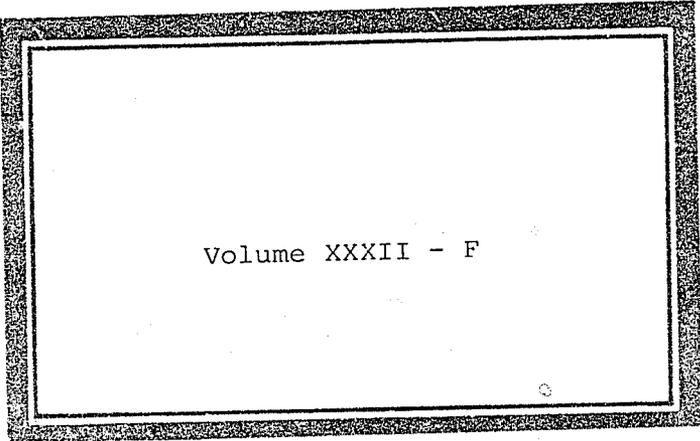


Meeting No. 810

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



Volume XXXII - F

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August 8-9, 1985

Austin, Texas

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 OF
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 August 8-9, 1985
 Austin, Texas

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MEETING NO. 810

THURSDAY, AUGUST 8, 1985.--The members of the Board of Regents of The University of Texas System convened in regular session at 1:00 p.m. on Thursday, August 8, 1985, in the Regents' Meeting Room on the ninth floor of Ashbel Smith Hall in Austin, Texas, with the following in attendance:

ATTENDANCE.--

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

Executive Secretary Dilly

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

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

U. T. BOARD OF REGENTS: APPROVAL OF MINUTES OF REGULAR MEETING HELD ON JUNE 13-14, 1985.--Upon motion of Vice-Chairman Ratliff, seconded by Regent Blanton, the Minutes of the regular meeting of the Board of Regents of The University of Texas System held on June 13-14, 1985, in Austin, Texas, were approved as distributed by the Executive Secretary. The official copy of these Minutes is recorded in the Permanent Minutes, Volume XXXII, Pages 2996-3678.

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

U. T. Austin

President Flawn introduced:

Faculty Representative:

Dr. Waneen Spirduso, Chairman
Faculty Senate

Student Representatives:

Mr. Scott Scarborough, President, Students' Association
Ms. Jane Perelman, Vice President, Students' Association
Ms. Ellen Williams, General Reporter, The Daily Texan
Mr. Donny Jackson, General Reporter, The Daily Texan

U. T. Permian Basin

President Leach introduced:

Faculty Representative: Dr. Dave Hopkins, President
Faculty Senate

Student Representative: Ms. Lily Tersero, President
Student Senate

U. T. San Antonio

President Wagener introduced:

Faculty Representative: Dr. Marjorie Smelstor, Assis-
tant Vice President for
Academic Affairs

Student Representative: Ms. Sharon Kay Brown, Senior
Management Student

U. T. Tyler

President Hamm introduced:

Student Representative: Miss Kay Buchanan, President
Student Association

U. T. Medical Branch - Galveston

President Levin introduced:

Student Representative: Ms. Laura Suarez, Fourth Year
Medical Student, School
of Medicine

U. T. Health Science Center - Houston

President Bulger introduced:

Faculty Representative: Dr. Camille Lloyd, Director
Student Counseling Service

U. T. Health Science Center - San Antonio

President Howe introduced:

Faculty Representative: G. Richard Holt, M.D., Assistant
Dean, Student Affairs &
Associate Professor of
Surgery

Student Representative: Mr. James Potter, Fourth Year
Dental Student

SPECIAL ITEMS

1. U. T. Board of Regents: (a) Resolution Authorizing the Issuance and Sale of Board of Regents of The University of Texas System Permanent University Fund Constitutional Amendment Bonds, Series 1985-A, in the Amount of \$75,000,000, and Awarding the Sale of the Bonds to Prudential-Bache Securities Inc., New York, New York; (b) Designation of MBank Austin, N.A., Austin, Texas, Paying Agent/Registrar; and (c) Award of Contract to Print the Bonds to Hart Graphics, Inc., Austin, Texas.--The following written Resolution (Pages 4 - 33) was introduced for the consideration of the U. T. Board of Regents and read in full. It was then duly moved by Regent Blanton, seconded by Vice-Chairman Ratliff, that said Resolution be adopted, and after due discussion, said motion, carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

AYES: All members of said Board listed present on Page 1 voted "Aye."

NOES: None

The adoption of the Resolution authorized issuance of Board of Regents of The University of Texas System Permanent University Fund Constitutional Amendment Bonds, Series 1985-A, in the amount of \$75,000,000 and awarded the sale of the bonds to Prudential-Bache Securities Inc., New York, New York, at the price of par and accrued interest to the date of delivery plus a premium of \$41,128.50 (Page 32) at rates of interest reflected on Page 9. The average effective interest rate is 8.5987%.

Upon motion of Vice-Chairman Ratliff, seconded by Regent Yzaguirre, the bid of MBank Austin, N.A., Austin, Texas, as Paying Agent/Registrar for Board of Regents of The University of Texas System Permanent University Fund Constitutional Amendment Bonds, Series 1985-A, in the amount of \$75,000,000 was accepted without objection (Pages 10, 13). The bank will pay the U. T. Board of Regents a one time lump sum of \$550 for these bonds.

The contract for the printing of the Board of Regents of The University of Texas System Permanent University Fund Constitutional Amendment Bonds, Series 1985-A, in the amount of \$75,000,000 was awarded unanimously to Hart Graphics, Inc., Austin, Texas, upon motion of Regent Blanton, seconded by Regent Yzaguirre. These bonds are to be printed according to specifications with lithographed borders for the sum of \$4,724. Vice-Chairman Ratliff abstained from voting on this matter due to a possible conflict of interest.

RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF
\$75,000,000 BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS
SYSTEM PERMANENT UNIVERSITY FUND CONSTITUTIONAL AMENDMENT
BONDS, SERIES 1985-A, AND APPROVING AND AUTHORIZING
INSTRUMENTS AND PROCEDURES RELATING THERETO

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The term "Bonds" means collectively the Series 1985 Bonds and the Series 1985-A Bonds.

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

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

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

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

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

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

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

The terms "Permanent University Fund", "Permanent Fund", and "Fund" used interchangeably herein mean the Permanent University Fund as created, established, implemented, and administered pursuant to Article VII, Sections 10, 11, 11a, 15, and 18 of the Texas Constitution, as amended, and further implemented by the provisions of Chapter 66, Texas Education Code.

The term "Permanent University Fund Bonds" means collectively all bonds or notes of the Board of Regents of The University of Texas System or the Board of Directors or the Board of Regents of The Texas A&M University System heretofore or hereafter issued and delivered pursuant to the provisions of Section 18, Article VII of the Texas Constitution, approved by vote of the people of Texas on August 23, 1947, or pursuant to the provisions of the amendment to Section 18, Article VII of the Texas Constitution, approved by vote of the people of Texas on November 6, 1956, or pursuant to the amendment to Section 18, Article VII of the Texas Constitution, approved by vote of the people of Texas of November 8, 1966, or pursuant to the amendment to Section 18, Article VII of the Texas Constitution, approved by vote of the people of Texas on November 6, 1984, or pursuant to any future amendment to Section 18, Article VII of the Texas Constitution, and any refunding bonds payable from and secured by a lien on and pledge of income from the Permanent University Fund.

The term "Resolution" as used herein means this resolution authorizing the Series 1985-A Bonds.

The term "Series 1985 Bonds" means the Board of Regents of The University of Texas System Permanent University Fund Constitutional Amendment Bonds, Series 1985, authorized by the Board by resolution adopted on February 14, 1985.

The term "Series 1985 Bond Resolution" means the resolution authorizing the Series 1985 Bonds.

The term "Series 1985-A Bonds" means collectively the Initial Bond as authorized and defined in Section 2 of this Resolution and all substitute bonds exchanged therefor, and all other substitute and replacement bonds issued pursuant to this Resolution, and the term "Series 1985-A Bond" means any of the Series 1985-A Bonds.

(b) The Board officially finds and determines that the cost value of investments and other assets of the Permanent University Fund (exclusive of real estate) is now in excess of \$2,260,455,966.

Section 2. AMOUNT, PURPOSE AND DESIGNATION OF THE BONDS.
The bond or bonds of the Issuer are hereby authorized to be issued and delivered in the aggregate principal amount of \$75,000,000 FOR THE PURPOSE OF ACQUIRING LAND EITHER WITH OR WITHOUT PERMANENT IMPROVEMENTS, CONSTRUCTING AND EQUIPPING BUILDINGS OR OTHER PERMANENT IMPROVEMENTS, MAJOR REPAIR AND REHABILITATION OF BUILDINGS AND OTHER PERMANENT IMPROVEMENTS, ACQUIRING CAPITAL EQUIPMENT AND LIBRARY BOOKS AND LIBRARY MATERIALS, AT OR FOR THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION AND ITS COMPONENT INSTITUTIONS, TO THE EXTENT AND IN THE MANNER PROVIDED BY LAW, IN ACCORDANCE WITH THE AMENDMENT TO SECTION 18, ARTICLE VII, OF THE TEXAS CONSTITUTION ADOPTED BY VOTE OF THE PEOPLE OF TEXAS ON NOVEMBER 6, 1984.

Each bond issued pursuant to this Resolution shall be designated: "BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND CONSTITUTIONAL AMENDMENT BOND, SERIES 1985-A", and initially there shall be issued, sold, and delivered hereunder a single fully registered bond, without interest coupons, payable in installments of principal (the "Initial Bond"), but the Initial Bond may be assigned and transferred and/or converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, having serial maturities, and in the denomination or denominations of \$5,000 or any integral multiple of \$5,000, all in the manner hereinafter provided.

Section 3. DATE, DENOMINATION, NUMBER, MATURITIES, INITIAL REGISTERED OWNER, AND CHARACTERISTICS OF THE INITIAL BOND.

(a) The Initial Bond is hereby authorized to be issued, sold, and delivered hereunder as a single fully registered bond, without interest coupons, dated AUGUST 1, 1985, in the denomination and aggregate principal amount of \$75,000,000, numbered R-1, payable in annual installments of principal to the initial registered owner thereof, to-wit:

PRUDENTIAL-BACHE SECURITIES INC.

