August 31, 1977 the total physical plant value was \$135.9 million.

The University of Texas Health Center at Tyler. The 65th Legislature transferred all jurisdiction over the East Texas Chest Hospital and its operations from the Texas Department of Health Resources to The University of Texas System, effective September 1, 1977, and pursuant to such authority, the Board of Regents of The University of Texas System changed the name of the East Texas Chest Hospital to The University of Texas Health Center at Tyler, to be effective on the same date. The Center will continue to provide a program for the treatment of patients with chest diseases and a program is being developed for treatment of patients with other diseases. The Center is to be used as a teaching facility related to the various health related educational programs of other components of The University of Texas System.

THE PERMANENT UNIVERSITY FUND

The Permanent University Fund was established in 1836 by the Republic of Texas for the purpose of creating an endowment for public education in Texas. The initial assets of the Fund consisted of 50 leagues of land (approximately 220,000 acres) and has grown to approximately 2,100,000 acres of land, predominately in West Texas, together with cash and securities. The principal of the Fund cannot be spent for any purpose but must be kept as a permanent endowment. Two-thirds of the income from the Permanent University Fund is available to the University of Texas System. The Texas A & M System receives the other one-third of the income from the Permanent University Fund with the exception of income from grazing leases which is distributed solely to the University of Texas System.

Decisions of the Supreme Court of Texas and of the Attorney General of Texas have decreed that the Permanent University Fund shall be forever kept intact, and that there shall be added to the corpus thereof all oil, gas, and water royalties received, all gains on investments, all rentals on mineral leases, all lease bonuses, and all consideration for such lands as may be sold.

The University of Texas System does not explore or operate oil properties belonging to the Permanent University Fund. Instead, it sells under competitive bids leases on selected tracts of land to leading oil and gas companies. As of February 28, 1978, 1,058,993 acres of land belonging to said Fund were subject to oil and gas leases, of which 367,434 were held by production from 5,903 oil wells and 237 gas wells.

During recent years approximately 32,700,000 barrels of crude oil and 134,000,000 MCF of gas were produced from these lands each year on which one-eighth to one-fifth royalty was reserved for the Permanent University Fund.

The University of Texas System's proportionate two-thirds share of the Investment Income of the Permanent University Fund is appropriated biennially by the state legislature and deposited into the Available University Fund and applied in the following sequence (net of management expenses which are limited by covenant to one-fifth of one percent annually of the book value of the Fund).

1. Debt service on The University of Texas System Permanent University Fund Bonds (the total amount of debt limited to an amount not exceeding two-thirds of twenty percent of the book value of the Permanent University Fund, exclusive of real estate at the time of issuance and investment yield maintained at an annual amount of not less than one and one-half times annual debt service requirements).

2. Debt service on The University of Texas at Austin Building Revenue Bonds, Series 1974 and Series 1974-A. (The Series 1974-A Bonds are scheduled to be refunded by the sale of Refunding Bonds on August 3, 1978.)

3. Any lawful purpose, including but not limited to capital additions and improvements at the University of Texas at Austin and the University of Texas Medical Branch at Galveston.

ADDITIONS TO THE PERMANENT UNIVERSITY FUND (Dollars in Thousands)

Fiscal Year Ending 8-31	Oil & Gas Royalty	Water Royalty	Minerals, Lease Rentals & Misch.	Mineral Lease Bonuses	Total
1977	\$ 78,598(1)	\$ 184	\$ 1,106	\$ 13,584	\$ 91,472
1976	70,123(1)	192	(12,867)(2)	15,379	72,827
1975	33,513	156	753	8,066	67,488
1974	31,541	202	1,796	11,389	44,928
1973	18,967	131	12,716	6,966	38,780
1972	19,518	154	10,999	5,055	35,726
1971	18,388	173	6,272	1,838	26,671
Prior to 1970	334,961	1,570	21,236	210,412	568,179

(1) Includes sulphur royalties.

(2) Includes \$12,832,427 adjustment for certain bond exchanges not qualifying as bond exchanges under current procedures.

INVESTMENTS IN THE PERMANENT UNIVERSITY FUND (As of May 31, 1978)

	Book Value
United States Government Securities	\$ 145,084,077
U. S. Treasury Bonds	152,634,316
Various Government Guaranteed Bonds	8,513,858
FHA Mortgages	1,000,000
U. S. Government Agencies	\$ 307,232,251
Total	
Corporate Securities	\$ 293,738,583
Bonds	6,983,090
Convertible Debentures	2,434,505
Convertible Preferred Stocks	356,841,521
Common Stocks	\$ 659,997,699
Total Corporate Securities	\$ 967,229,950
Total Securities	\$ 58,444,594
Cash and Equivalents	\$1,023,674,544
Total Securities, Cash and Equivalents	

INCOME FROM INVESTMENTS IN PERMANENT UNIVERSITY FUND
(Dollars in Thousands)

Fiscal Year Ending 8-31	Net Total(1)	University of Texas System Portion	Other Income(2)	Total Income To Available University Fund	Debt Service on PUF Bonds(3)	Transfers or Other Debt Service(4)	Amount Credited to U.T. Austin(5)
1977	\$53,409	\$35,606	\$ 1,645	\$37,251	\$12,672	\$ 4,245	\$15,549
1976	46,542	31,028	1,544	32,572	11,321	4,249	16,593
1975	39,105	26,070	1,539	27,609	10,060	4,215	12,355
1974	35,611	23,741	1,532	25,273	9,059	-0-	14,964
1973	31,199	20,800	1,036	21,836	8,239	-0-	12,039

- (1) Reflects net amount collected after administrative expenses.
(2) Includes grazing Lease Rentals and miscellaneous income not shared with Texas A & M System.
(3) Represents debt service on University of Texas System Permanent University Fund Bonds.
(4) Represents transfers or debt service on University of Texas at Austin Building Revenue Bonds, Series 1974 and Series 1974-A.
(5) Transfers to U.T. Austin to be used for any lawful purpose, as appropriated by the Board of Regents.

Note: Income in excess of allocations detailed above in Notes (3), (4) and (5) may be appropriated to the U.T. System administration and/or may be held as a balance for future allocations.

THE UNIVERSITY OF TEXAS SYSTEM
CURRENT REVENUES, EXPENSES AND MANDATORY TRANSFERS

	Fiscal Year Ended August 31		
	1975	1976	1977
CURRENT REVENUES			
Tuition and Fees	\$ 34,038,275	\$ 37,113,131	\$ 40,154,601
Federal Funds	94,357,130	103,050,426	114,029,355
State Appropriations	273,019,312	359,865,867	408,334,353
Private Gifts	23,222,270	26,132,234	33,273,177
Endowment Income (Includes Transfers from Available University Fund)	10,465,184	14,953,267	17,137,713
Sales and Services of Auxiliary Enterprises	28,451,534	34,245,265	38,548,980
Sales and Services of Hospitals and Clinics; Professional Fees	65,317,505	77,351,011	91,025,130
Sales and Services of Educational Departments and Other Services	12,867,365	18,116,506	21,272,761
Total Current Revenues	\$541,771,575	\$670,827,707	\$763,776,100
CURRENT EXPENDITURES AND MANDATORY TRANSFERS			
Educational and General	\$465,137,468	\$552,090,903	\$644,044,133
Auxiliary Enterprises	30,980,381	38,949,885	45,325,841
Mandatory Transfers	25,348,608	28,763,154	26,249,347
Total Current Expenditures and Mandatory Transfers	\$521,464,457	\$619,803,942	\$715,619,321
EXCESS REVENUES OVER EXPENDITURES AND MANDATORY TRANSFERS	\$ 20,307,118	\$ 51,023,765	\$ 48,156,779

THE UNIVERSITY OF TEXAS SYSTEM
CONDENSED STATEMENT OF ASSETS AND NET WORTH
(As of August 31, 1977)

ASSETS	
Current Funds	
General	\$ 86,078,771
Auxiliary Enterprises and Activities	24,237,749
Designated	86,149,100
Restricted	159,772,930
Total Current Funds	\$ 356,238,550
Loan Funds	\$ 25,792,698
Endowment and Similar Funds	\$ 956,072,982
State (Permanent University Fund)	108,188,637
Other than State	\$1,064,281,619
Total Endowment and Similar Funds	\$ 2,873,468
Annuity and Life Income Funds	\$ 17,487,942
Available University Fund	\$ 155,492,098
Plant Funds	2,384,198
Unexpended	61,591,319
Renewals and Replacements	1,419,137,559
Funds for Retirement of Indebtedness	\$1,638,905,174
Invested in Plant	\$ 9,837,596
Total Plant Funds	\$ 66,713,458
Agency Funds	\$ 66,713,458
DEDUCT: Inter-Fund Groups Accounts	\$3,048,633,589
GRAND TOTAL ASSETS	610,559,305
Less: Total Liabilities (not including orders and contracts)	\$2,438,124,284
FUND BALANCES (i.e., Net Worth)	\$2,438,124,284

**THE UNIVERSITY OF TEXAS SYSTEM
OUTSTANDING BONDED INDEBTEDNESS BY UNITS OF THE SYSTEM
(As of May 31, 1978)**

The University of Texas System

	Original Amount Issued	Outstanding May 31, 1978	Reserve Funds Inv. May 31, 1978
General Tuition Revenue Bonds, Series 1971	\$50,000,000	\$43,865,000	\$10,247,341
General Tuition Revenue Bonds, Series 1972	50,000,000	45,880,000	(1)
General Tuition Revenue Bonds, Series 1972-A	17,000,000	15,915,000	(1)
General Tuition Revenue Bonds, New Series 1974(2)	33,000,000	33,000,000	7,039,307(2)

(1) Series 1972 and Series 1972-A are parity issues with Series 1971. Reserve Fund figure for 1971 issue includes all three issues.

(2) New Series 1974 will be refunded by the issuance of the Series 1978 Bonds described herein.

Permanent University Fund

	Original Amount Issued	Outstanding May 31, 1978	Reserve Funds Inv. May 31, 1978
Permanent University Fund Bonds, Series 1959	\$ 4,000,000	\$ 480,000	(1)
Permanent University Fund Bonds, Series 1960	5,000,000	900,000	(1)
Permanent University Fund Bonds, Series 1961	6,000,000	1,440,000	(1)
Permanent University Fund Bonds, Series 1962	5,000,000	1,475,000	(1)
Permanent University Fund Bonds, Series 1963	4,000,000	1,400,000	(1)
Permanent University Fund Bonds, Series 1964	4,000,000	1,620,000	(1)
Permanent University Fund Bonds, Series 1965	6,000,000	2,760,000	(1)
Permanent University Fund Bonds, Series 1966	11,000,000	5,610,000	(1)
Permanent University Fund Bonds, New Series 1967	14,000,000	7,840,000	(2)
Permanent University Fund Bonds, New Series 1968	15,000,000	9,150,000	(2)
Permanent University Fund Bonds, New Series 1969	7,000,000	4,620,000	(2)
Permanent University Fund Bonds, New Series 1970	7,500,000	5,295,000	(2)
Permanent University Fund Bonds, New Series 1971	9,000,000	6,750,000	(2)

(1) Secured by a first lien on and pledge of the interest of The University of Texas System in the income from the Permanent University Fund.

Permanent University Fund - (Continued)

	Original Amount Issued	Outstanding May 31, 1978	Reserve Funds Inv. May 31, 1978
Permanent University Fund Bonds, New Series 1972	\$ 9,000,000	\$ 7,155,000	(2)
Permanent University Fund Bonds, New Series 1973	11,000,000	9,240,000	(2)
Permanent University Fund Bonds, New Series 1974	11,000,000	9,680,000	(2)
Permanent University Fund Bonds, New Series 1975	14,000,000	12,890,000	(2)
Permanent University Fund Bonds, New Series 1976	16,000,000	15,360,000	(2)
Permanent University Fund Bonds, New Series 1977	20,000,000	20,000,000	(2)
Permanent University Fund Bonds, New Series 1978	21,000,000	21,000,000	(2)(3)

(2) Secured by a lien on and pledge of the interest of The University of Texas System in the income from the Permanent University Fund, subject and subordinate to the first lien on and pledge of said interest created in connection with all Permanent University Fund Bonds issued prior to 1967.

(3) Issued and outstanding subsequent to May 31, 1978.

U. T. Austin

	Original Amount Issued	Outstanding May 31, 1978	Reserve Funds Inv. May 31, 1978
University of Texas Hospital Refunding Bonds, Series 1951(1)	\$ 980,000	\$ 95,000	\$ 100,200
Dormitory Revenue Bonds, Series 1954(2)	3,402,000	1,998,000	484,236
Dormitory Revenue Bonds, Series 1956(3)	4,150,000	2,511,000	636,926
University of Texas Student Union Revenue Bonds, Series 1959, Series B(4)	1,220,000	765,000	316,647
Student Housing Revenue Bonds of 1963(5)	1,500,000	1,455,000	237,341
Housing System Revenue Bonds, Series 1967(6)	16,500,000	14,720,000	1,054,078
Building Revenue Bonds of 1968(7)	520,000	160,000	56,358
Building Revenue Bonds, Series 1969(8)	25,000,000	22,715,000	1,570,192

(1) Secured by first lien on and pledge of revenues from compulsory student hospital fee.

(2) Secured by first lien on and pledge of net revenues from Blanton Dormitory, Simkins Hall, Moore Hall, and Varsity Cafeteria.

(3) Secured by first lien on and pledge of net revenues from Kinsolving Dormitory, plus surplus revenues from debt-free Andrews and Carothers Dormitories for Women.

(4) Secured by first lien on and pledge of revenues from compulsory student union fee.

(5) Secured by first lien on and pledge of net revenues from 200 apartments for married students.

(6) Secured by first lien on and pledge of gross revenues of University Housing System.

(7) Secured by first lien on and pledge of gross revenues from Student Co-op Housing System.

(8) Secured by first lien on and pledge of net revenues of Utility Plant and gross Student Building Use Fees.

U. T. Austin -- (Continued)

	Original Amount Issued	Outstanding May 31, 1978	Reserve Funds Inv. May 31, 1978
Combined Fee Revenue Bonds, Series 1970(9)(14)	\$10,000,000	\$ 9,120,000	\$ 6,193,899
Combined Fee Revenue Bonds, Series 1971(9)	20,000,000	15,490,000	(11)
Married Student Housing Revenue Bonds, Series 1971(10)	3,100,000	3,015,000	247,064
Combined Fee Revenue Bonds, Series 1972, dated 10/1/72(9)	10,000,000	9,135,000	(11)
Combined Fee Revenue Bonds, Series 1973, dated 10/1/73(9)	34,000,000	32,560,000	(11)
Building Revenue Bonds, Series 1974, dated 1/1/74(12)	53,000,000	50,005,000	5,913,333
Building Revenue Bonds, Series 1974-A(12)(14)	6,000,000	5,760,000	(13)
Combined Fee Revenue Bonds, Series 1974(9)(14)	6,900,000	6,565,000	(11)

- (9) Secured by first lien on and pledge of Building Use Fee and General Fee.
 (10) Secured by first lien on gross revenues from Married Student Housing System.
 (11) Reserve Funds for Combined Fee Revenue Bonds Series 1970, 1971, 1972, 1973 and 1974 consolidated.
 (12) Secured by first lien on and pledge of Available Fund Surplus and Special Fee.
 (13) Reserve Funds for Building Revenue Bonds Series 1974 and 1974-A consolidated.
 (14) Issues are scheduled to be refunded through the sale of refunding bonds on August 3, 1979.

U. T. El Paso

	Original Amount Issued	Outstanding May 31, 1978	Reserve Funds Inv. May 31, 1978
Texas Western College, Student Union Revenue Bonds, Series A of 1967 and Series B of 1967(1)	\$ 3,158,000	\$ 2,667,000	\$ 195,448
Texas Western College, Student Housing Revenue Bonds of 1961(2)	1,000,000	736,000	109,463
Building Revenue Bonds, Series 1969(3)	8,500,000	7,960,000	635,566

- (1) Secured by first lien on and pledge of student use fees and net revenues of operation of all services afforded. Series A issued in amount of \$458,000 refunding Series 1957; Series B issued in amount of \$2,700,000.
 (2) Secured by first lien on and pledge of net revenues from project operation.
 (3) Secured by first lien on and pledge of net revenues from Housing System and student fees for Gymnasium and Library Facilities.

U. T. El Paso -- (Continued)

	Original Amount Issued	Outstanding May 31, 1978	Reserve Funds Inv. May 31, 1978
Combined Fee Revenue Bonds, Series 1970(4)	\$5,500,000	5,200,000	1,197,148
Combined Fee Revenue Bonds, Series 1971(4)	4,000,000	3,730,000	(5)
Combined Fee Revenue Bonds, Series 1973(4)	5,000,000	4,730,000	(5)
Combined Fee Revenue Bonds, Series 1974(4)	1,500,000	1,405,000	(5)

(4) Secured by first lien on and pledge of Building Use Fee and General Fee.

(5) Reserve Fund for Combined Fee Revenue Bonds, Series 1970, 1971, 1973 and 1974 consolidated.

Galveston Medical Branch

	Original Amount Issued	Outstanding May 31, 1978	Reserve Funds Inv. May 31, 1978
University of Texas, Medical Branch Dormitory Revenue Bonds, Series 1955(1)	\$ 2,512,000	\$ 1,475,000	\$ 639,594
University of Texas Medical Branch, Endowment and Hospital Revenue Bonds, Series 1973(2)	31,500,000	33,740,000	3,808,182

(1) Secured by first lien on and pledge of net revenues from project operation.

(2) Secured by first lien on proceeds of the sale of endowment land, pledge of net revenues from the Sealy & Smith Foundation for the John Sealy Hospital and pledge of net revenues from patients fees and charges.

M. D. Anderson Hospital and Tumor Institute at Houston

	Original Amount Issued	Outstanding May 31, 1978	Reserve Funds Inv. May 31, 1978
Endowment and Hospital Revenue Bonds, Series 1972(1)	\$16,000,000	\$15,600,000	\$ 2,008,105
Endowment and Hospital Revenue Bonds, Series 1976(1)	2,500,000	2,500,000	(2)
Hospital Revenue Bonds, Subordinate Lien Series 1976(3)	1,770,000	4,770,000	120,598

(1) Secured by first lien on proceeds of the sale of endowment land and pledge of gross revenues from patients fees and charges.

(2) Reserve Fund combined with Series 1972 Issue.

(3) Secured by pledge of surplus gross revenues of the hospital facilities and other income.

U. T. Permian Basin

	Original Amount Issued	Outstanding May 31, 1978	Reserve Funds Inv. May 31, 1978
Building and General Fee Revenue Bonds, Series 1976(1)	\$ 600,000	\$ 350,000	\$ 149,546

(1) Secured by first lien on and pledge of Housing System revenue and General Fee.

U. T. Arlington

	Original Amount Issued	Outstanding May 31, 1978	Reserve Funds Inv. May 31, 1978
Student Center Fee Bonds, Series 1960(1)	\$ 600,000	\$ 358,000	\$ 83,447
Gymnasium Fee Bonds, Series 1961(2)	650,000	404,000	89,180
West Campus Dormitory Revenue Notes, Series 1963(3)	75,000	6,100	-0-
Housing System Revenue Refunding Bonds, Series 1963(4)	1,806,000	1,221,000	107,975
Parking Facilities Revenue Bonds, Series 1964(5)	350,000	80,000	34,921
Student Fee Revenue Bonds, Series 1964(6)	3,250,000	2,410,000	392,450
Student Fee Revenue Bonds, Series 1966(8)	1,750,000	1,370,000	(7)
Student Fee Revenue Bonds, Series 1968(8)	1,245,000	1,055,000	(7)
Combined Fee Revenue Bonds, Series 1971(9)	875,000	420,000	1,781,304
Combined Fee Revenue Bonds, Series 1971-A(9)	5,000,000	4,560,000	(10)
State Ad Valorem Tax Bonds, Series 1972(11)	10,300,000	2,200,000	
Combined Fee Revenue Bonds, Series 1973(9)	8,500,000	8,075,000	(10)
Combined Fee Revenue Bonds, Series 1973-A(9)	7,500,000	7,280,000	(10)
State Ad Valorem Tax Bonds, Series 1974(11)	1,865,000	445,000	
Combined Fee Revenue Bonds, Series 1974(9)	1,300,000	1,225,000	(10)
Subordinate State Ad Valorem Tax Bonds, Series 1976(11)	4,750,000	4,750,000	

- (1) Secured by first lien on student center use fees.
- (2) Secured by first lien on gymnasium use fees.
- (3) Secured by net revenues from West Campus housing and dining facilities.
- (4) Secured by net revenues from dormitories for 604 men and 339 women.
- (5) Secured by revenues from parking fees.
- (6) Secured by first lien on auditorium and hospital use fees.
- (7) Reserve Funds for Student Fee Revenue Bonds, Series 1964, 1966 and 1968 are consolidated.
- (8) Secured by first lien on library use fee, auditorium and hospital use fee and student center fee (subject to Student Center Fee Bonds, Series 1960).
- (9) Secured by first lien on building use fee and general fee.
- (10) Reserve Funds for Combined Fee Revenue Bonds, Series 1971, 1971-A, 1973, 1973-A, and 1974, consolidated.
- (11) Secured by a lien upon U.T. Arlington's prorata portion of a constitutional tax levied at the rate of 10¢ per \$100 valuation on all of the taxable property in the State of Texas.

THE UNIVERSITY OF TEXAS SYSTEM RETIREMENT PLANS

All full and half-time employees of the University of Texas System are required to be covered by either a state-administered retirement program or by an optional private plan.

Teacher Retirement System of Texas

The Teacher Retirement System of Texas is a group annuity plan which makes provision for retirement, disability and death and survivor benefits to all employees of the public school and university systems of Texas. The retirement plan was established in 1937 for teacher classified members and in 1949, the plan was offered to auxiliary employees.

Under the plan, members contribute 6.65 percent of up to their first \$25,000 of annual gross income, and the State contributes 7.50 percent. The University system makes no contributions on behalf of employees and has no liability for the unfunded portion. The University estimates that there are approximately 29,000 employees currently enrolled in this plan. The unfunded liability of the plan as shown in the Actuarial Certification as of August 31, 1977 was \$1,974.0 million and the total book value as of the same date was \$3,513.3 million.

Optional Retirement Plan

Certain selected faculty and professional administrative staff may elect to enroll in an optional retirement plan. Participation in an optional retirement plan, which was authorized by the Legislature in 1967, enables teachers, research personnel and professional administrative staff to transfer among educational institutions throughout the United States while continuing to accumulate retirement benefits. The optional plans which are underwritten by various insurance companies are individual programs with contributions by employees and the State being on the same basis as for the Teacher Retirement System. The University system estimates that approximately 8,000 employees are presently enrolled in the optional retirement program.

THE BOND RESOLUTION

The following summaries represent excerpts of certain provisions of the 1978 Bond Resolution which authorizes the issuance of the Series 1978 Bonds and certain provisions of the Series 1971 Bond Resolution which has been incorporated by reference into the 1978 Bond Resolution. For more complete information, reference is made to the entire documents, copies of which are available upon request.

Definitions

The term "Administration Use Fee" shall mean the gross collections of a special fee to be fixed, charged, and collected from all students (excepting those exempt as provided by law) regularly enrolled at each Established System Institution and each New System Institution, respectively, for the use and availability of the principal administration building or buildings, and all administration and student services facilities provided therein, at each such Established Institution and New System Institution, respectively, in the manner and to the extent provided in this Resolution.

The term "Board" shall mean the Board of Regents of The University of Texas System.

The term "Bonds" shall mean collectively the Board of Regents of The University of Texas System General Tuition Revenue Bonds, Series 1971, authorized by the resolution of the Board on December 2, 1971; the Board of Regents of The University of Texas System General Tuition Revenue Bonds, Series 1972, authorized by resolution of the Board on March 16, 1972; the Board of Regents of The University of Texas System General Tuition Revenue Bonds, Series 1972-A, authorized by resolution of the Board on December 8, 1972; and the Series 1978 Bonds herein authorized.

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 all of the following:

- (a) each Established System Institution, and
- (b) each New System Institution,

together with any other institution, branch, or school now or hereafter operated by or placed under the jurisdiction of the Board pursuant to law (all collectively known as The University of Texas System).

The term "Established System Institution" shall mean and include each of the following existing and operating institutions, respectively:

- The University of Texas at Austin
- The University of Texas at Arlington
- The University of Texas El Paso
- The University of Texas M. D. Anderson Hospital and Tumor Institute at Houston
- The University of Texas Graduate School of Biomedical Sciences at Houston
- The University of Texas School of Public Health at Houston
- The University of Texas Dental Branch at Houston
- The University of Texas Medical Branch at Galveston
- The University of Texas Southwestern Medical School at Dallas
- The University of Texas Medical School at San Antonio
- The University of Texas Nursing School (System Wide), excepting the Nursing Schools at El Paso and San Antonio.

The term "Library Use Fee" shall mean the gross collections of a special fee to be fixed, charged, and collected from all students (excepting those exempt as provided by law) regularly enrolled at each New System Institution, respectively, for the use and availability of all library facilities at each such New System Institution, respectively, in the manner and to the extent provided in this Resolution.

The term "New System Institution" shall mean and include each of the following institutions, respectively, to be operated by and under the jurisdiction of the Board, and which were newly created by various Acts of the 61st Legislature, Regular Session, 1969:

- The University of Texas at Dallas
- The University of Texas of the Permian Basin
- The University of Texas at San Antonio
- The University of Texas Medical School at Houston
- The University of Texas Dental School at San Antonio
- The University of Texas (Undergraduate) Nursing School at El Paso
- The University of Texas (Clinical) Nursing School at San Antonio;

except and provided that although the Board intends to use its best efforts to acquire, purchase, construct, improve, enlarge, and/or equip buildings, structures, and facilities for the foregoing institutions as soon as practicable and to the extent permitted by law, in order to establish and commence full operation of each of said institutions as a part of The University of Texas System, the Board does not warrant or represent any particular date for commencing or completing any work at any such institution, and it is agreed and shall be understood that each such institution shall become and constitute a New System Institution, and the lien on the Pledged Revenues at any such institution shall be effective, only upon the actual enrollment of students on a regular basis and the commencement of regular operation of such institution, if and when such event occurs.

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 (excepting the Bonds and Additional Bonds) issued by the Board:

- (a) \$5.00 per regular semester and summer session for each student enrolled for 12 or more Semester Credit Hours; and
- (b) \$0.42 per Semester Credit Hour per regular semester and summer session for each student enrolled for less than 12 Semester Credit Hours;

and Section 55.17 (f) (2) of the Texas Education Code provides, and it is hereby covenated, 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 covenated 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 Chapter 54 of the Texas Education Code, as amended, to which reference is hereby made for all purposes.

The term "Pledged Revenues" shall mean collectively (a) the Pledged General Tuition, (b) the Library Use Fee (c) the Administration Use Fee, (d) all debt service subsidy and interest grants received from the United States Government in connection with the Bonds and Additional Bonds, and (e) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter may be pledged to the payment of the Bonds or the Additional Bonds.

The term "Series 1971 Resolution" shall mean the resolution adopted by the Board on December 2, 1971, authorizing the issuance of the Series 1971 Bonds.

The term "Series 1978 Bonds" shall mean the bonds authorized by this Resolution.

The term "Series 1974 Bonds" shall mean the Board of Regents of The University of Texas System General Tuition Revenue Bonds, New Series 1974, which shall be refunded and defeased with the proceeds of the Series 1978 Bonds.

The term "System Tuition" shall mean the aggregate amount of all student tuition charges actually received by The University of Texas System during any University of Texas System fiscal year, or during any twelve consecutive calendar month period, after deducting from such aggregate amount (1) the amount of tuition scholarships provided by law, and (2) the amount of such student tuition charges which has been pledged to the payment of other bonds (excepting the Bonds and Additional Bonds) issued by the Board.

General Covenants

The Board covenants and agrees that 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 manner prescribed in such resolutions and Bonds or Additional Bonds; and that it will, at the times and in the manner prescribed, deposit or cause to be deposited from the Pledged Revenues the amounts required to be deposited into the Interest and Sinking Fund and the Reserve Fund; and any holder of the Bonds or Additional Bonds may require

the Board, its officials and employees, and any appropriate official of the State of Texas, to carry out, respect, or enforce the covenants and obligations of this Resolution or any resolution authorizing the issuance of Additional Bonds, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the Board, its officials and employees, or any appropriate official of the State of Texas.

Administration Use Fee

(a) The Board covenants and agrees to fix, levy, charge, and collect a uniform Administration Use Fee from all students (excepting those exempt as provided by law) regularly enrolled in each Established System Institution and New System Institution, respectively, at each regular fall and spring semester and at each term of each summer session, for the use and availability of the principal administration building or buildings, and all administration and student services facilities provided therein, at each such Established System Institution and each New System Institution, respectively, in such amounts, without any limitation whatsoever, as will be at least sufficient at all times to provide, together with other Pledged Revenues, the money for making all deposits required to be made to the credit of the Interest and Sinking Fund in connection with the Bonds, and to pay, when due, all principal of and interest on the Bonds.

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

Library Use Fee

(a) The Board covenants and agrees to fix, levy, charge, and collect a uniform Library Use Fee from all students (excepting those exempt as provided by law) regularly enrolled in each New System Institution, respectively, at each regular fall and spring semester and at each term of each summer session, for the use and availability of all library facilities at each such New System Institution, respectively, in such amounts, without any limitation whatsoever, as will be at least sufficient at all times to provide, together with other Pledged Revenues, the money for making all deposits required to be made to the credit of the Interest and Sinking Fund and the Reserve Fund in connection with the Bonds and any Additional Bonds.

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

Creation of Fund Accounts

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 "Revenue Fund". All collections of Pledged Revenues shall be credited to the Revenue Fund immediately upon receipt.

In order 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 at an official depository of the Board (which must be a member of the Federal Deposit Insurance Corporation) a separate fund to be entitled the "General Tuition Revenue Bonds Interest and Sinking Fund" (herein called the "Interest and Sinking Fund").

There is hereby created and there shall be established at an official depository of the Board (which must be a member of the Federal Deposit Insurance Corporation) a separate fund 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.

Flow of Funds

The Board shall transfer from the Pledged Revenues in the Revenue Fund and deposit to the credit of the Interest and Sinking Fund the amounts, at the times, as follows:

(1) on or before September 25, 1978, and semi-annually on or before each March 25th and September 25th thereafter, an amount which will be sufficient, together with other monies, if any, then on hand therein and available for such purpose, to pay the interest scheduled to accrue and come due on the Bonds on the next succeeding interest payment date; and

(2) on or before September 25, 1978, and semi-annually on or before each March 25th and September 25th thereafter, an amount equal to one-half of the principal scheduled to mature and come due on the Bonds on the next succeeding principal maturity date.

On or before September 25, 1978, and semi-annually on or before each March 25th and September 25th thereafter, the Board shall transfer from the Pledged Revenues in the Revenue Fund and deposit to the credit of the Reserve Fund an amount equal to 1/10th of the average annual principal and interest requirements of the Series 1978 Bonds; provided, however, that when the money and investments in the Reserve Fund are at least equal in market value to the amount of the average annual principal and interest requirements of the Bonds, then such deposits may be discontinued, unless and until the Reserve Fund should be depleted to less than said amount in market value, in which case said deposits shall be resumed and continued until the Reserve Fund is restored to said amount; and so long as the Reserve Fund contains said amount, any surplus in the Reserve Fund over said amount may be used to retire any Bonds or Additional Bonds by purchase on the open market, at such price as shall be determined by the Board, or by call for redemption prior to maturity (provided that if any Bond or Additional Bond is subject to call for redemption prior to maturity on the next succeeding interest payment date, its purchase price shall not exceed the redemption price that would be applicable on such date), or such surplus may be used for any other lawful purpose, at the option of the Board.

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

Immediately following each required semi-annual 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 may be used by the Board 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 semi-annual deposit from the Revenue Fund has been made to the credit of the Interest and Sinking Fund and the Reserve Fund.

On or before the last day of September, 1978, and semi-annually on or before the last day of each March and of each September thereafter while any of the Bonds or Additional Bonds are outstanding and unpaid, the Board shall make available to the paying agents therefor, 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 and Additional Bonds as will accrue or mature on the April 1st or October 1st immediately following. The paying agents shall totally destroy all paid Bonds and Additional Bonds, and the coupons appertaining thereto, and shall furnish the Board with an appropriate certificate of destruction.

At such times as the aggregate amount of money and investments in the Interest and Sinking Fund and the Reserve Fund are at least equal in market value to (1) the aggregate principal amount of all unpaid (unmatured and matured) outstanding Bonds and Additional Bonds, plus (2) the aggregate amount of all unpaid (unmatured and matured) outstanding interest coupons appertaining to 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 coupons appertaining thereto, outstanding at any time, there shall be subtracted and excluded the amount of any such Bonds and Additional Bonds, and interest coupons appertaining thereto, which shall have been duly called for redemption and for which funds shall have been deposited with the paying agents therefor sufficient, including any required redemption premium, for such redemption.

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

Additional Bonds

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

(a) The Interest and Sinking Fund and the Reserve Fund established by this Resolution shall secure and be used to pay all Additional Bonds as well as the Bonds. However, each resolution under which Additional Bonds are issued shall provide and require that, in addition to the amounts required by the provisions of this Resolution and the provisions of any other resolution or resolutions authorizing Additional Bonds to be deposited to the credit of the Interest and Sinking Fund, the Board shall transfer from the Pledged Revenues and deposit to the credit of the Interest and Sinking Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Bonds then being issued, as the same comes due, and that the Board shall transfer from said Pledged Revenues and deposit to the credit of the Reserve Fund at least such amounts, in approximately equal semi-annual installments, as will, together with any other amounts already required to be deposited in the Reserve Fund in connection with the Bonds and any other outstanding Additional Bonds, be sufficient to cause the Reserve Fund to accumulate and contain within a period of not to exceed sixty months after the date of said Additional Bonds then being issued, a total amount of money and investments at least equal in market value to the average annual principal and interest requirements of all Bonds and Additional Bonds to be outstanding after the issuance of the then proposed Additional Bonds.

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

(c) Additional Bonds shall be issued only in accordance with this Resolution, but notwithstanding any provision of this Resolution to the contrary, no installment, Series, or issue of Additional Bonds shall be issued or delivered unless:

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

(2) The State Auditor of the State of Texas, or a certified public accountant, signs a written certificate to the effect that, during either the next preceding University of Texas System fiscal year, 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, either the Pledged Revenues were, or the System Tuition was, at least equal to 1.25 times the average annual principal and interest requirements of all Bonds and Additional Bonds to be outstanding after the issuance of the then proposed Additional Bonds.

Investments

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

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

Application of Series 1978 Bond Proceeds

The proceeds from the sale of the Series 1978 Bonds shall be disbursed as follows:

(a) To the Interest and Sinking Fund, the accrued interest and premium, if any, received from the sale of the Series 1978 Bonds;

(b) To be applied, along with certain proceeds of the Series 1974 Bonds Reserve Fund, to fund and establish at the City National Bank, Austin, Texas, an escrow fund to be entitled "Board of Regents of The University of Texas System General Tuition Revenue Bonds, New Series 1974 Escrow Fund" in accordance with the terms of that certain Escrow Agreement to be entered into between the Board and said bank at or prior to delivery of the Series 1978 Bonds, which escrow fund shall have deposited to its credit the required beginning cash balance (if necessary) and direct obligations of the United States of America, in amounts bearing interest and maturing in such a manner as to provide funds sufficient for the payment of principal of, redemption premiums on and interest to maturity or redemption on the Series 1974 Bonds, all as more fully set forth in such Escrow Agreement;

(c) To pay expenses connected with the refunding of the Series 1974 Bonds and the issuance of the Series 1978 Bonds; and

(d) The balance, if any, to the Interest and Sinking Fund.

No Arbitrage

The Board certifies that based upon all facts, estimates and circumstances now known or reasonably expected to be in existence on the date the Series 1978 Bonds are delivered and paid for, the Board reasonably expect that the proceeds of the Series 1978 Bonds will not be used in a manner that would cause the Series 1978 Bonds or any portion thereof to be an "arbitrage bond" under Section 103(c) of the Internal Revenue Code of 1954, as amended, and the temporary and proposed regulations heretofore prescribed thereunder. Furthermore, all officers, employees and agents of the Board are authorized and directed to provide certifications of facts, estimates and circumstances which are material to the reasonable expectations of the Board as of the date the Series 1978 Bonds are delivered and paid for, and any such certifications may be relied upon by counsel, by the holders of the Series 1978 Bonds, or by any person interested in the exemption of interest on the Series 1978 Bonds from federal income taxation. Moreover, the Board covenants that it shall make such use of the proceeds of the Series 1978 Bonds, regulate investments of proceeds of the Series 1978 Bonds, and to take such other and further action as may be required so that the Series 1978 Bonds shall not be "arbitrage bonds" under Section 103(c) of the Internal Revenue Code of 1954, as amended, and regulations prescribed from time to time thereunder.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the arithmetical computations of the adequacy of (i) the maturing principal of and interest income derived from the United States Government Securities to pay, when due, the principal of, interest and redemption premium on the Series 1974 Bonds and (ii) the accuracy of the mathematical computations only, supporting the conclusion of Bond Counsel with reference to "arbitrage bonds" (noted above) will be verified by Ernst & Ernst, independent public accountants. Such verification of arithmetical accuracy and mathematical computations shall be based on information supplied by the Board through the Financial Advisor.

ELIGIBILITY AS INVESTMENTS

Section 55.21 of the Texas Education Code provides that the Series 1978 Bonds are legal and authorized investments in Texas for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, trustees, and guardians, and for all interest and sinking funds and other public funds of the State of Texas and for all agencies, subdivisions, and instrumentalities thereof, including all counties, cities, towns, villages, school districts, and for all other kinds and types of districts, public agencies and bodies politic. The Series 1978 Bonds also shall be eligible and lawful security for all deposits of public funds of the State of Texas and all agencies, subdivisions, and instrumentalities thereof, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the Series 1978 Bonds, when accompanied by any unmatured interest coupons appurtenant thereto. The Board and Underwriter make no representations regarding the investment eligibility of the Series 1978 Bonds for any particular institution, and such decisions are the sole responsibility of the particular purchaser.

RATINGS

The Board of Regents has made application to Moody's Investors Service Inc. and Standard and Poor's Corporation for the purpose of attaining a credit rating. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations at the time such ratings were given and the Board makes no representation as to the appropriateness of the ratings.

There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

TAX EXEMPTION

The issuance of the Series 1978 Bonds is subject to the opinion of Vinson & Elkins, Houston, Texas, Bond Counsel, to the effect that interest on the Series 1978 Bonds is exempt from present federal income taxes under existing statutes, regulations, published rulings and court decisions.

The Board will issue a certificate, accompanied by an opinion of counsel, to the effect that on the basis of the facts, estimates and circumstances in existence on the date of delivery of the Series 1978 Bonds it is not expected that the proceeds of the Series 1978 Bonds will be used in a manner that would cause the Series 1978 Bonds to be "arbitrage bonds" under Section 103(c) of the Internal Revenue Code. The opinion of Vinson & Elkins will state that, based on their examinations of the law and their review of the no-arbitrage certificate of the Board and the verification of the arithmetical and mathematical computations by Ernst & Ernst, independent public accountants, the facts, estimates and circumstances are sufficiently set forth in such no-arbitrage certificate and the above-mentioned verification to satisfy the criteria which are necessary under Section 103(c) of the Internal Revenue Code of 1954, as amended, and applicable Treasury Regulations, to support the conclusion that the Series 1978 Bonds will not be arbitrage bonds.

FINANCIAL ADVISORS

The Board of Regents has retained the services of Rauscher Pierce Securities Corporation in the capacity as Financial Advisors to the Board for a fee based upon the amount of Bonds actually issued, sold and delivered. The payment of such fee is contingent upon the sale and delivery of the Bonds. The Financial Advisors have agreed not to submit an underwriting bid at the public sale of the Series 1978 Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series 1978 Bonds are subject to the unqualified approval of the Attorney General of the State of Texas and Messrs. Vinson & Elkins, Houston, Texas, Bond Counsel, whose approving opinion will be printed on the Bonds and delivered with the Series 1978 Bonds. Messrs. Vinson & Elkins were not requested to participate, and did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "The Series 1978 Bonds" and "The Bond Resolutions". No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any other information contained herein.

SOURCE AND USE OF INFORMATION

This Official Statement has been prepared under the direction of the Board of Regents of The University of Texas System by Rauscher Pierce Securities Corporation, a firm employed by the Board to perform professional services in the capacity of financial advisors. The information set forth herein has been obtained from the Board's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates con-

tained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to official documents in all respects.

The Board of Regents of The University of Texas System has reviewed and approved the Official Notice of Sale, Official Bid Form and Official Statement and said instruments have been authorized for use and distribution by Rauscher Pierce Securities Corporation, Financial Advisors, for the purpose of securing bids on the bonds offered hereby.

Approved and adopted by resolution of the Board of Regents of The University of Texas System this 4th day of August, 1978.

/S/

Chairman, Board of Regents of
The University of Texas System

ATTEST:

/S/

Secretary, Board of
Regents of The University
of Texas System

EXHIBIT A

APPENDIX

The information contained in this appendix consists of excerpts from The University of Texas System Financial Report for the Fiscal Year ended August 31, 1977 and is not intended to be a complete statement of the System's financial condition. Reference is made to the complete Financial Report for further information. The accounts and records of The University of Texas System are audited annually by the State Auditor. The audit for the 1977 fiscal year is currently in progress. When completed, the Auditor's opinion will be available upon request.

Combined Balance Sheet

at August 31, 1977

Assets		1977	Comparative 1976
CURRENT FUNDS			
UNRESTRICTED			
GENERAL			
Cash and Reimbursement in Transit		\$ 43,600,922	\$ 37,441,431
Balance in State General Revenue Appropriation		6,617,104	5,331,000
Investments (See Note C)		253,330	284,000
Accounts Receivable (Net of \$23,111,292 Allowance in 1977)		14,695,388	12,817,000
Other Receivables and Prepayments		701,707	507,000
Due from Other Funds		11,647,145	8,771,000
Inventories		8,563,175	7,514,000
Total General		86,078,771	73,205,431
DESIGNATED			
Cash		66,427,671	52,700,000
Accounts Receivable (Net of \$3,322,480 Allowance in 1977)		2,030,144	2,115,000
Other Receivables and Prepayments		215,283	48,000
Due from Other Funds		16,134,635	13,440,000
Inventories		1,341,367	1,100,000
Total Designated		86,149,100	79,403,000
AUXILIARY ENTERPRISES			
Cash		17,399,706	14,000,000
Investments (See Note C)		263,058	270,000
Accounts Receivable, Notes Receivable and Prepayments		1,113,377	98,000
Due from Other Funds		1,391,942	1,000,000
Inventories		4,069,666	4,200,000
Total Auxiliary Enterprises		24,237,749	19,478,000
Total Unrestricted		196,465,620	161,285,605
RESTRICTED			
Cash		33,493,700	27,000,000
Investments (See Note C)		701,858	640,000
Federal Accounts Receivable		12,517,007	11,900,000
Other Accounts Receivable		10,337,424	10,000,000
Other Receivables and Prepayments		1,905,820	1,000,000
Federal Contract and Grant Awards		88,338,207	85,000,000
Non-Federal Contract and Grant Awards		12,476,914	11,000,000
Due from Other Funds			1,000,000
Total Restricted		159,772,930	147,970,000
Total Current Funds		\$ 356,238,550	\$ 309,255,605

Liabilities and Fund Balances

	1977	Comparative 1976
CURRENT FUNDS		
UNRESTRICTED		
GENERAL		
Accounts Payable	\$ 6,529,898	\$ 4,674,920
Due to Other Funds	30,829,568	21,163,989
Deposits and Deferred Revenue	3,484,861	4,047,209
Fund Balances	39,252,181	37,023,443
Allocated	5,982,263	5,400,206
Unallocated		
Total General	86,078,771	72,309,767
DESIGNATED		
Accounts Payable	651,394	209,079
Due to Other Funds	953,894	195,390
Deposits and Deferred Revenue	13,437,544	12,580,194
Fund Balances	71,106,268	56,506,228
Total Designated	86,149,100	69,490,891
AUXILIARY ENTERPRISES		
Accounts Payable	1,524,037	1,175,469
Due to Other Funds		187,695
Deposits and Deferred Revenue	4,936,988	4,596,265
Fund Balances	17,776,724	13,525,518
Total Auxiliary Enterprises	24,237,749	19,434,947
Total Unrestricted	196,465,620	161,285,605
RESTRICTED		
Accounts Payable	767,359	691,848
Undistributed Income	8,000	8,000
Due to Other Funds	16,788,381	13,316,558
Fund Balances (Unearned)	142,209,190	133,953,732
Total Restricted	159,772,930	147,970,138
Total Current Funds	\$ 356,238,550	\$ 309,255,743

Combined Balance Sheet

at August 31, 1977

Assets		1977	Comparative 1976
LOAN FUNDS			
Cash	\$	2,650,188	\$ 2,175,000
Investments (See Note C)		92,238	154,000
Notes Receivable		22,196,919	19,364,000
Other Receivables		556,257	224,000
Due from Other Funds		297,096	—
Total Loan Funds	\$	25,792,698	\$ 21,927,000
ENDOWMENT AND SIMILAR FUNDS			
STATE (Permanent University Fund) (See Note D)			
Cash	\$	924,424	\$ 94,000
Investments (See Note C)		955,148,558	864,600,783
Accounts Receivable		—	—
Total State	\$	956,072,982	\$ 864,600,783
OTHER THAN STATE			
Cash		1,814,664	1,787,000
Investments (See Note C)		105,503,010	100,720,000
Accounts Receivable		—	—
Funds Held by Sealy and Smith Foundation (See Note E)		870,963	870,000
Total Other Than State	\$	108,188,637	\$ 102,577,000
Total Endowment and Similar Funds	\$	1,064,261,619	\$ 967,177,783
ANNUITY AND LIFE INCOME FUNDS			
Cash	\$	45,336	\$ 200,000
Investments (See Note C)		2,828,132	4,000,000
Accounts Receivable		—	—
Total Annuity and Life Income Funds	\$	2,873,468	\$ 4,200,000
AVAILABLE UNIVERSITY FUND			
Cash	\$	17,386,842	\$ 15,255,000
Investments (See Note C)		101,100	—
Accounts Receivable		—	—
Total Available University Fund	\$	17,487,942	\$ 15,255,000

Liabilities and Fund Balances

	1977	Comparative 1976
LOAN FUNDS		
Accounts Payable	\$ 461	\$ 1,111
Fund Balances	20,954,494	17,684,036
U. S. Government Grants Refundable	4,837,743	4,237,367
University Funds	—	—
Total Loan Funds	\$ 25,792,698	\$ 21,922,514
ENDOWMENT AND SIMILAR FUNDS		
STATE (Permanent University Fund)		
Fund Balance	\$ 956,072,982	\$ 864,600,783
Endowment	—	—
Total State	956,072,982	864,600,783
OTHER THAN STATE		
Due to Other Funds	—	27,069
Fund Balances	68,127,879	62,413,194
Endowment	646,207	639,932
Term Endowment	39,414,551	34,767,007
Quasi-Endowment	—	—
Total Other Than State	108,188,637	102,577,112
Total Endowment and Similar Funds	\$ 1,064,261,619	\$ 967,177,895
ANNUITY AND LIFE INCOME FUNDS		
Fund Balances	\$ 2,873,468	\$ 4,255,532
Total Annuity and Life Income Funds	\$ 2,873,468	\$ 4,255,532
AVAILABLE UNIVERSITY FUND		
Due to the Texas A&M University System	\$ 241,962	\$ 163,624
Due to Other Funds	16,679,800	14,725,905
Fund Balances	566,180	482,739
Total Available University Fund	\$ 17,487,942	\$ 15,372,268

Combined Balance Sheet

For the Year Ended August 31, 1977

Assets	1977	Comparative 1976
PLANT FUNDS		
UNEXPENDED		
Cash	\$ 89,524,139	\$ 154,744,100
Balance in State General Revenue Appropriation	23,249,193	32,249,193
Accounts Receivable	193,005	193,005
Federal Grants Receivable	5,135,696	5,135,696
Non-Federal Grants Receivable	945,859	945,859
Due from Other Funds	36,444,206	36,444,206
Total Unexpended	155,492,098	265,717,059
FUNDS FOR RENEWALS AND REPLACEMENTS		
Cash	1,807,139	1,807,139
Due from Other Funds	577,059	577,059
Total Funds for Renewals and Replacements	2,384,198	2,384,198
FUNDS FOR RETIREMENT OF INDEBTEDNESS		
Cash	17,109,378	17,109,378
Investments (See Note C)	38,724,522	38,724,522
Accounts Receivable	221,375	221,375
Due from Other Funds	5,836,044	5,836,044
Funds Held by State Treasurer		
Total Funds for Retirement of Indebtedness	61,891,319	61,891,319
INVESTMENT IN PLANT		
Land	70,841,804	70,841,804
Buildings	557,855,992	557,855,992
Improvements Other than Buildings	54,627,390	54,627,390
Equipment	356,771,113	356,771,113
Construction in Progress	379,041,260	379,041,260
Total Investment in Plant	1,419,137,559	1,419,137,559
Total Plant Funds	\$1,638,905,174	\$1,638,905,174
AGENCY FUNDS		
Cash	\$ 3,639,131	\$ 3,639,131
Investments (See Note C)	4,173,381	4,173,381
Accounts Receivable	1,512,649	1,512,649
Federal Contract and Grant Awards	262,211	262,211
Real Estate	250,224	250,224
Total Agency Funds	\$ 9,837,596	\$ 9,837,596

Liabilities and Fund Balances

	1977	Comparative 1976
AGENCY FUNDS		
UNEXPENDED		
Accounts Payable	\$ 1,797,446	\$ 343,945
Due to Other Funds	1,000,000	1,000,000
Bonds Payable	22,314,662	59,917,197
Fund Balances	85,056,145	129,251,779
Restricted	45,323,845	48,444,579
Unrestricted		
Total Unexpended	155,492,098	224,977,500
FUNDS FOR RENEWALS AND REPLACEMENTS		
Fund Balances	813,414	813,414
Restricted	1,570,784	1,570,784
Unrestricted		
Total Funds for Renewals and Replacements	2,384,198	2,384,198
FUNDS FOR RETIREMENT OF INDEBTEDNESS		
Fund Balances	61,891,319	61,891,319
Restricted		
Total Funds for Retirement of Indebtedness	61,891,319	61,891,319
INVESTMENT IN PLANT		
Due to Other Funds	417,000	417,000
Bonds, Notes, Mortgages and Advances Payable	873,648,647	873,648,647
Net Investment in Plant		
Total Investment in Plant	1,419,137,559	1,419,137,559
Total Plant Funds	\$1,638,905,174	\$1,638,905,174
AGENCY FUNDS		
Accounts Payable	\$ 3,966	\$ 3,966
Due to Other Funds	44,815	44,815
Investment in Plant	250,224	250,224
Deposits Held in Custody for Others	9,537,591	9,537,591
Total Agency Funds	\$ 9,837,596	\$ 9,837,596

See page A-12 for notes to financial statements and summary of accounting policies

Combined Statement of Changes in Fund Balances

For the Year Ended August 31, 1977

	CURRENT FUNDS				UNRESTRICTED FUNDS	ENDOWMENT AND SIMILAR FUNDS STATE	AND SIMILAR FUNDS OTHER THAN STATE	ANNUITY AND LIFE INCOME FUNDS	AVAILABLE UNIVERSITY FUND	PLANT FUNDS			
	General	Designated	Auxiliary Enterprises	Total Unrestricted						Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant
BALANCES, September 1, 1976	\$ 42,423,649	\$ 56,506,228	\$ 13,525,518	\$ 112,455,395	\$ 1,101,403	\$ 224,600,783	\$ 102,820,043	\$ 4,255,532	\$ 482,739	\$ 164,698,188	\$ 1,178,447	\$ 48,824,402	\$ 757,379,637
REVENUES AND OTHER ADDITIONS													
Unrestricted Current Fund Revenues	438,691,859	88,653,048	47,418,823	574,763,730						1,670,000			
State Appropriations - Restricted										3,561,387		862,708	348,690
Federal Grants and Contracts - Restricted													
State Grants and Contracts - Restricted													
Local Grants and Contracts - Restricted													
Private Gifts, Grants and Contracts - Restricted							4,061,976	253,525		1,277,765		1,500,000	2,054,547
Proceeds from Sale of Bonds						31,626,261	1,448,339	171,935	37,250,640	20,000,000		6,567,179	
Investment Income							201,459			6,472,630	4,120	12,870	
Realized Gains on Investments													
Interest on Loans Receivable													
U.S. Government Advances													
Expended for Plant Facilities (Including \$31,711,291 Charged to Current Fund Expenditures)													145,732,839
Net Change in Bonds Payable										37,622,535			
Ad Valorem Tax Funds in State Treasury at September 1, 1976												4,119,362	
Ad Valorem Tax Allocation												4,321,089	
Other Additions	483,731	1,327,271	30,825	1,841,827	30,827					322,075		154,736	5,882,123
Total Revenues and Other Additions	439,155,591	91,053,019	47,449,348	577,657,958	63,654,120	31,626,261	5,711,774	425,460	37,250,640	70,926,392	4,120	17,536,944	153,518,202
EXPENDITURES AND OTHER DEDUCTIONS													
Expenditures	420,124,453	51,022,518	42,807,475	513,954,446				199,755	1,100,371	3,324,834		4,288	
Appropriations Lapsed	2,916,283			2,916,283									
Indirect Costs Recovered													
Refunded to Grantor													
Loan Cancellations and Write-offs													
Administrative and Collection Costs													
Realized Losses on Investments													
Expended for Plant Facilities													
Retirement of Indebtedness and Interest Paid													
Disposal of Plant Facilities													
Net Change in Bonds, Notes, Mortgages and Advances Payable													
Other Deductions	148,972	338,533	29,607	517,112	3,806	434,062	73,330	4,365		63,808			31,432,956
Total Expenditures and Other Deductions	423,189,708	51,361,051	42,837,082	517,387,841	322,422	434,062	73,330	940,780	1,139,277	135,344,162		49,615,888	37,249,192
TRANSFERS													
MANDATORY													
Retirement of Indebtedness Funds													
Permanent University Fund Bonds										(12,672,216)			12,672,216
General Tuition Revenue Bonds		(13,735,480)		(13,735,480)									13,735,480
Other Revenue Bonds		(9,830,467)	(2,224,290)	(12,054,757)			(953,652)						13,008,409
Renewals and Replacement Funds			(125,500)	(125,500)								125,500	
Loan Funds Matching Grant		(160,317)	(104,830)	(265,147)									
NON-MANDATORY													
Between Funds	(13,155,453)	(1,501,018)	2,090,257	(12,566,214)	16,526		683,802	(866,744)	(23,355,705)	30,099,572	1,076,131	5,729,756	
From (To) Agency Funds	365	135,354	3,803	139,522		280,000							
Total Transfers	(13,155,088)	(25,091,928)	(360,560)	(38,607,576)	350,136	280,000	(269,850)	(866,744)	(36,027,922)	30,099,572	1,201,631	45,145,961	
Net Increase (Decrease) for the Year	2,810,795	14,600,040	4,251,206	21,662,041	3,870,834	91,472,199	5,368,594	(1,382,064)	83,441	(34,318,198)	1,205,751	13,066,917	116,269,010
BALANCES, August 31, 1977	\$ 45,234,444	\$ 71,106,268	\$ 17,776,724	\$ 134,117,436	\$ 67,524,954	\$ 956,072,982	\$ 108,188,637	\$ 2,873,468	\$ 566,180	\$ 130,379,990	\$ 2,384,198	\$ 61,891,319	\$ 873,648,647

See page A-12 for notes to financial statements and summary of accounting policies

Combined Statement of Current Funds
Revenues and Expenditures

For the Year Ended August 31, 1977

	General	Designated	UNRESTRICTED Auxiliary Enterprises	Total Unrestricted	RESTRICTED	TOTAL 1977	Comparative 1976
CURRENT REVENUES							
Tuition and Fees	\$ 3,111,434	17,146,304	\$ 8,697,226	\$ 40,154,601	\$	\$ 40,154,601	\$ 37,111,131
Federal Appropriations							795,765
State Appropriations							350,921,838
Federal Grants and Contracts	281,340,759			361,042,936	36,323,923	397,366,859	114,029,385
State Grants and Contracts	14,231,000	1,170,144		20,463,396	93,565,989	114,029,385	102,254,641
Local Grants and Contracts	343,000	679		394,236	10,573,258	10,967,494	8,944,029
Private Gifts, Grants and Contracts	91,000			53,530	2,048,115	2,101,645	1,345,366
Endowment Income	1,666,000	1,354,688	234,349	3,285,043	27,886,489	31,171,532	24,786,868
Sales and Services of Hospitals		354,533		354,533	3,185,838	3,540,371	2,802,217
Sales and Services of Educational Activities	47,340,759	1,683,372		57,025,250		57,025,250	48,476,924
Sales and Services of Auxiliary Enterprises	1,557,000	7,836,400		9,523,578		9,523,578	8,728,834
Professional Fees		235,580	38,323,400	38,548,980		38,548,980	34,245,265
Other Sources	3,404,000	1,321,940		33,999,880		33,999,880	28,874,357
		5,349,746	163,848	9,917,767	1,831,416	11,749,183	9,387,672
Total Current Revenues	\$438,691,000	28,683,048	\$ 47,418,823	\$574,763,730	\$175,415,028	\$750,178,758	\$650,677,057
CURRENT EXPENDITURES							
EDUCATIONAL AND GENERAL							
Instruction	\$171,555,000	20,440,917	\$	\$192,568,017	\$ 42,451,217	\$235,019,234	\$207,713,052
Research	14,741,000	1,131,300		20,060,865	90,979,362	111,040,227	93,166,757
Public Service	1,188,000	4,022,329		5,210,609	10,834,968	16,045,577	13,756,944
Hospitals	17,244,000	18,443,641		93,378,292	9,387,750	102,766,042	83,225,146
Academic Support	10,344,000	1,874,596		32,921,523	3,727,993	36,649,516	32,332,853
Student Services	1,400,000	1,101,441		7,943,634	1,726,344	9,669,978	8,422,800
Institutional Support	15,640,000	4,250,267		42,102,795	5,011,443	47,114,238	39,476,963
Operation and Maintenance of Plant	23,781,400	34,479		73,216,473	3,189,211	76,405,684	60,302,137
Scholarships and Fellowships	3,586,000	620,464		3,508,492	5,825,145	9,333,637	7,687,242
Total Educational and General	420,096,000	50,814,615		470,910,700	173,133,433	644,044,133	552,090,903
AUXILIARY ENTERPRISES	18,595,000	207,903	42,807,975	43,044,246	2,281,595	45,325,841	38,949,885
Total Current Expenditures	\$438,691,000	\$1,022,518	\$ 42,807,975	\$513,954,946	\$175,415,028	\$689,369,974	\$591,040,788

See page A-12 for notes to financial statements and summary of accounting policies

Notes to Financial Statements

Note A. Significant changes in reporting procedures affecting the comparability of amounts reported on the financial statements for the fiscal year ended August 31, 1977, with the prior year amounts include the following:

1. As authorized in Section 17, Article VII of the Constitution of Texas, as amended, the Board of Regents of The University of Texas System has issued \$16,915,000 Constitutional Tax Bonds, Series 1972, 1974 and 1976 for The University of Texas at Arlington of which \$7,395,000 was outstanding at August 31, 1977. These Tax Bond liabilities are payable by the State Treasurer solely from collections of the continuing Ad Valorem Tax levied under the cited Article. In accordance with revised reporting instructions to State institutions, the Tax Bonds payable have been included in the Bonds Payable reported at August 31, 1977 (\$1,084,843 is included in the Bonds Payable reported in Unexpended Plant Funds and \$6,310,157 is included in the Bonds Payable reported in Investment in Plant). Bonds payable reported for the prior fiscal year end, August 31, 1976, do not include the Tax Bond liabilities outstanding in the amount of \$9,790,000 at that date. Consistent with the above procedures, the transactions and balances of the "Building Bond Sinking Fund" held by the State Treasurer for the interest and principal retirement of the Tax Bonds have been included in the amounts reported for the Fiscal Year Ended August 31, 1977, but were not included in the reported amounts for the prior year. Following is a summary of such Building Bond Sinking Fund transactions and balances which are reflected in the Statement of Changes in Fund Balances for the 1977 year:

		Plant Funds Retirement of Indebtedness
Revenues and Other Additions:		
Ad Valorem Tax Funds in State Treasury at September 1, 1976	\$4,118,362	
Ad Valorem Tax Allocation	4,321,089	
Investment Income	233,592	
Total Revenues and Other Additions	8,673,043	
Less Expenditures and Other Deductions:		
Retirement of Indebtedness	\$2,395,000	
Interest Paid	441,999	2,836,999
Fund Balance at August 31, 1977		\$5,836,044

As stated above, comparable prior year transactions were not reflected in the Statement of Changes in Fund Balances for the 1976 year.

2. The University of Texas System School of Nursing is reported in the financial statements as an individual component institution. However, effective September 1, 1976, the System School of Nursing was reorganized to place each of the six Schools of Nursing under the administrative control of the U.T. component institution where the school is located. Accordingly, the System School of Nursing financial statements included in the expanded edition of the Annual Financial Report reflect the transfers of fund balances to other component institutions. Such transfers represent fund balances at September 1, 1976, together with Legislative Appropriations and other revenues for fiscal year 1977, reduced by phase out costs and transitional adjustments. As a result of the above mentioned reorganization and reported transactions, the financial statements for The University of Texas System School of Nursing included in the expanded edition show no remaining assets, liabilities or fund balances at August 31, 1977.

Note B. Cash balances at August 31, 1977 reported in the various fund groups include time deposits totaling \$255,909,701.

Note C. At August 31, 1977, book values of all investments (excluding Permanent University Fund and Available University Fund lands carried at nominal values of \$10,002,384 and \$101,100 respectively) are classified as follows:

Bonds	\$ 638,584,507
Stocks	370,050,090
Real Estate Mortgages and Other Notes	71,212,863
Real Estate	15,475,736
Other Investments	2,362,507
	\$1,097,685,703

The total market value of these investments at August 31, 1977, was at least \$1,086,000,000. During the year, bonds were sold and other bonds of equal par value and greater yield were purchased as replacements; these sales and purchases were treated as "exchanges", thus recognizing no gains or losses. Descriptions of these exchanges are shown in the narrative section of this report, page 18.

Note D. By acts of the Legislature and provisions of the Constitution, the net income of the Permanent University Fund is divided two-thirds to The University of Texas System and one-third to The Texas A&M University System (with the exception of income from grazing leases on University land, all of which goes to The University of Texas System).

Note E. The Special Fund for John Sealy Hospital has been under the joint control of the Board of Regents and the Sealy and Smith Foundation since January 31, 1927, but has always been in the custody of the Foundation.

Note F. Orders and Contracts of \$92,538,841 were outstanding at August 31, 1977 against the Fund Balances of Unexpended Plant Funds.

These Orders and Contracts included \$7,942,298 of liabilities based on contractors' estimates or invoices for services performed

and materials received as of August 31, 1977 as shown below.

THE UNIVERSITY OF TEXAS	
at Arlington	\$1,012,222
at Austin	2,642,000
at Dallas	1,150,000
at El Paso	1,000,000
at San Antonio	2,050,000
Health Science Center at Dallas	1,070,000
Medical Branch at Galveston	1,190,000
Health Science Center at Houston	1,050,000
System Cancer Center	660,000
	\$7,422,222

Note G. At August 31, 1977, The University of Texas System had outstanding Bonds, Mortgages, and Advances Payable of \$567,386,574. Of this amount approximately \$23,500,000 is payable in the following year ending August 31, 1978. These liabilities are as follows:

BONDS PAYABLE	
Permanent University Fund	\$1,084,843
Available University Fund	6,310,157
Building Bond Sinking Fund	7,395,000
Investment in Plant	6,310,157
Unexpended Plant Funds	1,084,843
	\$22,184,999

MORTGAGES AND ADVANCES PAYABLE	
Permanent University Fund	\$1,012,222
Available University Fund	2,642,000
Building Bond Sinking Fund	1,150,000
Investment in Plant	1,000,000
Unexpended Plant Funds	2,050,000
	\$7,854,222

Note H. The financial statements reflect the balances of transactions held in trust by others. At August 31, 1977, thirty-eight such funds existed for the benefit of The University of Texas System and thirty-seven were for five specified component institutions and one for System-wide purposes. Based upon the most recent available information, the assets of these funds held in trust by others are carried by the Trustees at values totaling more than \$45,000,000.

Note I. Beginning September 1, 1977, the provisions of Senate Bill 52, 64th Legislature, Article 5, Section 7 required the lump sum payment of accumulated vacation and one-half of accumulated sick leave to terminating employees. During the fiscal year ended August 31, 1977, each component institution established a vacation and sick leave reserve account to fund such payments through rate applied to all eligible salaries and wages credited to the reserve account. The rates used were those negotiated with the U.S. Department of Health, Education and Welfare for the purpose of charging costs for Federal grants and contracts. The reserve accounts have been classified as Service Departments and are reported in the Designated Current Fund group.

The above mentioned sick leave payment policy was changed by House Bill 510, 67th Legislature which eliminated lump sum sick leave payments to employees terminating after August 31, 1977, except for payments to the estates of deceased employees for one-half of the individual's accumulated sick leave, or for 336 hours of sick leave, whichever is less. Terminating employees and the estates of deceased employees are still entitled to payment for all vacation time distributed at the time of separation from State employment.

Some Designated Fund Service Departments at component institutions carried negative balances at August 31, 1977.

charges to the above-mentioned vacation and sick leave reserve accounts caused such deficit account balances at ten component institutions totaling \$2,538,113. These negative balances will be recovered in subsequent years by credits based on revised vacation and sick leave rates to be charged to appropriate departments and various grants and contracts. In addition to the aforementioned deficits, a computer acquisition during the year resulted in a deficit account balance at The University of San Antonio of \$68,020. The acquisition cost of the computer will be recovered by charges for services performed in subsequent years.

Note J. In the Combined Statement of Current Funds Revenues and Expenditures for the year ended August 31, 1977, the category "General Grants and Contracts" includes \$99,324 of revenues from the College Work Study Program at U.T. Austin, which under present reporting procedures, would have been classified as "Federal Appropriations." The comparable amount included in the "Federal Appropriations" reported in the Combined Statement of Current Funds Revenues and Expenditures for the year ended August 31, 1976 was \$764,704.

Note K. Prepaid Expenses reported in Restricted Current Funds on the Balance Sheet include \$1,778,896 of costs charged to payroll clearing accounts of various U.T. Austin Centers, which are reported as expenditures in the accounts at August 31, 1977, but charges to the appropriate Federal grants and/or contracts will be reported as expenditures in the subsequent fiscal year.

Summary of Significant Accounting Policies

PRINCIPLES OF CONSOLIDATION

The combined financial statements include the System Administration and all component institutions of The University of Texas System. All amounts due between component institutions, amounts held for component institutions by the System Administration and other duplications in reporting are eliminated in preparing the combined financial statements.

ACCURAL BASIS OF ACCOUNTING

The financial statements of The University of Texas System are prepared on a modified accrual basis consistent with principles recommended in *College and University Business Administration*, Third Edition, published in 1974.

The Statement of Current Funds Revenues and Expenditures is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of revenues and expenses.

FUND ACCOUNTING

In order to ensure observance of limitations and restrictions placed on resources available to The University of Texas System, the accounts of the System are maintained in accordance with the principles of "fund ac-

counting" as outlined in *College and University Business Administration*, Third Edition, published in 1974. This is the procedure by which resources are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. The University of Texas System maintains individual accounts for each fund, however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

To ensure proper stewardship in accordance with stated objectives the following fund groups are employed by The University of Texas System:

Current Funds - Funds expendable for current operating purposes. Within the current fund group, funds are segregated between those for general, designated, auxiliary enterprises, and restricted purposes. **Restricted funds** refer to resources that have been externally restricted and may only be utilized in accordance with the purposes stipulated by the source of such funds. This is in contrast with general, designated and auxiliary enterprises funds over which the Board of Regents retain full control to use in achieving its institutional purposes. Restricted current funds include contract and grant awards for which cash may not have been received nor expenditures made, and also include cash received but not expended, such resources are reported as revenue when expended. **Designated funds** are resources arising from sources that have been designated by the Board of Regents to be used for special purposes. The separate current fund group styled "Designated Funds" has been established by The University of Texas System to distinguish such internally designated funds from externally restricted as well as other current funds. Included in the Designated Fund group are the Service Department fund balances. That portion of Service Department revenues from outside sources is reported as Sales and Services of Educational Activities. The remainder of the credits from services are netted against the total service department expenditures. Any excess of expenditures is reported in the Institutional Support expenditures category on the Statement of Current Funds Revenues and Expenditures (conversely, if credits from services exceed the expenditures for the year, the excess will reduce the Institutional Support category). These procedures are consistent with, although not specified in *College and University Business Administration*, Third Edition, published in 1974.

Loan Funds - Funds available for loans to students.

Endowment and Similar Funds - Funds subject to restrictions of endowment instruments requiring that principal be maintained in perpetuity and that only the income be utilized. The *Permanent University Fund* (State Endowment) is restricted by the Constitution of the State of Texas and only the income of the fund is available for use. (See page 16.) The income from the Per-

manent University Fund is the Available University Fund which is described below. All other endowment income is accounted for in the fund to which it is restricted or designated.

Agency Funds - Funds in the custody of The University of Texas System held by the System as custodian or fiscal agent for others.

DEPRECIATION

Depreciation policy follows that recommended in *College and University Business Administration*, Third Edition, published in 1974. Accordingly, no depreciation is taken on physical plant and equipment. However, to maintain the principal of endowments unimpaired, depreciation is recorded on real estate which is the investment of Endowment funds.

INVESTMENTS

Investments are carried at cost or, if donated, at fair market value at date of donation, adjusted for amortization of any premium or discount computed on the "scientific" basis. The cost of bond investments reflect "exchanged" cost as described in footnote "B" to the financial statements.

manent University Fund is the Available University Fund which is described below. All other endowment income is accounted for in the fund to which it is restricted or designated.

Annuitants and Life Income Funds

Annuitants Funds - Funds donated to The University of Texas System on condition that the System pay a stipulated amount to the donor or designated individuals for a specified time or until the time of death of the annuitant.

Life Income Funds - Funds similar to Annuitants funds, except that the System is required to pay to the donor or designated individuals only the income earned by assets of the funds after deduction of appropriate management expenses.

Available University Fund - Funds created by income from the Permanent University Fund. Although not specified in *College and University Business Administration*, Third Edition, published in 1974, The University of Texas System has established a separate "Available Fund" group because of the unique manner in which it functions.

Plant Funds - This group of funds includes *Unexpended Plant Funds* which account for the unexpended resources derived from various sources to finance the acquisition of long-lived plant assets and the associated liabilities. *Funds for Renewals and Replacements* which provide for the renewal and replacement of plant fund assets as distinguished from additions and improvements to plant. *Funds for Retirement of Indebtedness* which account for the accumulation of resources for interest and principal payments and other debt service charges. *Investment in Plant* includes all long-lived assets in the service of the institution and all construction in progress. However, it does not include any long-lived assets held as investments in the Endowment and Similar Fund. Plant Fund bonded indebtedness is reported as a liability of Unexpended Plant Funds to the extent that the bond proceeds are unexpended, and the bonded indebtedness represented by expended proceeds is reported as a liability of the Investment in Plant Fund group.

Agency Funds - Funds in the custody of The University of Texas System held by the System as custodian or fiscal agent for others.

DEPRECIATION

Depreciation policy follows that recommended in *College and University Business Administration*, Third Edition, published in 1974. Accordingly, no depreciation is taken on physical plant and equipment. However, to maintain the principal of endowments unimpaired, depreciation is recorded on real estate which is the investment of Endowment funds.

INVESTMENTS

Investments are carried at cost or, if donated, at fair market value at date of donation, adjusted for amortization of any premium or discount computed on the "scientific" basis. The cost of bond investments reflect "exchanged" cost as described in footnote "B" to the financial statements.

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RESOLUTION AUTHORIZING REDEMPTION OF CERTAIN BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM GENERAL TUITION REVENUE BONDS, NEW SERIES 1974, PRIOR TO MATURITY; ESCROW AGREEMENT WITH CITY NATIONAL BANK OF AUSTIN, AUSTIN, TEXAS, TO PROVIDE FOR THE PAYMENT OF SAID BONDS. --The following Resolution (Pages 19-33) was duly introduced for the consideration of the Board of Regents and read in full. It was then duly moved by Regent Clark and seconded by Vice-Chairman Williams that said Resolution be adopted; and after due discussion, said motion carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

AYES: All members of said Board shown present (Page 1) voted "Aye."

NOES: None

The adoption of this Resolution authorized redemption of certain Board of Regents of The University of Texas System General Tuition Revenue Bonds, New Series 1974, prior to maturity and approved the execution of escrow agreement (Pages 22-32) between the Board of Regents and City National Bank of Austin, Austin, Texas, Escrow Agent, the Escrow Agreement having been consented to by National Bank of Commerce of Dallas, Dallas, Texas, Paying Agent. (Note: When the Chairman has executed the final agreement a copy will be substituted for this one in the Permanent Minutes to complete the record.)

RESOLUTION AUTHORIZING REDEMPTION OF CERTAIN BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM GENERAL TUITION REVENUE BONDS, NEW SERIES 1974, PRIOR TO MATURITY, EXECUTION AND DELIVERY OF AN ESCROW AGREEMENT TO PROVIDE FOR THE PAYMENT OF SAID BONDS, SUBSCRIPTION FOR CERTAIN ESCROWED SECURITIES AND OTHER MATTERS RELATING THERETO

WHEREAS, the Board of Regents of The University of Texas System (the "Board") desires to refund, in advance of their maturities, the Board of Regents of The University of Texas System General Tuition Revenue Bonds, New Series 1974 (the "Underlying Bonds") in order to realize an annual savings in debt service; and

WHEREAS, the Board is authorized by Chapter 55, Texas Education Code, to issue, sell and deliver refunding bonds in amounts necessary to pay the principal, interest and redemption premium on bonds to be refunded, at maturity or on any redemption date; and

WHEREAS, contemporaneously herewith, the Board has adopted a resolution (the "Refunding Bond Resolution") authorizing the issuance of Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1978, for the purpose of providing funds to be used in refunding the Underlying Bonds; and

WHEREAS, the Board desires to call certain of the Underlying Bonds for redemption prior to their scheduled maturities; and

WHEREAS, the Board desires to enter into an Escrow Agreement with City National Bank of Austin, Austin, Texas, pursuant to which provision will be made for the full and timely payment of principal, interest and redemption premium on the Underlying Bonds; and

WHEREAS, the Board desires to authorize the subscription for certain United States Treasury obligations to be purchased for deposit into such escrow;

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

Section 1. Redemption of Certain Underlying Bonds: The Board hereby calls for redemption and authorizes the redemption of, and payment of the applicable redemption premium for, such of the Underlying Bonds at such dates prior to their scheduled maturities as shall be provided for and contemplated in the Escrow Agreement described in the following section. Notice of such redemption in substantially the form attached hereto as Attachment "A" is hereby authorized to be delivered to the paying agents for the Underlying Bonds and to be published in the Texas Bond Reporter and/or The Daily Bond Buyer, and notice of such redemption is further authorized to be given in any other manner required by the resolution authorizing the Underlying Bonds.

Section 2. Escrow Agreement: The refunding of the Underlying Bonds shall be effectuated pursuant to the terms and provisions of an Escrow Agreement to be entered into by and between the Board and City National Bank of Austin, Austin, Texas; such Escrow Agreement shall be in substantially the form attached hereto as Attachment "B", the terms and provisions of which are hereby approved, subject to such revisions and modifications as shall be necessary to assure the greatest possible debt service savings, to comply with all applicable laws and regulations relating to the refunding of the Underlying Bonds and to carry out the other intents and purposes hereof; and the Chairman of the Board is hereby authorized to execute and deliver such Escrow Agreement on behalf of the Board in multiple counterparts and the Secretary of the Board is hereby authorized to attest thereto and affix the Board's seal.

Section 3. Subscription for Escrowed Securities: In order to assure the purchase of the Escrowed Securities referred to in the Escrow Agreement, the Board hereby authorizes the subscription for United States Treasury certificates of indebtedness, notes and bonds, State and Local Government Series, and other Escrowed Securities, in such amounts, maturities and bearing interest at such rates as may be provided for in the Escrow Agreement, and the Chairman of the Board and all other appropriate officials of The University of Texas System are hereby authorized to take all necessary and appropriate action to provide for the purchase of such Escrowed Securities pursuant to the Escrow Agreement.

Section 4. Related Matters: In order that the Board shall satisfy in a timely manner all of its obligations under the Escrow Agreement and the Refunding Bond Resolution, the Chairman and Secretary of the Board and all other appropriate officials of The University of Texas System are hereby authorized and directed to take all other actions that are reasonably necessary to provide for the refunding of the Underlying Bonds, including without limitation, executing and delivering on behalf of the Board all certificates, consents, receipts, requests, and other documents as may be reasonably necessary to satisfy the Board's obligations under the Escrow Agreement and the Refunding Bond Resolution and to direct the transfer of funds of the Board consistent with the provisions of such Escrow Agreement and the Refunding Bond Resolution.

ADOPTED AND APPROVED this 4th day of August, 1978.

ATTEST:

/s/ Allan Shivers

Chairman, Board of Regents of
The University of Texas System

/s/ Betty Anne Thedford

Secretary, Board of Regents of
The University of Texas System

(SEAL)

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Attachment "A"NOTICE OF PRIOR REDEMPTION

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
GENERAL TUITION REVENUE BONDS, NEW SERIES 1974

NOTICE IS HEREBY GIVEN that the Board of Regents of The University of Texas System has called certain of the above bonds for redemption as follows:

On April 1, 1985, the following bonds will be redeemed for the principal amount thereof and accrued interest thereon to the date fixed for redemption, plus a premium of 2% on the principal amount thereof:

<u>Bond Nos.</u>	<u>Scheduled Maturities</u>	<u>Principal Amounts</u>
1721-2030	1986	\$1,550,000
2051-2385	1987	1,675,000
2406-2765	1988	1,800,000
2786-3175	1989	1,950,000
3196-3610	1990	2,075,000
3636-4085	1991	2,250,000
4111-4565	1992	2,275,000
4591-5055	1993	2,325,000
5081-5232	1994	760,000

On October 1, 1993, the following bonds will be redeemed for the principal amount thereof and accrued interest to the date fixed for redemption:

<u>Bonds Nos.</u>	<u>Scheduled Maturities</u>	<u>Principal Amounts</u>
5233-5580	1994	\$1,740,000
5581-6080	1995	2,500,000
6081-6600	1996	2,600,000

Such bonds will be redeemed at National Bank of Commerce of Dallas, Dallas, Texas, or, at the option of the holder, at Manufacturers Hanover Trust Company, New York, New York. Such bonds shall not bear interest after their respective redemption dates.

BY RESOLUTION of the Board of Regents of The University of Texas System adopted August 4, 1978.

Allan Shivers
Chairman, Board of Regents of
The University of Texas System

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Attachment "B"

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ESCROW AGREEMENT

(Board of Regents of The University
of Texas System General Tuition
Revenue Bonds, New Series 1974)

THIS ESCROW AGREEMENT, dated as of August __, 1978 (herein, together with any amendments or supplements hereto, called the "Agreement") is entered into by and between the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (herein, together with any successor to its duties and functions, called the "Board"), and CITY NATIONAL BANK OF AUSTIN, a national banking corporation with its principal office located in Austin, Texas, as escrow agent (herein, together with any successor in such capacity, called the "Escrow Agent"), and consented to by NATIONAL BANK OF COMMERCE OF DALLAS, a national banking corporation with its principal office located in Dallas, Texas, as paying agent (herein, together with any successor in such capacity, called the "Paying Agent"),

W I T N E S S E T H:

WHEREAS, the Board has heretofore issued and there presently remain outstanding the following bonds (the "Underlying Bonds"):

\$33,000,000 Board of Regents of The University of Texas System General Tuition Revenue Bonds, New Series 1974, dated October 1, 1974;

WHEREAS, the Underlying Bonds were issued pursuant to a resolution (the "Underlying Bond Resolution") which provides that the Underlying Bonds shall mature serially in such years, bear interest at such rates and be subject to redemption at such redemption prices as are set forth in Schedule __ attached hereto and made a part hereof; and

WHEREAS, when notice of redemption of the Underlying Bonds to be redeemed prior to maturity has been given as provided in the Underlying Bond Resolution and firm banking arrangements have been made for the payment of principal, redemption premium and interest to maturity or redemption for all of the Underlying Bonds, then such Underlying Bonds shall no longer be regarded as outstanding except for the purpose of receiving the funds provided for such payment; and

WHEREAS, the Underlying Bonds to be called for redemption prior to their maturities have been called for redemption in accordance with the terms of the Underlying Bond Resolution; and

WHEREAS, the Board is authorized by the Texas Education Code, particularly Section 55.19 thereof, to sell and deliver refunding bonds in amounts necessary to pay the principal, interest, and redemption premium, if any, of the bonds to be refunded, at maturity or on any redemption date; and

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WHEREAS, the Board has adopted a resolution authorizing the issuance of \$32,280,000 Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1978 (the "Refunding Bonds") for the purpose of providing, together with other funds to be provided by the Board, the amounts necessary to pay the principal, interest and redemption premium of the Underlying Bonds at their respective maturities and redemption dates; and

WHEREAS, the Board desires that, concurrently with the delivery of the Refunding Bonds to the purchasers thereof, the proceeds of the Refunding Bonds, together with other funds to be provided by the Board, shall be applied to purchase certain direct obligations of the United States of America hereinafter defined as the Escrowed Securities for deposit to the credit of the Escrow Fund created pursuant to the terms of this Agreement and to establish a beginning cash balance in such Escrow Fund; and

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

WHEREAS, in order to assure that proceeds of the Escrow Fund herein provided for are available to the Paying Agent for the timely payment of principal, interest and redemption premium on the Underlying Bonds, the Escrow Fund shall be created and maintained pursuant to this Agreement on the books of the Escrow Agent in the name of the Paying Agent; and

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, the sufficiency of which are hereby acknowledged, and in order to secure the payment of principal of, redemption premium on and the interest on the Underlying Bonds, as the same mature, or are called for redemption, and become due, the Board and the Escrow Agent mutually undertake, promise and agree for themselves and their respective representatives and successors, as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

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

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

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

"Escrow Agent" means City National Bank of Austin, Austin, Texas, and its successors as Escrow Agent under this Agreement.

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

"Escrowed Securities" means Limited Yield Securities and the Open Market Securities.

"Limited Yield Securities" means the United States Treasury obligations described in Schedule ___ to this Agreement purchased with the proceeds of the Refunding Bonds.

"Open Market Securities" means the United States Treasury obligations described in Schedule ___ to this Agreement.

"Paying Agent" means National Bank of Commerce of Dallas, Dallas, Texas, and its successors in such capacity.

"Refunding Bonds" means the \$ 32,280,000 Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1978, dated August 1, 1978.

"Refunding Bond Resolution" means the Board's resolution authorizing the issuance, sale and delivery of the Refunding Bonds.

"Underlying Bonds" means the Board's bonds more fully described in the first recital on page 1 of this Agreement.

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

ARTICLE II

DEPOSITS WITH ESCROW AGENT AND APPLICATIONS THEREOF

Section 2.01. Deposits with Escrow Agent. The Board has deposited, or caused to be deposited, with the Escrow Agent, the following:

- (a) the proceeds of the Refunding Bonds; and
- (b) \$ _____ from lawfully available funds other than the proceeds of the Refunding Funds or any other bond proceeds.

Section 2.02. Application of Refunding Bond Proceeds. The Escrow Agent has applied the proceeds of the Refunding Bonds as follows:

- (a) accrued interest on the Refunding Bonds, in the amount of \$ _____ has been transferred to the Interest and Sinking Fund for the Refunding Bonds;
- (b) \$ _____ has been paid to the United States of America for the purchase of the Limited Yield Securities;

(c) \$ _____ has been retained by the Escrow Agent to create the beginning cash balance in the Escrow Fund;

(d) \$ _____ has been disbursed in accordance with written instructions from the Board for the payment of expenses incurred in refunding the Underlying Bonds and issuing the Refunding Bonds; and

(e) the balance of \$ _____ has been transferred to the Interest and Sinking Fund for the Refunding Bonds.

Section 2.03. Application of Other Funds. The Escrow Agent has applied the funds described in Section 2.01(b) to purchase the Open Market Securities.

ARTICLE III

CREATION AND OPERATION OF ESCROW FUND

Section 3.01. Escrow Fund. The Escrow Agent has created on its books in the name of the Paying Agent a special trust fund and irrevocable escrow to be known as "Board of Regents of The University of Texas System General Tuition Revenue Bonds, New Series 1974 Escrow Fund" (the "Escrow Fund"). The Escrow Agent hereby acknowledges that there has been deposited to the credit of such Escrow Fund the Limited Yield Securities, the beginning cash balance described in Section 2.02(c) and the Open Market Securities. The Escrowed Securities (which include both the Limited Yield Securities and the Open Market Securities), all proceeds therefrom and the beginning cash balance shall be the property of the Escrow Fund, and shall be applied only in strict conformity with the terms and conditions of this Agreement. All of the Escrowed Securities, all proceeds therefrom and all cash balances from time to time on deposit in the Escrow Fund are hereby irrevocably pledged to the payment of the principal of, redemption premium on and interest on the Underlying Bonds, which payment shall be made by making available to the Paying Agent in cash such amounts at such times as are provided for in Section 3.02 of this Agreement. When the final cash amounts have been made available to and withdrawn by the Paying Agent for the payment of principal of, redemption premium on and interest on the Underlying Bonds, any balance then remaining in the Escrow Fund shall be transferred to the Board.

Section 3.02. Payment of Principal, Redemption Premium and Interest. (a) The Escrow Agent is hereby irrevocably instructed to use the cash balances scheduled to accrue in the Escrow Fund on September 30, 1978 and semiannually on each March 31 and September 30 thereafter to make available to the Paying Agent for its withdrawal from the Escrow Fund the amounts required to pay the principal, redemption premium and interest on the Underlying Bonds as follows:

Interest. Interest coming due on October 1, 1978 and each April 1 and October 1 thereafter until each of the Underlying Bonds matures or is redeemed.

Principal and Redemption Premium. Principal on all Underlying Bonds not redeemed pursuant to Subsection (b) hereof on their respective maturity

dates; principal and redemption premium (if any) on all Underlying Bonds called for redemption prior to maturity on the dates and in the amounts indicated in Subsection (b) hereof.

The amounts of such payments are summarized in Schedule ___ attached hereto.

(b) The Board has called for redemption prior to maturity certain of the Underlying Bonds described below, on the dates set forth below, for the principal amounts thereof and accrued interest thereon to the date fixed for redemption, plus a premium (if any) on the principal amount of each such bond as follows:

<u>Bond Nos.</u>	<u>Aggregate Principal Amount</u>	<u>Redemption Dates</u>	<u>Redemption Premium (% of Principal Amount)</u>
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The Board has caused notice of each such redemption to be given in manner required by the Underlying Bond Resolution.

Section 3.03. Sufficiency of Escrow Fund. The Board represents that the successive receipts of the principal of and interest on the Escrowed Securities will assure that the cash balances from time to time on deposit in the Escrow Fund will be at all times sufficient to provide moneys at the times and in the amounts required to be available to the Paying Agent for the payment of interest on the Underlying Bonds as such interest comes due and the principal of and redemption premium on the Underlying Bonds as the Underlying Bonds mature or are redeemed prior to maturity, all as more fully set forth in Schedules _____ and _____ attached hereto. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund shall be insufficient to make available to the Paying Agent the amounts required to make the payments set forth in Section 3.02 hereof, the Board shall timely deposit in the Escrow Fund, from lawfully available funds, additional funds in the amounts required to make such payments. Notice of any such insufficiency shall be given promptly as herein-after provided, but neither the Escrow Agent nor the Paying Agent shall in any manner be responsible for any insufficiency of funds in the Escrow Fund or the Board's failure to make additional deposits thereto.

Section 3.04. Trust Fund. The Escrow Agent shall hold at all times the Escrow Fund, the Escrowed Securities and all other assets of such Fund, wholly segregated from all other funds and securities on deposit with the Escrow Agent; it shall never allow the Escrowed Securities or any other assets of the Escrow Fund to be commingled with any other funds or securities of the Escrow Agent; and it shall hold and dispose of the assets of the Escrow Fund only as set forth herein. The Escrowed Securities and other assets of

the Escrow Fund shall always be maintained by the Escrow Agent as trust funds held in a special account in the name of the Paying Agent for the benefit of the bearers of the Underlying Bonds; and a special account thereof evidencing such fact shall at all times be maintained on the books of the Escrow Agent. The bearers of the Underlying Bonds shall be entitled to the same preferred claim and first lien upon the Escrowed Securities, the proceeds thereof and all other assets of the Escrow Fund as are enjoyed by other trust beneficiaries. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the Board, and the Escrow Agent shall have no right or title with respect thereto except as a trustee and escrow agent under the terms of this Agreement. The amounts received by the Escrow Agent under this Agreement shall not be subject to checks or drafts drawn by the Board and shall not be subject to transfer or withdrawal by the Paying Agent except in the amounts and at the times provided in Section 3.02 hereof.

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

ARTICLE IV

LIMITATION ON INVESTMENTS

Section 4.01. General. Except as herein otherwise expressly provided the Escrow Agent shall have no power or duty to invest any money held hereunder; or to make substitutions of the Escrowed Securities; or to sell, transfer or otherwise dispose of the Escrowed Securities. Cash balances on deposit in the Escrow Fund shall not be reinvested or bear interest, and the Escrow Agent shall be entitled to retain any benefit from the "float" (if any) resulting therefrom as additional compensation for its services hereunder.

Section 4.02. Substitution of Securities. At the written request of the Board, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall sell, transfer, otherwise dispose of or request the redemption of the Escrowed Securities and apply the proceeds therefrom to purchase Underlying Bonds or direct obligations of the United States of America which do not permit the redemption thereof at the option of the obligor. Any such transaction may be effected by the Escrow Agent only if (a) the Escrow Agent shall have received a written opinion from a nationally recognized firm of certified public accountants that such transaction will not cause the amount of money and securities in the Escrow Fund to be reduced below an amount sufficient to provide for the payment of principal of, redemption premium on and interest on the Underlying Bonds as they become due pursuant to Section 3.02 of this Agreement; and (b) the Escrow Agent shall have received the unqualified written legal opinion of nationally recognized bond attorneys, to the effect that such transaction will not cause any of the Refunding Bonds to be an "arbitrage bond" within the meaning of Section 103(c) of the Code.

Section 4.03. Arbitrage. The Board hereby covenants and agrees that it shall never request the Escrow Agent to exercise any power hereunder or permit any part of the money in the Escrow Fund or proceeds from the sale of Escrowed Securities to be used directly or indirectly to acquire any securities or obligations if the exercise of such power or the acquisition of such securities or obligations would cause any Refunding Bonds to be an "arbitrage bond" within the meaning of Section 103(c) of the Code.

ARTICLE V

RECORDS AND REPORTS

Section 5.01. Records. The Escrow Agent will keep books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money and Escrowed Securities deposited to the Escrow Account and all proceeds thereof, and such books shall be available for inspection at reasonable hours and under reasonable conditions by the Board and the bearers of the Underlying Bonds.

Section 5.02. Reports. For the period beginning on the date hereof and ending on _____, 1978 and for each _____ period thereafter while this Agreement remains in effect, the Escrow Agent shall prepare and send to the Board a written report summarizing all transactions relating to the Escrow Fund during such period, including without limitation credits to the Escrow Fund as a result of interest payments or maturities on the Escrowed Securities and transfers from the Escrow Fund for payments on the Underlying Bonds or otherwise, and a statement of the cash balance on deposit in the Escrow Fund as of the end of such period. Also, within thirty (30) days after August 31, 1979 and each succeeding August 31 while this Agreement is in effect, the Escrow Agent shall send the Board a report summarizing all credits to and transfers from the Escrow Fund during the twelve (12) month period ending on such date, together with a detailed statement of all Escrowed Securities and the cash balance on deposit in the Escrow Fund as of such date.

ARTICLE VI

CONCERNING THE ESCROW AGENT

Section 6.01. Representations of Escrow Agent. The Escrow Agent hereby represents that it possesses and is exercising full trust powers and is otherwise qualified and empowered to enter into this Agreement, and it further represents that it is a qualified depository.

Section 6.02. Limitation on Liability. The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable except for its own action, neglect or default, nor for any loss unless the same shall have been through the negligence or want of good faith by the Escrow Agent.

The liability of the Escrow Agent to provide funds to the Paying Agent for the payment of the principal of and interest on the Underlying Bonds shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Escrow Fund. Notwithstanding any provision contained herein to the contrary, the Escrow Agent shall have no liability whatsoever for the insufficiency of funds from time to time in the Escrow Fund or any failure of the obligors of the Escrowed Securities to make timely payment thereon, except for its obligation to notify the Board promptly of any such occurrence.

The recitals herein and in the proceedings authorizing the Refunding Bonds shall be taken as the statements of the Board and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent. The Escrow Agent is not a party to the Refunding Bond Resolution or the Underlying Bond Resolution, is not responsible for nor bound by any of the provisions thereof, and need look only to the terms and provisions of this Agreement.

The Escrow Agent makes no representations as to the value, conditions or sufficiency of the Escrow Fund, or any part thereof, or as to the title of the Board thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall incur no liability or responsibility in respect of any of such matters.

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

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

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Section 6.03. Escrow Agent's Compensation. The Board has paid the Escrow Agent, as a fee for performing the services hereunder and for all expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement, the sum of \$ _____, the receipt and sufficiency of which are hereby acknowledged by the Escrow Agent. In the event that the Escrow Agent is requested to perform any extraordinary services hereunder, the Board hereby agrees to pay reasonable fees to the Escrow Agent for such extraordinary services and to reimburse the Escrow Agent for all expenses incurred by the Escrow Agent in performing such extraordinary services, and the Escrow Agent hereby agrees to look only to the Board for the payment of such fees and reimbursement of such expenses. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as escrow agent or in any other capacity, or for reimbursement for any of its expenses.

Section 6.04. Successor Escrow Agents. At any time the Escrow Agent or its legal successor or successors should become unable, through operation of law or otherwise, to act as escrow agent hereunder, or if its property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent hereunder. In such event the Board, by appropriate resolution, shall promptly appoint an Escrow Agent to fill such vacancy. If no successor Escrow Agent shall have been appointed by the Board within 60 days, a successor may be appointed by the bearers of a majority in principal amount of the Underlying Bonds then outstanding by an instrument or instruments in writing filed with the Board, signed by such bearers or by their duly authorized attorneys-in-fact. If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this Section within three months after a vacancy shall have occurred, the owner of any Underlying Bond may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

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

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

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ARTICLE VII

MISCELLANEOUS

Section 7.01. Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid addressed as follows:

To the Escrow Agent:

To the Board:

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

Section 7.02. Upon the taking of all the actions as described herein by the Escrow Agent, the Escrow Agent shall have no further obligations or responsibilities hereunder to the Board, the bearers of the Underlying Bonds or to any other person or persons in connection with this Agreement.

Section 7.03. This Agreement shall be binding upon the Board and the Escrow Agent and their respective successors and legal representatives, and shall inure solely to the benefit of the bearers of the Underlying Bonds, the Board, the Escrow Agent and their respective successors and legal representatives.

Section 7.04. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 7.05. This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Texas.

Section 7.06. Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

IN WITNESS WHEREOF, this Escrow Agreement has been executed in multiple counterparts, each one of which shall

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constitute one and the same original Agreement, as of the date and year appearing on the first page of this Agreement.

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

Chairman

ATTEST:

Secretary

(SEAL)

ATTEST:

Title:

Title:

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CONSENT TO ESCROW AGREEMENT

NATIONAL BANK OF COMMERCE OF DALLAS, as Paying Agent for the Underlying Bonds, hereby acknowledges its understanding that the Escrow Agreement to which this Consent is attached provides that an Escrow Fund shall be established and maintained in an account in its name on the books of the Escrow Agent for the purpose of providing funds to be made available to the Paying Agent which are intended to be sufficient to allow Paying Agent to make timely payment of all principal, redemption premiums and interest on the Underlying Bonds in accordance with Section 3.02 of said Escrow Agreement. The Paying Agent hereby consents to the establishment of such Escrow Fund as a trust fund for the benefit of the bearers of the Underlying Bonds and further consents to the management of such Escrow Fund by the Escrow Agent in accordance with the terms and provisions of the Escrow Agreement to which this Consent is attached. The Paying Agent further agrees that it shall only make withdrawals from the Escrow Fund at the times and in the amounts set forth in Section 3.02 of the Escrow Agreement for payment of principal, redemption premiums and interest on the Underlying Bonds and, except for such amounts, shall never make any withdrawals from such Escrow Fund or assert any claims, liens or charges against the Escrow Fund. The Paying Agent further acknowledges that it has been paid the sum of \$ _____ by the Board, representing the present value of all future paying agency charges for the Underlying Bonds, which constitutes full and final payment for all of Paying Agent's future paying agency services to be rendered in connection with the Underlying Bonds. Terms used in this Consent shall have the same meanings as set forth in the Escrow Agreement to which it is attached.

NATIONAL BANK OF COMMERCE
OF DALLAS

By _____
Title

ATTEST:

Title

(SEAL)

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT AUSTIN, BUILDING REVENUE REFUNDING BONDS, SERIES 1978: (1) RESOLUTION AUTHORIZING THE ISSUANCE OF BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT AUSTIN, BUILDING REVENUE REFUNDING BONDS, SERIES 1978, IN THE AMOUNT OF \$6,310,000 AND AWARDING THE SALE OF THE BONDS TO MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, NEW YORK, NEW YORK; (2) DESIGNATION OF BANK OF THE SOUTHWEST, N. A., HOUSTON, TEXAS, AND BANKERS TRUST COMPANY, NEW YORK, NEW YORK, BANKS OF PAYMENT; AND (3) AWARD OF CONTRACT FOR PRINTING TO HART GRAPHICS & OFFICE CENTERS, INC., AUSTIN, TEXAS. --The following written Resolution (Pages 35-45) was duly introduced for the consideration of the Board of Regents and read in full. It was then duly moved by Regent Clark and seconded by Vice-Chairman Williams that said Resolution be adopted; and after due discussion, said motion, carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

AYES: All members of said Board shown present (Page 1) voted "Aye."

NOES: None

The adoption of this Resolution authorized issuance of Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Refunding Bonds, Series 1978, in the amount of \$6,310,000 and awarded the sale of the bonds to Merrill Lynch, Pierce, Fenner & Smith Incorporated, New York, New York, for the price of 99.10275% of par, plus accrued interest thereon from the date thereof to the date of actual delivery (Page 44) with a net interest cost of 5.681492%. The rates of interest are reflected on Page 36.

Upon motion of Regent Clark, seconded by Regent Bauerle, the bid of Bank of the Southwest, N. A., Houston, Texas, to serve as Paying Agent with Bankers Trust Company, New York, New York (Banks of Payment) for Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Refunding Bonds, Series 1978, in the amount of \$6,310,000 was unanimously accepted (Pages 37, 40). There will be no charge by the bank per coupon or per bond paid.

The contract for printing the Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Refunding Bonds, Series 1978, in the amount of \$6,310,000, was awarded unanimously to Hart Graphics & Office Centers, Inc., Austin, Texas, upon motion of Regent Clark, seconded by Regent Sterling. These bonds are to be printed according to specifications with lithographed borders for the sum of \$1,124, there being eleven interest rates.

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RESOLUTION AUTHORIZING THE ISSUANCE OF
\$6,310,000 BOARD OF REGENTS OF THE UNI-
VERSITY OF TEXAS SYSTEM, THE UNIVERSITY
OF TEXAS AT AUSTIN, BUILDING REVENUE
REFUNDING BONDS, SERIES 1978

WHEREAS, the Board of Regents of The University of Texas System (hereinafter sometimes called the "Board" or "Board of Regents") authorized the issuance of and sold its Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1974, in the aggregate principal amount of \$53,000,000 (hereinafter called the "Series 1974 Bonds") and its Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1974-A, in the aggregate principal amount of \$6,000,000 (hereinafter called the "Series 1974-A Bonds") for the purpose of providing funds to acquire, construct and equip buildings, structures and facilities on the campus of The University of Texas at Austin, Austin, Texas; and

WHEREAS, pursuant to Chapter 55 of the Texas Education Code, particularly Section 55.19 thereof, the Board may issue revenue refunding bonds for the purpose of refunding any of its outstanding bonds in advance of their maturities or dates of redemption; and

WHEREAS, in order to realize substantial annual savings in debt service, the Board desires to advance refund the Series 1974-A Bonds by the issuance of revenue refunding bonds and the application of the proceeds thereof, together with other funds lawfully available for such purpose, to purchase certain direct obligations of the United States of America in amounts, maturities and bearing interest at rates sufficient to provide funds, when needed, which together with other proceeds of such refunding bonds will be sufficient to pay in full the principal, redemption premiums and interest to maturity or redemption on the Series 1974-A Bonds and to pay all costs arising in connection with such refunding; and

WHEREAS, to accomplish the foregoing, the Board has adopted this Resolution to authorize the issuance of its Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Refunding Bonds, Series 1978 and concurrently herewith has adopted another resolution calling certain of the Series 1974-A Bonds for redemption prior to their maturities, authorizing the subscription for certain direct obligations of the United States of America and authorizing the Board to enter into an escrow agreement with City National Bank of Austin, Austin, Texas, pursuant to which provision shall be made for the deposit of such investments and other proceeds to the credit of the escrow fund to be established pursuant to such escrow agreement and for the application of the proceeds thereof to the payment in full of principal, redemption premium and interest to maturity or redemption on the Series 1974-A Bonds; and

WHEREAS, upon the issuance of the refunding bonds herein authorized and the application of the proceeds therefrom to fund and establish the escrow fund provided for in the escrow agreement, the Series 1974-A Bonds shall no longer be regarded as outstanding obligations of the Board of Regents,

and the Series 1974 Bonds and the refunding bonds herein authorized shall be the only obligations of the Board payable from the hereinafter defined Pledged Revenues;

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

Section 1: NAME, AMOUNT, PURPOSE AND AUTHORIZATION. That for the purpose of effecting annual debt service savings, there shall be issued the negotiable, serial, coupon bonds of the Board of Regents of The University of Texas System in the aggregate principal amount of \$6,310,000 which shall be designated as "BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT AUSTIN, BUILDING REVENUE REFUNDING BONDS, SERIES 1978" (hereinafter called the "Series 1978 Bonds"), the proceeds of which shall be applied to refund bonds numbered 49 through 1200, both inclusive, of the Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1974-A, in advance of their maturities or redemption dates, as more fully provided herein, under and in strict conformity with the Constitution and laws of the State of Texas, including particularly Chapter 55 of the Texas Education Code, as amended.

Section 2: DATE, DENOMINATION AND MATURITIES. That the Series 1978 Bonds shall be dated August 1, 1978, shall be numbered consecutively from 1 through 1262, shall be in the denomination of \$5,000 each, and shall mature serially on April 1 in each of the years and in the amounts, respectively, as follows:

<u>YEARS</u>	<u>AMOUNTS</u>	<u>YEARS</u>	<u>AMOUNTS</u>	<u>YEARS</u>	<u>AMOUNTS</u>
1979	\$ 45,000	1986	\$290,000	1993	\$400,000
1980	190,000	1987	310,000	1994	415,000
1981	205,000	1988	330,000	1995	430,000
1982	220,000	1989	340,000	1996	440,000
1983	235,000	1990	355,000	1997	460,000
1984	250,000	1991	370,000	1998	375,000
1985	270,000	1992	380,000		

Section 3: INTEREST RATES AND PAYMENT DATES. That the Series 1978 Bonds shall bear interest from their date until the principal sum is paid at the following rates per annum:

<u>Year</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>	<u>Year</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>
1979	5.00%	1990	5.30%
1980	5.00%	1991	5.40%
1981	5.00%	1992	5.50%
1982	5.00%	1993	5.60%
1983	5.00%	1994	5.75%
1984	5.00%	1995	5.80%
1985	5.00%	1996	5.95%
1986	5.00%	1997	6.00%
1987	5.10%	1998	6.00%
1988	5.10%		
1989	5.25%		

with said interest being evidenced by interest coupons that shall appertain to said Series 1978 Bonds, and shall be payable on the dates stated in Section 5 of this Resolution.

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Section 4: MANNER OF PAYMENT, OPTIONAL REDEMPTION AND EXECUTION OF BONDS. That the Series 1978 Bonds and the interest coupons appertaining thereto shall be payable, shall have the characteristics, may be redeemed prior to their scheduled maturities, and shall be signed, executed and sealed all as provided, and in the manner indicated, in Section 5 of this Resolution.

Section 5: FORM OF BONDS, INTEREST COUPONS AND COMPTROLLER'S CERTIFICATE. That the form of the Series 1978 Bonds, the form of interest coupons to be attached to said Series 1978 Bonds, and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be printed and endorsed on each Series 1978 Bond shall be, respectively, in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and permitted by this Resolution:

NO. _____ \$5,000

UNITED STATES OF AMERICA
STATE OF TEXAS
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
THE UNIVERSITY OF TEXAS AT AUSTIN
BUILDING REVENUE REFUNDING BOND
SERIES 1978

ON APRIL 1, 19__, the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (hereinafter sometimes called the "Board"), for and on behalf of THE UNIVERSITY OF TEXAS AT AUSTIN, hereby promises to pay to bearer, solely from the Pledged Revenues hereinafter described, the sum of

FIVE THOUSAND DOLLARS

and to pay interest thereon from the date hereof at the rate of ____% per annum, payable April 1, 1979, and semi-annually thereafter on each October 1 and April 1 until said principal sum is paid, but only upon presentation and surrender of the interest coupons hereto appertaining as they severally become due. The principal of this bond and the interest coupons appertaining hereto shall be payable to bearer, in lawful money of the United States of America, without exchange or collection charges to the bearer, upon presentation and surrender of this bond or proper interest coupon, at the following, which shall be the Banks of Payment for this series of bonds:

Bank of the Southwest National Association, Houston,
Houston, Texas

or, at the option of the bearer, at

Bankers Trust Company, New York, New York

THIS BOND IS ONE OF A DULY AUTHORIZED SERIES OF BONDS of like tenor and effect except as to serial number, interest rate, right of prior redemption and maturity, numbered 1 through 1262, both inclusive, in the denomination of \$5,000 each, in the aggregate principal amount of \$6,310,000, issued pursuant to a resolution (hereinafter called the "Resolution") adopted by the Board on the 4th day of August, 1978, for the purpose of refunding the bonds numbered 49 through 1200, both inclusive, of the Board of Regents of The University of Texas System, The University of Texas at

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Austin, Building Revenue Bonds, Series 1974-A, dated October 1, 1974, under and in strict conformity with the Constitution and laws of the State of Texas, including particularly Chapter 55 of the Texas Education Code, as amended.

THIS BOND AND ALL BONDS OF THE SERIES OF WHICH IT IS A PART, together with the outstanding bonds of the Board of Regents of the University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1974 (the "Outstanding Bonds"), are equally and ratably payable from and secured by a first lien on and pledge of certain Pledged Revenues, which include (i) the Pledged Available Fund Surplus, consisting of certain surplus dividends, interest and other income of the Permanent University Fund created pursuant to Article VII, Sections 10, 11, 11a, 15 and 18 of the Texas Constitution, to the extent actually granted and appropriated by the Texas Legislature to The University of Texas System and (ii) the gross collections of a Special Fee to be fixed, charged and collected from all students (excepting any category of students now exempt from paying fees by Chapter 54, Texas Education Code) enrolled at The University of Texas at Austin, for the use and availability of all or any part of the University Special Events Center, the College of Fine Arts and Department of Music Performing Arts Center Complex, and certain other buildings, facilities and services of The University of Texas at Austin. This bond and the issue of which it is a part, and the interest thereon, constitute special obligations of the Board and are payable solely from the Pledged Revenues and do not constitute an indebtedness of the State of Texas, the Board or The University of Texas at Austin. The bearer hereof and the coupons attached hereto shall never have the right to demand payment of this bond or of such coupons out of any funds raised or to be raised by taxation.

ON APRIL 1, 1988, OR ON ANY INTEREST PAYMENT DATE THEREAFTER, the Board shall have the option of calling bonds of this series maturing serially on or after April 1, 1989, for redemption prior to maturity, in whole or in part, in inverse numerical order, at par and accrued interest to the date of redemption.

NOTICE OF REDEMPTION IS TO BE PUBLISHED in a financial publication published in the English language in the City of New York, New York, or in the City of Austin, Texas, at least once, not less than thirty (30) days before the date fixed for such redemption, and thirty (30) days' notice in writing is to be given to the Banks of Payment before the date so fixed for such redemption. On or before the date fixed for redemption, funds shall be placed in the Banks of Payment sufficient to pay the bonds called and accrued interest thereon. If such written notice of redemption is published, and if due provision for such payment is made, all as provided above, the bonds which are to be so redeemed thereby automatically shall be redeemed prior to their scheduled maturities, they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the purpose of being paid by the Banks of Payment with the funds so provided for such payment.

IT IS HEREBY DECLARED AND REPRESENTED that, so long as this bond or the issue of bonds of which it is a part remains outstanding, the Board has covenanted and agreed that

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it will fix, charge and collect the Special Fee at a rate which, together with other Pledged Revenues, will be sufficient to provide money for making when due all deposits required to be made to the credit of the interest and sinking fund and reserve fund in connection with the Outstanding Bonds, the bonds of this series and any additional parity bonds.

IT IS FURTHER DECLARED AND REPRESENTED that this bond has been duly and validly issued and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the issuance or delivery of this bond have been performed, existed, and been done in accordance with law; that this series of bonds does not exceed any Constitutional or statutory limitation; and that provision has been made for the payment of principal of and interest on this bond and the series of which it is a part by the irrevocable pledge of the Pledged Revenues.

THE BOARD HAS RESERVED THE RIGHT, subject to the restrictions provided in the Resolution, to issue additional parity revenue bonds which also may be made equally and ratably payable from, and secured by an irrevocable first lien on and pledge of, the aforesaid Pledged Revenues.

THE BEARER OF THIS BOND and the bearers of the bonds of this series shall be subrogated to all rights and privileges of the bearers of the bonds refunded by the issuance of this series of bonds, except to the extent otherwise provided in the Resolution.

IN WITNESS WHEREOF, the Board of Regents of The University of Texas System has caused the corporate seal of said Board to be impressed, printed or lithographed hereon and has caused this bond and the interest coupons attached hereto to be executed by the imprinted or lithographed facsimile signatures of the Chairman and the Secretary of the Board, respectively, and this bond has been dated August 1, 1978.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

By _____
Chairman

(SEAL)

ATTEST:

Secretary

(FORM OF INTEREST COUPON)

\$ _____

NO. _____

On the first day of _____, _____, unless the bond to which this coupon appertains shall have been called for previous redemption and due provision made to redeem

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same, upon surrender of this coupon, the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM PROMISES TO PAY TO BEARER at Bank of the Southwest National Association, Houston, Houston, Texas, or, at the option of the bearer, at Bankers Trust Company, New York, New York, but solely from the Pledged Revenues specified in the bond to which this coupon is attached, the amount shown above, without exchange or collection charges to the bearer hereof, payable in lawful money of the United States, being interest then due on the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT AUSTIN, BUILDING REVENUE REFUNDING BOND, SERIES 1978, bearing the number hereinafter specified, dated August 1, 1978. The bearer hereof shall never have the right to demand payment of this obligation out of funds raised or to be raised by taxation. Bond No. _____.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

Secretary

Chairman

(FORM OF COMPTROLLER'S REGISTRATION CERTIFICATE)

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

I HEREBY CERTIFY that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this bond and the proceedings for the issuance hereof have been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas and that it is a valid and binding special obligation of the Board of Regents of The University of Texas System payable from the revenues and other funds pledged to its payment by and in the proceedings authorizing the same, and I do further certify that this bond has this day been registered by me.

WITNESS MY SIGNATURE AND SEAL OF OFFICE at Austin, Texas, this _____.

[SEAL]

Comptroller of Public Accounts
of the State of Texas

Section 6: DEFINITIONS. That as used in this Resolution (except in Section 5 hereof) all of the definitions of terms contained in Section 6 of the Series 1974 Resolution (as hereinafter defined) are hereby adopted by reference except to the extent specifically modified or supplemented below, and the following terms shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

The term "Additional Bonds" shall mean the additional parity revenue bonds permitted to be authorized in the Series 1974 Resolution, excluding any Bonds heretofore issued.

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The term "Bonds" shall mean collectively the Series 1974 Bonds and the Series 1978 Bonds.

The term "bondholder" or "holder" shall mean any person who shall be the bearer of one or more of the Bonds.

The term "Interest and Sinking Fund" shall mean the Series 1974 Building Revenue Bonds Interest and Sinking Fund established by the Series 1974 Resolution.

The term "Reserve Fund" shall mean the Series 1974 Building Revenue Bonds Reserve Fund established by the Series 1974 Resolution.

The term "Series 1974 Bonds" shall mean the \$53,000,000 Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1974, authorized by the Series 1974 Resolution.

The term "Series 1974 Resolution" shall mean the resolution adopted by the Board on December 7, 1973, authorizing the issuance of the Series 1974 Bonds.

The term "Series 1974-A Bonds" shall mean the \$6,000,000 Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1974-A, which are being refunded and defeased with the proceeds of the Series 1978 Bonds.

The term "Series 1978 Bonds" shall mean the Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1978, authorized by this Resolution.

Section 7: APPLICATION OF SERIES 1978 BOND PROCEEDS.
That the proceeds from the sale of the Series 1978 Bonds shall be disbursed as follows:

(a) To the Interest and Sinking Fund, the accrued interest and premium, if any, received from the sale of the Series 1978 Bonds;

(b) To be applied, along with the other funds provided for in Section 8 of this Resolution, to fund and establish at City National Bank of Austin, Austin, Texas, as Escrow Agent, an escrow fund to be entitled "Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1974-A Escrow Fund" in accordance with the terms of that certain Escrow Agreement to be entered into between the Board and said Escrow Agent at or prior to delivery of the Series 1978 Bonds, which escrow fund shall have deposited to its credit the required beginning cash balance (if necessary) and certain direct obligations of the United States of America in amount bearing interest and maturing in such a manner as to provide funds sufficient for the payment of principal of, redemption premiums on and interest to maturity or redemption on the Series 1974-A Bonds, all as more fully set forth in such Escrow Agreement;

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(c) To pay expenses connected with the refunding of the Series 1974-A Bonds and the issuance of the Series 1978 Bonds;

(d) To the Reserve Fund, an amount equal to the average annual principal and interest requirements for the Series 1978 Bonds; and

(e) The balance, if any, to the Interest and Sinking Fund.

Section 8: APPLICATION OF CERTAIN PROCEEDS OF THE INTEREST AND SINKING FUND AND RESERVE FUND. That upon the issuance of, and payment of the purchase price for, the Series 1978 Bonds, there shall be transferred to the Escrow Agent, from the Interest and Sinking Fund, that portion of the amount on deposit therein on the date of delivery of the Series 1978 Bonds as shall be allocable to the Series 1974-A Bonds, and, from the Reserve Fund, an amount equal to the average annual principal and interest requirements for the Series 1974-A Bonds. Such sums shall be applied by the Escrow Agent to the payment of the Series 1974-A Bonds, pursuant to the terms and provisions of the Escrow Agreement.

Section 9: SUBROGATION OF RIGHTS. That the holders of the Series 1978 Bonds shall be subrogated to all rights and privileges of the holders of the Series 1974-A Bonds, except to the extent otherwise provided herein.

Section 10: SOURCE OF PAYMENT. That the Series 1978 Bonds are "Additional Bonds" as permitted by Sections 20, 21 and 22 of the Series 1974 Resolution, and the Series 1974 Bonds and the Series 1978 Bonds (herein collectively called the "Bonds") are and shall be secured and payable equally and ratably on a parity. The Bonds, any Additional Bonds and the interest thereon, are and shall be payable from, and secured by an irrevocable first lien on and pledge of, the Pledged Revenues. The Bonds, any Additional Bonds and interest coupons appertaining thereto shall constitute special obligations of the Board, payable solely from the Pledged Revenues, and such obligations shall not constitute an indebtedness of the University, the Board, or the State of Texas, and the holders of the Bonds, any Additional Bonds and the coupons attached thereto shall never have the right to demand payment thereof out of funds raised or to be raised by taxation.