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

(b) The Initial Bond (i) may be prepaid or redeemed prior to the respective scheduled due dates of installments of principal thereof, (ii) may be assigned and transferred, (iii) may be converted and exchanged for other Series 1985-A Bonds, (iv) shall have the characteristics, and (v) shall be signed and sealed, and the principal of and interest on the Initial Bond shall be payable, all as provided, and in the manner required or indicated, in the FORM OF INITIAL BOND set forth in this Resolution.

Section 4. INTEREST. The unpaid principal balance of the Initial Bond shall bear interest from the date of the Initial Bond to the respective scheduled due dates, or to the respective dates of prepayment or redemption, of the installments of principal of the Initial Bond, and said interest shall be payable, all in the manner provided and at the rates and on the dates stated in the FORM OF INITIAL BOND set forth in this Resolution.

Section 5. FORM OF INITIAL BOND. The form of the Initial Bond, including the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be printed and endorsed on the Initial Bond, shall be substantially as follows:

FORM OF INITIAL BOND

NO. R-1

\$75,000,000

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

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

PRUDENTIAL-BACHE SECURITIES INC.

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

\$75,000,000
(SEVENTY-FIVE MILLION DOLLARS)

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

<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>
\$3,000,000	1986	\$3,750,000	1996
3,000,000	1987	3,750,000	1997
3,000,000	1988	4,150,000	1998
3,000,000	1989	4,150,000	1999
3,350,000	1990	4,150,000	2000
3,350,000	1991	4,150,000	2001
3,350,000	1992	4,500,000	2002
3,350,000	1993	4,500,000	2003
3,750,000	1994	4,500,000	2004
3,750,000	1995	4,500,000	2005

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

10.00% per annum on the above installment due in 1986
10.00% per annum on the above installment due in 1987
10.00% per annum on the above installment due in 1988
10.00% per annum on the above installment due in 1989
10.00% per annum on the above installment due in 1990
10.00% per annum on the above installment due in 1991
10.00% per annum on the above installment due in 1992
10.00% per annum on the above installment due in 1993
10.00% per annum on the above installment due in 1994
10.00% per annum on the above installment due in 1995
9.75% per annum on the above installment due in 1996
8.50% per annum on the above installment due in 1997
8.70% per annum on the above installment due in 1998
8.75% per annum on the above installment due in 1999
9.00% per annum on the above installment due in 2000
9.00% per annum on the above installment due in 2001
7.50% per annum on the above installment due in 2002
7.50% per annum on the above installment due in 2003
7.50% per annum on the above installment due in 2004
7.50% per annum on the above installment due in 2005

with said interest being payable on JANUARY 1, 1986, and semi-annually on each JULY 1 and JANUARY 1 thereafter while this Bond or any portion hereof is outstanding and unpaid.

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

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

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

ON JULY 1, 1995, or on any interest payment date thereafter, the unpaid installments of principal of this Bond may be prepaid or redeemed prior to their scheduled due dates, at the option of the Issuer, with funds derived from any available source, as a whole, or in part, and, if in part, the particular portion of this Bond to be prepaid or redeemed shall be selected and designated by the Issuer (provided that a portion of this Bond may be redeemed only in an integral multiple of \$5,000), at the prepayment or redemption price of the par or principal amount thereof and accrued interest to the date fixed for prepayment or redemption.

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

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

AS PROVIDED above and in the Bond Resolution, this Bond, to the extent of the unpaid or unredeemed principal balance hereof, may be converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the assignee or assignees duly designated in writing by the initial registered owner hereof, or to the initial registered owner as to any portion of this Bond

which is not being assigned and transferred by the initial registered owner, in any denomination or denominations in any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute bond issued in exchange for any portion of this Bond shall have a single stated principal maturity date), upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution. If this Bond or any portion hereof is assigned and transferred or converted each bond issued in exchange for any portion hereof shall have a single stated principal maturity date corresponding to the due date of the installment of principal of this Bond or portion hereof for which the substitute bond is being exchanged, and shall bear interest at the rate applicable to and borne by such installment of principal or portion thereof. Such bonds, respectively, shall be subject to redemption prior to maturity on the same dates and for the same prices as the corresponding installment of principal of this Bond or portion hereof for which they are being exchanged. No such bond shall be payable in installments, but shall have only one stated principal maturity date. AS PROVIDED IN THE BOND RESOLUTION, THIS BOND IN ITS PRESENT FORM MAY BE ASSIGNED AND TRANSFERRED OR CONVERTED ONCE ONLY, and to one or more assignees, but the bonds issued and delivered in exchange for this Bond or any portion hereof may be assigned and transferred, and converted, subsequently, as provided in the Bond Resolution. The Issuer shall pay the Paying Agent/Registrar's fees and charges, if any, for transferring, converting and exchanging this Bond or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make any such assignment, conversion, or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or portion thereof called for prepayment or redemption prior to maturity, within 45 days prior to its prepayment or redemption date.

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

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

THE ISSUER has reserved the right, subject to the restrictions referred to in the Bond Resolution, (i) to issue Constitutional Amendment Additional Parity Bonds and Notes which also

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

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

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

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

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

Chairman, Board of Regents of
The University of Texas System

(BOARD
SEAL)

FORM OF REGISTRATION CERTIFICATE OF THE
COMPTROLLER OF PUBLIC ACCOUNTS:

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this

Comptroller of Public Accounts
of the State of Texas

(COMPTROLLER'S SEAL)

Section 6. ADDITIONAL CHARACTERISTICS OF THE BONDS.

(a) Registration and Transfer. The Issuer shall keep or cause to be kept at the principal corporate trust office of MBANK AUSTIN, NATIONAL ASSOCIATION, AUSTIN, TEXAS (the "Paying Agent/Registrar") books or records of the registration and transfer of the Series 1985-A Bonds (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such transfers and registrations under such reasonable regulations as the Issuer and Paying Agent/Registrar may

prescribe; and the Paying Agent/Registrar shall make such transfers and registrations as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Series 1985-A Bond to which payments with respect to the Series 1985-A Bonds shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Issuer shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. Registration of each Series 1985-A Bond may be transferred in the Registration Books only upon presentation and surrender of such Series 1985-A Bond to the Paying Agent/Registrar for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing (i) the assignment of the Series 1985-A Bond, or any portion thereof in any integral multiple of \$5,000, to the assignee or assignees thereof, and (ii) the right of such assignee or assignees to have the Series 1985-A Bond or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Series 1985-A Bond or any portion thereof, a new substitute Series 1985-A Bond or Series 1985-A Bonds shall be issued in conversion and exchange therefor in the manner herein provided. The Initial Bond, to the extent of the unpaid or unredeemed principal balance thereof, may be assigned and transferred by the initial registered owner thereof once only, and to one or more assignees designated in writing by the initial registered owner thereof. All Series 1985-A Bonds issued and delivered in conversion of and exchange for the Initial Bond shall be in any denomination or denominations of any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Series 1985-A Bond shall have a single stated principal maturity date), shall be in the form prescribed in the FORM OF SUBSTITUTE SERIES 1985-A BOND set forth in this Resolution, and shall have the characteristics, and may be assigned, transferred, and converted as hereinafter provided. If the Initial Bond or any portion thereof is assigned and transferred or converted the Initial Bond must be surrendered to the Paying Agent/Registrar for cancellation, and each Series 1985-A Bond issued in exchange for any portion of the Initial Bond shall have a single stated principal maturity date, and shall not be payable in installments; and each such Series 1985-A Bond shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Series 1985-A Bond is being exchanged; and each such Series 1985-A Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If only a portion of the Initial Bond is assigned and transferred, there shall be delivered to and registered in the name of the initial registered owner substitute Series 1985-A Bonds in exchange for the unassigned balance of the Initial Bond in the same manner as if the initial registered owner were the assignee thereof. If any Series 1985-A Bond or portion thereof other than the Initial Bond is assigned and transferred or converted each Series 1985-A Bond issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Series 1985-A Bond for which it is exchanged. A form of assignment shall be printed or endorsed on each Series 1985-A Bond, excepting the Initial Bond, which shall be executed by the registered owner or its

duly authorized attorney or representative to evidence an assignment thereof. Upon surrender of any Series 1985-A Bonds or any portion or portions thereof for transfer of registration, an authorized representative of the Paying Agent/Registrar shall make such transfer in the Registration Books, and shall deliver a new fully registered substitute Series 1985-A Bond or Series 1985-A Bonds, having the characteristics herein described, payable to such assignee or assignees (which then will be the registered owner or owners of such new Series 1985-A Bond or Series 1985-A Bonds), or to the previous registered owner in case only a portion of a Series 1985-A Bond is being assigned and transferred, all in conversion of and exchange for said assigned Series 1985-A Bond or Series 1985-A Bonds or any portion or portions thereof, in the same form and manner, and with the same effect, as provided in Section 6(d), below, for the conversion and exchange of Series 1985-A Bonds by any registered owner of a Series 1985-A Bond. The Issuer shall pay the Paying Agent/Registrar's fees and charges, if any, for making such transfer and delivery of a substitute Series 1985-A Bond or Series 1985-A Bonds, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of any Series 1985-A Bond or any portion thereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Series 1985-A Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

(b) Ownership of Series 1985-A Bonds. The entity in whose name any Series 1985-A Bond shall be registered in the Registration Books at any time shall be deemed and treated as the absolute owner thereof for all purposes of this Resolution, whether or not such Series 1985-A Bond shall be overdue, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary; and payment of, or on account of, the principal of, premium, if any, and interest on any such Series 1985-A Bond shall be made only to such registered owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 1985-A Bond to the extent of the sum or sums so paid.

(c) Payment of Series 1985-A Bonds and Interest. The Issuer hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Series 1985-A Bonds, and to act as its agent to convert and exchange or replace Series 1985-A Bonds, all as provided in this Resolution. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Series 1985-A Bonds, and of all conversions and exchanges of Series 1985-A Bonds, and all replacements of Series 1985-A Bonds, as provided in this Resolution.

(d) Conversion and Exchange or Replacement; Authentication. Each Series 1985-A Bond issued and delivered pursuant to this Resolution, to the extent of the unpaid or unredeemed principal balance or principal amount thereof, may, upon surrender of such Series 1985-A Bond at the principal corporate trust office of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, may, at the option of the registered owner or such assignee or

assignees, as appropriate, be converted into and exchanged for fully registered bonds, without interest coupons, in the form prescribed in the FORM OF SUBSTITUTE SERIES 1985-A BOND set forth in this Resolution, in the denomination of \$5,000, or any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Series 1985-A Bond shall have a single stated maturity date), as requested in writing by such registered owner or such assignee or assignees, in an aggregate principal amount equal to the unpaid or unredeemed principal balance or principal amount of any Series 1985-A Bond or Series 1985-A Bonds so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If the Initial Bond is assigned and transferred or converted each substitute Series 1985-A Bond issued in exchange for any portion of the Initial Bond shall have a single stated principal maturity date, and shall not be payable in installments; and each such Series 1985-A Bond shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Series 1985-A Bond is being exchanged; and each such Series 1985-A Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If a portion of any Series 1985-A Bond (other than the Initial Bond) shall be redeemed prior to its scheduled maturity as provided herein, a substitute Series 1985-A Bond or Series 1985-A Bonds having the same maturity date, bearing interest at the same rate, in the denomination or denominations of any integral multiple of \$5,000 at the request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation. If any Series 1985-A Bond or portion thereof (other than the Initial Bond) is assigned and transferred or converted, each Series 1985-A Bond issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Series 1985-A Bond for which it is being exchanged. Each substitute Series 1985-A Bond shall bear a letter and/or number to distinguish it from each other Series 1985-A Bond. The Paying Agent/Registrar shall convert and exchange or replace Series 1985-A Bonds as provided herein, and each fully registered bond delivered in conversion of and exchange for or replacement of any Series 1985-A Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Series 1985-A Bonds for all purposes of this Resolution, and may again be converted and exchanged or replaced. It is specifically provided that any Series 1985-A Bond authenticated in conversion of and exchange for or replacement of another Series 1985-A Bond on or prior to the first scheduled Record Date for the Initial Bond shall bear interest from the date of the Initial Bond, but each substitute Series 1985-A Bond so authenticated after such first scheduled Record Date shall bear interest from the interest payment date next preceding the date on which such substitute Series 1985-A Bond was so authenticated, unless such Series 1985-A Bond is authenticated after any Record Date but on or before the next following interest payment date, in which case it shall bear interest from such next following interest payment date; provided, however, that if at the time of delivery of any substitute Series 1985-A Bond the interest on the Series 1985-A Bond for which it is being exchanged is due but has not been paid, then such Series 1985-A Bond shall bear interest from the date to which such interest has been paid in full. THE INITIAL BOND issued and delivered pursuant to this Resolution is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Series 1985-A Bond issued in conversion of and exchange for or replacement of any Series 1985-A Bond or Series 1985-A Bonds

issued under this Resolution there shall be printed a certificate, in the form substantially as follows:

"PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

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

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

Dated

Authorized Representative"

An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Series 1985-A Bond, date and manually sign the above Certificate, and no such Series 1985-A Bond shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all Series 1985-A Bonds surrendered for conversion and exchange or replacement. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing conversion and exchange or replacement of any Series 1985-A Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Series 1985-A Bonds in the manner prescribed herein, and said Series 1985-A Bonds shall be of type composition printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to Vernon's Ann. Tex. Civ. St. Art. 717k-6, and particularly Section 6 thereof, the duty of conversion and exchange or replacement of Series 1985-A Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the above Paying Agent/Registrar's Authentication Certificate, the converted and exchanged or replaced Series 1985-A Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Initial Bond which originally was issued pursuant to this Resolution, approved by the Attorney General, and registered by the Comptroller of Public Accounts. The Issuer shall pay the Paying Agent/Registrar's fees and charges, if any, for transferring, converting and exchanging any Series 1985-A Bond or any portion thereof, but the one requesting any such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not be required to make any such conversion and exchange or replacement of Series 1985-A Bonds or any portion thereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Series 1985-A Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

(e) In General. All Series 1985-A Bonds issued in conversion and exchange or replacement of any other Series 1985-A Bond or portion thereof, (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Series 1985-A Bonds to be payable only

to the registered owners thereof, (ii) may be redeemed prior to their scheduled maturities, (iii) may be transferred and assigned, (iv) may be converted and exchanged for other Series 1985-A Bonds, (v) shall have the characteristics, (vi) shall be signed and sealed, and (vii) the principal of and interest on the Series 1985-A Bonds shall be payable, all as provided, and in the manner required or indicated, in the FORM OF SUBSTITUTE SERIES 1985-A BOND set forth in this Resolution.

(f) Payment of Fees and Charges. The Issuer hereby covenants with the registered owners of the Series 1985-A Bonds that it will (i) pay the fees and charges, if any, of the Paying Agent/Registrar for its services with respect to the payment of the principal of and interest on the Series 1985-A Bonds, when due, and (ii) pay the fees and charges, if any, of the Paying Agent/Registrar for services with respect to the transfer of registration of Series 1985-A Bonds, and with respect to the conversion and exchange of Series 1985-A Bonds solely to the extent above provided in this Resolution.

(g) Substitute Paying Agent/Registrar. The Issuer covenants with the registered owners of the Series 1985-A Bonds that at all times while the Series 1985-A Bonds are outstanding, the Issuer will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar for the Series 1985-A Bonds under this Resolution, and that the Paying Agent/Registrar will be one entity. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Issuer covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Series 1985-A Bonds, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Series 1985-A Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Resolution, and a certified copy of this Resolution shall be delivered to each Paying Agent/Registrar.

Section 7. FORM OF SUBSTITUTE SERIES 1985-A BONDS. The form of all Series 1985-A Bonds issued in conversion and exchange or replacement of any other Series 1985-A Bond or portion thereof, including the form of Paying Agent/Registrar's Certificate to be printed on each of such Series 1985-A Bonds, and the Form of Assignment to be printed on each of the Series 1985-A Bonds, shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Resolution.

FORM OF SUBSTITUTE SERIES 1985-A BOND

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

INTEREST RATE

MATURITY DATE

CUSIP NO.

ON THE MATURITY DATE specified above the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the "Issuer"), being an agency and political subdivision of the State of Texas, hereby promises to pay to _____ the registered assignee hereof (either being hereinafter called the "registered owner") the principal amount of _____ and to pay interest thereon from AUGUST 1, 1985, to the maturity date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; with interest being payable on JANUARY 1, 1986, and semiannually on each JULY 1 and JANUARY 1 thereafter, except that if the date of authentication of this Bond is later than DECEMBER 15, 1985, such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date (hereinafter defined) but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of MBANK AUSTIN, NATIONAL ASSOCIATION, AUSTIN, TEXAS, which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the resolution authorizing the issuance of the Bonds (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the 15th day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner at the principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of this Bond for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar. The Issuer covenants with the registered owner of this Bond that on or before each principal payment date, interest payment date, and accrued interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and

Sinking Fund" created by the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

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

THIS BOND is one of an issue of Bonds initially dated AUGUST 1, 1985, authorized in the principal amount of \$75,000,000, FOR THE PURPOSE OF ACQUIRING LAND EITHER WITH OR WITHOUT PERMANENT IMPROVEMENTS, CONSTRUCTING AND EQUIPPING BUILDINGS OR OTHER PERMANENT IMPROVEMENTS, MAJOR REPAIR AND REHABILITATION OF BUILDINGS AND OTHER PERMANENT IMPROVEMENTS, ACQUIRING CAPITAL EQUIPMENT AND LIBRARY BOOKS AND LIBRARY MATERIALS, AT OR FOR THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION AND ITS COMPONENT INSTITUTIONS, TO THE EXTENT AND IN THE MANNER PROVIDED BY LAW, IN ACCORDANCE WITH THE AMENDMENT TO SECTION 18, ARTICLE VII, OF THE TEXAS CONSTITUTION ADOPTED BY VOTE OF THE PEOPLE OF TEXAS ON NOVEMBER 6, 1984.

ON JULY 1, 1995, or on any interest payment date thereafter, the Bonds of this Series may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the Issuer (provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000), at the redemption price of the par or principal amount thereof and accrued interest to the date fixed for redemption.

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

be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price plus accrued interest from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Bond shall be redeemed a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Bond Resolution.

THIS BOND OR ANY PORTION OR PORTIONS HEREOF IN ANY INTEGRAL MULTIPLE OF \$5,000 may be assigned and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. The form of Assignment printed or endorsed on this Bond shall be executed by the registered owner or its duly authorized attorney or representative, to evidence the assignment hereof. A new Bond or Bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds), or to the previous registered owner in the case of the assignment and transfer of only a portion of this Bond, may be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other Bonds. The Issuer shall pay the Paying Agent/Registrar's fees and charges, if any, for making such transfer, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of this Bond or any portion hereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date. The registered owner of this Bond shall be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

ALL BONDS OF THIS SERIES are issuable solely as fully registered bonds, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Bond Resolution, this Bond, or any unredeemed portion hereof, may, at the request of the registered owner or the assignee or assignees hereof, be converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date, and bearing interest at the same rate, in any

denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate registered owner, assignee, or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging any Bond or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not be required to make any such conversion and exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

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

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

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

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

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

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

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

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

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

(BOARD SEAL)

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

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

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

Dated _____

Authorized Representative

FORM OF ASSIGNMENT:

ASSIGNMENT

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

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

and hereby irrevocably constitutes and appoints

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

Dated: _____

Signature Guaranteed: _____

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

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

Section 8. SECURITY AND PLEDGE. (a) The Series 1985-A Bonds are Constitutional Amendment Additional Parity Bonds as permitted by Section 12 of the Series 1985 Bond Resolution, and it is hereby determined, declared, and resolved that all of the Bonds, including the Series 1985 Bonds and the Series 1985-A Bonds, and the interest thereon, are and shall be secured and payable equally and ratably on a parity, and that Sections 8 through 17 of this Resolution are supplemental to, cumulative of, and substantially restate Sections 8 through 17 of the Series 1985 Bond Resolution, so that Sections 8 through 17 of this Resolution are applicable to all of the Bonds, except that the term "Paying Agent/Registrar" as used in Sections 15 and 16 of this Resolution shall mean the entity acting as paying agent and registrar for any bond affected by such Sections.