Section 11: ADOPTION OF CERTAIN SECTIONS OF SERIES 1974 RESOLUTION. That Sections 7 through 24 of the Series 1974 Resolution are hereby adopted by reference and shall be and are hereby made applicable to the Series 1978 Bonds for all purposes, except to the extent herein specifically modified and supplemented.

Section 12: ADDITIONAL DEPOSITS TO INTEREST AND SINKING FUND. That, in addition to all deposits required to be made to the Interest and Sinking Fund in the Series 1974 Resolution, the Board shall transfer or cause to be transferred from any Pledged Available Fund Surplus, and deposit or cause to be deposited to the Interest and Sinking Fund, the following amounts at the following times:

(a) On or before December 1, 1978, an amount which, together with other amounts then on hand in the Interest and Sinking Fund and available for

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such purpose, will be sufficient to pay the interest scheduled to accrue and the principal scheduled to mature on the Series 1978 Bonds on April 1, 1979; and

(b) On or before June 1, 1979 and semi-annually on or before each December 1 and June 1 thereafter, an amount which, together with other amounts then on hand in the Interest and Sinking Fund and available for such purpose, will be sufficient to pay the interest scheduled to accrue and come due on the Series 1978 Bonds on the next succeeding interest payment date and one-half (1/2) of the principal scheduled to mature and come due on the Series 1978 Bonds on the next succeeding April 1;

provided and except, however, that after December 1, 1979, the Board may, at its option, make all or any part of each such aforesaid deposit required to be made to the credit of the Interest and Sinking Fund either from any Pledged Available Fund Surplus, or from the Special Fee in the manner as provided in Sections 14 and 15 of the Series 1974 Resolution.

Section 13: ADDITIONAL DEPOSITS TO RESERVE FUND.

(a) So long as the money and investments in the Reserve Fund are not less in market value than a required amount equal to the average annual principal and interest requirements of all then outstanding Bonds and Additional Bonds, no deposits need be made into the Reserve Fund; but if the Reserve Fund at any time contains less than said required amount in market value, then, subject and subordinate to making the required deposits to the credit of the Interest and Sinking Fund, the Board shall transfer or cause to be transferred from Pledged Revenues and deposit or cause to be deposited to the credit of the Reserve Fund, semiannually, on or before each succeeding June 1 and December 1, a sum at least equal to 1/10th of the average annual principal and interest requirements of all then outstanding Bonds and Additional Bonds, until the Reserve Fund is restored to said required amount. So long as the Reserve Fund contains said required amount, any surplus in the Reserve Fund over said required amount may be transferred and deposited into the Interest and Sinking Fund.

(b) That if, for any reason whatsoever, on any June 1 or on any December 1 of any year, the deposits to the credit of the Reserve Fund specified or required in this Section have not been made from other Pledged Revenues, such deposits shall be made from the Special Fee in the manner as provided in Sections 14 and 15 of the Series 1974 Resolution.

Section 14: NO ARBITRAGE. (a) That the Board certifies that based upon all facts, estimates and circumstances now known or reasonably expected to be in existence on the date the Series 1978 Bonds are delivered and paid for, the Board reasonably expect that the proceeds of the Series 1978 Bonds will not be used in a manner that would cause the Series 1978 Bonds or any portion thereof to be an "arbitrage bond" under Section 103(c) of the Internal Revenue Code of 1954, as amended, and the temporary and proposed regulations heretofore prescribed thereunder. Furthermore, all officers, employees and agents of the Board are authorized and directed

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to provide certifications of facts, estimates and circumstances which are material to the reasonable expectations of the Board as of the date the Series 1978 Bonds are delivered and paid for, and any such certifications may be relied upon by counsel, by the holders of the Series 1978 Bonds, or by any person interested in the exemption of interest on the Series 1978 Bonds from federal income taxation. Moreover, the Board covenants that it shall make such use of the proceeds of the Series 1978 Bonds, regulate investments of proceeds of the Series 1978 Bonds, and take such other and further action as may be required so that the Series 1978 Bonds shall not be "arbitrage bonds" under Section 103(c) of the Internal Revenue Code of 1954, as amended, and regulations prescribed from time to time thereunder.

(b) That the Board further certifies that based on all facts, estimates and circumstances now known or reasonably expected to be in existence on the date the Series 1978 Bonds are delivered and paid for, the Board does not reasonably expect to use any amounts accumulated in the Reserve Fund to pay principal or interest on the Series 1978 Bonds.

Section 15: DISCHARGE BY DEPOSIT. That the Board may discharge its obligation to the holders of any or all of the Series 1978 Bonds and coupons appertaining thereto to pay principal, interest and redemption premium (if any) thereon by depositing with the State Treasurer or at the Banks of Payment either: (1) cash equivalent to the principal amount and redemption premium, if any, plus interest to the date of maturity or redemption, or (2) direct obligations of, or obligations the principal and interest of which are guaranteed by, the United States of America, in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of the principal amount and redemption premium, if any, on such Series 1978 Bonds plus interest to the date of maturity or redemption; provided, however, that if any of such Series 1978 Bonds are to be redeemed prior to their date of maturity, provision shall have been made for giving notice of redemption as provided herein. Upon such deposit, the Series 1978 Bonds and coupons appertaining thereto shall no longer be regarded as outstanding and unpaid. Also, whenever provision is made in the above manner for payment of any Series 1974 Bonds or Additional Bonds, such bonds shall no longer be deemed outstanding for purposes of any provision contained herein.

Section 16: APPROVAL AND REGISTRATION. That the Chairman of the Board is hereby authorized to have control of the Series 1978 Bonds and all necessary records and proceedings pertaining to the Series 1978 Bonds pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of said Series 1978 Bonds, said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate printed and endorsed on each of the Series 1978 Bonds and the seal of said Comptroller shall be impressed, or placed in facsimile, on each of the Series 1978 Bonds.

Section 17: SALE AND DELIVERY. That the sale of the Series 1978 Bonds is hereby awarded to Merrill Lynch, Pierce, Fenner & Smith Incorporated, for a price of 99.10275% of par, plus accrued interest thereon from the

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date thereof to the date of actual delivery, subject to the approving opinions, as to the legality of the Bonds, of the Attorney General of the State of Texas and Vinson & Elkins, Houston, Texas, market attorneys. When said Series 1978 Bonds have been approved by the Attorney General and registered by the Comptroller of Public Accounts of the State of Texas, they shall be delivered to the named purchaser upon receipt of the full purchase price.

Section 18: OFFERING DOCUMENTS. That the Preliminary Official Statement, Official Notice of Sale and Official Statement, together with any supplements and amendments thereto, are hereby ratified, authorized and approved for use in connection with the solicitation of bids for, and the sale and distribution of, the Series 1978 Bonds. *

Section 19: CAPTIONS. The captions of the Sections of this Resolution have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof.

ADOPTED AND APPROVED at Austin, Texas, this 4th day of August, 1978.

/s/ Allan Shivers

Chairman, Board of Regents of
The University of Texas System

ATTEST:

/s/ Betty Anne Thedford

Secretary, Board of Regents of
The University of Texas System

RESOLUTION AUTHORIZING REDEMPTION OF CERTAIN BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT AUSTIN, BUILDING REVENUE BONDS, SERIES 1974-A, PRIOR TO MATURITY; ESCROW AGREEMENT WITH CITY NATIONAL BANK OF AUSTIN, AUSTIN, TEXAS, TO PROVIDE FOR THE PAYMENT OF SAID BONDS. -- The following Resolution (Pages 46-60) was duly introduced for the consideration of the Board of Regents and read in full. It was then duly moved by Regent Clark and seconded by Vice-Chairman Williams that said Resolution be adopted; and after due discussion, said motion carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

AYES: All members of said Board shown present (Page 1)
voted "Aye. "

NOES: None

The adoption of this Resolution authorized redemption of certain Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1974-A, prior to maturity and approved the execution of escrow agreement (Pages 49-59) between the Board of Regents and City National Bank of Austin, Austin, Texas, Escrow Agent, the Escrow Agreement having been consented to by National Bank of Commerce of Dallas, Dallas, Texas, Paying Agent. (Note: When the Chairman has executed the final agreement a copy will be substituted for this one in the Permanent Minutes to complete the record.)

PRELIMINARY OFFICIAL STATEMENT DATED JULY 25, 1978

BOND ISSUE

On August 3, 1978, at 10:00 A.M., C.D.T., sealed underwriting bids received in response to the Official Notice of Sale will be opened by the Board of Regents of the University of Texas System for the purchase of the following bond issue:

\$6,420,000*

**Board of Regents of
The University of Texas System**

**The University of Texas at Austin
Building Revenue Refunding Bonds, Series 1978**

Dated: August 1, 1978

(Interest exempt from present federal income taxes)

It is estimated that the Bonds will be delivered within 30 days following the Board's acceptance of an underwriting bid. The Bonds are to be issued subject to the unqualified approving legal opinion of Vinson & Elkins, Houston, Texas, Bond Counsel, and the Attorney General of the State of Texas.

Copies of the Official Notice of Sale and the Official Statement may be obtained from the Executive Director for Investments, Trusts and Lands, The University of Texas System, 210 West Sixth Street, Austin, Texas, 78701 or from the offices of the

Financial Advisor

**Rauscher Pierce Securities Corporation
Mercantile Dallas Building
1807 Commerce Street
Dallas, Texas 75201
(214) 748-0111**

* (Subject to change)

OFFICIAL BID FORM

August 3, 1978

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

Members of the Board:

Reference is made to your Official Notice of Sale dated July 25, 1978, and accompanying Official Statement relative to \$6,420,000 Board of Regents of The University of Texas System, The University of Texas at Austin Building Revenue Refunding Bonds, Series 1978, which Notice and Official Statement are made a part hereof.

The Officially Issued Bonds, as described in said Official Notice of Sale and Official Statement, we will pay you (stated in dollar price as a percentage of par) and interest from August 1, 1978, to the date of delivery for bonds maturing and bearing interest as follows:

Principal Amount	Maturity (April 1)	Rate	Principal Amount	Maturity (April 1)	Rate
\$ 45,000	1979	----- %	\$ 340,000	1989	----- %
190,000	1980	----- %	355,000	1990	----- %
170,000	1981	----- %	370,000	1991	----- %
170,000	1982	----- %	380,000	1992	----- %
235,000	1983	----- %	400,000	1993	----- %
250,000	1984	----- %	415,000	1994	----- %
270,000	1985	----- %	(a) 430,000	1995	----- %
290,000	1986	----- %	(a) 440,000	1996	----- %
310,000	1987	----- %	(a) 460,000	1997	----- %
330,000	1988	----- %	(a) 485,000	1998	----- %

(a) These principal amounts are subject to adjustment prior to the award of the Bonds as provided in the Official Notice of Sale. Such adjustments, however, will not be taken into account in determining the lowest net interest cost for purposes of awarding the sale of the Bonds.

For information purposes only, and not as a part of this bid, we have calculated the Effective Interest Rate as follows:

Gross Interest Cost	\$	_____
Plus: Discount	\$	_____
Less: Premium		_____
NET INTEREST COST	\$	_____
EFFECTIVE INTEREST RATE		_____ %

Banker's Check of the _____ Bank, in the amount of \$128,400 (its attached hereto) (has been made available to you prior to the opening of this bid, and is submitted in accordance with the terms set forth in the Official Notice of Sale.

Respectfully submitted,

By: _____
Authorized Representative

Return of Good Faith Check is hereby acknowledged:

Firm: _____

By: _____
Authorized Representative

BOND YEARS

\$6,420,000
BOARD OF REGENTS OF
THE UNIVERSITY OF TEXAS SYSTEM
THE UNIVERSITY OF TEXAS AT AUSTIN
BUILDING REVENUE REFUNDING BONDS
SERIES 1978

Dated: August 1, 1978

Due: April 1

Year	Amount	Bond Years		Year
		Bond Years	Cumulative Bond Years	
79	\$ 45,000	29.997	29.997	1979
80	190,000	319.654	349.651	1980
81	205,000	546.453	593.304	1981
82	220,000	808.652	1,699.956	1982
83	235,000	1,096.651	2,796.607	1983
84	250,000	1,416.650	4,213.257	1984
85	270,000	1,799.982	6,013.239	1985
86	290,000	2,273.314	8,236.553	1986
87	310,000	2,646.646	10,923.199	1987
88	330,000	3,189.978	14,113.177	1988
89	340,000	3,676.644	17,739.821	1989
90	355,000	4,141.643	21,881.464	1990
91	370,000	4,686.642	26,568.106	1991
92	380,000	5,193.308	31,761.414	1992
93	400,000	5,866.640	37,628.054	1993
94	415,000	6,501.639	44,129.693	1994
95	430,000	7,166.638	51,296.331	1995
96	440,000	7,773.304	59,069.635	1996
97	460,000	8,586.636	67,656.271	1997
98	485,000	9,533.301	77,194.572	1998

AVERAGE MATURITY ----- 17.024 YEARS

OFFICIAL BID FORM

August 3, 1978

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

Members of the Board:

Reference is made to your Official Notice of Sale dated July 25, 1978, and accompanying Official Statement relative to \$6,420,000 Board of Regents of The University of Texas System, The University of Texas at Austin Building Revenue Refunding Bonds, Series 1978, which Notice and Official Statement are made a part hereof.

The Officially Issued Bonds, as described in said Official Notice of Sale and Official Statement, we will pay you (stated in dollar price as a percentage of par) and interest from August 1, 1978, to the date of delivery for bonds maturing and bearing interest as follows:

Principal Amount	Maturity (April 1)	Rate	Principal Amount	Maturity (April 1)	Rate
\$ 45,000	1979	----- %	\$ 340,000	1989	----- %
190,000	1980	----- %	355,000	1990	----- %
170,000	1981	----- %	370,000	1991	----- %
170,000	1982	----- %	380,000	1992	----- %
235,000	1983	----- %	400,000	1993	----- %
250,000	1984	----- %	415,000	1994	----- %
270,000	1985	----- %	(a) 430,000	1995	----- %
290,000	1986	----- %	(a) 440,000	1996	----- %
310,000	1987	----- %	(a) 460,000	1997	----- %
330,000	1988	----- %	(a) 485,000	1998	----- %

(a) These principal amounts are subject to adjustment prior to the award of the Bonds as provided in the Official Notice of Sale. Such adjustments, however, will not be taken into account in determining the lowest net interest cost for purposes of awarding the sale of the Bonds.

For information purposes only, and not as a part of this bid, we have calculated the Effective Interest Rate as follows:

Gross Interest Cost	\$	_____
Plus: Discount	\$	_____
Less: Premium		_____
NET INTEREST COST	\$	_____
EFFECTIVE INTEREST RATE		_____ %

Banker's Check of the _____ Bank, in the amount of \$128,400 (its attached hereto) (has been made available to you prior to the opening of this bid, and is submitted in accordance with the terms set forth in the Official Notice of Sale.

Respectfully submitted,

By: _____
Authorized Representative

Return of Good Faith Check is hereby acknowledged:

Firm: _____

By: _____
Authorized Representative

BOND YEARS
 \$6,420,000
 BOARD OF REGENTS OF
 THE UNIVERSITY OF TEXAS SYSTEM
 THE UNIVERSITY OF TEXAS AT AUSTIN
 BUILDING REVENUE REFUNDING BONDS
 SERIES 1978

Dated: August 1, 1978

Due: April 1

Year	Amount	Bond Years		Year
		Bond Years	Cumulative Bond Years	
1979	\$ 45,000	29.997	29.997	1979
1980	190,000	316.654	346.651	1980
1981	205,000	546.653	893.304	1981
1982	220,000	806.652	1,699.956	1982
1983	235,000	1,096.651	2,796.607	1983
1984	250,000	1,416.650	4,213.257	1984
1985	270,000	1,799.982	6,013.239	1985
1986	290,000	2,223.314	8,236.553	1986
1987	310,000	2,686.646	10,923.199	1987
1988	330,000	3,189.978	14,113.177	1988
1989	340,000	3,626.644	17,739.821	1989
1990	355,000	4,141.643	21,881.464	1990
1991	370,000	4,686.642	26,568.106	1991
1992	380,000	5,193.308	31,761.414	1992
1993	400,000	5,866.640	37,628.054	1993
1994	415,000	6,501.639	44,129.693	1994
1995	430,000	7,166.638	51,296.331	1995
1996	440,000	7,773.304	59,069.635	1996
1997	460,000	8,586.636	67,656.271	1997
1998	485,000	9,538.301	77,194.572	1998

AVERAGE MATURITY ----- 12.024 YEARS

OFFICIAL NOTICE OF SALE

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
 THE UNIVERSITY OF TEXAS AT AUSTIN

\$6,420,000*
 BUILDING REVENUE REFUNDING BONDS, SERIES 1978

* Subject to change)

 Bids to be Opened

Thursday, August 3, 1978, at 10:00 A.M., C.D.T.

PLACE AND TIME OF SALE: Sealed bids will be received by representatives of the Board of Regents of the University of Texas System in the Office of Investments, Trusts and Lands, 210 W. 6th Street, Austin, Texas, until 10:00 A.M., C.D.T., Thursday, August 3, 1978, for the Bonds described in the Official Statement, at which time said bids will be publicly opened and read. The Board will consider and act on said bids at a separate meeting to be held at 9:00 A.M., Friday, August 4, 1978, by the Board of Regents of The University of Texas System.

ADDRESS OF BIDS: Sealed bids, plainly marked "Bid for Bonds", should be addressed to "Board of Regents of The University of Texas System, c/o Mr. W. L. Lobb, Executive Director for Investments, Trusts and Lands, The University of Texas System, 210 W. 6th Street, Austin, Texas 78701". All bids must be submitted on the "Official Bid Form", copies of which are enclosed herewith.

DESCRIPTION OF BONDS: The Building Revenue Refunding Bonds, which are more fully described in the Official Statement, will be dated August 1, 1978, will be in the denomination of \$5,000 and will mature April 1 in each of the respective years as follows:

Maturity (April 1)	Principal Amounts	Maturity (April 1)	Principal Amounts
1979	\$ 45,000	1989	\$ 340,000
1980	190,000	1990	355,000
1981	205,000	1991	370,000
1982	220,000	1992	380,000
1983	235,000	1993	400,000
1984	250,000	1994	415,000
1985	270,000	1995	(a) 430,000
1986	290,000	1996	(a) 440,000
1987	310,000	1997	(a) 460,000
1988	330,000	1998	(a) 485,000

(a) Prior to award, these principal amounts are subject to adjustment as set forth in the following Section.

ADJUSTMENT IN THE PRINCIPAL AMOUNTS OF BONDS TO BE SOLD: The proposed refunding, which is designed to comply with the requirements of Section 103(c) of the Internal Revenue Code with respect to "arbitrage bonds", is based upon certain assumptions including the interest rate that will be obtained on the subject Bonds being herein offered, and the yield that will be available on the United States Government obligations to be purchased from the proceeds of said Bonds. If after final computation of the bids, the Board determines that the funds necessary to accomplish the refunding are either more or less than the proceeds from the sale of the proposed Bonds, the Board reserves the right either to increase or decrease to the extent necessary the respective principal amounts of the Bonds. In the event such adjustment is necessary, the adjustment will be made by adding to or deducting from the principal amounts maturing in any one or a combination of the last four years, being 1995 through 1998. In the event of any such adjustment, no rebidding or recalculations of the bids submitted will be required or permitted. The price and interest rate at which the adjusted principal amount of Bonds will be sold will be exactly the same as that shown on the bid of the successful bidder. The successful bidder will be notified by 9:00 A.M., C.D.T. on August 4, 1978 of any such required adjustment in the principal amount which will be made.

TYPES OF BIDS AND INTEREST RATES: The Bonds will be sold in one block on an "all or none" basis and discount bids will be permitted provided that any discount bid does not exceed 1% of the par value of the Bonds to be sold. Bidders must specify the rate or rates of interest to be borne by the Bonds in multiples of 1/8 or 1/20 of 1%. Bidders are not restricted as to the number of interest rates that may be named; provided that such rates must be in ascending order, in that each interest rate specified must be equal to or higher than the interest rate specified for the preceding year. Bids involving supplemental interest coupons or split interest rates will not be considered, and all Bonds of one maturity must bear the same interest rate.

BASIS OF AWARD: For the purpose of awarding the sale of the Bonds, the interest cost of each bid will be computed by determining, at the rate or rates specified therein, the total dollar amount of all interest on the \$6,420,000 Building Revenue Refunding Bonds from the date thereof to their respective maturities, and adding thereto the amount of the discount bid, if any, or deducting therefrom the amount of the premium bid, if any. Subject to the Board's right to reject any and all bids, the Bonds will be awarded to the bidder complying with the Official Notice of Sale whose bid, under the foregoing computation, produces the lowest net interest cost to the issuer. Rauscher Pierce Securities Corporation, the Board's Financial Advisor, will not bid on the Bonds.

GOOD FAITH DEPOSIT: Cashier's check, payable to the "Board of Regents of The University of Texas System" in the amount of \$128,400 is required. Such check will be considered as a good faith deposit, and the check of the successful bidder will be cashed and retained by the Board to secure performance of the contract by such bidder. In the event such bidder should fail or refuse to take up and pay for the Bonds in accordance with his bid, then said good faith deposit shall be accepted by the Board as full and complete liquidated damages. Otherwise, said good faith deposit will be applied to the purchase price of the Bonds. The required cashier's check may accompany the "Official Bid Form" or it may be submitted separately. If submitted separately, it shall be made available to the Board prior to the opening of the bids and shall be accompanied by instructions from the bank on which drawn authorizing its use as a good faith deposit by the successful bidder who shall be named in such instructions. No interest will be allowed on the good faith deposit of the successful bidder, and the checks of the unsuccessful bidders will be returned as soon as the best bid is determined.

PRINTED BONDS AND CUSIP NUMBERS: The Board will furnish printed bonds on lithographed or steel engraved borders to the purchaser. It is anticipated that CUSIP identification numbers will be printed on said Bonds, but neither the failure to print such number on any bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for said Bonds in accordance with the terms of the purchase contract. The cost of printing the CUSIP numbers on said Bonds shall be paid for by the issuer; provided, however, that the CUSIP Service Bureau charge for the assignment of said number shall be the responsibility of and shall be paid for by the purchaser.

PAYING AGENT BANKS: On the date these bonds are sold, the Board of Regents of The University of Texas System will select a Texas bank with assets in excess of \$200,000,000 as paying agent on these Bonds and a New York City bank as co-paying agents. The selection of paying agents will be at the sole discretion of the Board of Regents.

ELIGIBILITY AS INVESTMENTS: The Bonds are legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, small business investment corporations, insurance companies of all kinds and types, fiduciaries, trustees, and guardians, and for all interest and sinking funds and other public funds of the State of Texas and all agencies, subdivisions, and districts, and all other kinds and types of districts, deposits of public funds of the State of Texas and all agencies, subdivisions, and instrumentalities thereof, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the Bonds when accompanied by any unmaturing interest coupons appurtenant thereto. No review by the Board has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL OPINIONS: The Board will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the Board, and, based upon examination of such transcript of the proceedings, the unqualified approving legal opinion of Vinson & Elkins, bond counsel for the University of Texas System, to a like effect and to the effect that the interest on the Bonds is exempt from federal income taxation under existing statutes, regulations, published rulings and court

decisions. Vinson & Elkins took no part in the preparation of the Official Notice of Sale or the Official Statement nor has such firm undertaken independently to verify any of the information contained therein, except that, in their capacity as bond counsel, such firm has reviewed the information describing the Bonds in such Notice and Statement to verify that such description conforms to the provisions of the bond resolution. The legal fees to be paid Vinson & Elkins for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds.

NO-LITIGATION CERTIFICATE: The Board will execute and deliver to the successful purchaser a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain or enjoin the issuance or delivery of said bonds or the coupons appertaining thereto, or which would affect the provisions made for their payment or security, or in any manner questioning the validity of said bonds or coupons.

DELIVERY: Delivery of the Bonds will be made at the expense of the Board at City National Bank of Austin, Austin, Texas. It is anticipated that delivery can be made on or about August 31, 1978 and it is understood and agreed that the purchaser will accept delivery and make payment in Federal Funds of the agreed purchase price, less the amount of the good faith deposit, on or before August 31, 1978. The purchaser shall be given at least seven days' notice of time which the Board has fixed for delivery. The purchaser shall make proper payment for the Bonds prior to 12:00 noon, C.D.T., on the date so fixed for delivery. If for any reason The University of Texas at Austin is unable to tender the Bonds for delivery on or before August 31, 1978, then the good faith deposit will be returned and The University of Texas at Austin and the successful bidder shall be relieved of further obligation.

CERTIFICATION AS TO OFFICIAL STATEMENT: At the time of payment for and delivery of the Bonds, the Board will furnish the successful bidder a certificate, executed by a proper officer or officers of such Board, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the description and statements of or pertaining to the issuer contained in the Official Statement, as supplemented and amended, on the date of such Official Statement, on the date of sale of the Bonds and the acceptance of the best bid therefor, and on the date of the delivery of the Bonds, were and are true and correct in all material respects; (b) insofar as the issuer and its affairs, including the financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the description and statements, including financial data contained in such Official Statement, as supplemented and amended, of or pertaining to entities other than the Board and its activities are concerned, such statements and data have been obtained from sources which the Board believes to be reliable and that the Board has no reason to believe that they are untrue in any material respect.

CHANGE IN TAX EXEMPT STATUS: At any time before the Bonds are tendered for delivery, the purchaser may withdraw his bid if the interest received by private holders from bonds of the same type and character shall be declared to be taxable income under present Federal income tax laws, either by ruling of the Internal Revenue Service or by a decision of any Federal court, or shall be declared taxable or be required to be taken into account in computing any Federal income taxes, by the terms of any Federal income tax law enacted subsequent to the date of this Official Notice of Sale.

NOT AN OFFER TO SELL: This Official Notice of Sale does not alone constitute an offer to sell but is merely a Notice of Sale of bonds as directed by the Board of Regents. The offer by the Board of Regents of The University of Texas System to sell the Bonds to the successful bidder is being made by means of the Official Notice of Sale, the Official Statement, and the Official Bid Form. Prospective bidders are urged to examine the Official Statement carefully to determine the investment quality of the Bonds.

RESPONSIBILITY FOR QUALIFICATION OF BONDS FOR SALE IN RESPECTIVE STATES: The Board assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities rating provisions.

RATINGS: Rating applications have been made to Moody's Investors Service, Inc. and to Standard & Poor's Corporation. The outcome of their determinations will be provided as soon as possible.

SALE OF ADDITIONAL BONDS: The Board does not intend to issue any additional parity bonds within ninety (90) days after the date these bonds are sold.

MATHEMATICAL VERIFICATION: The accuracy of (a) the arithmetical computations of the adequacy of the maturing principal amounts of and interest on the Federal Securities and certain other available funds to pay, when due, the principal or redemption price of and interest on the Series of Bonds being refunded and (b) the mathematical computations supporting the conclusion of Bond Counsel that the Series 1978 Bonds are not "arbitrage bonds" under Section 103(c) of the Internal Revenue Code, will be verified by Ernst & Ernst, certified public accountants. Such verification of arithmetical accuracy and mathematical computations shall be based upon information and assumptions supplied by the issuer and on interpretations of Section 103(c) of the Internal Revenue Code provided by bond counsel.

ADDITIONAL COPIES OF NOTICE OF SALE, OFFICIAL STATEMENT, BID FORM, AND BOND RESOLUTION: Additional copies of the Official Notice of Sale, Official Statement, Official Bid Form, and copies of the Bond Resolution may be obtained at the Office of the Executive Director for Investments, Trusts and Lands, The University of Texas System, 210 West Sixth Street, Austin, Texas 78701, or at the offices of Rauscher Pierce Securities Corporation, 1200 Mercantile Dallas Building, Dallas, Texas 75201, Financial Advisor to the Board. Each successful bidder will be furnished with up to 300 copies of the Official Statement at no expense. Arrangements have been made with the printer to supply additional copies, if desired, at the successful bidder's expense.

OFFICIAL STATEMENT: Upon award of the Bonds, the initial purchaser may arrange for the amendment and completion of the cover pages in accordance with the terms of the sale and subsequently may use the Official Statement in presentation of the Bonds to prospective purchasers. Information with respect to interest rates and other matters relating to the reoffering for sale of the Bonds is the responsibility of the successful bidder and such information is not provided herein.

THE BOARD OF REGENTS RESERVES THE RIGHT TO REJECT ANY AND ALL BIDS AND WAIVE ANY IRREGULARITIES, EXCEPT TIME OF FILING.

W. L. Lobb, Executive Director
for Investments, Trusts & Lands
The University of Texas System
210 West Sixth Street
Austin, Texas 78701

July 25, 1978.

In the opinion of Bond Counsel, the interest on the Series 1978 Bonds is exempt from present federal income taxes under existing statutes, regulations, published rulings and court decisions.

NEW ISSUE:

Moody's:
Standard & Poor's:

\$6,420,000*

Board of Regents of The University of Texas System

The University of Texas At Austin Building Revenue Refunding Bonds, Series 1978

Dated: August 1, 1978

Due: April 1, as shown below

The Series 1978 Bonds are special obligations of the Board of Regents of The University of Texas System (the "Board of Regents" or "Board") secured under a Bond Resolution adopted by the Board (the "1978 Resolution") and are payable solely from the Pledged Revenues as provided in the 1978 Resolution. The Series 1978 Bonds do not constitute general obligations of the State of Texas, the Board of Regents of The University of Texas System, or any political subdivision of the State of Texas. Neither the credit nor the taxing power of the State of Texas or any political subdivision of the State of Texas is pledged to the payment of the principal of or interest on the Series 1978 Bonds. The Board of Regents has no taxing power, and bondholders shall never have the right to demand payment from any money raised or to be raised by taxation.

Principal and semi-annual interest (April 1, 1979 and thereafter on each October 1 and April 1) will be payable at _____ Bank, _____, Texas, or, at the option of the holder, at _____ Bank, New York, New York; bearer coupon bonds in the denomination of \$5,000, not registrable.

The Series 1978 Bonds maturing April 1, 1989 through April 1, 1998, inclusive, shall be redeemable, in whole or in part on April 1, 1988, or any interest payment date thereafter at par and accrued interest to date of redemption. If less than all bonds are called, they shall be called in inverse numerical order.

MATURITIES, AMOUNTS, COUPON RATES AND PRICES

Year	Amount	Coupon	Price or Yield	Year	Amount	Coupon	Price or Yield
1979	\$ 45,000			1989	\$340,000		
1980	190,000			1990	355,000		
1981	205,000			1991	370,000		
1982	220,000			1992	380,000		
1983	235,000			1993	400,000		
1984	250,000			1994	415,000		
1985	270,000			1995*	430,000		
1986	290,000			1996*	440,000		
1987	310,000			1997*	460,000		
1988	330,000			1998*	485,000		

(Accrued Interest to be Added)

The Series 1978 Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without any notice, and to the approval of legality of the Series 1978 Bonds by Vinson & Elkins, Houston, Texas and by the Attorney General of the State of Texas. It is expected that the Series 1978 Bonds in definitive form will be available for delivery to the Underwriter in Austin, Texas on or about August 30, 1978.

* 1995-1998 maturities are subject to change in amount in accordance with the terms of the Official Notice of Sale.

The date of this Official Statement is July 25, 1978.

SOURCE AND USE OF INFORMATION

The information in this Official Statement has been obtained for and provided by the Board of Regents of The University of Texas System except as otherwise indicated. The sources of such information are considered to be reliable and those customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness. A copy of the complete 1978 Resolution under which the Series 1978 Bonds are issued is available upon request to the Board of Regents. All estimates and assumptions contained herein are believed to be reliable but no representation is made that such estimates or assumptions are correct or will be realized. No person, including any broker, dealer or salesman, has been authorized to give any information or to make any representation other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Board of Regents. Any information or expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create an implication that there has been no change as to the affairs of the Board of Regents since the date hereof.

This Official Statement does not constitute an offer to sell the Series 1978 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

The Series 1978 Bonds have not been registered with the Securities and Exchange Commission by reason of the exemption provisions of Section 3(a)(2) of the Securities Act of 1933, as amended. The Series 1978 Bonds have not been approved or disapproved by the Securities and Exchange Commission and the Commission has not passed upon the accuracy or adequacy of this Official Statement.

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OFFICIAL STATEMENT

\$6,420,000*

Board of Regents of The University of Texas System

The University of Texas At Austin

Building Revenue Refunding Bonds, Series 1978

July 25, 1978

INTRODUCTION

This Official Statement, including the cover page and exhibits, is furnished in connection with the offering of \$6,420,000 principal amount of The University of Texas at Austin Building Revenue Refunding Bonds, Series 1978 (the "Series 1978 Bonds") of the Board of Regents of The University of Texas System (the "Board of Regents" or "Board").

The Series 1978 Bonds are authorized to be issued by and secured by a Bond Resolution adopted August 4, 1978 (the "1978 Resolution") by the Board. Pursuant to the 1978 Resolution the Series 1978 Bonds, together with the Series 1974 Bonds, will be payable from and secured by a pledge of and first lien on the "Pledged Revenues" of the Board as defined in the 1978 Resolution (see "The Series 1978 Bonds - Security"). The Series 1978 Bonds, together with the interest payable thereon, will be special obligations of the Board payable solely from the Pledged Revenues, and are payable at the Bank.

The Series 1978 Bonds do not constitute general obligations of the State of Texas, the Board of Regents of The University of Texas at Austin, or any political subdivision of the State of Texas. Neither the credit nor the taxing power of the State of Texas or any political subdivision of the State of Texas is pledged to the payment of the principal of, or interest on the Series 1978 Bonds. The Board of Regents has no taxing power, and bondholders shall never have the right to demand payment from any money raised or to be raised by taxation.

The net proceeds of the Series 1978 Bonds, together with other available funds will be applied to refund the outstanding University of Texas at Austin, Building Revenue Bonds, Series 1974-A (the "Series 1974-A Bonds").

PLAN OF FINANCING

The Board has previously issued \$6,000,000 Building Revenue Bonds, Series 1974-A, \$5,760,000 which are presently outstanding, pursuant to a bond resolution dated September 30, 1974 (the "1974-A Resolution"). The proceeds of the Series 1978 Bonds, together with other available funds, will be applied to refund and defease the Series 1974-A Bonds. The refunding is being undertaken

* Subject to change

primarily to restructure the Board's debt service requirements in order to reduce annual debt service payments in each of the years 1979 through 1998 by an amount equal to approximately \$25,000 annually. This will result in an estimated present value savings of approximately \$296,000.

The monies required to refund the Series 1974-A Bonds will be provided from the net proceeds of the Series 1978 Bonds and certain other available funds. Such monies shall be applied to the purchase of direct obligations of the United States of America ("Federal Securities"). The Federal Securities will be held by the City National Bank, Austin, Texas as Escrow Agent under an Escrow Agreement to be dated the date of delivery of the Series 1978 Bonds (the "Escrow Agreement"). The Federal Securities are scheduled to mature at such times and in such amounts and bear interest at such rates so that sufficient moneys will be available from the maturing principal and interest payments to pay when due, the principal, interest and redemption premium, if any, to accrue on the Series 1974-A Bonds to their respective maturity or redemption dates.

ESTIMATED SOURCES AND USES OF FUNDS

Sources

Principal Amount of the Series 1978 Bonds	\$6,420,000
Other available funds	\$ 271,000
Total Sources	<u>\$6,691,000</u>

Uses

Federal Securities	\$6,502,000
Bond Discount and other finance expenses	189,000
Total Uses	<u>6,691,000</u>

THE SERIES 1978 BONDS

General Terms

The Series 1978 Bonds are issued as serial bonds and are dated August 1, 1978. The Series 1978 Bonds are issued in the principal amount of \$6,420,000 and mature from April 1, 1979 to April 1, 1998. The 1978 Bonds are issued in coupon bearer form in the denomination of \$5,000 each, without the privilege of registration. Principal and interest are payable at the Bank, the Paying Agent. The first coupon will be payable April 1, 1979 with subsequent coupons payable each October 1 and April 1, thereafter.

Security

The Series 1978 Bonds will constitute special obligations of the Board and together with the Series 1974 Bonds, are payable from and secured by a pledge of and first lien on (1) Available Fund Surplus derived from the excess revenues of The University of Texas System's portion of the Permanent University Fund after provision for administrative expenses and debt service on Permanent University Fund Bonds of The University of Texas System, which funds are subject to biennial appropriation by the Texas Legislature and (2) the Special Fee to be fixed, charged and collected from all students (excepting any category of students now exempt from paying fees by Chapter 54, Texas Education Code) enrolled at the University of Texas at Austin for use and availability of University facilities, without limitation as to rate or amount. Such fee is not currently being charged and collected.

Optional Redemption of the Bonds

The Series 1978 Bonds maturing April 1, 1989 through April 1, 1998, inclusive, shall be redeemable, in whole or in part, in inverse numerical order, on April 1, 1988 or any interest payment date thereafter, at par plus accrued interest to the date of redemption.

Additional Bonds

In accordance with the Bond Resolution the Board shall have the right to issue Additional Parity Revenue Bonds. Such Additional Bonds shall only be issued if (a) The senior financial officer of the University signs a written certificate to the effect that the Board is not in default as to any covenant, condition, or obligation in connection with all outstanding Bonds and Additional Bonds, and the resolutions authorizing same, and that the Interest and Sinking Fund and the Reserve Fund each contains the amount then required to be therein and (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, 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 to be outstanding.

Flow of Funds

In accordance with the Bond Resolution there are created and established the Interest and Sinking Fund and Reserve Fund. For a more complete description see "The Bond Resolution."

The Board shall cause to be transferred and deposited from any Pledged Available Fund Surplus on each December 1 and June 1 an amount which will be sufficient, together with other amounts, if any, then on hand in the Interest and Sinking Fund to pay (a) interest scheduled to accrue and come due on the Bonds on the next succeeding interest payment date, and (b) one-half of the principal scheduled to mature and come due on the Bonds on the next succeeding principal payment date.

The Reserve Fund shall be maintained and monies or investments shall be accumulated therein with a market value at least equal to the average annual principal and interest requirements on the Bonds then outstanding. If at any time the Reserve Fund contains monies or investments with a market value less than the average annual principal and interest requirements on the Bonds then outstanding, the Board shall cause to be transferred and deposited from Pledged Revenues into the Reserve Fund, on or before each June 1 and December 1, an amount at least equal to one-tenth of the average annual principal and interest requirements on the Bonds then outstanding, until the Reserve Fund contains the required amount.

ESTIMATED DEBT SERVICE REQUIREMENTS - BUILDING FEE REVENUE DEBT

Fiscal Years Ending 8/31	Total Present Requirements	This \$6,420,000 Issue dated August 1, 1978			Total Annual Requirements
		Principal	Interest*	Total	
1979	\$ 2,279,790	\$ 45,000	\$ 197,025	\$ 242,025	\$ 2,521,815
1980	3,693,680	190,000	334,222	524,222	4,217,902
1981	3,689,530	205,000	325,862	530,862	4,220,392
1982	3,681,805	220,000	316,637	536,637	4,218,442
1983	3,675,505	235,000	306,517	541,517	4,217,022
1984	3,670,305	250,000	295,472	545,472	4,215,777
1985	3,665,890	270,000	283,597	553,597	4,219,487
1986	3,656,905	290,000	270,637	560,637	4,217,542
1987	3,648,380	310,000	256,572	566,572	4,214,952
1988	3,639,990	330,000	241,382	571,382	4,211,362
1989	3,645,780	340,000	224,882	564,882	4,210,662
1990	3,651,905	355,000	207,542	562,542	4,214,447
1991	3,658,080	370,000	189,082	559,082	4,217,162
1992	3,664,030	380,000	169,472	549,472	4,213,502
1993	3,669,480	400,000	148,952	548,952	4,215,432
1994	3,674,155	415,000	126,952	541,952	4,216,107
1995	3,682,780	430,000	103,712	533,712	4,216,492
1996	3,694,805	440,000	79,417	519,417	4,214,222
1997	3,699,680	460,000	54,337	514,337	4,214,017
1998	3,705,000	485,000	27,887	512,887	4,217,887
1999	3,712,480				3,712,480
2000	3,721,560				3,721,560
2001	3,728,825				3,728,825
2002	3,731,400				3,731,400
2003	3,739,000				3,739,000
2004	3,769,500				3,769,500
	<u>\$94,450,220</u>	<u>\$6,420,000</u>	<u>\$4,160,158</u>	<u>\$10,580,158</u>	<u>\$105,030,378</u>

Maximum Annual Requirement - (F/Y) 1981 \$4,220,392
 Average Annual Requirements - (F/Y) 1980/1998 \$4,039,630

* For purpose of illustration interest computed at an average interest rate of 5.43%.

HISTORICAL SUMMARY OF REVENUES PLEDGED FOR THE PAYMENT OF BUILDING FEE REVENUE BONDS

Source	Fiscal Year Ending 8/31					
	1973	1974	1975	1976	1977	1978 Est.
Surplus from the Available University Fund (1)	\$13,564,503	\$16,100,701	\$17,429,456	\$21,119,773	\$24,047,990	\$27,366,769
Special Fee (2)	-0-	-0-	-0-	-0-	-0-	-0-
Pro-Forma Coverage of Maximum Annual Requirement - 1981 - \$4,220,392	3.21X	3.81X	4.13X	5.00X	5.69X	6.48X
Pro-Forma Coverage of Average Annual Requirement - 1980/1998 - \$4,216,094	3.22X	3.82X	4.13X	5.00X	5.70X	6.49X

(1) Includes available surplus funds derived from the excess revenues of the University of Texas System portion of Permanent University Fund income appropriated by the state legislature into the Available University Fund after provision for administrative expenses and Debt Service Requirements of the University of Texas System Permanent University Fund Bonds.

(2) Special Fee not currently being charged and collected. Based upon 1976-77 enrollments, a \$1.00 per semester credit hour Special Fee would produce estimated additional Pledged Revenues of \$1,100,000.

THE PERMANENT UNIVERSITY FUND

The Permanent University Fund was established in 1836 by the Republic of Texas for the purpose of creating an endowment for public education in Texas. The initial assets of the Fund consisted of 50 leagues of land (approximately 220,000 acres) and has grown to approximately 2,100,000 acres of land, predominately in West Texas, together with cash and securities. The principal of the Fund cannot be spent for any purpose but must be kept as a permanent endowment. Two-thirds of the income from the Permanent University Fund is available to the University of Texas System. The Texas A & M System receives the other one-third of the income from the Permanent University Fund with the exception of income from grazing leases which is distributed solely to the University of Texas System.

Decisions of the Supreme Court of Texas and of the Attorney General of Texas have decreed that the Permanent University Fund shall be forever kept intact, and that there shall be added to the corpus thereof all oil, gas, and water royalties received, all gains on investments, all rentals on mineral leases, all lease bonuses, and all consideration for such lands as may be sold.

The University of Texas System does not explore or operate oil properties belonging to the Permanent University Fund. Instead, it sells under competitive bids leases on selected tracts of land to leading oil and gas companies. As of February 28, 1978, 1,058,993 acres of land belonging to said Fund were subject to oil and gas leases, of which 367,434 were held by production from 5,903 oil wells and 237 gas wells.

During recent years approximately 32,700,000 barrels of crude oil and 13,000,000 MCF of gas were produced from these lands each year on which one-eighth to one-fifth royalty was reserved for the Permanent University Fund.

The University of Texas System's proportionate two-thirds share of the Investment Income of the Permanent University Fund is appropriated biennially by the state legislature and deposited

into the Available University Fund and applied in the following sequence (net of management expenses which are limited by covenant to one-fifth of one percent annually of the book value of the Fund).

1. Debt service on The University of Texas System Permanent University Fund Bonds (the total amount of debt limited to an amount not exceeding two-thirds of twenty percent of the book value of the Permanent University Fund, exclusive of real estate at the time of issuance and investment yield maintained at an annual amount of not less than one and one-half times annual debt service requirements).

2. Debt service on The University of Texas at Austin Building Revenue Bonds, Series 1974 and Series 1974-A. (The Series 1974-A Bonds are scheduled to be refunded by the sale of Refunding Bonds on August 3, 1978).

3. Any lawful purpose, including but not limited to capital additions and improvements at the University of Texas at Austin and the University of Texas Medical Branch at Galveston.

ADDITIONS TO THE PERMANENT UNIVERSITY FUND
(Dollars in Thousands)

Fiscal Year Ending 8-31	Oil & Gas Royalty	Water Royalty	Minerals, Lease Rentals & Misc.	Mineral Lease Bonuses	Total
1977	\$ 76,595(1)	\$ 184	\$ 1,106	\$ 13,554	\$ 91,472
1976	70,123(1)	192	(12,867)(2)	15,379	72,827
1975	58,513	156	753	8,066	67,488
1974	31,541	202	1,796	11,389	44,928
1973	18,967	131	12,716	6,966	38,780
1972	19,518	154	10,999	5,055	35,726
1971	18,388	173	6,272	1,838	26,671
Prior to 1970	334,961	1,570	21,236	210,412	568,179

(1) Includes sulphur royalties.

(2) Includes \$12,632,427 adjustment for certain bond exchanges not qualifying as bond exchanges under current procedures.

INVESTMENTS IN THE PERMANENT UNIVERSITY FUND
(As of May 31, 1978)

	Book Value
United States Government Securities	
U. S. Treasury Bonds	\$ 145,084,077
Various Government Guaranteed Bonds	152,624,316
FHA Mortgages	8,513,855
U. S. Government Agencies	1,000,000
Total	\$ 307,232,251
Corporate Securities	
Bonds	\$ 293,735,553
Convertible Debentures	6,983,090
Convertible Preferred Stocks	2,434,505
Common Stocks	356,841,521
Total Corporate Securities	\$ 659,997,699
Total Securities	\$ 967,229,950
Cash and Equivalents	\$ 56,444,594
Total Securities, Cash and Equivalents	\$1,023,674,544

INCOME FROM INVESTMENTS IN PERMANENT UNIVERSITY FUND
(Dollars in Thousands)

Fiscal Year Ending 8-31	Net Total(1)	University of Texas System Portion	Other Income(2)	Total Income to Available University Fund	Debt Service on PUP Bonds(3)	Transfers or Other Debt Service(4)	Amount credited to U.T. Austin(5)
1977	\$53,409	\$35,608	\$ 1,645	\$37,251	\$12,672	\$ 4,248	\$18,547
1976	48,542	31,024	1,544	32,572	11,321	4,249	16,593
1975	39,105	26,070	1,539	27,609	10,060	4,215	12,385
1974	35,611	23,741	1,532	25,273	9,059	2,618	14,964
1973	31,199	20,800	1,036	21,836	8,239	-0-	12,039

(1) Reflects net amount collected after administration expenses.

(2) Includes grazing Lease Rentals and miscellaneous income not shared with Texas A & M System.

(3) Represents Debt Service on University of Texas System Permanent University Fund Bonds.

(4) Represents Transfers or Debt Service on University of Texas at Austin Building Revenue Bonds.

(5) Transfers to U.T. Austin to be used for any lawful purpose, as appropriated by the Board of Regents.

Note: Income in excess of allocations detailed above in Notes (3), (4) and (5) may be appropriated to the U.T. System Administration and/or may be held as a balance for future allocations.

SUMMARY OF ACADEMIC SEMESTER CREDIT HOURS
University of Texas At Austin

	Fiscal Year				
	1973-74	1974-75	1975-76	1976-77	1977-78
Fall	525,536	530,597	543,977	527,362	526,915
Spring	456,464	499,556	503,822	492,267	
Summer Sessions	149,376	156,624	146,141	142,943	

SUMMARY OF ENROLLMENT HEAD COUNT
University of Texas At Austin

	Fiscal Year				
	1973-74	1974-75	1975-76	1976-77	1977-78
Fall	40,611	41,845	42,598	41,367	41,660
Spring	38,114	39,525	39,912	39,048	
Summer Sessions	19,643	20,557	19,597	20,264	

SUMMARY OF FULL TIME EQUIVALENT STUDENTS
University of Texas At Austin

Fiscal Year	Number
1976-77	39,753
1975-76	39,798
1974-75	39,859
1973-74	38,713

GEOGRAPHIC DISTRIBUTION OF ENROLLMENTS
University of Texas At Austin

Residence of Student	Fall Semester			
	1976	1975	1974	1973
State of Texas	36,988	38,533	36,262	35,145
Out-of-State	2,542	2,467	4,256	4,112
Foreign Country	1,657	1,598	1,323	1,354
Total	41,337	42,598	41,841	40,611

THE UNIVERSITY OF TEXAS AT AUSTIN

General and History

The University of Texas at Austin is located in City of Austin which is situated in central Texas. Austin is the state capital and has an estimated 1977 population of 319,000.

The University of Texas at Austin is a state institution which was created by the Constitution, approved by popular vote, and is endowed and maintained by state legislative grants. In 1839, the Congress of the Republic of Texas passed two acts directed toward the founding of the University which provided for the appropriation of land for a campus in Austin as well as appropriating public lands within the Republic for the purpose of endowing university education. An act of the Legislature in 1881 provided for the organization of the University and for the appointment of a Board of Regents. The Main University was located in Austin and in September 1883, the University was formally opened. The grounds of the University presently consist of the original 40-acre site and numerous additional sites which have been acquired by gifts and purchase. The University owns the Balcones Research Center, eight miles north of the campus, which consists of 394 acres and the Brackenridge Tract, bordering Lake Austin and Town Lake, which consists of approximately 445 acres. The present enrollment is over 41,000, making it the largest institution of higher learning in the South. The University employs approximately 11,000 staff and administrative personnel and approximately 3,700 full and part time faculty members.

The University of Texas at Austin is governed by a nine-member Board of Regents which are nominated by the Governor and appointed with consent of the Senate.

Accreditations

Accreditation of the University is by the Southern Association of Colleges and Schools. The institution is a member of the Association of American Universities and each of the University's professional schools are fully accredited in its field.

University Curricula

The University offers over 3,800 courses with masters and doctoral degrees in more than 50 fields. From the Fall of 1975 to the Spring of 1977, the University has granted a total of 21,242 bachelors degrees, 4,227 masters degrees, 1,363 doctoral degrees and 1,614 law degrees. At present, the University is operating eight colleges which include the Colleges of Arts and Sciences, Natural Sciences, Social and Behavioral Sciences, Business Administration, Education, Engineering, Fine Arts, Pharmacy, with Graduate Programs in each of the colleges. In addition, The University operates six schools which include the Schools of Architecture, Communication, Law, Nursing and Public Affairs, including a Graduate School of Library Science and Social Work. The University operates an Extension Division, the University Press, Bureau of Business Research and numerous research laboratories and bureaus. The University's McDonald Observatory on Mount Locke in West Texas and the Marine Science Institute at Port Aransas are branches of The University of Texas at Austin.

Research and Service

The University also operates 37 research laboratories and support facilities, employing 1,000 personnel and occupying 53 buildings on the 394-acre Balcones Research Center campus. In some 35 laboratories, the Center provides assistance to teaching departments and other divisions of the University, including the Departments of Anthropology, Archeology, Geology, Paleontology, Pharmacy, Physics and Zoology. Fifteen labs can be classified under the engineering disciplines and include aeronautical, civil, electrical, mechanical and structural engineering. The Balcones Institute for Research and Development, authorized by the Board of Regents of The University of Texas System in 1973 as an expansion program at the Center, is empowered to enter into contracts with private industry, professional organizations and government agencies for research and development services.

Facilities

The University is located in the center of the City of Austin. Design of the campus is a combination of Spanish, classic and contemporary architecture, with the buildings varying from one to seventeen-story structures. The total number of buildings on the main campus is estimated at 119. The University owns and operates 213 off-campus apartments and 17 dormitories on campus.

Several new buildings and facilities are currently under construction at the University, or have recently been completed. A \$6.6 million olympic-size swimming facility was completed in March 1977 and a \$28.8 million Special Events Center for basketball games, indoor tennis matches and various entertainment events was completed in October 1977. Currently under construction is a Performing Arts Complex which will include a fine arts administration building, and a 3,000-seat concert hall. The total construction cost is in excess of \$31 million and completion is expected by 1980. Also under construction is a \$16.5 million addition to the Chemistry Building and an \$5 million addition to the Law School. As of August 31, 1977, the total physical plant value is \$531 million.

The library system of the University of Texas at Austin is the tenth largest academic library in the United States and includes the General Libraries, the Law Library, the Lyndon B. Johnson Public Affairs Library and the Humanities Research Center. Combined, the libraries contain over four million volumes.

Athletic Programs

The University is a member of the National Collegiate Athletic Association and the Southwest Athletic Conference for sports involving intercollegiate athletics for men. The University is also a member of the Association for Intercollegiate Athletics for Women, and the Southwest and Texas Associations for Intercollegiate Athletics for Women.

SUMMARY OF OUTSTANDING BONDED INDEBTEDNESS UNIVERSITY OF TEXAS AT AUSTIN

	Original Amount Issued	Outstanding May 31, 1978	Reserve Funds Inv. May 31, 1978
University of Texas Hospital Refunding Bonds Series 1951(1)	\$ 980,000	\$ 95,000	\$ 100,200
Dormitory Revenue Bonds, Series 1954(2)	3,402,000	1,998,000	444,236
Dormitory Revenue Bonds, Series 1956(3)	4,150,000	2,511,000	636,926
University of Texas Student Union Revenue Bonds, Series 1958, Series B(4)	1,220,000	765,000	316,647
Student Housing Revenue Bonds of 1963(5)	1,800,000	1,455,000	237,341
Housing System Revenue Bonds, Series 1967(6)	13,500,000	14,720,000	1,054,079
Building Revenue Bond of 1968(7)	520,000	460,000	56,359
Building Revenue Bonds, Series 1969(8)	25,000,000	22,715,000	1,570,192
Combined Fee Revenue Bonds, Series 1970 ⁽⁹⁾ (14)	10,000,000	9,120,000	6,193,699
Combined Fee Revenue Bonds, Series 1971(9)	20,000,000	18,490,000	(11)
Married Student Housing Revenue Bonds, Series 1971(10)	3,100,000	3,015,000	247,064
Combined Fee Revenue Bonds, Series 1972(9)	10,000,000	9,135,000	(11)
Combined Fee Revenue Bonds, Series 1973(9)	34,000,000	32,560,000	(11)
Building Revenue Bonds, Series 1974(12)	53,000,000	50,005,000	5,913,333
Building Revenue Bonds, Series 1974-A(12)(15)	8,000,000	5,760,000	(13)
Combined Fee Revenue Bonds, Series 1974(9)(14)	6,900,000	6,585,000	(11)

- (1) Secured by first lien on and pledge of revenues from compulsory student hospital fee.
- (2) Secured by first lien on and pledge of net revenues from Blanton Dormitory, Simkins Hall, Moore Hall, and Varsity Cafeteria.
- (3) Secured by first lien on and pledge of net revenues from Kinsolving Dormitory, plus surplus revenues from debt-free Andrews and Carothers Dormitories for Women.
- (4) Secured by first lien on and pledge of revenues from compulsory student union fee.
- (5) Secured by first lien on and pledge of net revenues from 200 apartments for married students.
- (6) Secured by first lien on and pledge of gross revenues of University Housing System.
- (7) Secured by first lien on and pledge of gross revenues from Student Co-op Housing System.
- (8) Secured by first lien on and pledge of net revenues of Utility Plant and gross Student Building Use Fees.
- (9) Secured by first lien on and pledge of Building Use Fee (Skiles Act) and General Fee.
- (10) Secured by first lien on gross revenues from Married Student Housing System.
- (11) Reserve Funds for Combined Fee Revenue Bonds Series 1970, 1971, 1972, 1973 and 1974 consolidated.
- (12) Secured by first lien on and pledge of Available Fund Surplus and Special Fee.
- (13) Reserve Funds for Building Revenue Bonds Series 1974 and 1974-A consolidated.
- (14) Issues are to be refunded through the issuance of the Bonds being offered herein.
- (15) Scheduled to be refunded through the sale of refunding bonds on August 3, 1978.

THE UNIVERSITY OF TEXAS AT AUSTIN
SUMMARY STATEMENT OF CURRENT INCOME AND EXPENDITURES

	Fiscal Years Ending August 31				
	1973	1974	1975	1976	1977
Current Revenues					
Tuition and Fees	\$ 16,912,893	\$ 20,493,898	\$ 21,101,533	\$ 20,930,549	\$ 21,233,597
Federal Funds	26,841,798	27,101,095	32,083,046	31,369,742	36,332,121
State Appropriations	60,012,808	79,975,273	93,291,586	103,518,721	114,713,555
Private Gifts	6,192,875	7,378,581	7,852,850	9,811,587	9,667,267
Endowment Income (Includes Transfers from Available University Fund)	8,036,318	8,659,445	9,620,853	13,149,170	14,837,675
Sales and Services of Auxiliary Enterprises	13,302,083	14,971,219	15,733,253	18,044,215	19,835,561
Sales and Services of Ed. Dept. and other Sources	3,261,227	4,799,004	5,163,709	6,538,238	7,357,251
Total Current Revenues	<u>134,560,002</u>	<u>163,378,495</u>	<u>184,826,831</u>	<u>203,362,222</u>	<u>223,977,057</u>
Current Expenditures and Mandatory Transfers					
Education and General	108,250,827	128,130,773	151,232,208	162,740,426	179,446,455
Auxiliary Enterprises	14,394,735	15,931,636	17,975,867	20,989,049	24,230,729
Mandatory Transfers	10,518,043	13,533,869	14,646,931	15,467,519	14,170,575
Total Current Exp. and Mandatory Transfers	<u>133,163,605</u>	<u>157,596,278</u>	<u>183,855,006</u>	<u>199,196,994</u>	<u>217,847,759</u>
Excess Revenues over Expenditures and Mandatory Transfers	<u>\$ 1,396,397</u>	<u>\$ 5,782,217</u>	<u>\$ 971,825</u>	<u>\$ 4,165,228</u>	<u>\$ 6,129,298</u>

THE UNIVERSITY OF TEXAS AT AUSTIN
CONDENSED STATEMENT OF ASSETS AND NET WORTH

	Fiscal Years Ending August 31				
	1973	1974	1975	1976	1977
Assets					
Current Funds					
General	\$ 16,727,045	\$ 20,902,239	\$ 20,319,062	\$ 19,660,836	\$ 19,897,764
Auxiliary Enterprises and Activities	8,321,344	9,717,046	10,409,035	15,708,634	12,290,871
Designated	1,113,397	2,966,778	11,439,242	11,653,203	20,965,720
Restricted	29,481,145	32,616,762	36,872,502	39,537,596	51,564,494
Total Current Funds	<u>55,642,931</u>	<u>66,202,825</u>	<u>79,039,841</u>	<u>86,560,269</u>	<u>104,718,849</u>
Loan Funds	5,635,811	6,406,161	7,777,296	8,422,103	10,860,217
Endowment and Similar Funds	32,312,725	34,203,582	35,917,753	38,586,877	43,219,504
Annuity and Life Income Funds	2,335,982	3,282,497	2,748,107	2,614,535	1,044,530
Plant Funds					
Unexpended	47,160,138	111,626,062	96,254,160	66,553,056	47,833,110
Renewals and Replacement				489,444	841,443
Funds for Retirement of Indebtedness	6,218,962	14,740,007	16,447,143	18,393,473	19,056,695
Investment in Plant	359,093,301	398,336,042	448,996,954	502,579,776	553,091,427
Total Plant Funds	<u>412,472,401</u>	<u>524,702,111</u>	<u>561,698,257</u>	<u>588,015,749</u>	<u>620,822,675</u>
Agency Funds	1,751,042	1,949,105	2,665,058	3,855,323	6,433,492
Product: Inter-Fund Group Accounts	3,826,550	5,969,054	16,791,634	16,251,596	19,188,840
Grand Total Assets	<u>506,324,342</u>	<u>630,777,227</u>	<u>673,054,678</u>	<u>711,803,260</u>	<u>767,910,427</u>
Less: Total Liabilities	<u>133,757,913</u>	<u>115,114,436</u>	<u>142,344,929</u>	<u>178,257,561</u>	<u>210,291,091</u>
End Balances (Net Worth)	<u>\$372,566,429</u>	<u>\$515,662,791</u>	<u>\$530,709,749</u>	<u>\$533,545,699</u>	<u>\$557,619,336</u>

THE UNIVERSITY OF TEXAS SYSTEM

Administration

The University of Texas System commenced operations in 1883 with the opening of the original University of Texas campus in Austin and has since grown to be one of the largest educational organizations in the United States. The System is supported by State appropriations, private endowments and gifts, Federal funds, student fees, miscellaneous sources of income, and its interest in the income from the Permanent University Fund.

The Government of the University System is vested in a board of nine regents who serve without pay. They are nominated by the Governor for six-year terms, three each two years, and are subject to approval by the Senate. Administration of the University conforms to that of leading American universities.

The Members of the Board of Regents are as follows:

	<u>Term Expires</u>
The Honorable Allan Shivers, Chairman	Austin January 1979
Mr. Dan C. Williams, Vice Chairman	Dallas January 1981
James E. Bauerle, D.D.S.	San Antonio January 1979
Jane Weinert Blumberg (Mrs. Roland K.)	Seguin January 1983
The Honorable Edward Clark	Austin January 1979
Sterling H. Fly, Jr., M.D.	Uvalde January 1983
Mr. Jess Thomas Hay	Dallas January 1983
Mr. Thos. H. Law	Fort Worth January 1981
Mr. Walter G. Sterling	Houston January 1981
Betty Anne Thedford, Secretary	

The Principal Administrative Officers and Staff of the System are as follows:

Dr. Charles A. LeMaistre, Chancellor
 Dr. E. D. Walker, President and Chief Operating Officer
 Dr. Ernest T. Smerdon, Vice President for Academic Affairs
 Mr. Robert L. Hardesty, Vice President for Administration
 Mr. Joe E. Boyd, Jr., Vice President for Business Affairs
 Mr. James T. Fitzpatrick, Vice President and General Counsel
 Dr. Edward N. Brandt, Jr., Vice President for Health Affairs
 Mr. Graves W. Landrum, Vice President for Operations
 Mr. W. L. Lobb, Executive Director for Investments, Trusts and Lands
 Mr. Frank Graydon, Budget Director
 Mr. R. L. Anderson, Comptroller
 Mr. R. S. Kristoferson, Director of Facilities Planning and Construction
 Mr. Herman Adams, Director for Public Affairs
 Mr. James C. Werchan, Director of Accounting

Organization

The Component Institutions of The University of Texas System, with the administrative heads shown, are:

The University of Texas at ARLINGTON
 Dr. Wendell Nedderman, President
 The University of Texas Institute of Urban Studies at Arlington
 Dr. Sherman Wyman, Director
 The University of Texas School of Nursing at Arlington
 Dr. Myrna Pickard, Dean

The University of Texas at AUSTIN
 Dr. Lorene L. Rogers, President
 The University of Texas Marine Science Institute at Galveston and Port Aransas
 Dr. Creighton A. Burk, Director
 The University of Texas McDonald Observatory at Mount Locke
 Dr. Harlan Smith, Director
 The University of Texas School of Nursing at Austin
 Dr. Billye Brown, Dean

The University of Texas at DALLAS
 Dr. Bryce Jordan, President

The University of Texas at EL PASO
 Dr. Arleigh B. Templeton, President
 The University of Texas School of Nursing at El Paso
 Dr. Eileen Jacobi, Dean

The University of Texas of the PERMIAN BASIN
 Dr. V. R. Cardozier, President

The University of Texas at SAN ANTONIO
 Dr. James W. Wagener, Acting President
 The University of Texas Institute of Texan Cultures at San Antonio
 Mr. Jack R. Maguire, Executive Director

The University of Texas Health Science Center at DALLAS
 Dr. Charles C. Sprague, President
 The University of Texas Southwestern Medical School at Dallas
 Dr. Frederick Bonte, Dean
 The University of Texas Graduate School of Biomedical Science at Dallas
 Dr. Kern Wildenthal, Dean
 The University of Texas School of Allied Health Sciences at Dallas
 Dr. John Schermerhorn, Dean

The University of Texas Medical Branch at GALVESTON
 Dr. William C. Levin, President
 The University of Texas Medical School at Galveston
 Dr. George T. Bryan, Dean
 The University of Texas Graduate School of Biomedical Sciences at Galveston
 Dr. J. Palmer Saunders, Dean
 The University of Texas School of Allied Health Sciences at Galveston
 Dr. Robert K. Bing, Dean
 The University of Texas Institute for the Medical Humanities at Galveston
 Dr. William B. Bean, Director
 The University of Texas Marine Biomedical Institute at Galveston
 Dr. William D. Willis, Acting Director
 The University of Texas School of Nursing at Galveston
 Dr. Dorothy Damewood, Dean

The University of Texas Health Science Center at HOUSTON
 Dr. Truman G. Blocker, Jr., Acting President
 The University of Texas Medical School at Houston
 Dr. Robert L. Tuttle, Dean
 The University of Texas Dental Branch at Houston
 Dr. John V. Olson, Dean
 The University of Texas Graduate School of Biomedical Sciences at Houston
 Dr. Roger Hewitt, Acting Dean

The University of Texas School of Allied Health Sciences at Houston
Dr. Alton Hodges, Dean

The University of Texas School of Public Health at Houston
Dr. Reuel A. Stallones, Dean

The University of Texas Speech and Hearing Institute at Houston
Dr. Tina Bangs, Director

The University of Texas School of Nursing at Houston
Dr. Arlo Wayne Swort, Dean

The University of Texas Health Science Center at SAN ANTONIO
Dr. Frank Harrison, President

The University of Texas Medical School at San Antonio
Dr. Stanley E. Crawford, Dean

The University of Texas Dental School at San Antonio
Dr. Edwin M. Collins, Acting Dean

The University of Texas Graduate School of Biomedical Sciences at San Antonio
Dr. Armand J. Guarino, Dean

The University of Texas School of Nursing at San Antonio
Dr. Patty Lynn Hawken, Dean

The University of Texas System Cancer Center
Dr. R. Lee Clark, President

The University of Texas M. D. Anderson Hospital and Tumor Institute at Houston
Dr. Robert C. Hickey, Director

The University of Texas Science Park - Research Division
Dr. Ronald M. Humphrey, Associate Director

The University of Texas System Health Center at TYLER
Dr. George Hurst, Superintendent

UNIVERSITY OF TEXAS RETIREMENT PLANS

All full and half-time employees of the University of Texas System are required to be covered by either a state-administered retirement program or by an optional private plan.

Teacher Retirement System of Texas

The Teacher Retirement System of Texas is a group annuity plan which makes provision for retirement, disability and death and survivor benefits to all employees of the public school and university systems of Texas. The retirement plan was established in 1937 for teacher classified members and in 1949, the plan was offered to auxiliary employees.

Under the plan, members contribute 6.65 percent of up to their first \$25,000 of annual gross income, and the State contributes 7.50 percent. The University System makes no contributions on behalf of employees and has no liability for the unfunded portion. The University estimates that there are approximately 28,000 employees currently enrolled in this plan. The unfunded liability of the plan as shown in the Actuarial Certification as of August 31, 1977 was \$1,974.0 million and the total book value as of the same date was \$3,513.3 million.

Optional Retirement Plan

Certain selected faculty and professional administrative staff may elect to enroll in an optional retirement plan. Participation in an optional retirement plan which was authorized by the Legislature in 1967, enables teachers, research personnel and professional administrative staff to transfer among educational institutions throughout the United States while continuing to accumulate retirement benefits. The optional plans which are underwritten by various insurance companies are individual programs with contributions by employees and the State being on the same basis as for the Teacher Retirement System. The University system estimates that approximately 8,000 employees are presently enrolled in the optional retirement program.

THE BOND RESOLUTION

The following summaries represent excerpts of certain provisions of the 1978 Bond Resolution which authorizes the issuance of the Series 1978 Bonds and certain provisions of the 1974 Bond Resolution which has been incorporated by reference into the 1978 Bond Resolution. For more complete information, reference is made to the entire documents, copies of which are available upon request.

Definitions

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

The term "Board" shall mean the Board of Regents of The University of Texas System.

The term "Bonds" shall mean collectively the Series 1974 Bonds and the Series 1978 Bonds.

The term "Interest and Sinking Fund" shall mean the Series 1974 Building Revenue Bonds Interest and Sinking Fund established by the Series 1974 Resolution.

The term "Pledged Available Fund Surplus" shall have the meaning and be described and defined as follows: The term "Permanent University Fund" means the fund designated by that name which was created pursuant to Article VII, Sections 10, 11, 11a, 15, and 18 of the Texas Constitution, and is and will be governed by applicable present and future constitutional and statutory provisions. The term "Available University Fund" means the fund or funds designated by that name or any other name or names into which, or to the credit of which, the dividends, interest, and other income from the Permanent University Fund are deposited pursuant to applicable present and future constitutional and statutory provisions. Under present law, and after payment of expenses of administration of the Permanent University Fund, the Available University Fund is pledged and first used for the payment of principal of and interest on Permanent University Fund Bonds or Notes issued by The Texas A&M University System and by The University of Texas System pursuant to Article VII, Section 18 of the Texas Constitution, and traditionally, and without exception, the Texas Legislature biennially has granted and appropriated one third of the balance thereof, excluding income from certain grazing leases, to The Texas A&M University System, and has granted and appropriated the remainder thereof to The University of Texas System. The term "Pledged Available Fund Surplus" means any part of the aforesaid remainder of the Available University Fund that is actually granted and appropriated by the Texas Legislature and made available to The University of Texas System from time to time in any manner that will permit the use thereof by The University of Texas System to pay principal of and interest on the Bonds or Additional Bonds. It is hereby determined that such use will be the most practicable method available to The Board to enable it to acquire and construct the permanent improvements, new construction, and equipment constituting the facilities to be provided through the issuance of the Bonds and that such use is essential to the Board in carrying out its policy of promoting excellence in education at the University.

The term "Pledged Revenues" shall mean collectively (a) any Pledged Available Fund Surplus, (b) the Special Fee, and (c) any additional revenues, income receipts, or other resources, which hereafter may be pledged to the payment of the Bonds or Additional Bonds.

The term "Reserve Fund" shall mean the Series 1974 Building Revenue Bonds Reserve Fund established by the Series 1974 Resolution.

The term "Series 1974 Bonds" shall mean the \$53,000,000 Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1974, authorized by the Series 1974 Resolution.

The term "Series 1974 Resolution" shall mean the resolution adopted by the Board on December 7, 1973, authorizing the issuance of the Series 1974 Bonds.

The term "Series 1974-A Bonds" shall mean the \$6,000,000 Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1974-A, which are being refunded and defeased with the proceeds of the Series 1978 Bonds.

The term "Series 1978 Bonds" shall mean the Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1978, authorized by this Resolution.

The term "Special Fee" shall mean the gross collections of a special fee to be fixed, charged, and collected from all students (excepting any category of students now exempt from paying fees by Chapter 54, Texas Education Code) enrolled at the University, for the use and availability of all or any part of the Project, in the manner and to the extent provided in this Resolution, and pledged to the payment of the Bonds and any Additional Bonds, all in accordance with Chapter 55, Texas Education Code.

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

General Covenants

The Board covenants and agrees to fix, levy, charge, and collect the Special Fee on a uniform basis from each student (excepting any student in a category now exempt from paying fees by Chapter 54, Texas Education Code) enrolled in the University at each regular fall and spring semester and at each term of each summer session, for the use and availability of all or any part of the Project, in such amounts, without any limitation whatsoever, as will be at least sufficient at all times to provide, together with other Pledged Revenues, the money for making when due all deposits required to be made to the credit of the Interest and Sinking Fund and the Reserve Fund in connection with the Bonds and any Additional Bonds, and to pay the principal of and interest on the Bonds and any Additional Bonds as the same mature and come due.

Creation of Fund Accounts

There is hereby created and shall be maintained at an official depository of the Board two separate funds known as an "Interest and Sinking Fund" and a "Reserve Fund".

Flow of Funds

The Board shall transfer or cause to be transferred out of any Pledged Available Fund Surplus semiannually on December 1, 1978 and semiannually thereafter on or before June 1 and December 1 thereafter;

(a) an amount which, together with other amounts then on hand in the Interest and Sinking Fund will be sufficient to pay the interest scheduled to accrue and the principal scheduled to mature on the Series 1978 Bonds on April 1, 1979; and

(b) an amount which, together with other amounts then on hand in the Interest and Sinking Fund will be sufficient to pay the interest scheduled to accrue and come due on the Series 1978 Bonds on the next succeeding interest payment date and one-half of the principal scheduled to mature and come due on the Series 1978 Bonds on the next succeeding April 1.

(c) an amount equal to at least 1/10th of the average annual principal and interest requirements of all then outstanding Bonds. As long as the Reserve Fund contains sufficient monies equal to the average annual principal and interest requirements no additional requirements need be made. So long as the Reserve Fund contains the required amount, any surplus in the Reserve Fund over said required amount may be transferred and deposited into the Interest and Sinking Fund.

Investment of Funds

Money in any Fund established pursuant to this Resolution may, at the option of the Board, be placed in time deposits or be invested in direct obligations of the United States of America, obliga-

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

Additional Bonds

The Board reserves the right to issue Additional Parity Revenue Bonds in accordance with the following provisions:

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

(b) The State Auditor of the State of Texas, or any certified public accountant, signs a written certificate to the effect that, during either the next preceding fiscal year, 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 to be outstanding.

Application of the Series 1978 Bond Proceeds

The proceeds from the sale of the Series 1978 Bonds shall be disbursed as follows:

(a) To the Interest and Sinking Fund, the accrued interest and premium, if any, received from the sale of the Series 1978 Bonds;

(b) To be applied, together with other available funds, to fund and establish at City National Bank, Austin, Texas, an escrow fund to be entitled "Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1974-A Escrow Fund" in accordance with the terms of that certain Escrow Agreement to be entered into between the Board and said bank at or prior to delivery of the Series 1978 Bonds, which escrow fund shall have deposited to its credit the required beginning cash balance (if necessary) and certain direct obligations of the United States of America in amounts bearing interest and maturing in such a manner as to provide funds sufficient for the payment of principal of, redemption premiums on and interest to maturity or redemption on the Series 1974-A Bonds, all as more fully set forth in such Escrow Agreement;

(c) To pay expenses connected with the refunding of the Series 1974-A Bonds and the issuance of the Series 1978 Bonds; and

(d) The balance, if any, to the Interest and Sinking Fund.

No Arbitrage

The Board certifies that based upon all facts, estimates and circumstances now known or reasonably expected to be in existence on the date the Series 1978 Bonds are delivered and paid for, the Board reasonably expect that the proceeds of the Series 1978 Bonds will not be used in a manner that would cause the Series 1978 Bonds or any portion thereof to be an "arbitrage bond" under Section 103(c) of the Internal Revenue Code of 1954, as amended, and the temporary and proposed regulations heretofore prescribed thereunder. Furthermore, all officers, employees and agents of the Board are authorized and directed to provide certifications of facts, estimates and circumstances which are material to the reasonable expectations of the Board as of the date the Series 1978 Bonds are delivered and paid for, and any such certifications may be relied upon by counsel, by the holders of the Series 1978 Bonds, or by any person interested in the exemption of interest on the Series 1978 Bonds from federal income taxation. Moreover, the Board covenants that it shall make such use of the proceeds of the Series 1978 Bonds, regulate investments of proceeds of the Series 1978 Bonds, and take such other and further action as may be required so that the Series 1978 Bonds shall not be "arbitrage bonds" under Section 103(c) of the Internal Revenue Code of 1954, as amended, and regulations prescribed from time to time thereunder.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the arithmetical computations of the adequacy of (i) the maturing principal of and interest income derived from the Federal Securities to pay, when due, the principal of, interest and redemption premium on the Series 1974-A Bonds and (ii) the accuracy of the mathematical computations only, supporting the conclusion of Bond Counsel with reference to "arbitrage bonds" (noted above) will be verified by Ernst & Ernst, independent public accountants. Such verification of arithmetical accuracy and mathematical computations shall be based on information supplied by the Board through the Financial Advisor.

ELIGIBILITY AS INVESTMENTS

Section 55.21 of the Texas Education Code provides that the Series 1978 Bonds are legal and authorized investments in Texas for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, trustees, and guardians, and for all interest and sinking funds and other public funds of the State of Texas and for all agencies, subdivisions, and instrumentalities thereof, including all counties, cities, towns, villages, school districts, and for all other kinds and types of districts, public agencies and bodies politic. The Series 1978 Bonds also shall be eligible and lawful security for all deposits of public funds of the State of Texas and all agencies, subdivisions, and instrumentalities thereof, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the Series 1978 Bonds, when accompanied by any unmatured interest coupons appurtenant thereto. The Board and Underwriter make no representations regarding the investment eligibility of the Series 1978 Bonds for any particular institution, and such decisions are the sole responsibility of the particular purchaser.

RATINGS

The Board of Regents has made application to Moody's Investors Service Inc. and Standard and Poor's Corporation for the purpose of attaining a credit rating. An explanation of the significance of such rating may be obtained from the company furnishing the rate. The ratings reflect only the respective views of such organizations at the time such ratings were given and the Board makes no representation as to the appropriateness of the ratings.

There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

TAX EXEMPTION

The issuance of the Series 1978 Bonds is subject to the opinion of Vinson & Elkins, Houston, Texas, Bond Counsel, to the effect that interest on the Series 1978 Bonds is exempt from present federal income taxes under existing statutes, regulations, published rulings and court decisions.

The Board will issue a certificate, accompanied by an opinion of counsel, to the effect that on the basis of the facts, estimates and circumstances in existence on the date of delivery of the Series 1978 Bonds it is not expected that the proceeds of the Series 1978 Bonds will be used in a manner that would cause the Series 1978 Bonds to be "arbitrage bonds" under Section 103(c) of the Internal Revenue Code. The opinion of Vinson & Elkins will state that, based on their examinations of the law and their review of the no-arbitrage certificate of the Board and the verification of the arithmetical and mathematical computations by Ernst & Ernst, independent public accountants, the facts, estimates and circumstances are sufficiently set forth in such no-arbitrage certificate and the above-mentioned verification to satisfy the criteria which are necessary under Section 103(c) of the Internal Revenue Code of 1954, as amended, and applicable Treasury Regulations, to support the conclusion that the Series 1978 Bonds will not be arbitrage bonds.

FINANCIAL ADVISORS

The Board of Regents has retained the services of Rauscher Pierce Securities Corporation in the capacity as Financial Advisors to the Board for a fee based upon the amount of Bonds actually issued, sold and delivered. The payment of such fee is contingent upon the sale and delivery of the Bonds. The Financial Advisors have agreed not to submit an underwriting bid at the public sale of the Series 1978 Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series 1978 Bonds are subject to the unqualified approval of the Attorney General of the State of Texas and Messrs. Vinson & Elkins, Houston, Texas, Bond Counsel, whose approving opinion will be printed on the Bonds and delivered with the Series 1978 Bonds. Messrs. Vinson & Elkins were not requested to participate, and did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "The Series 1978 Bonds" and "The Bond Resolution". No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any other information contained herein.

SOURCE AND USE OF INFORMATION

This Official Statement has been prepared under the direction of the Board of Regents of The University of Texas System by Rauscher Pierce Securities Corporation, a firm employed by the Board to perform professional services in the capacity of financial advisors. The information set forth herein has been obtained from the Board's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, docu-

ments and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to official documents in all respects.

The Board of Regents of The University of Texas System has reviewed and approved the Official Notice of Sale, Official Bid Form and Official Statement and said instruments have been authorized for use and distribution by Rauscher Pierce Securities Corporation, Financial Advisors, for the purpose of securing bids on the bonds offered hereby.

Approved and adopted by resolution of the Board of Regents of The University of Texas System this 4th day of August, 1978.

/S/

Chairman, Board of Regents of
The University of Texas System

ATTEST:

/S/

Secretary, Board of Regents of
The University of Texas System

EXHIBIT A

APPENDIX

The information contained in this appendix consists of excerpts from The University of Texas at Austin Financial Report for the Fiscal Year ended August 31, 1977 and is not intended to be a complete statement of the System's financial condition. Reference is made to the complete Financial Report for further information. The accounts and records of The University of Texas at Austin are audited annually by the State Auditor. The audit for the 1977 fiscal year is currently in progress. When completed, the Auditor's opinion will be available upon request.

THE UNIVERSITY OF TEXAS AT AUSTIN
BALANCE SHEET
At August 31, 1977

Assets

CURRENT FUNDS		
UNRESTRICTED		
GENERAL		
Cash on Hand (Schedule A-1)		
Cash in Bank (Schedule A-1)		\$ 1,209,674.61
Time Accounts		
Cash with State Treasurer (Schedule A-1)	4,297,916.65	
Reimbursement in Transit from State Treasurer (Schedule A-1)	12,731.43	
Balance in State General Revenue Appropriation (Schedule A-2)	1,692.68	
Investments (Schedule A-3)	664,175.62	
Accounts Receivable	253,329.95	
Less: Allowance for Doubtful Accounts	\$ 360,983.98	
Other Receivables	108,412.31	252,571.67
Due from Restricted Current Funds		2,576.06
Due from System Administration		10,415,505.35
Due from Component Institutions		134,470.92
Galveston Medical Branch		
U. T. Permian Basin	325.41	
U. T. San Antonio	4,530.59	
San Antonio Medical School	29,682.94	
Inventories	1,452.21	
Physical Plant Inventories		
Prepaid Expenses	2,320,465.11	291,710.00
Total General Funds		\$ 14,877,644.12
DESIGNATED		
Cash on Hand (Schedule A-1)		
Cash in Banks (Schedule A-1)		3,077.95
Demand Accounts		
Time Deposits	2,501,036.71	
Due from General Current Funds	9,528,658.58	11,029,695.59
Prepaid Expenses		5,773,334.15
		159,612.00
Total Designated Funds		\$ 20,465,719.72
AUXILIARY ENTERPRISES		
Cash on Hand (Schedule A-1)		
Cash in Banks (Schedule A-1)		107,475.68
Demand Accounts		
Time Deposits	731,869.41	
Cash with State Treasurer (Schedule A-1)	9,951,716.06	10,683,605.47
Investments (Schedule A-3)		8.25
Accounts Receivable		263,057.73
Notes Receivable		521,305.57
Inventories		15,620.63
Prepaid Expenses		677,290.35
		12,507.74
Total Auxiliary Enterprises		\$ 12,507.74
Total Unrestricted		\$ 37,851,176.58
RESTRICTED		
Cash on Hand (Schedule A-1)		
Cash in Banks (Schedule A-1)		13,939.65
Demand Accounts		
Time Deposits	847,051.81	
Investments (See Schedule A-3)	10,928,547.10	11,775,598.91
Federal Accounts Receivable		178,240.00
Other Accounts Receivable		7,332,577.43
Other Receivables		4,994,103.64
Federal Contract and Grant Awards		68,654.48
Non-Federal Contract and Grant Awards		22,527,454.92
Due from System Administration		2,736,981.43
Prepaid Expenses		158,047.51
		1,778,895.87
Total Restricted		\$ 42,148,298.50
TOTAL CURRENT FUNDS		\$ 80,055,151.80

(Continued on next page)

THE UNIVERSITY OF TEXAS AT AUSTIN
BALANCE SHEET
At August 31, 1977

Liabilities and Fund Balances

CURRENT FUNDS		
UNRESTRICTED		
GENERAL		
Accounts Payable		\$ 977,777.15
Due to Designated Funds		1,133,334.15
Due to System Administration		173,965.51
Due to Component Institutions		
U. T. El Paso		
U. T. Arlington		2.15
Deposits		14.00
Deferred Revenue		900,314.07
Fund Balances		159,422.00
Allocated		
Provision for Inventories	\$ 1,320,465.11	
Provision for Orders and Contracts Outstanding	2,493,857.77	
Provision for Balances Subject to Reappropriation	1,048,933.87	
Provision for Future Operating Budget	1,500,000.00	
Provision for 1977-78 Operating Budget	1,000,000.00	
Provision for Renegotiating Overhead Rate on Contracts	131,096.25	
Total Allocated	8,495,053.00	
Allocated	321,942.72	8,816,995.72
Total General Funds		\$ 19,877,764.28
DESIGNATED		
Accounts Payable		305,283.65
Due to System Administration for Retirement of Indebtedness		20,355.30
Deferred Revenue		1,133,334.15
Fund Balances (Schedule B-1)		11,806,746.51
Total Designated Funds		\$ 20,965,719.72
AUXILIARY ENTERPRISES		
Accounts Payable		149,244.09
Deposits		3-1,890.05
Deferred Revenue		2,063,610.56
Fund Balances (Schedule B-2)		2,736,124.72
Total Auxiliary Enterprises		\$ 5,940,879.42
Total Unrestricted		\$ 53,154,359.42
RESTRICTED		
Due to General Current Funds		10,415,505.35
Fund Balances (Unearned) (Schedule B-3)		41,148,298.50
Total Restricted		\$ 51,563,803.85
TOTAL CURRENT FUNDS		\$ 104,718,163.27

(Continued on next page)

Assets

DEMAND FUNDS		
Cash in Banks (Schedule A-1)		
Demand Accounts	\$ 192,540.69	
Time Deposits	219,067.27	
Investments (Schedule A-3)		\$ 1,011,607.96
Notes Receivable (Schedule A-4)	92,037.80	
Other Receivables	9,667,100.73	
	89,272.90	
TOTAL DEMAND FUNDS		<u>12,172,627.46</u>
ENDOWMENT AND SIMILAR FUNDS		
Funds Held by System Administration		
Cash in Banks (Schedule A-1)	\$ 794,041.00	
Investments (Schedule A-3)	42,468,468.00	
TOTAL ENDOWMENT AND SIMILAR FUNDS		<u>43,262,509.00</u>
AGILITY AND LIFE INCOME FUNDS		
Funds Held by System Administration		
Cash in Banks (Schedule A-1)	\$ 24,188.22	
Investments (Schedule A-3)	1,020,311.41	
TOTAL AGILITY AND LIFE INCOME FUNDS		<u>1,044,500.00</u>
SAVING FUNDS		
Cash in Banks (Schedule A-1)		
Demand Accounts	\$ 901,761.10	
Time Deposits	24,444,435.28	
Due from System Administration		\$ 25,346,196.38
	22,456,913.42	
Total Unexpended		<u>47,803,109.70</u>
FUNDS FOR RENEWALS AND REPLACEMENTS		
Cash in Bank (Schedule A-1)		
Demand Accounts	190,345.59	
Time Deposits	555,097.50	
Total Funds for Renewals and Replacements		<u>745,443.09</u>
FUNDS FOR RETIREMENT OF INDEBTEDNESS		
Funds Held by System Administration		
Cash in Bank (Schedule A-1)	58,453.20	
Time Deposits		
Investments (Schedule A-3)	4,227,853.58	
Total Funds for Retirement of Indebtedness		<u>4,286,306.78</u>
INVESTMENT IN PLANT		
Land		
Buildings	16,823,574.95	
Improvements Other than Buildings	335,077,800.10	
Equipment	32,367,440.15	
Construction in Progress	160,031,477.27	
	67,700,792.57	
Total Investment in Plant		<u>1,012,990,685.04</u>
TOTAL PLANT FUNDS		<u>1,012,990,685.04</u>
AGENCY FUNDS		
Cash in Banks (Schedule A-1)		
Demand Accounts	\$ 102,163.25	
Time Deposits	1,130,522.22	
Investments (Schedule A-3)		\$ 1,443,577.21
Accounts Receivable	3,336,779.47	
Land	1,013,211.34	
Buildings	37,000.00	
	123,284.20	
Total Agency Funds		<u>6,190,547.69</u>

Liabilities and Fund Balances

DEMAND FUNDS		
Cash in Banks (Schedule A-1)		
National Direct Student Loan Program		
Federal Government	\$ 1,211,433.00	
National Student Loan Program	21,127.27	
Federal Student Loan Program		
Federal Student Loan Program	39,431.44	
Federal Student Loan Program		
Federal Student Loan Program	1,107,000.00	
Federal Student Loan Program	110,370.92	
	1,227,961.63	
TOTAL DEMAND FUNDS		<u>1,227,961.63</u>
ENDOWMENT AND SIMILAR FUNDS		
Funds Held by System Administration		
Cash in Banks (Schedule A-1)		
Investments (Schedule A-3)	42,468,468.00	
TOTAL ENDOWMENT AND SIMILAR FUNDS		<u>42,468,468.00</u>
AGILITY AND LIFE INCOME FUNDS		
Funds Held by System Administration		
Cash in Banks (Schedule A-1)	24,188.22	
Investments (Schedule A-3)	1,020,311.41	
TOTAL AGILITY AND LIFE INCOME FUNDS		<u>1,044,500.00</u>
SAVING FUNDS		
Cash in Banks (Schedule A-1)		
Demand Accounts	901,761.10	
Time Deposits	24,444,435.28	
Due from System Administration		25,346,196.38
	22,456,913.42	
Total Unexpended		<u>47,803,109.70</u>
FUNDS FOR RENEWALS AND REPLACEMENTS		
Cash in Bank (Schedule A-1)		
Demand Accounts	190,345.59	
Time Deposits	555,097.50	
Total Funds for Renewals and Replacements		<u>745,443.09</u>
FUNDS FOR RETIREMENT OF INDEBTEDNESS		
Funds Held by System Administration		
Cash in Bank (Schedule A-1)	58,453.20	
Time Deposits		
Investments (Schedule A-3)	4,227,853.58	
Total Funds for Retirement of Indebtedness		<u>4,286,306.78</u>
INVESTMENT IN PLANT		
Land		
Buildings	16,823,574.95	
Improvements Other than Buildings	335,077,800.10	
Equipment	32,367,440.15	
Construction in Progress	160,031,477.27	
	67,700,792.57	
Total Investment in Plant		<u>1,012,990,685.04</u>
TOTAL PLANT FUNDS		<u>1,012,990,685.04</u>
AGENCY FUNDS		
Cash in Banks (Schedule A-1)		
Demand Accounts	102,163.25	
Time Deposits	1,130,522.22	
Investments (Schedule A-3)		1,443,577.21
Accounts Receivable	3,336,779.47	
Land	1,013,211.34	
Buildings	37,000.00	
	123,284.20	
Total Agency Funds		<u>6,190,547.69</u>

THE UNIVERSITY OF TEXAS AT AUSTIN
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended August 31, 1977

	CURRENT FUNDS				RESTRICTED FUNDS
	General	Designated	Auxiliary Enterprises	Total Unrestricted	
FUND BALANCES, Sept. 1, 1976	\$ 4,383,667.71	\$ 7,150,449.05	\$ 9,510,052.61	\$ 24,773,769.40	\$ 1,012,100.00
REVENUES AND OTHER ADDITIONS:					
Restricted Current Fund Revenues	109,898,852.51	19,349,536.17	24,569,873.51	154,415,662.49	
State Appropriations - Restricted					11,070,000.00
Federal Grants and Contracts - Restricted					43,170,000.00
State Grants and Contracts - Restricted					1,531,700.00
Local Grants and Contracts - Restricted					2,000.00
Private Gifts, Grants and Contracts - Restricted					11,015,700.00
Investment Income - Restricted					1,442,000.00
Realized Gain on Investments - Restricted					1,442,000.00
Interest on Loans Receivable					
U. S. Government Advances					
Expended for Plant Facilities Including \$ 8,874,400.11 charged to Current Fund Expenditures	380,336.85	402,746.74	66,315.05	829,399.06	1,700,000.00
Other Additions					
Total Revenues and Other Additions	110,279,189.66	20,372,283.13	24,596,188.76	155,248,661.55	13,142,700.00
EXPENDITURES AND OTHER DEDUCTIONS:					
Expenditures	121,608,929.75	3,053,769.77	22,557,607.48	147,220,307.00	50,000,000.00
Appropriations Lapsed	197,516.16			197,516.16	
Indirect Costs Recovered					
Refunded to Grantors					
Loan Cancellations and Write-offs					
Administrative and Collection Costs					
Realized Losses on Investments					
Expended for Plant Facilities					
Retirement of Indebtedness Paid					36,142,252.28
Disposal of Plant Facilities					13,349,140.44
Reclassifications to Other Components					1,086,183.84
Net Change in Bonds Payable					
Other Deductions	15,566.56	320,702.94	25,860.01	362,129.51	
Total Expenditures and Other Deductions	121,822,402.47	3,374,472.71	22,583,467.49	147,780,342.67	51,128,183.84
TRANSFERS					
Mandatory:					
To System Administration					
General Tuition Revenue Bonds		(5,930,355.38)		(5,930,355.38)	
To Retirement of Indebtedness					
Building Use Fee - Skiles Act		(425,228.02)		(425,228.02)	
Hospital Refunding Bonds Dated 1951			(24,581.25)	(24,581.25)	425,228.02
Dormitory Revenue Bonds Series 1954			(100,640.00)	(100,640.00)	24,581.25
					100,640.00

(continued on next page)

THE UNIVERSITY OF TEXAS AT AUSTIN
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended August 31, 1977

PLANT FUNDS	ENDOWMENT AND SIMILAR FUNDS	ANNUITY AND LIFE INCOME FUNDS	PLANT FUNDS			
			Unexpended	Renewals and Replacements	Retirement of Indebtedness	
\$ 1,012,100.00	\$ 38,586,877.43	\$ 2,614,534.54	\$ 35,555,235.11	\$ 429,044.27	\$ 18,393,473.02	\$ 340,431,000.00
					439,504.00	
1,430.62	1,840,933.44	80,773.79	10,000.00			1,750,439.75
1,198.69	1,141,543.32	72,502.00	1,541,032.28		1,284,796.74	
	167,549.85	21,364.02				
1,442.00						
1,442,000.00						
			247,588.94			45,041,297.15
						5,297,097.05
1,442,000.00	3,150,026.61	174,645.81	1,798,621.22		1,703,700.74	51,507,933.25
52,035.00						
102,039.82						
1,752.59						
		760,245.48			4,613.47	
			36,142,252.28			
						13,349,140.44
						1,086,183.84
			47,330,625.54			
			(22,346,076.17)			
	10,071.38		63,170.00			19,360,076.17
116,027.41	10,071.38	877,906.49	61,901,792.37		13,353,767.91	20,446,260.01

(Continued on next page)

	CURRENT FUNDS			
	General	Designated	Auxiliary Enterprises	Total Restricted
To Retirement of Indebtedness - Limited				
Permitted Revenue Bonds Series 1955			117,476.15	117,476.15
Student Union Revenue Bonds Series 1955			56,607.19	56,607.19
Student Housing Revenue Bonds of 1953			58,762.50	58,762.50
Housing System Revenue Bonds Series 1957			500,647.73	500,647.73
Building Revenue Bonds of 1952			28,180.00	28,180.00
Combined Revenue Bonds, Series 1970, 1971, 1972, 1973, and 1974	4,776,136.41	662,086.17		5,438,222.58
Building Revenue Bonds Series 1969		1,455,320.00		1,455,320.00
Student Housing Revenue Bonds, Series 1971			501,075.00	501,075.00
To Loan Fund Matching Fund			24,000.00	24,000.00
To Renewals and Replacements Fund			11,000.00	11,000.00
Non-Mandatory:				
To Designated Funds	71,871.43	77,983.37	1,013.34	149,868.14
To Auxiliary Enterprises	356,183.00		356,183.00	712,366.00
To Restricted Current Funds				
To Loan Funds				
To Endowment and Similar Funds				
To Unexpended Plant Funds	114,370.23			114,370.23
To Renewals and Replacements Fund	1,769,605.31			1,769,605.31
From Agency Funds		135,334.31		135,334.31
From System Administration	13,025,300.55		3,003.00	13,028,303.55
From System Nursing School	1,265,141.11			1,265,141.11
To Component Institutions				
Total Transfers	11,470,640.33	10,871,650.96	11,496,629.14	23,838,920.43
Net Increase/Decrease for the Year	433,707.51	4,624,247.46	512,070.04	5,570,025.01
FUND BALANCES, August 31, 1977	\$ 5,816,295.88	\$ 11,806,246.51	\$ 2,736,114.75	\$ 20,358,657.14

	REVENUE AND EXPENSES	ANNUITY AND LIFE INSURANCE	PLANT FUNDS			
			Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant
					117,476.15	
					56,607.19	
					58,762.50	
					500,647.73	
					28,180.00	
					4,776,136.41	
					1,455,320.00	
					501,075.00	
						97,500.00
		181.93	167,627.41			
	3,300.00					
	1,666,244.21	179,116.79				
	63,170.00		1,531,775.31			
				334,496.70		
					4,448,975.00	
Total Transfers	1,432,671.25	186,744.20	63,779,301.57	321,998.70	11,033,050.35	
Net Increase/Decrease for the Year	4,632,626.51	(1,570,004.88)	3,686,130.47	321,998.70	663,710.15	31,151,473.24
FUND BALANCES, August 31, 1977	\$ 13,219,593.94	\$ 1,044,529.66	\$ 32,181,369.93	\$ 241,443.07	\$ 19,056,695.00	\$ 280,583,170.76

THE UNIVERSITY OF TEXAS AT AUSTIN
 STATEMENT OF CURRENT FUNDS REVENUES AND EXPENDITURES
 For the Year Ended August 31, 1977

	UNRESTRICTED			RESTRICTED	TOTAL
	General	Designated	Auxiliary Enterprises		
CURRENT REVENUES (Schedule C-1)					
Tuition and Fees	\$ 2,996,111.36	\$ 13,497,000.00	\$ 4,999,891.00	\$ 21,492,992.36	\$ 21,492,992.36
State Appropriations	97,890,364.00			97,890,364.00	119,009,313.17
Federal Grants and Contracts	5,720,111.35	402,246.00		6,122,357.35	36,332,121.00
State Grants and Contracts	218,170.99			218,170.99	3,286,372.00
Local Grants and Contracts	3,217.80			3,217.80	5,171.54
Private Gifts, Grants and Contracts	696,180.80	203,250.00		899,430.80	1,258,000.00
Endowment Income					1,723,601.00
Sales and Services of Educational Activities	96,294.00	5,209,000.00		5,305,294.00	1,233,493.00
Sales and Services of Auxiliary Enterprises		229,250.00	19,000,000.00	19,229,250.00	19,229,250.00
Other Sources	467,000.68	400,000.00		867,000.68	2,002,350.00
TOTAL CURRENT REVENUES (Exhibit B)	\$ 12,921,870.81	\$ 19,949,250.00	\$ 24,009,891.00	\$ 56,880,992.81	\$ 210,322,112.78
CURRENT EXPENDITURES (Schedule C-2)					
Educational and General					
Instruction	\$ 2,137,415.84	\$ 396,101.00		\$ 2,533,516.84	\$ 68,541,326.84
Research	5,067,099.81	634,200.00		5,701,299.81	53,341,101.00
Public Service	473,077.60	2,596,200.00		3,069,277.60	1,116,196.00
Academic Support	24,188,361.00	113,200.00		24,301,561.00	16,311,773.00
Student Services	3,438,700.00	460,200.00		3,898,900.00	4,889,877.00
Institutional Support	6,815,668.44	(1,678,000.00)		5,137,668.44	1,124,069.44
Operation and Maintenance of Plant	27,465,000.00	36,110.00		27,501,110.00	28,623,232.17
Scholarships and Fellowships	2,255,144.00	283,000.00		2,538,144.00	4,769,901.72
Total Educational and General	\$ 51,669,666.69	\$ 2,801,911.00		\$ 54,471,577.69	\$ 179,446,488.97
Auxiliary Enterprises		\$ 207,000.00	\$ 22,112,000.00	\$ 22,319,000.00	\$ 1,402,218.00
TOTAL CURRENT EXPENDITURES (Exhibit B)	\$ 51,669,666.69	\$ 2,801,911.00	\$ 22,112,000.00	\$ 76,583,577.69	\$ 181,677,917.97

101-V

In the opinion of Bond Counsel, the interest on the Series 1978 Bonds is exempt from present federal income taxes under existing statutes, regulations, published rulings and court decisions.

NEW ISSUE:

Moody's: A-1
Standard & Poor's: AA

\$6,310,000

**Board of Regents of
The University of Texas System**

The University of Texas At Austin

Building Revenue Refunding Bonds, Series 1978

Dated: August 1, 1978

Due: April 1, as shown below

The Series 1978 Bonds are special obligations of the Board of Regents of The University of Texas System (the "Board of Regents" or "Board") secured under a Bond Resolution adopted by the Board (the "1978 Resolution") and are payable solely from the Pledged Revenues as provided in the 1978 Resolution. The Series 1978 Bonds do not constitute general obligations of the State of Texas, the Board of Regents of The University of Texas System, or any political subdivision of the State of Texas. Neither the credit nor the taxing power of the State of Texas or any political subdivision of the State of Texas is pledged to the payment of the principal of or interest on the Series 1978 Bonds. The Board of Regents has no taxing power, and bondholders shall never have the right to demand payment from any money raised or to be raised by taxation.

Principal and semi-annual interest (April 1, 1979 and thereafter on each October 1 and April 1) will be payable at Bank of The Southwest, N.A., Houston, Texas, or, at the option of the holder, at Bankers Trust Company, New York, New York; bearer coupon bonds in the denomination of \$5,000, not registrable.

The Series 1978 Bonds maturing April 1, 1989 through April 1, 1998, inclusive, shall be redeemable, in whole or in part on April 1, 1988, or any interest payment date thereafter at par and accrued interest to date of redemption. If less than all bonds are called, they shall be called in inverse numerical order.

MATURITIES, AMOUNTS, COUPON RATES AND PRICES

Year	Amount	Coupon	Price or Yield	Year	Amount	Coupon	Price or Yield
1979	\$ 45,000	5.00	4.60	1989	\$340,000	5.25	100
1980	190,000	5.00	4.70	1990	355,000	5.30	5.35
1981	205,000	5.00	4.80	1991	370,000	5.40	5.45
1982	220,000	5.00	4.85	1992	380,000	5.50	5.55
1983	235,000	5.00	4.90	1993	400,000	5.60	5.65
1984	250,000	5.00	4.95	1994	415,000	5.75	100
1985	270,000	5.00	5.05	1995	430,000	5.80	5.85
1986	290,000	5.00	5.10	1996	440,000	5.95	100
1987	310,000	5.10	5.15	1997	460,000	6.00	6.05
1988	330,000	5.10	5.15	1998	375,000	6.00	6.15

(Accrued Interest to be Added)

The Series 1978 Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without any notice, and to the approval of legality of the Series 1978 Bonds by Vinson & Elkins, Houston, Texas and by the Attorney General of the State of Texas. It is expected that the Series 1978 Bonds in definitive form will be available for delivery to the Underwriter in Austin, Texas on or about August 30, 1978.

Merrill Lynch White Weld Capital Markets Group

Merrill Lynch, Pierce, Fenner & Smith Incorporated

The date of this Official Statement is August 4, 1978.

SOURCE AND USE OF INFORMATION

The information in this Official Statement has been obtained for and provided by the Board of Regents of The University of Texas System except as otherwise indicated. The sources of such information are considered to be reliable and those customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness. A copy of the complete 1978 Resolution under which the Series 1978 Bonds are issued is available upon request to the Board of Regents. All estimates and assumptions contained herein are believed to be reliable but no representation is made that such estimates or assumptions are correct or will be realized. No person, including any broker, dealer or salesman, has been authorized to give any information or to make any representation other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Board of Regents. Any information or expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create an implication that there has been no change as to the affairs of the Board of Regents since the date hereof.

This Official Statement does not constitute an offer to sell the Series 1978 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

The Series 1978 Bonds have not been registered with the Securities and Exchange Commission by reason of the exemption provisions of Section 3(a)(2) of the Securities Act of 1933, as amended. The Series 1978 Bonds have not been approved or disapproved by the Securities and Exchange Commission and the Commission has not passed upon the accuracy or adequacy of this Official Statement.

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OFFICIAL STATEMENT

\$6,310,000

Board of Regents of The University of Texas System

The University of Texas At Austin

Building Revenue Refunding Bonds, Series 1978

July 25, 1978

INTRODUCTION

This Official Statement, including the cover page and exhibits, is furnished in connection with the offering of \$6,310,000 principal amount of The University of Texas at Austin Building Revenue Refunding Bonds, Series 1978 (the "Series 1978 Bonds") of the Board of Regents of The University of Texas System (the "Board of Regents" or "Board").

The Series 1978 Bonds are authorized to be issued by and secured by a Bond Resolution adopted August 4, 1978 (the "1978 Resolution") by the Board. Pursuant to the 1978 Resolution the Series 1978 Bonds, together with the Series 1974 Bonds, will be payable from and secured by a pledge of and first lien on the "Pledged Revenues" of the Board as defined in the 1978 Resolution (see "The Series 1978 Bonds - Security"). The Series 1978 Bonds, together with the interest payable thereon, will be special obligations of the Board payable solely from the Pledged Revenues, and are payable at the Bank of The Southwest, N.A., Houston, Texas or Bankers Trust Company, New York, New York. The Series 1978 Bonds do not constitute general obligations of the State of Texas, the Board of Regents of The University of Texas at Austin, or any political subdivision of the State of Texas. Neither the credit nor the taxing power of the State of Texas or any political subdivision of the State of Texas is pledged to the payment of the principal of, or interest on the Series 1978 Bonds. The Board of Regents has no taxing power, and bondholders shall never have the right to demand payment from any money raised or to be raised by taxation.

The net proceeds of the Series 1978 Bonds, together with other available funds will be applied to refund the outstanding University of Texas at Austin, Building Revenue Bonds, Series 1974-A (the "Series 1974-A Bonds").

PLAN OF FINANCING

The Board has previously issued \$6,000,000 Building Revenue Bonds, Series 1974-A, \$5,760,000 which are presently outstanding, pursuant to a bond resolution dated September 30, 1974 (the "1974-A Resolution"). The proceeds of the Series 1978 Bonds, together with other available funds, will be applied to refund and defease the Series 1974-A Bonds. The refunding is being undertaken

primarily to restructure the Board's debt service requirements in order to reduce annual debt service payments in each of the years 1979 through 1998 by an amount equal to approximately \$21,000 annually. This will result in an estimated present value savings of approximately \$275,000.

The monies required to refund the Series 1974-A Bonds will be provided from the net proceeds of the Series 1978 Bonds and certain other available funds. Such monies shall be applied to the purchase of direct obligations of the United States of America ("Federal Securities"). The Federal Securities will be held by the City National Bank, Austin, Texas as Escrow Agent under an Escrow Agreement to be dated the date of delivery of the Series 1978 Bonds (the "Escrow Agreement"). The Federal Securities are scheduled to mature at such times and in such amounts and bear interest as such rates so that sufficient moneys will be available from the maturing principal and interest payments to pay when due, the principal, interest and redemption premium, if any, to accrue on the Series 1974-A Bonds to their respective maturity or redemption dates.

ESTIMATED SOURCES AND USES OF FUNDS

Sources

Principal Amount of the Series 1978 Bonds	\$6,310,000
Accrued Interest	27,624
Other Available Funds	799,272
Total Sources	<u>\$7,136,896</u>

Uses

Federal Securities	\$6,426,586
Bond Discount and Other Financing Expenses	127,377
Capitalized Reserve Fund	539,292
Interest and Sinking Fund	43,641
Total Uses	<u>\$7,136,896</u>

THE SERIES 1978 BONDS

General Terms

The Series 1978 Bonds are issued as serial bonds and are dated August 1, 1978. The Series 1978 Bonds are issued in the principal amount of \$6,310,000 and mature from April 1, 1979 to April 1, 1998. The 1978 Bonds are issued in coupon bearer form in the denomination of \$5,000 each, without the privilege of registration. Principal and interest are payable at the Bank of The Southwest, N.A., Houston, Texas, or Bankers Trust Company, New York, New York. The first coupon will be payable April 1, 1979 with subsequent coupons payable each October 1 and April 1, thereafter.

Security

The Series 1978 Bonds will constitute special obligations of the Board and together with the Series 1974 Bonds, are payable from and secured by a pledge of and first lien on (1) Available Fund Surplus derived from the excess revenues of The University of Texas System's portion of the Permanent University Fund after provision for administrative expenses and debt service on Permanent University Fund Bonds of The University of Texas System, which funds are subject to biennial appropriation by the Texas Legislature and (2) the Special Fee to be fixed, charged and collected from all students (excepting any category of students now exempt from paying fees by Chapter 54, Texas Education Code) enrolled at the University of Texas at Austin for use and availability of University facilities, without limitation as to rate or amount. Such fee is not currently being charged and collected.

Optional Redemption of the Bonds

The Series 1978 Bonds maturing April 1, 1989 through April 1, 1998, inclusive, shall be redeemable, in whole or in part, in inverse numerical order, on April 1, 1988 or any interest payment date thereafter, at par plus accrued interest to the date of redemption.

Additional Bonds

In accordance with the Bond Resolution the Board shall have the right to issue Additional Parity Revenue Bonds. Such Additional Bonds shall only be issued if (a) The senior financial officer of the University signs a written certificate to the effect that the Board is not in default as to any covenant, condition, or obligation in connection with all outstanding Bonds and Additional Bonds, and the resolutions authorizing same, and that the Interest and Sinking Fund and the Reserve Fund each contains the amount then required to be therein and (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, 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 to be outstanding.

Flow of Funds

In accordance with the Bond Resolution there are created and established the Interest and Sinking Fund and Reserve Fund. For a more complete description see "The Bond Resolution."

The Board shall cause to be transferred and deposited from any Pledged Available Fund Surplus on each December 1 and June 1 an amount which will be sufficient, together with other amounts, if any, then on hand in the Interest and Sinking Fund to pay (a) interest scheduled to accrue and come due on the Bonds on the next succeeding interest payment date, and (b) one-half of the principal scheduled to mature and come due on the Bonds on the next succeeding principal payment date.

The Reserve Fund shall be maintained and monies or investments shall be accumulated therein with a market value at least equal to the average annual principal and interest requirements on the Bonds then outstanding. If at any time the Reserve Fund contains monies or investments with a market value less than the average annual principal and interest requirements on the Bonds then outstanding, the Board shall cause to be transferred and deposited from Pledged Revenues into the Reserve Fund, on or before each June 1 and December 1, an amount at least equal to one-tenth of the average annual principal and interest requirements on the Bonds then outstanding, until the Reserve Fund contains the required amount.

DEBT SERVICE REQUIREMENTS - BUILDING FEE REVENUE DEBT

Fiscal Years Ending 8/31	Total Present Requirements	This \$6,310,000 dated August 1, 1978			Total Annual Requirements
		Principal	Interest	Total	
1979	\$ 2,279,790	\$ 45,000	\$ 228,611	\$ 273,611	\$ 2,553,401
1980	3,693,650	190,000	340,667	530,667	4,224,317
1981	3,659,530	205,000	331,167	536,167	4,225,697
1982	3,651,505	220,000	320,917	540,917	4,222,422
1983	3,675,505	235,000	309,917	544,917	4,220,422
1984	3,670,305	250,000	298,167	548,167	4,218,472
1985	3,665,850	270,000	288,667	558,667	4,217,517
1986	3,656,905	290,000	272,167	562,167	4,219,772
1987	3,648,350	310,000	257,667	567,667	4,216,017
1988	3,639,950	330,000	241,857	571,857	4,214,157
1989	3,645,750	340,000	225,027	565,027	4,219,187
1990	3,651,905	355,000	207,177	562,177	4,218,022
1991	3,655,050	370,000	188,362	558,362	4,216,682
1992	3,664,030	380,000	168,352	548,352	4,214,682
1993	3,669,450	400,000	147,452	547,452	4,216,902
1994	3,674,155	415,000	125,052	540,052	4,214,207
1995	3,682,750	430,000	101,220	531,220	4,214,007
1996	3,694,805	440,000	76,250	516,250	4,211,057
1997	3,699,650	460,000	50,100	510,100	4,209,757
1998	3,705,000	375,000	22,500	397,500	4,102,507
1999	3,712,450				3,712,450
2000	3,721,560				3,721,560
2001	3,728,525				3,728,525
2002	3,731,400				3,731,400
2003	3,739,000				3,739,000
2004	3,769,500				3,769,500
	<u>\$94,450,220</u>	<u>\$ 6,310,000</u>	<u>\$ 4,198,416</u>	<u>\$10,508,416</u>	<u>\$104,958,636</u>

Maximum Annual Requirement - (F/Y) 1981 \$4,225,697
 Average Annual Requirements - (F/Y) 1980/1998 \$4,210,656

HISTORICAL SUMMARY OF REVENUES PLEDGED
 FOR THE PAYMENT OF BUILDING FEE REVENUE BONDS

Source	Fiscal Year Ending 8/31					
	1973	1974	1975	1976	1977	1978 Est.
Surplus from the Available University Fund (1)	\$13,564,503	\$16,100,701	\$17,429,456	\$21,119,773	\$24,047,990	\$27,366,769
Special Fee (2)	--0--	--0--	--0--	--0--	--0--	--0--
Pro-Forma Coverage of Maximum Annual Requirement - 1981 - \$4,225,697	3.21X	3.81X	4.12X	5.00X	5.69X	6.48X
Pro-Forma Coverage of Average Annual Requirement - 1980-1998 - \$4,210,656	3.22X	3.83X	4.14X	5.02X	5.71X	6.50X

(1) Includes available surplus funds derived from the excess revenues of the University of Texas System portion of Permanent University Fund income appropriated by the state legislature into the Available University Fund after provision for administrative expenses and Debt Service Requirements of the University of Texas System Permanent University Fund Bonds.

(2) Special Fee not currently being charged and collected. Based upon 1976-77 enrollments, a \$1.00 per semester credit hour Special Fee would produce estimated additional Pledged Revenues of \$1,100,000.

THE PERMANENT UNIVERSITY FUND

The Permanent University Fund was established in 1836 by the Republic of Texas for the purpose of creating an endowment for public education in Texas. The initial assets of the Fund consisted of 50 leagues of land (approximately 220,000 acres) and has grown to approximately 2,100,000 acres of land, predominately in West Texas, together with cash and securities. The principal of the Fund cannot be spent for any purpose but must be kept as a permanent endowment. Two-thirds of the income from the Permanent University Fund is available to the University of Texas System. The Texas A & M System receives the other one-third of the income from the Permanent University Fund with the exception of income from grazing leases which is distributed solely to the University of Texas System.

Decisions of the Supreme Court of Texas and of the Attorney General of Texas have decreed that the Permanent University Fund shall be forever kept intact, and that there shall be added to the corpus thereof all oil, gas, and water royalties received, all gains on investments, all rentals on mineral leases, all lease bonuses, and all consideration for such lands as may be sold.

The University of Texas System does not explore or operate oil properties belonging to the Permanent University Fund. Instead, it sells under competitive bids leases on selected tracts of land to leading oil and gas companies. As of February 28, 1978, 1,058,993 acres of land belonging to said Fund were subject to oil and gas leases, of which 367,434 were held by production from 5,903 oil wells and 237 gas wells.

During recent years approximately 32,700,000 barrels of crude oil and 13,000,000 MCF of gas were produced from these lands each year on which one-eighth to one-fifth royalty was reserved for the Permanent University Fund.

The University of Texas System's proportionate two-thirds share of the Investment Income of the Permanent University Fund is appropriated biennially by the state legislature and deposited

into the Available University Fund and applied in the following sequence (net of management expenses which are limited by covenant to one-fifth of one percent annually of the book value of the Fund).

1. Debt service on The University of Texas System Permanent University Fund Bonds (the total amount of debt limited to an amount not exceeding two-thirds of twenty percent of the book value of the Permanent University Fund, exclusive of real estate at the time of issuance and investment yield maintained at an annual amount of not less than one and one-half times annual debt service requirements).

2. Debt service on The University of Texas at Austin Building Revenue Bonds, Series 1974 and Series 1974-A. (The Series 1974-A Bonds are scheduled to be refunded by the sale of Refunding Bonds on August 3, 1978).

3. Any lawful purpose, including but not limited to capital additions and improvements at the University of Texas at Austin and the University of Texas Medical Branch at Galveston.

ADDITIONS TO THE PERMANENT UNIVERSITY FUND
(Dollars in Thousands)

Fiscal Year Ending 6/30	Oil & Gas Royalty	Water Royalty	Minerals, Lease Rentals & Misc.	Mineral Lease Bonuses	Total
1977	\$ 78,599(1)	\$ 184	\$ 1,106	\$ 13,594	\$ 91,472
1976	70,123(1)	192	(12,867)(2)	15,379	72,827
1975	58,513	156	753	8,066	67,488
1974	31,541	202	1,796	11,389	44,928
1973	18,967	131	12,716	6,966	38,780
1972	19,518	154	10,999	5,055	35,726
1971	18,388	173	6,272	1,838	26,671
Prior to 1970	334,961	1,570	21,236	210,412	568,179

(1) Includes sulphur royalties.

(2) Includes \$12,832,427 adjustment for certain bond exchanges not qualifying as bond exchanges under current procedures.