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

Section 9. PAYMENT OF BONDS. (a) The Comptroller of Public Accounts of the State of Texas previously has established and shall maintain in the State Treasury a fund to be known as "Board of Regents of The University of Texas System Permanent University Fund Bonds Interest and Sinking Fund" (hereinafter called the "Interest and Sinking Fund"). In addition to the moneys required to be transferred to the credit of the Interest and Sinking Fund in connection with the Old Series Outstanding Bonds and the New Series Outstanding Bonds, the Comptroller of Public Accounts of the State of Texas shall, for the benefit of the Bonds, transfer to the Interest and Sinking Fund, out of The University of Texas System Available University Fund (the fund in the State Treasury to which is deposited the Interest of The University of Texas System in the Available University Fund), on or before December 20, 1985, and semiannually thereafter on or before June 20 and December 20 of each year while the Bonds, or interest thereon, are outstanding and unpaid, the amount of interest or principal and interest which will come due on the Bonds on the January 1 or July 1 next following. It is hereby recognized that the amounts necessary for the payment of principal and interest on the Old Series Outstanding Bonds and the New Series Outstanding Bonds will have been transferred on or before May 1 and November 1 and May 15 and November 15, respectively, of each year from the aforesaid Available University Fund to the interest and sinking funds heretofore created for the benefit of the Old Series Outstanding Bonds and the New Series Outstanding Bonds.

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

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

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

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

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

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

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

(a) That while any Permanent University Fund Bonds are outstanding and unpaid, the Board of Regents of The University of Texas System will maintain and invest and keep invested the Permanent University Fund as required by law; and that while any such Permanent University Fund Bonds, and the interest thereon, are outstanding and unpaid, the Board of Regents of

The University of Texas System will invest such Fund in eligible and legal securities which will yield a maximum rate of return consistent with the Board of Regents' long established policy of purchasing for said Fund only securities of investment quality; and further that at all times the Fund will be maintained and invested so as to yield annually an amount of money not less than 1½ times the principal and interest requirements of all of the aforesaid outstanding Permanent University Fund Bonds during the year in which such principal and interest requirements will be the greatest.

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

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

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

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

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

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

(e) That the Board will duly and punctually pay or cause to be paid out of the income herein pledged for such purpose the principal of every Old Series Outstanding Bond, New Series Outstanding Bond, Bond, and any Constitutional Amendment Additional Parity Bond and Note, when issued, and the interest

thereon, on the days and at the places and in the manner mentioned in such obligations, and in the coupons, if any, thereon appertaining, according to the true intent and meaning thereof and that it will faithfully do and perform and at all times fully observe all covenants, undertakings and provisions contained in this Resolution and in the aforesaid obligations.

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

(g) That proper books of records and accounts will be kept in which true, full, and correct entries will be made of all income, expenses, and transactions of and in relation to the Fund and each and every part thereof in accordance with accepted accounting practices. As soon after the close of each fiscal year (September 1 to August 31, inclusive) as may reasonably be done the Board will furnish to all bondholders and owners who may so request, full audits and reports by the State Auditor of Texas for the preceding fiscal year, showing the income to the Fund, the amount realized from investments of the Fund, total sums accruing to The University of Texas System as the Interest of The University of Texas System in the income from the Permanent University Fund and in the Available University Fund, the cost of administering the Fund, the amount paid for debt service on the Old Series Outstanding Bonds, the New Series Outstanding Bonds, the Bonds, and the Constitutional Amendment Additional Parity Bonds and Notes, when issued, and the amount made available to the Board as available funds under Section 10 of this Resolution.

Section 12. ADDITIONAL PARITY BONDS AND NOTES. The Board reserves the right and shall have full power at any time and from time to time, to authorize, issue, and deliver Constitutional Amendment Additional Parity Bonds and/or Constitutional Amendment Additional Parity Notes, in as many separate installments or series as deemed advisable by the Board but only for the purposes and to the extent provided in the Amendment to Section 18, Article VII of the Texas Constitution, adopted by vote of the people of Texas on November 6, 1984, or in any Amendment hereafter made to said Section 18, Article VII, of the Texas Constitution, or for refunding purposes as provided by law. Such Constitutional Amendment Additional Parity Bonds and Notes, when issued, and the interest thereon, shall be equally and ratably secured by and payable from a lien on and pledge of the Interest of The University of Texas System in the Available University Fund, subject only and subordinate to the

prior and superior liens on and pledges of such Interest heretofore created securing the Old Series Outstanding Bonds and the New Series Outstanding Bonds, in the same manner and to the same extent as are the Bonds issued pursuant to this Resolution, and the Bonds and the Constitutional Amendment Additional Parity Bonds and Notes, when issued, and the interest thereon, shall be on a parity and in all respects of equal dignity. It is further specifically covenanted that the Board will not issue or attempt to issue any bonds or notes on a parity with the Old Series Outstanding Bonds or the New Series Outstanding Bonds. It is further covenanted that no installment or series of Constitutional Amendment Additional Parity Bonds or Notes shall be issued and delivered unless the Executive Director, Investments and Trusts of The University of Texas System or some other officer of The University of Texas System designated by the Board executes:

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

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

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

Section 13. INDIVIDUALS NOT LIABLE. All covenants, stipulations, obligations, and agreements of the Board contained in this Resolution shall be deemed to be covenants, stipulations, obligations, and agreements of The University of Texas System and the Board to the full extent authorized or permitted by the Constitution and laws of the State of Texas. No covenant, stipulation, obligation, or agreement herein contained shall be deemed to be a covenant, stipulation, obligation, or agreement of any member of the Board or agent or employee of the Board in his individual capacity and neither the members of the Board nor any officer thereof shall be liable personally on the Bonds or Constitutional Amendment Additional Parity Bonds or Notes when issued, or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 14. REMEDIES. Any owner or holder of any of the Old Series Outstanding Bonds, the New Series Outstanding Bonds, the Bonds, or Constitutional Amendment Additional Parity Bonds or Notes, when issued, in the event of default in connection with any covenant contained herein, or default in the payment of said obligations, or of any interest due thereon, shall have

the right to institute suit or suits against the Board or any other necessary or appropriate party for the purpose of enforcing payment from the moneys herein pledged or for enforcing any covenant herein contained.

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

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

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

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

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

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

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Bond, the Issuer may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

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

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

Section 17. AMENDMENT OF RESOLUTION. (a) The owners of Bonds and Constitutional Amendment Additional Parity Bonds and Notes (hereinafter collectively called "Bonds and Additional Bonds") aggregating 51% in principal amount of the aggregate principal amount of then outstanding Bonds and Additional Bonds shall have the right from time to time to approve any amendment to any resolution authorizing the issuance of Bonds or Additional Bonds which may be deemed necessary or desirable by the Issuer, provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the outstanding Bonds and Additional Bonds, the amendment of the terms and conditions in said resolutions or in the Bonds or Additional Bonds so as to:

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

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

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

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

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

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

(f) For the purpose of this Section the ownership and other matters relating to all Bonds and Additional Bonds shall

be determined from the registration books kept for such bonds by the Paying Agent/Registrar therefor.

Section 18. CUSTODY, APPROVAL, AND REGISTRATION OF INITIAL BOND; BOND COUNSEL'S OPINION, AND CUSIP NUMBERS. The Chairman of the Issuer is hereby authorized to have control of the Initial Bond issued hereunder and all necessary records and proceedings pertaining to the Initial Bond pending its delivery and its investigation, examination, and approval by the Attorney General of the State of Texas, and its registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Initial Bond said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate printed and endorsed on the Initial Bond, and the seal of said Comptroller shall be impressed, or placed in facsimile, on the Initial Bond. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Initial Bond or on any Bonds issued and delivered in conversion of and exchange or replacement of any Bond, but neither shall be binding upon the Issuer or have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds.

Section 19. NO ARBITRAGE. The Issuer covenants to and with the registered owners of the Series 1985-A Bonds that it will make no use of the proceeds of the Series 1985-A Bonds at any time throughout the term of this issue of Series 1985-A Bonds which, if such use had been reasonably expected on the date of delivery of the Series 1985-A Bonds to and payment for the Series 1985-A Bonds by the purchasers, would have caused the Series 1985-A Bonds to be arbitrage bonds within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended, or any regulations or rulings pertaining thereto; and by this covenant the Issuer is obligated to comply with the requirements of the aforesaid Section 103(c) and all applicable and pertinent Department of the Treasury regulations relating to arbitrage bonds. The Issuer further covenants that the proceeds of the Series 1985-A Bonds will not otherwise be used directly or indirectly so as to cause all or any part of the Series 1985-A Bonds to be or become arbitrage bonds within the meaning of the aforesaid Section 103(c), or any regulations or rulings pertaining thereto.

Section 20. SALE OF INITIAL BOND. The Initial Bond is hereby sold and shall be delivered to Prudential-Bache Securities Inc. and Associates, for cash for the par value thereof and accrued interest thereon to date of delivery, plus a premium of \$41,128.50. It is hereby officially found, determined, and declared that the Initial Bond has been sold at public sale to the bidder offering the lowest interest cost, after receiving sealed bids pursuant to an Official Notice of Sale and Bidding Instructions and an Official Statement dated July 22, 1985, prepared and distributed in connection with the sale of the Initial Bond. Such Official Notice of Sale and Bidding Instructions and the Official Statement, and any addenda, supplement, or amendment thereto have been and are hereby approved by the Issuer, and their use in the reoffering of the Initial Bond or any portion thereof or any Bond issued in substitution and exchange therefor is hereby approved. It is further officially found, determined, and declared that the statements and representations contained in such Official Notice of Sale and Bidding Instructions and the Official Statement are true and correct in all material respects, to the best knowledge and belief of the Issuer.

Section 21. FURTHER PROCEDURES. The Chairman of the Issuer, the Executive Secretary of the Issuer, and all other

officers, employees, and agents of the Issuer, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the Issuer all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Bond Resolution, the Series 1985-A Bonds, the sale of the Series 1985-A Bonds, and the Notice of Sale and Bidding Instructions and Official Statement. In case any officer whose signature shall appear on any Series 1985-A Bond shall cease to be such officer before the delivery of such Series 1985-A Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

2. U. T. Board of Regents: (a) Resolution Authorizing the Issuance and Sale of Board of Regents of The University of Texas System, The University of Texas at Arlington 9% Apartment Revenue Bonds, Series 1985, in the Amount of \$950,000 and Awarding the Sale of the Bonds to Eugene Hasten and Don Rash, Arlington, Texas; (b) Designation of MBank Austin, N.A., Austin, Texas, Paying Agent/Registrar; and (c) Award of Contract to Print the Bonds to Helms Printing Company, Inc., Dallas, Texas.--The following written Resolution (Pages 35 - 57) was introduced for the consideration of the U. T. Board of Regents and read in full. It was then duly moved by Vice-Chairman Ratliff, seconded by Regent Blanton, that said Resolution be adopted, and after due discussion, said motion, carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

AYES: All members of said Board listed present on Page 1 voted "Aye."

NOES: None

The adoption of the Resolution authorized issuance of Board of Regents of The University of Texas System, The University of Texas at Arlington 9% Apartment Revenue Bonds, Series 1985, in the amount of \$950,000 and awarded the sale of the bonds to Eugene Hasten and Don Rash, Arlington, Texas, for the purchase of the Warwick I, II, III and V apartment complexes for student housing at The University of Texas at Arlington.

Upon motion of Regent Blanton, seconded by Vice-Chairman Ratliff, the bid of MBank Austin, N.A., Austin, Texas, as Paying Agent/Registrar for Board of Regents of The University of Texas System, The University of Texas at Arlington 9% Apartment Revenue Bonds, Series 1985, in the amount of \$950,000 was accepted without objection (Pages 43, 47). The bank will charge the U. T. Board of Regents an annual fee of \$250 for these bonds.

The contract for the printing of the Board of Regents of The University of Texas System, The University of Texas at Arlington 9% Apartment Revenue Bonds, Series 1985, in the amount of \$950,000 was awarded unanimously to Helms Printing Company, Inc., Dallas, Texas, upon motion of Vice-Chairman Ratliff, seconded by Regent Roden. These bonds are to be printed according to specifications with lithographed borders for the sum of \$648.

See Page 60 related to this bond issue.

RESOLUTION AUTHORIZING \$950,000
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
THE UNIVERSITY OF TEXAS AT ARLINGTON
9% APARTMENT REVENUE BONDS,
SERIES 1985

WHEREAS, the Board of Regents of The University of Texas System (the "Board") is authorized and empowered, without cost to the State of Texas, to acquire, construct, purchase, improve, enlarge, equip, operate, and/or maintain any property, buildings, structures, activities, services, operations, or other facilities, for and on behalf of The University of Texas at Arlington (the "University"), in accordance with the provisions of Chapter 55, Texas Education Code, as amended;

WHEREAS, it has been determined by the Board, and the Board hereby affirmatively determines, for the good of the University and of its students, that there is a need for housing facilities to serve the University in Arlington, Texas commonly known as the Warwick I, II, III, and V Apartments, which will consist of apartment units for the housing of students and faculty (the "Project");

WHEREAS, the Board has heretofore approved, and hereby affirmatively approves, the total cost, type, and plans and specifications of the Project;

WHEREAS, the Board has heretofore determined, and hereby affirmatively determines, to authorize the issuance of its negotiable revenue bonds to provide the Project and to secure the payment of same by a lien on and a pledge of the net revenues derived from the operation of the Project, as authorized by Chapter 55, Texas Education Code, as amended;

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

Section 1. DESIGNATION, AMOUNT, PURPOSE, AND AUTHORIZATION OF BONDS. Negotiable revenue bonds or bond of the Board, to be known and designated as "THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS AT ARLINGTON 9% APARTMENT REVENUE BONDS, SERIES 1985" (the "Bonds"), are hereby authorized to be issued in the principal amount of \$950,000, for the purpose of paying the cost of acquiring, purchasing, improving, enlarging, and equipping housing facilities to serve the University in Arlington, Texas, commonly known as the Warwick I, II, III, and V Apartments, which will provide apartment units for the housing of students and faculty, including all property, buildings, structures, activities, services, operations, or other facilities in connection therewith, under and in conformity with the Constitution and laws of the State of Texas, including particularly Chapter 55, Texas Education Code, as amended.

Section 2. DATE, NUMBERS, DENOMINATION, AND MATURITIES OF BONDS. The Bonds shall be dated July 1, 1985, and shall be initially issued as a single typewritten bond in the denomination of \$950,000 (the "Initial Bond"). The owner of the Bond shall have the option, at the Board's expense, to have the single Bond exchanged for printed Bonds which shall be in the denomination of \$5,000 each or any multiple thereof for any one maturity. The principal of the Initial Bond shall be payable in installments or the subsequent Bonds, if any, shall become due and payable serially, on the 1st day of July in each of the years 1987 to 2006, both inclusive, in the respective amounts as shown in the following schedule, to-wit:

<u>Principal Amount Maturing</u>	<u>Years</u>	<u>Principal Amount Maturing</u>	<u>Years</u>
\$20,000	1987	\$45,000	1997
20,000	1988	50,000	1998
20,000	1989	50,000	1999
25,000	1990	55,000	2000
25,000	1991	60,000	2001
30,000	1992	70,000	2002
30,000	1993	75,000	2003
35,000	1994	80,000	2004
35,000	1995	90,000	2005
40,000	1996	95,000	2006

Section 3. INTEREST RATE AND INTEREST PAYMENT DATES OF BONDS. The Bonds shall bear interest from the date of delivery until paid at the rate of nine percent (9%) per annum, and interest shall be payable on January 1, 1986, and semiannually thereafter on July 1 and January 1 of each year while the Bonds are outstanding. Such interest shall be payable in the manner provided in the FORMS OF BOND all as set forth in Section 5 of this Resolution.

Section 4. GENERAL CHARACTERISTICS. The Bonds shall be issued, shall be payable, may be redeemed prior to their scheduled maturity or maturities, shall be in fully registered form, shall have the characteristics, and shall be signed and executed (and the Bonds shall be sealed), all as provided, and in the manner indicated, in the FORMS OF BOND as set forth in Section 5 of this Resolution.

Section 5. FORMS. The forms of the Bonds, including the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas which is to be printed and endorsed on the initial Bond shall be, respectively, substantially as follows with necessary and appropriate variations, omissions, and insertions as permitted or required by this Resolution as set forth below:

FORMS OF THE BONDS

FORM OF THE INITIAL BOND

United States of America
State of Texas

NUMBER
R-1
REGISTERED

DENOMINATION
\$950,000
REGISTERED

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
THE UNIVERSITY OF TEXAS AT ARLINGTON 9% APARTMENT REVENUE BOND
SERIES 1985

The Board of Regents of The University of Texas System (the "Board"), promises to pay to _____ (the "Registered Owner") or registered assigns, on the dates specified below, at the principal corporate trust office of a bank to be selected by the Board under the herein-mentioned Resolution, MBANK AUSTIN, N.A., Austin, Texas (the "Paying Agent/Registrar"), as Paying Agent and also acting as the Registrar for this Bond, the principal amount of

NINE HUNDRED FIFTY THOUSAND DOLLARS

in lawful money of the United States of America, and to pay interest thereon at the rate of nine percent per annum, calculated on the basis of a 360-day year of twelve 30-day months. This Bond shall bear interest from the date of delivery. Interest on this Bond is payable by check or draft on each July 1 and January 1 beginning January 1, 1986, to the Registered Owner of record as shown on the books of registration (the "Register") kept by the Paying Agent/Registrar as of the date which is the 15th day of the month preceding the interest payment date (the "Record Date"), at the address of such registered owner as it appears on the Register or at such other address as is furnished to the Paying Agent/Registrar in writing by such Registered Owner, or in such other manner as may be acceptable to the Registered Owner and the Paying Agent/Registrar.

The principal amount of this Bond shall be paid by the Paying Agent/Registrar in the same manner as interest is paid as aforesaid in the following installments:

<u>Principal Installment</u>	<u>Years</u>	<u>Principal Installment</u>	<u>Years</u>
\$20,000	1987	\$45,000	1997
20,000	1988	50,000	1998
20,000	1989	50,000	1999
25,000	1990	55,000	2000
25,000	1991	60,000	2001

<u>Principal Installment</u>	<u>Years</u>	<u>Principal Installment</u>	<u>Years</u>
30,000	1992	70,000	2002
30,000	1993	75,000	2003
35,000	1994	80,000	2004
35,000	1995	90,000	2005
40,000	1996	95,000	2006

THIS BOND is dated as of July 1, 1985, and issued pursuant to the Resolution adopted by the Board on August 8, 1985 (the "Resolution"), in the original aggregate principal amount of \$950,000 for the purpose of financing housing facilities to serve the University in Arlington, Texas, commonly known as the Warwick I, II, III, and V Apartments which will consist of 62 apartment units for the housing of students and faculty (the "Project").

THE OWNER HEREOF SPECIFICALLY UNDERSTANDS BY ACCEPTANCE OF THIS BOND THAT THE BOND IS NOT A DEBT OF THE STATE OF TEXAS OR ANY AGENCY, POLITICAL CORPORATION, OR POLITICAL SUBDIVISION THEREOF AND IS NOT A PLEDGE OF THE FAITH AND CREDIT OF ANY OF THEM, BUT IS PAYABLE SOLELY FROM THE PLEDGED REVENUES (AS DEFINED IN THE HEREIN-MENTIONED RESOLUTION). NEITHER THE STATE OF TEXAS NOR ANY AGENCY, POLITICAL CORPORATION, OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BOND EXCEPT AS PROVIDED IN THE RESOLUTION AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS OR ANY AGENCY, POLITICAL CORPORATION, OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BOND.