INVESTMENTS IN THE PERMANENT UNIVERSITY FUND
(As of May 31, 1978)

	Book Value
United States Government Securities	
U. S. Treasury Bonds	\$ 145,054,077
Various Government Guaranteed Bonds	152,634,316
FHA Mortgages	5,513,555
U. S. Government Agencies	1,000,000
Total	\$ 307,232,251
Corporate Securities	
Bonds	\$ 293,735,553
Convertible Debentures	6,953,090
Convertible Preferred Stocks	2,434,505
Common Stocks	356,841,521
Total Corporate Securities	\$ 659,997,699
Total Securities	\$ 967,229,950
Cash and Equivalents	\$ 56,444,594
Total Securities, Cash and Equivalents	\$1,023,674,544

INCOME FROM INVESTMENTS IN PERMANENT UNIVERSITY FUND
(Dollars in Thousands)

Fiscal Year Ending 8-31	Net Total(1)	University of Texas System Portion	Other Income(2)	Total Income to Available University Fund	Debt Service on PUF Bonds(3)	Transfers or Other Debt Service(4)	Amount credited to U.T. Austin(5)
1977	\$53,409	\$35,606	\$ 1,645	\$37,251	\$12,672	\$ 4,248	\$18,547
1976	46,542	31,028	1,544	32,572	11,321	4,249	16,593
1975	39,105	26,070	1,539	27,609	10,060	4,215	12,385
1974	35,611	23,741	1,532	25,273	9,059	2,616	14,964
1973	31,199	20,800	1,036	21,836	8,239	-0-	12,039

(1) Reflects net amount collected after administration expenses.

(2) Includes grazing Lease Rentals and miscellaneous income not shared with Texas A & M System.

(3) Represents Debt Service on University of Texas System Permanent University Fund Bonds.

(4) Represents Transfers or Debt Service on University of Texas at Austin Building Revenue Bonds.

(5) Transfers to U.T. Austin to be used for any lawful purpose, as appropriated by the Board of Regents.

Note: Income in excess of allocations detailed above in Notes (3), (4) and (5) may be appropriated to the U.T. System Administration and/or may be held as a balance for future allocations.

SUMMARY OF ACADEMIC SEMESTER CREDIT HOURS
University of Texas At Austin

	Fiscal Year				
	1973-74	1974-75	1975-76	1976-77	1977-78
Fall	525,536	539,597	543,977	527,382	526,915
Spring	486,464	499,556	503,822	492,267	
Summer Sessions	149,376	156,628	146,141	142,943	

SUMMARY OF ENROLLMENT HEAD COUNT
University of Texas At Austin

	Fiscal Year				
	1973-74	1974-75	1975-76	1976-77	1977-78
Fall	40,811	41,845	42,598	41,357	41,660
Spring	38,114	39,525	39,912	39,048	
Summer Sessions	19,643	20,587	19,597	20,264	

SUMMARY OF FULL TIME EQUIVALENT STUDENTS
University of Texas At Austin

Fiscal Year	Number
1976-77	38,753
1975-76	39,798
1974-75	39,859
1973-74	38,713

GEOGRAPHIC DISTRIBUTION OF ENROLLMENTS
University of Texas At Austin

Residence of Student	Fall Semester			
	1976	1975	1974	1973
State of Texas	36,988	38,533	36,262	35,145
Out-of-State	2,542	2,467	4,256	4,112
Foreign Country	1,857	1,598	1,323	1,354
Total	41,387	42,598	41,841	40,611

THE UNIVERSITY OF TEXAS AT AUSTIN

General and History

The University of Texas at Austin is located in City of Austin which is situated in central Texas. Austin is the state capitol and has an estimated 1977 population of 319,000.

The University of Texas at Austin is a state institution which was created by the Constitution, approved by popular vote, and is endowed and maintained by state legislative grants. In 1839, the Congress of the Republic of Texas passed two acts directed toward the founding of the University which provided for the appropriation of land for a campus in Austin as well as appropriating public lands within the Republic for the purpose of endowing university education. An act of the Legislature in 1881 provided for the organization of the University and for the appointment of a Board of Regents. The Main University was located in Austin and in September 1883, the University was formally opened. The grounds of the University presently consist of the original 40-acre site and numerous additional sites which have been acquired by gifts and purchase. The University owns the Balcones Research Center, eight miles north of the campus, which consists of 394 acres and the Brackenridge Tract, bordering Lake Austin and Town Lake, which consists of approximately 445 acres. The present enrollment is over 41,000, making it the largest institution of higher learning in the South. The University employs approximately 11,000 staff and administrative personnel and approximately 3,700 full and part-time faculty members.

The University of Texas at Austin is governed by a nine-member Board of Regents which are nominated by the Governor and appointed with consent of the Senate.

Accreditations

Accreditation of the University is by the Southern Association of Colleges and Schools. The institution is a member of the Association of American Universities and each of the University's professional schools are fully accredited in its field.

University Curricula

The University offers over 3,800 courses with masters and doctoral degrees in more than 50 fields. From the Fall of 1975 to the Spring of 1977, the University has granted a total of 21,242 bachelors degrees, 4,227 masters degrees, 1,383 doctoral degrees and 1,614 law degrees. At present, the University is operating eight colleges which include the Colleges of Arts and Sciences, Natural Sciences, Social and Behavioral Sciences, Business Administration, Education, Engineering, Fine Arts, Pharmacy, with Graduate Programs in each of the colleges. In addition, The University operates six schools which include the Schools of Architecture, Communication, Law, Nursing and Public Affairs, including a Graduate School of Library Science and Social Work. The University operates an Extension Division, the University Press, Bureau of Business Research and numerous research laboratories and bureaus. The University's McDonald Observatory on Mount Locke in West Texas and the Marine Science Institute at Port Aransas are branches of The University of Texas at Austin.

Research and Service

The University also operates 37 research laboratories and support facilities, employing 1,000 personnel and occupying 53 buildings on the 394-acre Balcones Research Center campus. In some 35 laboratories, the Center provides assistance to teaching departments and other divisions of the University, including the Departments of Anthropology, Archeology, Geology, Paleontology, Pharmacy, Physics and Zoology. Fifteen labs can be classified under the engineering disciplines and include aeronautical, civil, electrical, mechanical and structural engineering. The Balcones Institute for Research and Development, authorized by the Board of Regents of The University of Texas System in 1973 as an expansion program at the Center, is empowered to enter into contracts with private industry, professional organizations and government agencies for research and development services.

Facilities

The University is located in the center of the City of Austin. Design of the campus is a combination of Spanish, classic and contemporary architecture, with the buildings varying from one to seventeen-story structures. The total number of buildings on the main campus is estimated at 119. The University owns and operates 213 off-campus apartments and 17 dormitories on campus.

Several new buildings and facilities are currently under construction at the University, or have recently been completed. A \$6.6 million olympic-size swimming facility was completed in March 1977 and a \$28.8 million Special Events Center for basketball games, indoor tennis matches and various entertainment events was completed in October 1977. Currently under construction is a Performing Arts Complex which will include a fine arts administration building, and a 3,000-seat concert hall. The total construction cost is in excess of \$31 million and completion is expected by 1980. Also under construction is a \$16.5 million addition to the Chemistry Building and an \$55 million addition to the Law School. As of August 31, 1977, the total physical plant value is \$533.1 million.

The library system of the University of Texas at Austin is the tenth largest academic library in the United States and includes the General Libraries, the Law Library, the Lyndon B. Johnson Public Affairs Library and the Humanities Research Center. Combined, the libraries contain over four million volumes.

Athletic Programs

The University is a member of the National Collegiate Athletic Association and the Southwest Athletic Conference for sports involving intercollegiate athletics for men. The University is also a member of the Association for Intercollegiate Athletics for Women, and the Southwest and Texas Associations for Intercollegiate Athletics for Women.

SUMMARY OF OUTSTANDING BONDED INDEBTEDNESS UNIVERSITY OF TEXAS AT AUSTIN

	Original Amount Issued	Outstanding May 31, 1978	Reserve Funds Inv. May 31, 1978
University of Texas Hospital Refunding Bonds Series 1951(1)	\$ 980,000	\$ 95,000	\$ 100,200
Dormitory Revenue Bonds, Series 1954(2)	3,402,000	1,998,000	494,236
Dormitory Revenue Bonds, Series 1956(3)	4,150,000	2,511,000	636,926
University of Texas Student Union Revenue Bonds, Series 1958, Series B(4)	1,220,000	765,000	316,847
Student Housing Revenue Bonds of 1963(5)	1,800,000	1,455,000	237,341
Housing System Revenue Bonds, Series 1967(6)	16,500,000	14,720,000	1,054,078
Building Revenue Bond of 1968(7)	520,000	460,000	56,358
Building Revenue Bonds, Series 1969(8)	25,000,000	22,715,000	1,570,192
Combined Fee Revenue Bonds, Series 1970(9)(14)	10,000,000	9,120,000	6,193,899
Combined Fee Revenue Bonds, Series 1971(9)	20,000,000	18,490,000	(11)
Married Student Housing Revenue Bonds, Series 1971(10)	3,100,000	3,015,000	247,064
Combined Fee Revenue Bonds, Series 1972(9)	10,000,000	9,135,000	(11)
Combined Fee Revenue Bonds, Series 1973(9)	34,000,000	32,560,000	(11)
Building Revenue Bonds, Series 1974(12)	53,000,000	50,005,000	5,913,333
Building Revenue Bonds, Series 1974-A(12)(15)	6,000,000	5,760,000	(13)
Combined Fee Revenue Bonds, Series 1974(9)(14)	6,900,000	6,565,000	(11)

- (1) Secured by first lien on and pledge of revenues from compulsory student hospital fee.
- (2) Secured by first lien on and pledge of net revenues from Blanton Dormitory, Simkins Hall, Moore Hall, and Varsity Cafeteria.
- (3) Secured by first lien on and pledge of net revenues from Kinsolving Dormitory, plus surplus revenues from debt-free Andrews and Carothers Dormitories for Women.
- (4) Secured by first lien on and pledge of revenues from compulsory student union fee.
- (5) Secured by first lien on and pledge of net revenues from 200 apartments for married students.
- (6) Secured by first lien on and pledge of gross revenues of University Housing System.
- (7) Secured by first lien on and pledge of gross revenues from Student Co-op Housing System.
- (8) Secured by first lien on and pledge of net revenues of Utility Plant and gross Student Building Use Fees.
- (9) Secured by first lien on and pledge of Building Use Fee (Skiles Act) and General Fee.
- (10) Secured by first lien on gross revenues from Married Student Housing System.
- (11) Reserve Funds for Combined Fee Revenue Bonds Series 1970, 1971, 1972, 1973 and 1974 consolidated.
- (12) Secured by first lien on and pledge of Available Fund Surplus and Special Fee.
- (13) Reserve Funds for Building Revenue Bonds Series 1974 and 1974-A consolidated.
- (14) Issues are to be refunded through the issuance of the Bonds being offered herein.
- (15) Scheduled to be refunded through the sale of refunding bonds on August 3, 1978.

THE UNIVERSITY OF TEXAS AT AUSTIN
SUMMARY STATEMENT OF CURRENT INCOME AND EXPENDITURES

	Fiscal Years Ending August 31				
	1973	1974	1975	1976	1977
Current Revenues					
Tuition and Fees	\$ 16,912,893	\$ 20,493,898	\$ 21,101,533	\$ 20,930,549	\$ 21,233,597
Federal Funds	26,841,798	27,101,095	32,063,046	31,369,742	36,332,121
State Appropriations	60,012,808	79,975,273	93,291,586	103,518,721	114,713,585
Private Gifts	6,192,875	7,378,561	7,852,850	9,811,567	9,667,267
Endowment Income (Includes Transfers from Available University Fund)	8,036,318	8,659,445	9,620,853	13,149,170	14,537,675
Sales and Services of Auxiliary Enterprises	13,302,083	14,971,219	15,733,253	18,044,215	19,535,561
Sales and Services of Ed. Dept. and other Sources	3,261,227	4,799,004	5,163,709	6,538,238	7,357,251
Total Current Revenues	<u>134,560,002</u>	<u>163,378,495</u>	<u>184,826,831</u>	<u>203,362,222</u>	<u>223,977,067</u>
Current Expenditures and Mandatory Transfers					
Education and General	108,250,827	128,130,773	151,232,208	162,740,426	179,446,466
Auxiliary Enterprises	14,394,735	15,931,636	17,975,867	20,989,049	24,230,725
Mandatory Transfers	10,518,043	13,533,869	14,646,931	15,467,519	14,170,575
Total Current Exp. and Mandatory Transfers	<u>133,163,605</u>	<u>157,596,278</u>	<u>183,855,006</u>	<u>199,196,994</u>	<u>217,847,766</u>
Excess Revenues over Expenditures and Mandatory Transfers	<u>\$ 1,396,397</u>	<u>\$ 5,782,217</u>	<u>\$ 971,825</u>	<u>\$ 4,165,228</u>	<u>\$ 6,129,301</u>

THE UNIVERSITY OF TEXAS AT AUSTIN
CONDENSED STATEMENT OF ASSETS AND NET WORTH

	Fiscal Years Ending August 31				
	1973	1974	1975	1976	1977
Assets					
Current Funds					
General	\$ 16,727,045	\$ 20,902,239	\$ 20,319,062	\$ 19,660,836	\$ 19,897,764
Auxiliary Enterprises and Activities	8,321,344	9,717,046	10,409,035	15,708,634	12,290,871
Designated	1,113,397	2,966,778	11,439,242	11,653,203	20,965,720
Restricted	29,481,145	32,616,762	36,872,502	39,537,596	51,564,494
Total Current Funds	<u>55,642,931</u>	<u>66,202,825</u>	<u>79,039,841</u>	<u>86,560,269</u>	<u>104,718,849</u>
Loan Funds	5,635,811	6,406,161	7,777,296	8,422,103	10,860,217
Endowment and Similar Funds	32,312,725	34,203,582	35,917,753	38,586,877	43,219,504
Annuity and Life Income Funds	2,335,982	3,282,497	2,748,107	2,614,535	1,044,530
Plant Funds					
Unexpended	47,160,138	111,626,062	96,254,160	66,553,056	47,833,110
Renewals and Replacement				489,444	841,443
Funds for Retirement of Indebtedness	6,218,962	14,740,007	16,447,143	18,393,473	19,056,695
Investment in Plant	359,093,301	398,336,042	448,996,954	502,579,776	553,091,427
Total Plant Funds	<u>412,472,401</u>	<u>524,702,111</u>	<u>561,698,257</u>	<u>588,015,749</u>	<u>620,822,675</u>
Agency Funds	1,751,042	1,949,105	2,665,058	3,855,323	6,433,492
Deduct: Inter-Fund Group Accounts	3,826,550	5,969,054	16,791,634	16,251,596	19,188,840
Grand Total Assets	<u>506,324,342</u>	<u>630,777,227</u>	<u>673,054,678</u>	<u>711,803,260</u>	<u>767,910,427</u>
Less: Total Liabilities	133,757,913	115,114,436	142,344,929	178,257,561	210,291,091
Fund Balances (Net Worth)	<u>\$372,566,429</u>	<u>\$515,662,791</u>	<u>\$530,709,749</u>	<u>\$533,545,699</u>	<u>\$557,619,336</u>

THE UNIVERSITY OF TEXAS SYSTEM

Administration

The University of Texas System commenced operations in 1883 with the opening of the original University of Texas campus in Austin and has since grown to be one of the largest educational organizations in the United States. The System is supported by State appropriations, private endowments and gifts, Federal funds, student fees, miscellaneous sources of income, and its interest in the income from the Permanent University Fund.

The Government of the University System is vested in a board of nine regents who serve without pay. They are nominated by the Governor for six-year terms, three each two years, and are subject to approval by the Senate. Administration of the University conforms to that of leading American universities.

The Members of the Board of Regents are as follows:

	<u>Term Expires</u>
The Honorable Allan Shivers, Chairman	Austin January 1979
Mr. Dan C. Williams, Vice Chairman	Dallas January 1981
James E. Bauerle, D.D.S.	San Antonio January 1979
Jane Weinert Blumberg (Mrs. Roland K.)	Seguin January 1983
The Honorable Edward Clark	Austin January 1979
Sterling H. Fly, Jr., M.D.	Uvalde January 1983
Mr. Jess Thomas Hay	Dallas January 1983
Mr. Thos. H. Law	Fort Worth January 1981
Mr. Walter C. Sterling	Houston January 1981
Betty Anne Thedford, Secretary	

The Principal Administrative Officers and Staff of the System are as follows:

Dr. Charles A. LeMaistre, Chancellor
 Dr. E. D. Walker, President and Chief Operating Officer
 Dr. Ernest T. Smerdon, Vice President for Academic Affairs
 Mr. Robert L. Hardesty, Vice President for Administration
 Mr. Joe E. Boyd, Jr., Vice President for Business Affairs
 Mr. James T. Fitzpatrick, Vice President and General Counsel
 Dr. Edward N. Brandt, Jr., Vice President for Health Affairs
 Mr. Graves W. Landrum, Vice President for Operations
 Mr. W. L. Lobb, Executive Director for Investments, Trusts and Lands
 Mr. Frank Graydon, Budget Director
 Mr. R. L. Anderson, Comptroller
 Mr. R. S. Kristoferson, Director of Facilities Planning and Construction
 Mr. Herman Adams, Director for Public Affairs
 Mr. James C. Werchan, Director of Accounting

Organization

The Component Institutions of The University of Texas System, with the administrative heads shown, are:

The University of Texas at ARLINGTON
 Dr. Wendell Nedderman, President
 The University of Texas Institute of Urban Studies at Arlington
 Dr. Sherman Wyman, Director
 The University of Texas School of Nursing at Arlington
 Dr. Myrna Pickard, Dean

The University of Texas at AUSTIN

Dr. Lorene L. Rogers, President

The University of Texas Marine Science Institute at Galveston and Port Aransas

Dr. Creighton A. Burk, Director

The University of Texas McDonald Observatory at Mount Locke

Dr. Harlan Smith, Director

The University of Texas School of Nursing at Austin

Dr. Billye Brown, Dean

The University of Texas at DALLAS

Dr. Bryce Jordan, President

The University of Texas at EL PASO

Dr. Arleigh B. Templeton, President

The University of Texas School of Nursing at El Paso

Dr. Eileen Jacobi, Dean

The University of Texas of the PERMIAN BASIN

Dr. V. R. Cardozer, President

The University of Texas at SAN ANTONIO

Dr. James W. Wagener, Acting President

The University of Texas Institute of Texan Cultures at San Antonio

Mr. Jack R. Maguire, Executive Director

The University of Texas Health Science Center at DALLAS

Dr. Charles C. Sprague, President

The University of Texas Southwestern Medical School at Dallas

Dr. Frederick Bonte, Dean

The University of Texas Graduate School of Biomedical Science at Dallas

Dr. Kern Wildenthal, Dean

The University of Texas School of Allied Health Sciences at Dallas

Dr. John Schermerhorn, Dean

The University of Texas Medical Branch at GALVESTON

Dr. William C. Levin, President

The University of Texas Medical School at Galveston

Dr. George T. Bryan, Dean

The University of Texas Graduate School of Biomedical Sciences at Galveston

Dr. J. Palmer Saunders, Dean

The University of Texas School of Allied Health Sciences at Galveston

Dr. Robert K. Bing, Dean

The University of Texas Institute for the Medical Humanities at Galveston

Dr. William B. Bean, Director

The University of Texas Marine Biomedical Institute at Galveston

Dr. William D. Willis, Acting Director

The University of Texas School of Nursing at Galveston

Dr. Dorothy Damewood, Dean

The University of Texas Health Science Center at HOUSTON

Dr. Truman G. Blocker, Jr., Acting President

The University of Texas Medical School at Houston

Dr. Robert L. Tuttle, Dean

The University of Texas Dental Branch at Houston

Dr. John V. Olson, Dean

The University of Texas Graduate School of Biomedical Sciences at Houston

Dr. Roger Hewitt, Acting Dean

The University of Texas School of Allied Health Sciences at Houston

Dr. Alton Hodges, Dean

The University of Texas School of Public Health at Houston

Dr. Reuel A. Stallones, Dean

The University of Texas Speech and Hearing Institute at Houston

Dr. Tina Bangs, Director

The University of Texas School of Nursing at Houston

Dr. Arlowayne Swort, Dean

The University of Texas Health Science Center at SAN ANTONIO

Dr. Frank Harrison, President

The University of Texas Medical School at San Antonio

Dr. Stanley E. Crawford, Dean

The University of Texas Dental School at San Antonio

Dr. Edwin M. Collins, Acting Dean

The University of Texas Graduate School of Biomedical Sciences at San Antonio

Dr. Armand J. Guarino, Dean

The University of Texas School of Nursing at San Antonio

Dr. Patty Lynn Hawken, Dean

The University of Texas System Cancer Center

Dr. R. Lee Clark, President

The University of Texas M. D. Anderson Hospital and Tumor Institute at Houston

Dr. Robert C. Hickey, Director

The University of Texas Science Park - Research Division

Dr. Ronald M. Humphrey, Associate Director

The University of Texas System Health Center at TYLER

Dr. George Hurst, Superintendent

UNIVERSITY OF TEXAS RETIREMENT PLANS

All full and half-time employees of the University of Texas System are required to be covered by either a state-administered retirement program or by an optional private plan.

Teacher Retirement System of Texas

The Teacher Retirement System of Texas is a group annuity plan which makes provision for retirement, disability and death and survivor benefits to all employees of the public school and university systems of Texas. The retirement plan was established in 1937 for teacher classified members and in 1949, the plan was offered to auxiliary employees.

Under the plan, members contribute 6.65 percent of up to their first \$25,000 of annual gross income, and the State contributes 7.50 percent. The University System makes no contributions on behalf of employees and has no liability for the unfunded portion. The University estimates that there are approximately 28,000 employees currently enrolled in this plan. The unfunded liability of the plan as shown in the Actuarial Certification as of August 31, 1977 was \$1,974.0 million and the total book value as of the same date was \$3,513.3 million.

Optional Retirement Plan

Certain selected faculty and professional administrative staff may elect to enroll in an optional retirement plan. Participation in an optional retirement plan which was authorized by the Legislature in 1967, enables teachers, research personnel and professional administrative staff to transfer among educational institutions throughout the United States while continuing to accumulate retirement benefits. The optional plans which are underwritten by various insurance companies are individual programs with contributions by employees and the State being on the same basis as for the Teacher Retirement System. The University system estimates that approximately 8,000 employees are presently enrolled in the optional retirement program.

THE BOND RESOLUTION

The following summaries represent excerpts of certain provisions of the 1978 Bond Resolution which authorizes the issuance of the Series 1978 Bonds and certain provisions of the 1974 Bond Resolution which has been incorporated by reference into the 1978 Bond Resolution. For more complete information, reference is made to the entire documents, copies of which are available upon request.

Definitions

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

The term "Board" shall mean the Board of Regents of The University of Texas System.

The term "Bonds" shall mean collectively the Series 1974 Bonds and the Series 1978 Bonds.

The term "Interest and Sinking Fund" shall mean the Series 1974 Building Revenue Bonds Interest and Sinking Fund established by the Series 1974 Resolution.

The term "Pledged Available Fund Surplus" shall have the meaning and be described and defined as follows: The term "Permanent University Fund" means the fund designated by that name which was created pursuant to Article VII, Sections 10, 11, 11a, 15, and 18 of the Texas Constitution, and is and will be governed by applicable present and future constitutional and statutory provisions. The term "Available University Fund" means the fund or funds designated by that name or any other name or names into which, or to the credit of which, the dividends, interest, and other income from the Permanent University Fund are deposited pursuant to applicable present and future constitutional and statutory provisions. Under present law, and after payment of expenses of administration of the Permanent University Fund, the Available University Fund is pledged and first used for the payment of principal of and interest on Permanent University Fund Bonds or Notes issued by The Texas A&M University System and by The University of Texas System pursuant to Article VII, Section 18 of the Texas Constitution, and traditionally, and without exception, the Texas Legislature biennially has granted and appropriated one third of the balance thereof, excluding income from certain grazing leases, to The Texas A&M University System, and has granted and appropriated the remainder thereof to The University of Texas System. The term "Pledged Available Fund Surplus" means any part of the aforesaid remainder of the Available University Fund that is actually granted and appropriated by the Texas Legislature and made available to The University of Texas System from time to time in any manner that will permit the use thereof by The University of Texas System to pay principal of and interest on the Bonds or Additional Bonds. It is hereby determined that such use will be the most practicable method available to The Board to enable it to acquire and construct the permanent improvements, new construction, and equipment constituting the facilities to be provided through the issuance of the Bonds and that such use is essential to the Board in carrying out its policy of promoting excellence in education at the University.

The term "Pledged Revenues" shall mean collectively (a) any Pledged Available Fund Surplus, (b) the Special Fee, and (c) any additional revenues, income receipts, or other resources, which hereafter may be pledged to the payment of the Bonds or Additional Bonds.

The term "Reserve Fund" shall mean the Series 1974 Building Revenue Bonds Reserve Fund established by the Series 1974 Resolution.

The term "Series 1974 Bonds" shall mean the \$53,000,000 Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1974, authorized by the Series 1974 Resolution.

The term "Series 1974 Resolution" shall mean the resolution adopted by the Board on December 7, 1973, authorizing the issuance of the Series 1974 Bonds.

The term "Series 1974-A Bonds" shall mean the \$8,000,000 Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1974-A, which are being refunded and defeased with the proceeds of the Series 1978 Bonds.

The term "Series 1975 Bonds" shall mean the Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1975, authorized by this Resolution.

The term "Special Fee" shall mean the gross collections of a special fee to be fixed, charged, and collected from all students (excepting any category of students now exempt from paying fees by Chapter 54, Texas Education Code) enrolled at the University, for the use and availability of all or any part of the Project, in the manner and to the extent provided in this Resolution, and pledged to the payment of the Bonds and any Additional Bonds, all in accordance with Chapter 55, Texas Education Code.

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

General Covenants

The Board covenants and agrees to fix, levy, charge, and collect the Special Fee on a uniform basis from each student (excepting any student in a category now exempt from paying fees by Chapter 54, Texas Education Code) enrolled in the University at each regular fall and spring semester and at each term of each summer session for the use and availability of all or any part of the Project, in such amounts, without any limitation whatsoever, as will be at least sufficient at all times to provide, together with other Pledged Revenues, the money for making when due all deposits required to be made to the credit of the Interest and Sinking Fund and the Reserve Fund in connection with the Bonds and any Additional Bonds, and to pay the principal of and interest on the Bonds and any Additional Bonds as the same mature and come due.

Creation of Fund Accounts

There is hereby created and shall be maintained at an official depository of the Board two separate funds known as an "Interest and Sinking Fund" and a "Reserve Fund"

Flow of Funds

The Board shall transfer or cause to be transferred out of any Pledged Available Fund sums semiannually on December 1, 1975 and semiannually thereafter on or before June 1 and December 1 thereafter:

(a) an amount which, together with other amounts then on hand in the Interest and Sinking Fund will be sufficient to pay the interest scheduled to accrue and the principal scheduled to mature on the Series 1975 Bonds on April 1, 1979; and

(b) an amount which, together with other amounts then on hand in the Interest and Sinking Fund will be sufficient to pay the interest scheduled to accrue and come due on the Series 1975 Bonds on the next succeeding interest payment date and one-half of the principal scheduled to mature and come due on the Series 1975 Bonds on the next succeeding April 1;

(c) an amount equal to at least 1/10th of the average annual principal and interest requirements of all then outstanding Bonds. As long as the Reserve Fund contains sufficient monies equal to the average annual principal and interest requirements no additional requirements need be made. So long as the Reserve Fund contains the required amount, any surplus in the Reserve Fund over said required amount may be transferred and deposited into the Interest and Sinking Fund.

Investment of Funds

Money in any Fund established pursuant to this Resolution may, at the option of the Board, be placed in time deposits or be invested in direct obligations of the United States of America, obli-

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

Additional Bonds

The Board reserves the right to issue Additional Parity Revenue Bonds in accordance with the following provisions:

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

(b) The State Auditor of the State of Texas, or any certified public accountant, signs a written certificate to the effect that, during either the next preceding fiscal year, 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 to be outstanding.

Application of the Series 1978 Bond Proceeds

The proceeds from the sale of the Series 1978 Bonds shall be disbursed as follows:

(a) To the Interest and Sinking Fund, the accrued interest and premium, if any, received from the sale of the Series 1978 Bonds;

(b) To be applied, together with other available funds, to fund and establish at City National Bank, Austin, Texas, an escrow fund to be entitled "Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1974-A Escrow Fund" in accordance with the terms of that certain Escrow Agreement to be entered into between the Board and said bank at or prior to delivery of the Series 1975 Bonds, which escrow fund shall have deposited to its credit the required beginning cash balance (if necessary) and certain direct obligations of the United States of America in amounts bearing interest and maturing in such a manner as to provide funds sufficient for the payment of principal of, redemption premiums on and interest to maturity or redemption on the Series 1974-A Bonds, all as more fully set forth in such Escrow Agreement;

(c) To pay expenses connected with the refunding of the Series 1974-A Bonds and the issuance of the Series 1978 Bonds; and

(d) The balance, if any, to the Interest and Sinking Fund.

No Arbitrage

The Board certifies that based upon all facts, estimates and circumstances now known or reasonably expected to be in existence on the date the Series 1978 Bonds are delivered and paid for, the Board reasonably expect that the proceeds of the Series 1978 Bonds will not be used in a manner that would cause the Series 1978 Bonds or any portion thereof to be an "arbitrage bond" under Section 103(c) of the Internal Revenue Code of 1954, as amended, and the temporary and proposed regulations heretofore prescribed thereunder. Furthermore, all officers, employees and agents of the Board are authorized and directed to provide certifications of facts, estimates and circumstances which are material to the reasonable expectations of the Board as of the date the Series 1978 Bonds are delivered and paid for, and any such certifications may be relied upon by counsel, by the holders of the Series 1978 Bonds, or by any person interested in the exemption of interest on the Series 1978 Bonds from federal income taxation. Moreover, the Board covenants that it shall make such use of the proceeds of the Series 1978 Bonds, regulate investments of proceeds of the Series 1978 Bonds, and take such other and further action as may be required so that the Series 1978 Bonds shall not be "arbitrage bonds" under Section 103(c) of the Internal Revenue Code of 1954, as amended, and regulations prescribed from time to time thereunder.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the arithmetical computations of the adequacy of (i) the maturing principal of and interest income derived from the Federal Securities to pay, when due, the principal of interest and redemption premium on the Series 1974-A Bonds and (ii) the accuracy of the mathematical computations only, supporting the conclusion of Bond Counsel with reference to "arbitrage bonds" (noted above) will be verified by Ernst & Ernst, independent public accountants. Such verification of arithmetical accuracy and mathematical computations shall be based on information supplied by the Board through the Financial Advisor.

ELIGIBILITY AS INVESTMENTS

Section 55.21 of the Texas Education Code provides that the Series 1978 Bonds are legal and authorized investments in Texas for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, trustees, and guardians, and for all interest and sinking funds and other public funds of the State of Texas and for all agencies, subdivisions, and instrumentalities thereof, including all counties, cities, towns, villages, school districts, and for all other kinds and types of districts, public agencies and bodies politic. The Series 1978 Bonds also shall be eligible and lawful security for all deposits of public funds of the State of Texas and all agencies, subdivisions, and instrumentalities thereof, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the Series 1978 Bonds, when accompanied by any unmatured interest coupons appurtenant thereto. The Board and Underwriter make no representations regarding the investment eligibility of the Series 1978 Bonds for any particular institution, and such decisions are the sole responsibility of the particular purchaser.

RATINGS

The Board of Regents has made application to Moody's Investors Service Inc. and Standard and Poor's Corporation for the purpose of attaining a credit rating. An explanation of the significance of such rating may be obtained from the company furnishing the rate. The ratings reflect only the respective views of such organizations at the time such ratings were given and the Board makes no representation as to the appropriateness of the ratings.

There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

TAX EXEMPTION

The issuance of the Series 1978 Bonds is subject to the opinion of Vinson & Elkins, Houston, Texas, Bond Counsel, to the effect that interest on the Series 1978 Bonds is exempt from present federal income taxes under existing statutes, regulations, published rulings and court decisions.

The Board will issue a certificate, accompanied by an opinion of counsel, to the effect that on the basis of the facts, estimates and circumstances in existence on the date of delivery of the Series 1978 Bonds it is not expected that the proceeds of the Series 1978 Bonds will be used in a manner that would cause the Series 1978 Bonds to be "arbitrage bonds" under Section 103(c) of the Internal Revenue Code. The opinion of Vinson & Elkins will state that, based on their examinations of the law and their review of the no-arbitrage certificate of the Board and the verification of the arithmetical and mathematical computations by Ernst & Ernst, independent public accountants, the facts, estimates and circumstances are sufficiently set forth in such no-arbitrage certificate and the above-mentioned verification to satisfy the criteria which are necessary under Section 103(c) of the Internal Revenue Code of 1954, as amended, and applicable Treasury Regulations, to support the conclusion that the Series 1978 Bonds will not be arbitrage bonds.

FINANCIAL ADVISORS

The Board of Regents has retained the services of Rauscher Pierce Securities Corporation in the capacity as Financial Advisors to the Board for a fee based upon the amount of Bonds actually issued, sold and delivered. The payment of such fee is contingent upon the sale and delivery of the Bonds. The Financial Advisors have agreed not to submit an underwriting bid at the public sale of the Series 1978 Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series 1978 Bonds are subject to the unqualified approval of the Attorney General of the State of Texas and Messrs. Vinson & Elkins, Houston, Texas, Bond Counsel, whose approving opinion will be printed on the Bonds and delivered with the Series 1978 Bonds. Messrs. Vinson & Elkins were not requested to participate, and did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "The Series 1978 Bonds" and "The Bond Resolution". No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any other information contained herein.

SOURCE AND USE OF INFORMATION

This Official Statement has been prepared under the direction of the Board of Regents of the University of Texas System by Rauscher Pierce Securities Corporation, a firm employed by the Board to perform professional services in the capacity of financial advisors. The information set forth herein has been obtained from the Board's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, docu-

ments and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to official documents in all respects.

The Board of Regents of The University of Texas System has reviewed and approved the Official Notice of Sale, Official Bid Form and Official Statement and said instruments have been authorized for use and distribution by Iauscher Pierce Securities Corporation, Financial Advisors, for the purpose of securing bids on the bonds offered hereby.

Approved and adopted by resolution of the Board of Regents of The University of Texas System this 4th day of August, 1978.

/S/

Chairman, Board of Regents of
The University of Texas System

ATTEST:

/S/

Secretary, Board of Regents of
The University of Texas System

EXHIBIT A

APPENDIX

The information contained in this appendix consists of excerpts from The University of Texas at Austin Financial Report for the Fiscal Year ended August 31, 1977 and is not intended to be a complete statement of the System's financial condition. Reference is made to the complete Financial Report for further information. The accounts and records of The University of Texas at Austin are audited annually by the State Auditor. The audit for the 1977 fiscal year is currently in progress. When completed, the Auditor's opinion will be available upon request.

THE UNIVERSITY OF TEXAS AT AUSTIN
BALANCE SHEET
At August 31, 1977

Assets

CURRENT FUNDS			
UNRESTRICTED			
GENERAL			
Cash on Hand (Schedule A-1)		\$ 1,209,674.61	
Cash in Bank (Schedule A-1)			
Time Accounts		4,297,916.65	
Cash with State Treasurer (Schedule A-1)		12,731.43	
Reimbursement in Transit from State Treasurer (Schedule A-1)		4,692.62	
Balance in State General Revenue Appropriation (Schedule A-2)		666,128.62	
Investments (Schedule A-3)		253,329.95	
Accounts Receivable			
Less: Allowance for Doubtful Accounts	\$ 360,983.98		
Other Receivables	108,412.31	252,571.67	
Due from Restricted Current Funds		2,576.62	
Due from System Administration		10,415,505.35	
Due from Component Institutions		134,470.98	
Galveston Medical Branch			
U. T. Permian Basin		375.41	
U. T. San Antonio		4,530.59	
San Antonio Medical School		29,682.94	
Inventories		1,452.21	
Physical Plant Inventories			
Prepaid Expenses		2,320,465.11	
		291,710.00	
Total General Funds			\$ 19,897,764.28
DESIGNATED			
Cash on Hand (Schedule A-1)		3,077.95	
Cash in Banks (Schedule A-1)			
Demand Accounts		2,501,036.71	
Time Deposits	9,528,658.88	12,029,695.59	
Due from General Current Funds		8,773,334.18	
Prepaid Expenses		159,612.00	
Total Designated Funds			20,965,719.72
AUXILIARY ENTERPRISES			
Cash on Hand (Schedule A-1)		107,475.62	
Cash in Banks (Schedule A-1)			
Demand Accounts		731,889.41	
Time Deposits	9,951,716.06	10,683,605.47	
Cash with State Treasurer (Schedule A-1)		8.25	
Investments (Schedule A-3)		263,257.73	
Accounts Receivable		521,305.57	
Notes Receivable		25,620.63	
Inventories		677,290.35	
Prepaid Expenses		12,507.74	
Total Auxiliary Enterprises			12,290,671.46
Total Unrestricted			53,154,355.42
RESTRICTED			
Cash on Hand (Schedule A-1)		13,939.65	
Cash in Banks (Schedule A-1)			
Demand Accounts		847,051.81	
Time Deposits	10,928,547.10	11,775,598.91	
Investments (See Schedule A-3)		178,240.00	
Federal Accounts Receivable		7,332,577.43	
Other Accounts Receivable		4,994,103.64	
Other Receivables		68,654.48	
Federal Contract and Grant Awards		22,527,454.92	
Non-Federal Contract and Grant Awards		2,736,981.43	
Due from System Administration		158,047.52	
Prepaid Expenses		1,778,895.87	
Total Restricted			51,564,593.85
TOTAL CURRENT FUNDS			\$ 104,718,849.27

(Continued on next page)

THE UNIVERSITY OF TEXAS AT AUSTIN
BALANCE SHEET
At August 31, 1977

Liabilities and Fund Balances

CURRENT FUNDS			
UNRESTRICTED			
GENERAL			
Accounts Payable		\$ 977,777.15	
Due to Designated Funds		5,773,334.18	
Due to System Administration		173,995.51	
Due to Component Institutions			
U. T. El Paso		2.15	
U. T. Arlington		14.00	
Deposits		900,314.07	
Deferred Revenue		255,422.00	
Fund Balances			
Allocated			
Provision for Inventories	\$ 2,320,465.11		
Provision for Orders and Contracts Outstanding	2,493,857.77		
Provision for Balances Subject to Reappropriation	1,048,933.87		
Provision for Future Operating Budget	1,500,000.00		
Provision for 1977-78 Operating Budget	1,000,000.00		
Provision for Renegotiating Overhead Rate on Contracts	131,796.25		
Total Allocated	8,495,053.00		
Unallocated	321,242.66	8,816,995.22	
Total General Funds			\$ 19,897,764.28
DESIGNATED			
Accounts Payable		305,283.65	
Due to System Administration for Retirement of Indebtedness		60,355.38	
Deferred Revenue		5,773,334.18	
Fund Balances (Schedule B-1)		11,806,746.51	
Total Designated Funds			20,965,719.72
AUXILIARY ENTERPRISES			
Accounts Payable		149,244.09	
Deposits		351,892.05	
Deferred Revenue		7,361,056.56	
Fund Balances (Schedule B-2)		2,736,124.72	
Total Auxiliary Enterprises			12,290,671.46
Total Unrestricted			53,154,355.42
RESTRICTED			
Due to General Current Funds		10,415,505.35	
Fund Balances (Unearned) (Schedule B-3)		41,148,988.50	
Total Restricted			51,564,593.85
TOTAL CURRENT FUNDS			\$ 104,718,849.27

(Continued on next page)

Assets		
LOAN FUNDS		
Cash in Banks (Schedule A-1)		
Demand Accounts	\$ 192,540.69	
Time Deposits	819,067.27	\$ 1,011,607.96
Investments (Schedule A-3)	92,437.80	
Notes Receivable (Schedule B-4a)	9,667,100.73	
Other Receivables	89,270.90	
TOTAL LOAN FUNDS		\$ 11,860,216.89
ENDOWMENT AND SIMILAR FUNDS		
Funds Held by System Administration		
Cash in Banks (Schedule A-1)	\$ 794,041.90	
Investments (Schedule A-3)	42,425,462.00	
TOTAL ENDOWMENT AND SIMILAR FUNDS		\$ 43,219,503.90
ANNUITY AND LIFE INCOME FUNDS		
Funds Held by System Administration		
Cash in Banks (Schedule A-1)	\$ 24,188.22	
Investments (Schedule A-3)	1,020,341.44	
TOTAL ANNUITY AND LIFE INCOME FUNDS		\$ 1,044,529.66
TRANSFERS		
Cash in Banks (Schedule A-1)		
Demand Accounts	\$ 901,761.10	
Time Deposits	24,444,435.28	\$ 25,346,196.38
Due from System Administration	22,426,913.42	
Total Unexpended		\$ 47,819,506.18
FUNDS FOR RENEWALS AND REPLACEMENTS		
Cash in Bank (Schedule A-1)		
Demand Accounts	706,345.52	
Time Deposits	555,097.53	
Total Funds for Renewals and Replacements		\$ 1,261,443.05
FUNDS FOR RETIREMENT OF INDEBTEDNESS		
Funds Held by System Administration		
Cash on Hand (Schedule A-1)	58,453.20	
Cash in Banks (Schedule A-1)		
Time Deposits	4,227,853.58	
Investments (Schedule A-3)	14,770,388.42	
Total Funds for Retirement of Indebtedness		\$ 19,056,695.20
INVESTMENT IN PLANT		
Land	26,823,594.95	
Buildings	235,072,822.10	
Improvements Other than Buildings	32,367,440.15	
Equipment	160,032,472.75	
Construction in Progress	68,204,004.61	
Total Investment in Plant		\$ 602,500,334.56
TOTAL PLANT FUNDS		\$ 602,500,334.56
AGENCY FUNDS		
Cash in Banks (Schedule A-1)		
Demand Accounts	\$ 102,169.85	
Time Deposits	1,330,402.90	\$ 1,432,572.75
Investments (Schedule A-3)	3,536,779.47	
Accounts Receivable	1,213,915.34	
Land	97,000.00	
Buildings	153,224.30	
TOTAL AGENCY FUNDS		\$ 6,433,484.82

Liabilities and Fund Balances		
LIABILITIES		
Accounts Payable (Schedule B-4)		
National Direct Student Loan Program	\$ 7,212,473.60	
Federal Government	871,382.00	\$ 8,083,855.60
Institutional Matching Funds		
State of Texas Student Loan Program		
Federal Government	394,000.00	
Institutional Matching Funds	39,563.25	395,632.54
Working Student Loan Program		
Federal Government	1,107,004.28	
Institutional Matching Funds	119,370.90	1,227,275.27
Other Student Loan Funds		1,221,449.51
TOTAL LIABILITIES		\$ 10,860,216.89
FUND BALANCES		
Fund Balances (Schedule B-6)		
Unexpended Funds	\$ 34,439,305.81	
Term Endowment Funds	305,851.50	
Plant and Other Funds	4,474,346.63	
TOTAL FUND BALANCES		\$ 43,219,503.94
AGENCY FUNDS		
Fund Balances (Schedule B-7)		
	\$ 1,044,529.66	
TOTAL AGENCY FUNDS		\$ 1,044,529.66
LIABILITIES AND FUND BALANCES		
Accounts Payable (Schedule A-4)		
Fund Balances (Schedule B-9)		
Restricted		
Provisions for Orders Outstanding	30,470,659.53	
Unrestricted		
Amounts Reappropriated	\$ 2,529,884.10	
Net Fund Balance	181,371.92	30,792,515.56
Total Unexpended		\$ 47,819,506.18
FUNDS FOR RENEWALS AND REPLACEMENTS		
Fund Balances (Schedule B-11)		
Restricted	435,000.00	
Unrestricted	406,443.05	
Total Funds for Renewals and Replacements		\$ 841,443.05
FUNDS FOR RETIREMENT OF INDEBTEDNESS		
Fund Balances (Schedule B-11)		
Restricted	19,056,695.20	
Total Funds for Retirement of Indebtedness		\$ 19,056,695.20
INVESTMENT IN PLANT		
Fund Payable (Schedule A-4)		
Net Investment in Plant (Schedule B-12)	172,508,255.73	
	380,593,170.76	
Total Investment in Plant		\$ 553,101,426.49
TOTAL LIABILITIES AND FUND BALANCES		\$ 620,802,654.56
AGENCY FUNDS		
Accounts Payable		
Investment in Plant	\$ 1,000.00	
Deposits Held in Custody for Others (Schedule A-5)	150,214.00	
Provisions for Orders Outstanding	3,200.00	
Net Fund Balances	6,178,070.82	6,178,474.82
TOTAL AGENCY FUNDS		\$ 6,178,474.82

THE UNIVERSITY OF TEXAS AT AUSTIN
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended August 31, 1977

	CURRENT FUNDS				PLANT FUND
	UNRESTRICTED FUNDS			Total Unrestricted	
	General	Designated	Auxiliary Enterprises		
FUND BALANCES, Sept. 1, 1976	\$ 8,383,267.71	\$ 7,180,449.09	\$ 9,210,050.64	\$ 24,773,767.44	\$ 12,000,000.00
REVENUES AND OTHER ADDITIONS:					
Unrestricted Current Fund Revenues	109,895,852.81	19,949,536.17	24,569,873.51	154,415,262.49	
State Appropriations - Restricted					11,070,000.00
Federal Grants and Contracts - Restricted					43,000,000.00
State Grants and Contracts - Restricted					4,000,000.00
Local Grants and Contracts - Restricted					2,000,000.00
Private Gifts, Grants and Contracts - Restricted					3,000,000.00
Investment Income - Restricted					1,000,000.00
Realized Gain on Investments - Restricted					1,000,000.00
Interest on Loans Receivable					
Government Advances Expended for Plant Facilities (Including \$ 8,874,424.11 charged to Current Fund Expenditures)					
Other Additions	380,336.55	400,746.25	26,315.25	829,398.05	1,000,000.00
Total Revenues and Other Additions	110,276,189.66	20,378,282.13	24,596,188.76	155,244,661.55	11,070,000.00
EXPENDITURES AND OTHER DEDUCTIONS:					
Expenditures	121,608,323.75	3,053,769.77	22,557,607.48	147,220,367.00	50,000,000.00
Appropriations Lapsed	197,846.16			197,846.16	
Indirect Costs Recovered					
Refunded to Grantors					
Loan Cancellations and Write-offs					
Administrative and Collection Costs					
Realized Losses on Investments					
Expended for Plant Facilities					
Retirement of Indebtedness Paid					36,142,252.28
Disposal of Plant Facilities					13,349,140.44
Reclassifications to Other Components					1,086,193.84
Net Change in Bonds Payable					
Other Deductions	15,566.56	320,702.94	25,560.01	361,829.51	
Total Expenditures and Other Deductions	121,822,402.47	3,374,472.71	22,583,167.49	147,780,042.67	51,086,193.84
TRANSFERS:					
Mandatory:					
To System Administration					
General Tuition Revenue Bonds		(5,930,355.38)		(5,930,355.38)	
To Retirement of Indebtedness					
Building Use Fee - Skiles Act		(425,228.02)		(425,228.02)	
Hospital Refunding Bonds Dated 1951			(24,581.25)	(24,581.25)	
Dormitory Revenue Bonds Series 1954			(100,640.00)	(100,640.00)	

(Continued on next page)

THE UNIVERSITY OF TEXAS AT AUSTIN
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended August 31, 1977

	CAS FUND	ENDOWMENT AND SIMILAR FUNDS	ANNUITY AND LIFE INCOME FUNDS	PLANT FUNDS			
				Unexpended	Renewals and Replacements	Retirement of Indebtedness	
FUND BALANCES, Sept. 1, 1976	\$ 1,000,000.00	\$ 38,086,877.43	\$ 2,614,534.54	\$ 35,553,235.11	\$ 489,444.37	\$ 18,323,473.02	\$ 349,531,526.00
REVENUES AND OTHER ADDITIONS:							
Unexpended				10,000.00			1,259,433.75
Renewals and Replacements		1,840,933.44	80,773.79	1,541,030.28			
Retirement of Indebtedness		1,141,543.32	72,508.00	1,214,051.32		1,054,796.74	
Other Additions		167,549.55	11,364.02				
Total Revenues and Other Additions		3,150,026.61	174,645.81	1,798,625.60		1,709,793.48	1,259,433.75
EXPENDITURES AND OTHER DEDUCTIONS:							
Unexpended				247,588.24			45,041,597.15
Renewals and Replacements							1,259,433.75
Retirement of Indebtedness						36,142,252.28	
Disposal of Plant Facilities						13,349,140.44	
Reclassifications to Other Components						1,086,193.84	
Net Change in Bonds Payable				47,330,625.54			
Other Deductions				(22,346,076.17)			1,259,433.75
Total Expenditures and Other Deductions				63,170.00		50,478,165.61	1,259,433.75
TRANSFERS:							
Mandatory:							
To System Administration							
General Tuition Revenue Bonds							
To Retirement of Indebtedness							
Building Use Fee - Skiles Act							
Hospital Refunding Bonds Dated 1951							
Dormitory Revenue Bonds Series 1954							

(Continued on next page)

	CURRENT FUNDS				RESTRICTED FUNDS
	General	Designated	Auxiliary Enterprises	Total Unrestricted	
Debt Service of Indebtedness - Continued					
Dormitory Revenue Bonds Series 1956			117,276.25	117,276.25	
Student Union Revenue Bonds, Series 1957			56,667.19	56,667.19	
Student Housing Revenue Bonds of 1963			58,762.50	58,762.50	
Housing System Revenue Bonds Series 1971			600,647.73	600,647.73	
Building Revenue Bonds of 1968			28,180.00	28,180.00	
Combined Fee Revenue Bonds, Series 1970, 1971, 1972, 1973, and 1974		4,614,090.24	262,066.17	4,776,156.41	
Building Revenue Bonds Series 1973		1,455,320.00		1,455,320.00	
Student Housing Revenue Bonds, Series 1971			202,078.00	202,078.00	
Loan Fund Maintenance Fund			99,005.56	99,005.56	
To Renewals and Replacements Funds			97,500.00	97,500.00	
Non-Mandatory:					
To Designated Funds	71,571.83	72,565.37	11,013.54	-	
To Auxiliary Enterprises Funds	356,183.00		356,183.00	-	
To Restricted Current Funds					
To Loan Funds					7,000.00
To Endowment and Similar Funds					114,370.23
To Unexpended Plant Funds	1,748,605.31			1,748,605.31	
To Renewals and Replacements Funds		251,498.70		251,498.70	
From Agency Funds		139,354.01	3,303.00	139,157.01	
From System Administration	19,074,600.49			19,074,600.49	
From System Nursing School	1,065,141.11			1,065,141.11	
To Component Institutions					
Total Transfers	11,770,240.37	10,371,510.26	(1,266,244.13)	1,477,002.24	
Net Increase/Decrease for the Year	433,707.61	4,686,627.46	506,372.08	5,626,707.15	
FUND BALANCES, August 31, 1977	\$ 8,216,324.48	\$ 11,806,716.61	\$ 3,736,124.71	\$ 20,359,165.80	\$ 1,011,543.26

	ENDOWMENT AND SIMILAR FUNDS	ANNUITY AND LIFE INCOME FUNDS	PLANT FUNDS			
			Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant
					117,276.25	
					56,667.19	
					58,762.50	
					600,647.73	
					28,180.00	
					4,776,156.41	
					1,455,320.00	
					202,078.00	
	25,005.56					
				97,500.00		
	11,000.00	(182.93)	(67,627.41)			
	7,000.00	(9,000.00)				
		1,565,004.71	(799,116.70)			
		(63,170.00)		1,831,775.31		
				251,498.70		
				61,074,600.49		
	1,148,605.31	1,490,671.28	(366,744.20)	63,779,301.57	351,992.70	10,499,089.35
	433,707.61	4,630,626.51	(1,570,004.88)	3,686,130.45	311,292.70	663,700.13
	\$ 10,350,116.29	\$ 13,219,503.04	\$ 1,041,529.66	\$ 39,131,365.53	\$ 241,443.07	\$ 19,086,699.70
						\$ 240,693,370.76

THE UNIVERSITY OF TEXAS AT AUSTIN
STATEMENT OF CURRENT FUNDS REVENUES AND EXPENDITURES
For the Year Ended August 31, 1977

	UNRESTRICTED			RESTRICTED	TOTAL
	General	Designated	Auxiliary Enterprises		
CURRENT REVENUES (Schedule C-1)					
Tuition and Fees	2,996,011.96	13,507,092.64	1,000,000.00	21,503,104.60	21,233,596.14
State Appropriations	99,890,496.50			99,890,496.50	110,309,313.17
Federal Grants and Contracts	5,730,111.45	452,336.30		6,182,447.75	36,332,121.22
State Grants and Contracts	218,130.00			218,130.00	3,786,972.27
Local Grants and Contracts	3,817.90			3,817.90	59,171.54
Private Gifts, Grants and Contracts	695,180.00	703,620.61		1,398,800.61	9,658,092.00
Endowment Income					1,732,701.24
Sales and Services of Educational Activities	96,096.00	1,000,000.00		1,096,096.00	3,353,893.96
Sales and Services of Auxiliary Enterprises		25,000.00	1,000,000.00	1,025,000.00	19,835,601.19
Other Sources	447,600.00	400,000.00		847,600.00	2,003,386.66
TOTAL CURRENT REVENUES (Exhibit B)	129,822,828.81	14,988,049.55	1,000,000.00	135,810,878.36	150,422,112.79
CURRENT EXPENDITURES (Schedule C-2)					
Educational and General					
Instruction	60,127,515.00	895,161.50		61,022,676.50	68,541,325.86
Research	6,007,980.00	644,522.10		6,652,502.10	33,341,101.76
Public Service	470,167.00	2,096,331.90		2,566,498.90	5,116,186.00
Academic Support	15,028,561.00	113,233.40		15,141,794.40	16,311,773.69
Student Services	3,538,767.00	400,000.00		3,938,767.00	4,848,897.75
Institutional Support	6,815,568.00	(1,028,400.00)		5,787,168.00	6,135,069.42
Operation and Maintenance of Plant	27,450,080.00	6,107.10		27,456,187.10	28,683,232.17
Scholarships and Fellowships	2,400,130.00	20,000.00		2,420,130.00	6,769,901.72
Total Educational and General	121,848,608.00	2,380,622.50		124,229,230.50	179,446,488.37
Auxiliary Enterprises		207,922.83	20,000,000.00	20,207,922.83	24,230,728.92
TOTAL CURRENT EXPENDITURES (Exhibit B)	121,848,608.00	2,588,545.33	20,000,000.00	144,437,153.33	193,677,217.29

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RESOLUTION AUTHORIZING REDEMPTION OF CERTAIN BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT AUSTIN, BUILDING REVENUE BONDS, SERIES 1974-A, PRIOR TO MATURITY, EXECUTION AND DELIVERY OF AN ESCROW AGREEMENT TO PROVIDE FOR THE PAYMENT OF SAID BONDS, SUBSCRIPTION FOR CERTAIN ESCROWED SECURITIES AND OTHER MATTERS RELATING THERETO

WHEREAS, the Board of Regents of The University of Texas System (the "Board") desires to refund, in advance of their maturities, the Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1974-A (the "Underlying Bonds") in order to realize an annual savings in debt service; and

WHEREAS, the Board is authorized by Chapter 55, Texas Education Code, to issue, sell and deliver refunding bonds in amounts necessary to pay the principal, interest and redemption premium on bonds to be refunded, at maturity or on any redemption date; and

WHEREAS, contemporaneously herewith, the Board has adopted a resolution (the "Refunding Bond Resolution") authorizing the issuance of Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Refunding Bonds, Series 1978, for the purpose of providing funds to be used in refunding the Underlying Bonds; and

WHEREAS, the Board desires to call certain of the Underlying Bonds for redemption prior to their scheduled maturities; and

WHEREAS, the Board desires to enter into an Escrow Agreement with City National Bank of Austin, Austin, Texas, pursuant to which provision will be made for the full and timely payment of principal, interest and redemption premium on the Underlying Bonds; and

WHEREAS, the Board desires to authorize the subscription for certain United States Treasury obligations to be purchased for deposit into such escrow;

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

Section 1. Redemption of Certain Underlying Bonds: The Board hereby calls for redemption and authorizes the redemption of, and payment of the applicable redemption premium for, such of the Underlying Bonds at such dates prior to their scheduled maturities as shall be provided for and contemplated in the Escrow Agreement described in the following section. Notice of such redemption in substantially the form attached hereto as Attachment "A" is hereby authorized to be delivered to the paying agents for the Underlying Bonds and to be published in the Texas Bond Reporter and/or The Daily Bond Buyer, and notice of such redemption is further authorized to be given in any other manner required by the resolution authorizing the Underlying Bonds.

Section 2. Escrow Agreement: The refunding of the Underlying Bonds shall be effectuated pursuant to the terms and provisions of an Escrow Agreement to be entered into by and between the Board and City National Bank of Austin, Austin, Texas; such Escrow Agreement shall be in substantially the form attached hereto as Attachment "B", the terms and provisions of which are hereby approved, subject to such revisions and modifications as shall be necessary to assure the greatest possible

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debt service savings, to comply with all applicable laws and regulations relating to the refunding of the Underlying Bonds and to carry out the other intents and purposes hereof; and the Chairman of the Board is hereby authorized to execute and deliver such Escrow Agreement on behalf of the Board in multiple counterparts and the Secretary of the Board is hereby authorized to attest thereto and affix the Board's seal.

Section 3. Subscription for Escrowed Securities: In order to assure the purchase of the Escrowed Securities referred to in the Escrow Agreement, the Board hereby authorizes the subscription for United States Treasury certificates of indebtedness, notes and bonds, State and Local Government Series, and other Escrowed Securities, in such amounts, maturities and bearing interest at such rates as may be provided for in the Escrow Agreement, and the Chairman of the Board and all other appropriate officials of The University of Texas System are hereby authorized to take all necessary and appropriate action to provide for the purchase of such Escrowed Securities pursuant to the Escrow Agreement.

Section 4. Related Matters: In order that the Board shall satisfy in a timely manner all of its obligations under the Escrow Agreement and the Refunding Bond Resolution, the Chairman and Secretary of the Board and all other appropriate officials of The University of Texas System are hereby authorized and directed to take all other actions that are reasonably necessary to provide for the refunding of the Underlying Bonds, including without limitation, executing and delivering on behalf of the Board all certificates, consents, receipts, requests, and other documents as may be reasonably necessary to satisfy the Board's obligations under the Escrow Agreement and the Refunding Bond Resolution and to direct the transfer of funds of the Board consistent with the provisions of such Escrow Agreement and the Refunding Bond Resolution.

ADOPTED AND APPROVED this 4th day of August, 1978.

/s/ Allan Shivers

Chairman, Board of Regents of
The University of Texas System

ATTEST:

/s/ Betty Anne Thedford

Secretary, Board of Regents of
The University of Texas System

(SEAL)

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Attachment "A"

NOTICE OF PRIOR REDEMPTION

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM,
THE UNIVERSITY OF TEXAS AT AUSTIN, BUILDING REVENUE
BONDS, SERIES 1974-A, Bond Nos. 259 through 1200,
maturing on April 1 in each of the years 1986 through
1998 in the aggregate principal amount of \$4,710,000.

NOTICE IS HEREBY GIVEN that the Board of Regents of The University of Texas System has called the above bonds for redemption on April 1, 1985. Such bonds will be redeemed at National Bank of Commerce of Dallas, Dallas, Texas, or, at the option of the holder, at Manufacturers Hanover Trust Company, New York, New York, where due provision shall be made to pay the principal amount of such bonds plus a redemption premium of 2% of the principal amount of such bonds plus unpaid accrued interest. Such bonds shall not bear interest after April 1, 1985.

BY RESOLUTION of the Board of Regents of The University of Texas System adopted August 4, 1978.

Allan Shivers
Chairman, Board of Regents of
The University of Texas System

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Attachment "B"

ESCROW AGREEMENT

(Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1974-A)

THIS ESCROW AGREEMENT, dated as of August ____, 1978 (herein, together with any amendments or supplements hereto, called the "Agreement") is entered into by and between the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (herein, together with any successor to its duties and functions, called the "Board"), and CITY NATIONAL BANK OF AUSTIN, a national banking corporation with its principal office located in Austin, Texas, as escrow agent (herein, together with any successor in such capacity, called the "Escrow Agent"), and consented to by NATIONAL BANK OF COMMERCE OF DALLAS, a national banking corporation with its principal office located in Dallas, Texas, as paying agent (herein, together with any successor in such capacity, called the "Paying Agent").

W I T N E S S E T H:

WHEREAS, the Board has heretofore issued and there presently remain outstanding the following bonds (the "Underlying Bonds"):

Bond Nos. 49 through 1200 of Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1974-A, dated October 1, 1974, in the aggregate principal amount of \$5,760,000;

WHEREAS, the Underlying Bonds were issued pursuant to a resolution (the "Underlying Bond Resolution") which provides that the Underlying Bonds shall mature serially in such years, bear interest at such rates and be subject to redemption at such redemption prices as are set forth in Schedule __ attached hereto and made a part hereof; and

WHEREAS, when notice of redemption of the Underlying Bonds to be redeemed prior to maturity has been given as provided in the Underlying Bond Resolution and firm banking arrangements have been made for the payment of principal, redemption premium and interest to maturity or redemption for all of the Underlying Bonds, then such Underlying Bonds shall no longer be regarded as outstanding except for the purpose of receiving the funds provided for such payment; and

WHEREAS, the Underlying Bonds to be called for redemption prior to their maturities have been called for redemption in accordance with the terms of the Underlying Bond Resolution; and

WHEREAS, the Board is authorized by the Texas Education Code, particularly Section 55.19 thereof, to sell and deliver refunding bonds in amounts necessary to pay the principal, interest, and redemption premium, if any, of the bonds to be refunded, at maturity or on any redemption date; and

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WHEREAS, the Board has adopted a resolution authorizing the issuance of \$6,310,000 Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Refunding Bonds, Series 1978 (the "Refunding Bonds") for the purpose of providing, together with other funds to be provided by the Board, the amounts necessary to pay the principal, interest and redemption premium of the Underlying Bonds at their respective maturities and redemption dates; and

WHEREAS, the Board desires that, concurrently with the delivery of the Refunding Bonds to the purchasers thereof, the proceeds of the Refunding Bonds, together with other funds to be provided by the Board, shall be applied to purchase certain direct obligations of the United States of America hereinafter defined as the Escrowed Securities for deposit to the credit of the Escrow Fund created pursuant to the terms of this Agreement and to establish a beginning cash balance in such Escrow Fund; and

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

WHEREAS, in order to assure that proceeds of the Escrow Fund herein provided for are available to the Paying Agent for the timely payment of principal, interest and redemption premium on the Underlying Bonds, the Escrow Fund shall be created and maintained pursuant to this Agreement on the books of the Escrow Agent in the name of the Paying Agent; and

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, the sufficiency of which are hereby acknowledged, and in order to secure the payment of principal of, redemption premium on and the interest on the Underlying Bonds, as the same mature, or are called for redemption, and become due, the Board and the Escrow Agent mutually undertake, promise and agree for themselves and their respective representatives and successors, as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

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

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

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

"Escrow Agent" means City National Bank of Austin, Austin, Texas, and its successors as Escrow Agent under this Agreement.

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

"Escrowed Securities" means Limited Yield Securities and the Open Market Securities.

"Limited Yield Securities" means the United States Treasury obligations described in Schedule ___ to this Agreement purchased with the proceeds of the Refunding Bonds.

"Open Market Securities" means the United States Treasury obligations described in Schedule ___ to this Agreement.

"Paying Agent" means National Bank of Commerce of Dallas, Dallas, Texas, and its successors in such capacity.

"Refunding Bonds" means the \$ 6,310,000 Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Refunding Bonds, Series 1978, dated August 1, 1978.

"Refunding Bond Resolution" means the Board's resolution authorizing the issuance, sale and delivery of the Refunding Bonds.

"Underlying Bonds" means the Board's bonds more fully described in the first recital on page 1 of this Agreement.

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

ARTICLE II

DEPOSITS WITH ESCROW AGENT AND APPLICATIONS THEREOF

Section 2.01. Deposits with Escrow Agent. The Board has deposited, or caused to be deposited, with the Escrow Agent, the following:

- (a) the proceeds of the Refunding Bonds; and
- (b) \$ _____ from lawfully available funds other than the proceeds of the Refunding Funds or any other bond proceeds.

Section 2.02. Application of Refunding Bond Proceeds. The Escrow Agent has applied the proceeds of the Refunding Bonds as follows:

- (a) accrued interest on the Refunding Bonds, in the amount of \$ _____ has been transferred to the Interest and Sinking Fund for the Refunding Bonds;

(b) \$ _____ has been paid to the United States of America for the purchase of the Limited Yield Securities;

(c) \$ _____ has been retained by the Escrow Agent to create the beginning cash balance in the Escrow Fund;

(d) \$ _____ has been disbursed in accordance with written instructions from the Board for the payment of expenses incurred in refunding the Underlying Bonds and issuing the Refunding Bonds; and

(e) the balance of \$ _____ has been transferred to the Interest and Sinking Fund for the Refunding Bonds.

Section 2.03. Application of Other Funds. The Escrow Agent has applied the funds described in Section 2.01(b) to purchase the Open Market Securities.

ARTICLE III

CREATION AND OPERATION OF ESCROW FUND

Section 3.01. Escrow Fund. The Escrow Agent has created on its books in the name of the Paying Agent a special trust fund and irrevocable escrow to be known as "Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Bonds, Series 1974-A Escrow Fund" (the "Escrow Fund"). The Escrow Agent hereby acknowledges that there has been deposited to the credit of such Escrow Fund the Limited Yield Securities, the beginning cash balance described in Section 2.02(c) and the Open Market Securities. The Escrowed Securities (which include both the Limited Yield Securities and the Open Market Securities), all proceeds therefrom and the beginning cash balance shall be the property of the Escrow Fund, and shall be applied only in strict conformity with the terms and conditions of this Agreement. All of the Escrowed Securities, all proceeds therefrom and all cash balances from time to time on deposit in the Escrow Fund are hereby irrevocably pledged to the payment of the principal of, redemption premium on and interest on the Underlying Bonds, which payment shall be made by making available to the Paying Agent in cash such amounts at such times as are provided for in Section 3.02 of this Agreement. When the final cash amounts have been made available to and withdrawn by the Paying Agent for the payment of principal of, redemption premium on and interest on the Underlying Bonds, any balance then remaining in the Escrow Fund shall be transferred to the Board.

Section 3.02. Payment of Principal, Redemption Premium and Interest. (a) The Escrow Agent is hereby irrevocably instructed to use the cash balances scheduled to accrue in the Escrow Fund on September 30, 1978 and semiannually on each March 31 and September 30 thereafter to make available to the Paying Agent for its withdrawal from the Escrow Fund the amounts required to pay the principal, redemption premium and interest on the Underlying Bonds as follows:

Interest. Interest coming due on October 1, 1978 and each April 1 and October 1 thereafter until each of the Underlying Bonds matures or is redeemed.

Principal and Redemption Premium. Principal on all Underlying Bonds not redeemed pursuant to Subsection (b) hereof on their respective maturity

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dates; principal and redemption premium (if any) on all Underlying Bonds called for redemption prior to maturity on the dates and in the amounts indicated in Subsection (b) hereof.

The amounts of such payments are summarized in Schedule ___ attached hereto.

(b) The Board has called for redemption prior to maturity certain of the Underlying Bonds described below, on the dates set forth below, for the principal amounts thereof and accrued interest thereon to the date fixed for redemption, plus a premium (if any) on the principal amount of each such bond as follows:

<u>Bond Nos.</u>	<u>Aggregate Principal Amount</u>	<u>Redemption Dates</u>	<u>Redemption Premium (% of Principal Amount)</u>
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The Board has caused notice of each such redemption to be given in manner required by the Underlying Bond Resolution.

Section 3.03. Sufficiency of Escrow Fund. The Board represents that the successive receipts of the principal of and interest on the Escrowed Securities will assure that the cash balances from time to time on deposit in the Escrow Fund will be at all times sufficient to provide moneys at the times and in the amounts required to be available to the Paying Agent for the payment of interest on the Underlying Bonds as such interest comes due and the principal of and redemption premium on the Underlying Bonds as the Underlying Bonds mature or are redeemed prior to maturity, all as more fully set forth in Schedules ___ and ___ attached hereto. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund shall be insufficient to make available to the Paying Agent the amounts required to make the payments set forth in Section 3.02 hereof, the Board shall timely deposit in the Escrow Fund, from lawfully available funds, additional funds in the amounts required to make such payments. Notice of any such insufficiency shall be given promptly as hereinafter provided, but neither the Escrow Agent nor the Paying Agent shall in any manner be responsible for any insufficiency of funds in the Escrow Fund or the Board's failure to make additional deposits thereto.

Section 3.04. Trust Fund. The Escrow Agent shall hold at all times the Escrow Fund, the Escrowed Securities and all other assets of such Fund, wholly segregated from all other funds and securities on deposit with the Escrow Agent; it shall never allow the Escrowed Securities or any other assets of the Escrow Fund to be commingled with any other funds or securities of the Escrow Agent; and it shall hold and dispose of the assets of the Escrow Fund only as set forth herein. The Escrowed Securities and other assets of

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the Escrow Fund shall always be maintained by the Escrow Agent as trust funds held in a special account in the name of the Paying Agent for the benefit of the bearers of the Underlying Bonds; and a special account thereof evidencing such fact shall at all times be maintained on the books of the Escrow Agent. The bearers of the Underlying Bonds shall be entitled to the same preferred claim and first lien upon the Escrowed Securities, the proceeds thereof and all other assets of the Escrow Fund as are enjoyed by other trust beneficiaries. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the Board, and the Escrow Agent shall have no right or title with respect thereto except as a trustee and escrow agent under the terms of this Agreement. The amounts received by the Escrow Agent under this Agreement shall not be subject to checks or drafts drawn by the Board and shall not be subject to transfer or withdrawal by the Paying Agent except in the amounts and at the times provided in Section 3.02 hereof.

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

ARTICLE IV

LIMITATION ON INVESTMENTS

Section 4.01. General. Except as herein otherwise expressly provided the Escrow Agent shall have no power or duty to invest any money held hereunder; or to make substitutions of the Escrowed Securities; or to sell, transfer or otherwise dispose of the Escrowed Securities. Cash balances on deposit in the Escrow Fund shall not be reinvested or bear interest, and the Escrow Agent shall be entitled to retain any benefit from the "float" (if any) resulting therefrom as additional compensation for its services hereunder.

Section 4.02. Substitution of Securities. At the written request of the Board, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall sell, transfer, otherwise dispose of or request the redemption of the Escrowed Securities and apply the proceeds therefrom to purchase Underlying Bonds or direct obligations of the United States of America which do not permit the redemption thereof at the option of the obligor. Any such transaction may be effected by the Escrow Agent only if (a) the Escrow Agent shall have received a written opinion from a nationally recognized firm of certified public accountants that such transaction will not cause the amount of money and securities in the Escrow Fund to be reduced below an amount sufficient to provide for the payment of principal of, redemption premium on and interest on the Underlying Bonds as they become due pursuant to Section 3.02 of this Agreement; and (b) the Escrow Agent shall have received the unqualified written legal opinion of nationally recognized bond attorneys, to the effect that such transaction will not cause any of the Refunding Bonds to be an "arbitrage bond" within the meaning of Section 103(c) of the Code.

Section 4.03. Arbitrage. The Board hereby covenants and agrees that it shall never request the Escrow Agent to exercise any power hereunder or permit any part of the money in the Escrow Fund or proceeds from the sale of Escrowed Securities to be used directly or indirectly to acquire any securities or obligations if the exercise of such power or the acquisition of such securities or obligations would cause any Refunding Bonds to be an "arbitrage bond" within the meaning of Section 103(c) of the Code.

ARTICLE V

RECORDS AND REPORTS

Section 5.01. Records. The Escrow Agent will keep books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money and Escrowed Securities deposited to the Escrow Account and all proceeds thereof, and such books shall be available for inspection at reasonable hours and under reasonable conditions by the Board and the bearers of the Underlying Bonds.

Section 5.02. Reports. For the period beginning on the date hereof and ending on _____, 1978 and for each _____ period thereafter while this Agreement remains in effect, the Escrow Agent shall prepare and send to the Board a written report summarizing all transactions relating to the Escrow Fund during such period, including without limitation credits to the Escrow Fund as a result of interest payments or maturities on the Escrowed Securities and transfers from the Escrow Fund for payments on the Underlying Bonds or otherwise, and a statement of the cash balance on deposit in the Escrow Fund as of the end of such period. Also, within thirty (30) days after August 31, 1979 and each succeeding August 31 while this Agreement is in effect, the Escrow Agent shall send the Board a report summarizing all credits to and transfers from the Escrow Fund during the twelve (12) month period ending on such date, together with a detailed statement of all Escrowed Securities and the cash balance on deposit in the Escrow Fund as of such date.

ARTICLE VI

CONCERNING THE ESCROW AGENT

Section 6.01. Representations of Escrow Agent. The Escrow Agent hereby represents that it possesses and is exercising full trust powers and is otherwise qualified and empowered to enter into this Agreement, and it further represents that it is a qualified depository.

Section 6.02. Limitation on Liability. The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable except for its own action, neglect or default, nor for any loss unless the same shall have been through the negligence or want of good faith by the Escrow Agent.

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The liability of the Escrow Agent to provide funds to the Paying Agent for the payment of the principal of and interest on the Underlying Bonds shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Escrow Fund. Notwithstanding any provision contained herein to the contrary, the Escrow Agent shall have no liability whatsoever for the insufficiency of funds from time to time in the Escrow Fund or any failure of the obligors of the Escrowed Securities to make timely payment thereon, except for its obligation to notify the Board promptly of any such occurrence.

The recitals herein and in the proceedings authorizing the Refunding Bonds shall be taken as the statements of the Board and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent. The Escrow Agent is not a party to the Refunding Bond Resolution or the Underlying Bond Resolution, is not responsible for nor bound by any of the provisions thereof, and need look only to the terms and provisions of this Agreement.

The Escrow Agent makes no representations as to the value, conditions or sufficiency of the Escrow Fund, or any part thereof, or as to the title of the Board thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall incur no liability or responsibility in respect of any of such matters.

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

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

Section 6.03. Escrow Agent's Compensation. The Board has paid the Escrow Agent, as a fee for performing the services hereunder and for all expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement, the sum of \$ _____, the receipt and sufficiency of which are hereby acknowledged by the Escrow Agent. In the event that the Escrow Agent is requested to perform any extraordinary services hereunder, the Board hereby agrees to pay reasonable fees to the Escrow Agent for such extraordinary services and to reimburse the Escrow Agent for all expenses incurred by the Escrow Agent in performing such extraordinary services, and the Escrow Agent hereby agrees to look only to the Board for the payment of such fees and reimbursement of such expenses. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as escrow agent or in any other capacity, or for reimbursement for any of its expenses.

Section 6.04. Successor Escrow Agents. At any time the Escrow Agent or its legal successor or successors should become unable, through operation of law or otherwise, to act as escrow agent hereunder, or if its property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent hereunder. In such event the Board, by appropriate resolution, shall promptly appoint an Escrow Agent to fill such vacancy. If no successor Escrow Agent shall have been appointed by the Board within 60 days, a successor may be appointed by the bearers of a majority in principal amount of the Underlying Bonds then outstanding by an instrument or instruments in writing filed with the Board, signed by such bearers or by their duly authorized attorneys-in-fact. If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this Section within three months after a vacancy shall have occurred, the owner of any Underlying Bond may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

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

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

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ARTICLE VII

MISCELLANEOUS

Section 7.01. Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid addressed as follows:

To the Escrow Agent:

To the Board:

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

Section 7.02. Upon the taking of all the actions as described herein by the Escrow Agent, the Escrow Agent shall have no further obligations or responsibilities hereunder to the Board, the bearers of the Underlying Bonds or to any other person or persons in connection with this Agreement.

Section 7.03. This Agreement shall be binding upon the Board and the Escrow Agent and their respective successors and legal representatives, and shall inure solely to the benefit of the bearers of the Underlying Bonds, the Board, the Escrow Agent and their respective successors and legal representatives.

Section 7.04. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 7.05. This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Texas.

Section 7.06. Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

IN WITNESS WHEREOF, this Escrow Agreement has been executed in multiple counterparts, each one of which shall

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Section 7.06. Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

IN WITNESS WHEREOF, this Escrow Agreement has been executed in multiple counterparts, each one of which shall constitute one and the same original Agreement, as of the date and year appearing on the first page of this Agreement.

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

ATTEST:

Chairman

Secretary

(SEAL)

CITY NATIONAL BANK OF AUSTIN

ATTEST:

Title:

Title:

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CONSENT TO ESCROW AGREEMENT

NATIONAL BANK OF COMMERCE OF DALLAS, as Paying Agent for the Underlying Bonds, hereby acknowledges its understanding that the Escrow Agreement to which this Consent is attached provides that an Escrow Fund shall be established and maintained in an account in its name on the books of the Escrow Agent for the purpose of providing funds to be made available to the Paying Agent which are intended to be sufficient to allow Paying Agent to make timely payment of all principal, redemption premiums and interest on the Underlying Bonds in accordance with Section 3.02 of said Escrow Agreement. The Paying Agent hereby consents to the establishment of such Escrow Fund as a trust fund for the benefit of the bearers of the Underlying Bonds and further consents to the management of such Escrow Fund by the Escrow Agent in accordance with the terms and provisions of the Escrow Agreement to which this Consent is attached. The Paying Agent further agrees that it shall only make withdrawals from the Escrow Fund at the times and in the amounts set forth in Section 3.02 of the Escrow Agreement for payment of principal, redemption premiums and interest on the Underlying Bonds and, except for such amounts, shall never make any withdrawals from such Escrow Fund or assert any claims, liens or charges against the Escrow Fund. The Paying Agent further acknowledges that it has been paid the sum of \$_____ by the Board, representing the present value of all future paying agency charges for the Underlying Bonds, which constitutes full and final payment for all of Paying Agent's future paying agency services to be rendered in connection with the Underlying Bonds. Terms used in this Consent shall have the same meanings as set forth in the Escrow Agreement to which it is attached.

NATIONAL BANK OF COMMERCE
OF DALLAS

By _____
Title

ATTEST:

Title

(SEAL)

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BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT AUSTIN, COMBINED FEE REVENUE REFUNDING BONDS, SERIES 1978: (1) RESOLUTION AUTHORIZING THE ISSUANCE OF BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT AUSTIN, COMBINED FEE REVENUE REFUNDING BONDS, SERIES 1978, IN THE AMOUNT OF \$16,710,000 AND AWARDING THE SALE OF THE BONDS TO MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, NEW YORK, NEW YORK; (2) DESIGNATION OF BANK OF THE SOUTHWEST, N. A., HOUSTON, TEXAS, AND BANKERS TRUST COMPANY, NEW YORK, NEW YORK, BANKS OF PAYMENT; AND (3) AWARD OF CONTRACT FOR PRINTING TO HART GRAPHICS & OFFICE CENTERS, INC., AUSTIN, TEXAS --The following written Resolution (Pages 62-73) was duly introduced for the consideration of the Board of Regents and read in full. It was then duly moved by Regent Clark and seconded by Vice-Chairman Williams that said Resolution be adopted; and after due discussion, said motion, carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

AYES: All members of said Board shown present (Page 1) voted "Aye."

NOES: None

The adoption of this Resolution authorized issuance of Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Refunding Bonds, Series 1978, in the amount of \$16,710,000 and awarded the sale of the bonds to Merrill Lynch, Pierce, Fenner & Smith Incorporated, New York, New York, for the price of 98.52482% of par, plus accrued interest thereon from the date thereof to the date of actual delivery (Page 73) with a net interest cost of 5.78913%. The rates of interest are reflected on Page 64.

Upon motion of Regent Clark, seconded by Regent Bauerle, the bid of Bank of the Southwest, N. A., Houston, Texas, to serve as Paying Agent with Bankers Trust Company, New York, New York (Banks of Payment) for Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Refunding Bonds, Series 1978, in the amount of \$16,710,000 was unanimously accepted (Pages 65, 67). There will be no charge by the bank per coupon or per bond paid.

The contract for printing the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Refunding Bonds, Series 1978, in the amount of \$16,710,000, was awarded unanimously to Hart Graphics & Office Centers, Inc., Austin, Texas, upon motion of Regent Clark, seconded by Regent Sterling. These bonds are to be printed according to specifications with lithographed borders for the sum of \$1,732, there being eleven interest rates.

RESOLUTION AUTHORIZING THE ISSUANCE OF
\$16,710,000 BOAPD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM, THE UNIVER-
SITY OF TEXAS AT AUSTIN, COMBINED FEE
REVENUE REFUNDING BONDS, SERIES 1978

WHEREAS, the Board of Regents of The University of Texas System (hereinafter sometimes called the "Board" or "Board of Regents") authorized the issuance of and sold the following series of bonds, which are payable from, and secured by a first lien on and pledge of, certain hereinafter defined Pledged Revenues:

Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1970, in the aggregate principal amount of \$10,000,000 (hereinafter called the "Series 1970 Bonds");

Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1971, in the aggregate principal amount of \$20,000,000 (hereinafter called the "Series 1971 Bonds");

Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1972, in the aggregate principal amount of \$10,000,000 (hereinafter called the "Series 1972 Bonds");

Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1973, in the aggregate principal amount of \$34,000,000 (hereinafter called the "Series 1973 Bonds"); and

Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1974, in the aggregate principal amount of \$6,900,000 (hereinafter called the "Series 1974 Bonds"),

for the purpose of providing funds to acquire, purchase, construct, improve, enlarge and/or equip property, buildings, structures, or other facilities, for or on behalf of The University of Texas at Austin; and

WHEREAS, pursuant to Chapter 55 of the Texas Education Code, particularly Section 55.19 thereof, the Board may issue revenue refunding bonds for the purpose of refunding any of its outstanding bonds in advance of their maturities or dates of redemption; and

WHEREAS, in order to realize substantial annual savings in debt service, the Board desires to advance refund the Series 1970 Bonds and the Series 1974 Bonds; and

WHEREAS, due to certain terms and provisions contained in the resolutions authorizing the Series 1970 Bonds, Series 1971 Bonds and Series 1972 Bonds and incorporated by reference in the resolutions authorizing the Series 1973 Bonds and Series 1974 Bonds, the refunding of any such bonds in advance of their maturities or dates of redemption may be

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accomplished only by use of the "full cash" method of advance refunding; and

WHEREAS, to accomplish the foregoing, the Board has adopted this Resolution to authorize the issuance of its Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Refunding Bonds, Series 1978 and by other resolutions adopted concurrently herewith has authorized the issuance of certain special obligation bonds, has authorized certain of the Series 1970 Bonds and Series 1974 Bonds to be called for redemption prior to their maturities, has authorized the Board to enter into an escrow agreement with City National Bank of Austin, Austin, Texas, pursuant to which provision shall be made for the deposit and investment of proceeds of the refunding bonds herein authorized and the special obligation bonds and certain other funds, for the application of the principal amount thereof to the payment in full of principal, redemption premium and interest to maturity or redemption on the Series 1970 Bonds and the Series 1974 Bonds and for the application of the interest earned thereon to the payment in full of principal and interest on the special obligation bonds; and

WHEREAS, upon the issuance of the special obligation bonds and the refunding bonds herein authorized and the establishment of the escrow fund provided for in the escrow agreement, the Series 1970 Bonds and the Series 1974 Bonds shall no longer be regarded as outstanding obligations of the Board of Regents, and the Series 1971 Bonds, the Series 1972 Bonds, the Series 1973 Bonds and the refunding bonds herein authorized shall be the only obligations of the Board payable from Pledged Revenues;

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

Section 1: NAME, AMOUNT, PURPOSE AND AUTHORIZATION.

That for the purpose of effecting annual debt service savings, there shall be issued the negotiable, serial, coupon bonds of the Board of Regents of The University of Texas System in the aggregate principal amount of \$16,710,000, which shall be designated as "BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT AUSTIN, COMBINED FEE REVENUE REFUNDING BONDS, SERIES 1978" (hereinafter called the "Series 1978 Bonds"), the proceeds of which shall be applied, together with the proceeds of the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Special Obligation Refunding Bonds, Series 1978 (hereinafter called the "Special Obligation Bonds"), to refund bonds numbered 210 through 2000, both inclusive, of the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1970 and bonds numbered 95 through 1380, both inclusive, of the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1974, in advance of their maturities or redemption dates, as more fully provided herein, under and in strict conformity with the Constitution and laws of the State of Texas, including particularly Chapter 55 of the Texas Education Code, as amended.

Section 2: DATE, DENOMINATION AND MATURITIES. That the Series 1978 Bonds shall be dated August 1, 1978, shall

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be numbered consecutively from 1 upward in order of their maturities, shall be in the denomination of \$5,000 each, and shall mature serially on June 1 in each of the years and in the amounts, respectively, as follows:

<u>YEARS</u>	<u>AMOUNTS</u>	<u>YEARS</u>	<u>AMOUNTS</u>	<u>YEARS</u>	<u>AMOUNTS</u>
1979	\$465,000	1986	\$660,000	1993	\$ 885,000
1980	520,000	1987	690,000	1994	925,000
1981	545,000	1988	720,000	1995	970,000
1982	560,000	1989	745,000	1996	1,005,000
1983	585,000	1990	785,000	1997	1,050,000
1984	605,000	1991	815,000	1998	1,085,000
1985	630,000	1992	845,000	1999	1,145,000
				2000	475,000

Section 3: INTEREST RATES AND PAYMENT DATES. That the Series 1978 Bonds shall bear interest from their date until the principal sum is paid at the following rates per annum:

<u>Year Maturing</u>	<u>Interest Rate</u>	<u>Year Maturing</u>	<u>Interest Rate</u>
1979	5.00%	1990	5.30%
1980	5.00%	1991	5.40%
1981	5.00%	1992	5.50%
1982	5.00%	1993	5.60%
1983	5.00%	1994	5.75%
1984	5.00%	1995	5.80%
1985	5.00%	1996	5.95%
1986	5.00%	1997	6.00%
1987	5.10%	1998	6.00%
1988	5.10%	1999	6.00%
1989	5.25%	2000	6.00%

with said interest being evidenced by interest coupons that shall appertain to said Series 1978 Bonds and shall be payable on the dates stated in Section 5 of this Resolution.

Section 4: MANNER OF PAYMENT, OPTIONAL REDEMPTION AND EXECUTION OF BONDS. That the Series 1978 Bonds and the interest coupons appertaining thereto shall be payable, shall have the characteristics, may be redeemed prior to their scheduled maturities, and shall be signed, executed and sealed all as provided, and in the manner indicated, in Section 5 of this Resolution.

Section 5: FORM OF BONDS, INTEREST COUPONS AND COMPTROLLER'S CERTIFICATE. That the form of the Series 1978 Bonds, the form of interest coupons to be attached to said Series 1978 Bonds, and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be printed and endorsed on each Series 1978 Bond shall be, respectively, in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and permitted by this Resolution:

NO. _____ \$5,000

UNITED STATES OF AMERICA
 STATE OF TEXAS
 BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
 THE UNIVERSITY OF TEXAS AT AUSTIN
 COMBINED FEE REVENUE REFUNDING BOND
 SERIES 1978

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ON JUNE 1, 19 , the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (hereinafter sometimes called the "Board"), for and on behalf of THE UNIVERSITY OF TEXAS AT AUSTIN, hereby promises to pay to bearer, solely from the Pledged Revenues hereinafter described, the sum of

FIVE THOUSAND DOLLARS

and to pay interest thereon from the date hereof at the rate of % per annum, payable June 1, 1979, and semi-annually thereafter on each December 1 and June 1 until said principal sum is paid, but only upon presentation and surrender of the interest coupons hereto appertaining as they severally become due. The principal of this bond and the interest coupons appertaining hereto shall be payable to bearer, in lawful money of the United States of America, without exchange or collection charges to the bearer, upon presentation and surrender of this bond or proper interest coupon, at the following, which shall constitute and be defined as the Banks of Payment for this series of bonds:

Bank of the Southwest National Association,
Houston, Houston, Texas

or, at the option of the bearer, at

Bankers Trust Company, New York, New York.

THIS BOND IS ONE OF A DULY AUTHORIZED SERIES OF BONDS of like tenor and effect except as to serial number, interest rate, right of prior redemption and maturity, numbered 1 through 3342, both inclusive, in the denomination of \$5,000 each, in the aggregate principal amount of \$16,710,000, issued pursuant to a resolution (hereinafter called the "Resolution") adopted by the Board on the 4th day of August, 1978, the proceeds of which, together with the proceeds of the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Special Obligation Refunding Bonds, Series 1978, will be applied for the purpose of refunding bonds numbered 210 through 2000, both inclusive, of the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1970, dated June 1, 1970, and bonds numbered 95 through 1380, both inclusive, of the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1974, dated December 1, 1974, under and in strict conformity with the Constitution and laws of the State of Texas, including particularly Chapter 55 of the Texas Education Code, as amended.

THIS BOND AND ALL BONDS OF THE SERIES OF WHICH IT IS A PART, together with the outstanding bonds of the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1971, Series 1972 and Series 1973 (the "Outstanding Bonds"), are equally and ratably payable from, and secured by a first lien on and pledge of, certain Pledged Revenues, which include (i) the gross collections of a certain General Fee to be charged all students regularly enrolled at The University of Texas at Austin for the use and availability of the University, (ii) the gross collections of a certain Building Use Fee charged all tuition paying students attending The University of Texas at Austin and (iii) certain debt service subsidy grants from the United States Government. This bond and the issue of which it is a part, and the

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interest thereon, constitute special obligations of the Board and are payable solely from the Pledged Revenues and do not constitute an indebtedness of the State of Texas, the Board or The University of Texas at Austin. The bearer hereof and the coupons attached hereto shall never have the right to demand payment of this bond or of such coupons out of any funds raised or to be raised by taxation.

ON JUNE 1, 1988, OR ON ANY INTEREST PAYMENT DATE THEREAFTER, the Board shall have the option of calling the bonds of this issue maturing serially on or after June 1, 1989, for redemption prior to maturity, in whole or in part, in inverse numerical order, at par and accrued interest to the date of redemption.

NOTICE OF REDEMPTION IS TO BE PUBLISHED in a financial publication published in the English language in the City of New York, New York, or in the City of Austin, Texas, at least once, not less than thirty (30) days before the date fixed for such redemption, and thirty (30) days' notice in writing is to be given to the Banks of Payment before the date so fixed for such redemption. On or before the date fixed for redemption, funds shall be placed in the Banks of Payment sufficient to pay the bonds called and accrued interest thereon. If such written notice of redemption is published, and if due provision for such payment is made, all as provided above, the bonds which are to be so redeemed thereby automatically shall be redeemed prior to their scheduled maturities, they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the purpose of being paid by the Banks of Payment with the funds so provided for such payment.

IT IS HEREBY DECLARED AND REPRESENTED that, so long as this bond or the issue of bonds of which it is a part remains outstanding, the Board has covenanted and agreed that it will establish and maintain the Building Use Fee at The University of Texas at Austin at the highest rate permitted by law and the General Fee at a rate which, together with other Pledged Revenues, will be sufficient to pay principal and interest on the Outstanding Bonds, the bonds of this series and any additional parity bonds and accumulate the debt service reserve required in connection with the Outstanding Bonds, the bonds of this series and any additional parity bonds.

IT IS FURTHER DECLARED AND REPRESENTED that this bond has been duly and validly issued and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the issuance or delivery of this bond have been performed, existed, and been done in accordance with law; that this series of bonds does not exceed any Constitutional or statutory limitation; and that provision has been made for the payment of principal of and interest on this bond and the series of which it is a part by the irrevocable pledge of the Pledged Revenues.

THE BOARD HAS RESERVED THE RIGHT, subject to the restrictions referred to in the Resolution, to issue additional parity revenue bonds which also may be made equally and ratably payable from, and secured by an irrevocable first lien on and pledge of, the aforesaid Pledged Revenues.

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THE BEARER OF THIS BOND and the bearers of the bonds of this series shall be subrogated to all rights and privileges of the bearers of the bonds refunded by the issuance of this series of bonds, except to the extent otherwise provided in the Resolution.

IN WITNESS WHEREOF, the Board of Regents of The University of Texas System has caused the corporate seal of said Board to be impressed, printed or lithographed hereon and has caused this bond and the interest coupons attached hereto to be executed by the imprinted or lithographed facsimile signatures of the Chairman and the Secretary of the Board, respectively, and this bond has been dated August 1, 1978.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

By _____
Chairman

[SEAL]

ATTEST:

Secretary

(FORM OF INTEREST COUPON)

\$ _____ NO. _____

On the first day of _____, _____, unless the bond to which this coupon appertains shall have been called for redemption and due provision made to redeem same, upon surrender of this coupon, the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM PROMISES TO PAY TO BEARER at Bank of the Southwest National Association, Houston, Houston, Texas, or, at the option of the bearer, at Bankers Trust Company, New York, New York, but solely from the Pledged Revenues specified in the bond to which this coupon is attached, the amount shown above, without exchange or collection charges to the bearer hereof, payable in lawful money of the United States, being interest then due on the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT AUSTIN, COMBINED FEE REVENUE REFUNDING BOND, SERIES 1978, bearing the number hereinafter specified, dated August 1, 1978. The bearer hereof shall never have the right to demand payment of this obligation out of funds raised or to be raised by taxation. Bond No. _____.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

Secretary Chairman

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(FORM OF COMPTROLLER'S REGISTRATION CERTIFICATE)

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

I HEREBY CERTIFY that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this bond and the proceedings for the issuance hereof have been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas and that it is a valid and binding special obligation of the Board of Regents of The University of Texas System payable from the revenues and other funds pledged to its payment by and in the proceedings authorizing the same, and I do further certify that this bond has this day been registered by me.

WITNESS MY SIGNATURE AND SEAL OF OFFICE at Austin, Texas, this _____.

[SEAL]

Comptroller of Public Accounts
of the State of Texas

Section 6: DEFINITIONS. That as used in this Resolution, (except in Section 5 hereof) the following terms shall have the meanings set forth below, unless the text hereof indicates otherwise:

The term "Additional Bonds" shall mean the additional parity revenue bonds permitted to be authorized in Section 8 of the Series 1970 Resolution, excluding any Bonds heretofore issued.

The term "Board" shall mean the Board of Regents of The University of Texas System.

The term "bondholder" or "holder" shall mean any person or persons who shall be the bearer of one or more of the Bonds.

The term "Bonds" shall mean the Board of Regents of The University of Texas System, the University of Texas at Austin, Combined Fee Revenue Bonds, Series 1971, Series 1972, Series 1973 and the Series 1978 Bonds herein authorized.

The term "Building Use Fee" shall mean the building use fee to be fixed, charged, and collected from all tuition paying students regularly enrolled at the University, out of and as a part of the regular student tuition fees at the University, the gross collections which are pledged to the payment of the Bonds and Additional Bonds as authorized by Chapter 55, Texas Education Code.

The term "General Fee" shall mean the general fee to be fixed, charged and collected from all students regularly enrolled at the University, for the general use and availability of the property, buildings, structures and other facilities of the University, the gross collections of which are pledged to the payment of the Bonds and Additional Bonds as authorized by Chapter 55, Texas Education Code.

The term "Interest and Sinking Fund" shall mean the Combined Fee Revenue Bonds, Series 1970, Interest and Sinking Fund, and the debt service reserve therein, established by the Board pursuant to the Series 1970 Resolution and which is maintained by the Board pursuant to the resolutions authorizing the Bonds for the payment of principal and interest on the Bonds and Additional Bonds.

The term "Pledged Revenues" shall mean, collectively, (1) the gross collections of the General Fee, (2) the gross collections of the Building Use Fee, (3) all interest grants received or to be received from the United States Government in connection with the Bonds, (4) any additional revenues, income, receipts, rentals, rates, charges, fees or other resources which may hereafter be pledged to the payment of the Bonds and Additional Bonds.

The term "Revenue Fund" shall mean the General Fee Revenue Fund established by the Board pursuant to the Series 1970 Resolution.

The term "Series 1970 Resolution" shall mean the resolution of the Board adopted May 29, 1970 authorizing the issuance of the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1970.

The term "Special Obligation Bonds" shall mean the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Special Obligation Refunding Bonds, Series 1978, authorized by a resolution adopted by the Board concurrently herewith.

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

Section 7: APPLICATION OF SERIES 1978 BOND PROCEEDS.
That the proceeds from the sale of the Series 1978 Bonds shall be disbursed as follows:

(a) To the Interest and Sinking Fund, the accrued interest and premium, if any, received from the sale of the Series 1978 Bonds;

(b) To be applied, together with the proceeds of the Special Obligation Bonds and the funds provided for in Section 8 of this Resolution, to fund and establish at City National Bank of Austin, Austin, Texas, as Escrow Agent, an escrow fund to be entitled "Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1970 and Series 1974 Escrow Fund" in accordance with the terms of a certain escrow agreement to be entered into between the Board and said Escrow Agent at or prior to delivery of the Series 1978 Bonds, which escrow fund shall have deposited to its credit cash, equivalent to the principal amount of the redemption price of the Series 1970 Bonds and the Series 1974 Bonds, with interest to the respective dates of maturity or redemption dates, all as more fully set forth in such escrow agreement;

(c) To pay expenses connected with the refunding of the Series 1970 Bonds and the Series 1974 Bonds and the issuance of the Series 1978 Bonds;

(d) To the debt service reserve, an amount equal to the average annual principal and interest requirements for the Series 1978 Bonds; and

(e) The balance, if any, to the Interest and Sinking Fund.

Section 8: APPLICATION OF CERTAIN PROCEEDS OF THE INTEREST AND SINKING FUND AND DEBT SERVICE RESERVE. That upon the issuance of, and payment of the purchase price for, the Series 1978 Bonds, there shall be transferred to the Escrow Agent from the Interest and Sinking Fund, that portion of the amounts on deposit therein on the date of delivery of the Series 1978 Bonds as shall be allocable to the Series 1970 Bonds and the Series 1974 Bonds for the payment of principal thereof and interest thereon, and, from the debt service reserve, an amount equal to the average annual principal and interest requirements for the Series 1970 Bonds and the Series 1974 Bonds. Such amounts shall be applied by the Escrow Agent to the payment of the Series 1970 Bonds and the Series 1974 Bonds, pursuant to the terms and provisions of the Escrow Agreement.

Section 9: SUBROGATION OF RIGHTS. That the holders of the Series 1978 Bonds shall be subrogated to all rights and privileges of the holders of the Series 1970 Bonds and the Series 1974 Bonds, except to the extent otherwise provided herein.

Section 10: SOURCE OF PAYMENT. That the Series 1978 Bonds are "Additional Bonds" as permitted by Section 8 of the Series 1970 Resolution, and it is hereby determined, declared, and resolved that all of the Series 1971 Bonds, the Series 1972 Bonds, the Series 1973 Bonds, and the Series 1978 Bonds, (herein collectively called the "Bonds") are and shall be secured and payable equally and ratably on a parity, and that the Bonds and any Additional Bonds, and the interest thereon, are and shall be secured by and payable from an irrevocable first lien on and pledge of the Pledged Revenues. The Bonds and any Additional Bonds and interest coupons appertaining thereto constitute special obligations of the Board payable solely from the Pledged Revenues, and such obligations shall not constitute a prohibited indebtedness of the University, the Board, or the State of Texas, and the holders of the Bonds and Additional Bonds and the coupons appertaining thereto shall never have the right to demand payment out of funds raised or to be raised by taxation.

Section 11: ADOPTION OF CERTAIN SECTIONS OF SERIES 1970 RESOLUTION. That Sections 5 through 11 of the Series 1970 Resolution are hereby adopted by reference and shall be applicable to the Series 1978 Bonds for all purposes, except to the extent herein specifically modified and supplemented.

Section 12: RATIFICATION OF GENERAL FEE. That it is hereby declared and confirmed that the General Fee has been and is hereby fixed at the rate of \$5.62 per semester credit hour for each of the regular fall and spring semesters, and for each term of each summer session, for the general use and availability of the property, buildings, structures and other facilities of The University of Texas at Austin.

Section 13: DEPOSITS TO INTEREST AND SINKING FUND.
(a) That on or before November 25, 1978, and semiannually on or before each May 25th and November 25th thereafter, the

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Board shall transfer from the Revenue Fund and deposit to the credit of the Interest and Sinking Fund the amounts as follows:

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

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

(3) so long as the money and investments in the debt service reserve are at least equal in market value to the amount of the average annual principal and interest requirements of the Bonds, then no additional deposits need to be made to the debt service reserve unless and until the debt service reserve should be depleted to less than said amount in market value, in which case deposits to the debt service reserve shall be made and continued in an amount equal to 1/10th of the average annual principal and interest requirements of the Bonds until the debt service reserve is restored to said amount.

(b) That this Section is cumulative, and states all deposits required to be made to the credit of the Interest and Sinking Fund from the Revenue Fund in connection with all of the Bonds. All gross collections of the Building Use Fee shall continue to be deposited as received directly to the credit of the Interest and Sinking Fund, as required by Section 7.03 of the Series 1970 Resolution.

Section 14: TRANSFERS TO PAYING AGENTS. On or before the last day of November, 1978, and on or before the last day of each May and of each November thereafter while any of the Bonds and Additional Bonds, if any, are outstanding and unpaid, there shall be made available to the paying agents therefor, out of the Interest and Sinking Fund, money sufficient to pay such interest on and such principal of the Bonds and Additional Bonds, if any, as will accrue or mature on the first day of the month immediately following. The paying agents shall totally destroy all paid Bonds and Additional Bonds, if any, and the coupons appertaining thereto and shall furnish the Board with an appropriate certificate of destruction.

Section 15: ADDITIONAL COVENANTS. (a) That while the Bonds or any Additional Bonds are outstanding and unpaid, the Board covenants and agrees that it will not additionally encumber the Pledged Revenues in any manner, except as permitted in the Series 1970 Resolution in connection with Additional Bonds, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of the resolutions authorizing the Bonds.

(b) That the Board covenants and agrees that it and the University will comply with all of the terms and conditions of all interest grants agreements entered into between the Board or the University and the United States Government

in connection with the Bonds and the purposes for which they are issued; and that all action necessary will be taken to enforce said terms and conditions.

Section 16: NO ARBITRAGE. (a) That the Board certifies that based upon all facts, estimates and circumstances now known or reasonably expected to be in existence on the date the Series 1978 Bonds are delivered and paid for, the Board reasonably expect that the proceeds of the Series 1978 Bonds will not be used in a manner that would cause the Series 1978 Bonds or any portion thereof to be an "arbitrage bond" under Section 103(c) of the Internal Revenue Code of 1954, as amended, and the temporary and proposed regulations heretofore prescribed thereunder. Furthermore, all officers, employees and agents of the Board are authorized and directed to provide certifications of facts, estimates and circumstances which are material to the reasonable expectations of the Board as of the date the Series 1978 Bonds are delivered and paid for, and any such certifications may be relied upon by counsel, by the holders of the Series 1978 Bonds, or by any person interested in the exemption of interest on the Series 1978 Bonds from federal income taxation. Moreover, the Board covenants that it shall make such use of the proceeds of the Series 1978 Bonds, regulate investments of proceeds of the Series 1978 Bonds, and take such other and further action as may be required so that the Series 1978 Bonds shall not be "arbitrage bonds" under Section 103(c) of the Internal Revenue Code of 1954, as amended, and regulations prescribed from time to time thereunder.

(b) That the Board further certifies that based on all facts, estimates and circumstances now known or reasonably expected to be in existence on the date the Series 1978 Bonds are delivered and paid for, the Board does not reasonably expect to use any amounts accumulated in the debt service reserve in the Interest and Sinking Fund to pay principal or interest on the Series 1978 Bonds.

Section 17: DISCHARGE BY DEPOSIT. That the Board may discharge its obligations to the holders of any or all of the Series 1978 Bonds and coupons appertaining thereto to pay principal, interest and redemption premium (if any) thereon by depositing with the State Treasurer or at the Banks of Payment either: (1) cash equivalent to the principal amount and redemption premium, if any, plus interest to the date of maturity or redemption, or (2) direct obligations of, or obligations the principal and interest of which are guaranteed by, the United States of America, in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of the principal amount and redemption premium, if any, on such Series 1978 Bonds plus interest to the date of maturity or redemption; provided, however, that if any of such Series 1978 Bonds are to be redeemed prior to their date of maturity, provision shall have been made for giving notice of redemption as provided herein. Upon such deposit, the Series 1978 Bonds and coupons appertaining thereto shall no longer be regarded as outstanding and unpaid. Also, whenever provision is made in the above manner for payment of any other Bonds or Additional Bonds, such bonds shall no longer be deemed outstanding for purposes of any provision contained herein.

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Section 18: APPROVAL AND REGISTRATION. That the Chairman of the Board is hereby authorized to have control of the Series 1978 Bonds and all necessary records and proceedings pertaining to the Series 1978 Bonds pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of said Series 1978 Bonds, said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate printed and endorsed on each of the Series 1978 Bonds and the seal of said Comptroller shall be impressed, or placed in facsimile, on each of the Series 1978 Bonds.

Section 19: SALE AND DELIVERY. That the sale of the Series 1978 Bonds is hereby awarded to Merrill Lynch, Pierce, Fenner & Smith Incorporated for a price of 98.52482% of par, plus accrued interest thereon from the date thereof to the date of actual delivery, subject to the approving opinions, as to the legality of the Bonds, of the Attorney General of the State of Texas and Vinson & Elkins, Houston, Texas, market attorneys. When said Series 1978 Bonds have been approved by the Attorney General and registered by the Comptroller of Public Accounts of the State of Texas, they shall be delivered to the named purchaser upon receipt of the full purchase price.

Section 20: OFFERING DOCUMENTS. That the Preliminary Official Statement, Official Notice of Sale and Official Statement, together with any supplements and amendments thereto, are hereby ratified, authorized and approved for use in connection with the solicitation of bids for, and the sale and distribution of, the Series 1978 Bonds. *

Section 21: CAPTIONS. The captions of the Sections of this Resolution have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof.

ADOPTED AND APPROVED at Austin, Texas, this 4th day of August, 1978.

/s/ Allan Shivers
Chairman, Board of Regents of
The University of Texas System

ATTEST:

/s/ Betty Anne Thedford
Secretary, Board of Regents of
The University of Texas System

*Inserted following this page

PRELIMINARY OFFICIAL STATEMENT DATED JULY 25, 1978

NEW ISSUE

On August 3, 1978, at 10:00 A.M., C.D.T., sealed underwriting bids received in response to the Official Notice of Sale will be opened by the Board of Regents of The University of Texas System for the purchase of the following bond issue:

\$16,925,000 •

**Board of Regents of
The University of Texas System
The University of Texas At Austin
Combined Fee Revenue Refunding Bonds
Series 1978**

Dated: August 1, 1978

(Interest exempt from present federal income taxes)

It is estimated that the Bonds will be delivered within 30 days following the Board's acceptance of an underwriting bid. The Bonds are to be issued subject to the unqualified approving legal opinion of Vinson & Elkins, Houston, Texas, Bond Counsel, and the Attorney General of the State of Texas.

Copies of the Official Notice of Sale and the Official Statement may be obtained from the Executive Director for Investments, Trusts and Lands, The University of Texas System, 210 West Sixth Street, Austin, Texas, 78701 or from the offices of the

Financial Advisor

**Rauscher Pierce Securities Corporation
Mercantile Dallas Building
1807 Commerce Street
Dallas, Texas 75201
(214) 748-0111**

• (Subject to change)

OFFICIAL NOTICE OF SALE

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
THE UNIVERSITY OF TEXAS AT AUSTIN

\$16,925,000*
COMBINED FEE REVENUE REFUNDING BONDS, SERIES 1978

*Subject to change)

Bids to be Opened

Thursday, August 3, 1978, at 10:00 A.M., C.D.T.

PLACE AND TIME OF SALE: Sealed bids will be received by representatives of the Board of Regents of The University of Texas System in the Office of Investments, Trusts and Lands, 210 W. 6th Street, Austin, Texas, until 10:00 A.M., C.D.T., Thursday, August 3, 1978, for the Bonds described in the Official Statement, at which time said bids will be publicly opened and read. The Board will consider and act on said bids at a separate meeting to be held at 9:00 A.M., C.D.T., Friday, August 4, 1978, by the Board of Regents of The University of Texas System.

ADDRESS OF BIDS: Sealed bids, plainly marked "Bid for Bonds", should be addressed to "Board of Regents of The University of Texas System, c/o Mr. W. L. Lohb, Executive Director for Investments, Trusts and Lands, The University of Texas System, 210 W. 6th Street, Austin, Texas 78701". All bids must be submitted on the "Official Bid Form", copies of which are enclosed herewith.

DESCRIPTION OF BONDS: The Combined Fee Revenue Refunding Bonds, which are more fully described in the Official Statement, will be dated August 1, 1978, will be in the denomination of \$5,000 and will mature June 1 in each of the respective years as follows:

Maturity (June 1)	Principal Amounts	Maturity (June 1)	Principal Amounts
1979	\$ 465,000	1990	\$ 785,000
1980	520,000	1991	815,000
1981	545,000	1992	845,000
1982	560,000	1993	885,000
1983	585,000	1994	925,000
1984	605,000	1995	970,000
1985	630,000	1996	1,005,000
1986	660,000	1997	1,050,000
1987	690,000	1998	1,085,000
1988	720,000	1999	1,145,000
1989	745,000	2000	(a) 690,000

(a) Prior to award, this principal amount is subject to adjustment as set forth in the following Section.

ADJUSTMENT IN THE PRINCIPAL AMOUNT OF BONDS TO BE SOLD: The proposed refunding, which is designed to comply with the requirements of Section 103(c) of the Internal Revenue Code with respect to "arbitrage bonds", is based upon certain assumptions including the interest rate that will be obtained on the subject Bonds being herein offered, and the yield that will be available on the United States Government obligations to be purchased from the proceeds of said Bonds. If after final computation of the bids, the Board determines that the funds necessary to accomplish the refunding are either more or less than the proceeds from the sale of the proposed Bonds, the Board reserves the right either to increase or decrease to the extent necessary the respective principal amount of the Bonds. In the event such adjustment is necessary, the adjustment will be made by adding to or deducting from the principal amount maturing in the last year, being 2000. In the event of any such adjustment, no rebidding or recalculations of the bids submitted will be required or permitted. The price and interest rate at which the adjusted principal amount of Bonds will be sold will be exactly the same as that shown on the bid of the successful bidder. The successful bidder will be notified by 9:00 A.M., C.D.T., on August 4, 1978 of any such required adjustment in the principal amount which will be made.

OF BIDS AND INTEREST RATES: The Bonds will be sold in one block on an "all or none" and discount bids will be permitted provided that any discount bid does not exceed of the par value of the Bonds to be sold. Bidders must specify the rate or rates of interest to be borne by the Bonds in multiples of 1/8 or 1/20 of 1%. Bidders are not restricted to the number of interest rates that may be named; provided that such rates must be in increasing order, in that each interest rate specified must be equal to or higher than the last rate specified for the preceding year. Bids involving supplemental interest coupons at interest rates will not be considered, and all Bonds of one maturity must bear the same interest rate.

OF AWARD: For the purpose of awarding the sale of the Bonds, the interest cost of each bid will be computed by determining, at the rate or rates specified therein, the total dollar amount of all interest on the \$16,925,000 Combined Fee Revenue Refunding Bonds from the date of their respective maturities, and adding thereto the amount of the discount bid, if any, deducting therefrom the amount of the premium bid, if any. Subject to the Board's right to accept any and all bids, the Bonds will be awarded to the bidders complying with the Official Statement of Sale whose bid, under the foregoing computation, produces the lowest net interest cost to the issuer. Rauscher Pierce Securities Corporation, the Board's Financial Advisor, will act as the issuer of the Bonds.

GOOD FAITH DEPOSIT: Cashier's check, payable to the "Board of Regents of The University of Texas System" in the amount of \$338,500 is required. Such check will be considered as a good faith deposit, and the check of the successful bidder will be cashed and retained by the Board as performance of the contract by such bidder. In the event such bidder should fail or refuse to take up and pay for the bonds in accordance with his bid, then said good faith deposit will be accepted by the Board as full and complete liquidated damages. Otherwise, said good faith deposit will be applied to the purchase price of the Bonds. The required cashier's check must be accompanied by the "Official Bid Form" or it may be submitted separately. If submitted separately, it shall be made available to the Board prior to the opening of the bids and shall be accompanied by instructions from the bank on which drawn authorizing its use as a good faith deposit by the successful bidder who shall be named in such instructions. No interest will be earned on the good faith deposit of the successful bidder, and the checks of the unsuccessful bidders will be returned as soon as the best bid is determined.

PRINTED BONDS AND CUSIP NUMBERS: The Board will furnish printed bonds on lithographed or engraved borders to the purchaser. It is anticipated that CUSIP identification numbers will be printed on said Bonds, but neither the failure to print such number on any bond nor any delay with respect thereto shall constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for said Bonds in accordance with the terms of the purchase contract. The cost of printing the CUSIP numbers on said Bonds shall be paid for by the purchaser; provided, however, that the CUSIP Service Bureau charge for the assignment of said numbers shall be the responsibility of and shall be paid for by the purchaser.

PAYING AGENT BANKS: On the date these bonds are sold, the Board of Regents of The University of Texas System will select a Texas bank with assets in excess of \$200,000,000 as paying agent for the Bonds and a New York City bank as co-paying agents. The selection of paying agents will be at the sole discretion of the Board of Regents.

ELIGIBILITY AS INVESTMENTS: The Bonds are legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, small business investment corporations, insurance companies of all kinds and types, fiduciaries, trustees, and individuals, and for all interest and sinking funds and other public funds of the State of Texas, all agencies, subdivisions, and districts, and all other kinds and types of districts, counties, agencies, and bodies politic. The Bonds are also eligible and lawful security for all public funds of the State of Texas and all agencies, subdivisions, and districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the value of the Bonds when accompanied by any unmatured interest coupons appurtenant thereto. No review by the Board has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

OPINIONS: The Board will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the Board, and, based upon examination of such transcript of the proceedings, the unqualified approving legal opinion of Vinson & Elkins, bond counsel for The University of Texas System, to a like effect and to the effect that the interest on the Bonds is exempt from

federal income taxation under existing statutes, regulations, published rulings and court decisions. Vinson & Elkins took no part in the preparation of the Official Notice of Sale or the Official Statement nor has such firm undertaken independently to verify any of the information contained therein, except that, in their capacity as bond counsel, such firm has reviewed the information describing the Bonds in such Notice and Statement to verify that such description conforms to the provisions of the bond resolution. The legal fees to be paid Vinson & Elkins for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds.

NO LITIGATION CERTIFICATE: The Board will execute and deliver to the successful purchaser a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain or enjoin the issuance or delivery of said bonds or the coupons appertaining thereto, or which would affect the provisions made for their payment or security, or in any manner questioning the validity of said bonds or coupons.

DELIVERY: Delivery of the Bonds will be made at the expense of the Board at City National Bank of Austin, Austin, Texas. It is anticipated that delivery can be made on or about August 31, 1978 and it is understood and agreed that the purchaser will accept delivery and make payment in Federal Funds of the agreed purchase price, less the amount of the good faith deposit, on or before August 31, 1978. The purchaser shall be given at least seven days' notice of time which the Board has fixed for delivery. The purchaser shall make proper payment for the Bonds prior to 12:00 noon, C.D.T., on the date so fixed for delivery. If for any reason The University of Texas at Austin is unable to tender the Bonds for delivery on or before August 31, 1978, then the good faith deposit will be returned and The University of Texas at Austin and the successful bidder shall be relieved of further obligation.

CERTIFICATION AS TO OFFICIAL STATEMENT: At the time of payment for and delivery of the Bonds, the Board will furnish the successful bidder a certificate, executed by a proper officer or officers of such Board, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the description and statements of or pertaining to the issuer contained in the Official Statement, as supplemented and amended, on the date of such Official Statement, on the date of sale of the Bonds and the acceptance of the best bid therefor, and on the date of the delivery of the Bonds, were and are true and correct in all material respects; (b) insofar as the issuer and its affairs, including the financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the description and statements, including financial data contained in the Official Statement, as supplemented and amended, of or pertaining to entities other than the Board and its activities are concerned, such statements and data have been obtained from sources which the Board believes to be reliable and that the Board has no reason to believe that they are untrue in any material respect.

CHANGE IN TAX EXEMPT STATUS: At any time before the Bonds are tendered for delivery, the purchaser may withdraw his bid if the interest received by private holders from bonds of the same type and character shall be declared to be taxable income under present Federal income tax laws, either by ruling of the Internal Revenue Service or by a decision of any Federal court, or income taxes, by the terms of any Federal income tax law enacted subsequent to the date of this Official Notice of Sale.

NOT AN OFFER TO SELL: This Official Notice of Sale does not alone constitute an offer to sell. It is merely a Notice of Sale of bonds as directed by the Board of Regents. The offer by the Board of Regents of The University of Texas System to sell the Bonds to the successful bidder is being made by means of the Official Notice of Sale, the Official Statement, and the Official Bid Form. Prospective bidders are urged to examine the Official Statement carefully to determine the investment quality of the Bonds.

RESPONSIBILITY FOR QUALIFICATION OF BONDS FOR SALE IN RESPECTIVE STATES: The Board assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities rating provisions.

RATINGS: Rating applications have been made to Moody's Investors Service, Inc. and to Standard & Poor's Corporation. The outcome of their determinations will be provided as soon as possible.

SALE OF ADDITIONAL BONDS: The Board does not intend to issue any additional parity bonds within ninety (90) days after the date these bonds are sold.

MATHEMATICAL VERIFICATION: The accuracy of (a) the arithmetical computations of the adequacy of the maturing principal amounts of and interest on the Federal Securities and certain other available funds to pay, when due, the principal or redemption price of and interest on the Series of Bonds being refunded and (b) the mathematical computations supporting the conclusion of Bond Counsel that the Series 1978 Bonds are not "arbitrage bonds" under Section 103(c) of the Internal Revenue Code, will be verified by Ernst & Ernst, certified public accountants. Such verification of arithmetical accuracy and mathematical computations shall be based upon information and assumptions supplied by the issuer and on interpretations of Section 103(c) of the Internal Revenue Code provided by bond counsel.

ADDITIONAL COPIES OF NOTICE OF SALE, OFFICIAL STATEMENT, BID FORM, AND BOND RESOLUTION: Additional copies of the Official Notice of Sale, Official Statement, Official Bid Form, and copies of the Bond Resolution may be obtained at the Office of the Executive Director for Investments, Trusts and Lands, The University of Texas System, 210 West Sixth Street, Austin, Texas 78701, or at the offices of Rauscher Pierce Securities Corporation, 1200 Mercantile Dallas Building, Dallas, Texas 75201, Financial Advisor to the Board. Each successful bidder will be furnished with up to 300 copies of the Official Statement at no expense. Arrangements have been made with the printer to supply additional copies, if desired, at the successful bidder's expense.

OFFICIAL STATEMENT: Upon award of the Bonds, the initial purchaser may arrange for the amendment and completion of the cover page in accordance with the terms of the sale and subsequently may use the Official Statement in presentation of the Bonds to prospective purchasers. Information with respect to interest rates and other matters relating to the offering for sale of the Bonds is the responsibility of the successful bidder and such information is not provided herein.

THE BOARD OF REGENTS RESERVES THE RIGHT TO REJECT ANY AND ALL BIDS AND WAIVE ANY IRREGULARITIES, EXCEPT TIME OF FILING.

W. L. Lobb, Executive Director
for Investments, Trusts & Lands
The University of Texas System
210 West Sixth Street
Austin, Texas 78701

July 25, 1978.

OFFICIAL BID FORM

August 3, 1978

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

Members of the Board:

Reference is made to your Official Notice of Sale dated July 25, 1978, and accompanying Official Statement relative to \$16,925,000 Board of Regents of The University of Texas System, The University of Texas at Austin Combined Fee Revenue Refunding Bonds, Series 1978, which Notice and Official Statement are made a part hereof.

For your legally issued bonds, as described in said Official Notice of Sale and Official Statement, we will pay you _____ (stated in dollar price as a percentage of par) and accrued interest from August 1, 1978, to the date of delivery for bonds maturing and bearing interest as follows:

Principal Amount	Maturity (June 1)	Rate	Principal Amount	Maturity (June 1)	Rate
\$ 465,000	1979	_____ %	\$ 785,000	1990	_____ %
520,000	1980	_____ %	815,000	1991	_____ %
545,000	1981	_____ %	845,000	1992	_____ %
560,000	1982	_____ %	885,000	1993	_____ %
585,000	1983	_____ %	925,000	1994	_____ %
605,000	1984	_____ %	970,000	1995	_____ %
630,000	1985	_____ %	1,005,000	1996	_____ %
660,000	1986	_____ %	1,050,000	1997	_____ %
690,000	1987	_____ %	1,085,000	1998	_____ %
720,000	1988	_____ %	1,145,000	1999	_____ %
745,000	1989	_____ %	(a) 690,000	2000	_____ %

(a) This principal amount is subject to adjustment prior to the award of the Bonds as provided in the Official Notice of Sale. Such adjustment, however, will not be taken into account in determining the lowest net interest cost for purposes of awarding the sale of the Bonds.

For information purposes only, and not as a part of this bid, we have calculated the Effective Interest Rate as follows:

Gross Interest Cost	\$ _____
Plus: Discount	\$ _____
Less: Premium	_____
NET INTEREST COST	\$ _____
EFFECTIVE INTEREST RATE	_____ %

Cashier's Check of the _____ Bank, _____ in the amount of \$338,500 (is attached hereto) (has been made available to you prior to the opening of this bid), and is submitted in accordance with the terms set forth in the Official Notice of Sale.

Respectfully submitted,

By: _____
Authorized Representative

Return of Good Faith Check
is hereby acknowledged:

Firm: _____
By: _____
Authorized Representative

BOND YEARS
 \$16,925,000
 BOARD OF REGENTS OF
 THE UNIVERSITY OF TEXAS SYSTEM
 THE UNIVERSITY OF TEXAS AT AUSTIN
 COMBINED FEE REVENUE REFUNDING BONDS
 SERIES 1978

Dated: August 1, 1978

Due: June 1

Year	Amount	Bond Years		Year
		Bond Years	Cumulative Bond Years	
1979	\$ 465,000	387.4845	387.4845	1979
1980	520,000	953.3160	1,340.8005	1980
1981	545,000	1,544.1485	2,884.9490	1981
1982	560,000	2,146.6480	5,031.5970	1982
1983	585,000	2,827.4805	7,859.0775	1983
1984	605,000	3,529.1465	11,388.2240	1984
1985	630,000	4,304.9790	15,693.2030	1985
1986	650,000	5,169.9780	20,863.1810	1986
1987	690,000	6,094.9770	26,958.1580	1987
1988	720,000	7,079.9760	34,038.1340	1988
1989	745,000	8,070.8085	42,108.9425	1989
1990	785,000	9,289.1405	51,398.0830	1990
1991	815,000	10,459.1395	61,857.2225	1991
1992	845,000	11,689.1385	73,546.3610	1992
1993	885,000	13,127.4705	86,673.8315	1993
1994	925,000	14,645.8025	101,319.6340	1994
1995	970,000	16,328.3010	117,647.9350	1995
1996	1,005,000	17,922.4665	135,570.4015	1996
1997	1,050,000	19,774.9650	155,345.3665	1997
1998	1,085,000	21,519.1305	176,864.4970	1998
1999	1,145,000	23,854.1285	200,718.6255	1999
2000	690,000	15,064.9770	215,783.6025	2000

AVERAGE MATURITY -----12.7494 YEARS

OFFICIAL BID FORM

August 3, 1978

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

Members of the Board:

Reference is made to your Official Notice of Sale dated July 25, 1978, and accompanying Official Statement relative to \$16,925,000 Board of Regents of The University of Texas System, The University of Texas at Austin Combined Fee Revenue Refunding Bonds, Series 1978, which Notice and Official Statement are made a part hereof.

For your legally issued bonds, as described in said Official Notice of Sale and Official Statement, we will pay you _____ (stated in dollar price as a percentage of par) and accrued interest from August 1, 1978, to the date of delivery for bonds maturing and bearing interest as follows:

Principal Amount	Maturity (June 1)	Rate	Principal Amount	Maturity (June 1)	Rate
\$ 465,000	1979	____%	\$ 785,000	1990	____%
520,000	1980	____%	815,000	1991	____%
545,000	1981	____%	845,000	1992	____%
560,000	1982	____%	885,000	1993	____%
585,000	1983	____%	925,000	1994	____%
605,000	1984	____%	970,000	1995	____%
630,000	1985	____%	1,005,000	1996	____%
650,000	1986	____%	1,050,000	1997	____%
690,000	1987	____%	1,085,000	1998	____%
720,000	1988	____%	1,145,000	1999	____%
745,000	1989	____%	(a) 690,000	2000	____%

(a) This principal amount is subject to adjustment prior to the award of the Bonds as provided in the Official Notice of Sale. Such adjustment, however, will not be taken into account in determining the lowest net interest cost for purposes of awarding the sale of the Bonds.

For information purposes only, and not as a part of this bid, we have calculated the Effective Interest Rate as follows:

Gross Interest Cost	\$ _____
Plus: Discount	\$ _____
Less: Premium	_____
NET INTEREST COST	\$ _____
EFFECTIVE INTEREST RATE	_____ %

Cashier's Check of the _____ Bank, _____ in the amount of \$338,500 (is attached hereto) (has been made available to you prior to the opening of this bid), and is submitted in accordance with the terms set forth in the Official Notice of Sale.

Respectfully submitted,

By: _____
 Authorized Representative

Return of Good Faith Check
 is hereby acknowledged:

Firm: _____
 By: _____
 Authorized Representative

BOND YEARS
\$16,925,000
BOARD OF REGENTS OF
THE UNIVERSITY OF TEXAS SYSTEM
THE UNIVERSITY OF TEXAS AT AUSTIN
COMBINED FEE REVENUE REFUNDING BONDS
SERIES 1978

Dated: August 1, 1978

Due: June 1

Year	Amount	Bond Years		Year
		Bond Years	Cumulative Bond Years	
1979	\$ 465,000	387.4845	387.4845	1979
1980	520,000	953.3160	1,340.8005	1980
1981	545,000	1,544.1485	2,884.9490	1981
1982	560,000	2,146.6480	5,031.5970	1982
1983	585,000	2,827.4805	7,859.0775	1983
1984	605,000	3,529.1465	11,388.2240	1984
1985	630,000	4,304.9790	15,693.2030	1985
1986	660,000	5,169.9780	20,863.1810	1986
1987	690,000	6,094.9770	26,958.1580	1987
1988	720,000	7,079.9760	34,038.1340	1988
1989	745,000	8,070.8085	42,108.9425	1989
1990	785,000	9,289.1405	51,398.0830	1990
1991	815,000	10,459.1395	61,857.2225	1991
1992	845,000	11,689.1385	73,546.3610	1992
1993	885,000	13,127.4705	86,673.8315	1993
1994	925,000	14,645.8025	101,319.6340	1994
1995	970,000	16,328.3010	117,647.9350	1995
1996	1,005,000	17,922.4665	135,570.4015	1996
1997	1,050,000	19,774.9650	155,345.3665	1997
1998	1,085,000	21,519.1305	176,864.4970	1998
1999	1,145,000	23,854.1285	200,718.6255	1999
2000	690,000	15,064.9770	215,783.6025	2000

AVERAGE MATURITY -----12.7494 YEARS

In the opinion of Bond Counsel, the interest on the Series 1978 Bonds is exempt from present federal income taxes under existing statutes, regulations, published rulings and court decisions.

NEW ISSUE

Moody's:
Standard & Poor's:

\$16,925,000*

Board of Regents of
The University of Texas System

The University of Texas At Austin

Combined Fee Revenue Refunding Bonds, Series 1978

Dated: August 1, 1978

Due: June 1, as shown below

The Series 1978 Bonds are special obligations of the Board of Regents of The University of Texas System (the "Board of Regents" or "Board") secured under a Bond Resolution adopted by the Board (the "1978 Resolution") and are payable solely from the Pledged Revenues as defined in the 1978 Resolution. The Series 1978 Bonds do not constitute general obligations of the State of Texas, the Board of Regents of The University of Texas at Austin, or any political subdivision of the State of Texas. Neither the credit nor the taxing power of the State of Texas or any political subdivision of the State of Texas is pledged to the payment of the principal of or interest on the Series 1978 Bonds. The Board of Regents has no taxing power, and bondholders shall never have the right to demand payment from any money raised or to be raised by taxation.

Principal and semi-annual interest (June 1, 1979 and thereafter on each December 1 and June 1) will be payable at _____ Bank, _____ Texas, or, at the option of the holder, at _____ Bank, New York, New York; bearer coupon bonds in the denomination of \$5,000, not registrable.

The Series 1978 Bonds maturing June 1, 1989 through June 1, 2000, inclusive, shall be redeemable, in whole or in part in inverse numerical order on June 1, 1988 or any interest payment date thereafter at par and accrued interest to date of redemption.

MATURITIES, AMOUNTS, COUPON RATES AND PRICES

Maturity June 1	Amount	Coupon	Price or Yield	Maturity June 1	Amount	Coupon	Price or Yield
1979	\$ 465,000			1990	\$ 785,000		
1980	520,000			1991	815,000		
1981	545,000			1992	845,000		
1982	560,000			1993	885,000		
1983	585,000			1994	925,000		
1984	605,000			1995	970,000		
1985	630,000			1996	1,005,000		
1986	660,000			1997	1,050,000		
1987	690,000			1998	1,085,000		
1988	720,000			1999	1,145,000		
1989	745,000			2000	690,000*		

(Accrued Interest to be Added)

The Series 1978 Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without any notice, and to the approval of legality of the Series 1978 Bonds by Vinson & Elkins, Houston, Texas and by the Attorney General of the State of Texas. It is expected that the Series 1978 Bonds in definitive form will be available for delivery to the Underwriter in Austin, Texas on or about August 30, 1978.

* 2000 maturity is subject to change in amount in accordance with the terms of the Official Notice of Sale.

The date of this Official Statement is July 25, 1978.

The information in this Official Statement has been obtained for and provided by the Board of Regents of The University of Texas System except as otherwise indicated. The sources of such information are considered to be reliable and those customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness. A copy of the complete 1978 Resolution under which the Series 1978 Bonds are issued is available upon request to the Board of Regents. All estimates and assumptions contained herein are believed to be reliable but no representation is made that such estimates or assumptions are correct or will be realized. No person, including any broker, dealer or salesman, has been authorized to give any information or to make any representation other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Board of Regents. Any information or expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create an implication that there has been no change as to the affairs of the Board of Regents since the date hereof.

This Official Statement does not constitute an offer to sell the Series 1978 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

The Series 1978 Bonds have not been registered with the Securities and Exchange Commission by reason of the exemption provisions of Section 3(a)(2) of the Securities Act of 1933, as amended. The Series 1978 Bonds have not been approved or disapproved by the Securities and Exchange Commission and the Commission has not passed upon the accuracy or adequacy of this Official Statement.

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OFFICIAL STATEMENT

\$16,925,000*

Board of Regents of The University of Texas System

The University of Texas At Austin Combined Fee Revenue Refunding Bonds, Series 1978

July 25, 1978

INTRODUCTION

This Official Statement, including the cover page and exhibits, is furnished in connection with the offering of \$16,925,000 principal amount of The University of Texas at Austin Combined Fee Revenue Refunding Bonds, Series 1978 (the "Series 1978 Bonds") of the Board of Regents of The University of Texas System, (the "Board of Regents" or "Board").

The Series 1978 Bonds are authorized to be issued by and secured by a bond resolution adopted August 4, 1978 (the "1978 Resolution") by the Board. Pursuant to the 1978 Resolution the Series 1978 Bonds, together with other parity bonds, will be payable from and secured by a pledge of and first lien on the "Pledged Revenues" of the Board as defined in the 1978 Resolution (see "The Bond Resolution"). The Series 1978 Bonds, together with the interest payable thereon, will be special obligations of the Board payable solely from a first lien of the Pledged Revenues, and are payable at the _____ Bank. The Series 1978 Bonds do not constitute general obligations of the State of Texas, the Board of Regents of the University of Texas at Austin, or any political subdivision of the State of Texas. Neither the credit nor the taxing power of the State of Texas or any political subdivision of the State of Texas is pledged to the payment of the principal of, or interest on the Series 1978 Bonds. The Board of Regents has no taxing power, and bondholders shall never have the right to demand payment from any money raised or to be raised by taxation.

The net proceeds of the Series 1978 Bonds, together with the proceeds of the Special Obligation Refunding Bonds, Series 1978 (the "Special Obligation Bonds") and other available funds, will be applied to refund the outstanding University of Texas at Austin, Combined Fee Revenue Bonds, Series 1970 and Series 1974.

PLAN OF FINANCING

The University of Texas at Austin has previously issued \$10,000,000 Combined Fee Revenue Bonds, Series 1970, \$8,955,000 of which are presently outstanding (the "Series 1970 Bonds"), and \$8,900,000 Combined Fee Revenue Bonds, Series 1974, \$6,430,000 of which are presently outstanding (the "Series 1974 Bonds"). The proceeds of the Series 1978 Bonds, together with the proceeds of the Special Obligation Bonds and other available funds will be applied to refund and defease the Series 1970 Bonds and the Series 1974 Bonds. The purpose of the refunding is to reduce annual debt service payments in each of the years 1979 through 2006 by approximately \$60,000. The present value of such savings is approximately \$800,000.

* (Subject to change)

The monies required to refund the Series 1970 and Series 1974 Bonds will come from the net proceeds of the Series 1978 Bonds, the Special Obligation Bonds, and other available funds. Such monies shall be applied to the purchase of direct obligations of the United States of America ("Federal Securities"). The Federal Securities will be held by the City National Bank, Austin, Texas as Escrow Agent under an Escrow Agreement to be dated the date of delivery of the Series 1978 Bonds. The Federal Securities are scheduled to mature at such times and in such amounts so that sufficient monies will be available from such maturing principal to pay, when due, the principal, interest, and redemption premium, if any, to accrue on the Series 1970 Bonds and the Series 1974 Bonds to their respective maturity or redemption dates. The interest income earned on such Federal Securities will be sufficient to pay, when due, all principal of and interest on the Special Obligation Bonds. The interest income on the Federal Securities is not pledged to and will not be available to pay the Series 1970 and 1974 Bonds or the Series 1978 Bonds. The maturing principal of such Federal Securities is not pledged to and will not be available to pay the Special Obligation Bonds or the Series 1978 Bonds.

Simultaneously with, and as a condition to, the issuance of the Series 1978 Bonds, the Board will issue approximately \$3,530,000 Special Obligation Bonds to provide a portion of the monies necessary to effect the refunding. The Special Obligation Bonds are not being offered by this Official Statement and will not be secured in any way by the principal of the Federal Securities or the Pledged Revenues. The Special Obligation Bonds, the use of the proceeds thereof and the security therefor are described in another Official Statement. Such Special Obligation Bonds are not being offered by this Official Statement.

ESTIMATED SOURCES AND USES OF FUNDS

Sources

Principal Amount of the Series 1978 Bonds	\$16,925,000
Special Obligation Bonds	\$3,530,000
Other Available Funds	245,000
Total Sources	<u>\$20,700,000</u>

Uses

Federal Securities	\$20,211,000
Bond Discount and Other Financing Expenses	489,000
Total Uses	<u>\$20,700,000</u>

THE SERIES 1978 BONDS

General Terms

The Series 1978 Bonds are issued as serial bonds and are dated August 1, 1978. The Series 1978 Bonds are issued in the principal amount of approximately \$16,925,000 and mature from June 1, 1979 to and including June 1, 2000. The Series 1978 Bonds are issued in coupon bearer form in the denomination of \$5,000 each, without the privilege of registration. Principal and Interest are payable at the Bank, the Paying Agent. The first coupon will be payable June 1, 1979 with subsequent coupons payable each December 1 and June 1 thereafter.

Security

The Series 1978 Bonds will constitute special obligations of the Board, and together with The University of Texas at Austin Combined Fee Revenue Bonds, Series 1971, Series 1972 and Series 1973, are equally and ratably secured by a pledge of and a first lien on (1) a General Fee to be fixed, charged and collected from all students (excepting any category of students now exempt

from paying fees by Chapter 54 of the Texas Education Code) regularly enrolled at the University, without limitation, for the general use and availability of the property, buildings, structures and other facilities of the University, (2) the gross collections of a Building Use Fee (known popularly as the "Skiles Act Fees") to be levied and collected from each tuition paying student (excepting any category of students now exempt from paying tuition by Chapter 54 of the Texas Education Code) in an amount not exceeding \$5.00 for each regular semester and \$2.50 for each summer term for each student enrolled for 12 or more semester credit hours and .42¢ per semester hour for students enrolled in less than 12 semester hours per semester or term and (3) all United States Department of Health, Education and Welfare annual debt service grants applicable to the Series 1970 Bonds, the Series 1971 Bonds and Series 1972 Bonds and to be applicable to the Series 1978 Bonds. The University is receiving under the Higher Education Facilities Act of 1963, Title III, Section 306, an annual interest subsidy grant of \$149,083 to run through fiscal year August 31, 2000, applicable to one half of the original Series 1970 Issue. The amount of such subsidy will be recomputed and made applicable to the Series 1978 Bonds by HEW, after the completion of the refunding transaction. It is estimated that such subsidy will be reduced by approximately \$30,000 annually. The amount of subsidy applicable to the Series 1971 Bonds is \$90,055 annually through 2001 and to the Series 1972 Bonds, \$64,938 annually through 2002. These subsidies will not be reduced.

Optional Redemption of the Bonds

The Series 1978 Bonds maturing June 1, 1989 through June 1, 2000, inclusive, shall be redeemable at the option of the Board, in whole or in part, in inverse numerical order, on June 1, 1989, or any interest payment date thereafter at par and accrued interest to the date of redemption.

Additional Bonds

In accordance with the Bond Resolution, the Board shall have the right to issue additional parity revenue Bonds. Such additional bonds shall only be issued and delivered if (1) the senior financial officer of the University signs a written certificate to the effect that the Board is not in default as to any covenant, condition or obligation in connection with all outstanding Bonds and Additional Bonds, and (2) the Interest and Sinking Fund and the Reserve Fund each contains the amount required to be therein (3) the State Auditor of the State of Texas or a Certified Public Accountant, signs a written certificate to the effect that for the then current fiscal year or the twelve month period next preceding the issuance of additional parity bonds, Pledged Revenues have been at least equal to 1.25 times the average annual principal and interest requirements on all Bonds outstanding and any additional Bonds to be outstanding after the issuance of the then proposed Additional Bonds (4) the senior financial officer of the University signs a written certificate to the effect that during each of the fiscal years, following that in which the Additional Bonds are issued, the estimated Pledged Revenues are equal to at least 1.25 times the principal and interest requirements for each such year on all Bonds and Additional Bonds then outstanding and the Additional Bonds being issued.

Flow of Funds

In accordance with the Bond Resolution, there are created a General Fee Revenue Fund, and Combined Fee Revenue Bonds Interest and Sinking Fund, which Fund shall contain a debt service reserve. All gross collections of the Building Use Fee shall be credited directly to the Interest and Sinking Fund upon receipt. All other gross collections of Pledged Revenues shall be credited to the Revenue Fund upon receipt. The Board shall transfer from the Revenue Fund and deposit to the credit of the Interest and Sinking Fund the amounts as follows, (1) on or before November 25, and May 25 an amount which will be sufficient together with other monies, if available, to pay the interest scheduled to come due on the Bonds on the next succeeding interest payment date; and, an amount which will be sufficient to pay one-half of all principal scheduled to mature and come due on the Bonds on the next succeeding June 1; and; (2) annually, an amount equal to one-fifth of the average annual principal and interest requirements of the Series 1978 Bonds to be deposited in the debt service reserve fund provided, however, that when monies and investments in the debt service reserve are at least in market value to the amount of the average annual principal and interest requirements of the Bonds then outstanding, such deposits may be discontinued.

ESTIMATED DEBT SERVICE REQUIREMENTS - ALL COMBINED FEE REVENUE DEBT

Fiscal Years Ending 8/31	Total Revenue Requirements All Other Issues	This \$16,925,000 Issue Dated August 1, 1978			Total Annual Requirements
		Principal (6-1)	Interest*	Total	
1979	\$ 4,309,304	\$ 465,000	\$ 670,612	\$ 1,135,612	\$ 5,444,916
1980	4,303,930	520,000	870,854	1,390,854	5,694,754
1981	4,304,642	545,000	847,974	1,392,974	5,697,616
1982	4,305,517	560,000	823,450	1,383,450	5,659,267
1983	4,308,379	555,000	797,690	1,352,690	5,691,069
1984	4,311,492	605,000	770,194	1,375,194	5,656,656
1985	4,314,855	630,000	741,456	1,371,456	5,656,311
1986	4,313,942	660,000	711,216	1,371,216	5,655,158
1987	4,316,415	690,000	679,206	1,369,206	5,655,621
1988	4,319,925	720,000	645,396	1,365,396	5,655,321
1989	4,328,652	745,000	609,396	1,354,396	5,653,045
1990	4,332,067	785,000	571,402	1,356,402	5,655,489
1991	4,343,351	815,000	530,552	1,345,552	5,655,963
1992	4,353,457	845,000	487,386	1,332,386	5,655,543
1993	4,359,967	885,000	441,756	1,326,756	5,656,733
1994	4,369,575	925,000	393,082	1,318,082	5,657,657
1995	4,376,675	970,000	341,282	1,311,282	5,657,957
1996	4,400,810	1,005,000	286,476	1,291,476	5,692,256
1997	4,403,128	1,050,000	229,192	1,279,192	5,652,320
1998	4,410,362	1,085,000	168,516	1,253,516	5,664,175
1999	4,422,667	1,145,000	106,430	1,251,430	5,674,097
2000	4,427,952	690,000	40,020	730,020	5,157,972
2001	5,156,757				5,156,757
2002	4,193,200				4,193,200
2003	3,995,200				3,995,200
2004	3,990,000				3,990,000
	<u>\$112,972,558</u>	<u>\$16,925,000</u>	<u>\$11,763,868</u>	<u>\$28,688,868</u>	<u>\$141,661,426</u>
	Maximum Annual Requirement - (F/Y) 1981			\$5,697,616	
	Average Annual Requirements - (F/Y) 1979/2000			\$5,651,194	

* For purpose of illustration interest computed at an average interest rate of approximately 5 1/2%.

HISTORICAL SUMMARY OF REVENUES PLEDGED FOR THE PAYMENT OF COMBINED FEE REVENUE BONDS

	Fiscal Year Ended 8/31				
	1974	1975	1976	1977	1978 Est.
General Fee(1)	\$6,058,238	\$6,405,231	\$6,400,109	\$6,250,958	\$6,444,122
Building Use Fee(2)	425,605	436,451	437,918	425,228	429,188
Health, Education and Welfare Annual Interest Subsidy Grant	304,106	304,106	304,106	304,106	304,103
Total Available for Debt Service	<u>\$6,817,949</u>	<u>\$7,145,788</u>	<u>\$7,142,133</u>	<u>\$6,980,292</u>	<u>\$7,177,416</u>
Coverage of Estimated Maximum Annual Debt Service (F/Y 1951)	1.20x	1.25x	1.25x	1.23x	1.26x

- (1) The General Fee can be charged without limit for the payment of debt service on the Combined Fee Revenue Bonds and is currently being levied at a rate of \$5.62 per semester credit hour.
- (2) The Building Use Fee known popularly as the Skiles Act is a fixed fee payable in the following amounts: \$5.00 for each regular semester or \$2.50 per summer session for each student enrolled for 12 or more semester credit hours and \$0.42 per semester credit hour for each student enrolled for less than 12 semester credit hours.

SUMMARY OF ACADEMIC SEMESTER CREDIT HOURS
University of Texas At Austin

	Fiscal Year				
	1973-74	1974-75	1975-76	1976-77	1977-78
Fall	525,536	539,597	543,977	527,382	526,915
Spring	486,464	499,556	503,822	492,267	
Summer Sessions	149,378	156,625	146,141	142,943	

SUMMARY OF ENROLLMENT HEAD COUNT
University of Texas At Austin

	Fiscal Year				
	1973-74	1974-75	1975-76	1976-77	1977-78
Fall	40,611	41,845	42,598	41,357	41,660
Spring	35,114	39,525	39,912	39,048	
Summer Sessions	19,643	20,587	19,597	20,264	

SUMMARY OF FULL TIME EQUIVALENT STUDENTS
University of Texas At Austin

Fiscal Year	Number
1976-77	38,753
1975-76	39,798
1974-75	39,859
1973-74	38,713

GEOGRAPHIC DISTRIBUTION OF ENROLLMENTS
University of Texas At Austin

Residence of Student	Fall Semester			
	1976	1975	1974	1973
State of Texas	36,988	38,533	36,262	35,145
Out-of-State	2,542	2,467	4,256	4,112
Foreign Country	1,857	1,598	1,323	1,354
Total	41,387	42,598	41,841	40,611

THE UNIVERSITY OF TEXAS AT AUSTIN

General and History

The University of Texas at Austin is located in City of Austin which is situated in central Texas. Austin is the state capitol and has an estimated 1977 population of 319,000.

The University of Texas at Austin is a state institution which was created by the Constitution, approved by popular vote, and is endowed and maintained by state legislative grants. In 1839, the Congress of the Republic of Texas passed two acts directed toward the founding of the University which provided for the appropriation of land for a campus in Austin as well as appropriating public lands within the Republic for the purpose of endowing university education. An act of the Legislature in 1851 provided for the organization of the University and for the appointment of a Board of Regents. The Main University was located in Austin and in September 1883, the University was formally opened. The grounds of the University presently consist of the original 40-acre site and numerous additional sites which have been acquired by gifts and purchase. The University owns the Balcones Research Center, eight miles north of the campus, which consists of 394 acres and the Brackenridge Tract, bordering Lake Austin and Town Lake, which consists of approximately 445 acres. The present enrollment is over 41,000, making it the largest institution of higher learning in the South. The University employs approximately 11,000 staff and administrative personnel and approximately 3,700 full and part-time faculty members.

The University of Texas at Austin is governed by a nine-member Board of Regents which are nominated by the Governor and appointed with consent of the Senate.

Accreditations

Accreditation of the University is by the Southern Association of Colleges and Schools. The institution is a member of the Association of American Universities and each of the University's professional schools are fully accredited in its field.

University Curricula

The University offers over 3,800 courses with masters and doctoral degrees in more than 50 fields. From the Fall of 1975 to the Spring of 1977, the University has granted a total of 21,242 bachelors degrees, 4,227 masters degrees, 1,363 doctoral degrees and 1,614 law degrees. At present, the University is operating eight colleges which include the Colleges of Arts and Sciences, Natural Sciences, Social and Behavioral Sciences, Business Administration, Education, Engineering, Fine Arts, Pharmacy, with Graduate Programs in each of the colleges. In addition, The University operates six schools which include the Schools of Architecture, Communication, Law, Nursing and Public Affairs, including a Graduate School of Library Science and Social Work. The University operates an Extension Division, the University Press, Bureau of Business Research and numerous research laboratories and bureaus. The University's McDonald Observatory on Mount Locke in West Texas and the Marine Science Institute at Port Aransas are branches of The University of Texas at Austin.

Research and Service

The University also operates 37 research laboratories and support facilities, employing 1,000 personnel and occupying 53 buildings on the 394-acre Balcones Research Center campus. In some 35 laboratories, the Center provides assistance to teaching departments and other divisions of the University, including the Departments of Anthropology, Archeology, Geology, Paleontology, Pharmacy, Physics and Zoology. Fifteen labs can be classified under the engineering disciplines and include aeronautical, civil, electrical, mechanical and structural engineering. The Balcones Institute for Research and Development, authorized by the Board of Regents of The University of Texas System in 1973 as an expansion program at the Center, is empowered to enter into contracts with private industry, professional organizations and government agencies for research and development services.

Facilities

The University is located in the center of the City of Austin. Design of the campus is a combination of Spanish, classic and contemporary architecture, with the buildings varying from one to seventeen-story structures. The total number of buildings on the main campus is estimated at 119. The University owns and operates 213 off-campus apartments and 17 dormitories on campus.

Several new buildings and facilities are currently under construction at the University, or have recently been completed. A \$6.6 million olympic-size swimming facility was completed in March 1977 and a \$28.8 million Special Events Center for basketball games, indoor tennis matches and various entertainment events was completed in October 1977. Currently under construction is a Performing Arts Complex which will include a fine arts administration building, and a 3,000-seat concert hall. The total construction cost is in excess of \$31 million and completion is expected by 1980. Also under construction is a \$16.5 million addition to the Chemistry Building and an \$8.5 million addition to the Law School. As of August 31, 1977, the total physical plant value is \$531 million.

The library system of the University of Texas at Austin is the tenth largest academic library in the United States and includes the General Libraries, the Law Library, the Lyndon B. Johnson Public Affairs Library and the Humanities Research Center. Combined, the libraries contain over four million volumes.

Athletic Programs

The University is a member of the National Collegiate Athletic Association and the Southwest Athletic Conference for sports involving intercollegiate athletics for men. The University is also a member of the Association for Intercollegiate Athletics for Women, and the Southwest and Texas Associations for Intercollegiate Athletics for Women.

SUMMARY OF OUTSTANDING BONDED INDEBTEDNESS UNIVERSITY OF TEXAS AT AUSTIN

	Original Amount Issued	Outstanding May 31, 1978	Reserve Funds Inv. May 31, 1978
University of Texas Hospital Refunding Bonds Series 1951(1)	\$ 980,000	\$ 95,000	\$ 100,200
Dormitory Revenue Bonds, Series 1954(2)	3,402,000	1,999,000	484,238
Dormitory Revenue Bonds, Series 1956(3)	4,150,000	2,511,000	636,928
University of Texas Student Union Revenue Bonds, Series 1958, Series B(4)	1,220,000	765,000	316,647
Student Housing Revenue Bonds of 1963(5)	1,800,000	1,455,000	237,341
Housing System Revenue Bonds, Series 1967(6)	16,500,000	14,720,000	1,054,078
Building Revenue Bond of 1969(7)	520,000	460,000	58,358
Building Revenue Bonds, Series 1969(8)	25,000,000	22,715,000	1,570,192
Combined Fee Revenue Bonds, Series 1970(9)(14)	10,000,000	9,120,000	6,193,899
Combined Fee Revenue Bonds, Series 1971(9)	20,000,000	18,490,000	(11)
Married Student Housing Revenue Bonds, Series 1971(10)	3,100,000	3,015,000	247,064
Combined Fee Revenue Bonds, Series 1972(9)	10,000,000	9,135,000	(11)
Combined Fee Revenue Bonds, Series 1973(9)	34,000,000	32,560,000	(11)
Building Revenue Bonds, Series 1974(12)	53,000,000	50,005,000	5,913,333
Building Revenue Bonds, Series 1974-A(12)(15)	6,000,000	5,760,000	(13)
Combined Fee Revenue Bonds, Series 1974(9)(14)	6,900,000	6,565,000	(11)

- (1) Secured by first lien on and pledge of revenues from compulsory student hospital fee.
- (2) Secured by first lien on and pledge of net revenues from Blanton Dormitory, Simkins Hall, Moore Hall, and Varsity Cafeteria.
- (3) Secured by first lien on and pledge of net revenues from Kinsolving Dormitory, plus surplus revenues from debt-free Andrews and Carothers Dormitories for Women.
- (4) Secured by first lien on and pledge of revenues from compulsory student union fee.
- (5) Secured by first lien on and pledge of net revenues from 200 apartments for married students.
- (6) Secured by first lien on and pledge of gross revenues of University Housing System.
- (7) Secured by first lien on and pledge of gross revenues from Student Co-op Housing System.
- (8) Secured by first lien on and pledge of net revenues of Utility Plant and gross Student Building Use Fees.
- (9) Secured by first lien on and pledge of Building Use Fee (Skiles Act) and General Fee.
- (10) Secured by first lien on gross revenues from Married Student Housing System.
- (11) Reserve Funds for Combined Fee Revenue Bonds Series 1970, 1971, 1972, 1973 and 1974 consolidated.
- (12) Secured by first lien on and pledge of Available Fund Surplus and Special Fee.
- (13) Reserve Funds for Building Revenue Bonds Series 1974 and 1974-A consolidated.
- (14) Issues are to be refunded through the issuance of the Bonds being offered herein.
- (15) Scheduled to be refunded through the sale of refunding bonds on August 3, 1978.

THE UNIVERSITY OF TEXAS AT AUSTIN
SUMMARY STATEMENT OF CURRENT INCOME AND EXPENDITURES

	Fiscal Years Ending August 31				
	1973	1974	1975	1976	1977
Current Revenues					
Tuition and Fees	\$ 16,912,893	\$ 20,493,898	\$ 21,101,533	\$ 20,930,549	\$ 21,233,557
Federal Funds	26,841,798	27,101,095	32,063,046	31,369,742	36,332,121
State Appropriations	60,012,808	79,975,273	93,291,586	103,518,721	114,713,555
Private Gifts	6,192,875	7,378,561	7,852,850	9,811,587	9,667,267
Endowment Income (Includes Transfers from Available University Fund)	8,036,318	8,659,445	9,620,853	13,149,170	14,537,675
Sales and Services of Auxiliary Enterprises	13,302,083	14,971,219	15,733,253	18,044,215	19,535,561
Sales and Services of Ed. Dept. and other Sources	3,261,227	4,799,004	5,163,709	6,538,238	7,357,251
Total Current Revenues	<u>134,560,002</u>	<u>163,378,495</u>	<u>184,826,831</u>	<u>203,362,222</u>	<u>223,977,087</u>
Current Expenditures and Mandatory Transfers					
Education and General	108,250,827	128,130,773	151,232,208	162,740,426	179,446,455
Auxiliary Enterprises	14,394,735	15,931,636	17,975,867	20,989,049	24,230,729
Mandatory Transfers	10,518,043	13,533,869	14,646,931	15,467,519	14,170,573
Total Current Exp. and Mandatory Transfers	<u>133,163,605</u>	<u>157,596,278</u>	<u>183,855,006</u>	<u>199,196,994</u>	<u>217,847,757</u>
Excess Revenues over Expenditures and Mandatory Transfers	<u>\$ 1,396,397</u>	<u>\$ 5,782,217</u>	<u>\$ 971,825</u>	<u>\$ 4,165,228</u>	<u>\$ 6,129,330</u>

THE UNIVERSITY OF TEXAS AT AUSTIN
CONDENSED STATEMENT OF ASSETS AND NET WORTH

	Fiscal Years Ending August 31				
	1973	1974	1975	1976	1977
Assets					
Current Funds					
General	\$ 16,727,045	\$ 20,902,239	\$ 20,319,062	\$ 19,660,836	\$ 19,897,764
Auxiliary Enterprises and Activities	8,321,344	9,717,046	10,409,035	15,708,634	12,290,871
Designated	1,113,397	2,966,778	11,439,242	11,653,203	20,965,720
Restricted	29,481,145	32,616,762	36,872,502	39,537,596	51,564,494
Total Current Funds	<u>55,642,931</u>	<u>66,202,825</u>	<u>79,039,841</u>	<u>86,560,269</u>	<u>104,718,849</u>
Loan Funds	5,635,811	6,406,161	7,777,296	8,422,103	10,860,217
Endowment and Similar Funds	32,312,725	34,203,592	35,917,753	38,586,877	43,219,504
Annuity and Life Income Funds	2,335,982	3,282,497	2,748,107	2,614,535	1,044,530
Plant Funds					
Unexpended	47,160,115	111,626,062	96,254,160	66,553,056	47,833,110
Renewals and Replacement				489,444	841,443
Funds for Retirement of Indebtedness	6,218,962	14,740,007	16,447,143	18,393,473	19,056,695
Investment in Plant	359,093,301	398,336,042	448,996,954	502,579,776	553,091,427
Total Plant Funds	<u>412,472,401</u>	<u>524,702,111</u>	<u>561,698,257</u>	<u>588,015,749</u>	<u>620,822,675</u>
Agency Funds	1,751,042	1,949,105	2,665,058	3,855,323	6,433,492
Deduct: Inter-Fund Group Accounts	<u>3,826,550</u>	<u>5,969,054</u>	<u>16,791,634</u>	<u>16,251,596</u>	<u>19,188,840</u>
Grand Total Assets	<u>506,324,342</u>	<u>630,777,227</u>	<u>673,054,678</u>	<u>711,803,260</u>	<u>767,910,427</u>
Less: Total Liabilities	<u>133,757,913</u>	<u>115,114,436</u>	<u>142,344,929</u>	<u>178,257,561</u>	<u>210,291,091</u>
Fund Balances (Net Worth)	<u>\$372,566,429</u>	<u>\$515,662,791</u>	<u>\$530,709,749</u>	<u>\$533,545,699</u>	<u>\$557,619,336</u>

THE UNIVERSITY OF TEXAS SYSTEM

Administration

The University of Texas System commenced operations in 1883 with the opening of the original University of Texas campus in Austin and has since grown to be one of the largest educational organizations in the United States. The System is supported by State appropriations, private endowments and gifts, Federal funds, student fees, miscellaneous sources of income, and its interest in the income from the Permanent University Fund.

The Government of the University System is vested in a board of nine regents who serve without pay. They are nominated by the Governor for six-year terms, three each two years, and are subject to approval by the Senate. Administration of the University conforms to that of leading American universities.

The Members of the Board of Regents are as follows:

	<u>Term Expires</u>
The Honorable Allan Shivers, Chairman	Austin January 1979
Mr. Dan C. Williams, Vice Chairman	Dallas January 1981
James E. Bauerle, D.D.S.	San Antonio January 1979
Jane Weinert Blumberg (Mrs. Roland K.)	Seguin January 1983
The Honorable Edward Clark	Austin January 1979
Sterling H. Fly, Jr., M.D.	Uvalde January 1983
Mr. Jess Thomas Hay	Dallas January 1983
Mr. Thos. H. Law	Fort Worth January 1981
Mr. Walter G. Sterling	Houston January 1981
Betty Anne Thedford, Secretary	

The Principal Administrative Officers and Staff of the System are as follows:

- Dr. Charles A. LeMaistre, Chancellor
- Dr. E. D. Walker, President and Chief Operating Officer
- Dr. Ernest T. Smerdon, Vice President for Academic Affairs
- Mr. Robert L. Hardesty, Vice President for Administration
- Mr. Joe E. Boyd, Jr., Vice President for Business Affairs
- Mr. James T. Fitzpatrick, Vice President and General Counsel
- Dr. Edward N. Brandt, Jr., Vice President for Health Affairs
- Mr. Graves W. Landrum, Vice President for Operations
- Mr. W. L. Lobb, Executive Director for Investments, Trusts and Lands
- Mr. Frank Graydon, Budget Director
- Mr. R. L. Anderson, Comptroller
- Mr. R. S. Kristoferson, Director of Facilities Planning and Construction
- Mr. Herman Adams, Director for Public Affairs
- Mr. James C. Werchan, Director of Accounting

Organization

The Component Institutions of The University of Texas System, with the administrative heads shown, are:

- The University of Texas at ARLINGTON
 - Dr. Wendell Nedderman, President
- The University of Texas Institute of Urban Studies at Arlington
 - Dr. Sherman Wyman, Director
- The University of Texas School of Nursing at Arlington
 - Dr. Myrna Pickard, Dean

- The University of Texas at AUSTIN
 - Dr. Lorene L. Rogers, President
 - The University of Texas Marine Science Institute at Galveston and Port Aransas
 - Dr. Creighton A. Burk, Director
 - The University of Texas McDonald Observatory at Mount Locke
 - Dr. Harlan Smith, Director
 - The University of Texas School of Nursing at Austin
 - Dr. Billye Brown, Dean
- The University of Texas at DALLAS
 - Dr. Bryce Jordan, President
- The University of Texas at EL PASO
 - Dr. Arleigh B. Templeton, President
 - The University of Texas School of Nursing at El Paso
 - Dr. Eileen Jacobi, Dean
- The University of Texas of the PERMIAN BASIN
 - Dr. V. R. Cardozier, President
- The University of Texas at SAN ANTONIO
 - Dr. James W. Wagener, Acting President
 - The University of Texas Institute of Texan Cultures at San Antonio
 - Mr. Jack R. Maguire, Executive Director
- The University of Texas Health Science Center at DALLAS
 - Dr. Charles C. Sprague, President
 - The University of Texas Southwestern Medical School at Dallas
 - Dr. Frederick Bonte, Dean
 - The University of Texas Graduate School of Biomedical Science at Dallas
 - Dr. Kern Wildenthal, Dean
 - The University of Texas School of Allied Health Sciences at Dallas
 - Dr. John Schermerhorn, Dean
- The University of Texas Medical Branch at GALVESTON
 - Dr. William C. Levin, President
 - The University of Texas Medical School at Galveston
 - Dr. George T. Bryan, Dean
 - The University of Texas Graduate School of Biomedical Sciences at Galveston
 - Dr. J. Palmer Saunders, Dean
 - The University of Texas School of Allied Health Sciences at Galveston
 - Dr. Robert K. Bing, Dean
 - The University of Texas Institute for the Medical Humanities at Galveston
 - Dr. William B. Bean, Director
 - The University of Texas Marine Biomedical Institute at Galveston
 - Dr. William D. Willis, Acting Director
 - The University of Texas School of Nursing at Galveston
 - Dr. Dorothy Damewood, Dean
- The University of Texas Health Science Center at HOUSTON
 - Dr. Truman G. Blocker, Jr., Acting President
 - The University of Texas Medical School at Houston
 - Dr. Robert L. Tuttle, Dean
 - The University of Texas Dental Branch at Houston
 - Dr. John V. Olson, Dean
 - The University of Texas Graduate School of Biomedical Sciences at Houston
 - Dr. Roger Hewitt, Acting Dean

The University of Texas School of Allied Health Sciences at Houston
 Dr. Alton Hodges, Dean
 The University of Texas School of Public Health at Houston
 Dr. Reuel A. Stallones, Dean
 The University of Texas Speech and Hearing Institute at Houston
 Dr. Tina Bangs, Director
 The University of Texas School of Nursing at Houston
 Dr. Arlowayne Swort, Dean

The University of Texas Health Science Center at SAN ANTONIO
 Dr. Frank Harrison, President
 The University of Texas Medical School at San Antonio
 Dr. Stanley E. Crawford, Dean
 The University of Texas Dental School at San Antonio
 Dr. Edwin M. Collins, Acting Dean
 The University of Texas Graduate School of Biomedical Sciences at San Antonio
 Dr. Armand J. Guarino, Dean
 The University of Texas School of Nursing at San Antonio
 Dr. Patty Lynn Hawken, Dean

The University of Texas System Cancer Center
 Dr. R. Lee Clark, President
 The University of Texas M. D. Anderson Hospital and Tumor Institute at Houston
 Dr. Robert C. Hickey, Director
 The University of Texas Science Park - Research Division
 Dr. Ronald M. Humphrey, Associate Director
 The University of Texas System Health Center at TYLER
 Dr. George Hurst, Superintendent

THE PERMANENT UNIVERSITY FUND

The Permanent University Fund was established in 1836 by the Republic of Texas for the purpose of creating an endowment for public education in Texas. The initial assets of the Fund consisted of 50 leagues of land (approximately 220,000 acres) and has grown to approximately 2,100,000 acres of land, predominately in West Texas, together with cash and securities. The principal of the Fund cannot be spent for any purpose but must be kept as a permanent endowment. Two-thirds of the income from the Permanent University Fund is available to the University of Texas System. The Texas A & M System receives the other one-third of the income from the Permanent University Fund with the exception of income from grazing leases which is distributed solely to the University of Texas System.

Decisions of the Supreme Court of Texas and of the Attorney General of Texas have decreed that the Permanent University Fund shall be forever kept intact, and that there shall be added to the corpus thereof all oil, gas, and water royalties received, all gains on investments, all rentals on mineral leases, all lease bonuses, and all consideration for such lands as may be sold.

The University of Texas System does not explore or operate oil properties belonging to the Permanent University Fund. Instead, it sells under competitive bids leases on selected tracts of land to leading oil and gas companies. As of February 28, 1978, 1,058,993 acres of land belonging to said Fund were subject to oil and gas leases, of which 367,434 were held by production from 5,903 oil wells and 237 gas wells.

During recent years approximately 32,700,000 barrels of crude oil and 13,000,000 MCF of gas were produced from these lands each year on which one-eighth to one-fifth royalty was reserved for the Permanent University Fund.

The University of Texas System's proportionate two-thirds share of the Investment Income of the Permanent University Fund is appropriated biennially by the state legislature and deposited into the Available University Fund and applied in the following sequence (net of management expenses which are limited by covenant to one-fifth of one percent annually of the book value of the Fund).

1. Debt service on The University of Texas System Permanent University Fund Bonds (the total amount of debt limited to an amount not exceeding two-thirds of twenty percent of the book value of the Permanent University Fund, exclusive of real estate at the time of issuance and investment yield maintained at an annual amount of not less than one and one-half times annual debt service requirements).

2. Debt service on The University of Texas at Austin Building Revenue Bonds, Series 1974 and Series 1974-A. (The Series 1974-A Bonds are scheduled to be refunded by the sale of Refunding Bonds on August 3, 1978).

3. Any lawful purpose, including but not limited to capital additions and improvements at the University of Texas at Austin and the University of Texas Medical Branch at Galveston.

ADDITIONS TO THE PERMANENT UNIVERSITY FUND (Dollars in Thousands)

Fiscal Year Ending 8-31	Oil & Gas Royalty	Water Royalty	Minerals, Lease Rentals & Miscel.	Mineral Lease Bonuses	Total
1977	\$ 76,598(1)	\$ 184	\$ 1,106	\$ 13,584	\$ 91,472
1976	70,123(1)	192	(12,837)(2)	15,379	72,827
1975	58,513	156	753	8,066	67,488
1974	31,541	202	1,796	11,389	44,928
1973	18,967	131	12,716	6,966	38,780
1972	19,518	154	10,999	5,055	35,726
1971	18,388	173	6,272	1,838	26,671
Prior to 1970	334,961	1,570	21,236	210,412	568,179

(1) Includes sulphur royalties.

(2) Includes \$12,632,427 adjustment for certain bond exchanges not qualifying as bond exchanges under current procedures.

INVESTMENTS IN THE PERMANENT UNIVERSITY FUND (As of May 31, 1978)

	Book Value
United States Government Securities	
U. S. Treasury Bonds	\$ 145,084,077
Various Government Guaranteed Bonds	152,634,316
FHA Mortgages	8,513,855
U. S. Government Agencies	1,000,000
Total	\$ 307,232,251
Corporate Securities	
Bonds	\$ 293,738,583
Convertible Debentures	6,983,090
Convertible Preferred Stocks	2,434,505
Common Stocks	356,841,521
Total Corporate Securities	\$ 659,997,699
Total Securities	\$ 967,229,950
Cash and Equivalents	\$ 56,444,594
Total Securities, Cash and Equivalents	\$1,023,674,544

INCOME FROM INVESTMENTS IN PERMANENT UNIVERSITY FUND
(Dollars in Thousands)

Fiscal Year Ending 8-31	Net Total(1)	University of Texas System Portion	Other Income(2)	Total Income to Available University Fund	Debt Service on PUF Bonds(3)	Transfers or Other Debt Service(4)	Amount credited to U.T. Austin(5)
1977	\$53,409	\$35,606	\$ 1,645	\$37,251	\$12,672	\$ 4,248	\$15,547
1976	46,542	31,025	1,544	32,572	11,321	4,249	16,593
1975	39,105	26,070	1,539	27,609	10,060	4,215	12,355
1974	35,611	23,741	1,532	25,273	9,059	2,618	14,964
1973	31,199	20,500	1,036	21,536	8,239	-0-	12,039

(1) Reflects net amount collected after administration expenses.

(2) Includes grazing Lease Rentals and miscellaneous income not shared with Texas A & M System.

(3) Represents Debt Service on University of Texas System Permanent University Fund Bonds.

(4) Represents Transfers or Debt Service on University of Texas at Austin Building Revenue Bonds.

(5) Transfers to U.T. Austin to be used for any lawful purpose, as appropriated by the Board of Regents.

Note: Income in excess of allocations detailed above in Notes (3), (4) and (5) may be appropriated to the U.T. System Administration and/or may be held as a balance for future allocations.

UNIVERSITY OF TEXAS RETIREMENT PLANS

All full and half-time employees of the University of Texas System are required to be covered by either a state-administered retirement program or by an optional private plan.

Teacher Retirement System of Texas

The Teacher Retirement System of Texas is a group annuity plan which makes provision for retirement, disability and death and survivor benefits to all employees of the public school and university systems of Texas. The retirement plan was established in 1937 for teacher classified members and in 1949, the plan was offered to auxiliary employees.

Under the plan, members contribute 6.65 percent of up to their first \$25,000 of annual gross income, and the State contributes 7.50 percent. The University System makes no contributions on behalf of employees and has no liability for the unfunded portion. The University estimates that there are approximately 28,000 employees currently enrolled in this plan. The unfunded liability of the plan as shown in the Actuarial Certification as of August 31, 1977 was \$1,974.0 million and the total book value as of the same date was \$3,513.3 million.

Optional Retirement Plan

Certain selected faculty and professional administrative staff may elect to enroll in an optional retirement plan. Participation in an optional retirement plan which was authorized by the Legislature in 1967, enables teachers, research personnel and professional administrative staff to transfer among educational institutions throughout the United States while continuing to accumulate retirement benefits. The optional plans which are underwritten by various insurance companies are individual programs with contributions by employees and the State being on the same basis as for the Teacher Retirement System. The University system estimates that approximately 8,000 employees are presently enrolled in the optional retirement program.

THE BOND RESOLUTION

The following summaries represent excerpts of certain provisions of the 1978 Bond Resolution which authorizes the issuance of the Series 1978 Bonds and certain provisions of the 1970 Bond Resolution which has been incorporated by reference into the 1978 Bond Resolution. For more complete information, reference is made to the entire documents, copies of which are available from upon request.

Definitions

The term "Additional Bonds" shall mean the additional parity revenue bonds permitted to be authorized in Section 8 of the Series 1970 Resolution, excluding any Bonds heretofore issued.

The term "Board" shall mean the Board of Regents of The University of Texas System.

The term "Bonds" shall mean the Board of Regents of The University of Texas System, the University of Texas at Austin, Combined Fee Revenue Bonds, Series 1971, Series 1972, Series 1973 and the Series 1978 Bonds herein authorized.

The term "Building Use Fee" shall mean the building use fee to be fixed, charged, and collected from all tuition paying students regularly enrolled at the University, out of and as a part of the regular student tuition fees at the University, the gross collections which are pledged to the payment of the Bonds and Additional Bonds as authorized by Chapter 55, Texas Education Code.

The term "General Fee" shall mean the general fee to be fixed, charged and collected from all students regularly enrolled at the University, for the general use and availability of the property, buildings, structures and other facilities of the University, the gross collections of which are pledged to the payment of the Bonds and Additional Bonds as authorized by Chapter 55, Texas Education Code.

The term "Interest and Sinking Fund" shall mean the Combined Fee Revenue Bonds, Series 1970, Interest and Sinking Fund, and the debt service reserve therein, established by the Board pursuant to the Series 1970 Resolution and which is maintained by the Board pursuant to the resolutions authorizing the Bonds for the payment of principal and interest on the Bonds and Additional Bonds.

The term "Pledged Revenues" shall mean, collectively, (1) the gross collections of the General Fee, (2) the gross collections of the Building Use Fee, (3) all interest grants received or to be received from the United States Government in connection with the Bonds, and (4) any additional revenues, income, receipts, rentals, rates, charges, fees or other resources which may hereafter be pledged to the payment of the Bonds and Additional Bonds.

The term "Revenue Fund" shall mean the General Fee Revenue Fund established by the Board pursuant to the Series 1970 Resolution.

The term "Series 1970 Resolution" shall mean the resolution of the Board adopted May 29, 1970 authorizing the issuance of the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1970.

The term "Special Obligation Bonds" shall mean the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Special Obligation Bonds, Series 1978, authorized by a resolution adopted by the Board concurrently herewith.

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

General Covenants

The Board covenants and agrees that it will continuously maintain the Building Use Fee at the maximum rate permitted by law, and the General Fee at the rate which, together with other Pledged Revenues, will provide funds at least sufficient to pay the principal of and interest on the

Bonds and any Additional Bonds and accumulate as herein provided the debt service reserve in the Interest and Sinking Fund which shall be equal to one year's average annual principal and interest requirements on the Bonds and any Additional Bonds, as such principal and interest mature. The General Fee shall be revised from time to time in order that the proceeds thereof, together with the proceeds of other Pledged Revenues, will be fully sufficient to furnish funds for said purposes.

Creation of Fund Accounts

There is hereby created and established on the books of the University two special and separate accounts to be known as the "Revenue Fund" and the "Interest and Sinking Fund". The gross collections of the Building Use Fee shall be deposited to the credit of the Interest and Sinking Fund immediately upon receipt. All other collections of Pledged Revenues shall be credited to the Revenue Fund immediately upon receipt.

All monies in the Interest and Sinking Fund in excess of the requirements for paying the interest on and the principal of the Bonds through the next succeeding year shall constitute the debt service reserve.

Flow of Funds

The Board shall transfer out of the Revenue Fund and deposit to the credit of the Interest and Sinking Fund on or before November 25, 1978, and semiannually on or before each May 25th and November 25th thereafter,

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

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

(3) an amount equal to one-tenth of the average annual principal and interest requirements of the Bonds; provided, however, that when monies and investments in the debt service reserve are at least equal in market value to the amount of the average annual principal and interest requirements of all outstanding bonds no further deposits need be made.

Investment of Funds

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

All bank deposits of all funds created by this Resolution, including money placed in time deposits, shall be secured by the pledge of securities, as provided by law, in a principal amount at all times not less than the amount of deposits credited to such funds, respectively.

Additional Bonds

The Board reserves the right to issue Additional Parity Revenue Bonds for purposes permitted by law. Each resolution authorizing such Additional Bonds shall prescribe appropriate additional or larger payments to be made into the Interest and Sinking Fund as will permit the accumulation in the Fund within five fiscal years after the fiscal year in which the Additional Bonds are issued, as a debt service reserve, an amount not less than the average annual principal and interest requirements

on all outstanding Bonds and Additional Bonds, including those being issued. It is specifically provided, however, that the Additional Bonds permitted by this Section shall not be authorized or issued unless:

(1) The Board is not in default as to any covenant, condition or obligation set forth herein, and the Senior Financial Officer of the University signs a written certificate to such effect.

(2) The Interest and Sinking Fund contains the amounts of money then required by the terms hereof to be deposited therein.

(3) The Pledged Revenues either for the fiscal year or the 12-month period next preceding the issuance of additional parity bonds are certified by the State Auditor or a Certified Public Accountant to have been equal to at least 1.25 times the average annual principal and interest requirements on all Bonds to be outstanding.

(4) The Senior Financial Officer of the University signs a written certificate to the effect that during each of the fiscal years, following that in which the Additional Bonds are issued, the estimated Pledged Revenues are equal to at least 1.25 times the requirements for each such year for the payment of the principal and interest on all Bonds and Additional Bonds then outstanding and the Additional Bonds being issued.

Application of the Series 1978 Bond Proceeds

The proceeds from the sale of the Series 1978 Bonds shall be disbursed as follows:

(a) To the Interest and Sinking Fund, the accrued interest and premium, if any received from the sale of the Series 1978 Bonds;

(b) To be applied, together with the proceeds of the Special Obligation Bonds and other available funds, to fund and establish at the City National Bank, Austin, Texas, as Escrow Agent, an escrow fund to be entitled "Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1970 and Series 1974 Escrow Fund" in accordance with the terms of a certain escrow agreement to be entered into between the Board and said Escrow Agent at or prior to delivery of the Series 1978 Bonds, which escrow fund shall have deposited to its credit cash, equivalent to the principal amount of the redemption price of the Series 1970 Bonds and the Series 1974 Bonds, with interest to the respective dates of maturity or redemption dates, all as more fully set forth in such escrow agreement;

(c) To pay expenses connected with the refunding of the Series 1970 Bonds and the Series 1974 Bonds and the issuance of the Series 1978 Bonds; and

(d) The balance, if any, to the Interest and Sinking Fund.

No Arbitrage

The Board certifies that based upon all facts, estimates and circumstances now known or reasonably expected to be in existence on the date the Series 1978 Bonds are delivered and paid for, the Board reasonably expects that the proceeds of the Series 1978 Bonds will not be used in a manner that would cause the Series 1978 Bonds or any portion thereof to be an "arbitrage bond" under Section 103(c) of the Internal Revenue Code of 1954, as amended, and the temporary and proposed regulations heretofore prescribed thereunder. Furthermore, all officers, employees and agents of the Board are authorized and directed to provide certifications of facts, estimates and circumstances which are material to the reasonable expectations of the Board as of the date the Series 1978 Bonds are delivered and paid for, and any such certifications may be relied upon by the holders of the Series 1978 Bonds, or by any person interested in the exemption of interest on the Series 1978 Bonds from federal income taxation. Moreover, the Board covenants that it shall make such use of the proceeds of the Series 1978 Bonds, regulate investments of proceeds of the Series 1978 Bonds, and take such other and further action as may be required so that the Series 1978 Bonds shall not be "arbitrage bonds" under Section 103(c) of the Internal Revenue Code of 1954, as amended, and regulations prescribed from time to time thereunder.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the arithmetical computations of the adequacy of (i) the maturing principal of the Federal Securities to pay, when due, the principal of, interest and redemption premium on the Series 1970 Bonds and the Series 1974 Bonds, (ii) the interest income derived from the Federal Securities to pay, when due, the principal of and interest on the Special Obligation Bonds, and (iii) the accuracy of the mathematical computations only, supporting the conclusion of Bond Counsel with reference to "arbitrage bonds" (noted above) will be verified by Ernst & Ernst, independent public accountants. Such verification of arithmetical accuracy and mathematical computations shall be based on information supplied by the Board through the Financial Advisor.

ELIGIBILITY AS INVESTMENTS

Section 55.21 of the Texas Education Code provides that the Series 1978 Bonds are legal and authorized investments in Texas for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, trustees, and guardians, and for all interest and sinking funds and other public funds of the State of Texas and for all agencies, subdivisions, and instrumentalities thereof, including all counties, cities, towns, villages, school districts, and for all other kinds and types of districts, public agencies and bodies politic. The Series 1978 Bonds also shall be eligible and lawful security for all deposits of public funds of the State of Texas and all agencies, subdivisions, and instrumentalities thereof, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the Series 1978 Bonds, when accompanied by any unmatured interest coupons appurtenant thereto. The Board and Underwriter make no representations regarding the investment eligibility of the Series 1978 Bonds for any particular institution, and such decisions are the sole responsibility of the particular purchaser.

RATINGS

The Board of Regents has made application to Moody's Investors Service Inc. and Standard and Poor's Corporation for the purpose of attaining a credit rating. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations at the time such ratings were given and the Board makes no representation as to the appropriateness of the ratings.

There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

TAX EXEMPTION

The issuance of the Series 1978 Bonds is subject to the opinion of Vinson & Elkins, Houston, Texas, Bond Counsel to the effect that interest on the Series 1978 Bonds is exempt from present federal income taxes under existing statutes, regulations, published rulings and court decisions.

The Board will issue a certificate, accompanied by an opinion of counsel, to the effect that on the basis of the facts, estimates and circumstances in existence on the date of delivery of the Series 1978 Bonds it is not expected that the proceeds of the Series 1978 Bonds will be used in a manner that would cause the Series 1978 Bonds to be "arbitrage bonds" under Section 103(c) of the Internal Revenue Code. The opinion of Vinson & Elkins will state that based on their examinations of the law and their review of the no-arbitrage certificate of the Board and the verification of the arithmetical and mathematical computations by Ernst & Ernst, independent public accountants, the facts, estimates and circumstances are sufficiently set forth in such no-arbitrage certificate and the above-mentioned verification to satisfy the criteria which are necessary under Section 103(c) of the Internal Revenue Code of 1954, as amended, and applicable Treasury Regulations, to support the conclusion that the Series 1978 Bonds will not be arbitrage bonds.

FINANCIAL ADVISORS

The Board of Regents has retained the services of Rauscher Pierce Securities Corporation in the capacity as Financial Advisors to the Board for a fee based upon the amount of Bonds actually issued, sold and delivered. The payment of such fee is contingent upon the sale and delivery of the Bonds. The Financial Advisors have agreed not to submit an underwriting bid at the public sale of the Series 1978 Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series 1978 Bonds are subject to the unqualified approval of the Attorney General of the State of Texas and Messrs. Vinson & Elkins, Houston, Texas, Bond Counsel, whose approving opinion will be printed on the Bonds and delivered with the Series 1978 Bonds. Messrs. Vinson & Elkins were not requested to participate, and did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "The Series 1978 Bonds" and "The Bond Resolution". No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any other information contained herein.

SOURCE AND USE OF INFORMATION

This Official Statement has been prepared under the direction of the Board of Regents of The University of Texas System by Rauscher Pierce Securities Corporation, a firm employed by the Board to perform professional services in the capacity of financial advisors. The information set forth herein has been obtained from the Board's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to official documents in all respects.

The Board of Regents of The University of Texas System has reviewed and approved the Official Notice of Sale, Official Bid Form and Official Statement and said instruments have been authorized for use and distribution by Rauscher Pierce Securities Corporation, Financial Advisors, for the purpose of securing bids on the bonds offered hereby.

Approved and adopted by resolution of the Board of Regents of The University of Texas System this 4th day of August, 1978.

/S/

Chairman, Board of Regents of
The University of Texas System

ATTEST:

/S/

Secretary, Board of Regents of
The University of Texas System

EXHIBIT A

APPENDIX

The information contained in this appendix consists of excerpts from The University of Texas at Austin Financial Report for the Fiscal Year ended August 31, 1977 and is not intended to be a complete statement of the System's financial condition. Reference is made to the complete Financial Report for further information. The accounts and records of The University of Texas at Austin are audited annually by the State Auditor. The audit for the 1977 fiscal year is currently in progress. When completed, the Auditor's opinion will be available upon request.

THE UNIVERSITY OF TEXAS AT AUSTIN
BALANCE SHEET
At August 31, 1977

Assets

CURRENT FUNDS			
UNRESTRICTED			
GENERAL			
Cash on Hand (Schedule A-1)		\$ 1,209,674.01	
Cash in Bank (Schedule A-1)			
Time Accounts	4,297,212.65		
Cash with State Treasurer (Schedule A-1)	12,731.43		
Reimbursement in Transit from State Treasurer (Schedule A-1)	1,696.25		
Balance in State General Revenue Appropriation (Schedule A-2)	666,154.01		
Investments (Schedule A-3)	213,359.91		
Accounts Receivable			
Less: Allowance for Doubtful Accounts	360,983.98		
Other Receivables	108,412.31	252,571.11	
Due from Restricted Current Funds		2,576.06	
Due from System Administration		10,415,565.35	
Due from Component Institutions		134,470.91	
Galveston Medical Branch			
U. T. Permian Basin		325.41	
U. T. San Antonio		4,530.57	
San Antonio Medical School		29,612.74	
Inventories		1,451.11	
Physical Plant Inventories			
Prepaid Expenses		2,320,465.11	
		291,711.07	
Total General Funds			\$ 11,897,764.06
DESIGNATED			
Cash on Hand (Schedule A-1)			3,077.96
Cash in Banks (Schedule A-1)			
Demand Accounts			
Time Deposits	2,501,036.71		
Due from General Current Funds	9,528,658.88	12,029,695.59	
Prepaid Expenses		8,773,334.18	
		159,612.00	
Total Designated Funds			\$ 20,965,719.72
AUXILIARY ENTERPRISES			
Cash on Hand (Schedule A-1)			107,475.66
Cash in Banks (Schedule A-1)			
Demand Accounts			
Time Deposits	731,889.41		
Cash with State Treasurer (Schedule A-1)	9,951,716.06	10,683,605.47	
Investments (Schedule A-3)		8.25	
Accounts Receivable		263,057.73	
Notes Receivable		521,305.57	
Inventories		25,620.63	
Prepaid Expenses		677,290.35	
		12,507.74	
Total Auxiliary Enterprises			\$ 12,290,871.42
Total Unrestricted			\$ 33,154,355.42
RESTRICTED			
Cash on Hand (Schedule A-1)			13,939.65
Cash in Banks (Schedule A-1)			
Demand Accounts			
Time Deposits	847,051.81		
Investments (Schedule A-3)	10,928,547.10	11,775,596.91	
Federal Accounts Receivable		178,240.00	
Other Accounts Receivable		7,332,577.43	
Other Receivables		4,994,103.64	
Federal Contract and Grant Awards		68,654.48	
Non-Federal Contract and Grant Awards		22,527,454.92	
Due from System Administration		2,736,981.43	
Prepaid Expenses		158,047.51	
		1,778,892.87	
Total Restricted			\$ 31,564,473.61
TOTAL CURRENT FUNDS			\$ 104,714,544.07

(Continued on next page)

THE UNIVERSITY OF TEXAS AT AUSTIN
BALANCE SHEET
At August 31, 1977

Liabilities and Fund Balances

CURRENT FUNDS			
UNRESTRICTED			
LIABILITIES			
Accounts Payable		\$ 977,771.15	
Due to Designated Funds		5,773,334.18	
Due to System Administration		173,905.51	
Due to Component Institutions			
U. T. Permian Basin		2.15	
U. T. San Antonio		14.00	
San Antonio Medical School		900,314.07	
Deposits		255,421.00	
Deferred Revenue			
FUND BALANCES			
Unallocated		\$ 1,320,465.11	
Provision for Inventories		2,493,857.77	
Provision for Orders and Contracts Outstanding		1,048,933.87	
Provision for Balances Subject to Reappropriation		1,500,000.00	
Provision for Future Operating Budget		1,000,000.00	
Provision for 1977-78 Operating Budget		131,196.22	
Provision for Renegotiating Overhead Rate on Contracts		8,495,053.00	
Total Allocated		<u>321,942.22</u>	
Total Unrestricted			\$ 19,897,764.06
DESIGNATED			
Accounts Payable		305,283.65	
Due to System Administration for Retirement of Indebtedness		60,355.36	
Deferred Revenue		3,773,334.18	
Fund Balances (Schedule B-1)		<u>11,806,746.51</u>	
Total Designated Funds			\$ 20,965,719.72
AUXILIARY ENTERPRISES			
Accounts Payable		149,244.09	
Deposits		341,896.05	
Deferred Revenue		2,063,610.56	
Fund Balances (Schedule B-2)		<u>9,736,124.72</u>	
Total Auxiliary Enterprises			\$ 12,290,871.42
Total Unrestricted			\$ 53,154,355.42
RESTRICTED			
Due to General Current Funds		10,415,565.35	
Fund Balances (Unearned) (Schedule B-3)		<u>41,148,908.26</u>	
Total Restricted			\$ 31,564,473.61
TOTAL CURRENT FUNDS			\$ 104,714,544.07

(Continued on next page)

Assets	
LOAN FUNDS	
Cash in Banks (Schedule A-1)	
Demand Accounts	
Time Deposits	\$ 192,540.69
Investments (Schedule A-3)	819,067.07
Notes Receivable (Schedule G-4a)	\$ 1,011,607.96
Other Receivables	92,437.80
	9,667,100.23
	89,270.90
TOTAL LOAN FUNDS	\$ 11,960,019.00
ENDOWMENT AND SIMILAR FUNDS	
Funds Held by System Administration	
Cash in Banks (Schedule A-1)	
Investments (Schedule A-3)	\$ 794,041.92
	42,425,462.02
TOTAL ENDOWMENT AND SIMILAR FUNDS	\$ 43,219,503.94
ANNUITY AND LIFE INCOME FUNDS	
Funds Held by System Administration	
Cash in Banks (Schedule A-1)	
Investments (Schedule A-3)	\$ 24,136.22
	1,020,341.44
TOTAL ANNUITY AND LIFE INCOME FUNDS	\$ 1,044,477.66
PLANT FUNDS	
UNEXPENDED	
Cash in Banks (Schedule A-1)	
Demand Accounts	
Time Deposits	\$ 901,761.10
Due from System Administration	24,444,435.28
	\$ 25,346,196.38
	22,436,913.42
Total Unexpended	\$ 47,783,109.80
FUNDS FOR RENEWALS AND REPLACEMENTS	
Cash in Bank (Schedule A-1)	
Demand Accounts	
Time Deposits	296,345.52
	555,097.55
Total Funds for Renewals and Replacements	\$ 851,443.07
FUNDS FOR RETIREMENT OF INDEBTEDNESS	
Funds Held by System Administration	
Cash on Hand (Schedule A-1)	
Cash in Banks (Schedule A-1)	58,453.20
Time Deposits	
Investments (Schedule A-3)	4,227,853.56
	14,770,388.42
Total Funds for Retirement of Indebtedness	\$ 19,056,695.20
INVESTMENT IN PLANT	
Land	
Buildings	26,823,594.95
Improvements Other than Buildings	235,072,822.10
Equipment	32,367,140.15
Construction in Progress	160,032,472.35
	62,707,227.62
Total Investment in Plant	\$ 593,091,426.49
TOTAL PLANT FUNDS	\$ 620,822,674.56
AGENCY FUNDS	
Cash in Banks (Schedule A-1)	
Demand Accounts	
Time Deposits	\$ 102,169.85
Investments (Schedule A-3)	1,330,402.90
Accounts Receivable	\$ 1,432,572.75
Land	3,536,779.47
Buildings	1,213,915.34
	97,000.00
	153,224.00
TOTAL AGENCY FUNDS	\$ 6,433,491.56

Liabilities and Fund Balances	
DEFERRED	
Fund Balances (Schedule B-4)	
Federal Direct Student Loan Program	\$ 7,412,473.00
Federal Government	801,355.07
Institutional Matching Funds	\$ 8,013,709.54
Health Profession Student Loan Program	
Federal Government	396,000.00
Institutional Matching Funds	39,563.25
Nursing Student Loan Program	
Federal Government	1,107,904.28
Institutional Matching Funds	119,370.99
Other Student Loan Funds	
	1,227,275.27
	1,221,449.51
TOTAL DEFERRED	\$ 10,860,216.29
FUNDS FOR RENEWALS AND REPLACEMENTS	
Fund Balances (Schedule B-6)	
Endowment Funds	\$ 34,439,305.81
Term Endowment Funds	305,852.50
Gift Endowment Funds	2,412,345.63
TOTAL FUNDS FOR RENEWALS AND REPLACEMENTS	\$ 43,219,503.94
ANNUITY AND LIFE INCOME FUNDS	
Fund Balances (Schedule B-7)	\$ 1,044,477.66
TOTAL ANNUITY AND LIFE INCOME FUNDS	\$ 1,044,477.66
UNEXPENDED	
Bonds Payable (Schedule A-4)	\$ 6,651,744.27
Fund Balances (Schedule B-9)	
Restricted	30,470,659.53
Provisions for Orders Outstanding	
Unrestricted	\$ 2,529,584.10
Balances Reappropriated	181,121.90
Net Fund Balance	2,710,706.50
Total Unexpended	\$ 47,833,109.80
FUNDS FOR RENEWALS AND REPLACEMENTS	
Fund Balances (Schedule B-10)	
Restricted	435,000.00
Unrestricted	400,443.07
Total Funds for Renewals and Replacements	\$ 841,443.07
FUNDS FOR RETIREMENT OF INDEBTEDNESS	
Fund Balances (Schedule B-11)	
Restricted	19,056,695.20
Total Funds for Retirement of Indebtedness	\$ 19,056,695.20
INVESTMENT IN PLANT	
Bonds Payable (Schedule A-4)	172,508,255.73
Net Investment in Plant (Schedule B-12)	380,583,170.76
Total Investment in Plant	\$ 553,091,426.49
TOTAL PLANT FUNDS	\$ 620,822,674.56
AGENCY FUNDS	
Accounts Payable	\$ 1,020.00
Investment in Plant	250,024.00
Deposits Held in Custody for Others (Schedule A-5)	
Provisions for Orders Outstanding	\$ 3,300.27
Net Fund Balances	6,172,938.29
	6,182,247.56
TOTAL AGENCY FUNDS	\$ 6,433,491.56

THE UNIVERSITY OF TEXAS AT AUSTIN
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended August 31, 1977

	CURRENT FUNDS				RESTRICTED FUNDS
	UNRESTRICTED FUNDS				
	General	Designated	Auxiliary Enterprises	Total Unrestricted	
FUND BALANCE, Sept. 1, 1976	\$ 8,383,267.71	\$ 7,180,449.05	\$ 2,210,052.64	\$ 24,773,769.40	\$ 31,860,400.00
REVENUES AND OTHER ADDITIONS:					
Unrestricted Current Fund Revenues	109,895,552.81	17,949,536.17	24,569,873.51	154,415,262.49	
State Appropriations - Restricted					11,078,400.00
Federal Grants and Contracts - Restricted					43,171,000.00
State Grants and Contracts - Restricted					4,253,700.00
Local Grants and Contracts - Restricted					26,870.00
Private Gifts, Grants and Contracts - Restricted					11,025,700.00
Investment Income - Restricted					1,740,000.00
Realized Gain on Investments - Restricted					1,740,000.00
Interest on Loans Receivable					
U. S. Government Advances					
Expended for Plant Facilities (including \$ 8,874,424.11 charged to Current Fund Expenditures)					
Other Additions	350,336.85	402,746.96	26,315.25	829,399.06	1,760,000.00
Total Revenues and Other Additions	110,276,189.66	20,372,283.13	24,596,188.76	155,244,661.55	28,320,000.00
EXPENDITURES AND OTHER DEDUCTIONS:					
Expenditures	121,608,389.75	3,053,769.77	22,557,607.48	147,220,367.00	56,196,000.00
Appropriations Lapsed	137,346.16			137,346.16	
Indirect Costs Recovered					1,140,000.00
Refunded to Grantors					1,140,000.00
Loan Cancellations and Write-offs					1,140,000.00
Administrative and Collection Costs					
Realized Losses on Investments					
Expended for Plant Facilities					
Retirement of Indebtedness Paid					
Disposal of Plant Facilities					
Reclassifications to Other Components					
Net Change in Bonds Payable					
Other Deductions	15,566.56	320,702.94	25,860.01	362,129.51	76,000.00
Total Expenditures and Other Deductions	121,822,402.47	3,374,472.71	22,583,467.49	147,780,342.67	57,972,000.00
TRANSFERS					
Mandatory:					
To System Administration					
General Tuition Revenue Bonds		(5,930,355.38)		(5,930,355.38)	
To Retirement of Indebtedness					
Building Use Fee - Skiles Act		(425,228.02)		(425,228.02)	
Hospital Refunding Bonds Dated 1951			(24,581.25)	(24,581.25)	
Dormitory Revenue Bonds Series 1954			(100,640.00)	(100,640.00)	

(Continued on next page)

THE UNIVERSITY OF TEXAS AT AUSTIN
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended August 31, 1977

LOAN FUND	ENDOWMENT AND SIMILAR FUNDS	ANNUITY AND LIFE INCOME FUNDS	PLANT FUNDS			
			Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant
\$ 2,100,000.00	\$ 38,586,877.43	\$ 2,614,534.54	\$ 32,552,235.11	\$ 489,444.37	\$ 18,393,473.02	\$ 340,431,500.52
					438,904.00	
6,430.62	1,840,933.44	80,773.79	10,000.00			1,259,439.75
74,198.69	1,141,543.32	72,508.00	1,541,030.28		1,284,796.74	
	167,549.85	21,364.02				
1,140,000.00						45,041,297.15
68,477.46			247,588.94			5,297,000.00
1,408,262.70	3,150,026.61	174,645.81	1,798,621.22		1,703,700.74	51,597,833.25
		117,661.01	711,820.72			
52,235.00						
100,139.82						
1,752.59						
		760,245.48			4,619.47	
			36,142,252.28			
					13,349,140.44	
						1,086,183.34
			47,330,625.54			
			(22,346,076.17)			1,360,000.17
	10,071.38		63,170.00			
216,227.41	10,071.38	877,906.49	61,901,792.37		13,353,767.91	20,144,460.01

(Continued on next page)

	CURRENT FUNDS				RESTRICTED FUNDS
	UNRESTRICTED FUNDS			Total Unrestricted	
	General	Designated	Auxiliary Enterprises	Total Unrestricted	
To Retirement of Indebtedness (Continued)					
Dormitory Revenue Bonds Series 1956			(117,276.25)	(117,276.25)	
Student Union Revenue Bonds, Series 1958			(56,667.19)	(56,667.19)	
Student Housing Revenue Bonds of 1963 Housing System Revenue Bonds Series 1967			(58,762.50)	(58,762.50)	
Building Revenue Bonds of 1968			(800,647.73)	(800,647.73)	
Combined Fee Revenue Bonds, Series 1970, 1971, 1972, 1973, and 1974			28,180.00	28,180.00	
Building Revenue Bonds Series 1969		(4,776,136.41)	(262,086.17)	(4,776,136.41)	
Student Housing Revenue Bonds, Series 1971		(1,455,320.00)		(1,455,320.00)	
To Loan Fund Matching Fund			(201,075.00)	(201,075.00)	
To Renewals and Replacements Funds - Non-Mandatory:			97,000.00	97,000.00	
To Designated Funds	72,571.83	72,571.83	1,013.54	-	
To Auxiliary Enterprise Funds	356,183.00		356,183.00	-	
To Restricted Current Funds				-	
To Loan Funds				700.00	
To Endowment and Similar Funds	114,370.73			(114,370.73)	
To Unexpended Plant Funds	(1,768,605.31)			(1,768,605.31)	
To Renewals and Replacements Funds - From Agency Funds		(254,498.70)		(254,498.70)	
From System Administration		131,344.12	3,703.00	139,157.12	
From System Nursing School	13,045,500.58			13,045,500.58	
To Component Institutions	1,000,141.11			1,000,141.11	
Other Transfers	11,270,240.32	11,271,612.26	(1,580,649.12)	11,471,003.46	
Net Increase/Decrease for the Year	533,787.51	4,496,297.45	507,071.00	5,537,097.96	1,000,141.11
FUND BALANCE, August 31, 1977	\$ 5,816,205.27	\$ 11,806,740.41	\$ 2,736,124.72	\$ 20,359,066.40	\$ 1,100,282.22

PLANT FUNDS	ENDOWMENT AND SIMILAR FUNDS	ANNUITY AND LIFE INCOME FUNDS	PLANT FUNDS			
			Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant
					117,276.25	
					56,667.19	
					58,762.50	
					800,647.73	
					28,180.00	
					4,776,136.41	
					1,455,320.00	
					201,075.00	
				57,500.00		
	10,000.00	(180.93)	(67,627.41)			
	3,000.00	(9,000.00)				
		1,565,614.71	(799,116.79)			
		(63,170.00)		1,931,775.31		
				254,498.70		
			61,897,526.26		4,248,575.00	
	1,000,141.11					
	11,270,240.32	1,492,671.28	(866,744.20)	63,719,301.57	351,995.70	15,493,182.35
	533,787.51	4,496,297.45	1,576,004.88	3,456,130.47	1,1,000.00	413,201.15
	\$ 5,816,205.27	\$ 11,806,740.41	\$ 2,736,124.72	\$ 39,191,365.53	\$ 841,413.07	\$ 19,056,695.00
						\$ 330,583,170.06

THE UNIVERSITY OF TEXAS AT AUSTIN
 STATEMENT OF CURRENT FUNDS REVENUES AND EXPENDITURES
 For the Year Ended August 31, 1977

	UNRESTRICTED			RESTRICTED	TOTAL
	General	Designated	Auxiliary Enterprises		
CURRENT REVENUES (Schedule C-1)					
Tuition and Fees	\$ 2,866,011.34	\$ 13,407,600.14	\$ 4,999,800.56	\$ 21,273,412.04	\$ 21,273,412.04
State Appropriations	99,850,364.80			99,850,364.80	110,909,213.17
Federal Grants and Contracts	5,720,111.35	452,334.80		6,172,446.17	30,119,675.06
State Grants and Contracts	218,170.99			218,170.99	3,784,372.27
Local Grants and Contracts	3,817.80			3,817.80	59,171.54
Private Gifts, Grants and Contracts	692,180.86	203,400.61		895,581.47	9,608,095.00
Endowment Income					1,732,701.24
Sales and Services of Educational Activities	94,594.99	5,299,298.96		5,393,893.95	1,732,701.24
Sales and Services of Auxiliary Enterprises		225,480.24		225,480.24	5,353,893.95
Other Sources	447,600.68	400,000.93	19,609,980.95	19,857,581.56	19,857,581.56
TOTAL CURRENT REVENUES (Exhibit B)	\$ 109,895,882.81	\$ 19,909,236.17	\$ 24,569,872.41	\$ 154,374,991.39	\$ 203,677,217.29
CURRENT EXPENDITURES (Schedule C-2)					
Educational and General					
Instruction	\$ 60,127,415.86	\$ 395,161.56		\$ 60,522,577.42	\$ 68,541,325.86
Research	6,067,989.81	644,327.14		6,712,316.95	43,941,101.76
Public Service	470,567.62	2,594,235.90		3,064,803.54	5,116,186.00
Academic Support	14,684,561.99	113,235.36		14,797,797.35	16,311,773.69
Student Services	3,538,767.08	469,294.87		4,008,061.95	4,848,897.75
Institutional Support	6,815,468.44	(1,678,476.93)		5,136,991.51	6,134,069.42
Operation and Maintenance of Plant	27,450,080.49	34,127.16		27,484,207.65	28,693,232.17
Scholarships and Fellowships	2,454,133.52	282,000.44		2,736,133.96	6,769,901.72
Total Educational and General	121,608,989.75	2,845,446.94		124,454,436.69	179,446,488.37
Auxiliary Enterprises		207,902.83	22,557,607.49	22,765,510.31	24,232,728.90
TOTAL CURRENT EXPENDITURES (Exhibit B)	\$ 121,608,989.75	\$ 3,053,349.77	\$ 22,557,607.49	\$ 147,220,267.00	\$ 203,677,217.29

01-V

In the opinion of Bond Counsel, the interest on the Series 1978 Bonds is exempt from present federal income taxes under existing statutes, regulations, published rulings and court decisions.

NEW ISSUE

Moody's: A-1
Standard & Poor's: AA

\$16,710,000

**Board of Regents of
The University of Texas System**

The University of Texas At Austin

Combined Fee Revenue Refunding Bonds, Series 1978

Dated: August 1, 1978

Due: June 1, as shown below

The Series 1978 Bonds are special obligations of the Board of Regents of The University of Texas System (the "Board of Regents" or "Board") secured under a Bond Resolution adopted by the Board (the "1978 Resolution") and are payable solely from the Pledged Revenues as defined in the 1978 Resolution. The Series 1978 Bonds do not constitute general obligations of the State of Texas, the Board of Regents of The University of Texas at Austin, or any political subdivision of the State of Texas. Neither the credit nor the taxing power of the State of Texas or any political subdivision of the State of Texas is pledged to the payment of the principal of or interest on the Series 1978 Bonds. The Board of Regents has no taxing power, and bondholders shall never have the right to demand payment from any money raised or to be raised by taxation.

Principal and semi-annual interest (June 1, 1979 and thereafter on each December 1 and June 1) will be payable at Bank of The Southwest, N.A., Houston, Texas, or, at the option of the holder, at Bankers Trust Company, New York, New York; bearer coupon bonds in the denomination of \$5,000, not registrable.

The Series 1978 Bonds maturing June 1, 1989 through June 1, 2000, inclusive, shall be redeemable, in whole or in part in inverse numerical order on June 1, 1988 or any interest payment date thereafter at par and accrued interest to date of redemption.

MATURITIES, AMOUNTS, COUPON RATES AND PRICES

Maturity June 1	Amount	Coupon	Price or Yield	Maturity June 1	Amount	Coupon	Price or Yield
1979	\$ 465,000	5.00	4.60	1990	\$ 785,000	5.30	5.35
1980	520,000	5.00	4.70	1991	815,000	5.40	5.45
1981	545,000	5.00	4.80	1992	845,000	5.50	5.55
1982	560,000	5.00	4.85	1993	885,000	5.60	5.65
1983	585,000	5.00	4.90	1994	925,000	5.75	100
1984	605,000	5.00	4.95	1995	970,000	5.80	5.85
1985	630,000	5.00	100	1996	1,005,000	5.95	100
1986	660,000	5.00	5.05	1997	1,050,000	6.00	6.05
1987	690,000	5.10	100	1998	1,085,000	6.00	6.15
1988	720,000	5.10	5.15	1999	1,145,000	6.00	6.20
1989	745,000	5.25	100	2000	475,000	6.00	6.20

(Accrued Interest to be Added)

The Series 1978 Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without any notice, and to the approval of legality of the Series 1978 Bonds by Vinson & Elkins, Houston, Texas and by the Attorney General of the State of Texas. It is expected that the Series 1978 Bonds in definitive form will be available for delivery to the Underwriter in Austin, Texas on or about August 30, 1978.

Merrill Lynch White Weld Capital Markets Group

Merrill Lynch, Pierce, Fenner & Smith Incorporated

The date of this Official Statement is August 4, 1978.

The information in this Official Statement has been obtained for and provided by the Board of Regents of The University of Texas System except as otherwise indicated. The sources of such information are considered to be reliable and those customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness. A copy of the complete 1978 Resolution under which the Series 1978 Bonds are issued is available upon request to the Board of Regents. All estimates and assumptions contained herein are believed to be reliable but no representation is made that such estimates or assumptions are correct or will be realized. No person, including any broker, dealer or salesman, has been authorized to give any information or to make any representation other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Board of Regents. Any information or expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create an implication that there has been no change as to the affairs of the Board of Regents since the date hereof.

This Official Statement does not constitute an offer to sell the Series 1978 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

The Series 1978 Bonds have not been registered with the Securities and Exchange Commission by reason of the exemption provisions of Section 3(a)(2) of the Securities Act of 1933, as amended. The Series 1978 Bonds have not been approved or disapproved by the Securities and Exchange Commission and the Commission has not passed upon the accuracy or adequacy of this Official Statement.

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OFFICIAL STATEMENT

\$16,710,000

Board of Regents of The University of Texas System

The University of Texas At Austin

Combined Fee Revenue Refunding Bonds, Series 1978

July 25, 1978

INTRODUCTION

This Official Statement, including the cover page and exhibits, is furnished in connection with the offering of \$16,710,000 principal amount of The University of Texas at Austin Combined Fee Revenue Refunding Bonds, Series 1978 (the "Series 1978 Bonds") of the Board of Regents of The University of Texas System, (the "Board of Regents" or "Board").

The Series 1978 Bonds are authorized to be issued by and secured by a bond resolution adopted August 4, 1978 (the "1978 Resolution") by the Board. Pursuant to the 1978 Resolution the Series 1978 Bonds, together with other parity bonds, will be payable from and secured by a pledge of and first lien on the "Pledged Revenues" of the Board as defined in the 1978 Resolution (see "The Bond Resolution"). The Series 1978 Bonds, together with the interest payable thereon, will be special obligations of the Board payable solely from a first lien of the Pledged Revenues, and are payable at the Bank of The Southwest, N.A., Houston, Texas, or Bankers Trust Company, New York, New York. The Series 1978 Bonds do not constitute general obligations of the State of Texas; the Board of Regents of the University of Texas at Austin, or any political subdivision of the State of Texas. Neither the credit nor the taxing power of the State of Texas or any political subdivision of the State of Texas is pledged to the payment of the principal of, or interest on the Series 1978 Bonds. The Board of Regents has no taxing power, and bondholders shall never have the right to demand payment from any money raised or to be raised by taxation.

The net proceeds of the Series 1978 Bonds, together with the proceeds of the Special Obligation Refunding Bonds, Series 1978 (the "Special Obligation Bonds") and other available funds, will be applied to refund the outstanding University of Texas at Austin Combined Fee Revenue Bonds, Series 1970 and Series 1974.

PLAN OF FINANCING

The University of Texas at Austin has previously issued \$10,000,000 Combined Fee Revenue bonds, Series 1970, \$8,955,000 of which are presently outstanding (the "Series 1970 Bonds"), and \$6,900,000 Combined Fee Revenue Bonds, Series 1974, \$6,430,000 of which are presently outstanding (the "Series 1974 Bonds"). The proceeds of the Series 1978 Bonds, together with the proceeds of the Special Obligation Bonds and other available funds will be applied to refund and defray the Series 1970 Bonds and the Series 1974 Bonds. The purpose of the refunding is to reduce annual debt service payments in each of the years 1979 through 2000 by approximately \$58,000. The present value of such savings is approximately \$705,000.

The monies required to refund the Series 1970 and Series 1974 Bonds will come from the net proceeds of the Series 1978 Bonds, the Special Obligation Bonds, and other available funds. Such monies shall be applied to the purchase of direct obligations of the United States of America ("Federal Securities"). The Federal Securities will be held by the City National Bank, Austin, Texas as Escrow Agent under an Escrow Agreement to be dated the date of delivery of the Series 1978 Bonds. The Federal Securities are scheduled to mature at such times and in such amounts so that sufficient monies will be available from such maturing principal to pay, when due, the principal, interest, and redemption premium, if any, to accrue on the Series 1970 Bonds and the Series 1974 Bonds to their respective maturity or redemption dates. The interest income earned on such Federal Securities will be sufficient to pay, when due, all principal of and interest on the Special Obligation Bonds. The interest income on the Federal Securities is not pledged to and will not be available to pay the Series 1970 and 1974 Bonds or the Series 1978 Bonds. The maturing principal of such Federal Securities is not pledged to and will not be available to pay the Special Obligation Bonds or the Series 1978 Bonds.

Simultaneously with, and as a condition to, the issuance of the Series 1978 Bonds, the Board will issue \$3,695,000 Special Obligation Bonds to provide a portion of the monies necessary to effect the refunding. The Special Obligation Bonds are not being offered by this Official Statement and will not be secured in any way by the principal of the Federal Securities or the Pledged Revenues. The Special Obligation Bonds, the use of the proceeds thereof and the security therefor are described in another Official Statement. Such Special Obligation Bonds are not being offered by this Official Statement.

ESTIMATED SOURCES AND USES OF FUNDS

Sources

Principal Amount of the Series 1978 Bonds	\$16,710,000
Principal Amount of the Special Obligation Bonds	3,695,000
Accrued Interest	8,000
Other Available Funds	1,551,791
Total Sources	\$22,064,791

Uses

Federal Securities	\$2,267,750
Bond Discount and Other Financing Expenses	129,180
Initial Escrow Cash Balance	30,000
Capitalized Reserve Fund	1,000,000
Interest and Sinking Fund	73,000
Total Uses	\$22,067,930

THE SERIES 1978 BONDS

General Terms

The Series 1978 Bonds are issued as serial bonds and are dated August 1, 1978. The Series 1978 Bonds are issued in the principal amount of approximately \$16,710,000 and mature from June 1, 1979 to and including June 1, 2000. The Series 1978 Bonds are issued in coupon bearer form in the denomination of \$5,000 each, without the privilege of registration. Principal and Interest are payable at the Bank of The Southwest, N.A., or Bankers Trust Company, New York, New York. The first coupon will be payable June 1, 1979 with subsequent coupons payable each December 1 and June 1 thereafter.

Security

The Series 1978 Bonds will constitute special obligations of the Board, and together with The University of Texas at Austin Combined Fee Revenue Bonds, Series 1971, Series 1972 and Series 1973, are equally and ratably secured by a pledge of and a first lien on (1) a General Fee to be fixed, charged and collected from all students (excepting any category of students now exempt

from paying fees by Chapter 54 of the Texas Education Code) regularly enrolled at the University, without limitation, for the general use and availability of the property, buildings, structures and other facilities of the University, (2) the gross collections of a Building Use Fee (known popularly as the "Skiles Act Fees") to be levied and collected from each tuition paying student (excepting any category of students now exempt from paying tuition by Chapter 54 of the Texas Education Code) in an amount not exceeding \$5.00 for each regular semester and \$2.50 for each summer term for each student enrolled for 12 or more semester credit hours and .25¢ per semester hour for students enrolled in less than 12 semester hours per semester or term and (3) all United States Department of Health, Education and Welfare annual debt service grants applicable to the Series 1970 Bonds, the Series 1971 Bonds and Series 1972 Bonds and to be applicable to the Series 1978 Bonds. The University is receiving under the Higher Education Facilities Act of 1963, Title III, Section 306, an annual interest subsidy grant of \$149,053 to run through fiscal year August 31, 2000, applicable to one half of the original Series 1970 Issue. The amount of such subsidy will be recomputed and made applicable to the Series 1978 Bonds by HEW, after the completion of the refunding transaction. It is estimated that such subsidy will be reduced by approximately \$30,000 annually. The amount of subsidy applicable to the Series 1971 Bonds is \$90,055 annually through 2001 and to the Series 1972 Bonds, \$64,938 annually through 2002. These subsidies will not be reduced.

Optional Redemption of the Bonds

The Series 1978 Bonds maturing June 1, 1989 through June 1, 2000, inclusive, shall be redeemable at the option of the Board, in whole or in part, in inverse numerical order, on June 1, 1985, or any interest payment date thereafter at par and accrued interest to the date of redemption.

Additional Bonds

In accordance with the Bond Resolution, the Board shall have the right to issue additional parity revenue Bonds. Such additional bonds shall only be issued and delivered if (1) the senior financial officer of the University signs a written certificate to the effect that the Board is not in default as to any covenant, condition or obligation in connection with all outstanding Bonds and Additional Bonds, and (2) the Interest and Sinking Fund and the Reserve Fund each contains the amount required to be therein (3) the State Auditor of the State of Texas or a Certified Public Accountant, signs a written certificate to the effect that for the then current fiscal year or the twelve month period next preceding the issuance of additional parity bonds, Pledged Revenues have been at least equal to 1.25 times the average annual principal and interest requirements on all Bonds outstanding and any additional Bonds to be outstanding after the issuance of the then proposed Additional Bonds (4) the senior financial officer of the University signs a written certificate to the effect that during each of the fiscal years, following that in which the Additional Bonds are issued, the estimated Pledged Revenues are equal to at least 1.25 times the principal and interest requirements for each such year on all Bonds and Additional Bonds then outstanding and the Additional Bonds being issued.

Flow of Funds

In accordance with the Bond Resolution, there are created a General Fee Revenue Fund, and Combined Fee Revenue Bonds Interest and Sinking Fund, which Fund shall contain a debt service reserve. All gross collections of the Building Use Fee shall be credited directly to the Interest and Sinking Fund upon receipt. All other gross collections of Pledged Revenues shall be credited to the Revenue Fund upon receipt. The Board shall transfer from the Revenue Fund and deposit to the credit of the Interest and Sinking Fund the amounts as follows, (1) on or before November 25 and May 25 an amount which will be sufficient together with other monies, if available, to pay the interest scheduled to come due on the Bonds on the next succeeding interest payment date; and, an amount which will be sufficient to pay one-half of all principal scheduled to mature and come due on the Bonds on the next succeeding June 1; and, (2) annually, an amount equal to one-fifth of the average annual principal and interest requirements of the Series 1978 Bonds to be deposited in the debt service reserve fund provided however, that when monies and investments in the debt service reserve are at least in market value to the amount of the average annual principal and interest requirements of the Bonds then outstanding, such deposits may be discontinued.

DEBT SERVICE REQUIREMENTS - ALL COMBINED FEE REVENUE DEBT

Fiscal Years Ending 8/31	Total Revenue Requirements All Other Issues	This \$16,710,000 Issue Dated August 1, 1978			Total Annual Requirements
		Principal (6-1)	Interest	Total	
1979	\$ 4,309,304	\$ 465,000	\$ 763,097	\$ 1,228,097	\$ 5,537,401
1980	4,303,930	520,000	892,466	1,412,466	5,716,396
1981	4,304,612	545,000	866,466	1,411,466	5,716,106
1982	4,305,517	560,000	839,216	1,399,216	5,705,034
1983	4,308,379	545,000	811,216	1,396,216	5,704,595
1984	4,311,492	605,000	781,966	1,386,966	5,695,459
1985	4,314,855	630,000	751,716	1,341,716	5,696,571
1986	4,313,942	660,000	720,216	1,380,216	5,694,139
1987	4,316,415	690,000	687,216	1,377,216	5,693,631
1988	4,319,925	720,000	652,026	1,372,026	5,691,951
1989	4,325,652	745,000	615,306	1,360,306	5,688,939
1990	4,332,067	785,000	576,194	1,361,194	5,693,261
1991	4,343,351	815,000	534,590	1,349,590	5,692,471
1992	4,353,457	845,000	490,580	1,335,580	5,689,035
1993	4,359,967	885,000	444,104	1,229,104	5,689,071
1994	4,369,575	925,000	394,544	1,319,544	5,689,119
1995	4,376,675	970,000	341,356	1,311,356	5,688,031
1996	4,400,510	1,005,000	285,096	1,290,096	5,690,946
1997	4,403,128	1,050,000	225,300	1,275,300	5,675,425
1998	4,410,362	1,045,000	162,300	1,247,300	5,657,663
1999	4,422,667	1,145,000	97,200	1,242,200	5,664,867
2000	4,427,952	475,000	28,500	503,500	4,931,453
2001	5,156,757				5,156,757
2002	4,193,200				4,193,200
2003	3,995,200				3,995,200
2004	3,990,000				3,990,000
	<u>\$112,972,555</u>	<u>\$16,710,000</u>	<u>\$11,960,670</u>	<u>\$28,670,670</u>	<u>\$141,643,225</u>
Maximum Annual Requirement - (F/Y) 1980				\$5,716,396	
Average Annual Requirements - (F/Y) 1979/2000				\$5,650,367	

HISTORICAL SUMMARY OF REVENUES PLEDGED FOR THE PAYMENT OF COMBINED FEE REVENUE BONDS

	Fiscal Year Ended 8/31				
	1974	1975	1976	1977	1978 Est.
General Fee(1)	\$6,098,238	\$6,405,231	\$6,400,109	\$6,250,958	\$6,444,122
Building Use Fee(2)	425,605	436,451	437,918	425,228	429,188
Health, Education and Welfare Annual Interest Subsidy Grant	304,106	304,106	304,106	304,106	304,106
Total Available for Debt Service	<u>\$6,817,949</u>	<u>\$7,145,788</u>	<u>\$7,142,133</u>	<u>\$6,980,292</u>	<u>\$7,177,416</u>
Coverage of Estimated Maximum Annual Debt Service (F/Y 1981) \$5,716,396	1.19x	1.25x	1.25x	1.22x	1.26x

- (1) The General Fee can be charged without limit for the payment of debt service on the Combined Fee Revenue Bonds and is currently being levied at a rate of \$5.62 per semester credit hour.
- (2) The Building Use Fee known popularly as the Skiles Act is a fixed fee payable in the following amounts: \$5.00 for each regular semester or \$2.50 per summer session for each student enrolled for 12 or more semester credit hours and \$0.42 per semester credit hour for each student enrolled for less than 12 semester credit hours.

SUMMARY OF ACADEMIC SEMESTER CREDIT HOURS
University of Texas At Austin

	Fiscal Year				
	1973-74	1974-75	1975-76	1976-77	1977-78
Fall	525,536	539,597	543,977	527,382	526,915
Spring	486,464	499,556	503,822	492,267	
Summer Sessions	149,376	156,628	146,141	142,943	

SUMMARY OF ENROLLMENT HEAD COUNT
University of Texas At Austin

	Fiscal Year				
	1973-74	1974-75	1975-76	1976-77	1977-78
Fall	40,611	41,845	42,598	41,387	41,660
Spring	38,114	39,525	39,912	39,048	
Summer Sessions	19,643	20,587	19,597	20,264	

SUMMARY OF FULL TIME EQUIVALENT STUDENTS
University of Texas At Austin

Fiscal Year	Number
1976-77	38,753
1975-76	39,798
1974-75	39,659
1973-74	38,713

GEOGRAPHIC DISTRIBUTION OF ENROLLMENTS
University of Texas At Austin

Residence of Student	Fall Semester			
	1976	1975	1974	1973
State of Texas	36,988	38,533	36,262	35,145
Out-of-State	2,542	2,467	4,256	4,112
Foreign Country	1,857	1,598	1,323	1,354
Total	41,387	42,598	41,841	40,611

THE UNIVERSITY OF TEXAS AT AUSTIN

General and History

The University of Texas at Austin is located in City of Austin which is situated in central Texas. Austin is the state capitol and has an estimated 1977 population of 319,000.

The University of Texas at Austin is a state institution which was created by the Constitution, approved by popular vote, and is endowed and maintained by state legislative grants. In 1839, the Congress of the Republic of Texas passed two acts directed toward the founding of the University which provided for the appropriation of land for a campus in Austin as well as appropriating public lands within the Republic for the purpose of endowing university education. An act of the Legislature in 1891 provided for the organization of the University and for the appointment of a Board of Regents. The Main University was located in Austin and in September 1883, the University was formally opened. The grounds of the University presently consist of the original 40-acre site and numerous additional sites which have been acquired by gifts and purchase. The University owns the Balcones Research Center, eight miles north of the campus, which consists of 394 acres and the Brackenridge Tract, bordering Lake Austin and Town Lake, which consists of approximately 445 acres. The present enrollment is over 41,000, making it the largest institution of higher learning in the South. The University employs approximately 11,000 staff and administrative personnel and approximately 3,700 full and part-time faculty members.

The University of Texas at Austin is governed by a nine-member Board of Regents which are nominated by the Governor and appointed with consent of the Senate.

Accreditations

Accreditation of the University is by the Southern Association of Colleges and Schools. The institution is a member of the Association of American Universities and each of the University's professional schools are fully accredited in its field.

University Curricula

The University offers over 3,800 courses with masters and doctoral degrees in more than 50 fields. From the Fall of 1975 to the Spring of 1977, the University has granted a total of 21,242 bachelors degrees, 4,227 masters degrees, 1,363 doctoral degrees and 1,614 law degrees. At present, the University is operating eight colleges which include the Colleges of Arts and Sciences, Natural Sciences, Social and Behavioral Sciences, Business Administration, Education, Engineering, Fine Arts, Pharmacy, with Graduate Programs in each of the colleges. In addition, The University operates six schools which include the Schools of Architecture, Communication, Law, Nursing and Public Affairs, including a Graduate School of Library Science and Social Work. The University operates an Extension Division, the University Press, Bureau of Business Research and numerous research laboratories and bureaus. The University's McDonald Observatory on Mount Locke in West Texas and the Marine Science Institute at Port Aransas are branches of The University of Texas at Austin.

Research and Service

The University also operates 37 research laboratories and support facilities, employing 1,000 personnel and occupying 53 buildings on the 394-acre Balcones Research Center campus. In some 35 laboratories, the Center provides assistance to teaching departments and other divisions of the University, including the Departments of Anthropology, Archeology, Geology, Paleontology, Pharmacy, Physics and Zoology. Fifteen labs can be classified under the engineering disciplines and include aeronautical, civil, electrical, mechanical and structural engineering. The Balcones Institute for Research and Development, authorized by the Board of Regents of The University of Texas System in 1973 as an expansion program at the Center, is empowered to enter into contracts with private industry, professional organizations and government agencies for research and development services.

Facilities

The University is located in the center of the City of Austin. Design of the campus is a combination of Spanish, classic and contemporary architecture, with the buildings varying from one to seventeen-story structures. The total number of buildings on the main campus is estimated at 119. The University owns and operates 213 off-campus apartments and 17 dormitories on campus.

Several new buildings and facilities are currently under construction at the University, or have recently been completed. A \$6.6 million olympic-size swimming facility was completed in March 1977 and a \$28.8 million Special Events Center for basketball games, indoor tennis matches and various entertainment events was completed in October 1977. Currently under construction is a Performing Arts Complex which will include a fine arts administration building, and a 3,000-seat concert hall. The total construction cost is in excess of \$31 million and completion is expected by 1980. Also under construction is a \$16.5 million addition to the Chemistry Building and an \$4.5 million addition to the Law School. As of August 31, 1977, the total physical plant value is \$553.1 million.

The library system of the University of Texas at Austin is the tenth largest academic library in the United States and includes the General Libraries, the Law Library, the Lyndon B. Johnson Public Affairs Library and the Humanities Research Center. Combined, the libraries contain over four million volumes.

Athletic Programs

The University is a member of the National Collegiate Athletic Association and the Southwest Athletic Conference for sports involving intercollegiate athletics for men. The University is also a member of the Association for Intercollegiate Athletics for Women, and the Southwest and Texas Associations for Intercollegiate Athletics for Women.

SUMMARY OF OUTSTANDING BONDED INDEBTEDNESS UNIVERSITY OF TEXAS AT AUSTIN

	Original Amount Issued	Outstanding May 31, 1978	Reserve Funds Inv. May 31, 1978
University of Texas Hospital Refunding Bonds			
Series 1951(1)	\$ 980,000	\$ 95,000	\$ 100,200
Dormitory Revenue Bonds, Series 1954(2)	3,402,000	1,998,000	484,238
Dormitory Revenue Bonds, Series 1958(3)	4,150,000	2,511,000	676,926
University of Texas Student Union Revenue Bonds,			
Series 1958, Series B(4)	1,220,000	765,000	316,647
Student Housing Revenue Bonds of 1963(5)	1,800,000	1,455,000	237,341
Housing System Revenue Bonds, Series 1967(6)	16,500,000	14,720,000	1,054,078
Building Revenue Bond of 1968(7)	520,000	460,000	56,358
Building Revenue Bonds, Series 1969(8)	25,000,000	22,715,000	1,570,192
Combined Fee Revenue Bonds, Series 1970(9)(14)	10,000,000	9,120,000	6,193,899
Combined Fee Revenue Bonds, Series 1971(9)	20,000,000	18,490,000	(11)
Married Student Housing Revenue Bonds,			
Series 1971(10)	3,100,000	3,015,000	247,064
Combined Fee Revenue Bonds, Series 1972(9)	10,000,000	9,135,000	(11)
Combined Fee Revenue Bonds, Series 1973(9)	34,000,000	32,560,000	(11)
Building Revenue Bonds, Series 1974(12)	53,000,000	50,005,000	5,913,333
Building Revenue Bonds, Series 1974-A(12)(15)	6,000,000	5,760,000	(13)
Combined Fee Revenue Bonds, Series 1974(9)(14)	6,900,000	6,565,000	(11)

- (1) Secured by first lien on and pledge of revenues from compulsory student hospital fee.
- (2) Secured by first lien on and pledge of net revenues from Blanton Dormitory, Simkins Hall, Moore Hall, and Varsity Cafeteria.
- (3) Secured by first lien on and pledge of net revenues from Kinsolving Dormitory, plus surplus revenues from debt-free Andrews and Carothers Dormitories for Women.
- (4) Secured by first lien on and pledge of revenues from compulsory student union fee.
- (5) Secured by first lien on and pledge of net revenues from 200 apartments for married students.
- (6) Secured by first lien on and pledge of gross revenues of University Housing System.
- (7) Secured by first lien on and pledge of gross revenues from Student Co-op Housing System.
- (8) Secured by first lien on and pledge of net revenues of Utility Plant and gross Student Building Use Fees.
- (9) Secured by first lien on and pledge of Building Use Fee (Skiles Act) and General Fee.
- (10) Secured by first lien on gross revenues from Married Student Housing System.
- (11) Reserve Funds for Combined Fee Revenue Bonds Series 1970, 1971, 1972, 1973 and 1974 consolidated.
- (12) Secured by first lien on and pledge of Available Fund Surplus and Special Fee.
- (13) Reserve Funds for Building Revenue Bonds Series 1974 and 1974-A consolidated.
- (14) Issues are to be refunded through the issuance of the Bonds being offered herein.
- (15) Scheduled to be refunded through the sale of refunding bonds on August 3, 1978.

THE UNIVERSITY OF TEXAS AT AUSTIN
SUMMARY STATEMENT OF CURRENT INCOME AND EXPENDITURES

	Fiscal Years Ending August 31				
	1973	1974	1975	1976	1977
Current Revenues					
Tuition and Fees	\$ 16,912,893	\$ 20,493,898	\$ 21,101,533	\$ 20,930,549	\$ 21,233,558
Federal Funds	26,841,798	27,101,095	32,063,046	31,369,742	36,332,122
State Appropriations	60,012,808	79,975,273	93,291,586	103,518,721	114,711,590
Private Gifts	6,192,875	7,378,561	7,852,850	9,811,557	9,667,285
Endowment Income (Includes Transfers from Available University Fund)	8,036,318	8,659,445	9,620,853	13,149,170	14,537,675
Sales and Services of Auxiliary Enterprises	13,302,083	14,971,219	15,733,253	18,044,215	19,535,960
Sales and Services of Ed. Dept. and other Sources	3,261,227	4,799,004	5,163,709	6,538,238	7,357,251
Total Current Revenues	<u>134,560,002</u>	<u>163,378,495</u>	<u>184,828,831</u>	<u>203,362,222</u>	<u>223,977,067</u>
Current Expenditures and Mandatory Transfers					
Education and General	108,250,827	128,130,773	151,232,208	162,740,426	179,446,488
Auxiliary Enterprises	14,394,735	15,931,636	17,975,867	20,989,049	24,230,729
Mandatory Transfers	10,518,043	13,533,869	14,646,931	15,467,519	14,170,573
Total Current Exp. and Mandatory Transfers	<u>133,163,605</u>	<u>157,596,278</u>	<u>183,855,006</u>	<u>199,196,994</u>	<u>217,847,790</u>
Excess Revenues over Expenditures and Mandatory Transfers	<u>\$ 1,396,397</u>	<u>\$ 5,782,217</u>	<u>\$ 971,825</u>	<u>\$ 4,165,228</u>	<u>\$ 6,129,277</u>

THE UNIVERSITY OF TEXAS AT AUSTIN
CONDENSED STATEMENT OF ASSETS AND NET WORTH

	Fiscal Years Ending August 31				
	1973	1974	1975	1976	1977
Assets					
Current Funds					
General	\$ 16,727,045	\$ 20,902,239	\$ 20,319,062	\$ 19,660,836	\$ 19,897,764
Auxiliary Enterprises and Activities	8,321,344	9,717,048	10,409,035	15,708,634	12,290,871
Designated	1,113,397	2,966,778	11,439,242	11,653,203	20,965,720
Restricted	29,481,145	32,616,762	36,872,502	39,537,596	51,564,494
Total Current Funds	<u>55,642,931</u>	<u>66,202,825</u>	<u>79,039,841</u>	<u>86,560,269</u>	<u>104,718,849</u>
Loan Funds	5,635,811	6,406,161	7,777,296	8,422,103	10,860,217
Endowment and Similar Funds	32,312,725	34,203,582	35,917,753	38,568,877	43,219,504
Annuity and Life Income Funds	2,335,982	3,282,497	2,748,107	2,614,535	1,044,530
Plant Funds					
Unexpended	47,160,138	111,626,062	96,254,160	66,553,056	47,833,110
Renewals and Replacement				489,444	841,443
Funds for Retirement of Indebtedness	6,218,962	14,740,007	16,447,143	18,393,473	19,056,695
Investment in Plant	359,093,301	398,336,042	448,996,954	502,579,776	553,091,427
Total Plant Funds	<u>412,472,401</u>	<u>524,702,111</u>	<u>561,698,257</u>	<u>588,015,749</u>	<u>620,822,675</u>
Agency Funds	1,751,042	1,949,105	2,665,058	3,855,323	6,433,492
Deduct: Inter-Fund Group Accounts	3,826,550	5,969,054	16,791,634	16,251,596	19,188,840
Grand Total Assets	<u>506,324,342</u>	<u>630,777,227</u>	<u>673,054,678</u>	<u>711,803,260</u>	<u>767,910,427</u>
Less: Total Liabilities	<u>133,757,913</u>	<u>115,114,436</u>	<u>142,344,929</u>	<u>178,257,561</u>	<u>210,291,091</u>
Fund Balances (Net Worth)	<u>\$372,566,429</u>	<u>\$515,662,791</u>	<u>\$530,709,749</u>	<u>\$533,545,699</u>	<u>\$557,619,336</u>

THE UNIVERSITY OF TEXAS SYSTEM

Administration

The University of Texas System commenced operations in 1883 with the opening of the original University of Texas campus in Austin and has since grown to be one of the largest educational organizations in the United States. The System is supported by State appropriations, private endowments and gifts, Federal funds, student fees, miscellaneous sources of income, and its interest in the income from the Permanent University Fund.

The Government of the University System is vested in a board of nine regents who serve without pay. They are nominated by the Governor for six-year terms, three each two years, and are subject to approval by the Senate. Administration of the University conforms to that of leading American universities.