ON JULY 1, 1994, and thereafter on any interest payment date, the unpaid principal amount of this Bond is subject to optional redemption, in whole or in part (and if in part, the Board shall select the principal installments to be redeemed, or portions thereof, by lot or other random methods) prior to their respective scheduled maturity and this Bond may be redeemed prior to its respective scheduled maturity, at the option of the Board, upon written notice of the exercise of the option to redeem delivered to the Paying Agent/Registrar by the Board not later than the 45th day prior to the date of redemption. The principal installments may be so redeemed at the redemption price of par, plus accrued interest to the date of redemption.

IF LESS THAN ALL of the principal installments are called for redemption, the particular principal installment to be redeemed shall be selected by the Paying Agent/Registrar as aforesaid; provided, however, that principal installment shall be redeemed in integral multiples of \$5,000. Upon redemption of a portion of a principal installment, the Board shall cause to be delivered to the Bondholder a new Bond of the same series, maturity, and interest rate, in the principal amount of the unredeemed portion.

AT LEAST 30 days prior to the date fixed for any redemption of the principal installment prior to their scheduled maturity, the Paying Agent/Registrar shall cause a written notice of such redemption to be mailed, postage prepaid, to the Registered Owner at its address appearing on the Register maintained by the Paying Agent/Registrar. Any notice so mailed will be conclusively presumed to have given, irrespective of whether received, and any defect in such notice shall not affect the validity of any proceedings for the redemption of principal installment. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the appropriate redemption price. If such written notice of redemption is mailed and if due provision for payment of the redemption price is made, all as provided above, the principal installment, or portions thereof, which are to be redeemed, thereby automatically shall be deemed to have been redeemed prior to their scheduled maturity, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the Bondholder to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

IF ANY PRINCIPAL INSTALLMENT SHALL NOT BE PAID UPON THE SURRENDER THEREOF at the maturity or on a redemption date, such principal installment shall continue to bear interest until paid and, to the extent permitted by law, interest on any overdue payments of principal of, premium, if any, or interest on such principal installment shall be paid at the rate of interest borne by this Bond.

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

THIS BOND is issued pursuant to and secured by the Resolution and reference is hereby made to the Resolution for provisions with respect to the custody and application of the Board's funds, a description of the Pledged Revenues pledged for the payment of the Bonds and the terms and conditions on which such security is pledged; remedies in the event of a default hereunder or thereunder; and the respective rights, duties, and obligations of the Board, the Paying Agent/Registrar, and the Registered Owner. By acceptance of this Bond the Registered Owner consents to all of the provisions of the Resolution, a certified copy of which is on file in the office of the Board.

THIS BOND IS TRANSFERABLE OR EXCHANGEABLE only upon presentation and surrender at the principal corporate office of the Paying Agent/Registrar. If this Bond is being transferred, it shall be duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner, or his authorized representative, and will be transferred subject to the terms and conditions of the Resolution. If this Bond is being exchanged, it shall be duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his duly authorized representative, and will be exchanged for other Bonds in the principal amount of \$5,000 or any integral multiple thereof, subject to the terms and conditions of the Resolution. The Paying Agent/Registrar is not required to accept any Bond for transfer or exchange during the 15 days prior to mailing of any notice of redemption, or to accept for transfer or exchange any portion of this Bond that has been called for redemption in whole or in part.

THIS BOND SHALL NOT BE VALID or obligatory for any purpose or be entitled to any benefit under the Resolution unless it is (a) registered by the Comptroller of Public Accounts of the State of Texas as evidenced by execution of the registration certificate endorsed hereon and (b) authenticated by the Paying Agent/Registrar as evidenced by execution of the authentication certificate endorsed hereon on the date of delivery.

IT IS HEREBY CERTIFIED AND COVENANTED that this Bond has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is a special revenue obligation of the Board, and that the principal of, premium, if any, and interest on this Bond are payable from and secured by an irrevocable first lien on and pledge of the Pledged Revenues as defined in the Resolution.

UNDER THE TERMS OF THE RESOLUTION, provision may be made for the payment of the amounts due on this Bond in advance of the due date thereof, in which event this Bond will no longer be secured by or entitled to the benefits of the Resolution, except for the purpose of any such payment from the money or securities so held by the Trustee and except for purposes of transfer and exchange as provided in the Resolution.

THE REGISTERED OWNER OF THIS BOND will have no right to institute any suit, action, or proceeding in equity or at law for the enforcement of the Resolution or for the execution of any trust thereof or for the appointment of a receiver or any other remedy under the Resolution, except on the terms and conditions and as provided in the Resolution.

IN WITNESS WHEREOF, this Bond has been signed with the manual signature of the Chairman of the Board and countersigned with the manual signature of the Executive Secretary of the Board, and the official seal of the Board has been duly impressed, or placed in facsimile, on this Bond.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

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

XXXXXXXXXXXXXXXXXXXXXXXXXXXXX
Chairman, Board of Regents of
The University of Texas
System

(BOARD'S SEAL)

* * *

FORM OF REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS FOR INITIAL BOND

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

I HEREBY CERTIFY THAT there is on file and of record in my office a certificate to the effect that the Attorney General of the State of Texas has examined and finds that this Bond has been issued in conformity with the Constitution and laws of the State of Texas and is a valid and binding special obligation of the Board of Regents of The University of Texas System and further that this Bond has been registered this day by me.

WITNESS my signature and seal of office this _____.

(COMPTROLLER'S SEAL)

Comptroller of Public Accounts
of the State of Texas

FORM OF AUTHENTICATION CERTIFICATE FOR INITIAL BOND

AUTHENTICATION CERTIFICATE

This Bond is the Initial Bond referred to in the within mentioned Resolution.

Registration and Delivery Date: _____

MBANK AUSTIN, N.A.

By: _____
Authorized Officer

FORM OF ASSIGNMENT FOR ALL BONDS

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto (Print or typewrite name, address, and zip code of transferee): _____

(Social Security or other tax identifying number: _____) the within Bond and does hereby irrevocably constitute and appoint _____, as attorney, to transfer the within Bond on the books kept for registration of the within Bond, with full power of substitution in the premises.

DATED: _____

NOTICE: The signature(s) on this assignment must correspond with the name(s) of the registered holder(s) appearing on the face of the within Bond in every particular.

Signature guaranteed by:

NOTICE: Signature must be guaranteed by a member firm of the National Association of Securities Dealers or a commercial bank or a trust company.

The following abbreviations, when used in the assignment above or on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT - _____ Custodian _____
(Cust) (Minor)
under Uniform Gifts to Minor Act _____
State _____

Additional abbreviations may also be used though not in the list above.

* * *

FORM OF THE SERIAL BONDS

United States of America
State of Texas

NUMBER

R-

REGISTERED

DENOMINATION

\$

REGISTERED

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
THE UNIVERSITY OF TEXAS AT ARLINGTON 9% APARTMENT REVENUE BOND
SERIES 1985

INTEREST RATE:

9%

REGISTERED OWNER:

MATURITY DATE:

ISSUE DATE:

JULY 1, 1985

CUSIP:

PRINCIPAL AMOUNT:

The Board of Regents of The University of Texas System (the "Board"), a public authority and a body politic and corporate of the State of Texas, promises to pay to the Registered Owner identified above, or registered assigns, on the date specified above, upon presentation and surrender of this Bond at the principal corporate trust office of a bank to be selected by the Board under the herein-mentioned Resolution, MBANK AUSTIN, N.A., Austin, Texas (the "Paying Agent/Registrar"), as Paying Agent and also acting as the Registrar for this Bond, the principal amount identified above, in lawful money of the United States of America, and to pay interest thereon at the rate shown above, calculated on the basis of a 360-day year of twelve 30-day months. This Bond shall bear interest from the last interest payment date preceding the date of its authentication and delivery to which interest on the Bonds has been paid; provided, however, that a Bond authenticated and delivered before the first interest payment date shall bear interest from the date of delivery of the initial bond; and, provided further, that a Bond authenticated and delivered between a record date and the interest payment date to which such record date relates, inclusive, shall bear interest from such interest payment date, unless interest on the Bonds due on such interest payment date is not paid, in which case the Bond shall bear interest from the last interest payment date preceding the date of its authentication and delivery to which interest on the Bonds has been paid or, if no interest has been paid, from the date of delivery of the Initial Bond. Interest on this Bond is payable by check or draft on each July 1 and January 1 beginning January 1, 1986 to the Registered Owner of record as shown on the books of registration (the "Register") kept by the Paying Agent/Registrar as of the date which is the 15th day of the month preceding the interest payment date (the "Record Date"), at the address of such registered owner as it appears on the Register or at such other address as is furnished to the Paying

Agent/Registrar in writing by such Registered Owner, or in such other manner as may be acceptable to the Registered Owner and the Paying Agent/Registrar.

THE OWNER HEREOF SPECIFICALLY UNDERSTANDS BY ACCEPTANCE OF THIS BOND THAT THE BONDS ARE NOT DEBTS OF THE STATE OF TEXAS OR ANY AGENCY, POLITICAL CORPORATION, OR POLITICAL SUBDIVISION THEREOF AND ARE NOT A PLEDGE OF THE FAITH AND CREDIT OF ANY OF THEM, BUT ARE PAYABLE SOLELY FROM THE PLEDGED REVENUES (AS DEFINED IN THE HEREIN-MENTIONED RESOLUTION). NEITHER THE STATE OF TEXAS NOR ANY AGENCY, POLITICAL CORPORATION, OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS EXCEPT AS PROVIDED IN THE RESOLUTION AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS OR ANY AGENCY, POLITICAL CORPORATION, OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH PROVISIONS SHALL HAVE THE SAME FORCE AND EFFECT AS IF SET FORTH IN THIS SPACE.

IN WITNESS WHEREOF, this Bond has been signed with the manual or facsimile signature of the Chairman of the Board and countersigned with the manual or facsimile signature of the Executive Secretary of the Board, and the official seal of the Board has been duly impressed, or placed in facsimile, on this Bond.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
Executive Secretary

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
Chairman

(BOARD'S SEAL)

(Back Panel of Bonds)

THIS BOND is one of a series of Bonds (the "Bonds") dated as of July 1, 1985, of like designation, date, and tenor, except as to number, interest rate, denomination, and maturity issued pursuant to the Resolution adopted by the Board on August 8, 1985 (the "Resolution"), in the original aggregate principal amount of \$950,000 for the purpose of financing housing facilities to serve the University in Arlington, Texas, commonly known as the Warwick I, II, III, and V Apartments which will consist of 62 apartment units for the housing of students and faculty (the "Project").