The Members of the Board of Regents are as follows:

	<u>Term Expires</u>
The Honorable Allan Shivers, Chairman	Austin January 1979
Mr. Dan C. Williams, Vice Chairman	Dallas January 1981
James E. Bauerle, D.D.S.	San Antonio January 1979
Jane Weinert Blumberg (Mrs. Roland K.)	Seguin January 1983
The Honorable Edward Clark	Austin January 1979
Sterling H. Fly, Jr., M.D.	Uvalde January 1983
Mr. Jess Thomas Hay	Dallas January 1983
Mr. Thos. H. Law	Fort Worth January 1981
Mr. Walter G. Sterling	Houston January 1981
Betty Anne Thedford, Secretary	

The Principal Administrative Officers and Staff of the System are as follows:

- Dr. Charles A. LeMaistre, Chancellor
- Dr. E. D. Walker, President and Chief Operating Officer
- Dr. Ernest T. Smerdon, Vice President for Academic Affairs
- Mr. Robert L. Hardesty, Vice President for Administration
- Mr. Joe E. Boyd, Jr., Vice President for Business Affairs
- Mr. James T. Fitzpatrick, Vice President and General Counsel
- Dr. Edward N. Brandt, Jr., Vice President for Health Affairs
- Mr. Graves W. Landrum, Vice President for Operations
- Mr. W. L. Lobb, Executive Director for Investments, Trusts and Lands
- Mr. Frank Craydon, Budget Director
- Mr. R. L. Anderson, Comptroller
- Mr. R. S. Kristoferson, Director of Facilities Planning and Construction
- Mr. Herman Adams, Director for Public Affairs
- Mr. James C. Werchan, Director of Accounting

Organization

The Component Institutions of The University of Texas System, with the administrative heads shown, are:

- The University of Texas at ARLINGTON
 - Dr. Wendell Nedderman, President
- The University of Texas Institute of Urban Studies at Arlington
 - Dr. Sherman Wyman, Director
- The University of Texas School of Nursing at Arlington
 - Dr. Myrna Pickard, Dean

- The University of Texas at AUSTIN
 - Dr. Lorene L. Rogers, President
- The University of Texas Marine Science Institute at Galveston and Port Aransas
 - Dr. Creighton A. Burk, Director
- The University of Texas McDonald Observatory at Mount Locke
 - Dr. Harlan Smith, Director
- The University of Texas School of Nursing at Austin
 - Dr. Billye Brown, Dean
- The University of Texas at DALLAS
 - Dr. Bryce Jordan, President
- The University of Texas at EL PASO
 - Dr. Arleigh B. Templeton, President
 - The University of Texas School of Nursing at El Paso
 - Dr. Eileen Jacobi, Dean
- The University of Texas of the PERMIAN BASIN
 - Dr. V. R. Cardozier, President
- The University of Texas at SAN ANTONIO
 - Dr. James W. Wagener, Acting President
 - The University of Texas Institute of Texan Cultures at San Antonio
 - Mr. Jack R. Maguire, Executive Director
- The University of Texas Health Science Center at DALLAS
 - Dr. Charles C. Sprague, President
 - The University of Texas Southwestern Medical School at Dallas
 - Dr. Frederick Bonte, Dean
 - The University of Texas Graduate School of Biomedical Science at Dallas
 - Dr. Kern Wildenthal, Dean
 - The University of Texas School of Allied Health Sciences at Dallas
 - Dr. John Schermerhorn, Dean
- The University of Texas Medical Branch at GALVESTON
 - Dr. William C. Levin, President
 - The University of Texas Medical School at Galveston
 - Dr. George T. Bryan, Dean
 - The University of Texas Graduate School of Biomedical Sciences at Galveston
 - Dr. J. Palmer Saunders, Dean
 - The University of Texas School of Allied Health Sciences at Galveston
 - Dr. Robert K. Bing, Dean
 - The University of Texas Institute for the Medical Humanities at Galveston
 - Dr. William B. Bean, Director
 - The University of Texas Marine Biomedical Institute at Galveston
 - Dr. William D. Willis, Acting Director
 - The University of Texas School of Nursing at Galveston
 - Dr. Dorothy Damewood, Dean
- The University of Texas Health Science Center at HOUSTON
 - Dr. Truman C. Blocker, Jr., Acting President
 - The University of Texas Medical School at Houston
 - Dr. Robert L. Tuttle, Dean
 - The University of Texas Dental Branch at Houston
 - Dr. John V. Olson, Dean
 - The University of Texas Graduate School of Biomedical Sciences at Houston
 - Dr. Roger Hewitt, Acting Dean

The University of Texas School of Allied Health Sciences at Houston
Dr. Alton Hodges, Dean

The University of Texas School of Public Health at Houston
Dr. Reuel A. Stallones, Dean

The University of Texas Speech and Hearing Institute at Houston
Dr. Tina Bangs, Director

The University of Texas School of Nursing at Houston
Dr. Arlowayne Swort, Dean

The University of Texas Health Science Center at SAN ANTONIO
Dr. Frank Harrison, President

The University of Texas Medical School at San Antonio
Dr. Stanley E. Crawford, Dean

The University of Texas Dental School at San Antonio
Dr. Edwin M. Collins, Acting Dean

The University of Texas Graduate School of Biomedical Sciences at San Antonio
Dr. Armand J. Guarino, Dean

The University of Texas School of Nursing at San Antonio
Dr. Patty Lynn Hawken, Dean

The University of Texas System Cancer Center
Dr. R. Lee Clark, President

The University of Texas M. D. Anderson Hospital and Tumor Institute at Houston
Dr. Robert C. Hickey, Director

The University of Texas Science Park - Research Division
Dr. Ronald M. Humphrey, Associate Director

The University of Texas System Health Center at TYLER
Dr. George Hurst, Superintendent

THE PERMANENT UNIVERSITY FUND

The Permanent University Fund was established in 1836 by the Republic of Texas for the purpose of creating an endowment for public education in Texas. The initial assets of the Fund consisted of 50 leagues of land (approximately 220,000 acres) and has grown to approximately 2,100,000 acres of land, predominately in West Texas, together with cash and securities. The principal of the Fund cannot be spent for any purpose but must be kept as a permanent endowment. Two-thirds of the income from the Permanent University Fund is available to the University of Texas System. The Texas A & M System receives the other one-third of the income from the Permanent University Fund with the exception of income from grazing leases which is distributed solely to the University of Texas System.

Decisions of the Supreme Court of Texas and of the Attorney General of Texas have decreed that the Permanent University Fund shall be forever kept intact, and that there shall be added to the corpus thereof all oil, gas, and water royalties received, all gains on investments, all rentals on mineral leases, all lease bonuses, and all consideration for such lands as may be sold.

The University of Texas System does not explore or operate oil properties belonging to the Permanent University Fund. Instead, it sells under competitive bids leases on selected tracts of land to leading oil and gas companies. As of February 28, 1978, 1,058,993 acres of land belonging to said Fund were subject to oil and gas leases, of which 367,434 were held by production from 5,903 oil wells and 237 gas wells.

During recent years approximately 32,700,000 barrels of crude oil and 13,000,000 MCF of gas were produced from these lands each year on which one-eighth to one-fifth royalty was reserved for the Permanent University Fund.

The University of Texas System's proportionate two-thirds share of the Investment Income of the Permanent University Fund is appropriated biennially by the state legislature and deposited into the Available University Fund and applied in the following sequence (net of management expenses which are limited by covenant to one-fifth of one percent annually of the book value of the Fund).

1. Debt service on The University of Texas System Permanent University Fund Bonds (the total amount of debt limited to an amount not exceeding two-thirds of twenty percent of the book value of the Permanent University Fund, exclusive of real estate at the time of issuance and investment yield maintained at an annual amount of not less than one and one-half times annual debt service requirements).

2. Debt service on The University of Texas at Austin Building Revenue Bonds, Series 1974 and Series 1974-A. (The Series 1974-A Bonds are scheduled to be refunded by the sale of Refunding Bonds on August 3, 1978).

3. Any lawful purpose, including but not limited to capital additions and improvements at the University of Texas at Austin and the University of Texas Medical Branch at Galveston.

ADDITIONS TO THE PERMANENT UNIVERSITY FUND (Dollars in Thousands)

Fiscal Year Ending 8-31	Oil & Gas Royalty	Water Royalty	Minerals, Lease Rentals & Misl.	Mineral Lease Bonuses	Total
1977	\$ 76,599(1)	\$ 184	\$ 1,106	\$ 13,584	\$ 91,472
1976	70,123(1)	192	(12,867)(2)	15,379	72,827
1975	58,513	156	753	8,066	67,488
1974	31,541	202	1,796	11,389	44,928
1973	18,967	131	12,716	6,966	38,780
1972	19,518	154	10,999	5,055	35,726
1971	18,388	173	6,272	1,838	26,671
Prior to 1970	334,961	1,570	21,236	210,412	568,179

(1) Includes sulphur royalties.

(2) Includes \$12,632,427 adjustment for certain bond exchanges not qualifying as bond exchanges under current procedures.

INVESTMENTS IN THE PERMANENT UNIVERSITY FUND (As of May 31, 1978)

	Book Value
United States Government Securities	
U. S. Treasury Bonds	\$ 145,094,077
Various Government Guaranteed Bonds	152,634,316
FHA Mortgages	8,513,858
U. S. Government Agencies	1,000,000
Total	\$ 307,232,251
Corporate Securities	
Bonds	\$ 293,738,583
Convertible Debentures	6,983,090
Convertible Preferred Stocks	2,434,505
Common Stocks	356,841,521
Total Corporate Securities	\$ 659,997,699
Total Securities	\$ 967,229,950
Cash and Equivalents	\$ 56,444,594
Total Securities, Cash and Equivalents	\$1,023,674,544

INCOME FROM INVESTMENTS IN PERMANENT UNIVERSITY FUND
(Dollars in Thousands)

Fiscal Year Ending 8-31	Net Total(1)	University of Texas System Portion	Other Income(2)	Total Income to Available University Fund	Debt Service on PUP Bonds(3)	Transfers or Other Debt Service(4)	Amount credited to U.T. Austin 5
1977	\$53,409	\$35,608	\$ 1,645	\$37,251	\$12,872	\$ 4,245	\$18,547
1976	46,542	31,028	1,544	32,572	11,321	4,249	16,991
1975	39,105	26,070	1,539	27,609	10,080	4,215	12,385
1974	35,611	23,741	1,532	25,273	9,059	2,615	14,664
1973	31,199	20,800	1,036	21,836	8,239	-0-	12,036

(1) Reflects net amount collected after administration expenses.

(2) Includes grazing Lease Rentals and miscellaneous income not shared with Texas A & M System

(3) Represents Debt Service on University of Texas System Permanent University Fund Bonds

(4) Represents Transfers or Debt Service on University of Texas at Austin Building Revenue Bonds

(5) Transfers to U.T. Austin to be used for any lawful purpose, as appropriated by the Board of Regents.

Note: Income in excess of allocations detailed above in Notes (3), (4) and (5) may be appropriated to the U.T. System Administration and/or may be held as a balance for future allocations

UNIVERSITY OF TEXAS RETIREMENT PLANS

All full and half-time employees of the University of Texas System are required to be covered by either a state-administered retirement program or by an optional private plan.

Teacher Retirement System of Texas

The Teacher Retirement System of Texas is a group annuity plan which makes provision for retirement, disability and death and survivor benefits to all employees of the public school and university systems of Texas. The retirement plan was established in 1937 for teacher classified members and in 1949, the plan was offered to auxiliary employees.

Under the plan, members contribute 6.65 percent of up to their first \$25,000 of annual gross income, and the State contributes 7.50 percent. The University System makes no contributions on behalf of employees and has no liability for the unfunded portion. The University estimates that there are approximately 28,000 employees currently enrolled in this plan. The unfunded liability of the plan as shown in the Actuarial Certification as of August 31, 1977 was \$1,974.0 million and the total book value as of the same date was \$3,513.3 million.

Optional Retirement Plan

Certain selected faculty and professional administrative staff may elect to enroll in an optional retirement plan. Participation in an optional retirement plan which was authorized by the Legislature in 1967 enables teachers, research personnel and professional administrative staff to transfer among educational institutions throughout the United States while continuing to accumulate retirement benefits. The optional plans which are underwritten by various insurance companies are individual programs with contributions by employees and the State being on the same basis as for the Teacher Retirement System. The University system estimates that approximately 8,000 employees are presently enrolled in the optional retirement program.

THE BOND RESOLUTION

The following summaries represent excerpts of certain provisions of the 1978 Bond Resolution which authorizes the issuance of the Series 1978 Bonds and certain provisions of the 1970 Bond Resolution which has been incorporated by reference into the 1978 Bond Resolution. For more complete information, reference is made to the entire documents, copies of which are available from upon request.

Definitions

The term "Additional Bonds" shall mean the additional parity revenue bonds permitted to be authorized in Section 8 of the Series 1970 Resolution, excluding any Bonds heretofore issued.

The term "Board" shall mean the Board of Regents of The University of Texas System.

The term "Bonds" shall mean the Board of Regents of The University of Texas System, the University of Texas at Austin, Combined Fee Revenue Bonds, Series 1971, Series 1972, Series 1973 and the Series 1978 Bonds herein authorized.

The term "Building Use Fee" shall mean the building use fee to be fixed, charged, and collected from all tuition paying students regularly enrolled at the University, out of and as a part of the regular student tuition fees at the University, the gross collections which are pledged to the payment of the Bonds and Additional Bonds as authorized by Chapter 55, Texas Education Code.

The term "General Fee" shall mean the general fee to be fixed, charged and collected from all students regularly enrolled at the University, for the general use and availability of the property, buildings, structures and other facilities of the University, the gross collections of which are pledged to the payment of the Bonds and Additional Bonds as authorized by Chapter 55, Texas Education Code.

The term "Interest and Sinking Fund" shall mean the Combined Fee Revenue Bonds, Series 1970, Interest and Sinking Fund, and the debt service reserve therein, established by the Board pursuant to the Series 1970 Resolution and which is maintained by the Board pursuant to the resolutions authorizing the Bonds for the payment of principal and interest on the Bonds and Additional Bonds.

The term "Pledged Revenues" shall mean, collectively, (1) the gross collections of the General Fee, (2) the gross collections of the Building Use Fee, (3) all interest grants received or to be received from the United States Government in connection with the Bonds, and (4) any additional revenues, income, receipts, rentals, rates, charges, fees or other resources which may hereafter be pledged to the payment of the Bonds and Additional Bonds.

The term "Revenue Fund" shall mean the General Fee Revenue Fund established by the Board pursuant to the Series 1970 Resolution.

The term "Series 1970 Resolution" shall mean the resolution of the Board adopted May 29, 1970 authorizing the issuance of the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1970.

The term "Special Obligation Bonds" shall mean the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Special Obligation Bonds, Series 1978, authorized by a resolution adopted by the Board concurrently herewith.

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

General Covenants

The Board covenants and agrees that it will continuously maintain the Building Use Fee at the maximum rate permitted by law, and the General Fee at the rate which, together with other Pledged Revenues, will provide funds at least sufficient to pay the principal of and interest on the

Bonds and any Additional Bonds and accumulate as herein provided the debt service reserve in the Interest and Sinking Fund which shall be equal to one year's average annual principal and interest requirements on the Bonds and any Additional Bonds, as such principal and interest mature. The General Fee shall be revised from time to time in order that the proceeds thereof, together with the proceeds of other Pledged Revenues, will be fully sufficient to furnish funds for said purposes.

Creation of Fund Accounts

There is hereby created and established on the books of the University two special and separate accounts to be known as the "Revenue Fund" and the "Interest and Sinking Fund". The gross collections of the Building Use Fee shall be deposited to the credit of the Interest and Sinking Fund immediately upon receipt. All other collections of Pledged Revenues shall be credited to the Revenue Fund immediately upon receipt.

All monies in the Interest and Sinking Fund in excess of the requirements for paying the interest on and the principal of the Bonds through the next succeeding year shall constitute the debt service reserve.

Flow of Funds

The Board shall transfer out of the Revenue Fund and deposit to the credit of the Interest and Sinking Fund on or before November 25, 1978, and semiannually on or before each May 25th and November 25th thereafter,

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

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

(3) an amount equal to one-tenth of the average annual principal and interest requirements of the Bonds; provided, however, that when monies and investments in the debt service reserve are at least equal in market value to the amount of the average annual principal and interest requirements of all outstanding bonds no further deposits need be made.

Investment of Funds

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

All bank deposits of all funds created by this Resolution, including money placed in time deposits, shall be secured by the pledge of securities, as provided by law, in a principal amount at all times not less than the amount of deposits credited to such funds, respectively.

Additional Bonds

The Board reserves the right to issue Additional Parity Revenue Bonds for purposes permitted by law. Each resolution authorizing such Additional Bonds shall prescribe appropriate additional or larger payments to be made into the Interest and Sinking Fund as will permit the accumulation in the Fund within five fiscal years after the fiscal year in which the Additional Bonds are issued, as a debt service reserve, an amount not less than the average annual principal and interest requirements

on all outstanding Bonds and Additional Bonds, including those being issued. It is specifically provided, however, that the Additional Bonds permitted by this Section shall not be authorized or issued unless:

(1) The Board is not in default as to any covenant, condition or obligation set forth herein, and the Senior Financial Officer of the University signs a written certificate to such effect.

(2) The Interest and Sinking Fund contains the amounts of money then required by the terms hereof to be deposited therein.

(3) The Pledged Revenues either for the fiscal year or the 12-month period next preceding the issuance of additional parity bonds are certified by the State Auditor or a Certified Public Accountant to have been equal to at least 1.25 times the average annual principal and interest requirements on all Bonds to be outstanding.

(4) The Senior Financial Officer of the University signs a written certificate to the effect that during each of the fiscal years, following that in which the Additional Bonds are issued, the estimated Pledged Revenues are equal to at least 1.25 times the requirements for each such year for the payment of the principal and interest on all Bonds and Additional Bonds then outstanding and the Additional Bonds being issued.

Application of the Series 1978 Bond Proceeds

The proceeds from the sale of the Series 1978 Bonds shall be disbursed as follows:

(a) To the Interest and Sinking Fund, the accrued interest and premium, if any, received from the sale of the Series 1978 Bonds;

(b) To be applied, together with the proceeds of the Special Obligation Bonds and other available funds, to fund and establish at the City National Bank, Austin, Texas, as Escrow Agent, an escrow fund to be entitled "Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1970 and Series 1974 Escrow Fund" in accordance with the terms of a certain escrow agreement to be entered into between the Board and said Escrow Agent at or prior to delivery of the Series 1978 Bonds, which escrow fund shall have deposited to its credit cash, equivalent to the principal amount of the redemption price of the Series 1970 Bonds and the Series 1974 Bonds, with interest to the respective dates of maturity or redemption dates, all as more fully set forth in such escrow agreement;

(c) To pay expenses connected with the refunding of the Series 1970 Bonds and the Series 1974 Bonds and the issuance of the Series 1978 Bonds; and

(d) The balance, if any, to the Interest and Sinking Fund.

No Arbitrage

The Board certifies that based upon all facts, estimates and circumstances now known or reasonably expected to be in existence on the date the Series 1978 Bonds are delivered and paid for, the Board reasonably expects that the proceeds of the Series 1978 Bonds will not be used in a manner that would cause the Series 1978 Bonds or any portion thereof to be an "arbitrage bond" under Section 103(c) of the Internal Revenue Code of 1954, as amended, and the temporary and proposed regulations heretofore prescribed thereunder. Furthermore, all officers, employees and agents of the Board are authorized and directed to provide certifications of facts, estimates and circumstances which are material to the reasonable expectations of the Board as of the date the Series 1978 Bonds are delivered and paid for, and any such certifications may be relied upon by interest on the Series 1978 Bonds from federal income taxation. Moreover, the Board covenants that it shall make such use of the proceeds of the Series 1978 Bonds, regulate investments of proceeds of the Series 1978 Bonds, and take such other and further action as may be required so that the Series 1978 Bonds shall not be "arbitrage bonds" under Section 103(c) of the Internal Revenue Code of 1954, as amended, and regulations prescribed from time to time thereunder.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the arithmetical computations of the adequacy of (i) the maturing principal of the Federal Securities to pay, when due, the principal of, interest and redemption premium on the Series 1970 Bonds and the Series 1974 Bonds, (ii) the interest income derived from the Federal Securities to pay, when due, the principal of and interest on the Special Obligation Bonds, and (iii) the accuracy of the mathematical computations only, supporting the conclusion of Bond Counsel with reference to "arbitrage bonds" (noted above) will be verified by Ernst & Ernst, independent public accountants. Such verification of arithmetical accuracy and mathematical computations shall be based on information supplied by the Board through the Financial Advisor.

ELIGIBILITY AS INVESTMENTS

Section 55.21 of the Texas Education Code provides that the Series 1978 Bonds are legal and authorized investments in Texas for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, trustees, and guardians, and for all interest and sinking funds and other public funds of the State of Texas and for all agencies, subdivisions, and instrumentalities thereof, including all counties, cities, towns, villages, school districts, and for all other kinds and types of districts, public agencies and bodies politic. The Series 1978 Bonds also shall be eligible and lawful security for all deposits of public funds of the State of Texas and all agencies, subdivisions, and instrumentalities thereof, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the Series 1978 Bonds, when accompanied by any unmatured interest coupons appurtenant thereto. The Board and Underwriter make no representations regarding the investment eligibility of the Series 1978 Bonds for any particular institution, and such decisions are the sole responsibility of the particular purchaser.

RATINGS

The Board of Regents has made application to Moody's Investors Service Inc. and Standard and Poor's Corporation for the purpose of attaining a credit rating. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations at the time such ratings were given and the Board makes no representation as to the appropriateness of the ratings.

There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

TAX EXEMPTION

The issuance of the Series 1978 Bonds is subject to the opinion of Vinson & Elkins, Houston, Texas, Bond Counsel to the effect that interest on the Series 1978 Bonds is exempt from present federal income taxes under existing statutes, regulations, published rulings and court decisions.

The Board will issue a certificate, accompanied by an opinion of counsel, to the effect that on the basis of the facts, estimates and circumstances in existence on the date of delivery of the Series 1978 Bonds it is not expected that the proceeds of the Series 1978 Bonds will be used in a manner that would cause the Series 1978 Bonds to be "arbitrage bonds" under Section 103(c) of the Internal Revenue Code. The opinion of Vinson & Elkins will state that based on their examinations of the law and their review of the no-arbitrage certificate of the Board and the verification of the arithmetical and mathematical computations by Ernst & Ernst, independent public accountants, the facts, estimates and circumstances are sufficiently set forth in such no-arbitrage certificate and the above-mentioned verification to satisfy the criteria which are necessary under Section 103(c) of the Internal Revenue Code of 1954, as amended, and applicable Treasury Regulations, to support the conclusion that the Series 1978 Bonds will not be arbitrage bonds.

FINANCIAL ADVISORS

The Board of Regents has retained the services of Rauscher Pierce Securities Corporation in the capacity as Financial Advisors to the Board for a fee based upon the amount of Bonds actually issued, sold and delivered. The payment of such fee is contingent upon the sale and delivery of the Bonds. The Financial Advisors have agreed not to submit an underwriting bid at the public sale of the Series 1978 Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series 1978 Bonds are subject to the unqualified approval of the Attorney General of the State of Texas and Messrs. Vinson & Elkins, Houston, Texas, Bond Counsel, whose approving opinion will be printed on the Bonds and delivered with the Series 1978 Bonds. Messrs. Vinson & Elkins were not requested to participate, and did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "The Series 1978 Bonds" and "The Bond Resolution". No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any other information contained herein.

SOURCE AND USE OF INFORMATION

This Official Statement has been prepared under the direction of the Board of Regents of The University of Texas System by Rauscher Pierce Securities Corporation, a firm employed by the Board to perform professional services in the capacity of financial advisors. The information set forth herein has been obtained from the Board's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to official documents in all respects.

The Board of Regents of The University of Texas System has reviewed and approved the Official Notice of Sale, Official Bid Form and Official Statement and said instruments have been authorized for use and distribution by Rauscher Pierce Securities Corporation, Financial Advisors, for the purpose of securing bids on the bonds offered hereby.

Approved and adopted by resolution of the Board of Regents of The University of Texas System this 4th day of August, 1978.

/S/

Chairman, Board of Regents of
The University of Texas System

ATTEST:

/S/

Secretary, Board of Regents of
The University of Texas System

EXHIBIT A

APPENDIX

The information contained in this appendix consists of excerpts from The University of Texas at Austin Financial Report for the Fiscal Year ended August 31, 1977 and is not intended to be a complete statement of the System's financial condition. Reference is made to the complete Financial Report for further information. The accounts and records of The University of Texas at Austin are audited annually by the State Auditor. The audit for the 1977 fiscal year is currently in progress. When completed, the Auditor's opinion will be available upon request.

THE UNIVERSITY OF TEXAS AT AUSTIN
BALANCE SHEET
At August 31, 1977

Assets

CURRENT FUNDS	
UNRESTRICTED	
GENERAL	
Cash on Hand (Schedule A-1)	
Cash in Bank (Schedule A-1)	\$ 1,209,674.61
Time Accounts	
Cash with State Treasurer (Schedule A-1)	4,297,916.65
Reimbursement in Transit from State Treasurer (Schedule A-1)	12,731.43
Balance in State General Revenue Appropriation (Schedule A-2)	1,690.65
Investments (Schedule A-3)	666,128.62
Accounts Receivable	253,329.95
Less: Allowance for Doubtful Accounts	\$ 360,983.98
Other Receivables	108,412.31
Due from Restricted Current Funds	2,576.08
Due from System Administration	10,415,505.35
Due from Component Institutions	134,470.98
Galveston Medical Branch	
U. T. Permian Basin	385.41
U. T. San Antonio	4,530.59
San Antonio Medical School	29,622.94
Inventories	1,450.11
Physical Plant Inventories	
Prepaid Expenses	2,320,465.11
Total General Funds	291,710.50
	\$ 19,897,764.28
DESIGNATED	
Cash on Hand (Schedule A-1)	
Cash in Banks (Schedule A-1)	3,077.95
Demand Accounts	
Time Deposits	2,501,036.71
Due from General Current Funds	9,528,658.88
Prepaid Expenses	12,029,695.59
	8,773,334.18
	159,612.00
Total Designated Funds	20,465,719.72
AUXILIARY ENTERPRISES	
Cash on Hand (Schedule A-1)	
Cash in Banks (Schedule A-1)	107,475.68
Demand Accounts	
Time Deposits	731,889.41
Cash with State Treasurer (Schedule A-1)	9,951,716.06
Investments (Schedule A-3)	10,683,605.47
Accounts Receivable	8.25
Notes Receivable	263,057.73
Inventories	521,305.97
Prepaid Expenses	25,620.63
	677,290.35
	12,507.74
Total Auxiliary Enterprises	12,290,871.42
Total Unrestricted	53,154,355.42
RESTRICTED	
Cash on Hand (Schedule A-1)	
Cash in Banks (Schedule A-1)	13,939.65
Demand Accounts	
Time Deposits	847,051.91
Investments (See Schedule A-3)	10,928,547.10
Federal Accounts Receivable	11,775,598.91
Other Accounts Receivable	178,240.00
Other Receivables	7,332,577.43
Federal Contract and Grant Awards	4,994,103.64
Non-Federal Contract and Grant Awards	68,654.48
Due from System Administration	22,527,454.92
Prepaid Expenses	2,736,981.43
	158,047.52
	1,778,895.87
Total Restricted	51,424,491.57
TOTAL CURRENT FUNDS	\$ 104,718,849.27

(Continued on next page)

THE UNIVERSITY OF TEXAS AT AUSTIN
BALANCE SHEET
At August 31, 1977

Liabilities and Fund Balances

CURRENT FUNDS	
UNRESTRICTED	
GENERAL	
Accounts Payable	\$ 977,777.15
Due to Designated Funds	8,773,334.18
Due to System Administration	173,905.51
Due to Component Institutions	
Due to U. T. Permian Basin	2.15
Due to U. T. San Antonio	14.00
Due to U. T. Arlington	900,314.07
Deposits	255,422.00
Deferred Revenue	
Fund Balances	
Allocated	
Provision for Inventories	\$ 1,350,465.11
Provision for Orders and Contracts Outstanding	2,493,857.77
Provision for Balances Subject to Reappropriation	1,048,933.87
Provision for Future Operating Budget	1,500,000.00
Provision for 1977-78 Operating Budget	1,000,000.00
Provision for Renegotiating Overhead Rate on Contracts	131,796.25
Total Allocated	8,495,053.00
Unallocated	321,942.22
Total General Funds	8,816,995.22
	\$ 19,897,764.28
DESIGNATED	
Accounts Payable	305,263.65
Due to System Administration for Retirement of Indebtedness	80,355.38
Deferred Revenue	8,773,334.18
Fund Balances (Schedule B-1)	11,806,746.51
Total Designated Funds	20,965,719.72
AUXILIARY ENTERPRISES	
Accounts Payable	149,244.09
Deposits	341,892.05
Deferred Revenue	2,063,610.56
Fund Balances (Schedule B-2)	9,736,124.72
Total Auxiliary Enterprises	12,290,871.42
Total Unrestricted	53,154,355.42
RESTRICTED	
Due to General Current Funds	10,415,505.35
Fund Balances (Unearned) (Schedule B-3)	41,148,988.50
Total Restricted	51,564,493.85
TOTAL CURRENT FUNDS	\$ 104,718,849.27

(Continued on next page)

THE UNIVERSITY OF TEXAS AT AUSTIN
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended August 31, 1977

	CURRENT FUNDS				RECEIPTS FROM FUNDS
	General	Designated	Auxiliary Enterprises	Total Unrestricted	
FUND BALANCES, Sept. 1, 1976	\$ 8,383,267.71	\$ 7,180,449.05	\$ 9,210,052.64	\$ 24,773,769.40	\$ 31,560,487.77
REVENUES AND OTHER ADDITIONS:					
Unrestricted Current Fund Revenues	109,895,852.81	19,949,536.17	24,569,873.51	154,415,262.49	
State Appropriations - Restricted					11,075,000.00
Federal Grants and Contracts - Restricted					43,171,000.00
State Grants and Contracts - Restricted					4,000,000.00
Local Grants and Contracts - Restricted					35,000.00
Private Gifts, Grants and Contracts - Restricted					11,000,000.00
Investment Income - Restricted					2,000,000.00
Realized Gain on Investments - Restricted					
Interest on Loans Receivable					
U. S. Government Advances					
Expended for Plant Facilities (Including \$ 8,874,424.11 charged to Current Fund Expenditures)					
Other Additions	380,336.85	422,746.96	26,315.25	829,399.06	1,568,388.41
Total Revenues and Other Additions	110,276,189.66	20,372,283.13	24,596,188.76	155,244,661.55	17,143,386.81
EXPENDITURES AND OTHER DEDUCTIONS:					
Expenditures	121,608,989.75	3,053,769.77	22,557,607.48	147,220,367.00	56,960,000.00
Appropriations Lapsed	197,846.16			197,846.16	
Indirect Costs Recovered					
Refunded to Grantors					
Loan Cancellations and Write-offs					
Administrative and Collection Costs					
Realized Losses on Investments					
Expended for Plant Facilities					
Retirement of Indebtedness Paid					
Disposal of Plant Facilities					
Reclassifications to Other Components					
Net Change in Bonds Payable					
Other Deductions	15,566.56	320,702.04	25,860.01	367,129.61	
Total Expenditures and Other Deductions	121,822,402.47	3,374,471.81	22,583,467.49	147,780,341.77	56,960,000.00
TRANSFERS					
Mandatory:					
To System Administration					
General Tuition Revenue Bonds		(5,930,355.38)		(5,930,355.38)	
To Retirement of Indebtedness					
Building Use Fee - Skiles Act		(425,228.02)		(425,228.02)	
Hospital Refunding Bonds Dated 1951			(24,581.25)	(24,581.25)	
Dormitory Revenue Bonds Series 1954			(100,640.00)	(100,640.00)	

(Continued on next page)

THE UNIVERSITY OF TEXAS AT AUSTIN
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended August 31, 1977

PLANT FUNDS	ENDOWMENT AND SIMILAR FUNDS	ANNUITY AND LIFE INCOME FUNDS	PLANT FUNDS			
			Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant
\$ 8,400,932.13	\$ 38,586,877.43	\$ 2,614,534.54	\$ 35,555,235.11	\$ 489,444.37	\$ 18,393,473.02	\$ 349,431,596.82
					438,904.00	
54,430.62	1,840,933.44	80,773.79	10,000.00			1,259,439.75
64,158.69	1,141,543.32	72,508.00	1,541,030.28		1,284,796.74	
	167,549.85	21,364.02				
30,402.93						
11,992,003.00						
			247,588.94			45,041,297.15
						2,297,097.05
1,468,162.70	3,150,026.61	174,645.81	1,798,621.72		1,723,700.74	51,597,833.95
		117,661.01	711,320.72			
10,035.00						
180,839.82						
1,750.59						
		760,245.48				4,619.47
			36,142,252.28			
					13,349,148.44	
						1,000,103.84
			47,330,625.54			
			(22,346,076.17)			19,300,000.17
			63,170.00			
16,027.41	10,071.38	877,906.49	61,901,792.37		13,353,767.91	10,446,060.01

(Continued on next page)

	CURRENT FUNDS				RESTRICTED FUNDS
	UNRESTRICTED FUNDS		Auxiliary Enterprises	Total Unrestricted	
	General	Designated			
To Retirement of Indebtedness (Continued)					
Dormitory Revenue Bonds Series 1956	\$	\$	\$ (117,276.25)	\$ (117,276.25)	\$
Student Union Revenue Bonds, Series 1958			(56,667.19)	(56,667.19)	
Student Housing Revenue Bonds of 1963 Housing System Revenue Bonds Series 1967			(58,762.50)	(58,762.50)	
Building Revenue Bonds of 1968 ... Combined Fee Revenue Bonds, Series 1970, 1971, 1972, 1973, and 1974 ... Building Revenue Bonds Series 1969 Student Housing Revenue Bonds, Series 1971			(800,647.73)	(800,647.73)	
To Loan Fund Matching Fund			(28,180.00)	(28,180.00)	
To Renewals and Replacement Funds ... Non-Mandatory:					
To Designated Funds ..	(71,571.83)	72,585.37	(262,066.17)	(4,776,136.41)	
To Auxiliary Enterprises				(1,455,320.00)	
To Restricted Current Funds	356,153.00		356,153.00	-0-	
To Loan Funds					79,211.84
To Endowment and Similar Funds	(114,370.23)				
To Unexpended Plant Funds	(1,768,605.31)			(1,768,605.31)	
To Renewals and Replacements Funds ... From Agency Funds ... From System Administration ... From System Nursing School ... To Component Institutions	13,025,529.58	1,265,141.11	3,803.00	13,025,529.58	1,265,141.11
Total Transfers	11,979,940.38	(12,371,512.96)	(1,486,649.19)	(1,808,221.81)	1,265,141.11
Net Increase/Decrease for the Year	433,727.51	4,626,297.46	526,072.08	5,586,097.05	1,265,141.11
FUND BALANCES, August 31, 1977	\$ 8,816,229.22	\$ 11,806,746.51	\$ 9,736,124.72	\$ 30,359,066.45	\$ 1,265,141.11

PLANT FUNDS	ENDOWMENT AND SIMILAR FUNDS	ANNUITY AND LIFE INCOME FUNDS	PLANT FUNDS		
			Unexpended	Renewals and Replacements	Retirement of Indebtedness
					Investment in Plant
					\$ 117,276.25
					56,667.19
					58,762.50
					800,647.73
					28,180.00
					4,776,136.41
					1,455,320.00
					201,275.00
	2,005.56				
				97,500.00	
	11,000.00	(182.93)	(67,627.41)		
	3,000.00	(9,000.00)			
		1,565,024.21	(799,116.79)		
		(63,170.00)		1,831,775.31	
					254,498.70
				61,897,526.26	4,248,575.00
	1,768,605.31				
	1,187,639.47	1,402,671.28	(866,744.20)	63,729,301.57	351,908.70
	1,433,074.26	4,635,626.51	(1,570,024.82)	3,606,130.46	201,275.00
	\$ 16,800,816.89	\$ 43,119,503.04	\$ 1,044,529.66	\$ 39,181,368.53	\$ 1,265,141.11

THE UNIVERSITY OF TEXAS AT AUSTIN
 STATEMENT OF CURRENT FUNDS REVENUES AND EXPENDITURES
 For the Year Ended August 31, 1977

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	UNRESTRICTED				RESTRICTED	TOTAL
	General	Designated	Auxiliary Enterprises	Total Unrestricted		
CURRENT REVENUES (Schedule C-1)						
Tuition and Fees	\$ 2,844,011.34	\$ 13,407,692.64	\$ 4,910,800.56	\$ 21,243,994.54	\$	\$ 21,243,994.54
State Appropriations	99,810,364.81			99,810,364.81	11,078,048.37	110,888,413.17
Federal Grants and Contracts	1,720,111.35	452,334.82		2,172,446.17	30,159,675.05	32,332,121.22
State Grants and Contracts	218,170.00			218,170.00	3,446,101.28	3,664,271.27
Local Grants and Contracts	2,817.86			2,817.86	44,343.74	47,161.60
Private Gifts, Grants and Contracts	69,180.49	203,629.01		272,809.50	8,799,284.63	9,072,094.13
Endowment Income					1,732,701.24	1,732,701.24
Sales and Services of Educational Activities	94,194.09	1,201,298.06		1,295,492.15		1,295,492.15
Sales and Services of Auxiliary Enterprises		225,580.04		225,580.04		225,580.04
Other Sources	447,600.48	400,090.00	19,600,980.95	20,448,671.43		20,448,671.43
TOTAL CURRENT REVENUES (Exhibit B)	\$ 1,924,921,802.81	\$ 19,290,126.17	\$ 24,560,872.51	\$ 1,948,772,801.49	\$ 16,456,850.29	\$ 1,965,229,651.78
CURRENT EXPENDITURES (Schedule C-2)						
Educational and General						
Instruction	\$ 90,107,415.86	\$ 391,161.56	\$	\$ 90,498,577.42	\$ 8,018,743.44	\$ 98,517,320.86
Research	6,027,990.81	644,422.14		6,672,412.95	36,328,689.71	43,001,102.66
Public Service	470,447.62	2,594,235.00		3,064,682.62	2,091,382.46	5,156,065.08
Academic Support	15,680,561.90	114,235.36		15,794,797.26	1,513,976.43	17,308,773.69
Student Services	3,538,767.08	460,394.87		4,000,161.95	849,735.20	4,849,897.15
Institutional Support	6,811,068.44	(1,678,466.53)		5,132,601.91	997,507.43	6,130,109.34
Operation and Maintenance of Plant	27,450,081.49	34,127.16		27,484,208.65	1,199,004.52	28,683,213.17
Scholarships and Fellowships	2,346,138.42	282,666.44		2,628,804.86	4,031,066.76	6,660,871.62
Total Educational and General	121,608,990.75	2,944,926.96		124,553,917.71	14,991,631.68	139,545,549.39
Auxiliary Enterprises		207,902.83	22,551,607.48	22,759,510.31	1,465,218.61	24,225,728.92
TOTAL CURRENT EXPENDITURES (Exhibit B)	\$ 121,608,990.75	\$ 3,152,829.79	\$ 22,551,607.48	\$ 147,313,355.98	\$ 16,456,850.29	\$ 163,770,206.27

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT AUSTIN, COMBINED FEE REVENUE SPECIAL OBLIGATION REFUNDING BONDS, SERIES 1978: (1) RESOLUTION AUTHORIZING THE ISSUANCE OF BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT AUSTIN, COMBINED FEE REVENUE SPECIAL OBLIGATION REFUNDING BONDS, SERIES 1978, IN THE AMOUNT OF \$3,695,000 AND AWARDING THE SALE OF THE BONDS TO REPUBLIC NATIONAL BANK OF DALLAS, DALLAS, TEXAS; (2) DESIGNATION OF CITY NATIONAL BANK OF AUSTIN, AUSTIN, TEXAS, BANK OF PAYMENT; (3) AWARD OF CONTRACT FOR PRINTING TO HART GRAPHICS & OFFICE CENTERS, INC., AUSTIN, TEXAS. --The following written Resolution (Pages 75-84) was duly introduced for the consideration of the Board of Regents and read in full. It was then duly moved by Regent Clark and seconded by Vice-Chairman Williams that said Resolution be adopted; and after due discussion, said motion, carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

AYES: All members of said Board shown present (Page 1) voted "Aye."

NOES: None

The adoption of this Resolution authorized issuance of Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Special Obligation Refunding Bonds, Series 1978, in the amount of \$3,695,000 and awarded the sale of the bonds to Republic National Bank of Dallas, Dallas, Texas, for a price of 99.605% of par, plus accrued interest thereon from the date thereof to the date of actual delivery (Page 83) with a net interest rate of 4.86255%. The rates of interest are reflected on Page 77.

Upon motion of Regent Clark, seconded by Regent Bauerle, the bid of City National Bank of Austin, Austin, Texas, to serve as Paying Agent (Bank of Payment) for Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Special Obligation Refunding Bonds, Series 1978, in the amount of \$3,695,000 was unanimously accepted (Pages 78, 79). The City National Bank will charge \$0.10 per coupon and \$0.20 per bond.

The contract for printing the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Special Obligation Refunding Bonds, Series 1978, in the amount of \$3,695,000, was unanimously awarded to Hart Graphics & Office Centers, Inc., Austin, Texas, upon motion of Regent Clark, seconded by Regent Sterling. These bonds are to be printed according to specifications with lithographed borders for the sum of \$710, there being eight interest rates.

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RESOLUTION AUTHORIZING THE ISSUANCE OF
\$ 3,695,000 BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM, THE UNIVER-
SITY OF TEXAS AT AUSTIN, COMBINED FEE
REVENUE SPECIAL OBLIGATION REFUNDING
BONDS, SERIES 1978

WHEREAS, the Board of Regents of The University of Texas System (hereinafter sometimes called the "Board" or "Board of Regents") authorized the issuance of and sold the following series of bonds, which are payable from, and secured by a first lien on and pledge of, certain hereinafter defined Pledged Revenues:

Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1970, in the aggregate principal amount of \$10,000,000 (hereinafter called the "Series 1970 Bonds");

Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1971, in the aggregate principal amount of \$20,000,000 (hereinafter called the "Series 1971 Bonds");

Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1972, in the aggregate principal amount of \$10,000,000 (hereinafter called the "Series 1972 Bonds");

Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1973, in the aggregate principal amount of \$34,000,000 (hereinafter called the "Series 1973 Bonds"); and

Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1974, in the aggregate principal amount of \$6,900,000 (hereinafter called the "Series 1974 Bonds").

for the purpose of providing funds to acquire, purchase, construct, improve, enlarge and/or equip property, buildings, structures, or other facilities, for or on behalf of The University of Texas at Austin; and

WHEREAS, pursuant to Chapter 55 of the Texas Education Code, particularly Section 55.19 thereof, the Board may issue revenue refunding bonds for the purpose of refunding any of its outstanding bonds in advance of their maturities or dates of redemption; and

WHEREAS, in order to realize substantial annual savings in debt service, the Board desires to advance refund the Series 1970 Bonds and the Series 1974 Bonds; and

WHEREAS, due to certain terms and provisions contained in the resolutions authorizing the Series 1970 Bonds, Series 1971 Bonds and Series 1972 Bonds and incorporated by reference in the resolutions authorizing the Series 1973 Bonds and Series 1974 Bonds, the refunding of any such bonds in

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advance of their maturities or dates of redemption may be accomplished only by use of the "full cash" method of advance refunding; and

WHEREAS, to accomplish the foregoing, the Board has adopted this Resolution to authorize the issuance of its Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Special Obligation Refunding Bonds, Series 1978 and by other resolutions adopted concurrently herewith has authorized the issuance of certain combined fee revenue refunding bonds, has authorized certain of the Series 1970 Bonds and Series 1974 Bonds to be called for redemption prior to their maturities, has authorized the Board to enter into an escrow agreement with City National Bank of Austin, Austin, Texas, pursuant to which provision shall be made for the deposit and investment of proceeds of the special obligation bonds herein authorized and the combined fee revenue refunding bonds and other funds lawfully available for such purpose, for the application of the principal amount thereof to the payment in full of principal, redemption premium and interest to maturity or redemption on the Series 1970 Bonds and the Series 1974 Bonds and for the application of the interest earned thereon to the payment in full of principal and interest on the special obligation bonds herein authorized;

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

Section 1: NAME, AMOUNT, PURPOSE AND AUTHORIZATION.

That for the purpose of effecting annual debt service savings, there shall be issued the negotiable, serial, coupon bonds of the Board of Regents of The University of Texas System in the aggregate principal amount of \$ 3,695,000, which shall be designated as "BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT AUSTIN, COMBINED FEE REVENUE SPECIAL OBLIGATION REFUNDING BONDS, SERIES 1978" (hereinafter called the "Bonds"), the proceeds of which shall be applied, together with the proceeds of the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Refunding Bonds, Series 1978 (hereinafter called the "Series 1978 Bonds"), to refund bonds numbered 210 through 2000, both inclusive, of the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1970 and bonds numbered 95 through 1380, both inclusive, of the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1974, in advance of their maturities or redemption dates, as more fully provided herein, under and in strict conformity with the Constitution and laws of the State of Texas, including particularly Chapter 55 of the Texas Education Code, as amended.

Section 2: DATE, DENOMINATION AND MATURITIES.

That the Bonds shall be dated August 1, 1978, shall be numbered consecutively from 1 upward in order of their maturities, shall be in the denomination of \$5,000 each, and shall mature serially on each December 1 and June 1 in the amounts, respectively, as follows:

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<u>MATURITIES</u>	<u>AMOUNTS</u>	<u>MATURITIES</u>	<u>AMOUNTS</u>
December 1, 1978	\$225,000	June 1, 1983	\$200,000
June 1, 1979	510,000	December 1, 1983	190,000
December 1, 1979	495,000	June 1, 1984	190,000
June 1, 1980	495,000	December 1, 1984	180,000
December 1, 1980	215,000	June 1, 1985	180,000
June 1, 1981	210,000		
December 1, 1981	205,000		
June 1, 1982	205,000		
December 1, 1982	195,000		

Section 3: INTEREST RATES AND PAYMENT DATES. That the Bonds shall bear interest from their date until the principal sum is paid at the following rates per annum:

<u>Date Maturing</u>	<u>Interest Rate</u>	<u>Date Maturing</u>	<u>Interest Rate</u>
December 1, 1978	4.20%	June 1, 1983	4.80%
June 1, 1979	4.30	December 1, 1983	4.80
December 1, 1979	4.45	June 1, 1984	4.85
June 1, 1980	4.60	December 1, 1984	4.85
December 1, 1980	4.60	June 1, 1985	4.875
June 1, 1981	4.70		
December 1, 1981	4.70		
June 1, 1982	4.75		
December 1, 1982	4.75		

with said interest being evidenced by interest coupons that shall appertain to said Bonds and shall be payable on the dates stated in Section 5 of this Resolution.

Section 4: MANNER OF PAYMENT AND EXECUTION OF BONDS. That the Bonds and the interest coupons appertaining thereto shall be payable, shall have the characteristics and shall be signed, executed and sealed all as provided, and in the manner indicated, in Section 5 of this Resolution.

Section 5: FORM OF BONDS, INTEREST COUPONS AND COMPTROLLER'S CERTIFICATE. That the form of the Bonds, the form of interest coupons to be attached to said Bonds, and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be printed and endorsed on each Bond shall be, respectively, in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and permitted by this Resolution:

NO. _____ \$5,000

UNITED STATES OF AMERICA
STATE OF TEXAS
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
THE UNIVERSITY OF TEXAS AT AUSTIN
COMBINED FEE REVENUE SPECIAL OBLIGATION REFUNDING BOND
SERIES 1978

ON _____ 1, 19____, the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (hereinafter sometimes called the "Board"), for and on behalf of THE UNIVERSITY OF TEXAS AT AUSTIN, hereby promises to pay to bearer, solely from the pledged revenues hereinafter described, the sum of

FIVE THOUSAND DOLLARS

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and to pay interest thereon from the date hereof at the rate of _____% per annum, payable December 1, 1978, and semi-annually thereafter on each June 1 and December 1 until said principal sum is paid, but only upon presentation and surrender of the interest coupons hereto appertaining as they severally become due. The principal of this bond and the interest coupons appertaining hereto shall be payable to bearer, in lawful money of the United States of America, without exchange or collection charges to the bearer, upon presentation and surrender of this bond or proper interest coupon, at City National Bank of Austin, Austin, Texas, which shall be the Bank of Payment for this series of bonds.

THIS BOND IS ONE OF A DULY AUTHORIZED SERIES OF BONDS of like tenor and effect except as to serial number, interest rate and maturity, numbered 1 through 739, both inclusive, in the denomination of \$5,000 each, in the aggregate principal amount of \$3,695,000, issued pursuant to a resolution (hereinafter called the "Resolution") adopted by the Board on the 4th day of August, 1978, the proceeds of which, together with the proceeds of the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Refunding Bonds, Series 1978, will be applied for the purpose of refunding bonds numbered 210 through 2000, both inclusive, of the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1970, dated June 1, 1970, and bonds numbered 95 through 1380, both inclusive, of the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1974, dated December 1, 1974, under and in strict conformity with the Constitution and laws of the State of Texas, including particularly Chapter 55 of the Texas Education Code, as amended.

THIS BOND AND ALL BONDS OF THE SERIES OF WHICH IT IS A PART are equally and ratably payable from and secured by a first lien on and pledge of the interest income to be earned on certain direct obligations of the United States of America deposited in escrow at City National Bank of Austin, Austin, Texas, the principal of which shall be applied to pay principal, interest and redemption premiums on the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1970 and 1974. This bond and the issue of which it is a part, and the interest thereon, constitute special obligations of the Board and are payable solely from such pledged revenues and do not constitute an indebtedness of the State of Texas, the Board or The University of Texas at Austin. The bearer hereof and the coupons attached hereto shall never have the right to demand payment of this bond or of such coupons out of any funds raised or to be raised by taxation.

IT IS HEREBY DECLARED AND REPRESENTED that this bond has been duly and validly issued and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the issuance or delivery of this bond have been performed, existed, and been done in accordance with law; that this series of bonds does not exceed any Constitutional or statutory limitation; and that provision has been made for the payment of principal of and interest on this bond and the series of which it is a part by the irrevocable pledge of such pledged revenues.

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IN WITNESS WHEREOF, the Board of Regents of The University of Texas System has caused the corporate seal of said Board to be impressed, printed or lithographed hereon and has caused this bond and the interest coupons attached hereto to be executed by the imprinted or lithographed facsimile signatures of the Chairman and the Secretary of the Board, respectively, and this bond has been dated August 1, 1978.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

By _____
Chairman

°SEAL!

ATTEST:

Secretary

(FORM OF INTEREST COUPON)

\$ _____ NO. _____

On the first day of _____, _____, upon surrender of this coupon, the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM PROMISES TO PAY TO BEARER at City National Bank of Austin, Austin, Texas, but solely from the pledged revenues specified in the bond to which this coupon is attached, the amount shown above, without exchange or collection charges to the bearer hereof, payable in lawful money of the United States, being interest then due on the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT AUSTIN, COMBINED FEE REVENUE SPECIAL OBLIGATION REFUNDING BOND, SERIES 1978, bearing the number hereinafter specified, dated August 1, 1978. The bearer hereof shall never have the right to demand payment of this obligation out of funds raised or to be raised by taxation. Bond No. _____.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

Secretary

Chairman

(FORM OF COMPTROLLER'S REGISTRATION CERTIFICATE)

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

I HEREBY CERTIFY that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this bond and the proceedings

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for the issuance hereof have been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas and that it is a valid and binding special obligation of the Board of Regents of The University of Texas System payable from the revenues and other funds pledged to its payment by and in the proceedings authorizing the same, and I do further certify that this bond has this day been registered by me.

WITNESS MY SIGNATURE AND SEAL OF OFFICE at Austin,
Texas, this _____.

[SEAL]

Comptroller of Public Accounts
of the State of Texas

Section 6: DEFINITIONS. That as hereinafter used in this Resolution, the following terms shall have the meanings set forth below, unless the text of this Resolution indicates otherwise:

The term "Board" shall mean the Board of Regents of The University of Texas System.

The term "Bonds" shall mean the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Special Obligation Refunding Bonds, Series 1978, authorized by this Resolution.

The terms "bondholder" or "holder" shall mean any person who shall be the bearer of one or more of the Bonds.

The term "Interest Income from the Escrow Fund" shall mean the Board's revenues in the form of interest income earned and derived by the Board from the principal amount of certain "Escrowed Securities" to be purchased with the cash to be deposited to the credit of the Escrow Fund, pursuant to the provisions of the Escrow Agreement, which interest income is scheduled to accrue at times and in amounts sufficient, and shall be used by the Escrow Agent, to pay when due the principal of and interest on the Bonds, all as shown in appropriate schedules attached to the Escrow Agreement.

The term "Interest and Redemption Fund" shall mean The University of Texas at Austin Combined Fee Revenue Special Obligation Refunding Bonds Interest and Redemption Fund created and established by this Resolution for the sole purpose of paying the principal of and interest on the Bonds as the same matures and comes due.

The term "Series 1970 Bonds" shall mean the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1970, which bonds are being refunded and defeased with the proceeds of the Series 1978 Bonds and the Bonds.

The term "Series 1974 Bonds" shall mean the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1974, which bonds are being refunded and defeased with the proceeds of the Series 1978 Bonds and the Bonds.

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The term "Series 1978 Bonds" shall mean the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Refunding Bonds, Series 1978, dated August 1, 1978, authorized to be issued and sold by another resolution adopted by the Board concurrently herewith.

The term "Escrow Agent" shall mean City National Bank of Austin, Austin, Texas.

The term "Escrow Agreement" shall mean that certain Escrow Agreement to be entered into between the Board and the Escrow Agent concurrently with the delivery of the Bonds to the purchasers thereof, pursuant to which (a) cash proceeds of the Bonds and the Series 1978 Bonds and other cash of the Board lawfully available for such purpose shall be deposited with the Escrow Agent (to be held in the name of the paying agents for the Series 1970 Bonds and Series 1974 Bonds) in an amount equivalent to the principal amount of the redemption price of the Series 1970 Bonds and Series 1974 Bonds, with interest to their respective dates of maturity or redemption, and (b) such cash deposited with the Escrow Agent shall be invested in certain "Escrowed Securities", consisting entirely of direct obligations of the United States of America, maturing at such dates and in such amounts and bearing interest at such rates so as to provide (i) principal payments fully sufficient to pay when due principal of, interest on and redemption premiums on the Series 1970 Bonds and the Series 1974 Bonds and (ii) interest payments fully sufficient to pay when due principal of and interest on the Bonds.

The term "Escrow Fund" shall mean the Board's special fund established with the Escrow Agent pursuant to the Escrow Agreement.

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

Section 7: APPLICATION OF BOND PROCEEDS. That the proceeds from the sale of the Bonds shall be disbursed as follows:

(a) To the Interest and Redemption Fund, the accrued interest and premium, if any, received from the sale of the Bonds;

(b) To be applied, together with the proceeds of the Series 1978 Bonds and other funds lawfully available for such purpose, to fund and establish the Escrow Fund;

(c) To pay expenses connected with the refunding of the Series 1970 Bonds and the Series 1974 Bonds and the issuance of the Bonds; and

(d) The balance, if any, to the Interest and Redemption Fund.

Section 8: SOURCE OF PAYMENT. That the Bonds and the interest coupons appertaining thereto are and shall be secured by and payable from an irrevocable first lien on and pledge of the Interest Income from the Escrow Fund. The Bonds and the interest coupons appertaining thereto shall constitute special obligations of the Board, payable solely from the Interest Income from the Escrow Fund, and such

obligations shall not constitute an indebtedness of the University, the Board or the State of Texas, and the holders of the Bonds and the coupons attached thereto shall never have the right to demand payment thereof out of funds raised or to be raised by taxation.

Section 9: INTEREST AND REDEMPTION FUND. That for the sole purpose of paying the principal of and interest on the Bonds as the same come due there is hereby created and there shall be established and maintained by the Escrow Agent, a separate fund to be entitled the "University of Texas at Austin Combined Fee Revenue Special Obligation Refunding Bonds Interest and Redemption Fund" (herein called the "Interest and Redemption Fund"). Money from time to time on deposit in the Interest and Redemption Fund shall be secured in the manner prescribed by law for securing funds of the University, in principal amounts at all times not less than the amounts of money credited to such Fund.

Section 10: DEBT SERVICE REQUIREMENTS. (a) That on or prior to the delivery of the Bonds to the purchasers thereof, the Board shall establish and fund the Escrow Fund and enter into the Escrow Agreement.

(b) That the Escrow Agent, pursuant to the Escrow Agreement, shall be required to transfer from the Interest Income from the Escrow Fund and deposit to the credit of the Interest and Redemption Fund, the amounts, at the times, as follows:

(1) On or before December 1, 1978, and on or before each June 1 and December 1 thereafter, such amounts as will be sufficient, together with other amounts, if any, then on hand in the Interest and Redemption Fund and available for such purpose, to pay the interest scheduled to accrue and come due on the Bonds on each such December 1 and June 1; and

(2) On or before December 1, 1978, and on or before each June 1 and each December 1 thereafter, such amounts as will be sufficient, together with other amounts, if any, then on hand in the Interest and Redemption Fund and available for such purpose, to pay the principal scheduled to mature and come due on the Bonds on each such December 1 and June 1.

Section 11: DEFICIENCIES. That if on any occasion there shall not be sufficient Interest Income from the Escrow Fund to make the required deposits into the Interest and Redemption Fund, then such deficiency shall be made up from the next available Interest Income from the Escrow Fund.

Section 12: PAYMENT OF BONDS. On or before December 1, 1978, and semiannually on or before each June 1 and December 1 thereafter while any Bonds are outstanding and unpaid, City National Bank of Austin, in its capacity as Escrow Agent and Bank of Payment for the Bonds, shall pay, but solely from money then on deposit in the Interest and Redemption Fund, such interest on and such principal of the Bonds as will come due and mature on each such date, upon presentation of the proper interest coupon or Bond. The Bank of Payment shall destroy all paid Bonds and interest

AUG 4 1978

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coupons appertaining thereto and furnish the Board with an appropriate certificate of cancellation or destruction.

Section 13: NO FURTHER ENCUMBRANCES. That while the Bonds are outstanding and unpaid, the Board will not in any manner additionally encumber or pledge the Interest Income from the Escrow Fund, or issue any additional bonds payable from such source.

Section 14: NO ARBITRAGE. That the Board certifies that based upon all facts, estimates and circumstances now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the Board reasonably expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds or any portion thereof to be an "arbitrage bond" under Section 103(c) of the Internal Revenue Code of 1954, as amended, and the temporary and proposed regulations heretofore prescribed thereunder. Furthermore, all officers, employees and agents of the Board are authorized and directed to provide certifications of facts, estimates and circumstances which are material to the reasonable expectations of the Board as of the date the Bonds are delivered and paid for, and any such certifications may be relied upon by counsel, by the holders of the Bonds, or by any person interested in the exemption of interest on the Bonds from federal income taxation. Moreover, the Board covenants that it shall make such use of the proceeds of the Bonds, regulate investments of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds shall not be "arbitrage bonds" under Section 103(c) of the Internal Revenue Code of 1954, as amended, and regulations prescribed from time to time thereunder.

Section 15: APPROVAL AND REGISTRATION. That the Chairman of the Board is hereby authorized to have control of the Bonds and all necessary records and proceedings pertaining to the Bonds pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of said Bonds, said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate printed and endorsed on each of the Bonds and the seal of said Comptroller shall be impressed, or placed in facsimile, on each of the Bonds.

Section 16: SALE AND DELIVERY. That the sale of the Bonds is hereby awarded to Republic National Bank of Dallas, for a price of 99.605% of par, plus accrued interest thereon from the date thereof to the date of actual delivery, subject to the approving opinions, as to the legality of the Bonds, of the Attorney General of the State of Texas and Vinson & Elkins, Houston, Texas, market attorneys. When said Bonds have been approved by the Attorney General and registered by the Comptroller of Public Accounts of the State of Texas, they shall be delivered to the named purchaser upon receipt of the full purchase price.

Section 17: OFFERING DOCUMENTS. That the Preliminary Official Statement, Official Notice of Sale and Official Statement, together with any supplements and amendments thereto, are hereby ratified, authorized and approved for use in connection with the solicitation of bids for, and the sale and distribution of, the Bonds. *

In the opinion of Bond Counsel, the interest on these Special Obligation Bonds is exempt from present federal income taxes under existing statutes, regulations, published rulings and court decisions.

NEW ISSUE

Moody's _____
Standard & Poor's _____

\$3,530,000*

BOARD OF REGENTS OF
THE UNIVERSITY OF TEXAS SYSTEM

The University of Texas at Austin

Combined Fee Revenue Special Obligation Refunding Bonds, Series 1978

DATED: August 1, 1978

DUE: December 1 and June 1, as shown below

The Special Obligation Bonds are special obligations of the Board of Regents of The University of Texas System payable solely from the interest earned on certain direct obligations of the United States of America held in escrow by City National Bank, Austin, Texas pursuant to an Escrow Agreement. The Special Obligation Bonds do not constitute general obligations of the State of Texas, the Board of Regents of The University of Texas System, or any political subdivision of the State of Texas. Neither the credit nor the taxing power of the State of Texas or any political subdivision of the State of Texas is pledged to the payment of the principal of, redemption premium, if any, or interest on the Special Obligation Bonds. The Board of Regents has no taxing power and bondholders shall never have the right to demand payment from money raised or to be raised by taxation.

Quarterly principal and interest (December 1, 1978 and thereafter on each June 1 and December 1) will be payable at City National Bank, Austin, Texas, Paying Agent; coupon bearer bonds in the denomination of \$5,000, not registrable.

REDEMPTION PROVISIONS: The Bonds are not subject to redemption prior to maturity.

PURPOSE: The Bonds are being issued to provide a portion of the amount needed to refund the outstanding University of Texas at Austin Combined Fee Revenue Bonds, Series 1970 and Series 1971. The remaining portion needed to effect the refunding will be provided from proceeds of The University of Texas at Austin \$16,640,000 Combined Fee Revenue Refunding Bonds, Series 1978, being simultaneously offered with the Bonds under a separate Official Statement, and other available funds.

MATURITIES, AMOUNTS, COUPON RATES AND PRICES

Maturity Dec. 1	Amount*	Coupon	Price or Yield	Maturity June 1	Amount*	Coupon	Price or Yield
1978	\$255,000			-	\$ -		
1979	475,000			1979	495,000		
1980	200,000			1980	475,000		
1981	190,000			1981	200,000		
1982	185,000			1982	190,000		
1983	175,000			1983	185,000		
1984	175,000			1984	175,000		
				1985	165,000		

(Accrued Interest to be Added)

The Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without any notice, and to the approval of legality of the Bonds by Vinson & Elkins, Houston, Texas, and by the Attorney General of the State of Texas. It is expected that the Bonds in definitive form will be available for delivery to the Underwriter in Austin, Texas on or about August 30, 1978.

The date of this Official Statement is July 25, 1978.

*Amounts are subject to change in accordance with the terms of the Official Notice of Sale; adjustment will not exceed 10% in any one year.

This Official Statement, which includes the cover page and exhibits does not constitute an offer to sell the Bonds in any state to any person to whom it is unlawful to make such offer in that state. No dealer, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, dated July 25, 1973, in connection with the offering of the Bonds, and if given or made, such information or representation must not be relied upon. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sales made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Board since the date hereof.

A copy of the complete Bond Resolution under which the Bonds are issued is available upon request to the Board or Financial Advisor.

These Bonds have not been registered with the Securities and Exchange Commission by reason of the exemption provisions of Section 3(a)(2) of the Securities Act of 1933, as amended. The bonds have not been approved or disapproved by the Securities and Exchange Commission and the Commission has not passed upon the accuracy or adequacy of this Official Statement.

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OFFICIAL STATEMENT

\$3,530,000
BOARD OF REGENTS OF
THE UNIVERSITY OF TEXAS AT AUSTIN

The University of Texas at Austin

Combined Fee Revenue Special Obligation Refunding Bonds, Series 1978

July 25, 1978

INTRODUCTION

This Official Statement, including the cover page and Exhibit A, is furnished by the Board of Regents of The University of Texas System (the "Board of Regents" or "Board") in connection with the offering of \$3,530,000 principal amount of its Special Obligation Refunding Bonds, Series 1978 (the "Bonds"). The Bonds are being issued pursuant to a bond resolution (the "Bond Resolution") to be adopted by the Board on August 4, 1978. The City National Bank, Austin, Texas, (the "Bank of Payment") serves as Bank of Payment under the Bond Resolution.

PLAN OF FINANCING

The Board has previously issued, on behalf of The University of Texas at Austin, \$10,000,000 Combined Fee Revenue Bonds, Series 1970, \$8,955,000 of which are presently outstanding (the Series 1970 Bonds), and \$6,900,000 Combined Fee Revenue Bonds, Series 1974, \$6,430,000 of which are presently outstanding. The Board now proposes to refund the Series 1970 and Series 1974 Bonds and to discharge the liens of the 1970 and 1974 Resolutions by applying to such purpose the net proceeds of the Series 1978 Bonds, the Special Obligation Bonds and other available funds.

The moneys required to refund the Series 1970 and Series 1974 Bonds will come from the net proceeds of the Series 1978 Bonds and the Special Obligation Bonds, and other available funds. Such net proceeds shall be applied to the purchase of direct obligations of the United States of America ("United States Government Securities") in the aggregate principal amount of \$3,530,000. The United States Government Securities will be held by the City National Bank, Austin, Texas as Escrow Agent under an Escrow Agreement to be dated the date of delivery of the Series 1978 Bonds (the "Escrow Agreement") by and between the Board and the Escrow Agent. The United States Government Securities are scheduled to mature at such times and in such amounts so that sufficient moneys will be available from such maturing principal to pay, when due, the principal of, interest on, and redemption premium, if any, to accrue on the Series 1970 Bonds and the Series 1974 Bonds to their respective maturity or redemption dates. The interest income earned on such United States Government Securities will be sufficient to pay, when due, all principal of and interest on the Special Obligation Bonds. The interest income on the United States Government Securities is not pledged to and will not be available to pay the Series 1970 and Series 1974 Bonds or the Series 1978 Bonds. The maturing principal of such United States Government Securities is not pledged to and will not be available to pay the Special Obligation Bonds or the Series 1978 Bonds. Simultaneously with and as a condition to, the issuance of the Bonds, the Board will issue approximately \$16,925,000 principal amount of its Series 1978 Combined Fee Bonds to provide a portion of the moneys necessary to effect the refunding. The Series 1978 Combined Fee Bonds are not being offered by this Official Statement and will not be secured in any way by the United States Government Securities. The Series 1978 Combined Fee Bonds, the use of the proceeds thereof and the security therefor are described in another Official Statement of the Board specifically relating to the 1978 Combined Fee Bonds, copies of which are available from the Board or the Financial Advisor.

SOURCES AND USES OF FUNDS

Principal Amount of the Series 1970 and Series 1974 Bonds	\$ _____
Special Obligation Bonds -----	_____
Accrued Interest from Series 1978 Bonds from	
August 1, 1978 to and including August 30, 1978 -----	_____
Accrued Interest from Special Obligation Bonds from	
August 1, 1978 to and including August 30, 1978 -----	_____
Total Sources -----	\$ _____
United States Government Securities -----	\$ _____ (1)
Bond Discount on Series 1978 Bonds -----	_____
Bond Discount on Special Obligation Bonds -----	_____
Other Financing Expenses -----	_____
Total Uses -----	\$ _____
The aggregate principal amount of United States Government Securities are sufficient to pay the following:	
Total Principal Requirements of Series 1970 and Series 1974 Bonds -----	\$ _____
Total Interest Requirements of Series 1970 Bonds from	
June 1, 1978 to and including June 1, 1980 -----	_____
Call Premium payable on Series 1970 Bonds on June 1, 1980	
(3% of \$8,690,000) -----	_____
Total Interest Requirements of Series 1974 Bonds from	
June 1, 1978 to and including June 1, 1985 -----	\$ _____
Call Premium Payable on Series 1974 Bonds on June 1, 1985	
(12% of \$5,125,000) -----	\$ _____
Total Series 1970 and Series 1974 Bond Requirements	\$ _____

THE BONDS

The Bonds will be issued as coupon bonds in the denomination of \$5,000 each, not registered. The Bonds will be dated August 1, 1978, and will bear interest from their date payable at the rates and maturing in the amounts and at the time set forth on the cover of this Official Statement.

Security:

The proceeds from the sale of the Bonds and the Series 1978 Combined Fee Bonds plus accrued interest less the amounts for payment of legal, administrative (paying agent on the Bonds, escrow agent and custodial), financial advisor, accounting, printing, calculation fee, ratings and other incidental expenses, shall be deposited, together with other available funds, into escrow and used to purchase United States Government Securities pursuant to the Escrow Agreement. The maturing principal amount of the United States Government Securities will be sufficient to pay the principal, interest and redemption premium, if any, to accrue on the Series 1970 and Series 1974 Bonds to date of redemption or maturity. The Bonds and the interest thereon, are and shall be payable from and secured by a lien on and pledge of the interest earned on the United States Government Securities in accordance with the Escrow Agreement and such interest shall be deposited into the Interest and Redemption Fund established by the Bond Resolution.

Optional Redemption:

The Bonds are not subject to redemption prior to maturity.

Additional Bonds:

The Bond Resolution does not permit the issuance of additional bonds thereunder.

THE BOND RESOLUTION

The following summaries represent excerpts of certain provisions of the Bond Resolution which authorizes the issuance of the Special Obligation Refunding Bonds. Such excerpts do not purport to be comprehensive or definitive and reference is made to the entire Bond Resolution for more complete information, copies of which are available from the Board or Financial Advisor.

Definitions:

"Board" shall mean the Board of Regents of the University of Texas System, being the governing body of the University.

"Bonds" shall mean the Board of Regents of University of Texas System, The University of Texas at Austin Combined Fee Revenue Special Obligation Refunding Bonds, Series 1978, authorized by this Resolution.

"Escrow Agreement" shall mean the University of Texas at Austin Combined Fee Revenue Bonds, Series 1970 and Series 1974 Escrow Agreement, executed concurrently with the delivery of the Bonds to the purchasers thereof, between the Board and City National Bank, Austin, Texas, and as Escrow Agent, pursuant to which "United States Government Securities", as defined therein, will be purchased by the Escrow Agent on behalf of the Board with proceeds from the sale and delivery of the Bonds and the Series 1978 Combined Fee Bonds and deposited in an Escrow Fund in principal amounts which will mature at the times and in the amounts required to pay, redeem and retire the principal of and interest on the Series 1970 and Series 1974 Bonds and bearing interest which becomes due and payable at the times and in the amounts required to pay and retire the principal of and interest on the Bonds.

"Escrow Agent" shall mean City National Bank, Austin, Texas.

"Escrow Fund" shall mean the Board's special fund established with the Escrow Agent by the Escrow Agreement.

"Interest Income from the Escrow Fund" shall mean the Board's revenues in the form of interest income earned and derived by the Board from the principal amount of "United States Government Securities" deposited to the credit of the Escrow Fund, as defined and provided in the Escrow Agreement, which interest income is scheduled to be in amounts sufficient, and shall be used by the aforesaid Escrow Agent, to pay when due the principal of and interest on the Bonds, all as shown in appropriate exhibits attached to the Escrow Agreement.

"Interest and Redemption Fund" shall mean the University of Texas at Austin Combined Fee Revenue Special Obligation Refunding Bonds Interest and Redemption Fund created and established by this Resolution for the sole purpose of paying the principal of and interest on the Bonds as the same matures and comes due.

"Series 1970 Bonds" and "Series 1974 Bonds" shall mean the Board of Regents of University of Texas at Austin Combined Fee Revenue Bonds, Series 1970 and Series 1974, authorized by the 1970 and 1974 Resolutions, which bonds are being refunded by the proceeds of the Series 1978 Combined Fee Bonds and the Bonds.

"Series 1978 Combined Fee Bonds" shall mean the Board of Regents of University of Texas System, The University of Texas at Austin Combined Fee Revenue Refunding Bonds, Series 1978, dated August 1, 1978, authorized to be issued and sold by another resolution of the Board adopted concurrently herewith.

"University" shall mean University of Texas at Austin.

Security:

The Bonds and the interest coupons appertaining thereto are and shall be secured by and payable from an irrevocable first lien on and pledge of the Interest Income from the Escrow Fund.

Escrow Funds:

For the sole purpose of paying the principal of and interest on the Bonds as the same come due there is hereby created and there shall be established and maintained at City National Bank, Austin, Texas (herein defined as the "Escrow Agent") a separate fund to be entitled the "Escrow Fund" and a separate fund to be entitled the "Interest and Redemption Fund" (herein defined as the "Interest and Redemption Fund").

That the Escrow Agent, pursuant to the Escrow Agreement, is required to transfer from the Interest Income from the Escrow Fund and deposit to the credit of the Interest and Redemption Fund the amounts, at the times, as follows:

(1) such amounts, deposited on or before the first day of December, 1978, and semiannually on or before the first day of each June and each December thereafter, as will be sufficient, together with other amounts, if any, then on hand in the Interest and Redemption Fund and available for such purpose, to pay the interest scheduled to accrue and come due on the Bonds on each such June 1 and December 1; and

(2) such amounts, deposited on or before the first day of December, 1978, and semiannually on or before the first day of each June and each December thereafter, as will be sufficient, together with other amounts, if any, then on hand in the Interest and Redemption Fund and available for such purpose, to pay the principal scheduled to mature and come due on the Bonds on each such June 1 and December 1.

Not on or after December 1, 1978 and semiannually on or after each June 1 and December 1 thereafter while any Bonds are outstanding and unpaid, the Escrow Agent shall, in its capacity as Bank of Payment for the Bonds, but solely from the monies then on deposit in the Interest and Redemption Fund, pay such interest on and such principal of the Bonds as will come due and mature on each such June 1 and December 1, upon presentation of proper Bond or interest coupon, from money in the Interest and Redemption Fund. The Bank of Payment for the Bonds shall destroy all said Bonds and interest coupons appertaining thereto and furnish the Board with an appropriate certificate of cancellation or destruction.

Escrow Fund

Concurrently with the delivery of the Bonds to the purchasers thereof all of the proceeds from the sale of the Bonds less expenses of issuing the Bonds in the amount of \$ _____ shall be deposited with City National Bank, Austin, Texas, which is the bank where the principal of, premium and interest on all of the Series 1970 and Series 1974 Bonds are payable, and such proceeds, together with proceeds from the sale and delivery of that issue of the Series 1978 Combined Fee Bonds, less expenses of issuing said bonds, authorized by another resolution of the Board adopted concurrently herewith, shall be used for the purpose of refunding, discharging and retiring all of the Series 1970 Bonds and Series 1974 Bonds. By another resolution of the Board adopted concurrently herewith the Board will authorize the execution of the Escrow Agreement between the Board and City National Bank, Austin, Texas, as Escrow Agent. The Escrow Agreement provides for the deposit with the Escrow Agent of all of the foregoing proceeds and the use of the Interest Income from the Escrow Fund in accordance with this Resolution.

FINANCIAL ADVISOR

Rauscher Pierce Securities Corporation, Dallas, Texas has been employed as Financial Advisor to perform certain professional services for the Board, including preparation and review of this Official Statement, for a fee to be computed on the amount of the Series 1978 Combined Fee Bonds and the Bonds. Such compensation is contingent upon the Bonds actually being issued, sold and delivered.

TAX EXEMPTION

The issuance of the Bonds is subject to the opinion of Vinson & Elkins, Houston, Texas, Bond Counsel, to the effect that interest on the Bonds is exempt from present federal income taxes under existing statutes, regulations, published rulings and court decisions.

The Board will issue a certificate, accompanied by an opinion of counsel, to the effect that on the basis of the facts, estimates and circumstances in existence on the date of delivery of the Bonds it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be "arbitrage bonds" under Section 103(c) of the Internal Revenue Code. The opinion of Vinson & Elkins will state that, based on their examination of the law and their review of the no-arbitrage certificate of the Board and the verification of the arithmetical and mathematical computations by Ernst & Ernst, Independent Public Accountants, the facts, estimates and circumstances are sufficiently set forth in such no-arbitrage certificate and the above-mentioned verification to satisfy the criteria which are necessary under Section 103(c) of the Internal Revenue Code of 1954, as amended, and applicable Treasury Regulations, to support the conclusion that the Bonds will not be arbitrage bonds.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The accuracy of the arithmetical computations of the adequacy of (i) the maturing principal amounts of the United States Government Securities to pay, when due, the principal of, interest and redemption premium on the Series 1970 and Series 1974 Bonds and (ii) the interest earned on the United States Government Securities to pay, when due, the principal of and interest on the Special Obligation Bonds and the accuracy of the mathematical computations only, supporting the conclusion of Bond Counsel with reference to "arbitrage bonds" (noted above) will be verified by Ernst & Ernst, independent public accountants. Such verification of arithmetical accuracy and mathematical computations shall be based on information supplied by the Board through the Financial Advisor.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the unqualified approval of the Attorney General of the State of Texas and of Vinson & Elkins, Houston, Texas, Bond Counsel, whose approving opinion will be printed on the Bonds and delivered with the Bonds. Vinson & Elkins were not requested to participate, and did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "The Bonds" and "The Bond Resolution". No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any other information contained herein.

SOURCE AND USE OF INFORMATION

This Official Statement has been prepared under the direction of the Board of Regents of The University of Texas System by Rauscher Pierce Securities Corporation, a firm employed by the Board to perform professional services in the capacity of financial advisors. The information set forth herein has been obtained from the Board's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to official documents in all respects.

The Board of Regents of The University of Texas System has reviewed and approved the Official Notice of Sale, Official Bid Form and Official Statement and said instruments have been authorized for use and distribution by Rauscher Pierce Securities Corporation, Financial Advisors, for the purpose of securing bids on the bonds offered hereby.

Approved and adopted by resolution of the Board of Regents of The University of Texas System this 4th day of August, 1978.

/s/ _____
Chairman, Board of Regents of
The University of Texas System

ATTEST:

/s/ _____
Secretary, Board of Regents of
The University of Texas System

Official Statement Dated August 4, 1978

In the opinion of Bond Counsel, the interest on these Special Obligation Bonds is exempt from present federal income taxes under existing statutes, regulations, published rulings and court decisions.

NEW ISSUE Moody's Aa
Standard & Poor's AA

\$3,695,000

BOARD OF REGENTS OF
THE UNIVERSITY OF TEXAS SYSTEM

The University of Texas at Austin

Combined Fee Revenue Special Obligation Refunding Bonds, Series 1978

DATED: August 1, 1978

DUE: December 1 and June 1, as shown below

The Special Obligation Bonds are special obligations of the Board of Regents of The University of Texas System payable solely from the interest earned on certain direct obligations of the United States of America held in escrow by City National Bank, Austin, Texas pursuant to an Escrow Agreement. The Special Obligation Bonds do not constitute general obligations of the State of Texas, the Board of Regents of The University of Texas System, or any political subdivision of the State of Texas. Neither the credit nor the taxing power of the State of Texas or any political subdivision of the State of Texas is pledged to the payment of the principal of, redemption premium, if any, or interest on the Special Obligation Bonds. The Board of Regents has no taxing power and bondholders shall never have the right to demand payment from money raised or to be raised by taxation.

Semiannual principal and interest (December 1, 1978 and thereafter on each June 1 and December 1) will be payable at City National Bank, Austin, Texas, Paying Agent; coupon bearing bonds in the denomination of \$5,000, not registrable.

REDEMPTION PROVISIONS: The Bonds are not subject to redemption prior to maturity.

PURPOSE: The Bonds are being issued to provide a portion of the amount needed to refund the outstanding University of Texas at Austin Combined Fee Revenue Bonds, Series 1970 and Series 1974. The remaining portion needed to effect the refunding will be provided from proceeds of The University of Texas at Austin \$16,710,000 Combined Fee Revenue Refunding Bonds, Series 1978, being simultaneously offered with the Bonds under a separate Official Statement, and other available funds.

MATURITIES, AMOUNTS, COUPON RATES AND PRICES

Maturity Dec. 1	Amount	Coupon	Price or Yield	Maturity June 1	Amount	Coupon	Price or Yield
1978	\$225,000	4.20%	100%	-	-	-	-
1979	495,000	4.45%	100%	1979	\$ 510,000	4.30%	100%
1980	215,000	4.60%	100%	1980	495,000	4.60%	100%
1981	205,000	4.70%	100%	1981	210,000	4.70%	100%
1982	195,000	4.75%	100%	1982	205,000	4.75%	100%
1983	190,000	4.80%	100%	1983	200,000	4.80%	100%
1984	180,000	4.85%	100%	1984	190,000	4.85%	100%
				1985	180,000	4.875%	100%

(Accrued Interest to be Added)

The Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without any notice, and to the approval of legality of the Bonds by Vinson & Elkins, Houston, Texas, and by the Attorney General of the State of Texas. It is expected that the Bonds in definitive form will be available for delivery to the Underwriter in Austin, Texas on August 30, 1978.

The date of this Official Statement is August 4, 1978.

This Official Statement, which includes the cover page, does not constitute an offer to the Bonds in any state to any person to whom it is unlawful to make such offer in such state. No dealer, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, dated August 4, 1978, in connection with the offering of the Bonds, and if given or made, such information or representation must not be relied upon. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sales made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Board since the date hereof.

A copy of the complete Bond Resolution under which the Bonds are issued is available upon request to the Board or Financial Advisor.

These Bonds have not been registered with the Securities and Exchange Commission by reason of the exemption provisions of Section 3(a)(2) of the Securities Act of 1933, as amended. The Board has not been approved or disapproved by the Securities and Exchange Commission and the Commission has not passed upon the accuracy or adequacy of this Official Statement.

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OFFICIAL STATEMENT

\$3,695,000
BOARD OF REGENTS OF
THE UNIVERSITY OF TEXAS AT AUSTIN

The University of Texas at Austin

Combined Fee Revenue Special Obligation Refunding Bonds, Series 1978

August 4, 1978

INTRODUCTION

This Official Statement, including the cover page, is furnished by the Board of Regents of The University of Texas System (the "Board of Regents" or "Board") in connection with the offering of \$3,695,000 principal amount of its Special Obligation Refunding Bonds, Series 1978 (the "Bonds"). The Bonds are being issued pursuant to a bond resolution (the "Bond Resolution") adopted by the Board on August 4, 1978. The City National Bank, Austin, Texas, (the "Bank of Payment") serves as Bank of Payment under the Bond Resolution.

PLAN OF FINANCING

The Board has previously issued, on behalf of The University of Texas at Austin, \$10,000,000 Combined Fee Revenue Bonds, Series 1970, \$8,955,000 of which are presently outstanding (the Series 1970 Bonds), and \$6,900,000 Combined Fee Revenue Bonds, Series 1974, \$6,430,000 of which are presently outstanding. The Board now proposes to refund the Series 1970 and Series 1974 Bonds and to discharge the liens of the 1970 and 1974 Resolutions by applying to such purpose the net proceeds of the Series 1978 Bonds, the Special Obligation Bonds and other available funds.

The moneys required to refund the Series 1970 and Series 1974 Bonds will come from the net proceeds of the Series 1978 Bonds and the Special Obligation Bonds, and other available funds. Such net proceeds shall be applied to the purchase of direct obligations of the United States of America ("United States Government Securities"). The United States Government Securities to be held by the City National Bank, Austin, Texas as Escrow Agent under an Escrow Agreement to be dated the date of delivery of the Series 1978 Bonds (the "Escrow Agreement") by and between the Board and the Escrow Agent. The United States Government Securities are scheduled to mature at such times and in such amounts so that sufficient moneys will be available from such maturing principal to pay, when due, the principal of, interest on, and redemption premium, if any, to accrue on the Series 1970 Bonds and the Series 1974 Bonds to their respective maturity or redemption dates. The interest income earned on such United States Government Securities will be sufficient to pay, when due, all principal of and interest on the Special Obligation Bonds. The interest income on the United States Government Securities is not pledged to and will not be available to pay the Series 1970 and Series 1974 Bonds or the Series 1978 Bonds. The maturing principal of such United States Government Securities is not pledged to and will not be available to pay the Special Obligation Bonds or the Series 1978 Bonds. Simultaneously with the issuance of the Bonds, the Board will issue \$16,710,000 principal amount of its Series 1978 Combined Fee Bonds to provide a portion of the moneys necessary to effect the refunding. The Series 1978 Combined Fee Bonds are not being offered by this Official Statement and will not be secured in any way by the United States Government Securities. The Series 1978 Combined Fee Bonds, the use of the proceeds thereof and the security therefor are described in another Official Statement of the Board specifically relating to the 1978 Combined Fee Bonds, copies of which are available from the Board or the Financial Advisor.

ESTIMATED SOURCES AND USES OF FUNDS

Sources

Principal Amount of Special Obligation Bonds	\$ 3,695,000
Principal Amount of Series 1978 Bonds	16,710,000
Accrued Interest	87,461
Other Available Funds	<u>1,554,791</u>
Total Sources	<u>\$ 22,047,252</u>

Uses

United States Government Securities	\$ 20,208,728
Bond Discount and Other Financing Expenses	429,186
Initial Escrow Cash Balance	30,327
Capitalized Reserve Fund	1,303,213
Interest and Sinking Fund	<u>75,798</u>
Total Uses	<u>\$ 22,047,252</u>

THE BONDS

The Bonds will be issued as coupon bonds in the denomination of \$5,000 each, not registrable. The Bonds will be dated August 1, 1978, and will bear interest from their date payable at the rates and maturing in the amounts and at the time set forth on the cover of this Official Statement.

Security:

The proceeds from the sale of the Bonds and the Series 1978 Combined Fee Bonds plus accrued interest less the amounts to be used as a capitalized reserve fund and for payment of legal, administrative (paying agent on the Bonds, escrow agent and custodial), financial advisor, accounting, printing, calculation fee, ratings and other incidental expenses, shall be deposited, together with other available funds, into escrow and used to purchase United States Government Securities pursuant to the Escrow Agreement. The maturing principal amount of the United States Government Securities will be sufficient to pay the principal, interest and redemption premium, if any, to accrue on the Series 1970 and Series 1974 Bonds to date of redemption or maturity. The Bonds and the interest thereon, are and shall be payable from and secured by a lien on and pledge of the interest earned on the United States Government Securities in accordance with the Escrow Agreement and such interest shall be deposited into the Interest and Redemption Fund established by the Bond Resolution.

Optional Redemption:

The Bonds are not subject to redemption prior to maturity.

Additional Bonds:

The Bond Resolution does not permit the issuance of additional bonds thereunder.

THE BOND RESOLUTION

The following summaries represent excerpts of certain provisions of the Bond Resolution which authorizes the issuance of the Special Obligation Refunding Bonds. Such excerpts do not purport to be comprehensive or definitive and reference is made to the entire Bond Resolution for more complete information, copies of which are available from the Board or Financial Advisor.

Definitions:

"Board" shall mean the Board of Regents of the University of Texas System, being the governing body of the University.

"Bonds" shall mean the Board of Regents of University of Texas System, The University of Texas at Austin Combined Fee Revenue Special Obligation Refunding Bonds, Series 1978, authorized by this Resolution.

"Escrow Agreement" shall mean the University of Texas at Austin Combined Fee Revenue Bonds, Series 1970 and Series 1974 Escrow Agreement, executed concurrently with the delivery of the Bonds to the purchasers thereof, between the Board and City National Bank, Austin, Texas, and as Escrow Agent, pursuant to which "United States Government Securities", as defined therein, will be purchased by the Escrow Agent on behalf of the Board with proceeds from the sale and delivery of the Bonds and the Series 1978 Combined Fee Bonds and deposited in an Escrow Fund in principal amounts which will mature at the times and in the amounts required to pay, redeem and retire the principal of and interest on the Series 1970 and Series 1974 Bonds and bearing interest which becomes due and payable at the times and in the amounts required to pay and retire the principal of and interest on the Bonds.

"Escrow Agent" shall mean City National Bank, Austin, Texas.

"Escrow Fund" shall mean the Board's special fund established with the Escrow Agent by the Escrow Agreement.

"Interest Income from the Escrow Fund" shall mean the Board's revenues in the form of interest income earned and derived by the Board from the principal amount of "United States Government Securities" deposited to the credit of the Escrow Fund, as defined and provided in the Escrow Agreement, which interest income is scheduled to be in amounts sufficient, and shall be used by the aforesaid Escrow Agent, to pay when due the principal of and interest on the Bonds, all as shown in appropriate exhibits attached to the Escrow Agreement.

"Interest and Redemption Fund" shall mean the University of Texas at Austin Combined Fee Revenue Special Obligation Refunding Bonds Interest and Redemption Fund created and established by this Resolution for the sole purpose of paying the principal of and interest on the Bonds as the same matures and comes due.

"Series 1970 Bonds" and "Series 1974 Bonds" shall mean the Board of Regents of University of Texas at Austin Combined Fee Revenue Bonds, Series 1970 and Series 1974, authorized by the 1970 and 1974 Resolutions, which bonds are being refunded by the proceeds of the Series 1978 Combined Fee Bonds and the Bonds.

"Series 1978 Combined Fee Bonds" shall mean the Board of Regents of University of Texas System, The University of Texas at Austin Combined Fee Revenue Refunding Bonds, Series 1978, dated August 1, 1978, authorized to be issued and sold by another resolution of the Board adopted concurrently herewith.

"University" shall mean University of Texas at Austin.

Security:

The Bonds and the interest coupons appertaining thereto are and shall be secured by and payable from an irrevocable first lien on and pledge of the Interest Income from the Escrow Fund.

Flow of Funds:

For the sole purpose of paying the principal of and interest on the Bonds as the same come due there is hereby created and there shall be established and maintained at City National

Bank, Austin, Texas (herein defined as the "Escrow Agent") a separate fund to be entitled the University of Texas at Austin Special Obligation Refunding Bonds Interest and Redemption Fund (herein defined as the "Interest and Redemption Fund").

That the Escrow Agent, pursuant to the Escrow Agreement, is required to transfer from the Interest Income from the Escrow Fund and deposit to the credit of the Interest and Redemption Fund the amounts, at the times, as follows:

(1) such amounts, deposited on or before the first day of December, 1978, and semiannually on or before the first day of each June and each December thereafter, as will be sufficient, together with other amounts, if any, then on hand in the Interest and Redemption Fund and available for such purpose, to pay the interest scheduled to accrue and come due on the Bonds on each such June 1 and December 1; and

(2) such amounts, deposited on or before the first day of December, 1978, and semiannually on or before the first day of each June and each December thereafter, as will be sufficient, together with other amounts, if any, then on hand in the Interest and Redemption Fund and available for such purpose, to pay the principal scheduled to mature and come due on the Bonds on each such June 1 and December 1.

That on or after December 1, 1978 and semiannually on or after each June 1 and December 1 thereafter while any Bonds are outstanding and unpaid, the Escrow Agent shall, in its capacity as Bank of Payment for the Bonds, but solely from the monies then on deposit in the Interest and Redemption Fund, pay such interest on and such principal of the Bonds as will come due and mature on each such June 1 and December 1, upon presentation of proper Bond or interest coupon, from money in the Interest and Redemption Fund. The Bank of Payment for the Bonds shall destroy all paid Bonds and interest coupons appertaining thereto and furnish the Board with an appropriate certificate of cancellation or destruction.

Escrow Fund

Concurrently with the delivery of the Bonds to the purchasers thereof all of the proceeds from the sale of the Bonds less expenses of issuing the Bonds shall be deposited with City National Bank, Austin, Texas, which is the bank where the principal of, premium and interest on all of the Series 1970 and Series 1974 Bonds are payable, and such proceeds, together with proceeds from the sale and delivery of that issue of the Series 1978 Combined Fee Bonds, less expenses of issuing said bonds, authorized by another resolution of the Board adopted concurrently herewith, shall be used for the purpose of refunding, discharging and retiring all of the Series 1970 Bonds and Series 1974 Bonds. By another resolution of the Board adopted concurrently herewith the Board will authorize the execution of the Escrow Agreement between the Board and City National Bank, Austin, Texas, as Escrow Agent. The Escrow Agreement provides for the deposit with the Escrow Agent of all of the foregoing proceeds and the use of the Interest Income from the Escrow Fund in accordance with this Resolution.

FINANCIAL ADVISOR

Rauscher Pierce Securities Corporation, Dallas, Texas has been employed as Financial Advisor to perform certain professional services for the Board, including preparation and review of this Official Statement, for a fee to be computed on the amount of the Series 1978 Combined Fee Bonds and the Bonds. Such compensation is contingent upon the Bonds actually being issued, sold and delivered.

TAX EXEMPTION

The issuance of the Bonds is subject to the opinion of Vinson & Elkins, Houston, Texas, Bond Counsel, to the effect that interest on the Bonds is exempt from present federal income taxes under existing statutes, regulations, published rulings and court decisions.

The Board will issue a certificate, accompanied by an opinion of counsel, to the effect that on the basis of the facts, estimates and circumstances in existence on the date of delivery of the Bonds it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be "arbitrage bonds" under Section 103(c) of the Internal Revenue Code. The opinion of Vinson & Elkins will state that, based on their examination of the law and their review of the no-arbitrage certificate of the Board and the verification of the arithmetical and mathematical computations by Ernst & Ernst, Independent Public Accountants,

the facts, estimates and circumstances are sufficiently set forth in such no-arbitrage certificate and the above-mentioned verification to satisfy the criteria which are necessary under Section 103(c) of the Internal Revenue Code of 1954, as amended, and applicable Treasury Regulations, to support the conclusion that the Bonds will not be arbitrage bonds.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The accuracy of the arithmetical computations of the adequacy of (i) the maturing principal amounts of the United States Government Securities to pay, when due, the principal of, interest and redemption premium on the Series 1970 and Series 1974 Bonds and (ii) the interest earned on the United States Government Securities to pay, when due, the principal of and interest on the Special Obligation Bonds and the accuracy of the mathematical computations only, supporting the conclusion of Bond Counsel with reference to "arbitrage bonds" (noted above) will be verified by Ernst & Ernst, independent public accountants. Such verification of arithmetical accuracy and mathematical computations shall be based on information supplied by the Board through the Financial Advisor.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the unqualified approval of the Attorney General of the State of Texas and of Vinson & Elkins, Houston, Texas, Bond Counsel, whose approving opinion will be printed on the Bonds and delivered with the Bonds. Vinson & Elkins were not requested to participate, and did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "The Bonds" and "The Bond Resolution". No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any other information contained herein.

SOURCE AND USE OF INFORMATION

This Official Statement has been prepared under the direction of the Board of Regents of The University of Texas System by Rauscher Pierce Securities Corporation, a firm employed by the Board to perform professional services in the capacity of financial advisors. The information set forth herein has been obtained from the Board's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to official documents in all respects.

The Board of Regents of The University of Texas System has reviewed and approved the Official Notice of Sale, Official Bid Form and Official Statement and said instruments have been authorized for use and distribution by Rauscher Pierce Securities Corporation, Financial Advisors, for the purpose of securing bids on the bonds offered hereby.

Approved and adopted by resolution of the Board of Regents of The University of Texas System this 4th day of August, 1978.

/s/
Chairman, Board of Regents of
The University of Texas System

ATTEST:

/s/
Secretary, Board of Regents of
The University of Texas System

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Section 18: CAPTIONS. The captions of the Sections of this Resolution have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof.

ADOPTED AND APPROVED at Austin, Texas, this 4th day of August, 1978.

/s/ Allan Shivers
Chairman, Board of Regents of
The University of Texas System

ATTEST:

/s/ Betty Anne Thedford
Secretary, Board of Regents of
The University of Texas System

RESOLUTION AUTHORIZING REDEMPTION OF CERTAIN BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT AUSTIN, COMBINED FEE REVENUE BONDS, SERIES 1970 AND SERIES 1974, PRIOR TO MATURITY; ESCROW AGREEMENT WITH CITY NATIONAL BANK OF AUSTIN, AUSTIN, TEXAS, TO PROVIDE FOR PAYMENT OF SAID BONDS. --The following Resolution (Pages 85-103) was duly introduced for the consideration of the Board of Regents and read in full. It was then duly moved by Regent Clark and seconded by Vice-Chairman Williams that said Resolution be adopted; and after due discussion, said motion carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

AYES: All members of said Board shown present (Page 1)
voted "Aye."

NOES: None

The adoption of this Resolution authorized redemption of certain Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1970 and Series 1974, prior to maturity and approved the execution of escrow agreement (Pages 89-101) between the Board of Regents and City National Bank of Austin, Austin, Texas, the Escrow Agreement having been consented to by The The First National Bank of Fort Worth, Fort Worth, Texas, and the National Bank of Commerce of Dallas, Dallas, Texas, Paying Agents. (Note: When the Chairman has executed the final agreement a copy will be substituted for this one in the Permanent Minutes to complete the record.)

RESOLUTION AUTHORIZING REDEMPTION OF CERTAIN BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT AUSTIN, COMBINED FEE REVENUE BONDS, SERIES 1970 AND SERIES 1974, PRIOR TO MATURITY, EXECUTION AND DELIVERY OF AN ESCROW AGREEMENT TO PROVIDE FOR THE PAYMENT OF SAID BONDS, SUBSCRIPTION FOR CERTAIN ESCROWED SECURITIES AND OTHER MATTERS RELATING THERETO

WHEREAS, the Board of Regents of The University of Texas System (the "Board") desires to refund, in advance of their maturities, the Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1970 and Series 1974 (the "Underlying Bonds") in order to realize an annual savings in debt service; and

WHEREAS, the Board is authorized by Chapter 55, Texas Education Code, to issue, sell and deliver refunding bonds in amounts necessary to pay the principal, interest and redemption premium on bonds to be refunded, at maturity or on any redemption date; and

WHEREAS, contemporaneously herewith, the Board has adopted resolutions (the "Refunding Bond Resolutions") authorizing the issuance of Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Refunding Bonds, Series 1978, and Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Special Obligation Refunding Bonds, Series 1978, for the purpose of providing funds to be used in refunding the Underlying Bonds; and

WHEREAS, the Board desires to call certain of the Underlying Bonds for redemption prior to their scheduled maturities; and

WHEREAS, the Board desires to enter into an Escrow Agreement with City National Bank of Austin, Austin, Texas, pursuant to which provision will be made for the full and timely payment of principal, interest and redemption premium on the Underlying Bonds; and

WHEREAS, the Board desires to authorize the subscription for certain United States Treasury obligations to be purchased for deposit into such escrow;

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

Section 1. Redemption of Certain Underlying Bonds: The Board hereby calls for redemption and authorizes the redemption of, and payment of the applicable redemption premium for, such of the Underlying Bonds at such dates prior to their scheduled maturities as shall be provided for and contemplated in the Escrow Agreement described in the following section. Notice of such redemption in substantially the form attached hereto as Attachment "A" is hereby authorized to be delivered to the paying agents for the Underlying Bonds and to be published in the Texas Bond Reporter and/or The Daily Bond Buyer, and notice of such redemption is further authorized to be given in any other manner required by the resolutions authorizing the Underlying Bonds.

Section 2. Escrow Agreement: The refunding of the Underlying Bonds shall be effectuated pursuant to the terms and provisions of an Escrow Agreement to be entered into by and between the Board and City National Bank of Austin, Austin,

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Texas; such Escrow Agreement shall be in substantially the form attached hereto as Attachment "B", the terms and provisions of which are hereby approved, subject to such revisions and modifications as shall be necessary to assure the greatest possible debt service savings, to comply with all applicable laws and regulations relating to the refunding of the Underlying Bonds and to carry out the other intents and purposes hereof; and the Chairman of the Board is hereby authorized to execute and deliver such Escrow Agreement on behalf of the Board in multiple counterparts and the Secretary of the Board is hereby authorized to attest thereto and affix the Board's seal.

Section 3. Subscription for Escrowed Securities: In order to assure the purchase of the Escrowed Securities referred to in the Escrow Agreement, the Board hereby authorizes the subscription for United States Treasury certificates of indebtedness, notes and bonds, State and Local Government Series, and other Escrowed Securities, in such amounts, maturities and bearing interest at such rates as may be provided for in the Escrow Agreement, and the Chairman of the Board and all other appropriate officials of The University of Texas System are hereby authorized to take all necessary and appropriate action to provide for the purchase of such Escrowed Securities pursuant to the Escrow Agreement.

Section 4. Related Matters: In order that the Board shall satisfy in a timely manner all of its obligations under the Escrow Agreement and the Refunding Bond Resolutions, the Chairman and Secretary of the Board and all other appropriate officials of The University of Texas System are hereby authorized and directed to take all other actions that are reasonably necessary to provide for the refunding of the Underlying Bonds, including without limitation, executing and delivering on behalf of the Board all certificates, consents, receipts, requests, and other documents as may be reasonably necessary to satisfy the Board's obligations under the Escrow Agreement and the Refunding Bond Resolutions and to direct the transfer of funds of the Board consistent with the provisions of such Escrow Agreement and the Refunding Bond Resolutions.

ADOPTED AND APPROVED this 4th day of August, 1978.

/s/ Allan Shivers

Chairman, Board of Regents of
The University of Texas System

ATTEST:

/s/ Betty Anne Thedford

Secretary, Board of Regents of
The University of Texas System

(SEAL)

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Attachment "A"

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NOTICE OF PRIOR REDEMPTION

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM,
THE UNIVERSITY OF TEXAS AT AUSTIN, COMBINED FEE
REVENUE BONDS, SERIES 1970, Bond Nos. 283 through
2000, maturing on June 1 in each of the years 1981
through 2000 in the aggregate principal amount of
\$8,590,000.

NOTICE IS HEREBY GIVEN that the Board of Regents of The
University of Texas System has called the above bonds for
redemption on June 1, 1980. Such bonds will be redeemed at
The First National Bank of Fort Worth, Fort Worth, Texas, or,
at the option of the holder, at Manufacturers Hanover Trust
Company, New York, New York, where due provision shall be
made to pay the principal amount of such bonds plus a
redemption premium of 3% of the principal amount of such
bonds plus unpaid accrued interest. Such bonds shall not
bear interest after June 1, 1980.

BY RESOLUTION of the Board of Regents of The University
of Texas System adopted August 4, 1978.

Allan Shivers
Chairman, Board of Regents of
The University of Texas System

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Attachment "A"

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NOTICE OF PRIOR REDEMPTION

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM,
THE UNIVERSITY OF TEXAS AT AUSTIN, COMBINED FEE
REVENUE BONDS, SERIES 1974, Bond Nos. 356 through
1380, maturing on June 1 in each of the years 1986
through 1999 in the aggregate principal amount of
\$5,125,000.

NOTICE IS HEREBY GIVEN that the Board of Regents of The University of Texas System has called the above bonds for redemption on June 1, 1985. Such bonds will be redeemed at National Bank of Commerce of Dallas, Dallas, Texas, or, at the option of the holder, at Manufacturers Hanover Trust Company, New York, New York, where due provision shall be made to pay the principal amount of such bonds plus a redemption premium of 2% of the principal amount of such bonds plus unpaid accrued interest. Such bonds shall not bear interest after June 1, 1985.

BY RESOLUTION of the Board of Regents of The University of Texas System adopted August 4, 1978.

Allan Shivers
Chairman, Board of Regents of
The University of Texas System

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Attachment "B"

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ESCROW AGREEMENT

(Board of Regents of The University
of Texas System, The University of
Texas at Austin, Combined Fee
Revenue Bonds, Series 1970 and
Series 1974)

THIS ESCROW AGREEMENT, dated as of August __, 1978 (herein, together with any amendments or supplements hereto, called the "Agreement") is entered into by and between the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (herein, together with any successor to its duties and functions, called the "Board"), and CITY NATIONAL BANK OF AUSTIN, a national banking corporation located in Austin, Texas, as escrow agent (herein, together with any successor in such capacity, called the "Escrow Agent"), and consented to by THE FIRST NATIONAL BANK OF FORTH WORTH, a national banking corporation located in Fort Worth, Texas, as paying agent for the Series 1970 Bonds, and NATIONAL BANK OF COMMERCE OF DALLAS, a national banking corporation located in Dallas, Texas, as paying agent for the Series 1974 Bonds (herein, together with any successor in such capacity, called the "Series 1970 Paying Agent", the "Series 1974 Paying Agent" and collectively the "Paying Agents"),

W I T N E S S E T H:

WHEREAS, the Board has heretofore issued and there presently remain outstanding the following bonds (the "Underlying Bonds"):

Bond Nos. 210 through 2000 of Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds Series 1970, dated June 1, 1970, in the aggregate principal amount of \$8,955,000 (the "Series 1970 Bonds"); and

Bond Nos. 95 through 1380 of Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1974, dated December 1, 1974, in the aggregate principal amount of \$6,430,000 (the "Series 1974 Bonds");

WHEREAS, the Underlying Bonds were issued pursuant to resolutions (the "Underlying Bond Resolutions") which provide that the Underlying Bonds shall mature serially in such years, bear interest at such rates and be subject to redemption at such redemption prices as are set forth in Schedule __ attached hereto and made a part hereof; and

WHEREAS, the Underlying Bond Resolutions and the resolutions authorizing the issuance of certain other bonds on a parity with the Underlying Bonds provide that the Underlying Bonds shall no longer be regarded as outstanding when "cash, equivalent to the principal amount of redemption price thereof, with interest to date of maturity or redemption date" shall be held by the paying agents for the Underlying Bonds, thus requiring that any advance refunding of the

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Underlying Bonds be accomplished by means of a "full cash" defeasance; and

WHEREAS, the Underlying Bonds to be redeemed prior to their maturities have been called for redemption and notice of such redemption has been given in accordance with the terms of the Underlying Bond Resolutions; and

WHEREAS, the Board is authorized by the Texas Education Code, particularly Section 55.19 thereof, to sell and deliver refunding bonds in amounts necessary to pay the principal, interest, and redemption premium, if any, of the bonds to be refunded, at maturity or on any redemption date; and

WHEREAS, the Board has adopted resolutions authorizing the issuance of \$16,710,000 Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Refunding Bonds, Series 1978 (the "Refunding Bonds") and \$3,695,000 Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Special Obligation Refunding Bonds, Series 1978 (the "Special Obligation Bonds") for the purpose of providing, together with other funds to be provided by the Board, cash, equivalent to the principal amount of the redemption price of the Underlying Bonds, with interest to their respective maturities or redemption dates; and

WHEREAS, the Board desires that, upon the delivery of the Refunding Bonds and the Special Obligation Bonds to the purchasers thereof, the proceeds of the Refunding Bonds and the Special Obligation Bonds, together with other funds to be provided by the Board, shall be applied to fund and establish the Escrow Fund created pursuant to the terms of this Agreement, which Escrow Fund shall at all times have a balance equivalent to the principal amount of the redemption price of the Underlying Bonds, with interest to their respective maturities or redemption dates; and

WHEREAS, because the Underlying Bonds are not immediately callable and the cash deposited to the Escrow Fund will only be required by the Paying Agents from time to time as interest accrues on the Underlying Bonds and as they mature or are redeemed, the Board desires that the cash deposited to the Escrow Fund shall be invested in direct obligations of the United States of America, hereinafter defined as the Escrowed Securities, which shall mature at such times and in such amounts as to assure that the cash deposited to the Escrow Fund shall always be available to pay interest on the Underlying Bonds as it accrues and becomes payable and principal of and redemption premiums on the Underlying Bonds as they mature or are redeemed; and

WHEREAS, the Escrowed Securities shall bear interest payable at such times and in such amounts so as to provide moneys which will be sufficient to pay interest on the Special Obligation Bonds as it accrues and becomes payable and principal of the Special Obligation Bonds as they mature; and

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, the sufficiency of which are hereby acknowledged, and in order to secure the payment of principal of, redemption premium on, and the interest on the Underlying Bonds, as the same mature,

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or are called for redemption, and become due, and to secure the payment of principal of and the interest on the Special Obligation Bonds, as the same mature and become due, the Board and the Escrow Agent mutually undertake, promise and agree for themselves and their respective representatives and successors, as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

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

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

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

"Escrow Agent" means City National Bank of Austin, Austin, Texas, and its successors as Escrow Agent under this Agreement.

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

"Escrowed Securities" means Limited Yield Securities and the Open Market Securities.

"Limited Yield Securities" means the United States Treasury obligations described in Schedule ___ to this Agreement purchased with the proceeds of the Refunding Bonds and the Special Obligation Bonds.

"Open Market Securities" means the United States Treasury obligations described in Schedule ___ to this Agreement purchased with funds provided by the Board from sources other than bond proceeds.

"Paying Agents" means the Series 1970 Paying Agent and the Series 1974 Paying Agent.

"Refunding Bonds" means the \$16,710,000 Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Refunding Bonds, Series 1978, dated August 1, 1978.

"Refunding Bond Resolutions" means the Board's resolution authorizing the issuance, sale and delivery of the Refunding Bonds and the Special Obligation Bonds.

"Series 1970 Bonds" means the bonds more fully described and so defined in the first recital on page 1 of this Agreement.

"Series 1974 Bonds" means the bonds more fully described and so defined in the first recital on page 1 of this Agreement.

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"Series 1970 Paying Agent" means The First National Bank of Fort Worth, Fort Worth, Texas, and its successors in such capacity.

"Series 1974 Paying Agent" means National Bank of Commerce of Dallas, Dallas, Texas, and its successors in such capacity.

"Special Obligation Bonds" means the \$3,695,000 Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Special Obligation Refunding Bonds, Series 1978, dated August 1, 1978.

"Underlying Bonds" means the Series 1970 Bonds and the Series 1974 Bonds more fully described in the first recital on page 1 of this Agreement.

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

ARTICLE II

DEPOSITS WITH ESCROW AGENT AND APPLICATIONS THEREOF

Section 2.01. Deposits with Escrow Agent. The Board has deposited, or caused to be deposited, with the Escrow Agent, the following:

- (a) the proceeds of the Refunding Bonds;
- (b) the proceeds of the Special Obligation Bonds; and
- (c) \$_____ from lawfully available funds other than the proceeds of the Refunding Funds, the Special Obligation Bonds or any other bond proceeds.

Section 2.02. Application of Refunding Bond Proceeds. The Escrow Agent has applied the proceeds of the Refunding Bonds as follows:

- (a) accrued interest on the Refunding Bonds in the amount of \$_____ has been transferred to the Interest and Sinking Fund for the Refunding Bonds;
- (b) \$_____ has been deposited to the credit of the Escrow Fund;
- (c) \$_____ has been disbursed in accordance with written instructions from the Board for the payment of expenses incurred in refunding the Underlying Bonds and issuing the Refunding Bonds; and

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(d) the balance of \$ _____ has been transferred to the Interest and Sinking Fund for the Underlying Bonds.

Section 2.03. Application of Special Obligation Bond Proceeds. The Escrow Agent has applied the proceeds of the Special Obligation Bonds as follows:

(a) accrued interest on the Special Obligation Bonds in the amount of \$ _____ has been transferred to the Interest and Redemption Fund for the Special Obligation Bonds;

(b) \$ _____ has been deposited to the credit of the Escrow Fund;

(c) \$ _____ has been disbursed in accordance with written instructions from the Board for the payment of expenses incurred in refunding the Underlying Bonds and issuing the Special Obligation Bonds; and

(d) the balance of \$ _____ has been transferred to the Interest and Redemption Fund for the Special Obligation Bonds.

Section 2.04. Application of Other Funds. The Escrow Agent has deposited the funds described in Section 2.01(c) to the credit of the Escrow Fund.

ARTICLE III

CREATION AND OPERATION OF ESCROW FUND

Section 3.01. Creation of Escrow Fund. The Escrow Agent has created on its books a special trust fund and irrevocable escrow to be known as "Board of Regents of The University of Texas System, The University of Texas at Austin, Combined Fee Revenue Bonds, Series 1970 and Series 1974 Escrow Fund" (the "Escrow Fund"). The Escrow Agent has created within the Escrow Fund two separate accounts, one in the name of the Series 1970 Escrow Agent, the other in the name of the Series 1974 Escrow Agent. The Escrow Agent hereby acknowledges that there has been deposited to the credit of such Escrow Fund cash in the amount of \$ _____, which is equivalent to the principal amount of the redemption price of the Underlying Bonds, with interest to their respective dates of maturity or redemption. Of such amount \$ _____ has been credited to the account within the Escrow Fund in the name of the Series 1970 Paying Agent and \$ _____ has been credited to the account within the Escrow Fund in the name of the Series 1974 Paying Agent, which amounts are equivalent to the principal amount of the redemption prices of the Series 1970 Bonds and the Series 1974 Bonds respectively, with interest to their respective dates of maturity or redemption. Such cash deposits, all investments thereof and all proceeds thereof shall be the property of the Escrow Fund, and shall be applied only in strict conformity with the terms and conditions of this Agreement. When the final cash amounts have been made available to and withdrawn by the Paying Agents for the payment of principal of, redemption premium on and interest on the Underlying Bonds as provided in Section 3.04 and the final transfers have been made to the Interest and Redemption

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Fund for the Special Obligation Bonds as provided in Section 3.05, any balance then remaining in the Escrow Fund shall be transferred to the Board.

Section 3.02. Investments. The cash deposited to the credit of the Escrow Fund has, at the direction of the Board, been invested in the Escrowed Securities, which are comprised of the Limited Yield Securities purchased with the cash deposited into the Escrow Fund pursuant to Sections 2.02(b) and 2.03(b) and the Open Market Securities purchased with the cash deposited into the Escrow Fund pursuant to Section 2.04. Such Escrowed Securities mature at such times and in such amounts and bear interest at such rates so that (a) the payments of principal thereof shall be fully sufficient to provide for the timely payment of principal, redemption premium and interest on the Underlying Bonds in accordance with Section 3.04 and (b) the payments of interest thereon shall be fully sufficient to provide for the timely payment of principal and interest on the Special Obligation Bonds in accordance with Section 3.05. The principal amounts of such Escrowed Securities shall be allocated to the Paying Agents' separate accounts within the Escrow Fund on the basis of Schedule _____ attached hereto.

Section 3.03. Pledge. The principal amount of all cash deposited to the credit of the Escrow Fund, the principal amount of all Escrowed Securities and all proceeds therefrom other than interest earned or to be earned on the Escrowed Securities are hereby irrevocably pledged to the payment of principal, redemption premiums and interest on the Underlying Bonds. All interest earned and to be earned on the Escrowed Securities is hereby irrevocably pledged to the payment of principal and interest on the Special Obligation Bonds.

Section 3.04. Payment of Underlying Bonds. (a) As principal on the Escrowed Securities is received to the credit of the Escrow Fund, the Escrow Agent is hereby irrevocably instructed to make available to the Paying Agents, for withdrawal from their respective accounts within the Escrow Fund, cash in the amounts and at the times required to pay the principal, redemption premium and interest on the Underlying Bonds, as follows:

Interest. Interest coming due on December 1, 1978 and each June 1 and December 1 thereafter until each of the Underlying Bonds matures or is redeemed.

Principal and Redemption Premium. Principal on all Underlying Bonds not redeemed pursuant to Subsection (b) hereof on their respective maturity dates; principal and redemption premium (if any) on all Underlying Bonds called for redemption prior to maturity on the dates and in the amounts indicated in Subsection (b) hereof.

The amounts of such payments are summarized in Schedule _____ attached hereto.

(b) The Board has called for redemption prior to maturity certain of the Underlying Bonds described below, on the dates set forth below, for the principal amounts thereof and accrued interest thereon to the date fixed for redemption, plus a premium (if any) on the principal amount of each such bond as follows:

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<u>Series</u>	<u>Bond Nos.</u>	<u>Aggregate Principal Amount</u>	<u>Redemption Dates</u>	<u>Redemption Premium (% of Principal Amount)</u>
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The Board has caused notice of each such redemption to be given in manner required by the Underlying Bond Resolutions.

Section 3.05. Payment of Special Obligation Bonds. As interest on the Escrowed Securities is received to the credit of the Escrow Fund, the Escrow Agent is hereby irrevocably instructed to transfer immediately all such interest income to the Interest and Redemption Fund for the Special Obligation Bonds. Such transfers, together with cash balances from time to time on deposit to the credit of such Interest and Redemption Fund, are designed to be sufficient to provide for the full and timely payment of principal of and interest on the Underlying Bonds, all as more fully set forth in Schedule _____ attached hereto.

Section 3.06. Sufficiency of Escrow Fund. The Board represents that the successive receipts of the principal of the Escrowed Securities will assure that the cash balances from time to time on deposit in the Paying Agents' separate accounts in the Escrow Fund will be at all times sufficient to provide moneys at the times and in the amounts required to be made available to the Paying Agents for the payment of interest on the Underlying Bonds as such interest comes due and the principal of and redemption premium on the Underlying Bonds as the Underlying Bonds mature or are redeemed prior to maturity, all as more fully set forth in Schedules _____ and _____ attached hereto. The Board further represents that the successive receipts of interest on the Escrowed Securities will be sufficient to permit transfers to the Interest and Redemption Fund for the Special Obligation Bonds at the times and in the amounts required in Section 3.05 for the payment of interest on the Special Obligation Bonds as such interest comes due and principal of the Special Obligation Bonds as such principal matures, all as more fully set forth in Schedule _____ attached hereto. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Paying Agents' separate accounts in the Escrow Fund shall be insufficient to make available to the Paying Agents the amounts required to make the payments set forth in Section 3.04 hereof, the Board shall timely deposit in the Escrow Fund, from lawfully available funds, additional funds in the amounts required to make such payments. If, for any reason, at any time, the interest received on the Escrowed Securities shall be insufficient to make the required transfers to the Interest and Redemption Fund for the Special Obligation Bonds, then the Board shall make up such deficiency from the next available interest received from the Escrowed Securities. Notice of any such insufficiency shall be given promptly as herein-after provided, but neither the Escrow Agent nor the Paying Agents shall in any manner be responsible for any insufficiency of funds in the Escrow Fund or in the Interest and

Redemption Fund or the Board's failure to make additional deposits thereto.