ON JULY 1, 1994, and thereafter on any interest payment date, the Bonds are subject to optional redemption, in whole or in part (and if in part, the Board shall select the Bonds to be redeemed, and the participating Bonds, or portions thereof, by lot or other random methods) prior to their respective scheduled

maturity and the Bonds may be redeemed prior to their respective scheduled maturity, at the option of the Board, upon written notice of the exercise of the option to redeem delivered to the Paying Agent/Registrar by the Board not later than the 45th day prior to the date of redemption. The Bonds may be so redeemed at the redemption price of par, plus accrued interest to the date of redemption.

IF LESS THAN ALL of the Bonds are called for redemption, the particular Bonds or portions thereof to be redeemed shall be selected by the Paying Agent/Registrar as aforesaid; provided, however, that portions of Bonds shall be redeemed in integral multiples of \$5,000 and, in selecting Bonds, or portions thereof, for redemption, the Paying Agent/Registrar shall treat each Bond as representing the number of Bonds which is obtained by dividing the denomination of each Bond by \$5,000. Upon redemption of a portion of a Bond, the Board shall cause to be delivered to the Bondholder thereof a new Bond of the same series, maturity, and interest rate, in the principal amount of the unredeemed portion.

AT LEAST 30 days prior to the date fixed for any redemption of the Bonds prior to their scheduled maturity, the Paying Agent/Registrar shall cause a written notice of such redemption to be mailed, postage prepaid, to each registered owner of the Bonds to be redeemed, at its address appearing on the Register maintained by the Paying Agent/Registrar. Any notice so mailed will be conclusively presumed to have given, irrespective of whether received, and any defect in such notice shall not affect the validity of any proceedings for the redemption of Bonds. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the appropriate redemption price. If such written notice of redemption is mailed and if due provision for payment of the redemption price is made, all as provided above, the Bonds, or portions thereof, which are to be redeemed, thereby automatically shall be deemed to have been redeemed prior to their scheduled maturity, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the Bondholder to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

IF ANY BOND SHALL NOT BE PAID UPON THE SURRENDER THEREOF at the maturity or on a redemption date, such Bond shall continue to bear interest until paid and, to the extent permitted by law, interest on any overdue payments of principal of, premium, if any, or interest on such Bond shall be paid at the rate of interest borne by such Bond.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, a Sunday, a legal holiday, or a day on which banking institutions in the city where the corporate trust offices of the Paying Agent/Registrar is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a

Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date of payment.

THE BONDS are issued pursuant to and secured by the Resolution and reference is hereby made to the Resolution for provisions with respect to the custody and application of the Board's funds, a description of the Pledged Revenues pledged for the payment of the Bonds and the terms and conditions on which such security is pledged, remedies in the event of a default hereunder or thereunder, and the respective rights, duties, and obligations of the Board, the Paying Agent/Registrar, and the Registered Owners of the Bonds. By acceptance of this Bond the Registered Owner consents to all of the provisions of the Resolution, a certified copy of which is on file in the office of the Board.

THIS BOND IS TRANSFERABLE OR EXCHANGEABLE only upon presentation and surrender at the principal corporate office of the Paying Agent/Registrar. If this Bond is being transferred, it shall be duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner, or his authorized representative, and will be transferred subject to the terms and conditions of the Resolution. If this Bond is being exchanged, it shall be duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his duly authorized representative, and will be exchanged for other Bonds in the principal amount of \$5,000 or any integral multiple thereof, subject to the terms and conditions of the Resolution. The Paying Agent/Registrar is not required to accept any Bond for transfer or exchange during the 15 days prior to mailing of any notice of redemption, or to accept for transfer or exchange any Bond that has been called for redemption in whole or in part.

NO BONDS OF THIS SERIES SHALL BE VALID or obligatory for any purpose or be entitled to any benefit under the Resolution unless such Bond either (a) is registered by the Comptroller of Public Accounts of the State of Texas as evidenced by execution of the registration certificate endorsed hereon in the case of the initially issued Bonds or (b) is authenticated by the Paying Agent/Registrar as evidenced by execution of the authentication certificate endorsed hereon in the case of all Bonds exchanged for the initially issued Bonds.

IT IS HEREBY CERTIFIED AND COVENANTED that this Bond has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is a special revenue obligation of the Board, and that the principal of, premium, if any, and interest on this Bond are payable from and secured by an irrevocable first lien on and pledge of the Pledged Revenues as defined in the Resolution.

UNDER THE TERMS OF THE RESOLUTION, provision may be made for the payment of the amounts due on this Bond in advance of the due date thereof, in which event this Bond will no longer be secured by or entitled to the benefits of the Resolution, except for the purpose of any such payment from the money or securities so held by the Trustee and except for purposes of transfer and exchange as provided in the Resolution.

THE REGISTERED OWNERS OF THE BONDS will have no right to institute any suit, action, or proceeding in equity or at law for the enforcement of the Resolution or for the execution of any trust thereof or for the appointment of a receiver or any other remedy under the Resolution, except on the terms and conditions and as provided in the Resolution.

FORM OF AUTHENTICATION CERTIFICATE FOR SERIAL BONDS

AUTHENTICATION CERTIFICATE

This bond is one of the Bonds referred to in the within-mentioned Resolution.

Registration Date: _____

MBANK AUSTIN, N.A.

By _____
Authorized Officer

* * *

[END OF FORMS]

Section 6. PAYING AGENT/REGISTRAR. (a) MBank Austin, N.A., Austin, Texas is hereby appointed as the Paying Agent/Registrar for the Bonds to act as the Board's registrar and transfer agent to keep such books or records and make such transfers and registrations under such reasonable regulations as the Board and the Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such transfer and registrations as herein provided. It shall be the duty of the Paying Agent/Registrar to obtain from the owners of the Bonds and record in the Register the address of such owner of each Bond to which payments with respect to the Bonds shall be mailed, as provided herein. The Board or its designee shall have the right to inspect the Register during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity.

(b) The Board hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Bonds. The Paying Agent/

Registrar shall keep proper records of all payments made by the Board and the Paying Agent/Registrar with respect to the Bonds, and of all conversions and exchanges of such Bonds, all conversions and replacements of such Bonds, as provided in the Resolution.

(c) Each Paying Agent/Registrar shall be (i) a bank, trust company, financial institution, or other entity duly qualified and legally authorized under the laws of the United States or of any state thereof, (ii) authorized under such laws to exercise trust powers, (iii) subject to supervision or examination by a federal or state governmental authority, and (iv) a single entity.

(d) If the Paying Agent/Registrar resigns or otherwise ceases to serve as such, the Board will promptly appoint a replacement.

(e) The execution and delivery of a Paying Agent/-Registrar Agreement, as presented at the meeting at which this Resolution was considered, specifying the duties and responsibilities of the Board and the Paying Agent/Registrar, is hereby approved with such changes as may be approved by the Chairman of the Board and the Chairman of the Board is hereby authorized to execute such agreement.

(f) The Board reserves the right to terminate the appointment of any Paying Agent/Registrar by delivering to the entity whose appointment is to be terminated a certified copy of a resolution of the Board (i) giving notice of the termination of the appointment and of the Paying Agent/Registrar Agreement, stating the effective date of such termination, and (ii) appointing a successor Paying Agent/Registrar.

(g) Promptly upon each change in the entity serving as Paying Agent/Registrar, the Board will cause notice of the change to be sent to each Bondholder by first class United States mail, postage prepaid, at the address in the Register, stating the effective date of the change and the name and mailing address of the replacement Paying Agent/Registrar.

(h) By accepting the appointment as Paying Agent/Registrar, the Paying Agent/Registrar is deemed to have agreed to the provisions of this Resolution and that it will perform the duties and functions of Paying Agent/Registrar prescribed hereby.

(i) If a Paying Agent/Registrar is replaced, such Paying Agent/Registrar, promptly upon the appointment of the successor, will deliver the Register (or a copy thereof) and all other pertinent books and records relating to the Bonds to the successor Paying Agent/Registrar.

Section 7. DEFINITIONS. In this Resolution the following terms as used herein shall have the meanings hereinafter set forth, unless the text hereof specifically indicates otherwise, and are in addition to definitions in Section 5 hereof or elsewhere herein:

Board of Regents or Board: the Board of Regents of The University of Texas System.

Bonds or Bond: the Bonds authorized by this Resolution.

Current Expenses: all necessary operating expenses, current maintenance charges, expenses of reasonable upkeep and repairs, properly allocated share of charges for insurance, and all other expenses incident to the operation of the Project, but excluding depreciation, all general administrative expenses of the University and the Board, and the payment into the Repair and Replacement Account, hereinafter provided for.

Depository Bank: the bank or banks designated by the Board from time to time as depository for a specific account created under this Resolution, said bank or banks being a member of the Federal Deposit Insurance Corporation.

Gross Revenues: all revenues derived from the operation and/or ownership of the Project, including income from the investment of any account or fund referred to herein.

Net Revenues: all Gross Revenues after deduction therefrom of Current Expenses.

Pledged Revenues: the Net Revenues and all interest and investment income derived from the deposit or investment of money credited to the Revenue Account, the Bond Account, and the Repair and Replacement Account.

Project: the Warwick I, II, III, and V Apartments, all property, structures, activities, services, operations, or other facilities in connection therewith, together with all extensions and improvements thereto and replacements thereof hereafter constructed or acquired.

Record Date: the 15th day of the month preceding any Interest Payment Date.

Resolution: this Resolution authorizing the Bonds.

University: The University of Texas at Arlington.

Section 8. SECURITY FOR PAYMENT OF THE BONDS. The Bonds shall be payable as to principal, premium, if any, and interest from, and secured by a first lien on and pledge of, the Pledged Revenues which include but not by way of limitation, the Net Revenues to the extent necessary to meet all debt service and reserve requirements of the Bonds, and said lien on and pledge of the Net Revenues is hereby irrevocably created and made. Interest earnings from funds established in this Resolution are also hereby pledged as a part of the Pledged Revenues to meet all debt service and reserve requirements of the Bonds. The Bonds and the interest thereon shall constitute special obligations of the Board payable from the Pledged Revenues, and such obligations shall not constitute an indebtedness of the Board or the State of Texas, and the owners of the Bonds shall never have the right to demand payment thereof out of funds raised or to be raised by taxation.