Section 3.07. Trust Fund. The Escrow Agent shall hold at all times the Escrow Fund, the Escrowed Securities and all other assets of such Fund, wholly segregated from all other funds and securities on deposit with the Escrow Agent; it shall never allow the Escrowed Securities or any other assets of the Escrow Fund to be commingled with any other funds or securities of the Escrow Agent; and it shall hold and dispose of the assets of the Escrow Fund only as set forth herein. The principal amount of the Escrowed Securities, the proceeds thereof and the beginning cash balance in the Escrow Fund shall always be maintained by the Escrow Agent as trust funds held in special accounts within the Escrow Fund in the names of the Paying Agents, each of which shall always have deposited to its credit cash plus Escrowed Securities in principal amounts not less than the total of all remaining principal, redemption premiums and interest to maturity or redemption of the series of Underlying Bonds payable by such Paying Agent, and special accounts thereof evidencing such fact shall at all times be maintained on the books of the Escrow Agent. The bearers of the Underlying Bonds shall be entitled to the same preferred claim and first lien upon such special accounts as are enjoyed by other trust beneficiaries. Similarly, the interest earned and to be earned on the Escrowed Securities shall be trust funds for the benefit of the bearers of the Special Obligation Bonds, which bearers shall be entitled to the same preferred claim and first lien upon such interest earned and to be earned on the Escrowed Securities as are enjoyed by other trust beneficiaries. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the Board, and the Escrow Agent shall have no right or title with respect thereto except as a trustee and escrow agent under the terms of this Agreement. The amounts received by the Escrow Agent under this Agreement shall not be subject to checks or drafts drawn by the Board and shall not be subject to transfer or withdrawal by the Paying Agents except in the amounts and at the times provided in Section 3.04 hereof.

Section 3.08. Security for Cash Balances. Cash balances from time to time on deposit in the Escrow Fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a pledge of obligations of, or obligations unconditionally guaranteed by, the United States of America, having a market value at least equal to such cash balances.

ARTICLE IV

LIMITATION ON INVESTMENTS

Section 4.01. General. Except as herein otherwise expressly provided the Escrow Agent shall have no power or duty to invest any money held hereunder; or to make substitutions of the Escrowed Securities; or to sell, transfer or otherwise dispose of the Escrowed Securities. Cash balances on deposit in the Escrow Fund shall not be reinvested or bear interest, and the Escrow Agent shall be entitled to retain any benefit from the "float" (if any) resulting therefrom as additional compensation for its services hereunder.

Section 4.02. Substitution of Securities. At the written request of the Board, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall sell, transfer, otherwise dispose of or request the redemption of the Escrowed Securities and apply the proceeds therefrom to purchase Underlying Bonds or direct obligations of the United States of America which do not permit the redemption thereof at the option of the obligor. Any such transaction may be effected by the Escrow Agent only if (a) the Escrow Agent shall have received a written opinion from a nationally recognized firm of certified public accountants that such transaction will not cause the amount of money and the principal amount of securities in the Escrow Fund to be reduced below an amount sufficient to provide for the payment of principal of, redemption premium on and interest on the Underlying Bonds as they become due pursuant to Section 3.04 of this Agreement or cause the interest to be earned on the securities on deposit in the Escrow Fund to be insufficient to provide for the timely payment of principal of and interest on the Special Obligation Bonds pursuant to Section 3.05 of this Agreement; and (b) the Escrow Agent shall have received the unqualified written legal opinion of nationally recognized bond attorneys, to the effect that such transaction will not cause any of the Refunding Bonds or Special Obligation Bonds to be an "arbitrage bond" within the meaning of Section 103(c) of the Code.

Section 4.03. Arbitrage. The Board hereby covenants and agrees that it shall never request the Escrow Agent to exercise any power hereunder or permit any part of the money in the Escrow Fund or proceeds from the sale of Escrowed Securities to be used directly or indirectly to acquire any securities or obligations if the exercise of such power or the acquisition of such securities or obligations would cause any Refunding Bonds or Special Obligation Bonds to be an "arbitrage bond" within the meaning of Section 103(c) of the Code.

ARTICLE V

RECORDS AND REPORTS

Section 5.01. Records. The Escrow Agent will keep books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money and Escrowed Securities deposited to the Escrow Fund and all proceeds thereof, and such books shall be available for inspection at reasonable hours and under reasonable conditions by the Board and the bearers of the Underlying Bonds and the Special Obligation Bonds.

Section 5.02. Reports. For the period beginning on the date hereof and ending on _____, 1978 and for each _____ period thereafter while this Agreement remains in effect, the Escrow Agent shall prepare and send to the Board a written report summarizing all transactions relating to the Escrow Fund during such period, and the Paying Agents' separate accounts therein, including without limitation all credits as a result of interest payments or maturities on the Escrowed Securities, all withdrawals for payments on the Underlying Bonds, and all transfers to the Interest and Redemption Fund for the Special Obligation Bonds or otherwise, and a statement of the cash balance on

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deposit in the Escrow Fund, and the Paying Agents' separate accounts therein, as of the end of such period. Also, within thirty (30) days after August 31, 1979 and each succeeding August 31 while this Agreement is in effect, the Escrow Agent shall send the Board a report summarizing all credits to and transfers from the Escrow Fund, and the Paying Agents' separate accounts therein, during the twelve (12) month period ending on such date, together with a detailed statement of all Escrowed Securities and the cash balances on deposit as of such date.

ARTICLE VI

CONCERNING THE ESCROW AGENT

Section 6.01. Representations of Escrow Agent. The Escrow Agent hereby represents that it possesses and is exercising full trust powers and is otherwise qualified and empowered to enter into this Agreement, and it further represents that it is a qualified depository.

Section 6.02. Limitation on Liability. The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable except for its own action, neglect or default, nor for any loss unless the same shall have been through the negligence or want of good faith by the Escrow Agent.

The liability of the Escrow Agent to provide funds to the Paying Agents for the payment of the principal of and interest on the Underlying Bonds shall be limited to the proceeds of the principal amounts of the Escrowed Securities and the cash balances from time to time on deposit in the Escrow Fund and available for such purpose. The liability of the Escrow Agent to transfer funds to the Interest and Redemption Fund for the Special Obligation Bonds shall be limited to the actual receipt of interest on the Escrowed Securities. Notwithstanding any provision contained herein to the contrary, the Escrow Agent shall have no liability whatsoever for the insufficiency of funds from time to time in the Escrow Fund or any failure of the obligors of the Escrowed Securities to make timely payment thereon, except for its obligation to notify the Board promptly of any such occurrence.

The recitals herein and in the proceedings authorizing the Refunding Bonds and Special Obligation Bonds shall be taken as the statements of the Board and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent. The Escrow Agent is not a party to the Refunding Bond Resolutions or the Underlying Bond Resolutions, is not responsible for nor bound by any of the provisions thereof, and need look only to the terms and provisions of this Agreement.

The Escrow Agent makes no representations as to the value, conditions or sufficiency of the Escrow Fund, or any part thereof, or as to the title of the Board thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall incur no liability or responsibility in respect of any of such matters.

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

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

Section 6.03. Escrow Agent's Compensation. The Board has paid the Escrow Agent, as a fee for performing the services hereunder and for all expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement, the sum of \$ _____, the receipt and sufficiency of which are hereby acknowledged by the Escrow Agent. Of such amount, \$ _____ represents that portion of Escrow Agent's fee allocable to the Refunding Bonds and \$ _____ represents that portion of Escrow Agent's fee allocable to the Special Obligation Bonds. In the event that the Escrow Agent is requested to perform any extraordinary services hereunder, the Board hereby agrees to pay reasonable fees to the Escrow Agent for such extraordinary services and to reimburse the Escrow Agent for all expenses incurred by the Escrow Agent in performing such extraordinary services, and the Escrow Agent hereby agrees to look only to the Board for the payment of such fees and reimbursement of such expenses. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as escrow agent or in any other capacity, or for reimbursement for any of its expenses.

Section 6.04. Successor Escrow Agents. At any time the Escrow Agent or its legal successor or successors should become unable, through operation of law or otherwise, to act as escrow agent hereunder, or if its property and affairs

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

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

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

ARTICLE VII

MISCELLANEOUS

Section 7.01. Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid addressed as follows:

To the Escrow Agent:

To the Board:

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

Section 7.02. Upon the taking of all the actions as described herein by the Escrow Agent, the Escrow Agent shall have no further obligations or responsibilities hereunder to the Board, the bearers of the Underlying Bonds or the Special Obligation Bonds or to any other person or persons in connection with this Agreement.

Section 7.03. This Agreement shall be binding upon the Board and the Escrow Agent and their respective successors and legal representatives, and shall inure solely to the benefit of the bearers of the Underlying Bonds and the Special Obligation Bonds, the Board, the Escrow Agent and their respective successors and legal representatives.

Section 7.04. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 7.05. This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Texas.

Section 7.06. Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

IN WITNESS WHEREOF, this Escrow Agreement has been executed in multiple counterparts, each one of which shall constitute one and the same original Agreement, as of the date and year appearing on the first page of this Agreement.

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

Chairman

ATTEST:

Secretary

(SEAL)

ATTEST:

Title:

Title:

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CONSENT TO ESCROW AGREEMENT

THE FIRST NATIONAL BANK OF FORT WORTH, as Paying Agent for the Series 1970 Bonds, hereby acknowledges its understanding that the Escrow Agreement to which this Consent is attached provides that an Escrow Fund shall be established and maintained, which Escrow Fund shall contain a separate account in the name of the undersigned as Series 1970 Paying Agent, for the purpose of providing funds to be made available to the Series 1970 Paying Agent which are intended to be sufficient to allow the Series 1970 Paying Agent to make timely payment of all principal, redemption premiums and interest on the Series 1970 Bonds in accordance with Section 3.04 of said Escrow Agreement. The Series 1970 Paying Agent hereby consents to the establishment of such Escrow Fund, and the separate account in its name therein, as a trust fund for the benefit of the bearers of the Series 1970 Bonds and further consents to the management of such Escrow Fund, and the separate account in its name therein, by the Escrow Agent in accordance with the terms and provisions of the Escrow Agreement to which this Consent is attached. The Series 1970 Escrow Agent also agrees that it shall not have, nor shall it assert, any right, title or claim to any interest earned or to be earned on the Escrowed Securities, which interest is pledged to the payment of the Special Obligation Bonds. The Series 1970 Paying Agent further agrees that it shall only make withdrawals from its special account within the Escrow Fund at the times and in the amounts set forth in Section 3.04 of the Escrow Agreement for payment of principal, redemption premiums and interest on the Series 1970 Bonds and, except for such amounts, shall never make any withdrawals from such Escrow Fund or assert any claims, liens or charges against the Escrow Fund. The Series 1970 Paying Agent further acknowledges that it has been paid the sum of \$_____ by the Board, representing the present value of all future paying agency charges for the Series 1970 Bonds, which constitutes full and final payment for all of Series 1970 Paying Agent's future paying agency services to be rendered in connection with the Series 1970 Bonds. Terms used in this Consent shall have the same meanings as set forth in the Escrow Agreement to which it is attached.

THE FIRST NATIONAL BANK
OF FORT WORTH

By _____
Title

ATTEST:

Title

(SEAL)

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CONSENT TO ESCROW AGREEMENT

NATIONAL BANK OF COMMERCE OF DALLAS, as Paying Agent for the Series 1974 Bonds, hereby acknowledges its understanding that the Escrow Agreement to which this Consent is attached provides that an Escrow Fund shall be established and maintained, which Escrow Fund shall contain a separate account in the name of the undersigned as Series 1974 Paying Agent, for the purpose of providing funds to be made available to the Series 1974 Paying Agent which are intended to be sufficient to allow the Series 1974 Paying Agent to make timely payment of all principal, redemption premiums and interest on the Series 1974 Bonds in accordance with Section 3.04 of said Escrow Agreement. The Series 1974 Paying Agent hereby consents to the establishment of such Escrow Fund, and the separate account in its name therein, as a trust fund for the benefit of the bearers of the Series 1974 Bonds and further consents to the management of such Escrow Fund, and the separate account in its name therein, by the Escrow Agent in accordance with the terms and provisions of the Escrow Agreement to which this Consent is attached. The Series 1974 Escrow Agent also agrees that it shall not have, nor shall it assert, any right, title or claim to any interest earned or to be earned on the Escrowed Securities, which interest is pledged to the payment of the Special Obligation Bonds. The Series 1974 Paying Agent further agrees that it shall only make withdrawals from its special account within the Escrow Fund at the times and in the amounts set forth in Section 3.04 of the Escrow Agreement for payment of principal, redemption premiums and interest on the Series 1974 Bonds and, except for such amounts, shall never make any withdrawals from such Escrow Fund or assert any claims, liens or charges against the Escrow Fund. The Series 1974 Paying Agent further acknowledges that it has been paid the sum of \$_____ by the Board, representing the present value of all future paying agency charges for the Series 1974 Bonds, which constitutes full and final payment for all of Series 1974 Paying Agent's future paying agency services to be rendered in connection with the Series 1974 Bonds. Terms used in this Consent shall have the same meanings as set forth in the Escrow Agreement to which it is attached.

NATIONAL BANK OF COMMERCE
OF DALLAS

By _____
Title

ATTEST:

Title

(SEAL)

UNIVERSITY CANCER CENTER: CHARLES A. LEMAISTRE, M.D., PRESIDENT AND R. LEE CLARK, M.D., PRESIDENT EMERITUS EFFECTIVE AUGUST 1, 1978. --Chairman Shivers announced that as of August 1, 1978, Dr. Charles A. LeMaistre became the President of The University of Texas System Cancer Center at Houston (Permanent Minutes, Volume XXV, Page 2555), and it was the understanding that at that time Dr. Clark would become President Emeritus.

Whereupon, Regent Sterling moved, Vice-Chairman Williams seconded, and the Board by unanimous vote designated R. Lee Clark, M.D., President Emeritus of The University of Texas System Cancer Center effective August 1, 1978, and authorized System President Walker and President LeMaistre to arrange the duties, time and salary of Dr. Clark. These arrangements will be reported for the record in a subsequent Docket.

RECESS FOR REMAINING COMMITTEE MEETINGS AND EXECUTIVE SESSION OF THE COMMITTEE OF THE WHOLE. --Chairman Shivers announced that the Board would recess to continue with the committee meetings and that following the open session of the Committee of the Whole the Board would reassemble in the Regents' Committee Room as a Committee of the Whole in Executive Session pursuant to Article 6252-17, Sections 2(e), (f) and (g), V. T. C. S. to consider:

1. Pending or Contemplated Litigation - Section 2(e)
2. Land Acquisition and Negotiated Contracts - Section 2(f)
 - a. Galveston Medical Branch: Proposed Acquisition of Lots 9, 10 and East 1/2 of Lot 11, Block 547, City and County of Galveston, Texas, and Improvements Thereon
 - b. Board of Regents: Recommendation for Sale of Board of Regents of The University of Texas System, The University of Texas at Arlington, Housing Revenue Notes, Series 1978; Appointment of Bond Counsel and Bond Consultant and Establishment of Account for Miscellaneous Costs
 - c. U. T. Arlington: Land Acquisition (Chapter 73, Acts of 60th Legislature, R. S., 1967): Recommendation for Authorization to Negotiate for Acquisition of Two Tracts of Land and Improvements Thereon and for Authorization to Appoint Bond Counsel and Bond Consultant
3. Personnel Matters - Section 2(g)

RECONVENE. --At 1:20 p. m. when all committees had concluded their business, the Board of Regents reconvened.

REPORTS OF STANDING COMMITTEES

Chairman Shivers called for the reports of the Standing Committees. All meetings had been conducted in open session in the Regents' Meeting Room, ninth floor, Ashbel Smith Hall, except the Executive Session of the Committee of the Whole.

REPORT OF SYSTEM ADMINISTRATION COMMITTEE (Pages 105-112). -- The following report of the System Administration Committee was submitted by its Chairman, Vice-Chairman Williams, who stated that all actions had been taken in open session. The report was adopted and the actions therein were approved without objection:

Report

The System Administration Committee met this morning and approved formally the following recommendations relating to the 1977-78 Operating Budgets. These are now presented for ratification by the Board of Regents:

System Administration, U. T. Austin, U. T. El Paso, Houston Health Science Center and its Houston Dental Branch, and San Antonio Health Science Center (San Antonio Medical School) (9-B-78 and 10-B-78). --

RECOMMENDATION

The appropriate chief administrative officers, concurred in by System Administration, recommend that their respective 1977-78 Operating Budget be amended as indicated on the pages set out below:

- The University of Texas System Administration
Page 106
- The University of Texas at Austin, Pages 106-109
- The University of Texas at El Paso, Pages 110-111
- The University of Texas Health Science Center at
Houston and its Houston Dental Branch
Pages 111-112
- The University of Texas Health Science Center at
San Antonio (San Antonio Medical School)
Page 112

The source of funds will be from departmental appropriations in all cases unless otherwise specified.

THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION

Item No.	Explanation	Present Status	Proposed Status	Effective Dates
2.	West Texas Lands - Conservation and Land Utilization Projects			
	Transfer of Funds	From: Available University Fund Unappropriated Balance	To: Conservation and Land Utilization Projects	
	Amount of Transfer	\$ 12,500	\$ 12,500	---

To fund interagency agreement between The University of Texas System and Texas Tech University as set out in HB 510. This is a continuation of an Interagency Contract for a cooperative effort regarding feasibility of growing grapes in the State of Texas.

THE UNIVERSITY OF TEXAS AT AUSTIN

Item No.	Explanation	Present Status	Proposed Status	Effective Dates
34.	Auxiliary Enterprises - Jester Center Store			
	Transfer of Funds	From: Jester Center Store Unappropriated Balance via Estimated Income	To: Jester Center Store - Other Expenses	
	Amount of Transfer	\$ 60,000	\$ 60,000	---
35.	Plant Funds - Texas Olympic Swim Center			
	Transfer of Funds	From: Available University Fund Unappropriated Balance (Allocation for Operation and Capital Improvements)	To: Texas Olympic Swim Center - Improvements	
	Amount of Transfer	\$ 110,000	\$ 110,000	---

THE UNIVERSITY OF TEXAS AT AUSTIN
(continued)

35. Plant Funds - Texas Olympic Swim Center (continued)

The estimated costs of the projects, in order of priority, are as follows:

<u>Recommended Priority</u>		
	Insulating Windows	
1.	a. Phase 1	\$ 3,500
6.	b. Phase 2	24,000
2.	Provide Additional Handrails - estimated cost	10,000
3.	Painting - estimated cost	70,000
4.	Security Doors - estimated cost	2,500
5.	Remote Power Cutoff for Scoreboards - estimated cost	1,200

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Item No.	Explanation	Present Status	Proposed Status	Effective Dates
36.	Home Economics - Renovation of Research Facilities for Dr. Betty Haskell Transfer of Funds	From: Available University Fund Unappropriated Balance (Allocation for Academic and Research Development Projects)	To: Home Economics - Renovation of Research Facilities for Dr. Betty Haskell	
	Amount of Transfer	\$ 75,000	\$ 75,000	---

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THE UNIVERSITY OF TEXAS AT AUSTIN
(continued)

Item No.	Explanation	Present Status	Proposed Status	Effective Dates
37.	Auxiliary Enterprises - Intercollegiate Athletics for Women Transfer of Funds	From: Intercollegiate Athletics for Women Unappropriated Balance via Estimated Income	To: Intercollegiate Athletics for Women Other Expenses \$ 53,860 Allocation for Budget Adjustments <u>9,750</u> <u>\$ 63,610</u>	---
	Amount of Transfer	\$ 63,610		

This will adjust the 1977-78 Budget for the following Special Events omitted from the 1977-78 Budget:

TAIAW Zone Basketball Championship (Feb. 23-25, 1978)	\$ 609.00
Texas Classic (Jan. 26-28, 1978)	3,762.00
AIAW Cross Country National Championships (Nov. 19, 1977)	2,397.00
SEC Stanford Tennis (March 29, 1978)	5,952.00
SWAIAW Regional Volleyball Championships (Nov. 18-19, 1977)	3,040.00
USA-USSR Dual Swim Meet (April 15-16, 1978)	23,100.00
Longhorn Tennis Camp (July 10-22, 1978)	5,500.00
Biomechanics Workshop for Coaches (June 5-24, 1978)	9,500.00
Actual Student Fee Income in Excess of Estimate	<u>9,750.00</u>
Total	<u>\$ 63,610.00</u>

38.	Auxiliary Enterprises - Special Events Center Transfer of Funds	From: Special Events Center Unappropriated Balance via Estimated Income	To: Special Events Center - Salaries and Wages \$ 73,794 Other Operating Expenses 287,134 Allocation for Budget Adjustments <u>99,000</u> <u>\$ 459,928</u>	---
	Amount of Transfer	\$ 459,928		

THE UNIVERSITY OF TEXAS AT AUSTIN
(continued)

Item No.	Explanation	Present Status	Proposed Status	Effective Dates
39.	Plant Funds - Special Events Center Transfer of Funds	From: Available University Fund Unappropriated Balance (Allocation for Academic and Research Development Projects)	To: Special Events Center - Ventilation Projects and Machine Room Painting \$ 32,000 Internal Primary Power Distribution Circuits <u>42,500</u> <u>\$ 74,500</u>	---
	Amount of Transfer	\$ 74,500		
40.	Plant Funds - Electron Microscope Laboratory Transfer of Funds	From: Available University Fund Unappropriated Balance (Allocation for Academic and Research Development Projects)	To: Electron Microscope Laboratory - Update Facilities for Dr. Dennis T. Brown	---
	Amount of Transfer	\$ 60,000	\$ 60,000	

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THE UNIVERSITY OF TEXAS AT EL PASO

Item No.	Explanation	Present Status	Proposed Status	Effective Dates
8.	Kenneth M. DeWeese Intercollegiate Athletics Salary Rate	Assistant Basketball Coach \$ 11,950	Assistant Basketball Coach \$ 15,000	6/1/78
9.	Auxiliary Enterprises - Student Services Fee (Required) Transfer of Funds	From: Student Services Fee Unappropriated Balance via Estimated Income	To: Intramurals Activity Equipment \$ 6,110 Student Attorney Books and Equipment 753 Student Publications Production Equipment 18,500 Swimming Pool Equipment 3,698 Athletics Weight and Gym Equipment 17,735 Drama Playhouse Rear Screen 2,325 Band Marching Percussion Equipment 1,100 Ballet Video Tape Recorder 1,000 Dormitory Outdoor Furnishings 1,550 Student Programs License Fees 2,000 Day Care Project 6,000 Improvements to Memorial Gym 2,650 Conversion of Tennis Courts 12,000 Volleyball and Handball Courts Improvements 10,000 Intramurals Field Improvements 20,000	

THE UNIVERSITY OF TEXAS AT EL PASO
(continued)

Item No.	Explanation	Present Status	Proposed Status	Effective Dates
9.	Auxiliary Enterprises - Student Services Fee (Required) (Continued)		To: Student Publications Rehabilitation \$ 24,000 Student Publications Furnishings and Equipment 4,500 Swimming Pool Bulkhead 23,000 <u>\$156,921</u>	---
	Amount of Transfer	\$ 156,921		

THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT HOUSTON

Item No.	Explanation	Present Status	Proposed Status	Effective Dates
22.	Plant Funds - Special Projects and Equipment Transfer of Funds	From: Unexpended Plant Funds - Special Project Allocation Fund	To: Special Projects and Equipment - Texas Medical Center Heating and Cooling Cooperative Association \$ 734,918	---
	Amount of Transfer	\$ 734,918		

Pursuant to action taken by the Board of Regents at its meeting on April 15, 1977, approving participation by The University of Texas System in its efforts and commitments of the Texas Medical Center Heating and Cooling Cooperative Association to buy the Houston Natural Gas Corporation's thermal energy plant which is located on the campus of the Texas Medical Center, this is to request approval on behalf of The University of Texas Health Science Center at Houston to make payments to said cooperative at the time of closing, for the Health Science Center's pro-rata share of establishing an operating reserve (\$717,038) and establishing the Health Science Center's pro-rata units of interest (\$17,880).

THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT HOUSTON
(continued)

Item No.	Explanation	Present Status	Proposed Status	Effective Dates
<u>Houston Dental Branch</u>				
23.	Don M. Ranly (Tenure) Physiology - Physiology and Preventive Dentistry - Pedodontics Salary Rate	Professor \$ 30,000	Professor \$ 34,000	6/1/78

THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT SAN ANTONIO

Item No.	Explanation	Present Status	Proposed Status	Effective Dates
<u>San Antonio Medical School</u>				
Department of Anesthesiology				
	Nurse Anesthetist	\$ 17,004	\$ 24,564	6/1/78
38.	Carolyn A. Bluhm	15,900	22,980	6/1/78
39.	Wayne R. Bray	18,180	26,268	6/1/78
40.	Evelyn M. Naugle	19,440	28,080	6/1/78
41.	Patricia J. Olinder	17,004	24,564	6/1/78
42.	Audrey M. Robinson	17,580	24,564	6/1/78
43.	Barbara F. Roig	17,004	24,564	6/1/78
44.	Elizabeth A. Sabo	18,180	26,268	6/1/78
45.	Geraldine V. Sharpe	15,900	22,980	6/1/78
46.	Kathleen A. Tynan	18,180	26,268	6/1/78
47.	Shirley R. Wood			

REPORT OF ACADEMIC AND DEVELOPMENTAL AFFAIRS COMMITTEE (Pages 113-124). --Committee Chairman Sterling stated that all matters of the Academic and Developmental Affairs Committee were conducted in open session and had been approved without objection unless otherwise indicated. He filed the following report. There being no objection, the report was adopted:

1. U. T. System: Docket No. 7 of the President of the System (Attachment No. 1) (Catalog Change). --Committee Chairman Sterling reported that no exception had been received to Docket No. 7 of the President of the System. At the meeting no objections were offered during the consideration of the Docket, and the Docket was unanimously approved in the form distributed by the Secretary. It is attached (Attachment No. 1) following Page 312 and made a part of these Minutes.

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

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

2. U. T. Austin: Policy for Supplemental Compensation for Athletic Coaches of All Sports in the Department of Intercollegiate Athletics for Men Whose Teams Participate in Post-season Athletic Events. -- Upon the recommendation of President Rogers and System Administration, the following policy was unanimously adopted with respect to supplemental compensation for athletic coaches whose teams are invited to participate in post-season contests:

Supplemental compensation limited to eight percent of gross salary may be made to coaches of all sports in the Department of Intercollegiate Athletics for Men whose teams are approved to participate in post-season NCAA championship events or equivalent competitions. The supplemental compensation will be granted only on recommendation of the Athletics Council with approval of the institutional head and the President of the System; and such compensation will come only from profits from the event or from private donations.

3. U. T. Austin: Appointment of Elizabeth Mannion to E. W. Doty Professorship in Fine Arts for One Year Effective September 1, 1978. --Approval was given to the recommendation of President Rogers and System Administration that Elizabeth Mannion be appointed to the E. W. Doty Professorship in Fine Arts at The University of Texas at Austin for a one year term effective September 1, 1978. Details of this appointment will be reported in the October Docket.

Professor Mannion, an outstanding voice teacher, has served as Professor of Music at Indiana University and Florida State University and is an internationally renowned concert artist.

4. U. T. Austin: Authority to Submit to Coordinating Board for Appropriate Action Joint Program by College of Engineering and Lyndon Baines Johnson School of Public Affairs Leading to Degrees of Master of Science in Engineering and Master of Public Affairs (Catalog Change). -- Authorization was granted to submit to the Coordinating Board, Texas College and University System for appropriate action, if any is necessary, an integrated program in the College of Engineering and the Lyndon Baines Johnson School of Public Affairs at The University of Texas at Austin leading to the simultaneous award of the Master of Science in Engineering and Master of Public Affairs degrees. Each of these degree programs currently exists in its respective college or school.

If this joint program is approved by the Coordinating Board, the next appropriate catalogs published at U. T. Austin will be amended to conform.

5. U. T. Austin: Authorization to Submit Proposal to Coordinating Board to Establish a New Teacher Certificate Program, Teachers of Young Children, in College of Education (Catalog Change). -- Upon the recommendation of President Rogers and System Administration, approval was given to establish a new Teacher Certificate Program, Teachers of Young Children, in the College of Education at The University of Texas at Austin and to submit the proposal to the Coordinating Board, Texas College and University System for consideration to be effective upon approval by that agency.

It was pointed out that the proposed program was responsive to the June 1977 action of the State Board of Education which established this new teaching certificate. The program is designed for certification of those who are to teach children ages three through eight. The program will enhance the job possibilities of both kindergarten and nursery school teachers by certifying them to teach kindergarten children in the public schools of Texas. Existing faculty and facilities are adequate for the program and no increased costs are anticipated.

If this proposal is approved by the Coordinating Board, the next appropriate catalog published at U. T. Austin will be amended to reflect this new certificate program.

6. U. T. Austin: Student Referendum Proposal to Amend Constitution of Students' Association (Deletion of Section 9.1) Denied. -- President Rogers recommended and System Administration concurred that Section 9.1 of the Constitution of the Students' Association not be deleted as proposed in a student referendum held on April 26, 1978. Section 9.1 reads as follows:

"This Constitution and Laws of the Students' Association, and amendments thereto, are subject to provisions of the Rules and Regulations of the Board of Regents of the University of Texas System."

David Mitcham, third year law student, spoke in favor of amending the Constitution by deleting Section 9.1 and Kathi Chatas, Chairman of the Senior Cabinet, spoke against the amendment.

After a detailed discussion and by a show of hands, the Board of Regents unanimously confirmed that Section 9.1 of the Constitution of the Students' Association would be retained in accordance with the Regents' Rules and Regulations. During the discussion, Regent Law expressed, and it was the general consensus, that the students of The University of Texas at Austin would be better served if they had a new and effective student government.

7. U. T. Austin: Amendments to Declaration of Trust Executed by Board of Operating Trustees of Student Publications (Called Texas Student Publications, Inc., Prior to Dissolution of Charter). -- With respect to the Declaration of Trust adopted September 8, 1971 by the Board of Regents with the Board of Operating Trustees for Student Publications (called Texas Student Publications, Inc., prior to dissolution of Charter) at The University of Texas at Austin and revised on March 15, 1974 and December 12, 1975, without objection approval was given to the following additional amendments:

- a. Sections 5. B, 6 and 17 were amended to read as follows upon the recommendation of President Rogers, concurred in by System Administration.

Section 5. B

Two undergraduate students elected at large from the student body of The University of Texas at Austin (one to be elected in even-numbered years and one to be elected in odd-numbered years after the initial election, at the first election under these rules both shall be elected with provision for staggered terms as hereinafter set out) at the same time as the editor of The Daily Texan, pursuant to Section 11 hereof. If the President of the Students' Association is not one of the students elected at the election, then the President of the Students' Association shall serve as an ex officio member of the Board of Operating Trustees without vote. A student who qualifies as a candidate under Section 5, A, shall be neither qualified as a candidate nor eligible to serve as an at-large member of the board.

Section 6

Voting members of the Board of Operating Trustees shall serve a term of two years beginning June 1 of each calendar year. No voting member shall serve more than four years consecutively. However, in order to provide staggered terms, the following procedure shall be used concerning the first Board of Operating Trustees under this section, to take office June 1, 1972.

Section 17

There shall be established within the Board of Operating Trustees a Review Committee which shall be composed of one member of the journalism faculty, one Journalism or Advertising student, and one professional newspaperman. Such members are to be elected by the Operating Trustees out of the membership of the Board of Operating

Trustees. All appeals on material withheld from publication by the Editorial Manager, or respective publications supervisors, shall be considered by the Review Committee within 24 hours of the action. A decision of the Review Committee may be appealed to the Operating Trustees, but seven affirmative votes of the Operating Trustees are required to overrule said decision of the Review Committee. In all such matters, the actions of the Operating Trustees shall be final and complete without review outside the Operating Trustees.

- b. Due to the time element involved, upon the recommendation of President Walker with the concurrence of President Rogers Section 13 was amended subject to reconsideration by the Board of Operating Trustees to read as follows:

Section 13

There shall be an Executive Committee of the Board of Operating Trustees to be composed of three faculty members and two students from the Department of Journalism and/or the Department of Advertising to be elected by the Board of Operating Trustees from its membership.

- c. Section 14 was amended to read as follows upon the recommendation of President Rogers and concurred in by System Administration with the understanding that everything in Section 14 is subject to the provisions of Section 24:

Section 14

The Executive Committee shall appoint a general manager who shall be selected annually during the month of May for the fiscal year beginning September 1. The Executive Committee shall determine the compensation of the General Manager. The duties of the General Manager shall be prescribed by the Executive Committee, subject to the basic policies set forth by the Operating Trustees. The Editorial Manager(s) will be appointed by the Executive Committee, subject to basic policies set forth by the Operating Trustees. The Executive Committee shall determine the compensation of the Editorial Manager(s). The duties of the Editorial Manager(s) shall be prescribed by the Executive Committee, subject to basic policies set forth by the Operating Trustees. The Editorial Manager of The Daily Texan shall be authorized to coordinate the activities between The Daily Texan and the Department of Journalism so as to secure the most effective use of the journalism laboratories and classes in the preparation of material for The Daily Texan. The Executive Committee shall fix the compensation of all editorial workers on student publications, subject to the final approval of the Operating Trustees. The Executive Committee shall appoint and fill all vacancies for Editor and Managing Editor of every publication, except The Daily Texan, and shall fix their compensation subject to final approval of the Operating Trustees at their next regular meeting.

8. U. T. Austin and U. T. Permian Basin: Establishment of Center for Advanced Petroleum Technology in Midland-Odessa Area of the Permian Basin Under Auspices of U. T. Austin in Cooperation with U. T. Permian Basin Effective September 1, 1978, and Authorization to Submit Program to Coordinating Board for Appropriate Action (Catalog Change). -- Upon the recommendation of the Administration, supported by both President Rogers and President Cardozier, a Center for Advanced Petroleum Technology was established in the Midland-Odessa area of the Permian Basin effective September 1, 1978, to be under the auspices of the College of Engineering at The University of Texas at Austin in cooperation with The University of Texas of the Permian Basin. Any degrees granted under this program will be by U. T. Austin from those currently authorized in the College of Engineering.

This program will be a cooperative effort using the strengths of both U. T. Austin and U. T. Permian Basin as well as the support of the technical experts in the industry. The first courses are expected to be offered in January 1979. Facilities used will include those of U. T. Permian Basin as well as selected field sites made available by the petroleum industry. The Center will have an advisory council with representation from U. T. Austin, U. T. Permian Basin, and the petroleum industry. It is designed to operate as a financially self-supporting continuing education activity.

The program will be forwarded to the Coordinating Board, Texas College and University System for appropriate action. If approved by the Coordinating Board, the next appropriate catalogs published at U. T. Austin and U. T. Permian Basin will be amended to include this program.

9. U. T. Austin and U. T. San Antonio: Authority to Implement Program for U. T. Austin to Provide Graduate Engineering Training in San Antonio in Cooperation with U. T. San Antonio Effective September 1, 1978; Authorization to Submit Program to Coordinating Board for Appropriate Action (Catalog Change). -- Upon the recommendation of President Rogers and Acting President Wagener, concurred in by System Administration, authority was given to implement on September 1, 1978, a program whereby The University of Texas at Austin will provide graduate engineering training in San Antonio in cooperation with The University of Texas at San Antonio.

The program will be forwarded to the Coordinating Board, Texas College and University System for appropriate action. If approved by the Coordinating Board, the next appropriate catalogs published at U. T. Austin and U. T. San Antonio will be amended to include this program.

10. U. T. Dallas: Establishment of The Aerospace Heritage Foundation, Inc., and Approval of Articles of Incorporation; Amendment to Regents' Rules and Regulations, Part One, Chapter VII, Section 3.17 to Conform. -- Upon the recommendation of President Jordan and System Administration, an internal foundation was established at The University of Texas at Dallas to aid in soliciting private funds to be used to insure the growth and viability of collections in aviation history at U. T. Dallas. The foundation will be called "The Aerospace Heritage Foundation, Inc."

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It was ordered that the Regents' Rules and Regulations, Part One, Chapter VII, Section 3.17 be amended by adding this internal foundation.

The Articles of Incorporation adopted for this foundation follow.

ARTICLES OF INCORPORATION
OF
THE AEROSPACE HERITAGE FOUNDATION, INC.

We, the undersigned natural persons of the age of twenty-one (21) years or more, at least two (2) of whom are citizens of the State of Texas, acting as incorporators of a non-profit corporation under the Texas Non-Profit Corporation Act, do hereby adopt the following Articles of Incorporation for such non-profit corporation.

ARTICLE I

The name of the corporation is THE AEROSPACE HERITAGE FOUNDATION, INC.

ARTICLE II

The corporation is a non-profit corporation.

ARTICLE III

The period of its duration is perpetual.

ARTICLE IV

The corporation shall have no members.

ARTICLE V

(a) The corporation is formed for exclusively charitable, educational, and scientific purposes. It shall receive property (whether real, personal, or mixed) by donations, gift, grant, devise, bequest, or purchase and shall maintain a fund or funds of real or personal property, or both, and, subject to the restrictions and limitations hereinafter set forth, use and apply the whole or any part of the income therefrom and the

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principal thereof for the acquisition, maintenance, development, preservation, and protection of library and memorabilia collections having to do with aerospace heritage. The corporation's stated goal will be to build at The University of Texas at Dallas an unexcelled collection of materials on the subject of aerospace heritage. However, from time to time, the corporation may use its assets to assist in aerospace heritage efforts at other general academic components of The University of Texas System. The corporation shall not distribute its assets (other than operating expenses) outside The University of Texas System.

(b) No part of the net earnings of the corporation shall inure to the benefit of any Director of the corporation, officer of the corporation, or any private individual (except that reasonable compensation may be paid for services rendered to or for the corporation affecting one or more of its purposes), and no Director or officer of the corporation, or any private individual shall be entitled to share in the distribution of any of the corporate assets on dissolution of the corporation. No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting, to influence legislation, and the corporation shall not participate in, or intervene in (including the publication or distribution of statements) any political campaign on behalf of any candidate for public office.

(c) The corporation shall distribute its income for each taxable year at such time and in such manner as not to become subject to tax on undistributed income imposed by Section 4942 of the Internal Revenue Code of 1954, or corresponding provisions of any subsequent federal tax laws.

(d) The corporation shall not engage in any act of self-dealing as defined in Section 4941(d) of the Internal Revenue Code of 1954, or corresponding provisions of any subsequent federal tax laws.

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(e) The corporation shall not retain any excess business holdings as defined in Section 4943(c) of the Internal Revenue Code of 1954, or corresponding provisions of any subsequent federal tax laws.

(f) The corporation shall not make any investments in such manner as to subject it to tax under Section 4944 of the Internal Revenue Code of 1954, or corresponding provisions of any subsequent federal tax laws.

(g) The corporation shall not make any taxable expenditures as defined in Section 4945(d) of the Internal Revenue Code of 1954, or corresponding provisions of any subsequent federal tax laws.

(h) Notwithstanding any other provision of these Articles of Incorporation, the corporation shall not conduct or carry on any activities not permitted to be conducted or carried on by an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and its Regulations as they now exist or as they may hereafter be amended, or by an organization, contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code and Regulations as they now exist or as they may hereafter be amended.

(i) Upon liquidation, dissolution, or winding up of the affairs of the corporation, whether voluntary or involuntary or by operation of law, all the net assets of the corporation after the payment of all liabilities shall be distributed to the Board of Regents of The University of Texas System for the use and benefit of The University of Texas at Dallas. In no event shall such assets or the proceeds therefrom be subject to appropriation by the Legislature or become a part of the Permanent University Fund.

ARTICLE VI

The street address of the initial registered office of the corporation is 2201 Waterview Drive, Richardson, Texas, 75080 and the name

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of the initial registered agent at such address is STEWART C. FALLIS whose commonly used mailing address is P. O. Box 688, Richardson, Texas, 75080.

ARTICLE VII

The corporation shall accept gifts for specific purposes only so long as the purposes are in accord with the programs and policies established by the Board of Regents of The University of Texas System.

ARTICLE VIII

Neither The University of Texas System, nor any official thereof, nor any Director, Officer or Agent of this Corporation, shall ever be personally liable for any debt, or other obligation, of the corporation.

ARTICLE IX.

The direction and management of the affairs of the corporation and the control and disposition of its property and funds shall be vested in a board of directors composed of persons appointed by the Board of Regents of The University of Texas System. The number of persons on the board of directors may be fixed by the bylaws of the corporation, which bylaws shall not be effective until they shall have been approved by the Board of Regents. All amendments to this charter and to the bylaws shall be adopted by majority vote of the board of directors of the corporation in compliance with law and shall not be effective until they shall have been approved by the Board of Regents of The University of Texas System. Until changed pursuant to the bylaws, the number of the directors shall be five (5).

The names and addresses of the persons who shall serve as directors of the corporation until their successors are duly appointed and

qualified are as follows:

James L. Crowson
P. O. Box 688
Richardson, Texas 75080

James T. Fitzpatrick
201 West 7th Street
Austin, Texas 78701

George Haddaway
P. O. Box 688
Richardson, Texas 75080

H. Bryce Jordan
P. O. Box 688
Richardson, Texas 75080

E. D. Walker
601 Colorado Street
Austin, Texas 78701

ARTICLE X

The names and addresses of the incorporators are as

follows:

James L. Crowson
P. O. Box 688
Richardson, Texas 75080

James T. Fitzpatrick
201 West 7th Street
Austin, Texas 78701

George Haddaway
P. O. Box 688
Richardson, Texas 75080

IN WITNESS WHEREOF we have hereunto set our hands.

JAMES L. CROWSON

JAMES T. FITZPATRICK

GEORGE HADDAWAY

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THE STATE OF TEXAS I
COUNTY OF TRAVIS I

I, _____, a Notary Public, do hereby certify that on the _____ day of _____, 1978, personally appeared JAMES T. FITZPATRICK, who being by me first duly sworn declared that he is the person who signed the foregoing document as incorporator and that the statements therein contained are true.

Notary Public in and for Travis
County, Texas

THE STATE OF TEXAS I
COUNTY OF DALLAS I

I, _____, a Notary Public, do hereby certify that on the _____ day of _____, 1978, personally appeared JAMES L. CROWSON and GEORGE HADDAWAY who each being by me duly sworn severally declared that they are the persons who signed the foregoing document as incorporators and that the statements therein contained are true.

Notary Public in and for Dallas
County, Texas

11. U. T. San Antonio and San Antonio Health Science Center: Extension of Authority of U. T. San Antonio to Award Degrees of B. S. in Medical Technology, B. S. in Occupational Therapy, and B. S. in Physical Therapy to San Antonio Health Science Center in Order for These Degrees to be Awarded Jointly; and Authorization to Submit Proposal to Coordinating Board (Catalog Change). -- Upon recommendation of Acting President Wagener and President Harrison, concurred in by System Administration, the existing authority of The University of Texas at San Antonio to award degrees of B. S. in Medical Technology, B. S. in Occupational Therapy and B. S. in Physical Therapy was extended to The University of Texas Health Science Center at San Antonio as indicated below in order for degrees to be awarded jointly by the two institutions with names of both institutions appearing on the diploma.

a. Bachelor of Science in Medical Technology

- (1) Authorized to be jointly offered by U. T. San Antonio and the San Antonio Health Science Center as an integrated program with enrollment limited by clinical teaching places available at the Health Science Center.
- (2) Authorized U. T. San Antonio to continue to offer the degree alone in the format whereby students take three years of academic training at U. T. San Antonio followed by one year of clinical training at an approved hospital school of medical technology

b. Bachelor of Science in Occupational Therapy

Extend the authorization for this degree to the San Antonio Health Science Center so it may be offered as a joint degree by U. T. San Antonio and the San Antonio Health Science Center with both institutions participating in the educational activities.

c. Bachelor of Science in Physical Therapy

Extend the authorization for this degree to the San Antonio Health Science Center so it may be offered as a joint degree by U. T. San Antonio and the San Antonio Health Science Center with both institutions participating in the educational activities.

Further authorization was given to submit this proposal to the Coordinating Board, Texas College and University System for consideration.

If the proposal is approved by the Coordinating Board, the next appropriate catalogs published at U. T. San Antonio and San Antonio Health Science Center will be revised to conform to this action.

REPORT OF BUILDINGS AND GROUNDS COMMITTEE (Pages 125-136). -- Committee Chairman Bauerle stated that the Buildings and Grounds Committee met on Thursday, August 3, and unanimously approved the action set forth in the following report of the Committee. There being no objection, the report was adopted.

1. U. T. Arlington - Student Housing: Authorization for Feasibility Study; Appointment of Geren Associates, Fort Worth, Texas, Consulting Architect; and Appropriation Therefor. --Relating to the concept of accommodating a minimum of 15% of the student enrollment at The University of Texas at Arlington in University-owned housing through phased construction, which concept was approved by the Board of Regents on February 10, 1978, the Administration submitted a report for funding that had been developed to support the project.

Following a discussion with respect to the report, the Buildings and Grounds Committee without objection and upon the recommendation of President Nedderman and System Administration:

- a. Authorized a feasibility study to define the required functions, project scope, campus site location, and estimated cost of Student Housing at The University of Texas at Arlington
- b. Appropriated \$20,000 from The University of Texas at Arlington Housing System Account for feasibility study including fees and other related expenses

Further, upon motion of Regent Law, seconded by Regent Clark, the firm of Geren Associates, Fort Worth, Texas, was appointed Consulting Architect to work with a Planning Committee from U. T. Arlington and U. T. System Office of Facilities Planning and Construction on the feasibility study.

2. U. T. Austin - College of Fine Arts and Performing Arts Center - Theatrical Rigging, Orchestra Shell and Lighting Equipment: Award of Contracts to Peter Albrecht Corporation, Milwaukee, Wisconsin, and American Stage Lighting Company, Inc., New Rochelle, New York. --A tabulation of the bids received for the Theatrical Rigging, Orchestra Shell and Lighting Equipment for the College of Fine Arts and Performing Arts Center at The University of Texas at Austin was distributed by the Administration.

It was pointed out that on Base Bid No. 2 five proposals had been received; however, only four of the proposals were responsive to the bid documents. The proposal of OLESEN, Hollywood, California, was limited to a portion of the requested proposal and consequently was incomplete and not responsive to the specifications.

Upon the recommendation of President Rogers and System Administration and without objection, the Buildings and Grounds Committee awarded contracts for the Theatrical Rigging, Orchestra Shell and Lighting Equipment of the College of Fine Arts and Performing Arts Center at U. T. Austin to the lowest and best responsible bidders as set out below:

Peter Albrecht Corporation
Milwaukee, Wisconsin

Base Bid No. 1 (Theatrical Rigging and Orchestra Shell)	\$987,000
--	-----------

American Stage Lighting Company
New Rochelle, New York

Base Bid No. 2 (Miscellaneous Lighting Instruments and Equipment)	<u>58,500</u>
--	---------------

Total Contract Awards	<u>\$1,045,500</u>
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Funds to cover the contract awards, fees and miscellaneous expenses are available within project funds previously appropriated.

3. U. T. Austin - College of Fine Arts and Performing Arts Center:
 (a) Rejection of Higher, Alternate Bid, on Proposal "13", Segment A, Library-Administration (Library Technical Furniture);
 (b) Rejection of All Bids on Base Proposal "17", Segment E-F (Movable Shelving) and All Bids on Base Proposal "19", Segments B, C, D, E and F (Wood Casework) and Authorization to Re-advertise;
 and (c) Award of Contracts to (1) Abel Contract Furniture & Equipment Co., Inc., Austin, Texas, (2) American Desk Mfg. Co., Temple, Texas, (3) Aetnastak Division - Art Metal - U. S. A., Inc., Newark, New Jersey, (4) Carpet Services, Inc., Dallas, Texas, (5) Clegg/Austin, Inc., Austin, Texas, (6) Fraser Furniture Co., Inc., Jamestown, New York, (7) Rockford Furniture & Carpets, Inc., Austin, Texas, (8) San Antonio Floor Finishers, Inc., San Antonio, Texas, (9) Stewart Office Supply Co., Dallas, Texas, (10) Minnesota Mining & Manufacturing Co., St. Paul, Minnesota and (11) Wittig's, Inc., San Antonio, Texas. --After a detailed discussion of the written report and the tabulation of bids for the furniture and furnishings for the College of Fine Arts and Performing Arts Center at The University of Texas at Austin submitted by the Administration, the Buildings and Grounds Committee without objection approved the following recommendations of President Rogers and System Administration:

- a. Reject the higher, Alternate Bid, on Proposal "13", Segment A, Library-Administration (Library Technical Furniture)
- b. Reject all bids received on Base Proposal "17", Segment E-F (Movable Shelving), and Base Proposal "19", Segments B, C, D, E and F (Wood Casework) and re-advertise

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c. Award contracts to the following lowest and best responsible bidders:

- (1) Abel Contract Furniture & Equipment, Co., Inc.
Austin, Texas

Base Proposal "1" (Seg. A) (Accessories)	\$ 4,486.35
Base Proposal "1" (Seg. E-F) (Accessories)	9,998.00
Base Proposal "16" (Seg. A) (Miscellaneous Items & Stools)	38,464.00
Base Proposal "16" (Seg. E-F) (Miscellaneous Items & Stools)	<u>3,890.85</u>

Total Contract Award to Abel
Contract Furniture & Equipment Co., Inc. \$ 56,839.20

- (2) American Desk Mfg. Co.
Temple, Texas

Base Proposal "9" (Seg. E-F) (Folding Tablet Arm Chairs)	66,825.00
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- (3) Aetnastak Division - Art Metal -
U. S. A., Inc., Newark, New Jersey

Base Proposal "7" (Seg. A) (Metal Bookstacks)	80,951.30
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- (4) Carpet Services, Inc.
Dallas, Texas

Base Proposal "2" (Seg. B, C, D) (Area Rugs & Carpet)	3,818.00
Base Proposal "2" (Seg. E-F) (Area Rugs & Carpet)	<u>4,684.00</u>

Total Contract Award to Carpet
Services, Inc. 8,502.00

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(5) Clegg/Austin, Inc.
Austin, Texas

Base Proposal "8" (Seg. B, C, D) (Metal Desks & Files)	7,759.66
Base Proposal "8" (Seg. E-F) (Metal Desks & Files)	27,239.80
Base Proposal "11" (Seg. B, C, D) (Teaching Stations)	19,755.61
Base Proposal "12" (Seg. A) (Swivel Chairs)	7,709.55
Base Proposal "12" (Seg. E-F) (Swivel Chairs)	<u>1,098.29</u>

Total Contract Award to Clegg/
Austin, Inc., Austin, Texas 63,562.91

(6) Fraser Furniture Co., Inc.
Jamestown, New York

Base Proposal "13" (Seg. A) (Library Technical Furniture)	127,387.05
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(7) Rockford Furniture & Carpets,
Inc., Austin, Texas

Base Proposal "1" (Seg. B, C, D) (Accessories)	31,849.37
Base Proposal "6" (All Seg- ments) (Wood Desks)	178,364.50
Base Proposal "14" (All Seg- ments)(Lounge Furniture, Cube Tables & Work Stations)	186,100.11
Base Proposal "16" (Seg. B, C, D) (Miscellaneous Items & Stools)	36,975.03
Base Proposal "18" (All Seg- ments) (Platforms & Podiums)	<u>7,958.19</u>

Total Contract Award to Rockford
Furniture & Carpets, Inc. 441,247.20

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- (8) San Antonio Floor Finishers,
Inc., San Antonio Texas

Base Proposal "2" (Seg. A)
(Area Rugs & Carpet) 2,900.00

- (9) Stewart Office Supply Co.
Dallas, Texas

Base Proposal "3" (Seg. A)
(Visitor Chairs & Tables) 96,344.39
Base Proposal "3" (Seg. B, C, D)
(Visitor Chairs & Tables) 9,860.19
Base Proposal "3" (Seg. E-F)
(Visitor Chairs & Tables) 19,844.60
Base Proposal "4" (Seg. E-F)
(Concert Chairs) 13,999.24
Base Proposal "5" (Seg. B, C, D)
(Custom Furniture) 60,783.64
Base Proposal "8" (Seg. A)
(Metal Desks & Files) 14,923.18
Base Proposal "10" (Seg. B, C, D)
(Stacking Chairs & Tables) 12,460.82
Base Proposal "11" (Seg. A)
(Teachings Stations) 27,174.83
Base Proposal "11" (Seg. E-F)
(Teaching Stations) 46,289.38

Total Contract Award to Stewart
Office Supply Co. 301,680.27

- (10) Minnesota Mining & Manufacturing
Co., St. Paul, Minnesota

Base Proposal "15" (Seg. A)
(Book Security System) 12,260.00

- (11) Wittig's Inc., San Antonio, Texas

Base Proposal "4" (Seg. B, C, D)
(Concert Chairs) 13,490.40
Base Proposal "10" (Seg. A)
(Stacking Chairs & Tables) 7,520.00
Base Proposal "10" (Seg. E-F)
(Stacking Chairs & Tables) 19,697.73

Total Contract Award to Wittig's,
Inc. 40,708.13

TOTAL CONTRACT AWARDS

\$ 1,202,863.06

4. U. T. Austin - Little Campus Buildings: (a) Report of Feasibility Study and Appropriation Therefor; (b) Authorization for Total Preservation of Building "C", the Mothballing of Building "H", Associated Site Development for the Two Buildings and the Perimeter Wall; (c) Appointment of Beran & Shelmire, Dallas, Texas, Project Architect; and (d) Appropriation for Project. -- The Administration submitted a written report with respect to the feasibility study which had been conducted by the Architectural Consultant,

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Beran & Shelmire, Dallas, Texas, in connection with the possible preservation of Building "C" and restoration of Building "H" on the Little Campus of The University of Texas at Austin. The report included four alternate proposals which had been derived from the study.

Mr. Spencer Johnson with the firm of Beran & Shelmire presented architectural sketches outlining the proposals.

Professor Emeritus Philip D. Creer spoke briefly and suggested that the shell of Building "H" be restored until an appropriate use could be found and that Building "C" be completely restored.

Following a lengthy discussion in which questions were raised regarding the use of the buildings and the availability of funds for the project, the Buildings and Grounds Committee by unanimous vote upon motion of Regent Law, seconded by Vice-Chairman Williams:

- a. Appropriated \$20,000 from Interest on Bond proceeds for the previously authorized and completed Feasibility Study and related expenses
 - b. Authorized the total preservation of Building "C", the mothballing of Building "H", associated site development for the two buildings and the perimeter wall at an estimated total project cost of \$1,650,000
 - c. Appointed the firm of Beran & Shelmire, Dallas, Texas, Project Architect for the U. T. Austin Little Campus project with authorization for the preparation of preliminary plans which will be presented at a future meeting of the Board of Regents for consideration
 - d. Appropriated \$16,500 from Interest on Bond proceeds for fees and related project expenses through completion of preliminary plans
5. U. T. Austin - Robert Lee Moore Hall - Fusion Research Center - Texas Experimental Tokamak (TEXT) Project: Approval of Final Plans and Authorization to Advertise for Bids Subject to Final Reviews and Granting Agency Approvals. --Without objection, the Buildings and Grounds Committee:
- a. Approved the final plans and specifications for the Fusion Research Center - Texas Experimental Tokamak (TEXT) Project in Robert Lee Moore Hall at The University of Texas at Austin at an estimated project cost of \$756,000
 - b. Authorized the Office of Facilities Planning and Construction to advertise for bids for the project subject to completion of final reviews and granting agency approvals; such bids to be submitted to the Board of Regents at a later date

6. U. T. Austin: Underground Easement Granted to City of Austin for Improved Water Service in Northeast Campus Area. -- Upon the recommendation of President Rogers and System Administration, the Buildings and Grounds Committee authorized an underground easement to the City of Austin to provide connection of a new 16" water service on University property (The University of Texas at Austin) at the corner of San Jacinto Boulevard and 26th Street. The improved water service is required to serve three areas of the campus: a) Chilling Station #4 as a fire protection for the cooling tower; b) Townes Hall Addition for domestic water; c) College of Fine Arts and Performing Arts Center for domestic water and to bolster the existing water distribution system.
7. U. T. Permian Basin: Easement to City of Odessa for Fire Station in Southeast Portion of Campus to Replace Easement Formerly Granted for Same Purpose in Southwest Portion of Campus. -- Upon the recommendation of President Cardozier and System Administration and at the request of the City of Odessa, the Buildings and Grounds Committee without objection authorized an easement to the City of Odessa covering a location in the southeast corner of The University of Texas of the Permian Basin campus for the site of a Fire Station. This easement will replace an existing easement granted to the City by the Board of Regents on December 13, 1974, for this same purpose in the southwest portion of the campus. The 1974 easement was not utilized by the City. The replacement easement will cover a location off University Boulevard near the intersection of Loop 338; it will not conflict with the Long Range Campus Development Plan for U. T. Permian Basin.
8. Dallas Health Science Center - Fred F. Florence Bioinformation Center - Additional Air Conditioning for Computer Resources: Approval of Project; Appointment of William K. Hall & Company, Dallas, Texas, Project Engineer with Authorization to Complete Project; and Appropriation Therefor. -- The Administration reported that (a) the area housing Computer Resources in the Fred F. Florence Bioinformation Center at The University of Texas Health Science Center at Dallas was in need of expansion but the existing air conditioning system limited the expansion since it could not handle the heat load imposed by added computer equipment and (b) a study had been made.

Based upon this study and upon the recommendation of President Sprague and System Administration, the Buildings and Grounds Committee without objection:

- a. Authorized additional air conditioning for Computer Resources in the Fred F. Florence Bioinformation Center at the Dallas Health Science Center at an estimated total project cost of \$85,000
- b. Appointed the firm of William K. Hall & Company, Dallas, Texas, Project Engineer to prepare final plans and specifications for competitive bidding

- c. Authorized completion of the project through all necessary actions of the Dallas Health Science Center and the Office of Facilities Planning and Construction
 - d. Appropriated \$85,000 from Dallas Health Science Center Unexpended Plant Funds for the completion of the project
9. Galveston Medical Branch (Galveston Hospitals) - Renovation and Addition to Graves Hospital: (a) Approval of Preliminary Plans for Addition Only and Authorization to Increase Scope Subject to Availability of Funds - Renovation Deferred; (b) Authorization to Submit Project to Coordinating Board and Texas Health Facilities Commission and for Project Architect to Concurrently Prepare Final Plans and Specifications; and (c) Additional Appropriation Therefor. --Mr. Richard Maze and Mr. Carl Daniel of the firm of Koetter, Tharp, Cowell and Bartlett, Houston, Texas, Project Architect, explained and gave an overview of the renovation and addition to Graves Hospital at The University of Texas Medical Branch at Galveston. These plans provide for an addition of approximately 51,600 square feet at an estimated total project cost of \$5,478,000. It was noted that renovation of the existing building would be deferred until the new space could be occupied and the present hospital vacated.

The Administration reported that studies conducted by the Galveston Medical Branch Administration and the Office of Facilities Planning and Construction had indicated that it would be prudent at this time to expand the design of the new construction to include an additional floor (13,000 square feet) to provide the Department of Psychiatry with its minimum needs for expansion and more adequately compensate for the loss of the Randall Pavilion. This fifth level addition could be prepared as two additive alternates: one to shell in the area for approximately \$350,000 and another to complete the shelled area for approximately \$638,000. Both alternates would be subject to availability of funds.

Following a detailed discussion, the Buildings and Grounds Committee without objection:

- a. Approved the preliminary plans and specifications for the Addition to Graves Hospital at The University of Texas Medical Branch at Galveston and authorized the Project Architect to prepare plans and specifications for a fifth floor to be bid as an additive alternate at a new estimated total project cost of \$6,466,000 subject to availability of funds
- b. Authorized submission of the project to the Coordinating Board, Texas College and University System and the Texas Health Facilities Commission and concurrently authorized the Project Architect to prepare final plans and specifications for consideration of the Board of Regents at a future meeting
- c. Appropriated additional funds in the amount of \$200,000 from Medical Branch Unexpended Plant Funds Project Allocation for fees and related project expenses through completion of final plans and specifications

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10. Galveston Medical Branch (Galveston Hospitals) - Remodeling of Existing John Sealy Hospital (Original Building) - Remodeling of Dietary Area (Kitchen and Support Facilities): Authorization to Prepare Preliminary Plans and Specifications and Appropriation Therefor. --Based on the fact that the Central Food Service Facility in Houston is scheduled for completion in the fall of 1978 and that the Dietary Area (Kitchen and Support Facilities) in the existing John Sealy Hospital (original building) at The University of Texas Medical Branch at Galveston needs to be remodeled in order to receive bulk foods from the Central Kitchen for distribution to the recently occupied patient bed tower in the John Sealy Hospital Addition, the Buildings and Grounds Committee without objection:
- a. Authorized the Remodeling of the Dietary Area (Kitchen and Support Facilities) within the Existing John Sealy Hospital (Original Building) at the Galveston Medical Branch
 - b. Authorized the Project Architect to prepare preliminary plans, specifications and cost estimates to be presented to the Board at a future meeting
 - c. Appropriated \$50,000 from Medical Branch Unexpended Plant Funds, Project Allocation for fees and related expenses through completion of preliminary plans
11. Galveston Medical Branch - Swimming Pool: Authorization for Project; Appointment of Louis Lloyd Oliver and Tibor Beerman, Architects, Galveston, Texas, Project Architect to Prepare Preliminary Plans and Cost Estimate; and Appropriation Therefor. -- After discussion based on the fact that recreational facilities at The University of Texas Medical Branch at Galveston are top priorities both for the students and faculty and the further fact that additional recreational facilities were recommended by the accreditation team of the Southern Association of Colleges and Schools, the Buildings and Grounds Committee upon the recommendation of President Levin and System Administration:
- a. Authorized construction of a swimming pool on a site adjacent to and immediately north of the present Alumni Field House at The University of Texas Medical Branch at Galveston at an estimated total project cost not to exceed \$400,000. This area is owned by The Sealy & Smith Foundation. The Foundation has agreed to transfer the property to the University when its parking garage now under construction is completed in September 1978. (Letter of intent from the Foundation is in the Secretary's file.)
 - b. Appointed the firm of Louis Lloyd Oliver and Tibor Beerman, Architects, Galveston, Texas, Project Architect to prepare preliminary plans and a cost estimate to be presented to the Board of Regents for consideration at a future meeting
 - c. Appropriated \$42,000 from Galveston Medical Branch Unexpended Plant Funds, Project Allocation for fees and related project expenses through completion of preliminary plans

12. Houston Health Science Center and University Cancer Center - Remodeling of Prudential Building: Approval of Preliminary Plans and Specifications. -- Representatives of the Project Architect, Mr. John S. Chase of the firm of John S. Chase, Houston, Texas, and Mr. Harry Golemon and Mr. Charles Sullivan of the firm of Golemon and Rolfe, Houston, Texas, were introduced. The Remodeling of the Prudential Building is a joint project of The University of Texas Health Science Center at Houston and The University of Texas System Cancer Center. Mr. Golemon explained the project pointing out that it included the exterior of the entire building, the interior as it relates to air conditioning and heating and the like, and the remodeling of three floors: the fourth floor for the nursing school; the fifth floor for the nursing school and the allied health school; and the eleventh floor for the allied health school.

Following a discussion, the Buildings and Grounds Committee without objection:

- a. Approved the preliminary plans and specifications (in booklet form) for Remodeling of the Prudential Building, Houston, Texas, at an estimated total project cost of \$5,318,043, which amount was appropriated by the 65th Legislature for this project
 - b. Authorized the Project Architect to prepare final plans and specifications for consideration of the Board of Regents at a future meeting
13. Houston Health Science Center and University Cancer Center: Report by Administration of Acquisition by Texas Medical Center Heating and Cooling Cooperative Association of Houston Natural Gas Thermal Energy Plant, Houston, Texas, Including Report of Special Committee's Approval and Chairman Shivers' Execution of Agreements and Documents and Report of Consummation of Sale. -- The following report was received from the Administration relating to the acquisition of the Houston Natural Gas Thermal Energy Plant, Texas Medical Center, Houston, Texas. The official documents referred to therein are on the pages indicated:

At its meeting on April 15, 1977, the Board of Regents approved participation by The University of Texas System in the efforts of the Texas Medical Center Heating and Cooling Cooperative Association to buy the Houston Natural Gas Corporation's thermal energy plant which is located on the campus of the Texas Medical Center in Houston.

At the same meeting, the Board appointed a special committee to approve agreements and other documents associated with the purchase, insofar as the University's interests are concerned. (See Page 193 for Report of Special Committee).

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The documents approved by the Special Committee are inserted at the close of this set of Minutes, beginning on Page 194, and consist of:

By-Laws of the Cooperative, Pages 194-212
Membership Agreement (Between Cooperative
and Members), Pages 213-231
Contract for Chilled Water and Steam Service
(Between Cooperative and Users), Pages 232-267
Conveyance Document (Between HNG Corporation
and Cooperative), Pages 268-285
Deed of Trust and Security Agreements, Pages 286-306
Secured Note, Page 307
Financing Statement, Pages 309-312

In the process of drafting the above named documents, a lawyer from the Office of General Counsel approved the documents for form and legal content. The firm of Fulbright and Jaworski represented the Cooperative's interests. Other law firms represented other institutions' interests.

The special committee's report approving the above-named documents in final draft form has been filed with the Secretary to the Board.

In accordance with authorization given by the Board at the meeting on April 15, 1977, the Chairman of the Board has signed certain of the above-named documents which relate to contractual relationships between the Cooperative and the University. These documents were signed after approval as to form by a University attorney and as to content by President Walker. Original signed copies of these documents have been filed with the Secretary to the Board.

Purchase of the plant was consummated on May 31, 1978. The Cooperative has been operating the plant since June 1st and, as of the writing of this agenda item, has experienced no major problem. It is anticipated that the acquisition by the Cooperative will have the effect of reducing each member's utility bill for chilled water and steam by 10% to 20% in comparison with continued operation by Houston Natural Gas Corporation.

14. San Antonio Health Science Center (San Antonio Medical School) - Remodeling of Medical School Building for Department of Computing Resources: Authorization for Project and Completion Thereof; Appropriation Therefor. -- The Administration reported in the Material Supporting the Agenda that the relocation of several departments within The University of Texas Health Science Center at San Antonio had provided an opportunity to centralize all office and work areas of the Department of Computing Resources which would call for the renovation of approximately 6,800 square feet of space on the first level of the Medical School Building in an area previously occupied by the print shop and the mechanical maintenance shops. Plans for this project had been developed by the Department of Physical Plant.

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Upon the recommendation of President Harrison and System Administration, the Buildings and Grounds Committee without objection:

- a. Authorized Remodeling of the first level of the Medical School Building of The University of Texas Health Science Center at San Antonio for the Department of Computing Resources at an estimated total project cost of \$85,000
 - b. Authorized the San Antonio Health Science Center to perform the remodeling improvements through its Physical Plant staff or through contract services in consultation with the Office of Facilities Planning and Construction
 - c. Appropriated \$85,000 from San Antonio Health Science Center Unexpended Plant Funds for the total project cost
15. University Cancer Center (M. D. Anderson) - Remodeling of Present Building - Phase II: Award of Contract to H. A. Lott, Inc., Houston, Texas. -- A tabulation of the bids received for the Phase II Remodeling of M. D. Anderson Hospital of The University of Texas System Cancer Center was distributed by the Administration.

Upon the recommendation of President Clark and System Administration, the Buildings and Grounds Committee without objection:

- a. Awarded the construction contract for the Phase II Remodeling (major improvements to the existing second, third, fifth and sixth floors nursing wings and four existing elevators) of M. D. Anderson Hospital of The University of Texas System Cancer Center to the lowest responsible bidder as set out below:

H. A. Lott, Inc.
Houston, Texas

Base Bid	\$7,700,000
Additive Alternates:	
No. 1 Paving	12,000
No. 2 Rounded Corners	20,000
No. 3 Horizontal Stripe	9,000
Total Contract Award	<u>\$7,741,000</u>

- b. Authorized a total project cost of \$8,864,565 to cover the building construction contract award, control systems, air balancing, fees and related project expenses

The total project cost is within the previous appropriations for this phase of the remodeling.

REPORT OF HEALTH AFFAIRS COMMITTEE (Pages 137-163). -- Committee Chairman Law stated that all actions of the Health Affairs Committee had been taken in open session and had been approved without objection unless otherwise indicated. He submitted the following report which was adopted without objection:

1. U. T. Arlington: Affiliation Agreements with (a) Tarrant County Multiple Sclerosis Association, Inc., Fort Worth, Texas; (b) The Denton Baptist Association Rural Health Clinic Project, Denton, Texas; and (c) Arlington Independent School District, Arlington, Texas. -- Approval was given to affiliation agreements by and between The University of Texas at Arlington and the following facilities to be effective immediately. The agreements had been executed by the appropriate officials of the institution and facility on the dates indicated below:

<u>Facility</u>	<u>Agreement Executed</u>
a. Tarrant County Multiple Sclerosis Association, Inc., Fort Worth, Texas	June 16, 1978
b. The Denton Baptist Association Rural Health Clinic Project Denton, Texas	May 25, 1978
c. Arlington Independent School District, Arlington, Texas	May 24, 1978

These agreements follow the format approved for affiliation agreements by the Board of Regents on December 16, 1977. They will provide additional educational facilities primarily for the nursing students at U. T. Arlington.

2. U. T. El Paso: Agreement with the El Paso County Association for the Blind. -- Upon the recommendation of President Templeton and System Administration, approval was given to the agreement set out on Pages 138-144 between the Board of Regents on behalf of The University of Texas at El Paso and the El Paso County Association for the Blind to be effective immediately. This agreement had been executed by the appropriate officials of the University and the facility on July 5, 1978. It establishes a radio reading service for the blind.

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A G R E E M E N T

This AGREEMENT made this 5th day of July, 1978 between the Board of Regents of The University of Texas System for and on behalf of The University of Texas at El Paso, hereinafter referred to as "University", and the El Paso County Association for the Blind, hereinafter referred to as "Association", a Texas non-profit corporation with its principal place of business at El Paso, Texas.

WITNESSETH

WHEREAS, the University maintains and operates a radio station as KTEP-FM licensed by the Federal Communications Commission, hereinafter referred to as "F.C.C.", to broadcast in El Paso;

WHEREAS, the University's station is dedicated to serving the educational, scientific, and literary needs of special groups of listeners as well as the general public;

WHEREAS, the El Paso County Association for the Blind is a non-profit organization dedicated to serving the educational, scientific, and literary needs of the residents of El Paso County who are visually handicapped;

WHEREAS, the University and the Association desire to use radio communications as a means of imparting to visually handicapped persons the information contained in local, state, and national newspapers and magazines, and in other written materials;

WHEREAS, the University and the Association desire to broadcast such information during the same hours of each day of the week on a radio frequency licensed to the University, and such broadcasting can be provided by the University under its present license from the F.C.C.; and

WHEREAS, the University desires to give its students enrolled in its mass media program experience in preparing the broadcasting programs for special groups of listeners;

NOW THEREFORE, in consideration of the aforesaid premises and the covenants

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and agreements herein contained, the parties hereto hereby agree as follows:

I

Use of the Subcarrier

The University hereby agrees to broadcast on its SCA subcarrier, programs for visually handicapped people, prepared in accordance with this agreement in cooperation with the Association, from seven o'clock a.m. of each day until twelve-thirty a.m. of the immediately following day, a total of seventeen and one half hours (hereinafter referred to as "Contract hours"). The University reserves its SCA subcarrier for its own use during all other hours of each day of the Contract Year.

The Association will submit to the University its weekly program schedule. Subject to this schedule, the University reserves the right to produce and schedule other programs in consultation with the Association for transmission on the SCA subcarrier. All such programs by the University will be designed for the benefit of visually-handicapped people.

II

Programming and Equipment

The programming of the Association shall originate at premises owned, leased, or operated by the Association (hereinafter the "Association Taping Premises").

The Association shall be responsible for purchasing, leasing, or otherwise acquiring all studio equipment necessary for producing and originating programs at the Association Taping Premises and all appropriate SCA transmission (SCA subcarrier generator, SCA monitor, and audio limiter) equipment necessary to carry out this agreement for installation at the University's radio broadcasting headquarters. The University agrees to pay for the installation of such SCA transmission equipment and be responsible for its operation and maintenance. The Association shall be solely responsible for operating and maintaining all

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equipment at the Association Taping Premises. The title to all SCA transmission equipment purchased by the Association shall be in the name of the Association.

III

Origination and Transmission

During the Contract hours, the Association's programming shall be sent from the Association Taping Premises to the University's radio broadcasting headquarters via a telephone line connecting the two locations. The Association shall be responsible for leasing such telephone line during the Contract Year.

The University shall be responsible for transmitting on its SCA subcarrier during the Contract hours the programming it receives via the telephone line. At all times during the Contract hours, the University shall have full control over the transmission of program material on the SCA subcarrier including the authority to conform the content of such programs to University policy and rules and regulations of the F.C.C. As used in this Agreement, the term "transmission", or any variation thereof, shall refer to the physical process of broadcasting program material from the time such material reaches KTEP's headquarters via the telephone line until and including the time such material is sent to the listening audience from the University's transmission tower. The University's control over transmission shall include the ability to start and stop the flow of program material from the telephone line to the University's radio broadcast facilities.

The Association agrees that all programming and the quality of signals as received at the University's radio broadcast headquarters shall be subject to standards set by the University.

IV

Copyright Clearance, Insurance, and Indemnification

If the Association includes within its programming the playing or reading of any copyrighted material, the Association shall obtain from the holder of

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the copyright prior written approval for the broadcast of such material whenever prior approval is necessary to comply with state or federal laws. The Association agrees to hold the University harmless in any actions at law for any infringement of copyrights occasioned by its program. The Association also agrees that it shall not engage in, nor endorse, programs for commercial purposes; however, the Association may read selected advertisements on the air as long as the reading is preceded by a statement that the reading of the advertisement does not constitute endorsement, express or otherwise, of the products or place of business and that the reading is solely a service to the visually handicapped.

V

Maintenance of the Subcarrier

The University shall maintain its radio broadcasting equipment in good operating condition but shall not be responsible to the Association for the inability to transmit programs as a result of breakdowns in such equipment due to normal wear and tear or to conditions beyond the University's control. The University shall notify the Association promptly of any interruption in its ability to transmit due to breakdowns in its radio broadcasting equipment during Contract hours. As used in this Agreement, the term "interruption" shall refer to any combination of circumstances that result or will result in a failure to transmit the Association's programming during the Contract hours.

The University shall not be responsible for breakdowns in equipment at the Association's taping premises nor in the telephone line connecting the Association's taping premises to the University's radio station.

VI

Public Statement

It is hereby agreed that the University may state publicly in its fund raising activities, its application for licensure, its applications for grants programming for the visually handicapped, and its negotiations to protect or

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extend or expand such programming, that it has participated in broadcasting special programming for the visually handicapped. All public statements which refer to the programming provided for by this Agreement shall identify the Association as the creator and originator of such programming.

It is further agreed that in any publicity or public statements by the Association concerning its radio programming, the Association may, with prior approval of the University, identify KTEP-FM as a participant in the broadcasting of such programming, but the University's name cannot be used directly or indirectly in support of any fund raising activities or projects.

VII

Duty to Obey State and Federal Law

Anything in this Agreement to the contrary notwithstanding, the University shall not be obligated to take any action or perform any services which would be in violation of state or federal law, including all applicable administrative regulations, and the University shall not be obligated to perform any act which would be grounds for cancellation of its radio or television license from the Federal Communications Commission.

VIII

Effective Date, Option to Renew, and Termination

This Agreement shall not become effective unless and until approved by the Board of Regents of The University of Texas System. If so approved, this Agreement shall become effective on the date of such approval, and shall continue in effect for an initial term ending one (1) year after the date and year of execution by the Association and the University, and after such initial term, from year to year unless one party shall have given one hundred eighty (180) days' prior written notice to the other party of intention to terminate this Agreement. If such notice is given, this Agreement shall terminate at the end of the term of this Agreement during which the last day of such one hundred eighty (180) day notice period falls.

IX

Nonassignability

Neither party to this Agreement shall assign its rights or obligations hereunder to any other person or entity without prior written consent of the other party to this Agreement.

X

Governing Law

The provisions of this Agreement shall be construed in accordance with the laws of the State of Texas, and the University's obligations under this Agreement are contingent on the Rules and Regulations of the Board of Regents of The University of Texas System and availability of funds for operating the University's radio station (KTEP-FM).

XI

Performance

The performance hereunder by the Association is conditioned upon its ability to purchase, install the equipment and facilities that it has agreed to procure and furnish hereunder. The Association shall consult with the University about the kind of equipment and facilities needed to provide the performance hereunder required. The Association will make available the funds to acquire the needed equipment and facilities upon receipt of the executed copies of this Agreement.

XII

Entire Agreement

This Agreement constitutes the entire Agreement between the parties hereto in respect to the subject matter hereof and supersedes all prior representations, negotiations, writings, memoranda, and agreements with respect to the subject matter hereof. It is understood by both parties to this Agreement that this

Agreement contains no representations or warranties by either party except those expressly made herein.

XIII

Headings

The headings of the various sections of this Agreement have been inserted for convenience of reference only, and shall not be deemed to be a part of this Agreement.

XIV

Amendment and Renewal

This Agreement may be amended, altered, modified, or renewed only by written instrument duly executed by the parties hereto.

EXECUTED by University and Facility on the day and year first above written, in duplicate copies, each of which shall be deemed an original.

THE UNIVERSITY OF TEXAS AT EL PASO

By A. B. Templeton
A. B. Templeton, President

CONTENT APPROVED:

Chairman, Board of Regents

C. D. [Signature]
President of the System

FORM APPROVED:

W. O. [Signature]
General Counsel of the System

[Signature]
Vice President for Academic Affairs
(System)

ATTEST:

[Signature]
(Title) Executive Director

THE EL PASO COUNTY ASSOCIATION FOR THE BLIND

By [Signature]
President

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 _____ day of _____, 197__.

Secretary, Board of Regents
The University of Texas System

3. U. T. El Paso: Affiliation Agreements with (a) St. Margaret's Center for Children, El Paso, Texas; (b) El Paso Guidance Center, Incorporated, El Paso, Texas; (c) YWCA of El Paso, Texas, El Paso, Texas; and (d) Providence Memorial Hospital, El Paso, Texas. -- Approval was given to affiliation agreements by and between The University of Texas at El Paso and the following facilities to be effective immediately. The agreements had been executed by the appropriate officials of the institution and facility involved on the dates indicated below:

<u>Facility</u>	<u>Agreement Executed</u>
a. St. Margaret's Center for Children El Paso, Texas	May 30, 1978
b. El Paso Guidance Center, Incorporated El Paso, Texas	June 8, 1978
c. YWCA of El Paso, Texas El Paso, Texas	June 6, 1978
d. Providence Memorial Hospital El Paso, Texas	May 15, 1978

These agreements follow the format approved for affiliation agreements by the Board of Regents on December 16, 1977. They will provide additional educational facilities primarily for the nursing students at U. T. El Paso.

4. U. T. El Paso: Agreement with Sertoma International Center for Communicative Disorders of El Paso-Juarez, El Paso, Texas. -- Approval was given to the agreement set out on Pages 146-149 between the Board of Regents on behalf of The University of Texas at El Paso and the Sertoma International Center for Communicative Disorders of El Paso-Juarez, El Paso, Texas, to be effective immediately.

This agreement, which will provide clinical training facilities for students in audiology and speech pathology, does not precisely follow the standard affiliation agreement format previously approved by the Board of Regents.

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A G R E E M E N T

THIS AGREEMENT by and between the Sertoma International Center for Communicative Disorders of El Paso-Juarez, a Texas nonprofit corporation having its home office in El Paso, Texas, hereinafter called "Center"; and the Board of Regents of The University of Texas System for and on behalf of The University of Texas at El Paso, hereinafter called "University"

W I T N E S S E T H

WHEREAS the Center is a nonprofit corporation desirous of providing services for communicative disorders for the El Paso-Juarez community, and

WHEREAS The University provides several types of general audiological and speech pathology services to the El Paso-Juarez community because no other services are available and in order to have access to clients for clinical training for its students in its audiology and speech pathology program, and

WHEREAS a joint operation of clinical facilities by the Center and The University would provide more clinical opportunities for The University's students and better services for the community at less cost, and

WHEREAS The University has adequate space for the joint operation of clinical facilities with the Center

NOW, THEREFORE, for and in consideration of the mutual benefits and covenants set forth herein, the parties agree as follows:

Article 1. The Center will operate a clinic for persons with communicative disorders according to accepted standards of the American Speech and Hearing Association, University Policy, and Sertoma Foundation.

The clinic shall provide, but not be limited to the following services:

(a) evaluation and therapy for disorders of communication for all ages, and (b) measurement of sound and hearing conservation. The Center will be responsible for the employment, payment, and supervision of all persons necessary to provide these services.

The Center will provide The University access, without charge, to its clients

(a) for the practicum credit courses for students enrolled in The University's Speech, Hearing, and Language Disorder degree program and to (b) qualified University faculty in accordance with the policies of the Center.

The Center will make available its professional personnel for (a) supervision of the practicums and (b) class lectures for a specified number of hours each week. The number of hours shall be agreed to each year in writing by The University and the Center.

Article 2. The general policies governing access to the Center's clients and the ratio of supervisors to students shall be consistent with standards set by licensing agencies, American Speech and Hearing Association and University policies, and shall be agreed to in writing by The University and the Center.

Article 3. The Center agrees to submit to The University for record its policies on acceptance of clients and operation of the Clinic and to provide equal service to all persons regardless of race, creed, or religion, sex, or age.

Article 4. The Center agrees to accept all clients now being provided speech pathology and audiological services by The University's Speech and Hearing Clinic on the same basis as the Center's regular clients.

Article 5. The University will provide its present audiological services, without charge, for the benefit of the Center's clients. These services shall include pure tone and speech audiometry, impedance measurements, noise measurements and hearing aid response measurements. Additional audiological services may be provided as agreed to in writing by The University and the Center.

The title to all equipment provided by The University as a part of these services shall remain with The University.

Article 6. The Director of The University's speech pathology and audiology program shall be the clinical director of the Center.

Article 7. The Center shall be responsible for carrying malpractice insurance in the amount of \$100,000 per claim and \$300,000 annual aggregate for Center personnel and those acting under the direct control and supervision of the Center.

Article 8. The University agrees to provide (a) suitable office space (not to exceed 2,000 square feet), utilities and maintenance services at the normal level provided for facilities at The University, and (b) access to interview and therapy rooms in the Education Building. The scheduling of the use of these rooms shall be agreed to in writing by The University and the Center.

Article 9. The Center agrees to maintain the premises and all appurtenances thereto in reasonably good order and repair, reasonable wear and tear and catastrophe excepted. If the Center does not so maintain the premises, The

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University shall notify the Center of the deficiencies in writing by registered mail. If the Center fails to take the steps necessary to remedy the deficiencies specified within ten days, The University may terminate this Agreement under Article 16.

Article 10. Any remodelling or extraordinary maintenance of the space assigned to the Center must have the prior approval of The University. All payments for remodelling or extraordinary maintenance performed by an agency or individuals other than The University shall be made by the Center direct to the person, corporation, or agency performing such service and the Center shall hold The University harmless from any liability for payment of such services. Any service which can be performed by The University will be negotiated with the Center on an individual basis. Under no circumstances is The University to be liable for any indebtedness or liability created by the Center.

Article 11. Employees and clients of the Center will be required to adhere to the current Parking and Traffic Regulations of The University, and the Center's employees will be required to purchase permits in accordance with existing regulations. An appropriate number of parking stations adjacent to the clinic shall be designated by The University for use by the Center's clients at no cost.

Article 12. The Center agrees to indemnify and hold harmless The University from any and all claims of all persons and entities for personal injury, including injury resulting in death, and for damage to property which arises directly or indirectly from the Center's occupancy and use of The University's premises, and agrees to reimburse The University for all reasonable expenses incurred by The University in defending any such claim or claims.

Article 13. Insofar as The University is authorized by the laws of the State of Texas, The University agrees to hold the Center harmless from any and all liability resulting from the use of the Center's facilities as laboratories. The University does not agree to hold the Center harmless (a) for the gross or willful negligence of the operation of the Center, (b) for use of the space contrary to University policy, or (c) for the actions of the Center's officers, employees or agents, or the actions of a third party over which The University has no supervision, control, or jurisdiction.

Article 14. Upon the termination or cancellation of this agreement for any cause, the Center shall have a reasonable time in which to remove any of its equipment or other property which may be upon premises of The University. The

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Center shall reimburse The University for any damages caused by the removal of its property and, as mutually agreed to in writing, shall restore the space to its original condition, normal wear and tear and catastrophe excepted.

Article 15. The Center is solely responsible for the diagnosis and therapy provided its clients.

Article 16. This Agreement shall become effective immediately upon its execution and remain in effect through August 31, 1978 and thereafter from year to year, September 1 to August 31 of the following year unless modified in writing by the mutual agreement of the parties or terminated by either party upon giving one hundred and twenty (120) calendar days written notice to the other party.

Article 17. This agreement may not be assigned by either party without the written consent of the other party.

EXECUTED by parties on June 20, 1978, in duplicate copies, each of which shall be deemed an original.

THE UNIVERSITY OF TEXAS AT EL PASO

By A. B. Templeton
A. B. Templeton
President

CONTENT APPROVED:

Chairman, Board of Regents

E. C. Walker
President of the System

FORM APPROVED:

W. D. Smith
General Counsel of the System

Samuel A. ...
Vice President for Academic Affairs
(System)

WITNESSES:

SERTOMA INTERNATIONAL CENTER FOR COMMUNICATIVE DISORDERS OF EL PASO-JUAREZ

...
(title) Secretary

By ...
President

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 _____ day of _____, 197__

Secretary, Board of Regents
The University of Texas System

5. U. T. San Antonio: Affiliation Agreements with (a) Physician's Physical Therapy Service, Inc., Gary, Indiana; (b) West Texas Rehabilitation Center, Abilene, Texas; and (c) Mercy Hospital of Laredo, Laredo, Texas. -- Approval was given to affiliation agreements by and between The University of Texas at San Antonio and the following facilities to be effective immediately. The Agreements had been executed by the appropriate officials of the institution and facility involved on the dates indicated below:

<u>Facility</u>	<u>Agreement Executed</u>
a. Physician's Physical Therapy Service, Inc., Gary, Indiana	March 20, 1978
b. West Texas Rehabilitation Center Abilene, Texas	May 4, 1978
c. Mercy Hospital of Laredo Laredo, Texas	June 5, 1978

These agreements follow the format approved for affiliation agreements by the Board of Regents on December 16, 1977. They will permit additional educational training opportunities for students primarily in the Division of Allied Health and Life Sciences, specifically in physical therapy.

6. Dallas Health Science Center: Affiliation Agreements with (a) Humana of Texas, Inc., d/b/a Medical City Dallas Hospital, Dallas, Texas; (b) Lutheran Social Service of Texas d/b/a Trinity Lutheran Home, Round Rock, Texas; (c) City of Garland (Garland Office on Aging) Garland, Texas; and (d) Texarkana Memorial Hospital, Inc., d/b/a Wadley Hospital, Texarkana, Texas. -- Approval was given to affiliation agreements by and between The University of Texas Health Science Center at Dallas and the following facilities to be effective immediately. The Agreements had been executed by the appropriate officials of the institution and facility involved on the dates indicated below:

<u>Facility</u>	<u>Agreement Executed</u>
a. Humana of Texas, Inc., d/b/a Medical City Dallas Hospital, Dallas, Texas	May 4, 1978
b. Lutheran Social Service of Texas d/b/a Trinity Lutheran Home Round Rock, Texas	May 4, 1978
c. City of Garland (Garland Office on Aging) Garland, Texas	May 4, 1978
d. Texarkana Memorial Hospital, Inc., d/b/a Wadley Hospital, Texarkana, Texas	June 5, 1978

These agreements follow the format approved for affiliation agreements by the Board of Regents on December 16, 1977. They will primarily benefit the educational programs in the Dallas Allied Health Sciences School.

7. Dallas Health Science Center (Dallas Allied Health Sciences School):
Authorization to Submit Request to Coordinating Board to Establish
Program in Orthotics and Prosthetics Leading to Baccalaureate
Degree (Catalog Change). -- Upon the recommendation of President
 Sprague and System Administration, authorization was given to seek
 permission from the Coordinating Board, Texas College and Univer-
 sity System to establish a program in Orthotics and Prosthetics
 leading to a Baccalaureate Degree at the Dallas Allied Health Sciences
 School of The University of Texas Health Science Center at Dallas.

If this program is approved by the Coordinating Board, the next appro-
 priate catalog published at the Dallas Health Science Center will be
 amended to reflect this new program.

8. Dallas Health Science Center (Dallas Southwestern Medical School),
Galveston Medical Branch (Galveston Medical School) and San
Antonio Health Science Center (San Antonio Medical School):
Acceptance of Proposal by The Robert A. Welch Foundation and
Establishment of Three Robert A. Welch Chairs in Chemistry. --

Upon the recommendation of System Administration, a proposal
 received by Chancellor LeMaistre from The Robert A. Welch
 Foundation was accepted whereby the Foundation expressed the
 intent to endow an additional three Robert A. Welch Chairs in
 Chemistry in the amount of \$650,000 each payable over the next
 several years, to-wit: one at the Dallas Southwestern Medical
 School; one at the Galveston Medical School and one at the San
 Antonio Medical School.

Based on this proposal and effective upon the receipt of the letter
 agreement from the Welch Foundation to be accepted on behalf of
 the Board of Regents by the Chairman, the following Chairs were
 established in accordance with the Regents' Rules and Regulations:

The Robert A. Welch Chair in Chemistry at the
 Dallas Southwestern Medical School of The Uni-
 versity of Texas Health Science Center at Dallas

The Robert A. Welch Chair in Chemistry at the
 Galveston Medical School of The University of
 Texas Medical Branch at Galveston

The Robert A. Welch Chair in Chemistry at the
 San Antonio Medical School of The University of
 Texas Health Science Center at San Antonio

System Administration was authorized to finalize the details of
 these endowments with the Trustees of the Foundation.

Committee Chairman Law on behalf of the Board expressed appre-
 ciation and gratitude to the Trustees of The Robert A. Welch
 Foundation for their continued support of the University.

9. Galveston Medical Branch: Affiliation Agreements with (a) Presbyterian Hospital, Oklahoma City, Oklahoma; (b) St. Luke's Episcopal Hospital, Houston, Texas; (c) Sports Medicine Clinic of North Texas, Dallas, Texas; (d) Hillcrest Medical Center, Tulsa, Oklahoma; (e) Easter Seal Society for Crippled Children and Adults of Bexar County, Inc., San Antonio, Texas; (f) Methodist Hospital, Lubbock, Texas; (g) Humana of Texas, Inc., d/b/a Medical City Dallas Hospital, Dallas, Texas; (h) Criss Cole Rehabilitation Center (State Commission for the Blind), Austin, Texas; (i) Brownsville Medical Center, Brownsville, Texas; (j) Beaumont Medical-Surgical Hospital, Beaumont, Texas; (k) Baptist Memorial Hospital, Kansas City, Missouri; (l) Austin-Travis County Mental Health Mental Retardation Center, Austin, Texas; (m) Austin Independent School District, Austin, Texas; (n) Pru Care, Houston, Texas; (o) Balcones Special Services Cooperative, Austin, Texas; (p) Texas Department of Health Facility Standards Division, Austin, Texas; and (q) Health Sciences Center Hospital, Lubbock, Texas. -- Approval was given to affiliation agreements executed by the appropriate officials on the dates indicated by and between The University of Texas Medical Branch at Galveston and the following facilities to be effective immediately.

<u>Facility</u>	<u>Agreement Executed</u>
a. Presbyterian Hospital, Oklahoma City, Oklahoma	June 1, 1978
b. St. Luke's Episcopal Hospital Houston, Texas	June 1, 1978
c. Sports Medicine Clinic of North Texas Dallas, Texas	June 1, 1978
d. Hillcrest Medical Center Tulsa, Oklahoma	June 1, 1978
e. Easter Seal Society for Crippled Children and Adults of Bexar County, Inc. San Antonio, Texas	June 1, 1978
f. Methodist Hospital Lubbock, Texas	June 1, 1978
g. Humana of Texas, Inc., d/b/a Medical City Dallas Hospital, Dallas, Texas	(undated)*
h. Criss Cole Rehabilitation Center (State Commission for the Blind), Austin, Texas	June 1, 1978
i. Brownsville Medical Center Brownsville, Texas	June 1, 1978
j. Beaumont Medical-Surgical Hospital Beaumont, Texas	June 1, 1978
k. Baptist Memorial Hospital Kansas City, Missouri	June 1, 1978
l. Austin-Travis County Mental Health Mental Retardation Center, Austin, Texas	June 1, 1978
m. Austin Independent School District Austin, Texas	June 1, 1978
n. Pru Care, Houston, Texas	June 1, 1978

*To be dated August 4, 1978.

- | | | |
|----|--|--------------|
| o. | Balcones Special Services Cooperative
Austin, Texas | June 1, 1978 |
| p. | Texas Department of Health Facility
Standards Division, Austin, Texas | June 1, 1978 |
| q. | Health Sciences Center Hospital
Lubbock, Texas | June 1, 1978 |

These agreements follow the format approved for affiliation agreements by the Board of Regents on December 16, 1977. The facilities will provide additional learning experiences for allied health students.

10. Houston Health Science Center: Affiliation Agreements with (a) Jewish Community Center, Houston, Texas, and (b) Holly Hall, Houston, Texas. -- Approval was given to affiliation agreements executed by the appropriate officials on the dates indicated by and between The University of Texas Health Science Center at Houston and the following facilities to be effective immediately:

<u>Facility</u>	<u>Agreement Executed</u>
a. Jewish Community Center Houston, Texas	May 31, 1978
b. Holly Hall, Houston, Texas	May 23, 1978

These agreements follow the format approved for affiliation agreements by the Board of Regents on December 16, 1977. They will provide additional experience for the students in Allied Health Sciences at the Houston Health Science Center.

11. Houston Health Science Center: Affiliation Agreement with Entity Composed of St. Luke's Hospital, Texas Children's Hospital and the Texas Heart Institute, Houston, Texas. -- Approval was given to the following affiliation agreement (Pages 154-159) between The University of Texas Health Science Center at Houston and an entity composed of St. Luke's Hospital, Texas Children's Hospital and the Texas Heart Institute, Houston, Texas, to be effective immediately.

This agreement varies from the standard model agreement approved by the Board of Regents at its December 16, 1977 meeting in that Paragraph No. 10 has been altered slightly to clarify that University personnel are not to be considered employees or agents of the Facility.

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HEALTH CARE
EDUCATIONAL EXPERIENCE PROGRAM
AFFILIATION AGREEMENT

THIS AGREEMENT made the ____ day of _____, 197__, by and between the The University of Texas Health Science Center at Houston ("University"), a component institution of The University of Texas System, ("System"), and St. Luke's Hospital, Texas Children's Hospital, and the Texas Heart Institute ("Facility"), a privately owned hospitals having its principal office at Texas Medical Center, Houston, State of Texas.

WITNESSETH:

WHEREAS, Facility now operates hospital facilities located at Texas Medical Center in the City of Houston, State of Texas, and therein provides health care services for persons in need of such services; and University provides an academic program with respect to health care; and,

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

WHEREAS, Facility is committed to the goal of providing, by and within the practicable means of its resources, the best obtainable supply of personnel educated in the field of health care, both for Facility and other similar institutions as eventual employers of such personnel; and, further, desires to utilize such services of University students as may be available in conjunction with said educational experience provided by Facility; and,

WHEREAS, University and Facility intend to establish and implement, from time to time, one or more educational experience programs, which will accomplish such objectives;

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

1. The Program shall not become effective until all agreements between the parties with respect to Program have been reduced to writing ("Program Agreement"), executed by Facility and the President of University, and approved in writing by the President of The University of Texas System.

2. The Program may be cancelled by either party by giving such written notice to the other of its intention to terminate the Program as provided in the Program Agreement; provided, however, that the Program shall automatically terminate upon termination of this Agreement.

3. In the event of conflict between the text of Program Agreement and the text of this Agreement, this Agreement shall govern.

4. After Program Agreement becomes effective, no amendments thereto shall be valid unless in writing and executed by Facility and the President of University, and approved by the President of The University of Texas System.

5. Except for certain acts to be performed by University pursuant to express provisions of this Agreement, Facility hereby agrees to furnish the premises, personnel, services, and all other things necessary for and to conduct the Educational Experience Program, and, in connection with such Program, further agrees:

(a) To maintain complete records on the performance of each student participating in the Program, and provide evaluation of each such student to University on forms provided by University and at such times as same may reasonably be requested by University.

(b) To report to University the name of any student who Facility believes (1) is not performing satisfactorily as a student, (2) is impeding desired relationships between persons participating in the Program or otherwise engaged in activities of Facility, or (3) has a health status detrimental to the student's

successful completion of the Program. Such report shall be in writing and contain all information supporting Facility's belief, and shall be considered by University in accordance with Paragraph 6(f) of this Agreement.

(c) To permit the authority responsible for accreditation of University's curriculum to inspect all facilities, services and other things provided by Facility pursuant to this Agreement and all students records, reports, and other items of information maintained by Facility in connection with Program and participants therein, at such reasonable time or times as such inspection may be requested by University.

(d) To comply with all Federal, State and Municipal laws, ordinances, rules and regulations applicable to performance by Facility of its obligations under this Agreement, and all applicable accreditation requirements, and to certify such compliance to University or other entity when requested to do so by University.

(e) To appoint a person to have direct overall responsibility for conduct of the Program ("Program Director"); provided, however, that no person not having the prior written approval of University shall be appointed Program Director; and, in such connection, Facility shall furnish in writing to University (not later than thirty (30) days prior to the date the Program Director appointment is to become effective) the name of the person proposed by Facility to be Program Director, and the professional and academic credentials of such person. In the event the Program Director becomes unacceptable to University after appointment, Facility will appoint another person to serve as Program Director in accordance with the procedure stated in the first sentence of this sub-paragraph (e).

6. University hereby agrees:

(a) To furnish Facility (insofar as such information is reasonably available to it, and as permitted by law);

(1) The name, biographical data, and a report of health status of each student assigned by University to participate in the Program, at least thirty (30) days prior to the date such students are scheduled to begin participation in the Program; and,

(2) Any additional information with respect to such students requested by Facility at any time prior to arrival of such students at Facility to participate in the Program.

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

(c) To designate a member of the University faculty to coordinate with Facility through its Program Director the learning assignment to be assumed by each student participating in the Program, and to furnish to Facility in writing the name of such faculty member.

(d) To do all things University deems reasonably necessary and proper to insure compliance by students participating in the Program with Facility's written regulations and policies.

(e) To advise students participating in the Program that they (and not Facility or University) are solely responsible for (1) providing for themselves any dress or garments required (but not provided) by Facility to be worn by students participating in Program, and transportation and housing and living arrangements and accommodations to the extent not voluntarily provided by Facility, and (2) reporting to Facility on time in accordance with Program schedules.

(f) Upon receiving a report from Facility, as provided by Paragraph 5(b) of this Agreement, to investigate and consider the basis of such report and take such action with respect to the student involved as University in its sole discretion deems necessary after consultation with Facility.

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

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

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

10. Neither the students nor the faculty shall be considered employees or agents of the Facility and the University shall, to the extent authorized under the Constitution and laws of the State of Texas, be and remain responsible to the Facility and to third parties for all acts or omissions of the students and faculty while in the Facility. University shall, to the extent authorized under the Constitution and laws of the State of Texas, hold Facility harmless from liability resulting from University's acts or omissions within the terms of this Agreement; provided, however, University shall not hold Facility harmless from any claims, demands, or causes of action arising in favor of any person or entity, growing out of, incident to, or resulting directly or indirectly from negligence (whether sole, joint, concurring or otherwise) of Facility, its officers, agents, representatives, or employees, or any person or entity not subject to University's supervision or control.

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

12. This Agreement shall not become effective unless and until approved by the Board of Regents of The University of Texas System. If so approved, this Agreement shall become effective on the date of such approval, and shall continue in effect for an initial term ending one (1) year after the date and year of execution by Facility and University, and after such initial term, from year to year until one party shall have given one hundred eighty (180) days' written notice to the other party of intention to terminate this Agreement. Such notice may be given during such initial term or during any subsequent yearly term, and this Agreement shall thereafter terminate at the end of the term during which such notice is given, or when all students enrolled in the Program at the end of such term have completed their respective courses of study under the Program, whichever event last occurs.

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Executed by University and Facility on the day and year first above written, in duplicate copies, each of which shall be deemed an original.

UNIVERSITY

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

ATTEST:

Secretary, Board of Regents

By _____
Chairman

APPROVED AS TO CONTENT:

FORM APPROVED:

[Signature]
System Attorney

[Signature]
President of the System

[Signature]
Vice President for Health Affairs (System)

FACILITY

ATTEST:

[Signature]
Assistant Administrator
and Counsel

By *[Signature]*
Executive Director

- 12. Houston Health Science Center: Ratification of Student Health Services Contract with Rice University, Houston, Texas. --
 Upon recommendation of Acting President Blocker and System Administration, the following contract (Pages 160-162) between The University of Texas Health Science Center at Houston and William Marsh Rice University, Houston, Texas, was ratified.

It was pointed out in the Material Supporting the Agenda that the contract provided for primary care but consultant services including hospitalization were not included. The contract has been of value to the Family Medicine program at the Houston Health Science Center at no cost to the University.

THE STATE OF TEXAS
 COUNTY OF HARRIS

STUDENT HEALTH SERVICES CONTRACT

THIS CONTRACT made the 9th day of May, A.D. 1978,
 by and between THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT HOUSTON ("HSC"),
 a component institution of THE UNIVERSITY OF TEXAS SYSTEM ("SYSTEM"), and
 WILLIAM MARSH RICE UNIVERSITY ("RICE"), a Texas non-profit corporation,
 6100 Main Street, Houston, Texas.

WITNESSETH:

WHEREAS, HSC and Rice intend and desire to provide students enrolled at Rice with certain health services for acute and episodic illnesses and for preventive health services:

NOW THEREFORE, in consideration of the benefits to be derived therefrom and of the obligations created by this Contract, HSC and Rice hereby agree:

HSC will provide certain health care services through its Health Care Center to persons who provide proper identification of themselves as students of Rice, said services to be of the same nature and subject to the same limitations as that provided to HSC students, and shall be provided in the following manner:

1. Rice students who believe they need health care services will first report to the Student Health Clinic located on the Rice campus, for

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screening and delivery of health care services as indicated by Center personnel. In the judgment of Center personnel stationed in the Student Health Clinic, additional health care services are needed by such students, such students will be referred to the Center or other appropriate facility. Rice students who do not follow the foregoing procedure will not be entitled to receive health care services at the Center.

2. Referral to consultant services, including hospitalization, will be at the sole discretion of the medical staff of the Center with the consent of the student. HSC undertakes no obligation to purchase or provide said consultant and hospitalization services.

3. Rice agrees to provide all utilities, maintenance and upkeep for the space occupied by the Student Health Clinic located on the Rice campus. HSC will provide all necessary medical materials and equipment at both the Student Health Clinic and the Center.

4. Rice will bill HSC each quarter for services of nurses who are employed by Rice and who serve at the Student Health Clinic at Rice. HSC will reimburse Rice for the salaries and fringe benefits of such nurses. Assignment of nurses to the Student Health Clinic shall be subject to the approval of the Director of the Center.

5. Rice shall administer a student health insurance program in amounts and under policies acceptable to HSC. However, insurance coverage shall not affect the health care services obligations created under this Contract.

6. Rice shall provide to all students eligible to receive medical services under this Contract proper identification. HSC assumes no obligation to treat any person who does not present such identification at the time treatment is sought and assumes no liability arising from the failure of HSC or Center to treat persons who do not present such identification.

7. Rice shall pay to HSC the sum of FORTY DOLLARS (\$40.00) for each Rice student who is eligible or becomes eligible to receive health services under this Contract at any time during the period of this Contract, August 22, 1977, until August 31, 1978.

8. This Contract shall be construed under and in accordance with the Laws of the State of Texas, and obligations of the parties created hereunder are performable in Harris County, Texas.

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9. This Contract shall be binding upon and inure to the benefit of Parties hereto and their respective administrators, legal representatives, successors, and assigns permitted by this Contract.

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

11. This Contract constitutes the sole and only contract of the Parties hereto and supersedes any prior understandings or written or oral contracts between the Parties respecting the within subject matter.

12. HSC insofar as it is authorized by the Constitution and Laws of the State of Texas agrees to indemnify and hold Rice University harmless from and against all claims, demands, and causes of action resulting from conditions maintained or created, or acts or omissions by employees of the Center in the discharge of the obligations of this Contract.

13. This Contract shall be of no force or effect unless and until approved by the Board of Regents of The University of Texas System.

WITNESSES:

RICE UNIVERSITY

Mary Wright Atkinson
Notary Public, Harris
County, Tex. - Commission expires 6-30-78

Norman G. Hackerman, Ph.D
President

WITNESSES:

THE UNIVERSITY OF TEXAS HEALTH SCIENCE
CENTER AT HOUSTON

D.C. [Signature]

T. G. Blocker, Jr., M.D.
President

APPROVED AS TO FORM:

THE UNIVERSITY OF TEXAS SYSTEM

[Signature]
General Counsel of the System

E. D. Walker
President

13. Houston Health Science Center: Authorization to Submit Request to Coordinating Board to Transfer Master of Science Degree Program in Language Sciences from Graduate School of Biomedical Sciences to School of Allied Health Sciences (Catalog Change). -- Upon the recommendation of Acting President Blocker and System Administration, authorization was given to seek permission from the Coordinating Board, Texas College and University System to transfer the authority to award the Master of Science Degree in Language Sciences from the Graduate School of Biomedical Sciences of The University of Texas Health Science Center at Houston to the School of Allied Health Sciences.

If this transfer is approved by the Coordinating Board, the next appropriate catalogs published at the Houston Health Science Center will be amended to reflect this change.

14. University Cancer Center: Approval in Principle of Interagency Agreement with Texas Department of Health to Establish an Interagency Center for Cancer Prevention and Control. -- Upon the recommendation of President Clark, concurred in by System Administration, approval in principle was given to the development of an interagency agreement with the Texas Department of Health to establish an Interagency Center for Cancer Prevention and Control at The University of Texas System Cancer Center. The details of the agreement will be formalized and the agreement will be submitted to the Texas Department of Health and the Board of Regents for final approval.

This proposed center will distribute "The Impact of Cancer on Texas" to all organizations interested in cancer prevention and control in the State of Texas and receive input from professional societies, voluntary health agencies, and other state agencies, including The University of Texas System Oncology Council. Ultimately a State plan for cancer prevention and control will be prepared which will define the needs, resources, manpower and programs required to impact upon cancer favorably in the years ahead. The involvement of the U. T. Oncology Council will assure involvement of all our health components.

REPORT OF LAND AND INVESTMENT COMMITTEE (Pages 163-179). -- Committee Chairman Clark submitted the following report of the Land and Investment Committee. He stated that all items were approved unanimously in open session unless otherwise indicated. The report was adopted without objection:

Though the Chairman of the Board of Regents has authority to execute any document authorized by the Board, either the Executive Director for Investments, Trusts and Lands or the President of the System may execute, unless otherwise indicated in the report, all necessary instruments authorized in this report when each has been approved as to form by an attorney in the Office of General Counsel and as to content by the appropriate official. These instruments relate to real estate or mineral interests held or controlled by the Board of Regents as a part of the Permanent University Fund or as a part of any Trust and Special Fund.

L PERMANENT UNIVERSITY FUND

A. INVESTMENT MATTERS

Report on Clearance of Monies to Permanent University Fund for May 1978 and Report on Oil and Gas Development as of May 31, 1978. --
The following reports with respect to (a) certain monies cleared to the Permanent University Fund for the month of May 1978 and (b) Oil and Gas Development as of May 31, 1978, were received from the Executive Director for Investments, Trusts and Lands and made a part of this Committee's report:

	<u>May 1978</u>	<u>Cumulative This Fiscal Year</u>	<u>Cumulative Preceding Fiscal Year</u>
<u>Permanent University Fund</u>			
Royalty	\$ 3,623,392.63	\$ 29,262,710.13	\$ 28,425,149.49
Oil	2,882,338.58	26,515,275.49	19,753,827.60
Gas - Regular	.78	226.74	74,928.15
- F.P.C.	23,529.47	1,123,840.21	6,378,292.59
- Market Value Settlements		374,443.49	1,414,998.34
- In Kind Settlements	37,335.12	154,053.97	113,753.70
Water	2,415.47	31,388.50	23,125.30
Salt Brine	28,935.00	432,808.44	978,794.84
Sulphur			873,118.28
Rental	192,946.15	1,169,524.13	16,733.39
Oil and Gas Leases		12,197.93	405,106.73
Other	13,261.19	733,957.62	\$ 58,457,828.41
Miscellaneous	\$ 6,804,154.39	\$ 59,810,426.65	13,324,000.00
Bonuses, Oil and Gas Lease Sales	-0-	17,869,500.00	
<u>Total, Permanent University Fund</u>	<u>\$ 6,804,154.39</u>	<u>\$ 77,679,926.65</u>	<u>\$ 71,781,828.41</u>

Oil and Gas Development - May 31, 1978
Acreage Under Lease - 1,016,027

Number of Producing Acres - 369,368

Number of Producing Leases - 1,618

B. LAND MATTERS

Easements and Surface Leases Nos. 4633-4666 and Material Source Permits Nos. 553-558. --Easements and Surface Leases Nos. 4633-4666 and Material Source Permits Nos. 553-558 were approved as set out below. All have been approved as to content by the appropriate officials. Payment for each has been received in advance unless otherwise indicated, and the documents are on the University's standard forms and are at the standard rates that became effective February 1, 1977:

1. Easements and Surface Leases Nos. 4633-4666

No.	Company	Type of Permit	County	Location (Block#)	Distance or Area	Period	Consideration
4633	BTA Oil Producers (renewal of 3560)	Surface Lease (salt water disposal)	Ward	16	2 acres	6/1/78-5/31/79*	\$ 1,000.00 (annual)
4634	Phillips Petroleum Company (renewal of 2628)	Surface Lease (salt water disposal)	Andrews	4	2 acres	6/1/78-5/31/79*	500.00 (annual)
4635	Phillips Petroleum Company (renewal of 2641)	Pipe Line	Andrews	4	183.6 rds. 4-1/2 inch	7/1/78-6/30/88	459.00
4636	Phillips Petroleum Company (renewal of 2731)	Pipe Line	Winkler	20	174.4 rds. 4-1/2 inch	7/1/78-6/30/88	436.00
4637	Dorchester Gas Producing Company (renewal of 2709)	Pipe Line	Reagan	1, 2	2,361.6 rds. various size	9/1/78-8/31/88	5,904.00
4638	Dorchester Gas Producing Company (renewal of 2798)	Pipe Line	Reagan	1	338.3 rds. 6-5/8 inch 104.0 rds. 4-1/2 inch	10/1/78-9/30/88	1,105.75
4639	Bill J. Graham (renewal of 2691)	Pipe Line	Crockett	31	613.69 rds. 2-7/8 inch & 2-3/8 inch	8/1/78-7/31/88	1,534.23

*Renewable from year to year, but not to exceed five years.

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Land Matters - Continued --

No.	Company	Type of Permit	County	Location (Block#)	Distance or Area	Period	Consideration
4640	Rio Grande Electric Cooperative, Inc. (renewal of 2843)	Power Line	Hudspeth	K	348.18 rds. single pole	10/1/78-9/30/88	\$ 522.27
4641	Transwestern Pipeline Company (renewal of 2612)	Pipe Line	Winkler, Ward	17, 21	3,715.1 rds. 30 inch	5/1/78-4/30/88	13,002.85
4642	The Permian Corporation (renewal of 2721)	Pipe Line	Reagan	48	204.18 rds. 2-3/8 inch	10/1/78-9/30/88	510.45
4643	The Permian Corporation (renewal of 2728)	Pipe Line	Reagan	48	318.9 rds. 2-3/8 inch	10/1/78-9/30/88	797.25
4644	The Permian Corporation (renewal of 2712)	Pipe Line	Reagan	48	246.96 rds. 2-3/8 inch	10/1/78-9/30/88	617.40
4645	The Permian Corporation (renewal of 2715)	Pipe Line	Reagan	48	187.52 rds. 2-7/8 inch	10/1/78-9/30/88	468.80
4646	The Permian Corporation (renewal of 2717)	Pipe Line	Reagan	48	212.12 rds. 2 inch	10/1/78-9/30/88	530.30
4647	The Permian Corporation (renewal of 2716)	Pipe Line	Reagan	48	193.60 rds. 2-1/2 inch	10/1/78-9/30/88	484.00
4648	El Paso Natural Gas Company (renewal of 2604)	Pipe Line	Andrews	1	114.467 rds. 4-1/2 inch	10/1/78-9/30/88	286.17
4649	El Paso Natural Gas Company (renewal of 2588 & 2589)	Pipe Line	Andrews	1, 9	316.376 rds. various size	7/1/78-6/30/88	790.94
4650	Southwest Texas Electric Cooperative, Inc.	Power Line	Crockett	47	170.606 rds. single pole	3/1/78-2/28/88	170.61
4651	Southwest Texas Electric Cooperative, Inc.	Power Line	Reagan	48	584.0606 rds. single pole	4/1/78-3/31/88	584.06

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Land Matters - Continued --

No.	Company	Type of Permit	County	Location (Block#)	Distance or Area	Period	Consideration
4652	Southwest Texas Electric Cooperative, Inc.	Power Line	Crockett	47	46.484 rds. single pole	5/1/78-4/30/88	\$ 150.00 (minimum)
4653	The S. D. Company (renewal of 2693)	Surface Lease (salt water disposal)	Reagan	11	1 acre	7/1/78-6/30/79*	1,500.00 (annual)
4654	Exxon Pipeline Company (renewal of 2943)	Pipe Line	Andrews	9	274.1 rds. 4 inch	7/1/78-6/30/88	685.25
4655	Shell Oil Company (renewal of 2796)	Pipe Line	Crane	30	176.4 rds. 2-1/2 inch	10/1/78-9/30/88	41.00
4656	Texas Electric Service Company (renewal of 2643 & 2644)	Power Line	Andrews	4, 5, 9, 10, 11, 13	539.54 rds. single pole	8/1/78-7/31/88	539.54
4657	Phillips Pipe Line Company (renewal of 2658)	Pipe Line	Andrews	10, 11	3,096 rds. various size	8/1/78-7/31/88	10,805.00
4658	Phillips Petroleum Company (renewal of 2640)	Pipe Line	Ector	35	738.42 rds. 4-1/2 inch	7/1/78-6/30/88	1,846.00
4659	Phillips Petroleum Company (renewal of 2642)	Pipe Line	Andrews, Crane	11, 30	103.6 rds. 4-1/2 inch	7/1/78-6/30/88	259.00
4660	Phillips Petroleum Company (renewal of 2639)	Pipe Line	Ector	35	176.36 rds. 4-1/2 inch 183.94 rds. 6-5/8 inch	7/1/78-6/30/88	900.75
4661	Phillips Petroleum Company (renewal of 2730)	Pipe Line	Andrews	9	436.7 rds. 4-1/2 inch	8/1/78-7/31/88	1,091.75

*Renewable from year to year, but not to exceed five years.

Land Matters - Continued --

No.	Company	Type of Permit	County	Location (Block#)	Distance or Area	Period	Consideration
4662	Ozona Salt Water Disposal	Pipe Line	Crockett	31	291.52 rds. 2-7/8 inch	6/1/78- 5/31/88	\$ 874.50
4663	Northern Natural Gas Company	Pipe Line	Andrews	11	118.36 rds. 4-1/2 inch	6/1/78- 5/31/88	355.08
4664	Oasis Pipe Line Company	Pipe Line	Ward	17	646.85 rds. 8 inch	7/1/78 6/30/88	1,940.55
4665	Fin-Tex Pipe Line Company	Pipe Line	Crockett	47	176.67 rds. various size	5/1/78 4/30/88	530.01
4666	Ozona Salt Water Disposal	Surface Lease (tank battery site)	Crockett	31	Less than 1 acre	6/1/78- 5/31/88	1,500.00 (full)

2. Material Source Permits Nos. 553-558

No.	Grantee	County	Location	Quantity	Consideration
553	Reliable Construction Company, Inc.	Andrews	Block 13	950 cubic yards caliche	\$ 332.50
554	Jones Bros. Rental Equipment Company, Inc.	Crane	Block 30	17,000 cubic yards caliche	5,950.00
555	Well Servicing Company of Crane	Crane	Block 31	420 cubic yards caliche	150.00 (min.)
556	Well Servicing Company of Crane	Crane	Block 31	420 cubic yards caliche	150.00 (min.)
557	Well Servicing Company of Crane	Crane	Block 30	420 cubic yards caliche	150.00 (min.)
558	Jones Bros. Rental Equipment Company, Inc.	Pecos	Block 30	22,003 cubic yards caliche	3,300.40

II. TRUSTS AND SPECIAL FUNDS

A. GIFTS, BEQUESTS AND ESTATES

1. U. T. System - Hogg Foundation - Thomas E. Hogg Fund: Report on Death of Mrs. Margaret Wells Markus and Vesting of the Residuary Estate of Thomas E. Hogg for the Benefit of Hogg Foundation for Mental Health. -- The Administration submitted the following written report with respect to The University of Texas System - Hogg Foundation - Thomas E. Hogg Fund:

Mrs. Margaret Wells Markus died on June 18, 1977, and the remainder of the Estate of her deceased first husband, Thomas E. Hogg, vested in the Board of Regents with the income to be used for the support of the Hogg Foundation for Mental Health. The portion of that remainder estate still held by Mrs. Markus under her life estate and all now delivered to the University consisted of bonds worth approximately \$190,000, mineral interests and real estate (approximately 100 acres in the J. H. Bell 1-1/2 leagues, Abstract 40, Brazoria County, Texas) worth about \$200,000.

Mr. Hogg died in 1949 leaving a will executed in 1947 providing for a life estate in his surviving wife as to his residuary estate and further providing that: "At her death it is my further desire that whatever may remain of such estate be given to Hogg Memorial or foundation set up by my brothers and sister." When the administration of the Estate was being completed, it was agreed (December 4, 1953 and October 29, 1954) between the Board of Regents and the Independent Executrices of the Estate, Mrs. Margaret Hogg and Miss Ima Hogg, that the memorial or foundation referred to in the will was the Hogg Foundation, the Trustee of which was and is the Board of Regents, as created (July 15, 1939) and identified under the 1939 deed from Mike Hogg, Independent Executor, joined individually by Mike Hogg and by Miss Ima Hogg and Thomas E. Hogg, conveying to the Board of Regents the residuary estate of Will C. Hogg who died in 1930.

In 1952, the principal asset of the Thomas E. Hogg Estate was its approximately one-third interest in Varner Company, the Hogg family real estate corporation with properties in Houston and San Antonio. In response to a proposal from the ladies and negotiations that followed, the Board of Regents as Trustee of the Hogg Foundation - Will C. Hogg Memorial Fund on June 6, 1952, purchased the stock and notes of Varner Company owned outright by Miss Ima Hogg and also purchased the life estate of Mrs. Margaret Hogg in stock and notes owned by the Thomas E. Hogg Estate and the life estate of Mrs. Alice Nicholson Hanszen in the stock and notes owned by the Mike Hogg Estate. Varner Company was then dissolved and all of its properties conveyed to the Board of Regents as Trustee. All of the real estate has been sold except for two pieces in Houston (Texas

State Hotel property and Parking Lot at Capitol and Fannin Streets), and proceeds after payment of the purchase price to the ladies are invested in the University's Common Trust Fund. The income from all of the Varner Properties has been used toward the support of Hogg Foundation for Mental Health. The Thomas E. Hogg Estate's portion of the remaining real estate and the Common Trust Fund investment is about \$2,300,000.

2. U. T. Austin: Report on the Death of Mrs. Alice Nicholson Hanszen and Vesting of the Residuary Estate of Mike Hogg for the Benefit of U. T. Austin. -- The Administration submitted the following written report with respect to the Mike Hogg Estate at The University of Texas at Austin:

Mrs. Alice Nicholson Hanszen died on May 22, 1977, and the remainder of the Estate of her deceased first husband, Mike Hogg, vested in the Board of Regents with income to be used at U. T. Austin. Mr. Hogg died in 1941 leaving a will executed shortly before his death providing for a life estate in Mrs. Alice Nicholson Hogg, his surviving wife, as to his residuary estate and upon her death to the Board of Regents with

"so much of the net income therefrom as said Board shall deem necessary to be used in the establishment and maintenance of a Department of Municipal Government at The University of Texas, that is to say, a department devoted to:

1. Perpetuation of the American principle of local self-government.
2. Research in and the study of the problems of municipal governments through visitation and otherwise; and
3. The training of young men and women for service in municipal government, including assignment of students to designated municipalities for study and research, to the end that our citizens may have and enjoy cleaner, more efficient, and more economic local government; and
4. To make available to the municipalities of Texas information and counsel in the solving of municipal problems.

"(C) The said trust above created to the Board of Regents of The University of Texas is the residuary legatee of my estate to whom any property of my estate not otherwise disposed of shall go, subject to the terms of the trust herein defined. Any portion of the net income from my estate which said

Board of Regents shall not deem necessary to establishment and maintenance of said Department of Municipal Government shall go into the general fund of The University for general University purposes."

This bequest is subject to the bequest of \$1,000 per month to Mrs. Elsie Nicholson Simkins, sister of Mrs. Hanszen, for life, effective upon Mrs. Hanszen's death. Mrs. Simkins is in her sixties.

The portion of that remainder estate still held by Mrs. Hanszen and all now delivered to the University consisted of bonds and a small holding of stocks worth a total of approximately \$150,000.

The principal asset of the Mike Hogg Estate was its approximately one-third interest in Varner Company. (See report on Thomas E. Hogg Estate on Page 169.) That estate's interest in the remaining Varner Properties amounts to a total of about \$2,400,000. Mrs. Hanszen's life estate having been purchased by the Board of Regents as Trustee of Hogg Foundation - Will C. Hogg Memorial Fund, the income was used during her lifetime toward the support of Hogg Foundation for Mental Health. The Administration will submit recommendations regarding future use of the income in line with the provisions of the Will of Mike Hogg.

3. U. T. Austin: Establishment of Leonidas T. Barrow Professorship in Mineral Resources in Department of Geological Sciences. -- Upon the recommendation of President Rogers and the Administration, the Land and Investment Committee without objection established the Leonidas T. Barrow Professorship in Mineral Resources in the Department of Geological Sciences at The University of Texas at Austin. The Professorship will be endowed with \$50,000 on hand from various donors and \$50,000 pledged by Mrs. L. T. Barrow and her son, Tom. The Administration advised that payment of this pledge was expected within a reasonable time following this establishment.

Mr. Leonidas T. Barrow, past Chairman of the Board of Humble Oil and Refining Company, was a graduate of U. T. Austin who generously supported the Geology Foundation and who received its first Distinguished Graduate Award in recognition of his professional attainment.

4. U. T. Austin: Acceptance of Gift and Pledge and Establishment of Emily Isbell Blunk Scholarship Fund in the Graduate School of Business. -- A gift of \$1,000 and a pledge of \$9,000 were accepted with gratitude from Mr. W. David Blunk, Jr., and the Emily Isbell Blunk Scholarship Fund was established at The University of Texas at Austin in honor of Mr. Blunk's mother. Income from this endowment will be used for scholarships in Finance in the Graduate School of Business.

5. U. T. Austin: Commitment to Establish Leslie Bowling Professorship in Geological Sciences and Authorization to Solicit Funds with Geology Foundation Advisory Council Therefor (R&R, One, VII, 2. 44). -- Upon the recommendation of President Rogers and the Administration, the Land and Investment Committee without objection made a commitment to establish the Leslie Bowling Professorship in Geological Sciences at The University of Texas at Austin when an endowment for this purpose reached \$100,000 and authorized U. T. Austin and the Geology Foundation Advisory Council to solicit funds for the endowment of this professorship (R&R, One, VII, 2. 44).

With respect to this commitment, the Administration reported (a) that a pledge had been received by the U. T. Austin Geological Sciences Department from Mr. Ray D. Woods to establish a charitable remainder trust to support in part the endowment of the Bowling Professorship and (b) that the University had approximately \$35,000 in gifts and pledges for the endowment of this Professorship.

Mr. Leslie Bowling, a Geology alumnus (BA 1928) died on June 12, 1977. He was an active member of the Geology Foundation Advisory Council from 1963 to 1975 (Chairman 1970-73) and was named an Honorary Life Member of the Council in 1975.

6. U. T. Austin: Acceptance of Gift and Pledge and Establishment of the Mr. and Mrs. Marvin K. Collie Endowed Presidential Scholarship. -- A gift of \$2,500 and a pledge to bring the fund to \$25,000 within 10 years were accepted from Mr. and Mrs. Marvin K. Collie, Houston, Texas, and the Mr. and Mrs. Marvin K. Collie Endowed Presidential Scholarship was established at The University of Texas at Austin.
7. U. T. Austin: Report on Bequest Under Will of Lowber D. Snow and Establishment of Lowber Snow (a) Professional Development Fund, (b) ASCE Development Fund, (c) Faculty Development Fund, and (d) Scholarship/Fellowship Fund in the Engineering Foundation. -- The Administration reported that The University of Texas at Austin had received the first and final distribution of the residuary estate of Lowber D. Snow in the amount of \$45,876.60 accepted by the Board of Regents at its February 1978 meeting, and joined President Rogers in recommending that this money be used to establish the following funds as endowments in the Engineering Foundation:
- a. \$10,000.00 for the Lowber Snow Professional Development Fund with the income to be used for the benefit of the Student Chapter, Texas Society of Professional Engineers
 - b. \$10,000.00 for the Lowber Snow ASCE Development Fund with the income to be used for the Student Chapter, American Society of Civil Engineers

- c. \$10,000.00 for the Lowber Snow Faculty Development Fund in Civil Engineering with the income to be used for programs in faculty development in the Department of Civil Engineering
- d. \$15,876.60 for the Lowber Snow Scholarship/Fellowship Fund in Civil Engineering with the income to be used for the purposes indicated

and further recommended that the remaining \$10,000.00 of a \$20,000.00 insurance policy on Mr. Snow's life also accepted at the February meeting be added to the Scholarship/Fellowship Fund to bring it to a total of \$25,876.60.

Without objection, the recommendations were adopted.

- 8. U. T. Austin: Acceptance of Gift of Stock and Establishment of Witt Family Scholarship Fund in Department of English and Department of Speech Communication; Donald Williams Memorial Award in Debate. -- A gift of 475 shares of Southwest Chemical Services Corporation stock valued at approximately \$10,500 was accepted from Mr. and Mrs. Willis Witt, Houston, Texas, and the Witt Family Scholarship Fund was established at The University of Texas at Austin.

The first \$250 of annual income from this fund will be used for the Donald Williams Memorial Award in debate and the remaining annual income will be for the award of a Witt Family Scholarship in the Department of English and the Department of Speech Communication in alternating years.

- 9. U. T. Dallas: Acceptance of Pledge from The Clark Foundation, Dallas, Texas, and Establishment of The Dr. Anson L. Clark Memorial Fund; Approval of Trust Agreement Relating Thereto. -- Upon the recommendation of President Jordan and System Administration, the Land and Investment Committee without objection accepted a pledge of \$300,000 payable in installments of not less than \$50,000 annually beginning on or before October 15, 1978, from The Clark Foundation, Dallas, Texas, and established The Dr. Anson L. Clark Memorial Fund at The University of Texas at Dallas.

Further in this connection, the Committee approved the following Trust Agreement (Pages 174-176) establishing this endowment. The income from this fund is to be apportioned to The Clark Foundation - The University of Texas at Dallas Research Trainee Program and the annual Dr. Anson L. Clark Memorial Lecture with the Foundation agreeing to fund any balances each year until the fund is self-sustaining.

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AN AGREEMENT BETWEEN
THE CLARK FOUNDATION, DONOR

AND

THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, DONEE

By this instrument, executed this _____ day of _____, 1978, by The Clark Foundation, 6116 N. Central Expressway, Suite 304, Dallas, Texas 75206 and The Board of Regents of The University of Texas System for and on behalf of The University of Texas at Dallas, P. O. Box 688, Richardson, Texas 75080, it is agreed:

1. That The Clark Foundation will make gifts totaling \$300,000 to The Board of Regents of The University of Texas System for the use and benefit of The University of Texas at Dallas, to establish a permanent endowment fund to be named "The Dr. Anson L. Clark Memorial Fund".
2. That this gift is made and received in recognition of the long standing and stated interest of Dr. Anson L. Clark in The University of Texas System, and is intended to honor and memorialize his name.
3. That the purpose of this endowment shall be to provide permanent support of The Clark Foundation - The University of Texas at Dallas Research Trainee Program, and the annual Dr. Anson L. Clark Memorial Lecture.
4. That the purpose of this endowment shall not be altered without the express permission of The Clark Foundation Trustees in advance. Further, if because of changing times and conditions, the President, the Vice President for Academic Affairs, and the Dean of the School of Natural Sciences and Mathematics of The University of Texas at Dallas shall determine that a revision

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in the Research Trainee Program is deemed necessary, the Foundation Trustees shall be notified and their concurrence sought.

5. That in the event The Clark Foundation terminates as a Private Foundation, and in the event that, because of changing times and conditions, the President, the Vice President for Academic Affairs, and the Dean of the School of Natural Sciences and Mathematics of The University of Texas at Dallas shall determine that the Research Trainee Program is no longer viable or appropriate, the proceeds from this endowment shall be used to create the Anson L. Clark Chair in Business Management.
6. That in the event The Clark Foundation terminates as a Private Foundation, the appropriate authorities of The University of Texas System shall have full authority over the endowment and returns from the investment.
7. That this endowment shall be paid in installments which shall not be less than \$50,000 annually, beginning on or before October 15, 1978 until a total of \$300,000 has been paid.
8. That interest earned from the investment of the installments made is to be apportioned to the programs noted in (3) above, with the Foundation funding any balances each year until the fund is self sustaining.
9. That the obligation of The Clark Foundation to make such payments shall be under the condition that at the time of each such payment The University of Texas at Dallas continues to be a tax exempt organization under the provisions of the Internal Revenue Service Code, and shall not be a Private Foundation as defined in Section 509 (a) (2) of the Code.

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- 10. That the investment of these funds shall be under the control and at the discretion of The University of Texas System in a manner not prohibited by law.
- 11. That The University of Texas at Dallas shall render an annual report to the Foundation accounting for all funds received, income earned, and disbursements made in support of the programs for which this endowment is established.
- 12. That this agreement is irrevocable and binding upon The Clark Foundation and The University of Texas System, and upon their successors and assigns.

No portion of these funds nor the proceeds therefrom shall ever become a part of the Permanent Fund of The University of Texas System, the Available Fund of The University of Texas System, or the General Fund of the State of Texas.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, acting through their respective officers hereunto duly authorized, as of the date hereinabove first written.

ATTEST:

THE BOARD OF REGENTS
THE UNIVERSITY OF TEXAS SYSTEM

Secretary

Chairman

Approved as to Form:

Approved as to Content:

[Signature]
University Attorney

[Signature]
President and Chief Operating Officer

ATTEST:

THE CLARK FOUNDATION

[Signature]
Secretary

[Signature]
Trustee

[Signature]
Trustee

[Signature]
Trustee

10. U. T. El Paso: Acceptance of Gift and Establishment of Judge and Mrs. Robert E. Cunningham Fund for the Benefit of Texas Western Press. -- Upon recommendation of President Templeton and the Administration, a gift of \$10,000 was accepted from Judge and Mrs. Robert E. Cunningham, El Paso, Texas, and the Judge and Mrs. Robert E. Cunningham Fund was created at The University of Texas at El Paso.

The income from this endowment is to be used for the benefit of the Texas Western Press or its successor, including its annual operation and maintenance, as recommended by the Director of the Press and consistent with the budgeting and fiscal policies and procedures.

11. U. T. El Paso: Establishment of C. L. Sonnichsen Southwest Publication Fund. -- Upon recommendation of President Templeton and the Administration, the C. L. Sonnichsen Southwest Publication Fund was established at The University of Texas at El Paso with a total of \$10,212 in gifts accumulated since 1972. Income from the endowment will be used to award an annual cash prize to the author of the best Southwestern manuscript submitted for publication to Texas Western Press.

The Administration advised that this fund was begun with a \$5,000 gift from Mr. and Mrs. Irwin Brand in 1972 following Dr. Sonnichsen's retirement after 41 years as a member of the faculty at U. T. El Paso.

12. U. T. El Paso: Establishment of William S. Strain Geology Fund. -- Upon the recommendation of President Templeton and the Administration, authorization was given to use gifts totaling \$10,232.94 accumulated since 1974 to establish the William S. Strain Geology Fund at The University of Texas at El Paso. Income from this fund will be used for cash awards to faculty members of the Department of Geological Sciences, scholarships for undergraduate students preparing to teach earth sciences in secondary schools, scholarships to undergraduate Geology majors, equipment needed to improve undergraduate instructions in Geology, and purchase of texts, laboratory manuals and other materials for the study of Geology at U. T. El Paso.

Funds for this endowment have been given by students, friends, colleagues and admirers of Dr. Strain in recognition of his 37 years of faithful service and highly successful teaching career at U. T. El Paso.

13. University Cancer Center (M. D. Anderson): (a) Charles B. Barker Professorship in Surgery Converted to Charles B. Barker Chair in Surgery and (b) Hubert L. Stringer Professorship Converted to Hubert L. and Olive Stringer Chair in Oncology in Honor of Sue Gribble Stringer. -- Upon the recommendation of President Clark, concurred in by System Administration, the following professorships were converted to chairs as indicated below:

- a. The Charles B. Barker Professorship in Surgery at M. D. Anderson of The University System Cancer Center with an endowment of \$474,856.25

was converted to the Charles B. Barker Chair in Surgery with an endowment of \$550,000.00 after transfer of \$75,143.75 from the income account.

- b. The Hubert L. Stringer Professorship at M. D. Anderson of The University of Texas System Cancer Center with a present endowment of \$568,470.00 was converted to the Hubert L. and Olive Stringer Chair in Oncology in Honor of Sue Gribble Stringer.

B. REAL ESTATE MATTERS

1. U. T. Austin - Archer M. Huntington Museum Fund: Authorization for Relocation of Road Right-of-Way and Utility Easement to Malone Service Company. -- The Administration advised that the sale to Gulf Coast Waste Disposal Authority of 450 acres of the Archer M. Huntington Museum Fund property in Galveston County, Texas (The University of Texas at Austin) authorized by the Board of Regents on April 15, 1977, included a portion of the road constructed by Malone Service Company under an agreement granting a right-of-way across University owned Huntington land from Loop 197 to Malone's property on Swan Lake (easement authorized June 20, 1969). One of the provisions of the agreement required Malone Service Company to relocate the road in the event of a sale of all or part of the land.

Without objection, approval was given to the relocation of the existing 100 foot road and utility right-of-way easement to Malone Service Company crossing a portion of the Huntington Lands, Galveston County, Texas. The new right-of-way will begin at the intersection of the existing road and the western Gulf Coast property line and will then extend south and east along said property line a distance of approximately 6,650 feet to the Malone Service Company property. The new road will be installed at the expense of Malone Service Company.

2. U. T. Austin - Roger Q. Mills Scholarship Fund (Caroline Mills Wood Estate): Ratification of Deed Covering 0.067 Acres in James W. O'Brien Survey, Navarro County, Texas, to State of Texas and Disbursement of Proceeds to Miss Annie Lee Robbins. -- Upon recommendation of the Administration, the Land and Investment Committee without objection ratified the signing by the Executive Director for Investments, Trusts and Lands of a deed conveying a contingent remainder interest in 0.067 acres in the James W. O'Brien Survey, Navarro County, Texas, to the State of Texas to be used in connection with improvements planned for FM Road 3383. This property is part of the Roger Q. Mills Scholarship Fund property (Caroline Mills Wood Estate) - The University of Texas at Austin. Approval was given to disburse the \$100 proceeds for this conveyance to Miss Annie Lee Robbins, the life tenant of the estate.

3. U. T. El Paso - Frank B. Cotton Trust: Approval of Assignment of Mineral Lease by Mr. Bill Gregory to Planterra International Corporation on 40 Acres, GC&SF Survey, Hudspeth County, Texas. -- Upon the recommendation of the Geologist-in-Charge, concurred in by the Executive Director for Investments, Trusts and Lands, approval was given to an assignment by Mr. Bill Gregory to Planterra International Corporation of the mining lease covering 40 acres in Section 39, GC&SF Survey, Hudspeth County, Texas (Frank B. Cotton Trust Land - The University of Texas at El Paso). This lease was originally granted by the Board of Regents to Mr. Gregory on April 15, 1977, and revised November 11, 1977.

III. OTHER MATTERS

Report on Securities Transactions for Permanent University Fund and Trust and Special Funds for Months of April and May 1978. -- The Report of Securities Transactions for the Permanent University Fund and Trust and Special Funds for the months of April and May 1978 submitted by the Office of Investments, Trusts and Lands was mailed to each Regent by Secretary Thedford on July 7, 1978. All questions relating thereto have been satisfactorily answered, and the report is attached (Attachment No. 2) following Page HT-3 of Attachment No. 1 and made a part of these Minutes.

REPORT OF BOARD FOR LEASE OF UNIVERSITY LANDS

Vice-Chairman Williams, who is also Vice-Chairman of the Board for Lease of University Lands, reported that the 68th Public Auction Sale of Oil and Gas Leases on University Lands will be held in Midland on September 13. He said the response up to this time had been good and the Board for Lease was looking forward to a great sale.

COMMITTEE OF THE WHOLE (Pages 179-191)

The following report of the Committee of the Whole, all action of which had been taken in open session, was filed by Chairman Shivers and unanimously adopted:

BOARD OF REGENTS' MEETINGS: PROCEDURE RELATING TO BUILDINGS AND GROUNDS COMMITTEE. -- Regent Bauerle, Chairman of the Buildings and Grounds Committee, was recognized. He moved that the Board resolution adopted September 16, 1977, relating to meetings of the Buildings and Grounds Committee be amended to provide that if a majority of the Board of Regents is present at the Buildings and Grounds Committee meeting on the first day of the Board meeting that the Committee may discuss and dispose of the items listed on the agenda of the Buildings and Grounds Committee if time permits. In that case the Committee will not meet on the following day unless there are

items on the agenda that were not considered and acted upon the preceding day or unless some member of the Board of Regents has requested that action on a particular item be deferred. Regent Law seconded the motion which unanimously prevailed.

BOARD OF REGENTS - REGENTS' RULES AND REGULATIONS, PART ONE: AMENDMENT TO SUBSECTIONS 1.84(b) AND 1.84(c), Chapter III (USE OF ADJUNCT PROFESSORIAL TITLES). --Upon recommendation of System Administration, Subsections 1.84(b) and 1.84(c) of Chapter III of Part One of the Regents' Rules and Regulations were amended to read as follows:

- 1.84 Prefixes to academic and staff positions in which tenure cannot be acquired:
- (a) ...
 - (b) Adjunct Professor, Adjunct Associate Professor, and Adjunct Assistant Professor. One of these titles may be used when a qualified person from business, industry, government, private practice, or another institution of higher education may be teaching a course or participating in the teaching of a course at one of the component institutions. Except in special circumstances, this prefix should be used to designate part-time service on the faculty. In the health components, this prefix should be used only for those persons not involved in patient care who otherwise satisfy the above criteria. Appointments to the faculty with an adjunct title may be with or without pay and shall be for a stated period of time not to exceed one academic year. Such appointments shall terminate upon expiration of the stated period of appointment without the notification of nonrenewal required by Section 6.8 of this Chapter of the Regents' Rules and Regulations. If a component determines that it is to the benefit of the institution it may offer reappointment to an adjunct faculty member.
 - (c) Clinical Professor, Clinical Associate Professor, Clinical Assistant Professor and Clinical Instructor. These titles may be used by the components to designate regular part-time service on the faculty while involved in a health professions clinical experience program. Appointments to the faculty with a clinical title may be with or without pay and shall be for a period of time not to exceed one academic year. Such appointments shall terminate upon expiration of the stated period of appointment without the notification of nonrenewal required by Section 6.8 of this Chapter of the Regents' Rules and Regulations. If a component determines that it is to the benefit of the institution it may offer reappointment to a clinical faculty member.

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BOARD OF REGENTS - REGENTS' RULES AND REGULATIONS, PART TWO: AMENDMENTS TO CHAPTER VI, SECTION 10 (UNEMPLOYMENT COMPENSATION INSURANCE PROGRAM). -- Upon recommendation of System Administration, Section 10 of Chapter VI of Part Two of the Regents' Rules and Regulations was amended as set out below:

1. Subsection 10.26 and all of its subsections were amended to read as follows:

10.26 Maintaining records of all claims filed and paid, all chargebacks, and other records necessary to separate approved claims information applicable to student employment and extending such record-keeping to any additional group(s) of employees for which such analysis may be deemed by the System Personnel Director to be necessary for effective administration, including records necessary to determine individual "benefit ratios" consistent with provisions in the Texas Unemployment Compensation Act under Subsection 10.6 for each of the following categories of fund sources:

- 10.261 State General Revenue
- 10.262 Other than State General Revenue

2. A new Subsection 10.27 was added to read as follows:

10.27 Assuring that upon adequate notice, sufficient fiscal information will be available to determine a benefit ratio for each of the following categories of funding sources:

- (a) Organized Research (including contract research and services)
- (b) Educational Service Agreements (including training grants)
- (c) Organized Activities Related to Educational Departments (including hospitals and clinics)
- (d) Auxiliary Enterprises
- (e) All Other

3. Subsection 10.5 was amended to read as follows:

10.5 Separate and apart from all other System monies or funds, an Unemployment Compensation Fund, administered under the same custodianship as other monies administered by the System, is established and maintained in one or more regular depositories of the System, secured by collateral in accordance with state statutory requirements. The fund consists of all assessments collected, all interest earned on deposits of any monies in the fund, and all other monies received for the fund from any other source. Investments or time deposits of such funds will be in accordance with regular System policies. This fund is designated as a "revolving fund" under the "University of Texas Central Services Account" provision of the current General Appropriation Act. Expenditures from the Unemployment Compensation Insurance Fund are restricted to direct costs: payments and chargebacks of approved Unemployment Compensation claims, and System administrative costs not to exceed five percent per year of the balance in the fund at the beginning of each preceding year. The administrative costs will be identified and charged as direct cost to the Unemployment Compensation Program consistent with procedures for other similar benefits programs

operated by The University of Texas System. Such direct cost charges will be supported by a payroll distribution system in accordance with Federal Management Circular 73-8, Section J. 7. A financial report will be prepared and submitted annually to the Board of Regents summarizing the transactions and balances of the Unemployment Compensation Insurance Fund for the fiscal year.

4. Subsection 10.6 and its Subsections 10.61, 10.62, 10.621 and 10.622 were deleted, and a new Subsection 10.6 and its Subsections 10.61, 10.62, 10.621(a), (b) and (c), and 10.622 were added and Subsection 10.63 was amended, all to read as follows:

10.6 The System Unemployment Compensation Insurance Fund operates under principles agreed upon between The University of Texas System and the Department of Health, Education and Welfare, and includes the following procedures:

10.61 Assessment rates determined in accordance with 10.621 below will be applied to salaries and wages up to the maximum salary base which conforms to provisions of Federal and State Unemployment Insurance legislation.

10.62 The University will review all available data on loss experience and levels of funds within six months after the end of the year. Based upon such review and projections of anticipated future activities and costs, a calculation of the rate to be charged in the following fiscal year will be submitted to the Department of Health, Education and Welfare.

10.621 Rates will be calculated to fulfill the following objectives:

- (a) To maintain the fund balances within a range of \$1,215,000 to \$1,755,000,
- (b) To provide minimal fluctuations in Fund balances from year to year, and
- (c) To provide maximum rate stability consistent with the first two objectives.

10.622 The above objectives are expected to permit considerable flexibility in rate determination by the University. However, formal rate negotiations may be required upon determination by DHEW that a prospective rate is inconsistent with such objectives.

10.63 A single assessment rate is charged to all affected fund sources on a nondiscriminatory basis throughout the System.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT ARLINGTON COMBINED FEE REVENUE BONDS, SERIES 1978: AUTHORIZATION TO ISSUE; ESTABLISHMENT OF ACCOUNT FOR MISCELLANEOUS EXPENSES RELATING THERETO AND APPOINTMENT OF VINSON & ELKINS, HOUSTON, TEXAS, BOND COUNSEL AND RUSS SECURITIES CORP., SAN ANTONIO, TEXAS, BOND CONSULTANT. --Upon the joint recommendation of President Nedderman and the Administration and without objection, authorization was given:

1. To issue Board of Regents of The University of Texas System, The University of Texas at Arlington Combined Fee Revenue Bonds, Series 1978, in the maximum amount

of \$3,000,000 for the possible acquisition of land, construction and equipping buildings, repair and rehabilitation of existing buildings including parking facilities

2. To advertise for bids
 - a. for the sale of the bonds at the Regents' next meeting on ~~October~~ 20, 1978
 - b. for the paying agency
 - c. for printing the bonds
3. To establish an account out of the proceeds of the bond sale for payment of fees of the Bond Counsel, Bond Consultant, printing of the bonds, paying agency and other miscellaneous costs

The firm of Vinson & Elkins, Houston, Texas, was named Bond Counsel and the firm of Russ Securities Corp., San Antonio, Texas, was named Bond Consultant.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT DALLAS COMBINED FEE REVENUE BONDS, SERIES 1978: AUTHORIZATION TO ISSUE; ESTABLISHMENT OF ACCOUNT FOR MISCELLANEOUS EXPENSES RELATING THERETO; AND APPOINTMENT OF VINSON & ELKINS, HOUSTON, TEXAS, BOND COUNSEL AND RUSS SECURITIES CORP., SAN ANTONIO, TEXAS, BOND CONSULTANT. --Upon the joint recommendation of President Jordan and the Administration and without objection, authorization was given:

1. To issue Board of Regents of The University of Texas System, The University of Texas at Dallas Combined Fee Revenue Bonds, Series 1978, in the maximum amount of \$9,000,000 for the purpose of constructing a Student Union Building and other high priority improvements at U. T. Dallas
2. To advertise for bids
 - a. for the sale of the bonds at the Regents' next meeting on October 20, 1978
 - b. for the paying agency
 - c. for printing the bonds
3. To establish an account out of the proceeds of the bond sale for payment of fees of the Bond Counsel, Bond Consultant, printing of the bonds, paying agency and other miscellaneous costs

The firm of Vinson & Elkins, Houston, Texas, was named Bond Counsel and the firm of Russ Securities Corp., San Antonio, Texas, was named Bond Consultant.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT EL PASO COMBINED FEE REVENUE BONDS, SERIES 1978; AUTHORIZATION TO ISSUE; ESTABLISHMENT OF ACCOUNT FOR MISCELLANEOUS EXPENSES RELATING THERETO; AND APPOINTMENT OF VINSON & ELKINS, HOUSTON, TEXAS, BOND COUNSEL AND RUSS SECURITIES CORP., SAN ANTONIO, TEXAS, BOND CONSULTANT. -- Upon the joint recommendation of President Templeton and the Administration and without objection, authorization was given:

1. **To issue Board of Regents of The University of Texas System, The University of Texas at El Paso Combined Fee Revenue Bonds, Series 1978, in the amount of \$3,500,000 for the purpose of expanding the Student Union facilities at U. T. El Paso and for any other high priority capital improvements**
2. **To advertise for bids**
 - a. **for the sale of the bonds at the Regents' next meeting on October 20, 1978**
 - b. **for the paying agency**
 - c. **for printing the bonds**
3. **To establish an account out of the proceeds of the bond sale for payment of fees of the Bond Counsel, Bond Consultant, printing the bonds, paying agency and other miscellaneous costs**

The firm of Vinson & Elkins, Houston, Texas, was named Bond Counsel and the firm of Russ Securities Corp., San Antonio, Texas, was named Bond Consultant.

U. T. SYSTEM: AUTHORIZATION TO CONTINUE LIABILITY INSURANCE COVERAGE WITH GRANITE STATES INSURANCE COMPANY FOR OFFICERS AND EMPLOYEES ARISING FROM USE AND OPERATION OF UNIVERSITY OWNED AND OPERATED MOTOR VEHICLES AND MOBILE EQUIPMENT. -- Authorization was given to continue for an additional year beginning September 1, 1978, the liability insurance coverage with Granite States Insurance Company, a company within the New Hampshire Insurance Group, for officers and employees arising from use and operation of University owned and operated motor vehicles and mobile equipment subject to the rates and discount prescribed by the State Insurance Commission, the modified rates based on losses as published by the State Insurance Service Office and the dividend rate filed with the State Insurance Commission.

U. T. SYSTEM: POLICY FOR ESTABLISHMENT OF PARKING RATES. -- System Administration submitted the following policy which was adopted without objection:

There shall be established parking rates at the various institutions sufficient to provide all funds necessary for the operation and patrol of the parking facilities.

U. T. SYSTEM: MINIMUM FACULTY TEACHING REQUIREMENT (FACULTY WORKLOAD) FOR GENERAL ACADEMIC INSTITUTIONS AS REQUIRED BY SECTION 51.402(b) OF THE TEXAS EDUCATION CODE. --Comments were received from System President Walker, Presidents of the U. T. System general academic institutions and faculty representatives in attendance regarding faculty workload. After a discussion and upon motion of Regent Law, seconded by Regent Hay, the following Minimum Faculty Teaching Requirement (Faculty Workload) (Pages 185-188) was unanimously adopted. This faculty teaching requirement is in compliance with Section 51.402(b) of the Texas Education Code and complies with the guidelines adopted by the Coordinating Board. It will replace the Minimum Standard Teaching Load Requirement (Faculty Workload) adopted by the Board of Regents on July 21, 1972 for U. T. Austin, U. T. El Paso, U. T. Arlington and U. T. Dallas:

PREAMBLE

In general the duties of faculty members in The University of Texas System are summarized in Section 8 of Chapter III of Part One of the Regents' Rules and Regulations:

- "8.1 Common practice has fixed the greater duties of a member of the teaching staff so clearly that many institutions do not even list them among their regulations. They are:
- 8.11 Teaching in the classroom, laboratory, seminar, or ward.
 - 8.12 Studying, investigating, discovering, and creating.
 - 8.13 Performing curricular tasks auxiliary to teaching and research, e. g. , serving on faculty committees, attending to administrative and disciplinary tasks, promoting diligence and honest work in the student body.
 - 8.14 Influencing beneficially students and citizens in various extracurricular ways.
- 8.2 Performance as a teacher, as a scholar, as an administrator, and as an individual is valued greatly by any university, for in these four ways its work is chiefly done.
- 8.3 A state university being a public enterprise of maximum social importance, it is the duty of all persons connected with it to be as civic-minded as possible...."

All the above duties are inherent in the nature and life of the University and all are taken into account in the promotion, tenure, and salary levels of faculty members. However, the duties specified under Item 8.11 of Subsection 8.1 have become in recent years a matter of special attention by the Board of Regents and the State Legislature, in large part because these duties provide the principal basis for the funding of the academic activities of the University.

These and related factors led the Board of Regents on July 21, 1972, to adopt a minimum faculty workload standard. This standard provided a four organized course standard load, and through a system of exceptions and waivers attempted to gauge, within that standard load, the total workload of a faculty member (i. e. , it attempted to quantify all

of the activities noted in Items 8. 11, 8. 12, 8. 13, and 8. 14 quoted above). Regrettably, the system of exceptions and waivers introduced by the workload standard of 1972 has caused confusion and misunderstanding concerning faculty teaching load requirements both internally and externally. Therefore, in order to clarify the minimum teaching obligation required of University of Texas faculty, The University of Texas System enunciates a minimum faculty teaching requirement which quantifies the minimum faculty obligation for participation in the instructional effort.

No two institutions in The University of Texas System (and, indeed, no two teaching units within a particular institution) are alike in the teaching load required of individual faculty to meet student needs within the funds appropriated by the Legislature pursuant to approved faculty salary formulae. It is the responsibility of each institutional head to require teaching in excess of the minimum where such teaching is necessary to meet the institution's obligations to its students. Each university will establish whatever additional standards that are necessary in accordance with its role and scope, so long as they satisfy the minimum given herein, to meet the instructional obligations of the institution to the students and to operate effectively within the faculty salary resources available.

It is further the responsibility of each institutional head, his or her institutional officers, and the faculty of each component institution to ensure that all of the responsibilities noted in Items 8. 12, 8. 13 and 8. 14 as quoted above are carried out and that those responsibilities are as evenly distributed among the several members of the institutional faculty as possible.

Teaching assistants shall be used only when given proper guidance and supervision to ensure quality instruction. The minimum faculty teaching load established below does not apply to graduate teaching assistants or assistant instructors who are pursuing degrees. The institutional head is responsible for assuring that all teaching assistants are carefully supervised.

MINIMUM FACULTY TEACHING LOAD

Each person paid full time from the appropriations item "Faculty Salaries" shall teach a minimum of nine semester credit hours of instruction in organized undergraduate classes each long term semester with adjustments permitted for the teaching load equivalencies listed below.

Adjustments

1. One semester credit hour of graduate instruction is equal to one and one-half semester credit hours of undergraduate instruction.
2. Instruction of regularly scheduled laboratory and clinical courses, physical activity courses, studio art, studio music instruction, and primary music performance organizations such as ensembles and marching bands shall provide teaching load credit at the rate of one semester hour of teaching load credit for each one and one-half classroom contact hours of instruction per week per long term semester.

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3. Supervision of student teachers, clinical supervision, and intern supervision, shall be credited such that 12 total student semester credit hours taught is equivalent to one semester credit hour of teaching load credit.
4. Supervision of student practicum and individual instruction courses such as honors programs and individual research projects shall provide teaching load credit at the rate of one-tenth semester hour of teaching load credit for each student semester hour of undergraduate instruction and one-fifth semester hour of teaching load credit for each student semester hour of graduate instruction per long term semester.
5. Supervision of graduate thesis is provided teaching load credit only to the chairperson of the thesis or dissertation committee and at the rate of one semester hour of teaching load credit for each six total student semester hours of thesis research credit and at the rate of one semester hour of teaching load credit for each three total student semester hours of dissertation credit.
6. A faculty member who coordinates several sections of a single course shall be given one semester hour of teaching load credit for each 6 sections coordinated up to a maximum of 3 semester hours of teaching load credit.
7. Credit for teaching a large class, which requires extensive grading or evaluation of students' work by the faculty member, shall be given at the rate of one semester hour teaching in a class with enrollment of 100-249 equal to one and one-half semester hours of teaching load credit, and for classes with over 249 enrollment each semester hour of teaching equals two semester hours of teaching load credit.
8. Credit for teaching may be granted for a faculty member who is head of a department or head of a comparable administrative unit up to a maximum of six semester hours of teaching load credit. When justified by department/unit head and approved by the institutional head, an additional three hours of teaching load credit may be given to a faculty member who provides academic services to the unit head.

When more than one teacher participates in the instruction in a single course, the teaching load credit is proportioned according to the effort expended. Also, when a faculty member is paid partially from a source of funds other than the "Faculty Salaries" line item, the minimum teaching workload shall be proportioned to the percentage of salary paid from the appropriations item "Faculty Salaries."

Exceptions

1. A reduced teaching load may be granted temporarily if classes do not materialize because of insufficient enrollment and when additional classes cannot be

assigned to the faculty member. This exception may only be granted for two consecutive long term semesters for any particular faculty member.

2. Limited faculty teaching load credit may be granted with approval of the institutional head for major academic advising responsibilities, for preparing major documents in the fulfillment of programmatic needs or accreditation requirements, or for duties performed in the best interest of the institution's instructional programs as determined by the head of the institution. Teaching load credit granted by the head of the institution for such purposes is limited to 1/10 of 1% of the total semester credit hours taught at the institution during the comparable (fall or spring) semester in the previous year. (NOTE: This is one 3-hour undergraduate course teaching load credit per semester for each 3,000 total semester credit hours taught.)

Salary payments for intercollegiate coaching activities may not come from the appropriation item "Faculty Salaries."

The institutional head shall designate the officer of the institution who will monitor workloads, review workload reports, and submit the reports to the institutional head for approval and comment as appropriate prior to submitting the reports to the Board of Regents through System Administration following the standard reporting format and deadlines as provided by the Coordinating Board in accordance with Section 51.402 of Subchapter H, Chapter 51 of the Texas Education Code and any riders in the current legislative Appropriations Bill.

U. T. AUSTIN: EXCEPTION TO REGENTS' RULES AND REGULATIONS, PART ONE, CHAPTER III, SECTION 31.2 FOR CONTINUED EMPLOYMENT OF MR. VERNON WARREN (PAST RETIREMENT AGE). --Upon the recommendation of President Rogers and System Administration, an exception was made to the Regents' Rules and Regulations, Part One, Chapter III, Section 31.2, and approval was given to continue the employment of Mr. Vernon Warren, who is past retirement age, in the Department of Construction and Maintenance at The University of Texas at Austin.

U. T. AUSTIN - BRACKENRIDGE TRACT: SPECIAL COMMITTEE ON MATTERS RELATING TO BRACKENRIDGE TRACT AUTHORIZED TO APPROVE FINAL DOCUMENTS IN EXCHANGE OF LEASES WITH LOWER COLORADO RIVER AUTHORITY; CHAIRMAN TO EXECUTE NECESSARY DOCUMENTS. --Upon recommendation of System Administration and upon motion of Regent Clark, duly seconded, the Special Committee on Matters Relating to Brackenridge Tract was authorized by unanimous vote to approve the final documents for the exchange of 50-year leases with the Lower Colorado River Authority as approved by the Board of Regents on April 7, 1978, and the Chairman of the Board of Regents was authorized to execute all necessary instruments to effect the transfer of these leases. All executed instruments will be submitted to the Board of Regents for ratification and incorporation in the minutes at a future meeting.

U. T. DALLAS - ENDOWMENT LANDS, COLLIN COUNTY, TEXAS: AGREEMENT WITH CITY OF PLANO, TEXAS, PROVIDING FOR (1) SALE TO CITY OF 8 ACRES FOR USE AS PARK; (2) EASEMENT TO CITY FOR CONSTRUCTION OF DALLAS NORTH PARKWAY ACROSS ENDOWMENT LANDS; (3) TWO DRAINAGE EASEMENTS TO CITY FOR USE IN CONJUNCTION WITH DALLAS NORTH PARKWAY; AND (4) AUTHORIZATION TO PARTICIPATE IN CONSTRUCTION COSTS OF PARKWAY. -- Upon the recommendation of President Jordan and System Administration, the Board of Regents authorized an agreement on behalf of The University of Texas at Dallas and the City of Plano, Texas, with respect to certain U. T. Dallas Endowment Lands in Collin County, Texas (approximately 500 acres received from the Excellence in Education Foundation) providing for:

- (1) the sale to the City of Plano, Texas, of 8 acres of land for use as a park for a consideration of \$140,000;
- (2) conveyance to the City of Plano, Texas, of an easement for the construction of Dallas North Parkway across U. T. Dallas Endowment Lands in Collin County, Texas;
- (3) conveyance to the City of Plano, Texas, of drainage easements necessary to the construction and use of the Dallas North Parkway; and
- (4) payment by U. T. Dallas to the City of Plano, Texas, within seven years the land owner's share of the construction cost of Dallas North Parkway, such share to not exceed \$308,000 plus applicable interest due.

The Chairman of the Board was authorized to execute the agreement, deeds and all other necessary documents relating thereto, copies of which documents will be reported for the record at a future meeting of the Board of Regents.

U. T. EL PASO: EXCEPTION TO REGENTS' RULES AND REGULATIONS, PART ONE, CHAPTER III, SECTION 31.1 FOR APPOINTMENT OF PROFESSOR RALPH COLEMAN FOR FALL SEMESTER 1978 (PAST RETIREMENT AGE). -- Upon the recommendation of President Templeton and System Administration, an exception was made to the Regents' Rules and Regulations, Part One, Chapter III, Section 31.1, and approval was given for the appointment of Professor Ralph Coleman, who is past retirement age, as a full-time instructor in the Department of Mechanical Engineering at The University of Texas at El Paso for the 1978 Fall Semester.

U. T. SAN ANTONIO - INSTITUTE OF TEXAN CULTURES: (1) REVERTED TO STATUS OF BASIC COMPONENT INSTITUTION - THE UNIVERSITY OF TEXAS INSTITUTE OF TEXAN CULTURES AT SAN ANTONIO; (2) AMENDMENT TO REGENTS' RULES AND REGULATIONS, PART ONE, CHAPTER VIII, SECTION 4 FOR CONFORMITY; AND (3) EXCEPTION TO REGENTS' RULES AND REGULATIONS, PART ONE, CHAPTER III, SECTION 5.32 (NEPOTISM) FOR MRS. PAT MAGUIRE TO CONTINUE TO SERVE AS DIRECTOR OF PUBLICATIONS AND COORDINATOR OF PROGRAMS. -- Upon the recommendation of System Administration, concurred in by Acting President Wagener, the Institute of Texan

Cultures was reverted to the status of a basic component institution effective September 1, 1978. The official designation will be "The University of Texas Institute of Texan Cultures at San Antonio," and Chapter III, Part One, Section 4 of the Regents' Rules and Regulations was amended to reflect this change.

Upon the further recommendation of System Administration, an exception was made to the Regents' Rules and Regulations, Part One, Chapter III, Section 5.32 (Nepotism) and approval was given to continue the employment of Mrs. Pat Maguire as Director of Publications and Coordinator of Programs at the Institute. Mrs. Maguire is the wife of the Executive Director of the Institute of Texan Cultures, Mr. Jack R. Maguire.

GALVESTON MEDICAL BRANCH: EXCEPTION TO REGENTS' RULES AND REGULATIONS, PART ONE, CHAPTER III, SECTION 5.32 (NEPOTISM) TO PERMIT EMPLOYMENT OF MRS. JOAN RAE (PAGE G-13). -- Upon the recommendation of President Levin and System Administration (Page G-13), an exception was permitted to Part One, Chapter III, Section 5.32 of the Regents' Rules and Regulations, and by unanimous vote authorization was given to employ Mrs. Joan Rae as a computer programmer in the Department of Ophthalmology at The University of Texas Medical Branch at Galveston on a one-half time basis. Mrs. Rae is the wife of Dr. James Rae, Associate Professor, Department of Ophthalmology. Dr. Edward Ferguson, Chairman of the Department of Ophthalmology, will be responsible for the supervision and evaluation of Mrs. Rae's performance, as well as her salary, rank and working conditions. (Permanent Minutes, Volume XXV, Page ____.)

GALVESTON MEDICAL BRANCH: EXCEPTION TO REGENTS' RULES AND REGULATIONS, PART ONE, CHAPTER VII, SECTION 2.31 TO INCREASE MEMBERSHIP ON DEVELOPMENT BOARD; PROPOSED NOMINEES THERETO. -- Upon the recommendation of President Levin, concurred in by President Walker, an exception was made to the Regents' Rules and Regulations, Part One, Chapter VII, Section 2.31 and the membership of the Development Board of The University of Texas Medical Branch at Galveston was increased from a maximum of 29 to 40 with an Executive Committee of 12 members.

Further, nominees submitted by President Levin and System President Walker were approved for membership for two-year terms. The names of those accepting together with the full membership of the Development Board will be reported to the Board of Regents at a subsequent meeting.

TYLER HEALTH CENTER: TEXAS CHEST FOUNDATION TO SERVE AS DEVELOPMENT BOARD (R&R, ONE, VII, 2). -- Upon the recommendation of Superintendent Hurst, concurred in by System Administration, the Texas Chest Foundation was designated to serve as the Development Board at The University of Texas Health Center at Tyler. The current membership of the Texas Chest Foundation is set out below:

Mr. Jud Adams, Tyler, Texas
 Mr. Henry M. Bell, Tyler, Texas
 Mr. C. Harper Black, Tyler, Texas
 Mr. Allen M. Burt, Tyler, Texas
 L. D. Cobb, D. D. S., Tyler, Texas
 Mr. Wilton H. Fair, Tyler, Texas
 Mrs. Willie Lee Glass, Tyler, Texas
 Mr. B. G. Hartley, Tyler, Texas
 Mr. David K. Huffman, Tyler, Texas
 Mr. Will A. Knight, Tyler, Texas
 Richard P. Lane, M. D., Wills Point, Texas

Thomas A. Lowery, M. D., Tyler, Texas
 Mr. H. J. McKenzie, Tyler, Texas
 B. H. McVicker, M. D., Lufkin, Texas
 David F. Norris, D. O., Tyler, Texas
 Mr. George W. Oge, Sr., Tyler, Texas
 Dr. Blanche Prejean, Tyler, Texas
 Mr. Edwin Rasco, Tyler, Texas
 Mr. A. W. Riter, Jr., Tyler, Texas
 Mr. Isadore Roosth, Tyler, Texas
 Robert E. Rossman, M. D., Tyler, Texas
 Tom E. Smith, M. D., Dallas, Texas
 Mr. J. Harold Stringer, Tyler, Texas
 John C. Turner, M. D., Tyler, Texas
 Mr. Dayton Walkup, Kilgore, Texas
 Mr. Watson W. Wise, Tyler, Texas
 Mr. Royce E. Wisenbaker, Tyler, Texas
 Mr. Keating Zeppa, Tyler, Texas

SCHEDULED MEETINGS. --In addition to the meeting previously scheduled for October 19-20, 1978, in Austin, the Board of Regents scheduled a meeting for November 30 and December 1, 1978, in Austin.

COMMITTEE OF THE WHOLE - EXECUTIVE SESSION
 (Pages 191-192)

Chairman Shivers reported that following the meeting of the Committee of the Whole in Open Session, the Committee of the Whole convened in Executive Session in the Regents' Committee Room on the ninth floor of Ashbel Smith Hall, Austin, Texas, pursuant to Article 6252-17, Sections 2(e), (f) and (g), V. T. C. S. He called for consideration of the following items which were discussed in Executive Session:

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT ARLINGTON, HOUSING REVENUE NOTES, SERIES 1978: (1) AUTHORIZATION TO ISSUE FOR PURPOSE OF RETIRING MORTGAGES ASSUMED UPON ACQUISITION OF THREE APARTMENT COMPLEXES (COOPER SOUTH APARTMENTS, WEST APARTMENTS AND BORDER WEST APARTMENTS); (2) APPOINTMENT OF VINSON & ELKINS, HOUSTON, TEXAS, BOND COUNSEL AND RUSS SECURITIES CORP., SAN ANTONIO, TEXAS, BOND CONSULTANT; (3) ESTABLISHMENT OF ACCOUNT FOR MISCELLANEOUS COSTS. -- Upon recommendation of President Nedderman, joined by System Administration, and upon motion of Regent Clark, seconded by Regent Sterling, the Board of Regents without objection authorized:

1. The issuance of Board of Regents of The University of Texas System, The University of Texas at Arlington Housing Revenue Notes, Series 1978, in the approximate amount of \$650,000 for the purpose of retiring existing 9-1/2% mortgages which were assumed by U. T. Arlington upon acquisition of three apartment complexes: Cooper South Apartments, West Apartments and Border West Apartments. This issue is to be submitted at a future meeting of the Board of Regents.
2. The appointment of Vinson & Elkins, Houston, Texas, Bond Counsel and Russ Securities Corp., San Antonio, Texas, Bond Consultant

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3. The establishment of an account out of proceeds of the note sale for payment of fees of the Bond Counsel, Bond Consultant, and other necessary miscellaneous costs

U. T. ARLINGTON - LAND ACQUISITION (CHAPTER 73, ACTS OF 60TH LEGISLATURE, R.S., 1967): AUTHORIZATION TO NEGOTIATE WITH ARLINGTON APARTMENT ASSOCIATES FOR ACQUISITION OF TWO TRACTS OF LAND AND IMPROVEMENTS THEREON (PISCES APARTMENTS AND CAPRICORN APARTMENTS) AND APPOINTMENT OF VINSON & ELKINS, HOUSTON, TEXAS, BOND COUNSEL AND RUSS SECURITIES CORP., SAN ANTONIO, TEXAS, BOND CONSULTANT. -- The Administration reported that in connection with the agreement with the City of Arlington (authorized February 11, 1977) concerning the extension and widening of Border Street on the northernmost edge of The University of Texas at Arlington campus, the University had acquired the right-of-way from Pecan Street to Davis Street in accordance with the agreement with the exception of two tracts.

Following a discussion and upon the recommendation of President Nedderman and System Administration, the Board of Regents, upon motion of Regent Clark, seconded by Regent Sterling, authorized the Administration to negotiate with Arlington Apartment Associates or its assigns with respect to the purchase of the Pisces Apartments and the Capricorn Apartments at a price not to exceed \$1,050,000 with a cash payment of \$214,000 and the assumption of the existing mortgage of \$836,000.

In the event the Administration deems it desirable to acquire this property after these negotiations and further analysis have been completed, the Board of Regents authorized the Office of Investments, Trusts and Lands (1) to take the necessary action to issue revenue bonds or notes to pay off the existing mortgage on this property and (2) to employ the firm of Vinson & Elkins, Houston, Texas, Bond Counsel and the firm of Russ Securities Corp., San Antonio, Texas, Bond Consultant.

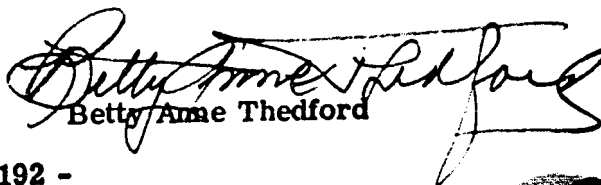
It was noted that these apartments would provide additional student housing at U. T. Arlington.

A report of the actions taken will be presented to the Board of Regents at a future meeting.

GALVESTON MEDICAL BRANCH: AUTHORIZATION TO PURCHASE LOTS 9, 10 AND EAST 1/2 OF LOT 11, BLOCK 547, CITY AND COUNTY OF GALVESTON (ISLE HOTEL) SUBJECT TO COORDINATING BOARD APPROVAL. -- Upon motion of Regent Sterling seconded by Vice-Chairman Williams and subject to approval by the Coordinating Board, Texas College and University System the Administration was authorized to purchase Lots 9, 10 and the East 1/2 of Lot 11, Block 547, City and County of Galveston, Texas, including all improvements thereon (Isle Hotel) at a cost of \$500,000 payable from Unexpended Plant Fund Balances of the Medical Branch.

HOUSTON HEALTH SCIENCE CENTER AND UNIVERSITY CANCER CENTER: DOCUMENTS RELATING TO ACQUISITION OF HOUSTON NATURAL GAS THERMAL ENERGY PLANT (PAGE 134). --On Pages 193-312 are the documents relating to the acquisition by the Texas Medical Center Heating and Cooling Cooperative Association of the Houston Natural Gas Thermal Energy Plant located on the campus of the Texas Medical Center in Houston (Item No. 13, Page 134).

ADJOURNMENT. --The meeting was duly adjourned at 1:25 p. m.


Betty Anne Thedford

August 9, 1978



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THE UNIVERSITY OF TEXAS SYSTEM

Office of Facilities Planning and Construction

210 WEST SIXTH STREET, AUSTIN, TEXAS 78701


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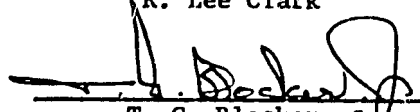
May 1, 1978

TO THE BOARD OF REGENTS
OF THE UNIVERSITY OF TEXAS SYSTEM:

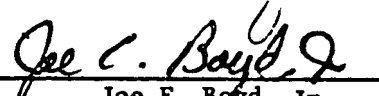
The Special Committee appointed at the Regents' Meeting held on April 15, 1977, has approved the final drafts of agreements and other documents relating to the purchase of a Central Heating and Cooling Plant by The Texas Medical Center Heating and Cooling Cooperative Association from the Houston Natural Gas Corporation. The approved drafts include:

- By-Laws of Cooperative
- Membership Agreement
- Contract for Chilled Water and Steam Services
- Conveyance
- Deed of Trust and Security Agreements
- Secured Note
- Financing Statement


R. Lee Clark


T. G. Blocker, Jr.


R. S. Kristoferson


Joe E. Boyd, Jr.


E. D. Walker


James E. Damerle


Allan Shivers

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 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

TEXAS MEDICAL CENTER CENTRAL HEATING AND
COOLING SERVICES COOPERATIVE ASSOCIATION-----
BY-LAWS

ARTICLE I

OFFICES

The principal office of the association shall be located in Houston, Texas.

ARTICLE II

MEMBERS

2.1 Any organization of the type described in Article 4447r, Tex. Rev. Civ. Stat. may become a member of the association, if found acceptable by the board of directors, by purchasing units of interest in the association, executing such non-discriminatory agreements as the board of directors shall prescribe from time to time, and agreeing to abide by these by-laws.

2.2 In the event a member should be determined by the Internal Revenue Service not to qualify as an exempt organization or any other event occurs which would make an organization not be of the type described in Article 4447r, Tex. Rev. Civ. Stat., or should member fail to perform any agreements referred to in Section 2.1, the board or directors may suspend or terminate all of such member's rights in the association. When such rights have been suspended for more than an aggregate of one year or have been terminated, the association shall notify the terminated member of such fact and shall tender for the membership owned by such member the book value (computed in accordance with generally accepted accounting principles) of the units of interest owned by such member as determined by the Board of Directors. Thereafter, such membership shall no longer be deemed to be

outstanding, and such member shall cease to be a member and shall have no further rights with respect to the association except in the event of liquidation as described in section 9.2 hereof, and except as set forth in any other agreement.

2.3 Each member consents and agrees that the stated dollar amount of any distribution with respect to its patronage which is made in a qualified written notice of allocation (as defined in Section 1388 of the Internal Revenue Code of 1954) and which is received by it from the association, will be taken into account by it in the manner provided in Section 1385(a) of the Internal Revenue Code of 1954 in the taxable year in which such qualified written notice of allocation is received by it.

2.4 No public funds appropriated to any state institution of higher education shall be used in the establishment of the association.

ARTICLE III

MEETINGS OF MEMBERS

3.1 Meetings of members for any purpose may be held at such time and place within or without the State of Texas as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

3.2 Annual meetings of members, commencing with the year 1976, shall be held on the first day of October if not a legal holiday, and if a legal holiday, then on the next secular day following, at 10:00 a.m., at which they shall elect a board of directors in accordance with Section 4.1 of these by-laws and transact such other business as may properly be brought before the meeting.

3.3 Special meetings of the members for any purpose or purposes may be called by the president and shall be called by the president or secretary at the request in

writing of members owning in the aggregate 10% of the units of interest of the association. A request for a special meeting shall state the purpose or purposes of the proposed meeting, and business transacted at any special meeting of members shall be limited to the purposes stated in the notice.

3.4 With respect to meetings of members, written notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten nor more than thirty days before the date of the meeting, either personally or by mail, by or at the direction of the president, the secretary, or the officer or persons calling the meeting, to each member of record entitled to vote at such meeting.

3.5 The majority of the members of the association, with each such member being represented by an authorized person, shall constitute a quorum at all meetings of the members for the transaction of business except as otherwise provided by statute or by the articles of association. If, however, a quorum shall not be present at any meeting of the members, the members entitled to vote thereat, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. At such adjourned meeting, provided a quorum shall be present, any business may be transacted which might have been transacted if the meeting had been held in accordance with the original notice thereof.

3.6 If a quorum is present at any meeting, the majority vote of the members of the association present by their respective authorized representatives, shall decide any question brought before such meeting, unless the question is one upon which a different vote is required by law or by the articles of association.

3.7 Each member shall be entitled to one vote on each matter submitted to a vote at a meeting of members. Any person authorized by a member may cast such member's votes.

3.8 Any action required or which may be taken at a meeting of the members may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all the members entitled to vote with respect to the subject matter thereof.

ARTICLE IV

DIRECTORS

4.1 The number of directors which shall constitute the whole board of directors shall be equal to the number of members of the association. Each director selected shall serve for one year or until his successor shall have been elected and qualified. Each member of the association shall select one director and may select an alternate to attend and vote at meetings of the board of Directors in the absence of the director it selects.

4.2 Any vacancy occurring in the board of directors may be filled by the member who appointed such director. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

4.3 The number of directors may be increased or decreased from time to time by amendment to these by-laws but no decrease shall have the effect of shortening the term of any incumbent director. Any directorship to be filled by reason of an increase in the number of directors shall be filled by election at an annual or special meeting of members.

4.4 A director may be removed either for or without cause by the member who appointed such director, and shall be subject to the control and direction of such member.

4.5 An executive committee shall be appointed consisting of members of the board and shall have the power to act for the board of directors with respect to all matters assigned it by the board of directors, including, but not limited to, the routine operations of the association but shall not have the power to admit new members. The executive committee shall consist of five members, and the members of the Association shall appoint members of the executive committee as follows:

University of Texas System)	
University of Texas,)	
M.D. Anderson Hospital and)	1
Tumor Institute)	
University of Texas Health)	
Science Center at Houston)	
St. Luke's Episcopal Hospital)	
Texas Children's Hospital)	1
Texas Medical Center, Inc.		1
Texas Woman's University		1
Other Members		1

A majority of the executive committee shall constitute a quorum for all business. All references to notice to, and meetings of, directors in these Bylaws shall apply to members of the Executive Committee.

MEETINGS OF THE BOARD OF DIRECTORS

4.6 Meetings of the board of directors, regular or special, may be held either within or without the State of Texas.

4.7 The first meeting of each newly elected board of directors shall be held at such time and place as shall be fixed by the vote of the members at the annual meeting and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present. In the event that the members fail to fix the time and place of such

first meeting, it shall be held without notice immediately following the annual meeting of members, and at the same place, unless by the unanimous consent of the directors then elected and serving such time or place shall be changed.

4.8 Regular meetings of the board of directors may be held upon such notice, or without notice, and at such time and at such place as shall from time to time be determined by the board.

4.9 Special meetings of the board of directors may be called by the chairman of the board of directors or the president and shall be called by the secretary on the written request of two directors. Notice of each special meeting of the board of directors shall be given to each director at least three days before the date of the meeting.

4.10 Attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except where a director attends for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. Except as may be otherwise provided by law or by the articles of association or by the by-laws, neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board of directors need be specified in the notice or waiver of notice of such meeting.

4.11 At all meetings of the board of directors a majority of the directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any properly called meeting at which there is a quorum shall be the act of the board of directors, unless otherwise specifically provided by law, the articles of association or the by-laws. If a quorum shall not be

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present at any meeting of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

4.12 The board of directors, by resolution passed by a majority of the whole board, may from time to time designate members of the board to constitute committees (other than the executive committee provided for in section 4.5 hereof) which shall in each case consist of such number of directors, not less than three, and shall have and may exercise such powers, as the board may determine and specify in the respective resolutions appointing them. A majority of all the members of any such committee may determine its action and fix the time and place of its meetings, unless the board of directors shall otherwise provide. The board of directors shall have power at any time to change the number, subject as aforesaid, and members of any such committee, to fill vacancies and to discharge any such committee.

4.13 Any action required or permitted to be taken at a meeting of the board of directors or the executive committee may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all the members of the board of directors or executive committee, as the case may be.

ARTICLE V

NOTICES

5.1 Any notice to directors and members shall be in writing and shall be delivered personally or mailed to the directors or members at their respective addresses appearing on the books of the association. Notice to members or directors by mail shall be deemed to be given at the time

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when the same shall be deposited in the United States mail, postage prepaid.

5.2 Whenever any notice is required to be given under the provisions of the statutes or of the articles of association or of these by-laws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE VI

OFFICERS

6.1 The officers of the association shall be elected annually by the board of directors and shall consist of a president, a vice president, a secretary and a treasurer. The board of directors may also elect a chairman of the board, an assistant president, additional vice presidents, and one or more assistant secretaries and assistant treasurers. Two or more offices may be held by the same person, except that the offices of president and secretary may not be held by the same person.

6.2 The board of directors shall elect a president from among the directors and shall elect one or more vice presidents, a secretary and a treasurer, none of whom need be a member of the board except the president. The board of directors shall have the power to enter into contracts for the employment and compensation of officers for such terms as the board deems advisable.

6.3 The board of directors may appoint such other officers and assistant officers and agents as it shall deem necessary, who shall hold their offices for such terms and shall have such authority and exercise such powers and perform such duties as shall be determined from time to time by the board by resolution not inconsistent with these by-laws.

6.4 The salaries of all officers and agents of the association shall be fixed by the board of directors.

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6.5 The officers of the association shall hold office for one year or until their successors are elected or appointed and qualify, or until their death or until their resignation or removal from office. Any officer elected or appointed by the board of directors may be removed at any time by the board, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights. Any vacancy occurring in any office of the corporation by death, resignation, removal or otherwise shall be filled by the board of directors.

THE CHAIRMAN OF THE BOARD

6.6 The chairman of the board, if one be elected, shall preside at all meetings of the board of directors and shall have such other powers and duties as may from time to time be prescribed by the board of directors, upon written directions given to him pursuant to resolutions duly adopted by the board of directors.

THE PRESIDENT

6.7 The president shall be the chief executive officer of the association and shall see that all orders and resolutions of the board of directors are carried into effect. He shall preside at all meetings of the members and, in the absence of the chairman of the board, at all meetings of the board of directors.

THE VICE PRESIDENT

6.8 The vice presidents in the order of their seniority, unless otherwise determined by the board of directors, shall, in the absence or disability of the president, perform the duties and have the authority and exercise the powers of the president. They shall perform such other

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duties and have such other authority and powers as the board of directors may from time to time prescribe or as the president may from time to time delegate.

THE SECRETARY AND ASSISTANT SECRETARIES

6.9 The secretary shall attend all meetings of the board of directors and all meetings of members and record all of the proceedings of the meetings of the board of directors and of the members in a minute book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the members and special meetings of the board of directors, and shall perform such other duties as may be prescribed by the board of directors or president, under whose supervision he shall be. He shall keep in safe custody the seal of the association and, when authorized by the board of directors, shall affix the same to any instrument requiring it and, when so affixed, it shall be attested by his signature or by the signature of an assistant secretary or of the treasurer.

6.10 The assistant secretaries in the order of their seniority, unless otherwise determined by the board of directors, shall, in the absence or disability of the secretary, perform the duties and exercise the powers of the secretary. They shall perform such other duties and have such other powers as the board of directors may from time to time prescribe or as the president may from time to time delegate.

THE TREASURER AND ASSISTANT TREASURERS

6.11 The treasurer shall have custody of the association's funds and securities and shall keep full and accurate accounts and records of receipts, disbursements and other transactions in books belonging to the association,

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and shall deposit all moneys and other valuable effects in the name and to the credit of the association in such depositories as may be designated by the board of directors.

6.12 The treasurer shall disburse the funds of the association as may be ordered by the board of directors, taking proper vouchers for such disbursements, and shall render the president and the board of directors, at its regular meetings, or when the president or board of directors so requires, an account of all his transactions as treasurer and of the financial condition of the association.

6.13 If required by the board of directors, the treasurer shall give the association a bond of such type, character and amount as the board of directors may require.

6.14 The assistant treasurers in the order of their seniority, unless otherwise determined by the board of directors, shall, in the absence or disability of the treasurer, perform the duties and exercise the powers of the treasurer. They shall perform such other duties and have such other powers as the board of directors may from time to time prescribe or the president may from time to time delegate.

ARTICLE VII

CERTIFICATES REPRESENTING UNITS OF INTEREST

7.1 The units of interest of the association shall be represented by membership certificates signed by the president or a vice president and the secretary or an assistant secretary of the association, and may be sealed with the seal of the association or a facsimile thereof.

LOST CERTIFICATES

7.2 The board of directors may direct a new membership certificate to be issued in place of any membership certificate theretofore issued by the association alleged to have been lost or destroyed. When authorizing such issue of a new certificate, the board of directors, in

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its discretion and as a condition precedent to the issuance thereof, may prescribe such terms and conditions as it deems expedient and may require such indemnities as it deems adequate to protect the association from any claim that may be made against it with respect to any such membership certificate alleged to have been lost or destroyed.

CLOSING OF TRANSFER BOOKS

7.3 For the purpose of determining members entitled to notice of or to vote at any meeting of members, or any adjournment thereof, or entitled to receive a distribution of patronage, or in order to make a determination of members for any other proper purpose, the board of directors may provide that the membership books shall be closed for a stated period but not to exceed, in any case, thirty days. If the membership books shall be closed for the purpose of determining members entitled to notice of or to vote at a meeting of members, such books shall be closed for at least ten days immediately preceding such meeting. In lieu of closing the membership books, the board of directors may fix in advance a date as the record date for any such determination of members, such date in any case to be not more than thirty days and, in case of a meeting of members, not less than ten days prior to the date on which the particular action, requiring such determination of members, is to be taken. If the membership books are not closed and no record date is fixed for the determination of members entitled to notice of or to vote at a meeting of members, or members entitled to distribution of patronage, the date on which notice of the meeting is mailed or the date on which the resolution of the board of directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of members. When a determination of members entitled to vote at any meeting of members has been

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made as provided in this section, such determination shall be applied to any adjournment thereof except where the determination has been made through the closing of the membership books and the stated period of closing has expired.

REGISTERED MEMBERS

7.4 The association shall be entitled to recognize the exclusive right of a person registered on its books as the member for distribution of patronage, and to vote as such member, and shall not be bound to recognize any equitable or other claim to or interest in such membership on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Texas.

LIST OF MEMBERS

7.5 The officer or agent having charge of the membership books shall make, at least ten days before each meeting of members, a complete list of the members entitled to vote at such meeting, arranged in alphabetical order, and the units of interest of the association owned by such members, with the address of each, which list, for a period of ten days prior to such meeting, shall be kept on file at the registered office of the association and shall be subject to inspection by any member at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any member during the whole time of the meeting. The original units of interest transfer book, or a duplicate thereof, shall be prima facie evidence as to who are the members entitled to examine such list or membership book or to vote at any meeting of the members.

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ARTICLE VIII

RESERVES AND DISTRIBUTIONS OF PATRONAGE

8.1 It is the ultimate aim of this association to render services to its patrons (both members and non-members) at cost. In order to operate on a non-profit and cooperative basis and at the same time to insure the solvency and financial stability of the association, adequate margins shall be withheld by the association on all transactions. Such margins shall at all times be subject to allocation to the patrons entitled thereto in the manner provided by law and in accordance with these by-laws, and shall be so allocated within such period of time as may be prescribed from time to time in the Internal Revenue Code and Regulations thereunder.

8.2 From the margins retained by the association, the board of directors in its discretion, may create and authorize the establishment of reasonable reserves for necessary purposes as capital reserves. All capital reserves so established shall be allocated on the books of the association to the accounts of the various patrons on the basis of the amounts contributed by them to such reserves, and each patron to whom such allocation is made shall be given written notice thereof.

8.3 Amounts of savings or margins retained by the association in capital reserves and allocated to the individual patrons, shall have the same status as though they had been paid to the patrons in cash pursuant to a legal obligation to do so and the patrons had then furnished corresponding amounts of money to the association as capital advances to be placed in such reserve. The association shall be obligated to repay such capital advances to the patrons making the same, pursuant to the terms and conditions of these by-laws.

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8.4 The board of directors shall make a study of all reserve accounts following each annual audit and shall determine whether any of such reserves shall be retained, increased, reduced and/or revolved. Following such study the board shall direct the disposition to be made of such reserves, making a record of that action in the minutes of such board meetings, and shall issue proper and necessary instruction pursuant thereto.

8.5 Wherever it shall appear to the board of directors that an established reserve is adequate for its designated purpose, the board may direct that said reserve be revolved in whole or in part by taking out of such reserve whatever amount the board may direct and pay the same to the patrons according to their allocated equities in the reserve. Such equities shall be revolved out of such reserve in the date order in which they were allocated. The amounts so revolved out of such reserve account may be replenished from margins retained during subsequent operations, which amounts so retained shall be allocated on the basis of the contributions of the patrons to such reserve.

8.6 Whenever in the discretion of the board of directors conditions justify reducing an established reserve in whole or in part, the board shall order such reduction and direct that the amount of such reduction be distributed to patrons according to their equities therein in the date order in which such equities were allocated.

8.7 The annual net savings or margins resulting from the transaction of the business of the association shall be apportioned to and distributed among the patrons as a cooperative distribution for the year, on a patronage basis, as shown upon the books and accounts of the association. Accurate patronage records shall be maintained to comply

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with this requirement. Said cooperative refund shall be paid or credited to the account of the patron entitled thereto at least once each year.

At the discretion of the board of directors, funds revolved out of reserves and/or the patronage distributions provided in the preceding paragraph shall be paid to the patrons entitled thereto, in whole or in part, in cash, in certificates representing such distributions, or in book credits; provided however, that in the distribution of patronage, not less than 20 percent shall be paid in cash--the remainder in qualified written notices of allocation, and all patrons shall be treated alike. Following the end of each fiscal year, the association shall notify each patron of the association of all amounts allocated to him as a result of the operations of the association during such year, and of all amounts paid or to be paid to him as a dividend on his units of interest for each year. In addition, the Association shall notify the patron of patron's equity in the Association in the form of reserves, certificates of distribution, book credits and units of interest. In the event of the payment or allocation of patronage refunds during such year of amounts earned in previous years but not theretofore allocated, the member shall be given notice thereof.

5.8 In the event that the association is unable to make payment to any patron of patronage refunds or other sums due such member because of inability to locate the patron or incapacity of the patron to receive the same, or other cause beyond the control of the association, such unpaid amounts shall be placed to the credit of such patron and held by the association subject to the owner's order.

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8.9 In the event the association shall suffer a net loss in its over-all operations in any fiscal year, each patron shall be charged his pro rata share of such loss based upon patronage and such loss shall be charged to such patron's capital account. No patron or member shall required

be

to make loans or advances to the Association, or pay for net losses, except as set forth herein or in any other Agreement between patron or members and the association.

8.10 No patron or member shall be liable for the debts of any other patron or member of the association, and no funds appropriated to any state institution of higher education shall be used or committed to cover any net loss acquired by the association, subject to the provisions of section 8.9.

ARTICLE IX

GENERAL PROVISIONS

DISTRIBUTION OF PATRONAGE

9.1 Subject to the provisions of the articles of association relating thereto, if any, distributions of patronage may be declared by the board of directors, in its discretion, at any regular or special meeting, pursuant to law. Distributions of patronage may be made in cash, in property or in the association's own units of interest, subject to any provisions of the articles of association. Before payment of any distribution of patronage, there may be set aside out of any funds of the association available for distributions of patronage such sum or sums as the directors from time to time in their absolute discretion, think proper as a reserve fund for meeting contingencies, or for equalizing distributions of patronage, or for repairing

or maintaining any property of the association, or for such other purpose as the directors shall think conducive to the interest of the association, and the directors may modify or abolish any such reserve in the manner in which it was created.

9.2 Upon liquidation of the association, after paying or discharging all of its obligations, or making adequate provision for payment and discharge thereof, the association shall distribute the remainder of its assets as follows:

(a) First, to the repayment of all amounts contributed or deemed to have been contributed to the capital of the association by reason of allocations or otherwise;

(b) Next, to the payment of members' equities in reserves of the association; and

(c) The balance, if any, in proportion to the members' and former members' patronage during the life of the association, to the extent practicable.

CHECKS

9.3 all checks or demands for money and notes of the association shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate.

FISCAL YEAR

9.4 The fiscal year of the association shall be fixed by resolution of the board of directors.

SEAL

9.5 The association's seal shall be in such form as may be prescribed by the board of directors. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced.

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BOOKS AND RECORDS

9.6 The association shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its members and board of directors, and shall keep at its registered office or principal place of business, or at the office of its transfer agent or registrar, a record of its members, giving the names and addresses of all members and the number and class of the shares held by each.

CONTRACT

9.7 The members of the association, by dealing with the association, acknowledge that the terms and provisions of the articles of association and these by-laws shall constitute a contract between the association and the member, and both the association and the members are bound by said contract, as fully as though each member had individually signed a separate instrument containing said terms and conditions. Pursuant to such contract, each member of the association acknowledges constructive receipt of all sums of money which may be allocated to such member in accordance with these by-laws, as having been delivered to such member and by him reinvested in capital or capital reserves of the association.

ARTICLE X

AMENDMENTS

10.1 The by-laws may not be altered, amended, or repealed, nor may new by-laws be adopted, if, at the regular or special meeting called to consider such action, upon notice given at least ten days prior to the meeting and stating the purpose thereof, two (2) or more members of the Association object to such action.

ARTICLE XI

NO DISCRIMINATION

11.1 It is the intent and purpose of these by-laws that all members shall be treated equally and in a non-discriminatory fashion by the Association.

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TEXAS MEDICAL CENTER CENTRAL
HEATING AND COOLING SERVICES
COOPERATIVE ASSOCIATION

MEMBERSHIP AGREEMENT

This Membership Agreement ("Agreement") is dated as of the 30th day of May, 1978, but shall be effective as hereinafter set forth, and is between the Texas Medical Center Central Heating and Cooling Services Cooperative Association (the "Association") and University of Texas System

("Member").

W I T N E S S E T H:

WHEREAS, the Association has been formed to purchase and operate on a cooperative basis a plant, now owned by the Houston Natural Gas Corporation ("HNG"), which provides certain institutions with steam and chilled water;

WHEREAS, Member is a non-profit health-related institution or a health-related state supported institution exempt from federal income tax; and

WHEREAS, Member desires to join the Association and receive steam and chilled water from the Association;

NOW, THEREFORE, in consideration of the mutual agreements herein contained, and other good and valuable considerations, the sufficiency and receipt of which is hereby acknowledged, Member and Association hereby agree as follows:

1. Effective Date of this Agreement; Duration.

Subject to the further terms and provisions of this Agreement, this Agreement shall become effective commencing on the date that the Association acquires the steam and chilled water

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plant and distribution system from HNG. The duration of this Agreement shall extend to December 31, 2000, and, unless sooner terminated in accordance with the provisions of this Agreement, shall continue thereafter as long as the Association operates its plant; provided, however, should this Agreement remain in force and effect until December 31, 2000, either party may terminate this Agreement any time thereafter upon sixty (60) days written notice of termination to the other party.

2. Association Units of Interest. Member at the effective date of this Agreement will purchase 100 units of interest of the Association, \$10 par value, for \$10 per unit of interest. Member acknowledges that its initial purchase of units of interest is in proportion to its anticipated use of steam and chilled water. Member acknowledges and agrees that the payments made for the steam and chilled water supplied by the Association from the effective date of this Agreement through December 31, 2000 shall determine the ultimate ownership of units of interest in the Association. At the termination of the primary term hereof, or such earlier time as the Association shall be liquidated, Member agrees to sell units of interest, or to buy units of interest, in either case at \$10 per unit of interest, to reflect the actual historical payments by Member for steam and chilled water combined. Member also agrees that, at the discretion of the Board of Directors, Member will periodically buy or sell units as specified above. Payments shall consist of all amounts paid for chilled water and steam service since the effective date of this Agreement. In order to eliminate the effect of inflation on those payments made subsequent to December 31, 1978, which are to be used in the

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determination of ownership of units of interest, it is agreed that solely for purposes of calculating amounts paid, all payments made subsequent to December 31, 1978, will be reduced by a percentage equal to the percentage increase between the Consumer Price Index All-Items Figures for Urban Wage Earners and Clerical Workers (including single workers) (1967 = 100) for Houston, Texas for January 1979 and the nearest month to the date when the calculation of amounts paid is made. Member agrees that it shall not dispose of its units of interest without the consent of the Association, except that such units of interest (i) may be pledged to a lender to Member where such lender has a mortgage or other similar interest with respect to the property of Member or (ii) in connection with the merger with, or assignment of, all or substantially all of Member's assets to, another entity which would be eligible to be a Member.

3. Termination of Membership. Member acknowledges that its termination as a Member of the Association pursuant to the provisions of Section 2.2 of the By-Laws of the Association would cause serious problems to arise for the Association. In the event, however, that Member should be terminated pursuant to the provisions of Section 2.2 of the By-Laws, Association shall tender to Member, as payment for the book value of units of interest owned by the terminated Member, an undivided interest in the physical assets of the Association, equal in percentage to the historical use of Member from the effective date of this Agreement to the date of Member's termination, computed in accordance with Section 2 above. Member and Association agree that in connection with such undivided ownership of the physical assets of the

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Association, Member and Association shall enter into a joint operating agreement for the use and control of the plant and distribution facilities of the Association. Such joint operating agreement shall provide that the terminated Member shall be limited in its percentage use of chilled water and steam to the percentage ownership it shall have in the physical assets of the Association, and such terminated Member shall bear the capital costs of the plant and distribution system in proportion to its ownership and the costs of the operation of the plant and distribution system in direct proportion to its use of steam and chilled water. Capital costs shall consist of the costs of purchasing the plant and distribution system and any additional equipment or improvement thereto, together with the costs relating thereto; the costs of operation, including depreciation and amortization of capital equipment costs, shall include all costs other than capital costs as specified above. Member and Association further agree that Member shall assume its proportionate indebtedness of the Association, which shall be repaid directly to the Association's lender or which may be collected by the Association through the Member bearing the costs specified in Section 5 of this Agreement in connection with the joint operating agreement.

4. Payment. Member will maintain a payment with the Association in the amount calculated as the estimated service charge for two months. Such payment will be repaid to the Member, after deduction of any charges then owing by it, at the expiration of one year, or such longer period as the Board of Directors of the Association may decide.

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5. Charges. The charges for the steam and chilled water will be fixed from time to time by the Board of Directors of the Association in accordance with the terms of the User Contract.

6. Assignment. This Agreement and the rights hereunder may be assigned by Member only with the approval of the Association, except that Member's rights under this Agreement may be pledged or assigned to the same extent that units of interest may be pledged or assigned as provided in Section 2. The Association may pledge or assign this Agreement and its rights hereunder as security for any indebtedness of the Association which may now or hereafter exist.

7. New Members. After the effective date of this Agreement, new Members may be admitted by a vote of two-thirds of the Board of Directors of the Association at its discretion, provided the new Members meet the requirements described in Article 4447r, Tex. Rev. Civ. Stat.

8. Expansion. Expansion of the Association's facilities to meet the additional demand of Members or non-Member users of steam or chilled water shall be at the discretion of the Board of Directors, and the cost of expanding the facilities shall be borne in such a manner as prescribed by the Association's Board of Directors. The Association shall, to the extent reasonably possible, charge the costs of expansion to the Member or non-Member user requesting such expansion in those cases in which the expansion is for the sole benefit of such Member or non-Member user. Facilities as used herein means the plant building, equipment and distribution system. Member agrees to inform the Association at the earliest possible time of any projected increase in its demand for chilled water or steam, including increases caused by anticipated construction, use of previously

unused or shelled-in space, or new services, but in any event no later than 30 months prior to the need for the increase.

9. Association Property. Member acknowledges that if it is terminated during the term of this Agreement, it shall receive payment for its units of interest as specified in Section 3 hereof and shall receive patronage payments only when, as and if other Members are paid, unless the Board of Directors, in its sole discretion, otherwise decides.

10. Amendment; Entire Agreement. This Agreement may be amended only by an agreement in writing signed by Member and Association. This Agreement constitutes the entire agreement between Member and Association in such capacities and all prior or contemporaneous oral understandings are merged herein.

11. Non Discrimination. It is the intent and purpose of the Association to provide a means for Members to share in the benefits of the Association's operation of the plant. To that end, the Association and Members agree with each other and all other Members that benefits will be shared by Members in proportion to their use of the plant and that there shall be no discrimination between Members. In the event some future act of the United States, the State of Texas or other governmental body serves to prevent or limit that intent, the Board of Directors will act as fairly as possible to maintain and effect the original purpose of the Association.

12. Miscellaneous. This Agreement is made and shall be performed in Houston, Harris County, Texas and shall be governed by the laws of the State of Texas.

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

TEXAS MEDICAL CENTER CENTRAL HEATING AND COOLING SERVICES COOPERATIVE ASSOCIATION

By *R. J. ...*

UNIVERSITY OF TEXAS SYSTEM Member

By *Allan Shivers*

ALLAN SHIVERS, CHAIRMAN Board of Regents of The University of Texas System

ATTEST:

Betty Anne Thedford

BETTY ANNE THEDFORD, SECRETARY Board of Regents of The University of Texas System

APPROVED AS TO FORM:

J. ...
University Attorney

APPROVED AS TO CONTENT:

E. ...
President
The University of Texas System
K24 AF 24

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TEXAS MEDICAL CENTER CENTRAL
HEATING AND COOLING SERVICES
COOPERATIVE ASSOCIATION

MEMBERSHIP AGREEMENT

This Membership Agreement ("Agreement") is dated as of the 30th day of May, 1978, but shall be effective as hereinafter set forth, and is between the Texas Medical Center Central Heating and Cooling Services Cooperative Association (the "Association") and University of Texas Health Science Center at Houston ("Member").

W I T N E S S E T H:

WHEREAS, the Association has been formed to purchase and operate on a cooperative basis a plant, now owned by the Houston Natural Gas Corporation ("HNG"), which provides certain institutions with steam and chilled water;

WHEREAS, Member is a non-profit health-related institution or a health-related state supported institution exempt from federal income tax; and

WHEREAS, Member desires to join the Association and receive steam and chilled water from the Association;

NOW, THEREFORE, in consideration of the mutual agreements herein contained, and other good and valuable considerations, the sufficiency and receipt of which is hereby acknowledged, Member and Association hereby agree as follows:

1. Effective Date of this Agreement; Duration.

Subject to the further terms and provisions of this Agreement, this Agreement shall become effective commencing on the date that the Association acquires the steam and chilled water plant and distribution system from HNG. The duration of

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this Agreement shall extend to December 31, 2000, and, unless sooner terminated in accordance with the provisions of this Agreement, shall continue thereafter as long as the Association operates its plant; provided, however, should this Agreement remain in force and effect until December 31, 2000, either party may terminate this Agreement any time thereafter upon sixty (60) days written notice of termination to the other party.

2. Association Units of Interest. Member at the effective date of this Agreement will purchase 1,704 units of interest of the Association, \$10 par value, for \$10 per unit of interest. Member acknowledges that its initial purchase of units of interest is in proportion to its anticipated use of steam and chilled water. Member acknowledges and agrees that the payments made for the steam and chilled water supplied by the Association from the effective date of this Agreement through December 31, 2000 shall determine the ultimate ownership of units of interest in the Association. At the termination of the primary term hereof, or such earlier time as the Association shall be liquidated, Member agrees to sell units of interest, or to buy units of interest, in either case at \$10 per unit of interest, to reflect the actual historical payments by Member for steam and chilled water combined. Member also agrees that, at the discretion of the Board of Directors, Member will periodically buy or sell units as specified above. Payments shall consist of all amounts paid for chilled water and steam service since the effective date of this Agreement. In order to eliminate the effect of inflation on those payments made subsequent to December 31, 1978, which are to be used in the determination of ownership of units of interest, it is agreed that solely for purposes of calculating amounts paid,

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all payments made subsequent to December 31, 1978, will be reduced by a percentage equal to the percentage increase between the Consumer Price Index All-Items Figures for Urban Wage Earners and Clerical Workers (including single workers) (1967 = 100) for Houston, Texas for January 1979 and the nearest month to the date when the calculation of amounts paid is made. Member agrees that it shall not dispose of its units of interest without the consent of the Association, except that such units of interest (i) may be pledged to a lender to Member where such lender has a mortgage or other similar interest with respect to the property of Member or (ii) in connection with the merger with, or assignment of, all or substantially all of Member's assets to, another entity which would be eligible to be a Member.

3. Termination of Membership. Member acknowledges that its termination as a Member of the Association pursuant to the provisions of Section 2.2 of the By-Laws of the Association would cause serious problems to arise for the Association. In the event, however, that Member should be terminated pursuant to the provisions of Section 2.2 of the By-Laws, Association shall tender to Member, as payment for the book value of units of interest owned by the terminated Member, an undivided interest in the physical assets of the Association, equal in percentage to the historical use of Member from the effective date of this Agreement to the date of Member's termination, computed in accordance with Section 2 above. Member and Association agree that in connection with such undivided ownership of the physical assets of the Association, Member and Association shall enter into a joint operating agreement for the use and control of the plant and distribution facilities of the Association. Such joint operating agreement shall provide that the terminated Member

shall be limited in its percentage use of chilled water and steam to the percentage ownership it shall have in the physical assets of the Association, and such terminated Member shall bear the capital costs of the plant and distribution system in proportion to its ownership and the costs of the operation of the plant and distribution system in direct proportion to its use of steam and chilled water. Capital costs shall consist of the costs of purchasing the plant and distribution system and any additional equipment or improvement thereto, together with the costs relating thereto; the costs of operation, including depreciation and amortization of capital equipment costs, shall include all costs other than capital costs as specified above. Member and Association further agree that Member shall assume its proportionate indebtedness of the Association, which shall be repaid directly to the Association's lender or which may be collected by the Association through the Member bearing the costs specified in Section 5 of this Agreement in connection with the joint operating agreement.

4. Payment. Member will maintain a payment with the Association in the amount calculated as the estimated service charge for two months. Such payment will be repaid to the Member, after deduction of any charges then owing by it, at the expiration of one year, or such longer period as the Board of Directors of the Association may decide.

5. Charges. The charges for the steam and chilled water will be fixed from time to time by the Board of Directors of the Association in accordance with the terms of the User Contract.

6. Assignment. This Agreement and the rights hereunder may be assigned by Member only with the approval of the Association, except that Member's rights under this

Agreement may be pledged or assigned to the same extent that units of interest may be pledged or assigned as provided in Section 2. The Association may pledge or assign this Agreement and its rights hereunder as security for any indebtedness of the Association which may now or hereafter exist.

7. New Members. After the effective date of this Agreement, new Members may be admitted by a vote of two-thirds of the Board of Directors of the Association at its discretion, provided the new Members meet the requirements described in Article 4447r, Tex. Rev. Civ. Stat.

8. Expansion. Expansion of the Association's facilities to meet the additional demand of Members or non-Member users of steam or chilled water shall be at the discretion of the Board of Directors, and the cost of expanding the facilities shall be borne in such a manner as prescribed by the Association's Board of Directors. The Association shall, to the extent reasonably possible, charge the costs of expansion to the Member or non-Member user requesting such expansion in those cases in which the expansion is for the sole benefit of such Member or non-Member user. Facilities as used herein means the plant building, equipment and distribution system. Member agrees to inform the Association at the earliest possible time of any projected increase in its demand for chilled water or steam, including increases caused by anticipated construction, use of previously unused or shelled-in space, or new services, but in any event no later than 30 months prior to the need for the increase.

9. Association Property. Member acknowledges that if it is terminated during the term of this Agreement, it shall receive payment for its units of interest as specified in Section 3 hereof and shall receive patronage payments only when, as and if other Members are paid, unless the Board of Directors, in its sole discretion, otherwise decides.

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10. Amendment; Entire Agreement. This Agreement may be amended only by an agreement in writing signed by Member and Association. This Agreement constitutes the entire agreement between Member and Association in such capacities and all prior or contemporaneous oral understandings are merged herein.

11. Non Discrimination. It is the intent and purpose of the Association to provide a means for Members to share in the benefits of the Association's operation of the plant. To that end, the Association and Members agree with each other and all other Members that benefits will be shared by Members in proportion to their use of the plant and that there shall be no discrimination between Members. In the event some future act of the United States, the State of Texas or other governmental body serves to prevent or limit that intent, the Board of Directors will act as fairly as possible to maintain and effect the original purpose of the Association.

12. Miscellaneous. This Agreement is made and shall be performed in Houston, Harris County, Texas and shall be governed by the laws of the State of Texas.

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

TEXAS MEDICAL CENTER CENTRAL HEATING AND COOLING SERVICES COOPERATIVE ASSOCIATION

By R. A. [Signature]

UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT HOUSTON Member

By [Signature]
ALLAN SHIVERS, CHAIRMAN
Board of Regents of
The University of Texas System

ATTEST:

[Signature]
BETTY ANNE THIEDFORD, SECRETARY
Board of Regents of
The University of Texas System

APPROVED AS TO FORM:

[Signature]
University Attorney

APPROVED AS TO CONTENT:

[Signature]
President
The University of Texas System

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TEXAS MEDICAL CENTER CENTRAL
HEATING AND COOLING SERVICES
COOPERATIVE ASSOCIATION

MEMBERSHIP AGREEMENT

This Membership Agreement ("Agreement") is dated as of the 30th day of May, 1978, but shall be effective as hereinafter set forth, and is between the Texas Medical Center Central Heating and Cooling Services Cooperative Association (the "Association") and University of Texas System Cancer Center, M.D. Anderson Hospital and Tumor Institute ("Member").

W I T N E S S E T H:

WHEREAS, the Association has been formed to purchase and operate on a cooperative basis a plant, now owned by the Houston Natural Gas Corporation ("HNG"), which provides certain institutions with steam and chilled water;

WHEREAS, Member is a non-profit health-related institution or a health-related state supported institution exempt from federal income tax; and

WHEREAS, Member desires to join the Association and receive steam and chilled water from the Association;

NOW, THEREFORE, in consideration of the mutual agreements herein contained, and other good and valuable considerations, the sufficiency and receipt of which is hereby acknowledged, Member and Association hereby agree as follows:

1. Effective Date of this Agreement; Duration.

Subject to the further terms and provisions of this Agreement, this Agreement shall become effective commencing on the date that the Association acquires the steam and chilled water plant and distribution system from HNG. The duration of this Agreement shall extend to December 31, 2000, and, unless sooner terminated in accordance with the provisions

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of this Agreement, shall continue thereafter as long as the Association operates its plant; provided, however, should this Agreement remain in force and effect until December 31, 2000, either party may terminate this Agreement any time thereafter upon sixty (60) days written notice of termination to the other party.

2. Association Units of Interest. Member at the effective date of this Agreement will purchase 1,181 units of interest of the Association, \$10 par value, for \$10 per unit of interest. Member acknowledges that its initial purchase of units of interest is in proportion to its anticipated use of steam and chilled water. Member acknowledges and agrees that the payments made for the steam and chilled water supplied by the Association from the effective date of this Agreement through December 31, 2000 shall determine the ultimate ownership of units of interest in the Association. At the termination of the primary term hereof, or such earlier time as the Association shall be liquidated, Member agrees to sell units of interest, or to buy units of interest, in either case at \$10 per unit of interest, to reflect the actual historical payments by Member for steam and chilled water combined. Member also agrees that, at the discretion of the Board of Directors, Member will periodically buy or sell units as specified above. Payments shall consist of all amounts paid for chilled water and steam service since the effective date of this Agreement. In order to eliminate the effect of inflation on those payments made subsequent to December 31, 1978, which are to be used in the determination of ownership of units of interest, it is agreed that solely for purposes of calculating amounts paid, all payments made subsequent to December 31, 1978, will be reduced by a percentage equal to the percentage increase between the Consumer Price Index All-Items Figures for Urban Wage Earners and Clerical Workers (including single workers)

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(1967 = 100) for Houston, Texas for January 1979 and the nearest month to the date when the calculation of amounts paid is made. Member agrees that it shall not dispose of its units of interest without the consent of the Association, except that such units of interest (i) may be pledged to a lender to Member where such lender has a mortgage or other similar interest with respect to the property of Member or (ii) in connection with the merger with, or assignment of, all or substantially all of Member's assets to, another entity which would be eligible to be a Member.

3. Termination of Membership. Member acknowledges that its termination as a Member of the Association pursuant to the provisions of Section 2.2 of the By-Laws of the Association would cause serious problems to arise for the Association. In the event, however, that Member should be terminated pursuant to the provisions of Section 2.2 of the By-Laws, Association shall tender to Member, as payment for the book value of units of interest owned by the terminated Member, an undivided interest in the physical assets of the Association, equal in percentage to the historical use of Member from the effective date of this Agreement to the date of Member's termination, computed in accordance with Section 2 above. Member and Association agree that in connection with such undivided ownership of the physical assets of the Association, Member and Association shall enter into a joint operating agreement for the use and control of the plant and distribution facilities of the Association. Such joint operating agreement shall provide that the terminated Member shall be limited in its percentage use of chilled water and steam to the percentage ownership it shall have in the physical assets of the Association, and such terminated Member shall bear the capital costs of the plant and distribution system in proportion to its ownership and the costs

of the operation of the plant and distribution system in direct proportion to its use of steam and chilled water. Capital costs shall consist of the costs of purchasing the plant and distribution system and any additional equipment or improvement thereto, together with the costs relating thereto; the costs of operation, including depreciation and amortization of capital equipment costs, shall include all costs other than capital costs as specified above. Member and Association further agree that Member shall assume its proportionate indebtedness of the Association, which shall be repaid directly to the Association's lender or which may be collected by the Association through the Member bearing the costs specified in Section 5 of this Agreement in connection with the joint operating agreement.

4. Payment. Member will maintain a payment with the Association in the amount calculated as the estimated service charge for two months. Such payment will be repaid to the Member, after deduction of any charges then owing by it, at the expiration of one year, or such longer period as the Board of Directors of the Association may decide.

5. Charges. The charges for the steam and chilled water will be fixed from time to time by the Board of Directors of the Association in accordance with the terms of the User Contract.

6. Assignment. This Agreement and the rights hereunder may be assigned by Member only with the approval of the Association, except that Member's rights under this Agreement may be pledged or assigned to the same extent that units of interest may be pledged or assigned as provided in Section 2. The Association may pledge or assign this Agreement and its rights hereunder as security for any indebtedness of the Association which may now or hereafter exist.

7. New Members. After the effective date of this Agreement, new Members may be admitted by a vote of two-thirds of the Board of Directors of the Association at its discretion, provided the new Members meet the requirements described in Article 4447r, Tex. Rev. Civ. Stat.

8. Expansion. Expansion of the Association's facilities to meet the additional demand of Members or non-Member users of steam or chilled water shall be at the discretion of the Board of Directors, and the cost of expanding the facilities shall be borne in such a manner as prescribed by the Association's Board of Directors. The Association shall, to the extent reasonably possible, charge the costs of expansion to the Member or non-Member user requesting such expansion in those cases in which the expansion is for the sole benefit of such Member or non-Member user. Facilities as used herein means the plant building, equipment and distribution system. Member agrees to inform the Association at the earliest possible time of any projected increase in its demand for chilled water or steam, including increases caused by anticipated construction, use of previously unused or shelled-in space, or new services, but in any event no later than 30 months prior to the need for the increase.

9. Association Property. Member acknowledges that if it is terminated during the term of this Agreement, it shall receive payment for its units of interest as specified in Section 3 hereof and shall receive patronage payments only when, as and if other Members are paid, unless the Board of Directors, in its sole discretion, otherwise decides.

10. Amendment; Entire Agreement. This Agreement may be amended only by an agreement in writing signed by Member and Association. This Agreement constitutes the

entire agreement between Member and Association in such capacities and all prior or contemporaneous oral understandings are merged herein.

11. Non Discrimination. It is the intent and purpose of the Association to provide a means for Members to share in the benefits of the Association's operation of the plant. To that end, the Association and Members agree with each other and all other Members that benefits will be shared by Members in proportion to their use of the plant and that there shall be no discrimination between Members. In the event some future act of the United States, the State of Texas or other governmental body serves to prevent or limit that intent, the Board of Directors will act as fairly as possible to maintain and effect the original purpose of the Association.

12. Miscellaneous. This Agreement is made and shall be performed in Houston, Harris County, Texas and shall be governed by the laws of the State of Texas.

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

TEXAS MEDICAL CENTER CENTRAL HEATING AND COOLING SERVICES COOPERATIVE ASSOCIATION

By [Signature]

UNIVERSITY OF TEXAS SYSTEM CANCER CENT M.D. ANDERSON HOSPITAL AND TUMOR INSTITUTE Member

ATTEST:

[Signature]
BETTY ANNE THIEDFORD, SECRETARY
Board of Regents of
The University of Texas System

By [Signature]

ALLAN SHIVERS, CHAIRMAN
Board of Regents of
The University of Texas System

APPROVED AS TO FORM:

[Signature]
University Attorney

APPROVED AS TO CONTENT:

[Signature]
President
The University of Texas System
k24 AFP24

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CONTRACT FOR CHILLED WATER AND STEAM SERVICE

TEXAS MEDICAL CENTER
CENTRAL HEATING AND COOLING SERVICES
COOPERATIVE ASSOCIATION

THIS AGREEMENT dated as of May 30, 1978, and made and entered into by and between Texas Medical Center Central Heating and Cooling Services Cooperative Association, a Texas non-profit cooperative association, hereinafter called Seller and University of Texas Health Science Center at Houston, hereinafter called Buyer.

W I T N E S S E T H

WHEREAS, Buyer is an organization which is a Member of Seller or an Eligible Institution, and,

WHEREAS, Buyer wishes to purchase chilled water and steam service from Seller,

NOW THEREFORE, Seller, in consideration of the covenants contained herein and subject to the provisions of the Agreement, does, by these presents, covenant and agree to and with Buyer to furnish and supply to Buyer all chilled water and steam service for space cooling, space heating and steam processes as required in the operation of Buyer's establishment as it exists on the date of this Agreement at the following location: Speech and Hearing Institute, School of Public Health (Phase I), School of Public Health (Phase II), John Freeman Building, Medical School (Phase I) and Medical School (Phase II & III)

Section 1. Definitions.

Wherever used herein, the following terms have the following meanings:

(a) "The Center" means the Texas Medical Center, Inc. and the land and real property comprising the area known as the Texas Medical Center.

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(b) "The Plant" means the chilling and heating equipment and other facilities purchased by Seller from Houston Natural Gas Corporation ("HNG") for the purpose of chilling water and producing steam to be distributed to Members of Seller, and replacements and expansions of such equipment and facilities.

(c) The "Distribution System" or "the System" means the system necessary to transmit to Seller's customers throughout the Center the chilled water and steam produced by the Plant, regulate it, measure it, and return it to the Plant.

(d) "Member" means an institution operating a building or facility within the Center and taking service from the Plant and Distribution System under contract with Seller and which is a member of the Seller.

(e) "Eligible Institution" shall have the meaning given such term in Tex. Rev. Civ. Stat. Art. 4447r, as amended.

Section 2. Price for Service.

Prices for chilled water and steam service shall be those promulgated from time to time by Seller. Seller shall promulgate rates when service by Seller begins and at least annually thereafter, but may make changes in rates more frequently. The rate schedule promulgated by Seller shall be the same for Buyer as for all users. There shall be no differential based upon the distance from the Plant to Buyer's establishment. Such rate schedule may provide for cost reimbursement to the Association for unusual equipment or services to Buyer provided by Seller.

Rates shall be set to provide for all Seller's costs and the aggregating of such reserves as the Seller's board of directors deems appropriate. Seller's costs shall include each and every cost and expense of Seller, including,

but not limited to, capital costs of all kinds, operating expenses, general and administrative expenses, interest, depreciation and amortization.

Section 3. Specifications and Description of System.

Buyer and Seller agree that the System shall have the following characteristics:

(a) Seller's Distribution System will be operated by Seller at a pressure sufficient to circulate water in such system as if it were a closed system running from the Plant by Buyer's establishment and back to the Plant. Buyer must install, maintain and operate, at its cost, a pressure pump or pumps which will produce sufficient pressure to enable Buyer to circulate the chilled water through and within its establishment and facilities and return water to Seller's Distribution System within approximately 10 psig of and not greater than delivered pressure.

(b) Seller's Distribution System will be operated to deliver steam to Buyer's establishment. Steam condensate will return from Buyer's establishment to the Plant through the return Distribution System of Seller, which will be sized on the basis of 3.0 feet pressure drop per 100 lineal feet. Buyer must install, maintain and operate, at its cost, a pressure pump or pumps which will produce sufficient pressure to return the steam condensate from the Buyer's establishment to the Plant in the same condition as received from Seller, except for change of temperature or physical state and except for normal and unavoidable shrinkage, but steam condensate shall be returned at a temperature of not less than 150°F, nor more than 212°F. If Buyer shall fail to return steam condensate as herein provided, Buyer shall reimburse Seller in accordance with Seller's promulgated prices.

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(c) The chilled water to be supplied hereunder by Seller shall not exceed forty degrees Fahrenheit (40°F) at the delivery point serving Buyer's establishment, and Buyer shall return chilled water at no less than 54 degrees Fahrenheit (54°F). Seller's Plant and chilled water Distribution System shall be designed with an allowance for 150 PSI static head at ground level. Seller shall deliver steam at the point of delivery serving Buyer's establishment at a minimum pressure of 125 PSIG and a maximum of 425 PSIG.

(d) Buyer shall not employ automatic valves or devices in the chilled water lines at the point of connection to Seller's system or at any other point in Buyer's system where such valves or devices would induce positive or negative pressures in Seller's chilled water distribution system above or below the current AMERICAN WATER WORKS ASSOCIATION'S recommended limits as stated in AWWA Steel Pipe Manual M-11 based on 65 psig design operating pressure.

(e) Buyer must install, maintain and operate, at its cost, any heat exchangers or other equipment necessary to isolate any special process or equipment of Buyer that may become contaminated by direct usage of chilled water supplied by Seller hereunder.

(f) Firm chilled water and steam service shall be furnished by Seller to Buyer at a point of delivery to be located at a point five feet (5') from the exterior wall of Buyer's establishment, unless Buyer and Seller stipulate in writing a different point of delivery. The point of re-delivery by Buyer to Seller of such chilled water and condensate from such steam will be located parallel to and immediately adjacent to the point of delivery unless Buyer and Seller stipulate in writing a different point of re-delivery.

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(g) Seller must install and operate all meters on Buyer's premises which Seller deems necessary or desirable to perform Seller's obligations hereunder. Title to all meters, pipes, regulators, appliances and other equipment placed on Buyer's premises by Seller and not sold to Buyer shall remain in Seller with right of removal and no charge shall be made by Buyer for the use of premises occupied by same. Seller must bear the cost of keeping its pipes, meters, regulators and other equipment in repair, and shall have the right to enter upon Buyer's premises at any time for any purpose connected with the services herein provided for. Seller shall not be liable for any claims, loss, damage, injury or death, as applicable, to persons or property resulting from such services or from its escape after it leaves the point of delivery, all risks thereof and therefrom being assumed by Buyer.

Section 4. Covenants and Further Agreements of Buyer and Seller.

The following covenants and provisions are a part of the Agreement, and Seller and Buyer mutually agree as follows:

(a) Buyer will accept and receive from Seller chilled water and steam service for the purposes only for which the stated rate schedule is available and for all space cooling, space heating, and steam process requirements of Buyer's aforesaid establishment for which the stated rate schedule is available for and during the full term of this contract, and will pay for such chilled water and steam service at the rate and prices and upon the terms and conditions set forth in this contract, making such payment to Seller at its office in Houston, Texas within thirty (30) days from the date of monthly billing. For the purpose of billing hereunder, a month shall be construed as the period

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between any two customary meter readings by Seller, such readings to be, as nearly as may be convenient, one calendar month apart. Seller may provide in its rate schedule for discounts for prompt payment. Late payments shall be the maximum amount of interest which can be legally charged after 60 days from the date of the bill. In the event all or any part of any monthly account shall not be paid prior to the expiration of ninety days from and after the billing date, and same shall be placed in the hands of an attorney for collection or if suit be filed thereon in any court, Buyer agrees to pay to Seller ten per cent additional upon the full amount then due and owing thereon as attorney's fees for collection; but this provision is not intended, and shall not be construed, as granting any period of grace or any extension of time for the payment of any bill becoming due under this contract.

(b) Buyer represents that all appliances, heat exchangers, air-moving equipment, secondary piping and all other equipment and facilities utilized by Buyer for the services provided herein at and beyond point of delivery are now and will be kept and maintained by Buyer throughout the term of this contract in good condition and safe, suitable, and adequate for the use for which the same are installed. Buyer further agrees to cause said appliances, equipment and piping to be inspected at reasonable intervals and to give immediate notice in writing to Seller if and when discovery is made that any such appliances, equipment and piping are in unsafe condition. Seller shall not be obligated to deliver any services to Buyer hereunder so long as any appliances, equipment or piping at and beyond point of delivery are in unsafe condition, or upon Buyer's failure to pay any bill for services delivered hereunder for more than

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thirty days after the same has become due; and in any such event, Seller may discontinue furnishing services herein until such time as said property has been restored to a safe condition or Buyer has paid all amounts past due and delinquent. Any such period of discontinuance shall not be included in computing the term of this contract.

(c) It is expressly recognized by the parties hereto that either Seller or Buyer may be compelled to make necessary alterations, repairs, replacements, or installations of lines and equipment from time to time during the life of this contract and such party agrees that the interruption in delivery of services, if any, shall be for only such time as may be reasonable and necessary, and such party will give the other party notice as far in advance as possible under the circumstances. Where billing hereunder is determined by meter, in case a meter is temporarily out of repair the quantity of services used during the time while the meter is out of repair shall be estimated by mutual agreement between the parties hereto, upon the same basis of the amount of services registered by the meter per day when in proper working order and when a similar amount of consumers were supplied with such service. At the request of Buyer, Seller will periodically test its meters serving Buyer's establishment, but not more often than once each six (6) calendar months.

(d) Neither party hereto shall be liable for its failure to carry out its obligations under this contract, other than the obligation to make payments of amounts due hereunder, when said party shall be rendered unable, wholly or in part, by force majeure to carry out its obligations hereunder, but the obligations of the party relying on such force majeure shall be suspended only during the continuance of any inability so caused and for no longer period and such

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cause shall so far as possible be remedied with all reasonable dispatch. The term "force majeure" as employed herein shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightening, earthquakes, fires, storms, floods, washouts, arrests and restraints of rulers and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, or equipment, the necessity for making repairs or alterations to machinery or lines of pipe, and any other causes whether the kind enumerated or otherwise, not within the control of the party claiming suspension, which by the exercise of due diligence such party shall not have been able to avoid. In view of the fact that continuity of service is of unusual importance to Buyer, Seller agrees to exercise a maximum degree of care in preventing interruptions of service for any reason and to use the utmost diligence in restoring a service interruption for any case including force majeure.

(e) Buyer will protect Seller's property on Buyer's premises from injury or damages, and will not tamper with its meter or regulators, if any are on Buyer's premises, and will not permit the same to be tampered with, without consent of Seller.

(f) Seller may, at its election, terminate this contract for failure on the part of Buyer to pay bills when due, as provided therein, for tampering with the meter or meters, if any, for failure to use such services in accordance with the spirit and intent of this contract, or for violation of any of the provisions of this agreement. Any cancellation of this agreement pursuant to the provisions of this contract, or for violation of any of the provisions of this agreement shall be without prejudice to the right of

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Seller to collect any amount then due it and without waiver of any remedy to which Seller may be entitled for violation of this contract.

(g) Any new or revised schedule of rates shall become effective as to all such services thereafter delivered to Buyer commencing with the next monthly billing period.

(h) Buyer agrees to convey or have conveyed to Seller, without cost to Seller, necessary or desirable right-of-way and easements on Buyer's tract of land, if necessary, for the laying construction, reconstruction, inspection, operation, maintenance, repair, protection, alteration, replacement, change of size, substitution, movement and removal of necessary pipes, meters, regulating devices and related facilities for the transmission, regulation, measurement and return of the chilled water and steam to be produced in the Plant by Seller; provided, however, Buyer shall have the right to cause Seller to relocate any such facilities to other rights-of-way and easements furnished by Buyer if Buyer bears the cost of relocation.

(i) The routes and locations of said rights-of-way and easements shall be designated by Seller and shall be reasonably located so as not to interfere with or unnecessarily encumber the development of Buyer's tract of land. Buyer agrees not to erect or construct, or permit the erection or construction of any houses, buildings, structures, concrete slabs (other than roads crossing Seller's pipe lines, but not over and along such pipe line) or other obstructions on, over or across said rights-of-way and easements or any part thereof or that will interfere with any of the rights granted to Seller.

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(j) Seller agrees to restore all surfaces disturbed by it in the exercise of its rights in all such main line and service line easements.

(k) Seller shall have no responsibility for insufficient heating or cooling of or steam process use in Buyer's institution which results from defects or inadequacy of heat exchanger, air-handling equipment, interior lines or other related equipment of Buyer. Seller shall be responsible for control of chilled water and steam only up to the point of delivery thereof to Buyer and after redelivery to Seller's return distribution system. Insofar as permitted by law, Buyer shall indemnify and save Seller free and harmless from any loss, damage or harm resulting from the circulation or escape of chilled water or steam within Buyer's establishment or at any other point between the point of delivery and the point of redelivery thereof, from injuries to person or property caused thereby, and from all reasonable expenses of investigating or defending any claim resulting therefrom. Nothing herein shall be construed as relieving Seller of responsibility for damage or harm resulting from negligence of Seller or its servants or agents, in the handling of chilled water or steam.

Section 5. Assignment. This Agreement and the rights hereunder may be assigned by Buyer only with the approval of Seller, except that Buyer may assign its rights in connection with any indebtedness of Buyer or in connection with the merger with, or assignment of all or substantially all its assets to, another Eligible Institution. Seller may assign this Agreement and its rights hereunder as security for any indebtedness or other obligation of the Seller which may now or hereafter exist.

Section 6. Rights, Privileges, and Duties;
Termination.

Seller may at its option terminate this Agreement at any time in the event the activities or status of Buyer adversely affects the tax status of Seller or any of its other members. However, Buyer hereby represents and warrants that it is at present an Eligible Institution, recognizing that Seller may not supply service to other than its Members or other Eligible Institutions. Buyer acknowledges that its termination as a Buyer from the Association would cause serious problems to arise for the Association. In the event, however, that a non-member Buyer should become ineligible for service from the Association, such Buyer and Association, at the discretion of the Association's Board of Directors and when necessary or appropriate to preserve the financial integrity of Seller, shall enter into a joint operating agreement for the use and control of the plant and distribution facilities of the Association. Such joint operating agreement shall provide that the terminated non-member Buyer shall be limited in its percentage use of chilled water and steam to an agreed upon percentage. As a condition to Buyer's opportunity to enter into the joint operating agreement, such terminated non-member Buyer shall purchase an undivided interest in the plant and distribution system at a price to be agreed upon by such non-member Buyer and Seller in proportion to its agreed upon percentage use, and pay the costs of the operation of the plant and distribution system in direct proportion to its use of steam and chilled water. Costs shall include, but not be limited to, those specified as making up the price for service shown in Section 2 hereof.

Section 7. Term of Agreement.

The period of time covered by this Agreement shall begin on the date of initial delivery of chilled water or steam service hereunder and shall continue for a primary

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term to December 31, 2000, and, unless sooner terminated in accordance with the provisions of this Agreement, shall continue thereafter as long as Seller operates its Plant described on Page 1 hereof; provided, however, should this Agreement remain in force and effect to December 31, 2000, either party may terminate this Agreement any time thereafter upon sixty (60) days written notice of termination to the other party.

Section 8. Transition from HNG Operations;
Survival of Existing Design Criteria.

Buyer recognizes that Seller is purchasing the Plant from HNG and agrees that it will cooperate in such transaction and in the transition from HNG's to Seller's ownership of the Plant.

Buyer agrees that the Design Criteria relating to the operation of the Plant attached hereto as Exhibit A shall remain in effect.

Section 9. Amendment; Entire Agreement.

This Agreement may be amended only by an agreement in writing signed by Buyer and Seller. This Agreement constitutes the entire agreement between Buyer and Seller in such capacity and all prior or contemporaneous oral understandings are merged herein.

Section 10. Miscellaneous.

This Agreement is made and shall be performed in Houston, Harris County, Texas and shall be governed by the laws of the State of Texas.

Section 11. Non-Member User Patronage. If Buyer is not a member of Seller, Buyer agrees and consents that

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the stated dollar amount of any distribution with respect to its patronage which is made in a qualified written notice of allocation (as defined in Section 1388 of the Internal Revenue Code of 1954) and which is received by it from Seller, will be taken into account by it in the manner provided in Section 1385(a) of the Internal Revenue Code of 1954 in the taxable year in which such qualified written notice of allocation is received by it.

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

BUYER

UNIVERSITY OF TEXAS HEALTH
SCIENCE CENTER AT HOUSTON

By Allan Shivers

ALLAN SHIVERS, CHAIRMAN
Board of Regents of
The University of Texas System

ATTEST:

Betty Anne Thiedford
BETTY ANNE THIEDFORD, SECRETARY
Board of Regents of
The University of Texas System

SELLER

TEXAS MEDICAL CENTER CENTRAL
HEATING AND COOLING SERVICES
COOPERATIVE ASSOCIATION

By R. S. Lister

APPROVED AS TO CONTENT:

W. D. Lee
President, AF 24
The University of Texas System

APPROVED AS TO FORM:

James C. McCoy
University Attorney

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Exhibit A

DESIGN CRITERIA FOR CENTRAL HEATING AND COOLING SERVICE

TO: TEXAS MEDICAL CENTER

BY: HOUSTON NATURAL GAS CORPORATION - HOUSTON, TEXAS

DATE: AUGUST, 1970 - REVISION AUGUST, 1973

General:

Houston Natural Gas Corporation (HNG) operates a central heating and cooling plant to serve the Texas Medical Center at Houston, Texas. The distribution system consists of a chilled water supply and return, a high pressure steam supply, and condensate return pipe lines. Chilled water and steam are generated at the central plant facility located within the Texas Medical Center.

For a customer, HNG will install branch lines to a mutually agreed underground point. The customer will connect to this piping and will furnish and install all mechanical equipment within the building, such as circulating pumps, piping, regulators, heat exchangers, controls, and the entire air side of the building cooling and heating system.

Information Needed by HNG:

The customer is requested to advise HNG, in writing, of the estimated minimum, normal and peak demands for refrigeration in tons and for heating in BTU per hour. If project is to have separate phases of construction, load information should contain both initial loads and ultimate loads anticipated. One copy of the mechanical drawings is requested so that HNG can assure itself that the basic design criteria are followed. HNG does not accept responsibility for design within the customer's building. The drawings should detail how the

Chilled water and steam are to be used and include the following:

1. The chilled water, hot water, and steam condensate pumps and related piping located in the main equipment room.
2. All controls and instrumentation that will effect in any way the pressures and temperatures in the HNG primary system.

C. Services Furnished by Houston Natural Gas Corporation:

1. Chilled Water

HNG will supply 40°F primary chilled water on a 24 hour basis to each customer. Chilled water flow rate is limited to 1.72 gallons per installed ton by system design. Thus, a return water temperature of 54°F or higher is required from the building at peak load conditions. Chilled water supply and return pressures in the central plant distribution system will vary depending on customer location. Houston Natural Gas will supply the anticipated pressures at each point of delivery.

2. Steam

Steam will be supplied on a 24 hour basis to each customer in accordance with the following:

	<u>1974-1978</u> <u>Pressure Temp.</u>	<u>After 1978</u> <u>Pressure Temp.</u>
Steam Supply	400 psig @450°F	125 psig @350°F
Condensate Return	125 psig max.	125 psig max.

3. Metering

HNG will install and maintain all meters on customer's premises for measurement of chilled water, steam and steam condensate.

Responsibilities of the Customer:1. Chilled Water System

- (a) HNG's distribution system is operated as if it were a closed loop running from the Plant to the customer's building and back to the Plant. The customer will install, maintain and operate, at his cost, a pump or pumps which will produce sufficient pressure to circulate the chilled water through and within his facilities and return water to HNG's distribution system at a pressure sufficient to return it to the central plant. The minimum chilled water return pressure requirement will be supplied each customer by HNG on an individual basis.
- (b) The customer shall not employ automatic valves or devices in the chilled water lines at the point of connection to HNG's distribution system or at any other point in the system where such valves or devices would induce positive or negative pressures in HNG's chilled water distribution system, which is based on 65 psig design operating pressure. Thus, the maximum pressure induced should be limited to 65 psig.
- (c) The customer shall install, maintain and operate, at his cost, equipment and controls to limit chilled water flow from the central plant distribution system to a maximum of 1.72 gpm/ton of instantaneous peak load. The customer shall return chilled water to the central distribution system at 54°F or above.
- (d) The chilled water distribution system is designed with an allowance for 150 psi static head at ground level.

The customer must provide controls to prevent the building static head pressure from being transmitted into the distribution system when the system is not in operation. Refer to Mid-Valley Drawing No. SKF-328.

- (e) The customer shall install, maintain and operate, at his cost, any heat exchangers or other equipment necessary to isolate any special process or equipment that may become contaminated by direct usage of chilled water supplied by HNG.
- (f) The customer shall install and maintain a chilled water make-up system which shall be automatically operated as shown on Mid-Valley Drawing No. SKF-328.

2. Steam and Steam Condensate Return

- (a) Steam condensate will be returned from customer's establishment to the plant through the return distribution system, which has been sized on the basis of 3.0 feet pressure drop per 100 lineal feet. The customer will install, maintain and operate, at his cost, a pump or pumps which will produce sufficient pressure to return the steam condensate from the customer's establishment to the plant. The necessary minimum condensate pumping pressure will be supplied each customer by HNG on an individual basis.
- (b) The customer shall return all steam condensate with a purity equal to that of the incoming steam when condensed to the liquid phase. Any system or process where the condensate is or may be contaminated must be isolated by means of a secondary heat transfer medium. Condensate shall be returned at a temperature

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of not less than 150°F nor more than 212°F. Steam condensate tank(s) shall be vented to the atmosphere and shall have automatic pump controls and/or a check valve in the vent line to prevent air from being pumped into the condensate return system.

3. Metering Stations

The customer shall provide a location for the meters that will assure the equipment is safe from environmental hazards and accessible for readings and maintenance, and in accordance with Mid-Valley Drawing No. SKF-260. Customer shall also provide the following:

(a) Instrument air supply capable of delivering at least 3 scfm at a minimum pressure of 20 psig or a maximum of 100 psig.

(b) One 110 volt, 60 cycle circuit with 15 amp breaker. This circuit shall be for this use only.

E. Point of Tie-In:

Chilled water and steam service shall be delivered to a point five feet (5') from the exterior wall of the customer's building, unless HNG and the customer agree in writing to a different point of delivery. Chilled water return and steam condensate shall be returned parallel to and immediately adjacent to the point of delivery unless HNG and the customer agree in writing to a different point of redelivery.

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CONTRACT FOR CHILLED WATER AND STEAM SERVICE

TEXAS MEDICAL CENTER
CENTRAL HEATING AND COOLING SERVICES
COOPERATIVE ASSOCIATION

THIS AGREEMENT dated as of May 30, 1978, and made and entered into by and between Texas Medical Center Central Heating and Cooling Services Cooperative Association, a Texas non-profit cooperative association, hereinafter called Seller and University of Texas System Cancer Center, M.D. Anderson Hospital and Tumor Institute hereinafter called Buyer.

W I T N E S S E T H

WHEREAS, Buyer is an organization which is a Member of Seller or an Eligible Institution, and,

WHEREAS, Buyer wishes to purchase chilled water and steam service from Seller,

NOW THEREFORE, Seller, in consideration of the covenants contained herein and subject to the provisions of the Agreement, does, by these presents, covenant and agree to and with Buyer to furnish and supply to Buyer all chilled water and steam service for space cooling, space heating and steam processes as required in the operation of Buyer's establishment as it exists on the date of this Agreement at

the following location: M. D. Anderson Clinic, Lutheran

Hospital, Chapel and 6th and 7th Floor Addition to

Main Hospital

Section 1. Definitions.

Wherever used herein, the following terms have the following meanings:

(a) "The Center" means the Texas Medical Center, Inc. and the land and real property comprising the area known as the Texas Medical Center.

(b) "The Plant" means the chilling and heating equipment and other facilities purchased by Seller from Houston Natural Gas Corporation ("HNG") for the purpose of chilling water and producing steam to be distributed to Members of Seller, and replacements and expansions of such equipment and facilities.

(c) The "Distribution System" or "the system" means the system necessary to transmit to Seller's customers throughout the Center the chilled water and steam produced by the Plant, regulate it, measure it, and return it to the Plant.

(d) "Member" means an institution operating a building or facility within the Center and taking service from the Plant and Distribution System under contract with Seller and which is a member of the Seller.

(e) "Eligible Institution" shall have the meaning given such term in Tex. Rev. Civ. Stat. Art. 4447r, as amended.

Section 2. Price for Service.

Prices for chilled water and steam service shall be those promulgated from time to time by Seller. Seller shall promulgate rates when service by Seller begins and at least annually thereafter, but may make changes in rates more frequently. The rate schedule promulgated by Seller shall be the same for Buyer as for all users. There shall be no differential based upon the distance from the Plant to Buyer's establishment. Such rate schedule may provide for cost reimbursement to the Association for unusual equipment or services to Buyer provided by Seller.

Rates shall be set to provide for all Seller's costs and the aggregating of such reserves as the Seller's board of directors deems appropriate. Seller's costs shall

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include each and every cost and expense of Seller, including, but not limited to, capital costs of all kinds, operating expenses, general and administrative expenses, interest, depreciation and amortization.

Section 3. Specifications and Description of System.

Buyer and Seller agree that the System shall have the following characteristics:

(a) Seller's Distribution System will be operated by Seller at a pressure sufficient to circulate water in such system as if it were a closed system running from the Plant by Buyer's establishment and back to the Plant. Buyer must install, maintain and operate, at its cost, a pressure pump or pumps which will produce sufficient pressure to enable Buyer to circulate the chilled water through and within its establishment and facilities and return water to Seller's Distribution System within approximately 10 psig of and not greater than delivered pressure.

(b) Seller's Distribution System will be operated to deliver steam to Buyer's establishment. Steam condensate will return from Buyer's establishment to the Plant through the return Distribution System of Seller, which will be sized on the basis of 3.0 feet pressure drop per 100 lineal feet. Buyer must install, maintain and operate, at its cost, a pressure pump or pumps which will produce sufficient pressure to return the steam condensate from the Buyer's establishment to the Plant in the same condition as received from Seller, except for change of temperature or physical state and except for normal and unavoidable shrinkage, but steam condensate shall be returned at a temperature of not less than 150°F, nor more than 212°F. If Buyer shall fail to return steam condensate as herein provided, Buyer shall reimburse Seller in accordance with Seller's promulgated prices.

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(c) The chilled water to be supplied hereunder by Seller shall not exceed forty degrees Fahrenheit (40°F) at the delivery point serving Buyer's establishment, and Buyer shall return chilled water at no less than 54 degrees Fahrenheit (54°F). Seller's Plant and chilled water Distribution system shall be designed with an allowance for 150 PSI static head at ground level. Seller shall deliver steam at the point of delivery serving Buyer's establishment at a minimum pressure of 125 PSIG and a maximum of 425 PSIG.

(d) Buyer shall not employ automatic valves or devices in the chilled water lines at the point of connection to Seller's system or at any other point in Buyer's system where such valves or devices would induce positive or negative pressures in Seller's chilled water distribution system above or below the current AMERICAN WATER WORKS ASSOCIATION'S recommended limits as stated in AWWA Steel Pipe Manual M-11 based on 65 psig design operating pressure.

(e) Buyer must install, maintain and operate, at its cost, any heat exchangers or other equipment necessary to isolate any special process or equipment of Buyer that may become contaminated by direct usage of chilled water supplied by Seller hereunder.

(f) Firm chilled water and steam service shall be furnished by Seller to Buyer at a point of delivery to be located at a point five feet (5') from the exterior wall of Buyer's establishment, unless Buyer and Seller stipulate in writing a different point of delivery. The point of re-delivery by Buyer to Seller of such chilled water and condensate from such steam will be located parallel to and immediately adjacent to the point of delivery unless Buyer and Seller stipulate in writing a different point of re-delivery.

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(g) Seller must install and operate all meters on Buyer's premises which Seller deems necessary or desirable to perform Seller's obligations hereunder. Title to all meters, pipes, regulators, appliances and other equipment placed on Buyer's premises by Seller and not sold to Buyer shall remain in Seller with right of removal and no charge shall be made by Buyer for the use of premises occupied by same. Seller must bear the cost of keeping its pipes, meters, regulators and other equipment in repair, and shall have the right to enter upon Buyer's premises at any time for any purpose connected with the services herein provided for. Seller shall not be liable for any claims, loss, damage, injury or death, as applicable, to persons or property resulting from such services or from its escape after it leaves the point of delivery, all risks thereof and therefrom being assumed by Buyer.

Section 4. Covenants and Further Agreements of Buyer and Seller.

The following covenants and provisions are a part of the Agreement, and Seller and Buyer mutually agree as follows:

(a) Buyer will accept and receive from Seller chilled water and steam service for the purposes only for which the stated rate schedule is available and for all space cooling, space heating, and steam process requirements of Buyer's aforesaid establishment for which the stated rate schedule is available for and during the full term of this contract, and will pay for such chilled water and steam service at the rate and prices and upon the terms and conditions set forth in this contract, making such payment to Seller at its office in Houston, Texas within thirty (30) days from the date of monthly billing. For the purpose of billing hereunder, a month shall be construed as the period

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between any two customary meter readings by Seller, such readings to be, as nearly as may be convenient, one calendar month apart. Seller may provide in its rate schedule for discounts for prompt payment. Late payments shall be the maximum amount of interest which can be legally charged after 60 days from the date of the bill. In the event all or any part of any monthly account shall not be paid prior to the expiration of ninety days from and after the billing date, and same shall be placed in the hands of an attorney for collection or if suit be filed thereon in any court, Buyer agrees to pay to Seller ten per cent additional upon the full amount then due and owing thereon as attorney's fees for collection; but this provision is not intended, and shall not be construed, as granting any period of grace or any extension of time for the payment of any bill becoming due under this contract.

(b) Payer represents that all appliances, heat exchangers, air-moving equipment, secondary piping and all other equipment and facilities utilized by Buyer for the services provided herein at and beyond point of delivery are now and will be kept and maintained by Buyer throughout the term of this contract in good condition and safe, suitable, and adequate for the use for which the same are installed. Buyer further agrees to cause said appliances, equipment and piping to be inspected at reasonable intervals and to give immediate notice in writing to Seller if and when discovery is made that any such appliances, equipment and piping are in unsafe condition. Seller shall not be obligated to deliver any services to Buyer hereunder so long as any appliances, equipment or piping at and beyond point of delivery are in unsafe condition, or upon Buyer's failure to pay any bill for services delivered hereunder for more than thirty days after the same has become due; and in any such

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event, Seller may discontinue furnishing services herein until such time as said property has been restored to a safe condition or Buyer has paid all amounts past due and delinquent. Any such period of discontinuance shall not be included in computing the term of this contract.

(c) It is expressly recognized by the parties hereto that either Seller or Buyer may be compelled to make necessary alterations, repairs, replacements, or installations of lines and equipment from time to time during the life of this contract and such party agrees that the interruption in delivery of services, if any, shall be for only such time as may be reasonable and necessary, and such party will give the other party notice as far in advance as possible under the circumstances. Where billing hereunder is determined by meter, in case a meter is temporarily out of repair the quantity of services used during the time while the meter is out of repair shall be estimated by mutual agreement between the parties hereto, upon the same basis of the amount of services registered by the meter per day when in proper working order and when a similar amount of consumers were supplied with such services. At the request of Buyer, Seller will periodically test its meters serving Buyer's establishment, but not more often than once each six (6) calendar months.

(d) Neither party hereto shall be liable for its failure to carry out its obligations under this contract, other than the obligation to make payments of amounts due hereunder, when said party shall be rendered unable, wholly or in part, by force majeure to carry out its obligations hereunder, but the obligations of the party relying on such force majeure shall be suspended only during the continuance of any inability so caused and for no longer period and such cause shall so far as possible be remedied with all reason-

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able dispatch. The term "force majeure" as employed herein shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightening, earthquakes, fires, storms, floods, washouts, arrests and restraints of rulers and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, or equipment, the necessity for making repairs or alterations to machinery or lines of pipe, and any other causes whether the kind enumerated or otherwise, not within the control of the party claiming suspension, which by the exercise of due diligence such party shall not have been able to avoid. In view of the fact that continuity of service is of unusual importance to Buyer, Seller agrees to exercise a maximum degree of care in preventing interruptions of service for any reason and to use the utmost diligence in restoring a service interruption for any case including force majeure.

(e) Buyer will protect Seller's property on Buyer's premises from injury or damages, and will not tamper with its meter or regulators, if any are on Buyer's premises, and will not permit the same to be tampered with, without consent of Seller.

(f) Seller may, at its election, terminate this contract for failure on the part of Buyer to pay bills when due, as provided therein, for tampering with the meter or meters, if any, for failure to use such services in accordance with the spirit and intent of this contract, or for violation of any of the provisions of this agreement. Any cancellation of this agreement pursuant to the provisions of this contract, or for violation of any of the provisions of this agreement shall be without prejudice to the right of Seller to collect any amount then due it and without waiver of any remedy to which Seller may be entitled for violation of this contract.

(g) Any new or revised schedule of rates shall become effective as to all such services thereafter delivered to Buyer commencing with the next monthly billing period.

(h) Buyer agrees to convey or have conveyed to Seller, without cost to Seller, necessary or desirable right-of-way and easements on Buyer's tract of land, if necessary, for the laying construction, reconstruction, inspection, operation, maintenance, repair, protection, alteration, replacement, change of size, substitution, movement and removal of necessary pipes, meters, regulating devices and related facilities for the transmission, regulation, measurement and return of the chilled water and steam to be produced in the Plant by Seller; provided, however, Buyer shall have the right to cause Seller to relocate any such facilities to other rights-of-way and easements furnished by Buyer if Buyer bears the cost of relocation.

(i) The routes and locations of said rights-of-way and easements shall be designated by Seller and shall be reasonably located so as not to interfere with or unnecessarily encumber the development of Buyer's tract of land. Buyer agrees not to erect or construct, or permit the erection or construction of any houses, buildings, structures, concrete slabs (other than roads crossing Seller's pipe lines, but not over and along such pipe line) or other obstructions on, over or across said rights-of-way and easements or any part thereof or that will interfere with any of the rights granted to Seller.

(j) Seller agrees to restore all surfaces disturbed by it in the exercise of its rights in all such main line and service line easements.

(k) Seller shall have no responsibility for insufficient heating or cooling of or steam process use in Buyer's institution which results from defects or inadequacy of heat exchanger, air-handling equipment, interior lines or other related equipment of Buyer. Seller shall be responsible for control of chilled water and steam only up to the point of delivery thereof to Buyer and after redelivery to Seller's return distribution system. Insofar as permitted by law, Buyer shall indemnify and save Seller free and harmless from any loss, damage or harm resulting from the circulation or escape of chilled water or steam within Buyer's establishment or at any other point between the point of delivery and the point of redelivery thereof, from injuries to person or property caused thereby, and from all reasonable expenses of investigating or defending any claim resulting therefrom. Nothing herein shall be construed as relieving Seller of responsibility for damage or harm resulting from negligence of Seller or its servants or agents, in the handling of chilled water or steam.

Section 5. Assignment. This Agreement and the rights hereunder may be assigned by Buyer only with the approval of Seller, except that Buyer may assign its rights in connection with any indebtedness of Buyer or in connection with the merger with, or assignment of all or substantially all its assets to, another Eligible Institution. Seller may assign this Agreement and its rights hereunder as security for any indebtedness or other obligation of the Seller which may now or hereafter exist.

Section 6. Rights, Privileges, and Duties;
Termination.

Seller may at its option terminate this Agreement at any time in the event the activities or status of Buyer adversely affects the tax status of Seller or any of its

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other members. However, Buyer hereby represents and warrants that it is at present an Eligible Institution, recognizing that Seller may not supply service to other than its Members or other Eligible Institutions. Buyer acknowledges that its termination as a Buyer from the Association would cause serious problems to arise for the Association. In the event, however, that a non-member Buyer should become ineligible for service from the Association, such Buyer and Association, at the discretion of the Association's Board of Directors and when necessary or appropriate to preserve the financial integrity of Seller, shall enter into a joint operating agreement for the use and control of the plant and distribution facilities of the Association. Such joint operating agreement shall provide that the terminated non-member Buyer shall be limited in its percentage use of chilled water and steam to an agreed upon percentage. As a condition to Buyer's opportunity to enter into the joint operating agreement, such terminated non-member Buyer shall purchase an undivided interest in the plant and distribution system at a price to be agreed upon by such non-member Buyer and Seller in proportion to its agreed upon percentage use, and pay the costs of the operation of the plant and distribution system in direct proportion to its use of steam and chilled water. Costs shall include, but not be limited to, those specified as making up the price for service shown in Section 2 hereof.

Section 7. Term of Agreement.

The period of time covered by this Agreement shall begin on the date of initial delivery of chilled water or steam service hereunder and shall continue for a primary term to December 31, 2000, and, unless sooner terminated in accordance with the provisions of this Agreement, shall continue thereafter as long as Seller operates its Plant described on Page 1 hereof; provided, however, should this

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Agreement remain in force and effect to December 31, 2000, either party may terminate this Agreement any time thereafter upon sixty (60) days written notice of termination to the other party.

Section 8. Transition from HNG Operations;
Survival of Existing Design Criteria.

Buyer recognizes that Seller is purchasing the Plant from HNG and agrees that it will cooperate in such transaction and in the transition from HNG's to Seller's ownership of the Plant.

Buyer agrees that the Design Criteria relating to the operation of the Plant attached hereto as Exhibit A shall remain in effect.

Section 9. Amendment; Entire Agreement.

This Agreement may be amended only by an agreement in writing signed by Buyer and Seller. This Agreement constitutes the entire agreement between Buyer and Seller in such capacity and all prior or contemporaneous oral understandings are merged herein.

Section 10. Miscellaneous.

This Agreement is made and shall be performed in Houston, Harris County, Texas and shall be governed by the laws of the State of Texas.

Section 11. Non-Member User Patronage. If Buyer is not a member of Seller, Buyer agrees and consents that the stated dollar amount of any distribution with respect to its patronage which is made in a qualified written notice of allocation (as defined in Section 1388 of the Internal Revenue Code of 1954) and which is received by it from Seller, will be taken into account by it in the manner

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provided in Section 1385(a) of the Internal Revenue Code of 1954 in the taxable year in which such qualified written notice of allocation is received by it.

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

BUYER

UNIVERSITY OF TEXAS SYSTEM CANCER CENTER, M. D. ANDERSON HOSPITAL AND TUMOR INSTITUTE

By *Allan Shivers*

ALLAN SHIVERS, CHAIRMAN
Board of Regents of
The University of Texas System

SELLER

TEXAS MEDICAL CENTER CENTRAL HEATING AND COOLING SERVICES COOPERATIVE ASSOCIATION

By *P. J. ...*

ATTEST:

Witty Anne Thedford
WITTY ANNE THEDFORD, SECRETARY
Board of Regents of
The University of Texas System

APPROVED AS TO CONTENT:

Chad Falke
President HFP-29
The University of Texas System

APPROVED AS TO FORM:

James C. McC...
University Attorney

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Exhibit A

DESIGN CRITERIA FOR CENTRAL HEATING AND COOLING SERVICE

TO: TEXAS MEDICAL CENTER

BY: HOUSTON NATURAL GAS CORPORATION - HOUSTON, TEXAS

DATE: AUGUST, 1970 - REVISION AUGUST, 1973

General:

Houston Natural Gas Corporation (HNG) operates a central heating and cooling plant to serve the Texas Medical Center at Houston, Texas. The distribution system consists of a chilled water supply and return, a high pressure steam supply, and condensate return pipe lines. Chilled water and steam are generated at the central plant facility located within the Texas Medical Center.

For a customer, HNG will install branch lines to a mutually agreed underground point. The customer will connect to this piping and will furnish and install all mechanical equipment within the building, such as circulating pumps, piping, regulators, heat exchangers, controls, and the entire air side of the building cooling and heating system.

B. Information Needed by HNG:

The customer is requested to advise HNG, in writing, of the estimated minimum, normal and peak demands for refrigeration in tons and for heating in BTU per hour. If project is to have separate phases of construction, load information should contain both initial loads and ultimate loads anticipated. One copy of the mechanical drawings is requested so that HNG can assure itself that the basic design criteria are followed. HNG does not accept responsibility for design within the

customer's building. The drawings should detail how the chilled water and steam are to be used and include the following:

1. The chilled water, hot water, and steam condensate pumps and related piping located in the main equipment room.
2. All controls and instrumentation that will effect in any way the pressures and temperatures in the HNG primary system.

C. Services Furnished by Houston Natural Gas Corporation:

1. Chilled Water

HNG will supply 40°F primary chilled water on a 24 hour basis to each customer. Chilled water flow rate is limited to 1.72 gallons per installed ton by system design. Thus, a return water temperature of 54°F or higher is required from the building at peak load conditions. Chilled water supply and return pressures in the central plant distribution system will vary depending on customer location. Houston Natural Gas will supply the anticipated pressures at each point of delivery.

2. Steam

Steam will be supplied on a 24 hour basis to each customer in accordance with the following:

	<u>1974-1978</u>	<u>After 1978</u>
	<u>Pressure Temp.</u>	<u>Pressure Temp.</u>
Steam Supply	400 psig 3450°F	125 psig 3350°F
Condensate Return	125 psig max.	125 psig max.

3. Metering

HNG will install and maintain all meters on customer's premises for measurement of chilled water, steam and steam condensate.

Responsibilities of the Customer:

1. Chilled Water System

(a) HNG's distribution system is operated as if it were a closed loop running from the Plant to the customer's building and back to the Plant. The customer will install, maintain and operate, at his cost, a pump or pumps which will produce sufficient pressure to circulate the chilled water through and within his facilities and return water to HNG's distribution system at a pressure sufficient to return it to the central plant. The minimum chilled water return pressure requirement will be supplied each customer by HNG on an individual basis.

(b) The customer shall not employ automatic valves or devices in the chilled water lines at the point of connection to HNG's distribution system or at any other point in the system where such valves or devices would induce positive or negative pressures in HNG's chilled water distribution system, which is based on 65 psig design operating pressure. Thus, the maximum pressure induced should be limited to 65 psig.

(c) The customer shall install, maintain and operate, at his cost, equipment and controls to limit chilled water flow from the central plant distribution system

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to a maximum of 1.72 gpm/ton of instantaneous peak load. The customer shall return chilled water to the central distribution system at 54°F or above.

(d) The chilled water distribution system is designed with an allowance for 150 psi static head at ground level. The customer must provide controls to prevent the building static head pressure from being transmitted into the distribution system when the system is not in operation. Refer to Mid-Valley Drawing No. SKF-328.

(e) The customer shall install, maintain and operate, at his cost, any heat exchangers or other equipment necessary to isolate any special process or equipment that may become contaminated by direct usage of chilled water supplied by HNG.

(f) The customer shall install and maintain a chilled water make-up system which shall be automatically operated as shown on Mid-Valley Drawing No. SKF-328.

2. Steam and Steam Condensate Return

(a) Steam condensate will be returned from customer's establishment to the plant through the return distribution system, which has been sized on the basis of 3.0 feet pressure drop per 100 lineal feet. The customer will install, maintain and operate, at his cost, a pump or pumps which will produce sufficient pressure to return the steam condensate from the customer's establishment to the plant. The necessary minimum condensate pumping pressure will be supplied each customer by HNG on an individual basis.

(b) The customer shall return all steam condensate with a purity equal to that of the incoming steam when condensed to the liquid phase. Any system or process where the condensate is or may be contaminated must be isolated by means of a secondary heat transfer medium. Condensate shall be returned at a temperature of not less than 150°F nor more than 212°F. Steam condensate tank(s) shall be vented to the atmosphere and shall have automatic pump controls and/or a check valve in the vent line to prevent air from being pumped into the condensate return system.

3. Metering Stations

The customer shall provide a location for the meters that will assure the equipment is safe from environmental hazards and accessible for readings and maintenance, and in accordance with Mid-Valley Drawing No. SKF-260. Customer shall also provide the following:

(a) Instrument air supply capable of delivering at least 8 scfm at a minimum pressure of 20 psig or a maximum of 100 psig.

(b) One 110 volt, 60 cycle circuit with 15 amp breaker. This circuit shall be for this use only.

E. Point of Tie-In:

Chilled water and steam service shall be delivered to a point five feet (5') from the exterior wall of the customer's building, unless HNG and the customer agree in writing to a different point of delivery. Chilled water return and steam condensate shall be returned parallel to and immediately adjacent to the point of delivery unless HNG and the customer agree in writing to a different point of redelivery.

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CONVEYANCE

THE STATE OF TEXAS
COUNTY OF HARRIS

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KNOW ALL MEN BY THESE PRESENTS:

That HOUSTON NATURAL GAS CORPORATION, a Texas corporation, herein sometimes referred to as "Grantor", acting herein by and through its duly authorized officers, for value paid and agreed to be paid by "Grantee" defined below, as hereinafter stated, has GRANTED, SOLD and CONVEYED and by these presents does hereby GRANT, SELL and CONVEY, unto TEXAS MEDICAL CENTER CENTRAL HEATING AND COOLING SERVICES COOPERATIVE ASSOCIATION, a Texas non-profit cooperative association created under the Texas Health-Related Cooperative Association Act, herein sometimes referred to as "Grantee", and to its successors and assigns, the following described property, to wit:

The plant for producing chilled water and steam located at 1615 Braeswood, Houston, Harris County, Texas together with all equipment, fixtures, tools, supplies and all other real and personal property located thereon, as listed on Exhibit "A", which is attached hereto and made a part hereof, plus those certain rights-of-way, easements, leases, property rights, permits and licenses, contracts, rights and estates in land, servitudes and franchises existing, created or evidenced by or arising under or by virtue of the instruments and conveyances listed in Exhibit "A", and all other rights and privileges, and appurtenances, granted or existing by virtue of such instruments, reference being made hereby to said Exhibit "A" and to the instruments enumerated therein and the respective records thereof, if any, for all purposes, together with all other improvements and personal property, rights and appurtenances of every kind and character situated in or on said easements or used or useful in connection therewith, and all right, title, and interest of Grantor in and to all fixtures and appurtenances located therein and thereon, or existing with respect thereto; SAVE and EXCEPT from the foregoing the specifically described properties set forth and described on Exhibit "B" attached hereto and made a part hereof.

Grantee accepts the properties conveyed hereby subject to all the terms and provisions of the instruments listed on said Exhibit "A" and assumes all obligations and liabilities hereafter arising in connection with Grantee's

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ownership, use, maintenance and operation of the properties conveyed hereby.

The consideration for this conveyance has been paid and agreed and secured to be paid by Grantee to Grantor as follows:

(1) Twenty-five Thousand Dollars (\$25,000.00) and other good and valuable consideration has this day been paid in cash by Grantee to Grantor, the receipt of which is hereby confessed and acknowledged by Grantor; and

(2) The remaining portion of the consideration herefor, the sum of \$ _____, subject to adjustment within ninety (90) days hereafter, has been agreed and is secured to be paid by Grantee to Grantor, and the indebtedness therefor is evidenced by that certain promissory note of even date herewith in the original principal amount of \$ _____ and that certain promissory note to be dated on or before ninety (90) days hereafter in an amount equal to the aggregate of all amounts incurred by Grantor with respect to the properties conveyed in excess of the amounts which were taken into account in computing the amount of that certain promissory note of even date herewith, said notes to be executed by Grantee, payable to the order of Grantor, and shall bear interest at the rate and be payable in semi-annual installments as therein provided, with the last such semi-annual installments to be due and payable on May 31, 1998; and said notes provide for the acceleration of maturity and the payment of reasonable attorneys' fees, at the option of the holder or holders thereof, upon any contingency stated therein. In addition to the vendor's lien hereinafter reserved and retained by the Grantor, the above-described promissory notes are further and additionally secured by that certain deed of trust and security agreement of even date herewith executed by Grantee, to Richard C. Alsup, Trustee, and to Grantor, as "Secured Party", and covering and describing the above-described properties.

Grantor and Grantee agree that any ad valorem tax assessed by any lawful taxing jurisdiction upon the properties herein conveyed, and subject to being taxed by such taxing jurisdiction, have been prorated between Grantor and Grantee as of the date hereof, and Grantee assumes and agrees to pay all such ad valorem taxes in full.

Upon delivery hereof, Grantee agrees promptly to file this instrument for recording in the office of the County Clerk of Harris County, Texas, and to furnish Grantor with the recording data hereon as soon as same becomes available; provided, however, such obligation of Grantee is

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not a condition to this conveyance and no right of rescission or lien is reserved or retained by Grantor to secure performance of such agreement by Grantee.

TO HAVE AND TO HOLD the above-described properties, together with all and singular the rights and appurtenances thereunto in anywise belonging, unto Grantee, its successors and assigns, forever; and Grantor, subject to the exceptions hereinabove set forth, does hereby bind itself, its successors and legal representatives, to warrant and forever defend all and singular the above-described properties unto Grantee, its successors or assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof, by, through or under Grantor, but not otherwise. And Grantor warrants neither the condition of the above-described properties nor their fitness for any purpose whatsoever, and Grantee accepts the above-described properties, as is and where is, without warranty of any kind, except that warranty that is enumerated above.

BUT a vendor's lien is hereby reserved and retained against the above-described properties until the above-described notes, and all interest to accrue thereon, are fully paid according to their faces and tenors, effects and readings, whereupon this Conveyance shall become absolute.

This instrument is executed in multiple original counterparts, each of which shall be deemed an original, but all of which are identical, on this the 30th day of May, 1978, but shall be deemed to be effective for all purposes on and as of May 31, 1978.

ATTEST:

_____, Asst. Secy.

ATTEST:

_____, Asst. Secy.

HOUSTON NATURAL GAS CORPORATION

By _____
Joe H. Foy, President

"Grantor"

TEXAS MEDICAL CENTER CENTRAL HEATING
AND COOLING SERVICES COOPERATIVE
ASSOCIATION

By _____
R. S. Kristoferson, President

"Grantee"

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THE STATE OF TEXAS
COUNTY OF HARRIS

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BEFORE ME, the undersigned authority, on this day personally appeared JOE H. FOY, President of HOUSTON NATURAL GAS CORPORATION, a corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein set forth and as the act and deed of said corporation.

GIVEN under my hand and seal of office, this the _____ day of _____, 1978.

NOTARY PUBLIC in and for
Harris County, Texas.

THE STATE OF TEXAS
COUNTY OF HARRIS

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BEFORE ME, the undersigned authority, on this day personally appeared R. S. KRISTOFERSON, President of TEXAS MEDICAL CENTER CENTRAL HEATING AND COOLING SERVICES COOPERATIVE ASSOCIATION, a Cooperative Association, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein set forth and as the act and deed of said Cooperative Association.

GIVEN under my hand and seal of office, this the _____ day of _____, 1978.

NOTARY PUBLIC in and for
Harris County, Texas.

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Exhibit "A"

Houston Natural Gas Corporation Grants, Conveys and Assigns unto Texas Medical Center Central Heating and Cooling Services Cooperative Association the following:

1. Easement Deed dated May 26, 1971 from Texas Medical Center, Inc. to Houston Natural Gas Corporation of Record in Volume 8490, Page 393, et seq., of the Deed Records of Harris County, Texas.
2. Stipulation and Correction dated July 15, 1971 between Houston Natural Gas Corporation and Texas Medical Center, Inc. of record in the Official Public Records of Harris County, Texas under Clerk's File Number D 408 128 and Film Code Number 133-31-2420.
3. Easement dated September 2, 1968 from the Board of Regents of the University of Texas System to Houston Natural Gas Corporation of record in Volume 7352, Page 321, et seq., of the Deed Records of Harris County, Texas.
4. Easement Deed dated December 12, 1968 from St. Luke's Episcopal Hospital to Houston Natural Gas Corporation of record in Volume 7571, Page 353, et seq., of the Deed Records of Harris County, Texas.
5. Instrument dated January 14, 1972 from Texas Medical Center, Inc. to Houston Natural Gas Corporation of record in the Official Public Records of Harris County, Texas under Clerk's File Number D 504 921 and Film Code Number 139-26-1102.
6. Instrument dated October 19, 1971 from Houston Academy of Medicine to Houston Natural Gas Corporation of record in the Official Public Records of Harris County, Texas under Clerk's File Number D 452 432 and Film Code Number 136-23-1564.
7. Instrument dated September 13, 1972 from Houston Academy of Medicine to Houston Natural Gas Corporation of record in the Official Public Records of Harris County, Texas under Clerk's File Number D 706777 and Film Code Number 151-28-0955.
8. Agreement dated April 9, 1968 by and between Medical Center, Inc. ("Medical Center") and Houston Natural Gas Corporation ("Houston Natural") pertaining to construction and operation of the central chilled water and steam service plant and distribution facilities at Houston, Texas.
9. Contract for Chilled Water and Steam Services dated August 10, 1976 by and between Houston Natural Gas Corporation ("Seller") and the Board of Regents of The University of Texas System for the use and benefit of the University of Texas Health Science Center Facilities at Houston, Texas ("Buyer") pertaining to the furnishing of all chilled water and steam services for space cooling, space heating, and steam processes as required in the operation of Buyer's buildings, being the Speech and Hearing Institute, School of Public Health (Phase I & II); John Freeman Building, Medical School (Phase I); and Medical School (Phase II & III).

10. Contract for Chilled Water and Steam Services dated August 10, 1976 by and between Houston Natural Gas Corporation ("Seller") and the Board of Regents of the University of Texas System for the use and benefit of the University of Texas System Cancer Center Facilities at Houston, Texas ("Buyer") pertaining to the furnishing of all chilled water and steam services for space cooling, space heating, and steam processes as required in the operation of Buyer's buildings, being the M. D. Anderson Clinic; Lutheran Hospital; Chapel; and 6th and 7th floors Addition to Main Hospital.
11. Contract for Chilled Water and Steam Services dated August 25, 1975 by and between Houston Natural Gas Corporation ("Seller") and Hermann Hospital Estate, a Testamentary Trust ("Buyer") pertaining to the furnishing of all chilled water and steam services for space cooling, space heating and steam processes as required in the operation of Buyer's establishment at 1203 Ross Sterling, Houston, Texas, consisting of a complex which includes the Hermann Main Hospital, the Texas Hospital Addition, the Cullen Pavillion, the Shriner's Crippled Childrens Hospital, and the Intern Residence.
12. Contract for Chilled Water and Steam Services dated June 18, 1974 by and between Houston Natural Gas Corporation ("Seller") and Texas Medical Center Hospital Laundry Cooperative Association ("Buyer") pertaining to the furnishing of all chilled water and steam services for space cooling, space heating and steam processes as required in the operation of Buyer's establishment at 1601 Braeswood, Houston, Texas.
13. Contract for Chilled Water and Steam Services dated April 3, 1973, as amended, by and between Houston Natural Gas Corporation ("Seller") and Hermann Hospital Estate, a Testamentary Trust pertaining to the furnishing of all chilled water and steam services for space cooling, space heating and steam processes as required in the operation of Buyer's establishment at 6410 Fannin Street, Houston, Texas consisting of a complex which includes the Hermann Professional Building and the Hermann Garage, Inc.
14. Contract for Chilled Water and Steam Services dated August 26, 1970 by and between Houston Natural Gas Corporation ("Seller") and Texas Medical Center, Inc. ("Buyer") pertaining to the furnishing of all chilled water and steam services for space cooling, space heating and steam processes as required in the operation of Buyer's establishment being the March Culmore Hall, located at 1120 M. D. Anderson Boulevard, Houston, Texas.
15. Contract for Chilled Water and Steam Services dated August 26, 1970 by and between Houston Natural Gas Corporation ("Seller") and Texas Medical Center Housing, Inc. ("Buyer") pertaining to the furnishing of all chilled water and steam services for space cooling, space heating and steam processes as required in the operation of Buyer's establishment being the Laurence H. Favrot Hall located at 6540 Bellows Lane, Houston, Texas.
16. Contract for Chilled Water and Steam Services dated March 22, 1971 by and between Houston Natural Gas Corporation ("Seller") and Houston Academy of Medicine ("Buyer") pertaining to the furnishing of all chilled water

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and steam services for space cooling, space heating, and steam processes as required in the operation of Buyer's establishment being the Jessie H. Jones Library Building, located in the Texas Medical Center, Houston, Texas.

17. Contract for Chilled Water and Steam Services dated June 17, 1969, as amended, by and between Houston Natural Gas Corporation ("Seller") and St. Luke's Episcopal Hospital, Texas Children's Hospital and Texas Heart Institute ("Buyer") pertaining to the furnishing of all chilled water and steam services for space cooling, space heating, and steam processes as required in the operation of Buyer's establishments in the Texas Medical Center, 6621 Fannin Street, Houston, Texas.

18. Contract for Chilled Water and Steam Services dated November 21, 1969 by and between Houston Natural Gas Corporation ("Seller") and Texas Woman's University and the Institute of Religion ("Buyer") pertaining to the furnishing of all chilled water and steam services for space cooling, space heating, and steam processes as required in the operation of Buyer's establishments in the Texas Medical Center, Houston, Texas.

19. Gas Sales Contract dated March 1, 1978 by and between Entex Inc. ("Company") and Houston Natural Gas Corporation - Central Plants Division ("Consumer") pertaining to the furnishing of natural gas for all of Consumer's uses of natural gas in a steam and chilled water generating plant located at 1615 Braeswood, Houston, Harris County, Texas.

20. City Ordinance No. 68-1373 of the City of Houston passed and approved September 18, 1968 pertaining to the subsurface use of Holcombe Boulevard.

21. Contract For Services dated January 25, 1971 by and between Houston Natural Gas Corporation ("Company") and Brown & Root, Inc. ("Contractor") pertaining to maintenance services for Company's facilities in the Texas Medical Center, Houston, Texas.

22. Engineering Services Agreement dated June 14, 1971 by and between Houston Natural Gas Corporation ("HNG") and Brown & Root, Inc. ("Engineer") pertaining to engineering services for HNG facilities in the Texas Medical Center, Houston, Texas.

23. Construction Contract dated March 29, 1974 by and between Houston Natural Gas Corporation ("Owner") and Brown & Root, Inc. ("Contractor") pertaining to new work and services to be performed by Contractor for Owner in the Texas Medical Center, Houston, Texas.

24. Permit No. TX0008851 dated June 16, 1975, issued by the United States Environmental Protection Agency permitting Houston Natural Gas Corporation to discharge wastewater into Bray's Bayou from its Texas Medical Center Central Plant in Houston, Texas.

25. Permit No. 01286, as amended, issued by the Texas Water Quality Board permitting Houston Natural Gas Corporation to discharge wastewater in Bray's Bayou from its Texas Medical Center Plant in Houston, Texas.

26. Contract For Services dated February 3, 1972 by and between Houston Natural Gas Corporation ("Company") and Southwest Laboratories ("Contractor") pertaining to analysis of wastewater discharge samples from Company's Texas Medical Center Central Plant in Houston, Texas.

27. Contract For Services dated October 17, 1964 by and between Houston Natural Gas Corporation ("Company") and Browning-Ferris Industries of Houston, Inc., (successor in interest to Houston Disposal Service, Inc.) ("Contractor") pertaining to the furnishing of garbage pickup services by Contractor for Company's Texas Medical Center Central Plant in Houston, Texas.

28. Agreement For Maxwell House Office Beverage System and Coffee Brewing Equipment Loan dated August 6, 1969 by and between Houston Natural Gas Corporation ("Customer") and General Foods Corporation ("GF") pertaining to coffee service to Customer's Texas Medical Center Central Plant in Houston, Texas.

29. Plant for producing chilled water and steam located at 1615 Braeswood, Houston, Harris County, Texas, conveyed to Texas Medical Center Central Heating and Cooling Services Cooperative Association, as is and where is, including, but not by way of limitation or expansion, the properties listed below:

PLT-ACT	STK-SYMB	QUAN	DESCRIPTION
235-10	50-2050-8	1	FENCE CHAIN LINK 72IN
235-10	73-2895-8	1	HOIST 2TON ON A FRAME
235-10	81-9025-8	1	FOUNDATIONS EQUIP MISC
235-10	99-1040-7	1	BLDG TEXAS MED CTR PLANT
235-10	99-9702-4		OTHER LAND IMPROVEMENTS
236-12	13-6160-9		REGLTR 6 FSHR 667A
236-12	13-6173-2	2	REGLTR 6 FSHR 667ED
236-12	13-7150-9	1	REGLTR 8 M/N 33-36400 BTF
236-12	18-0252-9	14	VLV 4 CRANE 33XR GATE FE
236-12	18-0330-3	1	VLV 4 CRANE GATE465 1/2FE
236-12	18-0450-9	2	VLV 4 EDWARDS 607 CHECK
236-12	18-1075-3	1	VLV 4 NORD 143 PLUG FE
236-12	18-2233-7	8	VLV 6 CRANE 465 1/2 GATE
236-12	18-2840-9	9	VLV 6 NORD 143 PLUG FE
236-12	18-3707-9	2	VLV 8 CRANE GATE 33XR FE
236-12	18-3721-0	2	VLV 8 CRANE 4751/2 GATE
236-12	18-4144-4	2	VLV 10 CRANE 33XR GATE FE
236-12	18-4155-0	2	VLV 10 CRANE 475 1/2 GATE
236-12	18-4174-1	2	VLV 10 EDWARDS 607 CHECK
236-12	18-4230-1	1	VLV 10 LUNK GATE 3012 FE
236-12	18-4275-6	1	VLV 10 NORD 143 PLUG FE
236-12	18-4592-4	1	VLV 12 CRANE 33XF GATE FE
236-12	18-8950-0	1	VLV RELF 21/2X4CONS1614FE
236-12	18-9370-0	2	VLV RELF 4X6 FARRIS26PA10
236-12	56-6970-0	1	TANK BOILER BLOWDOWN
236-12	62-8262-8	1	TURBINE BOILER FAN TERRY
236-12	66-0437-5	2	BOILER COMBUSTION-ENG A13
236-12	66-0445-8	2	BOILER R/U 125000 HP
236-12	66-1512-4	1	EXCHGR HT PFAUDIER14192BP
236-12	66-1762-5	2	FAN BOILER R/U 125HP
236-12	67-4761-2	1	MOTOR ELECTRIC
236-12	75-1339-3	1	GENRTR STEAM UNIT CE 125M

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<u>PJT-ACT</u>	<u>STK-SYMB</u>	<u>QUAN</u>	<u>DESCRIPTION</u>
	13-6305-0	1	REGLTR 6 MUELLER 1400K
236-14	18-0252-9	6	VLV 4 CRANE 33XR GATE FE
236-14	18-0326-1	2	VLV 4 CRANE 373 CHECK FE
236-14	18-0330-3	13	VLV 4 CRANE GATE465 1/2FE
236-14	18-0949-0	2	VLV 4 MISSION 600ASA CK
236-14	18-2194-1	1	VLV 6 CRANE 33XR GATE FE
236-14	18-2233-7	18	VLV 6 CRANE 465 1/2 GATE
236-14	18-2710-4	1	VLV 6 KEYSTONE 51 BUTRFLY
236-14	18-2800-3	2	VLV 6 MISSION 150 CHECK
236-14	18-3724-4	4	VLV 8 CRANE 4651/2 GATEFE
236-14	18-4154-3	2	VLV 10 CRANE 465 1/2 GATE
236-14	18-4592-4	4	VLV 12 CRANE 33XF GATE FE
236-14	18-4600-5	1	VLV 12 CRANE 465 1/2 GATE
236-14	18-5504-8	6	VLV 16 CRANE 465 1/2 GATE
236-14	18-9068-0	2	VLV RELF 3X4 LONE V-115
236-14	18-9250-4	2	VLV RELIEF 4 SPECIAL 29FE
236-14	56-6772-0	1	TANK 10X30 COND SURGE
236-14	56-6971-8	3	TANK CHEM FEED W/PMP/AGTR
236-14	62-8195-0	1	TURBINE COPPUS W/OIL RESV
236-14	64-5563-8	2	MOTOR 5HP ELECTRIC
236-14	66-0380-7	1	AGITATOR INHIBITOR & MOTOR
236-14	66-0382-3	1	AGITATOR PHOSP W/MOTOR
236-14	66-0384-9	1	AGITATOR SULFITE W/MOTOR
236-14	66-0853-3	1	DEAERATOR CHCAGO 160000LB
236-14	66-0860-8	1	DESUPRHEATER 80000 LB HR
236-14	66-1140-4	1	DESUPRHEATER 170000 LB HR
236-14	66-1144-6	1	DESUPRHEATER 360000 LB HR
236-14	66-1148-7	1	PUMP ROY1/4 FR211A W/MOTR
236-14	66-4860-4	1	MOTOR ELECTRIC 10HP
236-14	67-4718-2	3	MOTOR ELECTRIC 15 HP
236-14	67-4720-8	3	MOTOR ELECTRIC 125HP
236-14	67-4761-2	1	MOTOR RELIANCE EL 7 1/2HP
236-14	67-4781-0	2	PUMP WORTH 2 1/2 DNH52
236-14	67-5124-2	6	PUMP IR 2CRU 7 1/2HP
236-14	67-6264-5	2	PUMP BOIL/FEED I/R 2CNTA6
236-14	67-6277-7	2	PUMP COND/SURGE I/R 3CRVL
236-14	67-6278-5	2	PUMP HOTWELL COND I/R2CVR
236-14	67-6279-3	2	PUMP I/R 2CNTA6 W/TER TUR
236-14	67-6335-3	2	PUMP INHIBTR ROY FRILLA
236-14	67-6526-7	1	PUMP PHOSPHATE ROY PR211A
236-14	67-6527-5	1	PUMP SULFITE ROY FR 210A
236-14	67-6529-1	1	FOUNDATIONS EQUIP MISC
236-14	81-9025-8	1	REGLTR 2 FSHR 667ET/4160R
236-16	13-3306-1	1	REGLTR 3 FSHR FE 667ET
236-16	13-4118-9	1	CONTRLR FOXBORO M43A/A4
236-16	13-8673-9	1	VLV 4 CRANE GATE465 1/2FE
236-16	18-0330-3	1	
236-16	56-5902-4	1	
236-16	56-6358-8	1	
236-16	56-6766-2	1	
236-16	56-6774-6	1	TANK 6X15 CAUSTIC STORAGE
236-16	56-6991-6	1	TANK 10X30 TREAT WATER
236-16	64-5563-8	2	TANK ACID STORAGE
236-16	66-0867-3	1	MOTOR 5HP ELECTRIC
236-16	66-1394-7	2	DECARBNTN FIBRGLS36INX12F
236-16	66-1404-4	2	EXCHGR ANION 36IN X 6FT
236-16	66-4704-4	1	EXCHGR CATION 48INX9FT
236-16	66-4708-5	1	PIT NEUTRALIZER 16X16X16
236-16	66-8113-4	1	PIT ACID DELUT 6X20X6-6
236-16	66-8119-1	1	TANK ACID DAY 30IN X 4FT
236-16	67-4822-2	1	TANK CAUSTIC DAY 30INX4FT
236-16	67-4985-7	1	MOTOR ELEC US 71/2HP TUC
236-16	67-4986-5	1	PUMP M/R FR154 W/1/2HPMTR
			PUMP M/R FR165A W/1/2HPMT

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PLT-ACT	STK-SYMB	QUAN	DESCRIPTION
	67-5090-5	1	PUMP SETHCO VFA 3X4-8L
236-16	67-6193-6	2	PUMP 11/2X3 DEAN PH-201
236-16	67-6194-4	4	PUMP 11/2X3 DEAN PH-206
236-16	67-6280-1	2	PUMP TREATWATER 11/2 I/R
236-16	67-6339-5	2	PUMP I/R 11/2 W/5HP MTR
236-16	67-6528-3	3	PUMP ACID ROY 37FR121A
236-16	73-7398-8	1	SYSTEM CHLOR CPLT TMC
236-16	81-9025-8		FOUNDATIONS EQUIP MISC
236-16	13-4905-9	3	REGLTR 4 M/N 33
236-20	18-0330-3	5	VLV 4 CRANE GATE465 1/2FE
236-20	18-0951-6	3	VLV 4 MISSION CHECK 12HMP
236-20	18-1075-3	1	VLV 4 NORD 143 PLUG FE
236-20	18-1513-3	10	VLV 4 PRATT BUTFLY
236-20	18-2197-4	1	VLV 6 CRANE 151X GLOBE CS
236-20	18-2233-7	9	VLV 6 CRANE 465 1/2 GATE
236-20	18-2800-3	1	VLV 6 MISSION 150 CHECK
236-20	18-3250-0	9	VLV 6 PRATT BUTFLY MC103
236-20	18-3724-4	2	VLV 8 CRANE 4651/2 GATEFE
236-20	18-3874-7	4	VLV 8 MUELLER A238038GATE
236-20	18-4154-3	2	VLV 10 CRANE 465 1/2 GATE
236-20	18-4155-0	1	VLV 10 CRANE 475 1/2 GATE
236-20	18-4207-9	1	VLV 10 KEYSTONE BUTFLY 100
236-20	18-4208-7	1	VLV 10 KEYSTONE BUTFLY106
236-20	18-4600-5	3	VLV 12 CRANE 465 1/2 GATE
236-20	18-4850-6	1	VLV 12 MUELER A238038GATE
236-20	18-5175-7	1	VLV 12 PRATT BUTFLY
236-20	18-6664-9	2	VLV 24 DEZURICK 392 GATEA
236-20	18-6665-6	1	VLV 24 DEZURIK 824 GATE
236-20	18-6666-4	3	VLV 24 DEZURIK 800 GATE
236-20	18-6670-6	3	VLV 24 KEYSTONE BUTFLY104
236-20	18-6780-3	7	VLV 24 PRATT BUTFLY MC103
236-20	18-6905-6	4	VLV 30 KEYSTONE BTFLY 104
236-20	18-6918-9	6	VLV 30 MISSION 12HMP D/CK
236-20	18-6935-3	2	VLV 30 PRATT BUTFLY
236-20	18-6980-9	2	VLV 36 KEYSTONE BUTFLE104
236-20	18-7110-2	2	VLV 36 PRATT BUTFLY R1A10
236-20	18-7115-1	4	VLV 48 PRATT BUTFLY
236-20	18-7120-1	6	VLV 54 PRATT BUTFLY
236-20	18-9880-8	2	VLV RELF 10 A&M 125LB FE
236-20	18-9895-6	3	VLV RELF 14 AM 67-1
236-20	66-0540-6	2	CONDSR SURF 45X20FT GRAHM
236-20	66-0545-5	1	CONDSR C/W/T 28X15 GRAHAM
236-20	66-0781-6	1	CONDSR SURF GRAHAM 1370SF
236-20	66-0787-3	1	CONDSR 28INX16FT STEAM
236-20	67-4761-2	1	MOTOR ELECTRIC 125HP
236-20	67-4763-8	2	MOTOR ELECTRIC 150HP
236-20	67-4943-6	5	PUMP GOULD 3420 24IN
236-20	67-6263-7	1	PUMP GOULD 24X24 3420
236-20	67-8275-9		PUMPS MISC SPARE PARTS
236-20	75-1307-0	6	ENGINE CATERPILLAR G398
236-20	81-9025-8		FOUNDATIONS EQUIP MISC
236-20	81-9030-8		FOUNDATION COOLING TOWER
236-20	85-8248-8	3	TOWER COOLING MARLEY
236-22	08-1575-3	2	METER BADGER 24IN PMT-1
236-22	13-6150-0	3	REGLTR 6 FSHR 657A
236-22	18-0249-5	1	VLV 4 CRANE 33XUF GATE FE
236-22	18-0252-9	2	VLV 4 CRANE 33XR GATE FE
236-22	18-1538-0	4	VLV 4 STKM 30 OF 11 GATE
236-22	18-1550-5	1	VLV 4 STKM G931 CK FE
236-22	18-2187-5	1	VLV 6 CRANE 33XUF GATE FE
236-22	18-2194-1	2	VLV 6 CRANE 33XR GATE FE
236-22	18-4000-8	1	VLV 8 STKM 30 OF 11 GATE
236-22	18-4392-9	1	VLV 10 STKM 30 OF 11 GATE
236-22	56-6960-1	1	TANK REFRIG P/O 2200 GAL
236-22	61-0227-1	1	COMPSR FREON P/O CARRIER
236-22	61-0237-0	6	COMPSR CARIER 17DA85128L

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PLT-ACT

STK-SYMB

QUAN

DESCRIPTION

<u>PLT-ACT</u>	<u>STK-SYMB</u>	<u>QUAN</u>	<u>DESCRIPTION</u>
	62-8261-0	5	TURBINE TERRY F8
236-22	64-5563-8	1	MOTOR 5HP ELECTRIC
236-22	66-0540-6	3	CONDSR SURF 45X20FT GRAHM
236-22	66-0789-9	3	CONDENSER REFRIGERANTS
236-22	66-1902-7	2	FILTER PRESS NUGENT 4ST1
236-22	67-4905-5	1	PUMP CR/DEM CENT MOD 4011
236-22	67-6275-1	6	PUMP FOPER 17K15
236-22	67-6330-4	3	PUMP TUTHILL 67683 PF
236-22	73-5375-8	2	METER 20IN BADGER PMT-1
236-22	81-9010-0	3	FOUNDATION CHILLER
236-22	83-5210-6	6	CHILLER CARRIER 5000 TON
236-22	83-9650-9	3	UNIT PURGE CARRIER TH
236-22	85-8233-0	1	TURBINE STM TERRY F/17
236-22	66-8610-9	1	VENTLTR 42IN BERTRAM
236-34	66-8615-8	4	VENTLTR 72IN BERTRAM
236-34	67-4781-0	4	MOTOR RELIANCE EL 7 1/2HP
236-34	61-0415-2	2	COMPRSR AIR I/R ERINL2
236-38	64-0115-2		ANNUNCIATOR PANALARM MD54
236-38	64-1875-0		EQUIP MINOR MISCL ELEC
236-38	64-2575-5	1	GENERATOR ELEC MACH MFG
236-38	64-6650-2		PANEL ELECTRICAL CONTROL
236-38	64-7965-3	1	SWITCHBOARD GENERTOR CONT
236-38	64-7975-2		SWITCH GEAR ISC 70017
236-38	64-7990-1	1	SYSTEM ELECTRIC INVERTER
236-38	66-1112-3	1	DRYER AIR PALL TYPE A
236-38	66-1114-9	1	DRYER AIR PALL MOD 201HAJ
236-38	66-4980-0	2	RECEIVER AIR K
236-38	67-4720-8	2	MOTOR ELECTRIC 15 HP
236-38	73-1082-4	1	COMPRSR AIR WORTH30RS120B
236-38	73-7394-7	1	SYSTEM FIRE PROTECTION
236-42	99-0404-6		OTHER INTANGIBLE PLANT
236-46	18-0257-8	1	VLV 4 CRANE 151XR GLOBE
236-46	18-0262-8	2	VLV 4 CRANE 181XR GATE
236-46	18-4600-5	2	VLV 12 CRANE 465 1/2 GATE
236-46	18-5110-4	1	VLV 12 OIC 1138 GATE FE
236-46	18-6610-2	2	VLV 20 KEYSTONE BUTFLY 100
236-46	18-6630-0	3	VLV 20 MISSION 12HMP D/CK
236-46	18-6642-5	4	VLV 20 PRATT BUTFLY
236-46	18-6670-6	1	VLV 24 KEYSTONE BUTFLY104
236-46	18-6780-3	2	VLV 24 PRATT BUTFLY MC103
236-46	62-8200-8	6	TURBINE/ELLIOT/STEAM2DYRO
236-46	67-6249-6	6	PUMP GOULD 14L 3460
236-50	99-9705-7		PLANT PIPING AND MISC
276-00	99-0133-1		XING ROAD
276-00	05-3610-2	174	RD CSC 16 BLK
276-60	18-0249-5	3	VLV 4 CRANE 33XUF GATE FE
276-60	18-0280-0	5	VLV 4 CRANE GATE 300LB FE
276-60	18-0335-2	5	VLV 4 CRANE 475 1/2 GATE
276-60	18-1850-9	1	VLV4 WALW 5202F-UT GATEFE
276-60	18-2187-5	4	VLV 6 CRANE 33XUF GATE FE
276-60	18-2235-2	3	VLV 6 CRANE 475 1/2 GATE
276-60	18-3250-0	1	VLV 6 PRATT BUTFLY MC103
276-60	18-3708-7	10	VLV 8 CRANE 33XUF GATE FE
276-60	18-3872-1	1	VLV 8 MISSION CHECK 12HMP
276-60	18-3981-0	12	VLV 8 PRATT BUTFLY MC103
276-60	18-4250-9	2	VLV 10 MISSION CHECK 12HM
276-60	18-4383-8	6	VLV 10 PRATT BUTFLY MC103

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PLT-ACT	STK-SYMB	QUAN	DESCRIPTION
276-60	18-4592-4	2	VLV 12 CRANE 33XF GATE FE
276-60	18-5245-8	1	VLV 12 WALW 726F GATE FE
276-60	18-5785-3	4	VLV 16 PRATT BUTFLY MC103
276-60	18-6040-2	2	VLV 18 PRATT BUTFLY MC103
276-60	18-6290-3	2	VLV 20 PRATT BUTFLY
276-60	18-6642-5	2	VLV 24 PRATT BUTFLY MC103
276-60	18-6780-3	6	VLV 30 PRATT BUTFLY
276-60	18-6935-3	4	VLV 36 PRATT BUTFLY R1A10
276-60	18-7110-2	2	CATHODIC PROTECTION SYSTM
276-60	52-0710-5		RECTIFIER B/K 20V/40AMP
276-60	52-3727-6	1	INSULATION PLANT/PIPING
276-60	68-2050-0		INTEREST DURING CONSTRUCT
276-60	77-3500-4		XING ROAD
276-60	99-0133-1		MANHOLE
276-60	99-2375-6		UNALLOC DISTR SYST EQUIP
276-60	99-4018-0		VAULT CONC F/VLV
276-60	99-6070-9	1	
276-60	99-9595-2	70	PIPE 2 HOT INSULATED
276-60	99-9612-5	1084	PIPE 3 HOT INSULATED
270-60	99-9620-8	350	PIPE 4 HOT INSULATED
276-60	99-9624-0	984	
276-60	99-9625-7	280	
276-60	99-9631-5	70	PIPE 6 INSUL COND RETURN
276-60	99-9633-1	180	PIPE 8 HOT INSULATED
276-60	99-9639-8	810	PIPE 10 COLD
276-60	99-9641-4	500	PIPE 12 STEAM INSULATED
276-60	99-9652-1	180	PIPE 14 COLD
276-60	99-9654-7	532	
276-60	99-9670-3	132	MISC PIPING AND EQUIPMENT
276-60	99-9701-6		PLANT PIPING AND MISC
276-60	99-9705-7		PIPE 2
276-60	99-9902-0	8,011	PIPE 3
276-60	99-9903-8	3,040	PIPE 4
276-60	99-9904-6	5,326	PIPE 6
276-60	99-9906-1	3,280	PIPE 8
276-60	99-9908-7	5,505	PIPE 10
276-60	99-9910-3	2,400	PIPE 12
276-60	99-9912-9	2,400	PIPE 16
276-60	99-9916-0	2,680	PIPE 18
276-60	99-9919-4	240	PIPE 24
276-60	99-9924-4	2,815	PIPE 30
276-60	99-9930-1	3,160	PIPE 36
276-60	99-9936-8	1,000	PIPE 42
276-60	99-9937-6	1,280	PIPE 48
276-60	99-9938-4	40	PIPE 60
276-60	99-9939-2	2,200	CONTRIBUTION FOR CONST
279-00	77-0950-4		METER RUN 6 W/300LB FLNG
282-70	33-5420-6	1	METER RUN 18 W/150LB FLNG
282-70	33-6840-4	1	RECRDR FLOW TAYLOR
282-70	68-4604-2	1	RECORDER 3PEN SQ RTTAYLOR
282-70	68-4610-9	1	METER 2 TYPE 102 SPARLING
282-70	73-5407-9	1	BLDG TEXAS PUBLIC HEALTH
282-70	99-1042-3	1	METER RUN 8 W/ROB E 300LB
282-71	33-6127-6	1	METER RUN 30 W/150LB FLNG
282-71	33-6890-9	1	PECRDR FLOW TAYLOR
282-71	68-4604-2	1	RECORDER 3PEN SQ RTTAYLOR
282-71	68-4610-9	1	METER 6 TYPE 102 SPARLING
282-71	73-5467-3	1	BLDG ST LUKES HOSPITAL
282-71	99-1035-7	1	METER RUN 4 W/300LB FLNG
282-72	33-5020-4	1	METER RUN 10 W/300LB FLNG
282-72	33-6400-7	1	RECRDR FLOW TAYLOR
282-72	68-4604-2	1	RECORDER 3PEN SQ RTTAYLOR
282-72	68-4610-9	1	METER 2 TYPE 102 SPARLING
282-72	73-5407-9	1	BLDG JONES LIBRARY
282-72	99-1020-9	1	RECRDR TAYLOR W/INTGRTR
282-73	30-7430-9	1	

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PRT-ACC

STK-SYMB

QUAN

DESCRIPTION

<u>PRT-ACC</u>	<u>STK-SYMB</u>	<u>QUAN</u>	<u>DESCRIPTION</u>
	33-5245-7	1	METER RUN 4 W/DAN M30RW
	33-6515-2	1	METER RUN 12W/DAN M30RW
282-73	40-0211-9	1	BOX INSTRUMENT 20X40X18ST
282-73	68-4604-2	1	RECRDR FLOW TAYLOR
282-73	73-5407-9	1	METER 2 TYPE 102 SPARLING
282-73	33-4852-1	1	METER RUN 3 W/dan 300DS
282-74	33-5825-6	1	METER RUN 8W/300 LB FLNG
282-74	68-4604-2	1	RECRDR FLOW TAYLOR
282-74	68-4610-9	1	RECORDER 3PEN SQ RTTAYLOR
282-74	73-5407-9	1	METER 2 TYPE 102 SPARLING
282-74	99-1030-8	1	BLDG MARCH CULMORE
282-74	33-5015-4	1	METER RUN 4 W/250LB FLNG
282-74	33-6400-7	1	METER RUN 10 W/300LB FLNG
282-75	68-4604-2	1	RECRDR FLOW TAYLOR
282-75	68-4610-9	1	RECORDER 3PEN SQ RTTAYLOR
282-75	73-5407-9	1	METER 2 TYPE 102 SPARLING
282-75	99-1044-9	1	BLDG TEXAS WOMENS UNIVSTY
282-75	33-4852-1	1	METER RUN 3 W/DAN 300DS
282-76	33-5825-6	1	METER RUN 8 W/300LB FLNG
282-76	68-4604-2	1	RECRDR FLOW TAYLOR
282-76	68-4610-9	1	RECORDER 3PEN SQ RTTAYLOR
282-76	73-5407-9	1	METER 2 TYPE 102 SPARLING
282-76	99-1015-9	1	BLDG HOUSTON SPEECH/HEAR
282-76	33-5020-4	1	METER RUN 4 W/300LB FLNG
282-77	33-5825-6	1	METER RUN 8 W/300LB FLNG
282-77	64-8180-8	1	TRANSDCR ROSEMOUNT M/1151
282-77	64-8182-4	1	TRANSDCR ROSEMOUNT D/T
282-77	70-0955-8	1	COMPUTER DAN SRF MOD 1271
282-77	70-0956-6	1	COMPUTER DAN BTU FLO1281W
282-77	73-5407-9	1	METER 2 TYPE 102 SPARLING
282-77	73-5468-1	1	METER 10 DAN 1401-3P CWS
282-77	77-4890-8	1	MISC EQUIPMENT
282-77	99-1010-0	1	METER DAN16 TURB PT14013P
282-78	08-6945-3	1	VLV 4 CRANE 47X GATE FE
282-78	18-0253-7	1	VLV 8 CRANE GATE 33XR FE
282-78	18-3707-9	1	VLV 8 CRANE GATE 33XR FE
282-78	18-3707-9	1	VLV 8 CRANE GATE 33XR FE
282-78	18-3707-9	1	RECRDR FLOW BARTON 202A
282-78	30-6620-6	1	XMTR DANL DIFF PR 1151
282-78	31-7800-1	1	TRANDCR ROSEMT DIF/TP 442
282-78	31-7801-9	1	BOX 12X8X8 CONC W/MANHOLE
282-78	40-0203-6	1	COMPUTER DANIEL FLOW 1271
282-78	70-0952-5	1	COMPUTER DAN BTU FLO1281W
282-78	70-0956-6	1	METER 6 TYPE 115 SPARLING
282-78	73-5466-5	1	BLDG LUTHERAN HOSP
282-78	99-1025-8	1	METER DAN16 TURB PT14013P
282-79	08-6945-3	1	RECRDR FLOW BARTON 202A
282-79	30-6620-6	2	XMTR DANL DIFF PR 1151
282-79	31-7800-1	1	TRANSDCR ROSEMOUNT D/T
282-79	64-8182-4	1	COMPUTER DAN SRF MOD 1271
282-79	70-0955-8	1	COMPUTER DAN BTU FLO1281W
282-79	70-0956-6	1	BLDG HERMAN HOSP COMPLEX
282-79	99-1011-8	1	METER 6 DAN TURB 1401-1P
282-80	08-6926-3	1	METER RUN 9 W/300LB FLNG
282-80	33-5825-6	1	TRANSDCR ROSEMOUNT D/T
282-80	64-8182-4	1	COMPUTER DANIEL FLOW 1271
282-80	70-0952-5	1	COMPUTER DAN BTU FLO1281W
181-80	70-0956-6	1	TRNSDCR ROSEMOUNT D/F1151
181-80	70-5050-3	1	METER 4 TYPE 102 SPARLING
282-80	73-5442-6	1	BLDG TEXAS MED LAUNDRY
282-80	99-1043-1	1	METER DAN18 TURB PT14013P
282-81	08-6947-9	1	RECRDR BRIST 3PEN STRIP
282-81	30-7740-1	1	

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<u>PLT-ACT</u>	<u>STK-SYMB</u>	<u>QUAN</u>	<u>DESCRIPTION</u>
282-81	33-6515-2	1	METER RUN 12 W/DAN H30RW
282-81	70-0952-5	1	COMPUTER DANIEL FLOW 1271
282-81	70-0956-6	1	COMPUTER DAN BTU FLO1281W
282-81	70-5045-3	1	TRNSDCR DAN D/P 1151A13HB
282-81	70-5055-2	1	TRNSDCR ROSEMT D/P 442ARD
299-20	99-1050-6	1	BLDG U OF T MED SCHOOL
299-20	99-4012-3	1	UNALLOC ENGINEERING COST
299-20	99-4073-5	1	UNCLASSIFIED PLANT PROPTY
920-00	70-6715-0	1	DESK CLERICAL DOUBLE PED
920-00	70-7365-3	2	FILE LEGAL 5 DWB
920-00	70-7365-3	1	FILE LEGAL 5 DWR
920-00	70-7475-0	1	FILE SHELVING
920-00	70-8655-6	1	PACK WALL PLAN HOLD
920-00	70-8850-3	9	SHELVING GENERAL
920-00	70-9280-2	1	TABLE METAL
920-00	70-9285-1	2	TABLE OFFICE
920-00	73-0500-6	4	BENCH WORK METAL
920-00	73-0555-0	6	BIN STEEL
920-00	73-7230-3	1	SHELVING STORAGE STEEL
920-00	46-1497-0	1	CLEANER BOILER TUBE AIR
950-00	46-3801-1	2	GRINDER BENCH
950-00	60-1610-9	3	EXTSHR FIRE K30 ANSUL
950-00	60-5075-1	1	MASK GAS MSA 14F-60
950-00	67-4955-0	1	PUMP HYDROMATIC W/3HP B/S
950-00	67-5991-4	1	PUMP ACE COMP MOD 77
950-00	70-8850-3	2	SHELVING GENERAL
950-00	73-0806-7	1	CALIBRTR PNEUMAT65B5A0031
950-00	73-0985-9	1	CLEANER VACUUM
950-00	73-2687-9	1	GUN TUBE CLEANING JIFFY
950-00	73-2880-0	2	HOIST 1 1/2 TON C/M
950-00	73-2892-5	1	HOIST CHAIN 2 TON
950-00	73-2898-2	1	HOIST 3 TON TROLLY
950-00	73-7170-1	3	SCAFFOLD STAIRWAY TYPE
950-00	73-7250-1	2	SHOWER SAFE SPEAKMAN S601
950-00	73-7340-0	1	SPRAYER GENERAL UTILITY
950-00	73-7499-4	1	TACHOMETER HAND
950-00	73-7508-2	1	TACHOMETER BIDDLE 554
950-00	73-8235-1	1	UNIT REFRIG/RANGE COMB
950-00	75-2924-1	1	MACH WELD LINCOLN MOD 250
950-00	75-3850-7	1	TORCH CUTTING F/WELD MACH
950-00	79-2830-2	5	HANDSET WESTERN ELECTRIC

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Exhibit "B"

Houston Natural Gas Corporation expressly reserves, saves and excepts from the agreements, instruments, and properties granted, conveyed and assigned unto Texas Medical Center Central Heating and Cooling Services Cooperative Association by the Conveyance, the following:

1. Agreement dated May 11, 1971 by and between St. Luke's Episcopal Hospital, Texas Children's Hospital and Texas Heart Institute ("Owners") and Houston Natural Gas Corporation ("Company") pertaining to the furnishing of Emergency Standby Electrical Generator Service by Company to Owners.

2. Amendment to Easement Deed dated June 21, 1972 between Houston Natural Gas Corporation and Texas Medical Center, Inc. of record in the Official Public Records of Harris County, Texas under Clerk's File Number D 648 005 and Film Code Number 147-38-1870.

3. City Ordinance No. 71-1008 of the City of Houston passed and approved June 23, 1971 pertaining to the sub-surface use of Holcombe Boulevard.

4. Emergency Standby Electrical Generator Service facilities located at 1615 Braeswood, Houston, Harris County, Texas, conveyed on even date herewith unto St. Luke's Episcopal Hospital, Texas Children's Hospital and Texas Heart Institute, as is and where is, including, but not by way of limitation or expansion, the properties listed below:

<u>PLT-ACT</u>	<u>STK-SYMB</u>	<u>QUAN</u>	<u>DESCRIPTION</u>
235-10	81-1532-1	1	BLDG MES-TEX 30X60 CLI
236-24	56-5934-7	2	TANK 70 GAL COOL WATER
236-24	56-6367-9	2	TANK 4000 GAL UNDERGROUND
236-24	56-6850-4	4	TANK 30IN AIR RECVR STEEL
236-24	61-0925-0	4	COMPRSR WEST AIR MOD 2AVC
236-24	61-2750-0	2	ENGINE ENG ELEC DISL 1YWA
236-24	61-2760-9	2	ENGINE GM E/M MOD 16567BC
236-24	61-7525-1	2	RADIATOR O/M MOD DSH140-4
236-24	64-2605-0	2	GENRTR IDEAL ELEC 2500KVA
236-24	64-5552-1	4	MOTOR 71/2HP WSTG TBFC
236-24	64-6650-2	1	PANEL ELECTRICAL CONTROL
236-24	64-9450-4	1	WIRING POWER F/EMG GENRTR
236-24	73-1139-2	1	CRANE GENERAL 6 TON

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A G R E E M E N T

4004

THIS AGREEMENT made and entered into as of the _____ day of _____, 1978, by and among Texas Medical Center, Inc. ("Center"), Houston Natural Gas Corporation ("HNG") and the Texas Medical Center Central Heating and Cooling Services Cooperative Association ("Association").

W I T N E S S E T H:

WHEREAS, HNG is the owner of a plant ("Plant") which provides chilled water and steam services to buildings located within the Texas Medical Center, in Houston, Texas,

WHEREAS, Center, pursuant to an agreement between Center and HNG dated as of April 9, 1968, (the "1968 Agreement"), has the right to purchase such Plant,

WHEREAS, Center has agreed to assign the right to purchase the Plant under the 1968 Agreement to the Association, and,

WHEREAS, Association wishes to purchase the Plant and HNG wishes to sell the Plant;

NOW, THEREFORE, in consideration of the mutual agreements contained herein, Center, HNG and the Association hereby agree as follows:

Section 1. Center hereby assigns to Association all of its rights under the 1968 Agreement. HNG agrees to the assignment of such rights by Center to the Association.

Section 2. HNG hereby assigns all of its duties under the 1968 Agreement to the Association. The Association accepts the assignment of those duties and hereby promises to perform them. Center agrees to the assignment of such duties by HNG to the Association.

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Section 3. Furthermore, in satisfaction of HNG's continuing obligation under Paragraph 8 of the 1968 Agreement to provide for a period of twenty (20) years from the exercise of the option all gas service to the Plant at the applicable standard gas rate being offered by HNG to others for similar gas service from time to time, HNG hereby assigns to the Association all of its rights and obligations under that certain Gas Sales Contract, dated March 1, 1978, by and between Entex, Inc. and Houston Natural Gas Corporation - Central Plants Division, pertaining to the furnishing of all natural gas service to the Plant for the period March 19, 1978 to March 19, 1998. The Association and the Center hereby accept the assignment of the Gas Sales Contract as full satisfaction of HNG's continuing obligation under Paragraph 8 of the 1968 Agreement.

Section 4. This agreement shall be construed in accordance with the laws of the State of Texas.

WHEREFORE, the parties hereto have executed this agreement as of the date first above written, in Houston, Harris County, Texas.

TEXAS MEDICAL CENTER, INC.

By _____

"Center"

HOUSTON NATURAL GAS CORPORATION

By _____

"HNG"

TEXAS MEDICAL CENTER CENTRAL HEATING
AND COOLING SERVICES COOPERATIVE
ASSOCIATION

By _____

"Association"

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This Supplemental Agreement Regarding Payment dated as of May 31, 1978, between Texas Medical Center Central Heating and Cooling Services Cooperative Association (the "Association") and Houston Natural Gas Corporation ("HNG").

W I T N E S S E T H:

WHEREAS, on even date herewith the Association has issued its Secured Note ("Note") to HNG and HNG has conveyed certain property to the Association by means of the Conveyance;

WHEREAS, the cost of the plant producing chilled water and steam located at 1615 Braeswood, Houston, Texas (the "plant") as of April 30, 1978, was used in determining the amount of the Note;

WHEREAS, the cost of the Plant at May 31, 1978, is intended by HNG and the Association to be the final price for the Plant;

WHEREAS, HNG has agreed to pay initially for certain improvements to the Plant or its distribution system subsequent to May 31, 1978; and

WHEREAS, the parties intend for the Association to pay ultimately for such improvements;

NOW, THEREFORE, in consideration of the agreements herein contained, the parties hereto agree as follows:

1. HNG will pay for the construction or improvement of the following items: distribution lines to University of Houston Pharmacy Building and the expansion of the City of Houston Public Health Building.

If such items have not been completed prior to September 1, 1978, then prior to or on such date HNG will enter into fixed price contracts for the completion of such items.

2. At the earlier of the completion of the items described in Section 1, or September 1, 1978, the Association will issue an additional Secured Note in substantially the same form as the Note, in the amount of the cost to HNG of the items described in Section 1. It is provided, however, that the amount of the additional Secured Note will be either increased or decreased by the difference between the cost of the Plant at May 31, 1978, as opposed to April 30, 1978.

3. The additional Secured Note shall be secured in the same manner as the Note.

4. This Agreement shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written in Houston, Harris County, Texas.

HOUSTON NATURAL
GAS CORPORATION

TEXAS MEDICAL CENTER CENTRAL
HEATING AND COOLING SERVICES
COOPERATIVE ASSOCIATION

By _____

By _____

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DEED OF TRUST AND SECURITY AGREEMENT
(THIS INSTRUMENT GRANTS A
SECURITY INTEREST BY A UTILITY)

KNOW ALL MEN BY THESE PRESENTS: That the undersigned TEXAS MEDICAL CENTER CENTRAL HEATING AND COOLING SERVICES COOPERATIVE ASSOCIATION, a Texas non-profit cooperative association organized and existing under the Texas Health-Related Cooperative Association Act, acting herein by and through its proper officers who have hereuntofore been duly authorized, and with its principal office in Houston, Harris County, Texas (hereinafter called "Grantor"), for a valuable consideration of the debt and trust hereinafter mentioned, has granted, bargained, sold, conveyed, transferred, and assigned, and by these presents does grant, bargain, sell, convey, transfer, and assign, to RICHARD C. ALSUP, of Harris County, Texas, AS TRUSTEE, hereinafter called "Trustee", and to his successors and substitutes in trust as herein provided, for the benefit of HOUSTON NATURAL GAS CORPORATION, with its principal office in Houston, Harris County, Texas (hereinafter called "Beneficiary"), the property described in Exhibit "A" attached hereto and made a part hereof for all purposes and any other property acquired during the term of this agreement as a replacement or in substitution for or an improvement to the property described in said Exhibit "A". Subject to the proviso to this sentence, the properties described in Exhibit "A" attached hereto and any other subsequently acquired property, which, by the terms herein recited, has or may become subject to the lien and security interest of this Deed of Trust and Security Agreement, will sometimes be referred to hereinafter as the "Property"; provided, however, Beneficiary hereby agrees that, from time to time, Grantor shall have the right to make additions to and expansions of, as distinguished from repairs, replacements, substitutions or improvements, the Property

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(and to and of, respectively, the equipment included therein or any part thereof), and the right to finance the cost of such additions and expansions, and to grant to a lender a first lien and security interest upon the equipment and other facilities installed in connection with such addition or expansion and all revenues derived by Grantor attributable to such addition or expansion, and no such addition or expansion by Grantor shall be or become a part of the "Property", unless Grantor shall specifically so agree by written instrument hereafter executed. The first lien and security interest so granted to such lender will not apply to any of the Property, and the lien and the security interest granted herein will not apply to any of the equipment or other facilities installed in connection with such addition or any revenues derived by Grantor attributable to such addition or expansion.

TO HAVE AND TO HOLD, all and singular, the Property, together with all the rights, hereditaments and appurtenances in anywise belonging thereunto unto the Trustee, his successors in trust, or assigns forever. Subject to the other provisions hereof any additional right, title, or interest which Grantor may hereafter acquire or become entitled to in the Property shall inure to the benefit of this Trust, the same as if expressly described and conveyed herein.

Should Grantor do and perform all of the covenants and agreements herein contained, and make prompt and full payment of the Indebtedness hereinafter described as the same shall become due and payable, then this Deed of Trust and Security Agreement (hereinafter called the "Deed of Trust") and the conveyance herein made shall become null and void and of no further force and effect, and shall be released in due form at the expense of Grantor by the Beneficiary.

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ARTICLE I.

WARRANTY

Grantor hereby binds itself, its successors and assigns, to warrant and forever defend all and singular the property unto the said Trustee, and his successors or substitutes in this Trust, and to his and their assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof by, through or under Grantor, but not otherwise, and subject to the same exceptions and matters set out in the conveyance of even date herewith (the "Conveyance"), from Beneficiary to Grantor. And for the same consideration Grantor, for itself, its successors and assigns, covenants, represents, and warrants that it has not heretofore conveyed or transferred any of the above described property and that it has the power to grant, bargain, sell, convey, transfer and assign the same; that Grantor has not created or incurred (except for this Deed of Trust) any liens, mortgages, or other burdens or encumbrances other than such as do not materially adversely affect or impair the business of Grantor as presently conducted, or, in the case of liens or encumbrances resulting from money owed, such as are not (individually or in the aggregate) substantial in amount, other than (i) the lien for taxes not yet due and payable or which are contested in good faith, (ii) and inchoate constitutional or statutory, mechanic's, materialmen's or landlord's liens not yet delinquent, and (iii) any liens securing indebtedness of others, neither assumed nor guaranteed by Grantor, which may exist upon any real estate or other property not owned in fee by Grantor but in respect of which Grantor owns a right of way, easement or other interest; that Grantor has the right, power, and authority (insofar as provided in Article 4447r of the Revised Civil Statutes of the State of Texas, as amended) to

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incur the indebtedness evidenced by the Note of even date herewith, and by the Note dated on or before ninety (90) days hereafter, both of which are hereinafter described, and to execute this instrument for the purpose of evidencing security for the payment thereof, as well as the performance of all covenants and undertakings of Grantor set forth herein, and to execute and deliver said Notes and this Deed of Trust; and said Notes being valid and binding obligations of Grantor herein and that the lien hereof and the covenants and undertakings of Grantor set forth herein are valid, subsisting and enforceable, and that Grantor has heretofore done all things necessary or proper to make them so.

ARTICLE II.

INDEBTEDNESS SECURED

This conveyance is made, IN TRUST, HOWEVER, to secure and enforce payment of the following indebtedness, obligation and liability, to-wit;

- (a) one certain Promissory Note of even date herewith executed by Grantor payable to the order of Beneficiary in the original principal sum of \$ _____ and that certain Promissory Note to be dated on or before ninety (90) days hereafter in an amount equal to the aggregate of all amounts incurred by Beneficiary with respect to the Property in excess of the amounts which were taken into account in computing the amount of that certain Promissory Note of even date herewith executed by Grantor payable to the order of Beneficiary, (herein sometimes collectively called the "Notes"), with interest thereon from date until paid, and containing the usual provisions in notes of this character; and
- (b) all sums which may become owing by Grantor to Beneficiary under and pursuant to the terms and provisions of this Deed of Trust; and

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(c) any and all renewals and extensions of the Notes or of the other indebtedness, if any, which may become owing by Grantor to Beneficiary under subparagraph (b) above; and the liens under this Deed of Trust shall be cumulative of all other liens and security of any and every other kind or character whatsoever securing the above described indebtedness.

(d) the words "Indebtedness" and "said Indebtedness" wherever used in this Deed of Trust shall refer to the indebtedness described in subparagraphs (a), (b), and (c) of this Article II.

ARTICLE III.

CONVENANTS OF GRANTOR

3.1 Grantor covenants and agrees, while this Deed of Trust remains in force and effect, as follows:

(a) To carry standard insurance with companies satisfactory to Beneficiary, in respect of all activities in which Grantor might incur personal liability for the death or injury of an employee or third person, or damage to or destruction of another's property, and public liability and property damage insurance of at least \$5,000,000 per occurrence and the statutory amount of workmen's compensation insurance, and in respect of the Property, and to carry standard insurance with companies satisfactory to Beneficiary, insurance against loss or damage by fire, lighting, hail, tornado, explosion and such other risks as are usually insured against in similar businesses, in form and amounts satisfactory to Beneficiary with loss payable to Beneficiary as its interest may appear, and upon request of the Beneficiary promptly to deliver the policies with satisfactory evidence of the payment of premiums thereon to the Beneficiary;

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(b) To pay, or cause to be paid, before delinquent, all lawful taxes of every character levied and assessed upon the Property, as well as all Federal or State income taxes, if any, payable generally by Grantor, regardless of their relation to the Property, and to pay, as and when due, all State and Federal Social Security taxes, payments and contributions, if any, for which Grantor may be liable;

(c) At all times to maintain, preserve, and keep the Property and all appurtenances thereto, and all buildings, improvements, machinery, equipment, pipelines, fixtures, and other personal property of every kind and character, in respect of said Property, in thorough repair, working order and condition, and from time to time to make all necessary and proper repairs, renewals, replacements and substitutions;

(d) In respect of any of the Property, never to permit to be created or to exist any other or additional lien, on a parity with or superior to the lien hereof;

(e) That Beneficiary, or its duly authorized agent, or agents, at all reasonable times, upon reasonable notice to Grantor and at Beneficiary's sole risk, shall have the right to go upon, examine and inspect the Property and Grantor's maintenance records applicable thereto, and that Grantor will do all reasonable and economically practicable things necessary or proper to enable Beneficiary to exercise said rights whenever Beneficiary so desires;

(f) At all times to do all things necessary to defend the title to all of the Property provided that the claim upon the title to the Property arises by, through or under the Grantor but not otherwise; and provided, further however, Grantor agrees that Beneficiary shall have the right, at any time, to intervene

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in any suit affecting such title and to employ independent counsel in connection with any such suit to which it may be a party by intervention or otherwise. Upon demand Grantor agrees to pay Beneficiary all reasonable expenses paid or incurred by Beneficiary in respect of any suit affecting title to any such property, or affecting Beneficiary's liens or rights hereunder, including reasonable fees to Beneficiary's attorneys, provided and only in the event the adverse claim to Grantor's title or affecting Beneficiary's liens or rights hereunder, arise by, through or under Grantor, but not otherwise. All amounts at any time so payable by Grantor hereunder shall be secured by the lien hereof. Nothing in this subparagraph (f) shall be construed to limit or affect the warranty of title made by Beneficiary in the Conveyance covering the Property.

(g) At any time and from time to time, upon request by Beneficiary, to execute and deliver to Beneficiary, any and all additional instruments (including, without limitation, an additional deed of trust) for the purpose of describing the Property in greater detail, or making any correction of errors existing in the Notes or other documents executed in connection herewith;

(h) Annually, upon request of Beneficiary, promptly to furnish to Beneficiary annual financial statements and reports relating to Grantor, and Grantor's operations and business affairs, as Beneficiary may reasonably request;

(i) To maintain Grantor's existence and maintain and procure all necessary franchises and permits to the end that Grantor shall have and continue to have full power and authority to own and operate all of the Property as contemplated herein until this Deed of Trust shall have been satisfied;

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(j) That all Indebtedness secured hereby will be paid in accordance with the terms thereof and hereof, or when the maturity thereof may be accelerated in accordance with the terms thereof or hereof; and

(k) That the Property will be operated continuously and in a good workmanlike manner in accordance with the best usage of the trade and in accordance with all laws of the State of Texas and the United States of America, as well as all rules, regulations and laws of any governmental agency having jurisdiction to regulate the manner in which the operation of the Property shall be carried on.

(l) That at all times all the applicable covenants, agreements, terms, conditions and limitations contained in any contract, or any substitute therefor, described in Exhibit "A" (the "Pledged Contracts") attached hereto will be performed and observed to the same extent and degree Beneficiary performed the Pledged Contracts prior to the date hereof (except to the extent that any such performance or observance shall have been effectively waived or any non-performance shall be effectively cured within a reasonable time after notice by the other party or parties to such Pledged Contract), and will do all things necessary to keep unimpaired all its rights under all Pledged Contracts and to prevent any default thereunder by Beneficiary or Grantor or any forfeiture by Beneficiary or Grantor or impairment of such rights of Beneficiary or Grantor thereunder; provided, however, that the foregoing provisions of this paragraph 3.1(l) shall not be deemed to prohibit Grantor from contesting in good faith, by appropriate proceedings, any claimed non-performance or non-observance so long as such contest does not impair

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or endanger the rights of Grantor under any of the Pledged Contracts. No assignment, pledge or mortgage hereunder of any Pledged Contract by or on behalf of Grantor shall:

(i) relieve Grantor of any obligations and liabilities which it now has under such Pledged Contract, all of which shall continue to be the obligations and liabilities of Grantor, or

(ii) impose any obligations or liabilities upon the Trustee with respect to the performance or non-performance of such Pledged Contract, all of which obligations and liabilities shall continue to be those of the party undertaking the same thereunder.

(m) At all times to maintain its principal place of business in Harris County, Texas, to keep the Pledged Contracts and all records pertaining thereto at its principal place of business and, unless a substitute therefor is pledged hereunder by Grantor, not to modify, amend, supplement, or cancel any Pledged Contract without the prior written consent of Beneficiary, which consents will not be unreasonably withheld.

(n) At all times to charge sufficient rates for services furnished and collect sufficient revenues from customers (i) to pay all operating expenses, (ii) to maintain all property and equipment, (iii) to expand facilities, as required, and (iv) to service all debt obligations.

(o) To grant to Beneficiary a second lien on all additions and expansions, as distinguished from repairs, replacements and substitutions which will be covered by a first lien in favor of Beneficiary, as they are acquired.

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3.2 Any and all covenants in this Deed of Trust may be waived from time to time, by instrument in writing signed by Beneficiary and delivered to Grantor, to such extent and in such manner as Beneficiary may desire, but no such waiver shall ever affect or impair Beneficiary's rights or liens hereunder, except to the extent so specifically stated in such written instrument.

ARTICLE IV.

DEFAULTS OF GRANTOR AND
REMEDIES OF THE BENEFICIARY

4.1 The term "Default", as used herein, means the occurrence of any of the following events and the failure to cure the occurrence of such event for a period of thirty (30) days after the date on which Beneficiary gives written notice to Grantor specifying which one or more of the following events occurred:

(a) The failure in the payment of the Indebtedness, or any part thereof, principal or interest, as the same becomes due and payable, whether by acceleration or otherwise;

(b) The failure punctually and properly to perform any covenant, agreement or condition of Grantor contained herein;

(c) The breach by Grantor of any covenant, agreement or condition contained in any other mortgage, deed of trust, collateral pledge agreement, assignment, security agreement or contract of any kind securing or assuring the payment of the Indebtedness, or any part thereof;

(d) The execution by Grantor of an assignment for the benefit of creditors;

(e) The levy against the Property, or any part thereof, of any execution, attachment, sequestration or other writ;

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(f) The appointment of a receiver of Grantor or of the Property or any part thereof;

(g) The adjudication of Grantor as a bankrupt;

(h) The sale or attempted sale by Grantor without the permission of the Beneficiary of property in bulk unless (1) Beneficiary is paid off in full, (2) the sale is to one or more of the cooperative members or entities formed by them or (3) in connection with a substantially tax free offering of securities to retire Beneficiary's lien;

(i) The filing by Grantor either of a petition or answer for an adjudication as a bankrupt or seeking any other relief under any bankruptcy, reorganization, debtor's relief or insolvency law now or hereafter existing;

(j) Default occurs in the payment of an indebtedness secured by properties of Grantor and the holder of said indebtedness attempts to enforce such holder's lien upon said properties of Grantor, or

(k) The failure of Grantor to pay any obligation for borrowed money when and as the same shall become due and payable, whether at maturity upon acceleration or otherwise, and continuance of such failure for more than the period of grace, if any, applicable thereto.

4.2 Upon the occurrence of a Default hereunder, the Trustee, at his option, or the Beneficiary, at its option, may, but shall not be obligated to any person to, perform or attempt to perform said covenant, and any such payment so made or expense incurred in the performance or attempted performances of any such covenant shall be part of the Indebtedness hereby secured, and Grantor promises, upon demand, to pay to the Trustee or Beneficiary, as the case may be, at Houston, Harris County, Texas, all sums so advanced or paid by it,

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with interest at the rate of eight and one-half percent (8-1/2%) per annum from date when paid or incurred by the Trustee or Beneficiary. No such payment by the Trustee or Beneficiary shall constitute a waiver of any such default.

4.3 Upon the occurrence of a Default hereunder, the Beneficiary, at its option, and in addition to any and every other remedy, may request the Trustee to proceed with foreclosure, and in such event, the Trustee is hereby authorized and empowered, and it shall be his special duty, upon such request of the Beneficiary, to sell the mortgaged property, as a whole or in such portions as Trustee may deem proper, to the highest bidder or bidders for cash, at the courthouse door of the county in the State of Texas wherein the Property, then subject to the lien hereof, is situated, provided such sale may be made in any county in the State of Texas wherein any part of the Property therein subject to the lien hereof is situated. Any such sale shall be made to the highest bidder for cash at public auction held between the hours of ten o'clock a.m. and four o'clock p.m. on the first Tuesday in any month, after having given notice of the time, place and terms of sale and of the Property to be sold (i) by posting written or printed notices at the courthouse door of each county in which the Property then subject to the lien hereof, or any part thereof, is situated, for at least twenty-one (21) consecutive days prior to the day of sale, and (ii) by serving written notice of the proposed sale by certified mail on each debtor obligated to pay the Indebtedness according to the records of the holders thereof. At such sale the Trustee acting shall make a good and sufficient conveyance and assignment to the purchaser or purchasers thereat, in the name of Grantor, conveying said property so sold to such purchaser or purchasers with special

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warranty of title by Grantor. Sale of a part of the Property shall not exhaust the power to sale hereunder, but sales may be made from time to time until all the Property be sold or the Indebtedness be paid in full, whichever shall first occur.

4.4 Trustee is authorized to and shall receive the proceeds of said sale or sales made pursuant to paragraph 4.3 and apply the same as follows: First: to the payment of all necessary costs and expenses incurred by Beneficiary incident to the execution of said trust, including, without limitation, a reasonable fee to the Trustee, not to exceed five percent (5%) of the amount realized at said sale. Second: to the payment of the Indebtedness in such order and such manner as the Beneficiary in good faith shall elect. Third: the balance, if any, remaining after the full and final payment of the Indebtedness, to Grantor or Grantor's assigns.

4.5 In case the lien hereof shall be foreclosed by Trustee's sale or by judicial action, the purchaser at any such sale shall receive, as an incident of his ownership, immediate possession of the property purchased, and Grantor agrees for Grantor and for all persons claiming under Grantor, that if Grantor or any such person shall hold possession of said property, or any part hereof, subsequent to foreclosure, Grantor or the parties so holding possession shall be considered as tenants at sufferance of the purchaser at foreclosure sale, and anyone occupying the Property or any portion thereof after demand made for possession thereof shall be guilty of forcible detainer and shall be subject to eviction and removal, forcible or otherwise, with or without process of law, and all damages by reason thereof are hereby expressly waived.

4.6 It is agreed that Beneficiary may be the purchaser of the Property, or of any portion thereof, at any sale thereof, whether such sale be under the power of sale hereinabove vested in the Trustee, or upon any other foreclosure of the lien hereof or otherwise, and if Beneficiary is the highest cash bidder at such sale, Beneficiary shall acquire good title to the Property, or the portion thereof, so purchased, free of the lien of these presents and free of all rights of redemption in Grantor.

4.7 Upon the occurrence of Default hereunder, the Trustee or his successors in this Trust or Beneficiary or any holder of said Indebtedness or any part thereof, whether or not said Indebtedness shall have been declared due and payable, in addition to the other rights and remedies hereunder, may exercise the following additional remedy, but shall not be obligated so to do, namely: such Trustee, Beneficiary or holder of said Indebtedness may enter into and upon and take possession of all or any part of the Property and each and every part thereof and may exclude Grantor, its agents and servants wholly therefrom and have, hold, use, operate, manage, and control the Property and each and every part thereof, all at the sole risk and expense of Grantor and at the expense of the Property, applying the net proceeds so derived, first, to the cost of maintenance and operation of said Property; and, second, to the payment of all Indebtedness secured hereby, principal and interest, application to be made first to interest, then to principal and the balance thereof, if any, shall be paid to Grantor. Upon such payment of all such costs and Indebtedness, the Property shall be returned to Grantor in its then condition and such Trustee, Beneficiary or holder of said Indebtedness shall not be liable to Grantor for any damage or injury to the Property except such as may be caused through its or their fraud, willful misconduct, or gross negligence.

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4.8 The rights and remedies hereinabove expressly conferred are cumulative of all other rights and remedies herein, or by law or in equity provided, and shall not be deemed to deprive Beneficiary or Trustee of any such other legal or equitable rights or remedies, by judicial proceedings or otherwise, appropriate to enforce the condition, covenants and terms of this Deed of Trust and of the Note, and the employment of any remedy hereunder, or otherwise, shall not prevent the concurrent or subsequent employment of any other appropriate remedy or remedies.

4.9 In the event of the death of trustee hereunder, or his removal from the County of Harris, State of Texas, or his failure, refusal or inability, for any reason, to make any such sale or to perform any of the trusts herein declared, then Beneficiary may appoint, in writing, a substitute Trustee who shall thereupon succeed to all the estate, rights, powers and trusts herein granted to and vested in said Trustee. In the same events as first above stated, and in the same manner, successive substitute trustees may thereafter be appointed.

4.10 It is agreed that an extension, or extensions, may be made of the time of payment of all, or any part, of the Indebtedness secured hereby, and that any part of the Property may be released from this lien without altering or affecting the priority of the lien created by this Deed of Trust in favor of any junior encumbrancer, mortgagee or purchaser, or any person acquiring an interest in the property herein described and all improvements thereon, and that may be hereafter constructed thereon, first and superior to any liens that may be placed thereon, or that may be fixed, given or imposed by law thereon after the execution of this instrument notwithstanding any such extension of the time of payment, or the release of a portion of said property from this lien.

ARTICLE V.MISCELLANEOUS

5.1 The rights, titles, interests, liens and powers hereunder are cumulative of each other and of all other rights, titles, interests, liens and powers which may now or hereafter exist to secure the payment of the secured Indebtedness or any part thereof.

5.2 Grantor hereby waives all rights of marshalling in event of foreclosure of the lien hereby created.

5.3 This instrument is binding upon Grantor, Grantor's successors and assigns, and shall inure to the benefit of Beneficiary, its successors and assigns, and the provisions hereof shall likewise be covenants running with the land.

5.4 In the event any portion of the Indebtedness cannot be lawfully secured by this Deed of Trust lien on the Property, it is agreed that the first payments made on said Indebtedness shall be applied to the discharge of that portion of said Indebtedness.

5.5 Beneficiary shall be entitled to receive any and all sums which may become payable to Grantor for the condemnation of the Property, or any part thereof, for public or quasi-public use, or by virtue of private sale in lieu thereof, and any sums which may be awarded or become payable to Grantor for damages caused by public works or construction on or near the Property. All such sums are hereby assigned to Beneficiary; who may, after deducting therefrom all expenses actually incurred, including reasonable attorney's fees, release same to Grantor or apply the same to the reduction of the Indebtedness hereby secured whether then matured or to mature in the future, or on any money obligation hereunder as and in such manner as Beneficiary may elect. Beneficiary shall not be, in any event or circum-

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stances, liable or responsible for failure to collect, or exercise diligence in the collection of any such sums.

5.6 Nothing herein or in the Note contained shall ever entitle Beneficiary, upon the arising of any contingency whatsoever, to receive or collect interest in excess of the highest rate allowed by the laws of the State of Texas on the indebtedness hereby secured or on any money obligation hereunder and in no event shall Grantor be obligated to pay interest therein in excess of such rate.

5.7 This instrument is simultaneously executed in a number of identical counterparts, each of which for all purposes shall be deemed an original, and shall be deemed, and may be enforced from time to time, as a chattel mortgage, real estate mortgage, deed of trust, security agreement, assignment, or contract, or as one or more thereof.

IN WITNESS WHEREOF, Texas Medical Center Central Heating and Cooling Services Cooperative Association has caused these presents to be executed in its corporate name by its President and sealed with its corporate seal, attested by its Secretary this _____ day of _____, 197__.

TEXAS MEDICAL CENTER CENTRAL
HEATING AND COOLING SERVICES
COOPERATIVE ASSOCIATION

By _____
R. S. Kristoferson, President

ATTEST:

_____, Secretary

STATE OF TEXAS

§

THE COUNTY OF HARRIS

§

BEFORE ME, the undersigned authority, on this day personally appeared R. S. KRISTOFERSON, PRESIDENT of TEXAS MEDICAL CENTER HEATING AND COOLING SERVICES COOPERATIVE ASSOCIATION, a cooperative association known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein set forth and as the act and deed of said association.

GIVEN under my hand and seal of office, this the _____ day of _____, 1978.

Notary Public in and for
Harris County, Texas

SUPPLEMENTAL AGREEMENT
To The
Deed of Trust AUG 4 1978

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This Supplemental Agreement to the Deed of Trust ("Agreement") dated as of MAY 30, 1978, between Houston Natural Gas Corporation ("HNG") and University of Texas Center, M.D. Anderson Hospital ("User"), said User having agreed to accept steam and chilled water service from Texas Medical Center Central Heating and Cooling Services Cooperative Association (the "Association").

WHEREAS, on even date herewith, the Association has entered into a Deed of Trust and Security Agreement (the "Deed of Trust") with HNG; and

WHEREAS, User and HNG wish to provide for a secure supply of steam and chilled water to User, recognizing the adverse consequences of interruptions in such supply;

NOW, THEREFORE, in consideration of the purchase by the Association of the steam and chilled water plant from HNG, and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, User and HNG agree as follows:

1. Notwithstanding any contrary provision in the Deed of Trust, HNG agrees that, upon a Default (as defined in the Deed of Trust) by the Association, HNG shall endeavor to utilize sound business judgment in the exercise of any and all of HNG's remedies that may then be available to HNG so that User's requirements for steam and chilled water will be considered.

2. In the event the Association shall fail to supply chilled water or steam to User, HNG agrees, subject to the limitations set forth below, that HNG will supply or cause to be supplied to User chilled water and steam in such quantities as User has theretofore required. The obligation and responsibility of HNG to provide such chilled water and steam to User is subject to the following limitations, to wit:

(a) the terms of the contract for service to User are on no less favorable terms, in the aggregate, than the contract of service existing between HNG and User on the date hereof;

(b) HNG is able to obtain control of the facilities (needed to service User) under conditions satisfactory to HNG;

(c) the note of even date herewith made by the Association payable to the order of HNG in connection with the sale of the facilities to the Association, or alternative bonds subsequently issued by or on behalf of the Association in lieu thereof, are unpaid, and in the latter case (i.e., alternative bonds), such bonds were originally issued to or purchased by HNG; and

(d) HNG's obligation and responsibility hereunder ceases when the note described in (c) above or the alternative bonds are paid, or if the alternative bonds are issued to or purchased by a party other than HNG.

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3. User understands that HNG will transfer the existing Contract for Chilled Water and Steam ("Original Contract") between HNG and User to the Association on even date herewith. HNG understands that User and the Association will enter into a new contract for chilled water and steam ("Replacement Contract") on even date herewith, which will be pledged to HNG by Association under the Deed of Trust and Security Agreement. HNG and User agree that the Replacement Contract will govern the relationship between User and the Association. HNG and User further agree that the Original Contract shall not terminate but remain outstanding for the following limited purpose: if HNG is required, pursuant to Section 2 above, to supply or cause to be supplied chilled water and steam to User, HNG may, at its option, cause the Original Contract to become operative and in full force and effect so as to satisfy the conditions set forth in subsection 2(a) above.

4. The term of this Agreement shall be the same as that of any indebtedness referred to in subsection 2(c) above.

5. This Agreement shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the parties have executed this Agreement in Houston, Harris County, Texas, as of the date first above written.

HOUSTON NATURAL GAS CORPORATION

By [Signature]
"HNG"

UNIVERSITY OF TEXAS SYSTEM CENTER FOR
M.D. ANDERSON HOSPITAL AND TUMOR INSTITUTE

ATTEST:

[Signature]
BETTY LUNNE THEDFORD, SECRETARY
Board of Regents of
The University of Texas System

By [Signature]
ALLAN SHIVERS, CHAIRMAN
Board of Regents of
The University of Texas System

The Association consents to the terms and provisions of this Supplemental Agreement to the Deed of Trust.

TEXAS MEDICAL CENTER CENTRAL
HEATING AND COOLING SERVICES
COOPERATIVE ASSOCIATION

By [Signature]

APPROVED AS TO FORM:

[Signature]
University Attorney

APPROVED AS TO CONTENT:

[Signature]
President
The University of Texas System
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SUPPLEMENTAL AGREEMENT
To The
Deed Of Trust

This Supplemental Agreement to the Deed of Trust ("Agreement") dated as of May 30, 1978, between Houston Natural Gas Corporation ("HNG") and University of Health Science Center at Houston ("User"), said User having agreed to accept steam and chilled water service from Texas Medical Center Central Heating and Cooling Services Cooperative Association (the "Association").

WHEREAS, on even date herewith, the Association has entered into a Deed of Trust and Security Agreement (the "Deed of Trust") with HNG; and

WHEREAS, User and HNG wish to provide for a secure supply of steam and chilled water to User, recognizing the adverse consequences of interruptions in such supply;

NOW, THEREFORE, in consideration of the purchase by the Association of the steam and chilled water plant from HNG, and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, User and HNG agree as follows:

1. Notwithstanding any contrary provision in the Deed of Trust, HNG agrees that, upon a Default (as defined in the Deed of Trust) by the Association, HNG shall endeavor to utilize sound business judgment in the exercise of any and all of HNG's remedies that may then be available to HNG so that User's requirements for steam and chilled water will be considered.

2. In the event the Association shall fail to supply chilled water or steam to User, HNG agrees, subject to the limitations set forth below, that HNG will supply or cause to be supplied to User chilled water and steam in such quantities as User has theretofore required. The obligation and responsibility of HNG to provide such chilled water and steam to User is subject to the following limitations, to wit:

(a) the terms of the contract for service to User are on no less favorable terms, in the aggregate, than the contract of service existing between HNG and User on the date hereof;

(b) HNG is able to obtain control of the facilities (needed to service User) under conditions satisfactory to HNG;

(c) the note of even date herewith made by the Association payable to the order of HNG in connection with the sale of the facilities to the Association, or alternative bonds subsequently issued by or on behalf of the Association in lieu thereof, are unpaid, and in the latter case (*i.e.*, alternative bonds), such bonds were originally issued to or purchased by HNG; and

(d) HNG's obligation and responsibility hereunder ceases when the note described in (c) above or the alternative bonds are paid, or if the alternative bonds are issued to or purchased by a party other than HNG.

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3. User understands that HNG will transfer the existing Contract for Chilled Water and Steam ("Original Contract") between HNG and User to the Association on even date herewith. HNG understands that User and the Association will enter into a new contract for chilled water and steam ("Replacement Contract") on even date herewith, which will be pledged to HNG by Association under the Deed of Trust and Security Agreement. HNG and User agree that the Replacement Contract will govern the relationship between User and the Association. HNG and User further agree that the Original Contract shall not terminate but remain outstanding for the following limited purpose: if HNG is required, pursuant to Section 2 above, to supply or cause to be supplied chilled water and steam to User, HNG may, at its option, cause the Original Contract to become operative and in full force and effect so as to satisfy the conditions set forth in subsection 2(a) above.

4. The term of this Agreement shall be the same as that of any indebtedness referred to in subsection 2(c) above.

5. This Agreement shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the parties have executed this Agreement in Houston, Harris County, Texas, as of the date first above written.

HOUSTON NATURAL GAS CORPORATION

By [Signature]
"HNG"

UNIVERSITY OF TEXAS HEALTH
SCIENCE CENTER AT HOUSTON

ATTEST:

[Signature]
BETTY ANNE THEDFORD, SECRETARY
Board of Regents of
The University of Texas System

By [Signature]
ALLAN SILVERS, CHAIRMAN
Board of Regents of
The University of Texas System

The Association consents to the terms and provisions of this Supplemental Agreement to the Deed of Trust.

TEXAS MEDICAL CENTER CENTRAL
HEATING AND COOLING SERVICES
COOPERATIVE ASSOCIATION

By [Signature]

APPROVED AS TO FORM:

[Signature]
University Attorney

APPROVED AS TO CONTENT:

[Signature]
President
The University of Texas System

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TEXAS MEDICAL CENTER CENTRAL HEATING
AND COOLING SERVICES COOPERATIVE ASSOCIATION

Secured Note Due May 31, 1998

May 30, 1978

FOR VALUE RECEIVED and in installments as herein-
after provided, the undersigned, Texas Medical Center Central
Heating and Cooling Services Cooperative Association, a Texas
non-profit cooperative association (the "Maker") hereby promi-
ses to pay to the order of HOUSTON NATURAL GAS CORPORATION (the
"Payee"), the principal sum of _____

_____ together with interest, from
May 31, 1978, until maturity (computed on the basis of a
365-day year) on the unpaid principal balance outstanding
from time to time hereon computed at a rate of eight percent
(8%) per annum. The principal of this Note is payable in
semi-annual installments of \$ _____ each plus accrued
interest, the first installment being due and payable on
November 30, 1978, and the remaining installments being due
and payable on the last day of each succeeding May and
November thereafter, until this Note is paid in full.

Interest on any overdue payment of principal and,
to the extent permitted by law, overdue interest shall
accrue from maturity until paid at the rate of two percent
(2%) per annum over the interest rate specified above.

Payments of both principal and interest are to be
made in lawful money of the United States of America at the
principal office of the above-named payee in Houston, Harris
County, Texas, or such other place as the holder shall
designate in writing to the Maker.

Without being limited thereto or thereby, this
Note is secured by a Deed of Trust and Security Agreement of
even date herewith executed by the Maker in favor of Richard
C. Alsup, Trustee, for the use and benefit of the Payee,
conveying unto said Trustee certain property situated in
Harris County, Texas.

This Note may be prepaid in whole or in part at
any time without notice or penalty.

This Note is transferable upon surrender, duly
endorsed. The Maker may treat the person in whose name this
Note is registered with the Maker as the owner hereof for
the purpose of payment and for all other purposes.

Except as provided herein to the contrary, the
Maker and any and all endorsers, guarantors and sureties
severally expressly waive notice, presentment for payment,
notice of nonpayment, demand for payment, presentment for
acceleration of maturity, notice of dishonor, protest,
notice of protest, bringing of suit and diligence in taking
any action to collect amounts owing hereunder and consent to
all renewals or extensions in the time for payment hereof.

In the event default is made in any payment of
principal or interest on this Note promptly when the same
becomes due or there is a default under the terms of the
Deed of Trust and Security Agreement and any such default
is not cured, but continues, for a period of thirty (30)

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days after the date on which the Payee or other holder hereof gives written notice to the Maker specifying the default that occurred, then the principal amount of this Note together with the interest accrued hereon, may, at the option of Payee or other owner or owners of this Note, be declared to be and become due and payable, without further notice or demand.

If this Note is not paid at maturity, however such maturity is brought about, or if the same is placed in the hands of an attorney for collection, or suit is brought hereon, or proceedings are had in bankruptcy, probate, receivership, reorganization or other legal or judicial proceedings for the collection hereof, the Maker promises and agrees to pay a reasonable attorneys' fee not to exceed ten per cent (10%) of the principal and interest then owing hereon.

Notwithstanding anything here or in the other instruments executed in connection herewith or to evidence security herefor, the liability for the payment of the principal, interest, attorneys' fees and other sums and amounts owing or to become owing hereon, in connection with or under the instruments evidencing security herefor, is a liability and obligation of Texas Medical Center Central Heating and Cooling Services Cooperative Association, as a corporate body only, and no member or patron of said Association shall be liable or obligated hereon by virtue of being a member in and patron of, or either a member in or patron of, said Association. The Payee and all other holders hereof agree to look solely to the assets, funds and properties of said Association, including, but not by way of limitation, those properties conveyed in that certain Conveyance of even date herewith together with any property owned by the Maker acquired after the date of this Note for payment of this Note and said sums and amounts and in the event said assets, funds and properties shall be insufficient to fully discharge this Note and said sums and amounts, no deficiency or other judgment or other writ or process shall be sought, issued or levied upon or against said members and patrons, or any of them to satisfy payment of this Note or said sums and amounts. Nothing in this paragraph shall be deemed or construed as an agreement by the Maker that this Note is entitled to the benefit of an expressed or implied lien or security interest upon any properties of the Maker other than as provided by the vendor's lien reserved in the Conveyance of even date herewith from the Payee to the Maker and as provided by said Deed of Trust and Security Agreement of even date herewith.

TEXAS MEDICAL CENTER CENTRAL
HEATING AND COOLING SERVICES
COOPERATIVE ASSOCIATION

By _____
President

INCORPORATED UNDER THE LAWS OF THE STATE OF

Texas

TEXAS MEDICAL CENTER CENTRAL HEATING AND COOLING SERVICES COOPERATIVE ASSOCIATION

AUTHORIZED CAPITAL 100,000 SHARES \$10.00 PAR VALUE
Units of Interest

This Certifies That

*_____ is the owner of
full paid and non-assessable*

Units of Interest

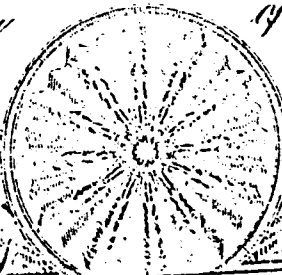
TRANSFERABLE ON THE BOOKS OF THE CORPORATION IN PERSON OR BY DULY AUTHORIZED AGENT UPON
SURRENDER OF THIS CERTIFICATE PROPERLY ENDORSED.

In Witness Whereof the said Corporation has caused this Certificate to be signed by its duly
authorized officers and sealed with the Seal of the Corporation.

This 31st day of May A.D. 19 78

SECRETARY

PRESIDENT



AUG 4 1978

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For Value Received,

hereby sell, assign and transfer

unto _____

Units of Interest *(Twenty)*

represented by the within Certificate, and do hereby irrevocably constitute and appoint _____ Attorney

to transfer the said ^{Units of Interest} on the books of the within named Corporation with full power of substitution in the premises.

Dated _____ 19 _____

In presence of _____

NOTICE: THE SIGNATURE OF THE ATTORNEY MUST BE WRITTEN AND PRINTED IN THE SPACE PROVIDED HEREON. THE SIGNATURE OF THE CORPORATION MUST BE WRITTEN AND PRINTED IN THE SPACE PROVIDED HEREON.

THIS SPACE IS NOT TO BE COVERED IN ANY WAY

PATENT PENDING

(RESERVE THIS SPACE TO PASTE BACK CANCELLED STOCK CERTIFICATE)

IF NOT AN ORIGINAL ISSUE SHOW DETAILS OF TRANSFER BELOW

Certificate No.	For	Units of Interest	Transferred from:	Original Certificate		No of Int'l. Units of Interest	Units of Interest Transfd.
				No	Date		

Dated: _____ 19__

Issued to _____

Received this Certificate _____ 19__

Surrendered this Certificate _____ 19__

IF THIS CERTIFICATE IS SURRENDERED FOR TRANSFER SHOW DETAILS

New Certificate Issued to:	No of New Certificate	No of Int'l. Units of Interest	Units of Interest

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