Section 9. REVENUE ACCOUNT. The "Warwick I, II, III, and V Apartments Revenue Account" (hereinafter referred to as the "Revenue Account") is hereby established as a separate account or accounts to be set up in the Depository Bank and all of the Gross Revenues shall be deposited into the Revenue Account. The Revenue Account shall be maintained as a separate account on the books of the University. Current Expenses shall be paid as a first charge from money in the Revenue Account. So long as any of the Bonds are outstanding, the Revenue Account shall be maintained in the Depository Bank and shall be expended and used only in the manner and order provided herein.

Section 10. BOND AND INTEREST SINKING FUND ACCOUNT AND DEBT SERVICE RESERVE. There is hereby established at the Depository Bank, and there shall be maintained so long as any of the Bonds are outstanding, a separate account to be known as the "Warwick I, II, III, and V Apartments Bond and Interest Sinking Fund Account" (hereinafter referred to as "Bond Account"). The Bond Account shall be used solely to pay the principal of and interest on the Bonds as the same come due. There is hereby established and there shall be maintained as a separate account within the Bond Account a Debt Service Reserve (the "Debt Service Reserve") which may be used finally in retiring the last of the outstanding Bonds or for paying principal of or interest on any outstanding Bonds when and to the extent the amount in the Bond Account is otherwise insufficient for such purpose. All money and investments in the Bond Account in excess of the principal and interest requirements on the Bonds during the then current fiscal year shall constitute the Debt Service Reserve.

Section 11. REPAIR AND REPLACEMENT ACCOUNT. There is hereby established at the Depository Bank, and there shall be maintained so long as any of the Bonds are outstanding, a separate account called the "Warwick I, II, III, and V Apartments Repair and Replacement Account" (hereinafter referred to as the "Repair and Replacement Account"). All money in the Repair and Replacement Account may be drawn on and used by the University for the purpose of paying the cost of unusual or extraordinary

maintenance or repairs, renewals, and replacements, and renovating or replacement of the furniture and equipment not paid as part of the ordinary and normal expense of Project operations. However, in the event that money in the Bond Account shall be reduced below the amount required to be on deposit therein, money in the Repair and Replacement Account shall be transferred to the Bond Account to the extent required to eliminate the deficiency in the Bond Account.

Section 12. FLOW OF FUNDS. On or before January 1, 1986, and on or before each July 1 and January 1, thereafter, transfers will be made of Net Revenues from the Revenue Account in the following order:

1. An amount which, together with any other amounts then on deposit therein and available for such purpose, is at least equal to the next maturing interest and 1/2 of the next maturing principal on the Bonds will be deposited into the Bond Account;
2. An amount equal to \$13,125 annually will be deposited into the Debt Service Reserve to be held as a reserve to be used by the University for those purposes described in Section 10 above, until a balance of \$105,000 has been accumulated therein and thereafter deposits to the Debt Service Reserve may be discontinued until the Debt Service Reserve balance falls below \$105,000 in which event deposits to the Debt Service Reserve shall be made as aforesaid until such amount is restored;
3. After and so long as the Debt Service Reserve contains \$105,000, an amount equal to \$13,125 annually will be deposited into the Repair and Replacement Account to be used for the purposes described in Section 11 above, until a balance of \$100,000 has been accumulated and maintained therein; and
4. The balance in the Revenue Account after the foregoing prescribed transfers and payments may be used by the University for any lawful purposes.

Section 13. SPECIAL PROVISIONS AS TO ACCOUNTS.

(a) If in any year the Board shall, for any reason, fail to pay into the accounts established in this Resolution the full amounts stipulated, amounts equivalent to such deficiencies shall be set apart and paid into said accounts from the Net Revenues, and such payments shall be in addition to the payments provided to be otherwise paid into said accounts.

(b) When the Bond Account and the Debt Service Reserve contain an aggregate balance of not less than an amount sufficient to pay all interest on and principal of all then outstanding Bonds, due and to become due to maturity, no further sums need be paid into said account.

(c) Money in all accounts created by this Resolution shall be secured by the pledge of direct obligations, or obligations unconditionally guaranteed by, the United States Government, in a principal amount at all times not less than the amount of money credited to such accounts, respectively.

Section 14. INVESTMENT OF ACCOUNTS. Money held in the Revenue Account, the Bond Account (including the Debt Service Reserve therein) and the Repair and Replacement Account shall, upon request by the Board, be invested in direct obligations of, or obligations the principal of and the interest on which are guaranteed by, the United States Government, or certificates of bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal full faith and credit agencies: Export-Import Bank, Farmers Home Administration, Federal Financing Bank, Federal Housing Administration, Government National Mortgage Association, Maritime Administration and Public Housing Authorities; the following investments, fully insured by the Federal Deposit Insurance Corporation: certificates of deposit, savings accounts, deposit accounts or depository receipts of banks, savings and loan associations and mutual savings banks; or any investment agreement, repurchase agreement or other evidence by a banking association or bank holding company or other institution which is rated at least "AA" by Standard & Poors or "Aa" by Moody's Investor Service, and such investments shall be scheduled to mature not later than such times as shall be necessary to provide moneys when needed. Obligations so purchased shall be deemed at all times to be a part of the respective account, but may, from time to time be sold or otherwise converted into cash, thereupon the proceeds derived from said sale shall be deposited into the respective account. Any interest accruing on and any profit realized from such investments shall be credited to the respective account. Investments of said accounts shall be valued in terms of current market value as of June 1 and December 1 of each year.

Section 15. PAYMENT OF BONDS. On or before January 1, 1986, and on or before the 1st day of January and of each July thereafter while any of the Bonds are outstanding and unpaid there shall be made available to the Paying Agent/Registrar therefore, out of the Bond Account, money sufficient to pay such interest on and such principal of the Bonds as will accrue or mature on January 1 or July 1. The Paying Agent/Registrar shall totally destroy all paid Bonds and shall furnish the Board with an appropriate certificate of destruction.

Section 16. BOOKS AND RECORDS. The Board covenants that it will keep accurate financial records and proper books relating to the Project, and such records and books shall be open to inspection by the Bondholders and their agents and representatives. The Board further covenants that it will furnish to any Bondholder who shall request same in writing, copies of audit reports prepared by the State Auditor of Texas or an independent Certified Public Accountant.

Section 17. RATES AND CHARGES. The Board covenants and agrees that it shall fix, levy, charge, and collect so long as the Bonds remain outstanding rental rates and charges for the use and occupancy of the Project which shall at all times produce Gross Revenues sufficient to pay principal of and interest on the Bonds as same become due, to establish and maintain the Debt Service Reserve, and the Repair and Replacement Account in the amounts required by this Resolution, and to pay all Current Expenses. The Board's obligations hereunder are subject to and recognize that the rates and charges must be such that the rates and charges must be competitive with those charged by other apartment owners.

Section 18. INSURANCE. (a) The Board covenants and agrees that, so long as the Bonds remain outstanding, it shall maintain fire and extended coverage insurance of the Project in amounts sufficient to provide for not less than full recovery whenever a loss for perils insured against does not exceed 80% of the full insurable value of the damaged property. Such insurance shall be carried with a reliable insurance company or companies and the premiums on such insurance shall be paid as Current Expense. Upon the happening of any loss or damage covered by such policies, the Board shall make proof of loss and shall do all things necessary or desirable to cause the insurance company to make payment in full directly to the Board. Upon the happening of any loss or damage to the insured property, the Board shall forthwith repair or replace the damaged or destroyed property and shall apply the insurance proceeds solely for the purpose. Any insurance proceeds remaining after the repair and replacement of the damaged or destroyed property shall be deposited to the credit of the Debt Service Reserve of the Bond Account. If the insurance proceeds shall be insufficient to make the property suffering such loss or damage tenantable or useful, and if no other funds are available for such purpose, then the insurance proceeds shall be deposited to the credit of the Debt Service Reserve.

(b) The Board further covenants and agrees that, so long as the balance in the Debt Service Reserve Account is less than the full amount required to be accumulated therein, it shall maintain use and occupancy insurance on the Project in an amount equal to the average annual principal and interest requirements on the Bonds then outstanding.

Section 19. ADDITIONAL COVENANTS. The Board covenants and agrees that:

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

the times and in the manner prescribed herein, deposit or cause to be deposited, from the Pledged Revenues, the amounts of money specified herein.

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

(c) The University owns and is lawfully possessed of, or will own and be lawfully possessed of within a reasonable time after the sale and delivery of the Bonds, the Project and has, or will have, good and indefeasible estate in the Project in fee simple, that it warrants that it has, and will defend, the title to all the aforesaid Project, and every part thereof and improvements thereon, for the benefit of the holders of the Bonds against the claims and demands of all persons whomsoever, that it is lawfully and qualified to pledge the Pledged Revenues to the payment of the Bonds in the manner prescribed herein, and has lawfully exercised such rights.

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

(e) Insofar as it lawfully may, it will continuously and efficiently operate and maintain in good condition, and at a reasonable cost, the Project and facilities and services thereof, so long as any Bonds are outstanding.

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

Section 20. NO ARBITRAGE. The Board certifies that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the Board reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds or any portion of the Bonds to be an "arbitrage bond" under Section 103(c)(2) of the Internal Revenue Code of 1954, as amended, and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the Board or the University are authorized and directed to provide certifications of facts and estimates which are material to the reasonable expectations of the Board as of the date the Bonds are delivered and paid for. In particular, all or any officers of the Board or the University are authorized to certify for the Board the facts and circumstances and reasonable expectations of the Board on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. 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)(2) of the Internal Revenue Code of 1954, as amended, and regulations prescribed from time to time thereunder.

Section 21. DISCHARGE BY DEPOSIT. The Board may discharge its obligation to the holders of any or all of the Bonds to pay principal, interest, and redemption premium (if any) thereon by depositing with the State Treasurer or at the Paying Agent/Registrar 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 Bonds plus interest to the date of maturity or redemption; provided, however, that if any of such 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 Bonds shall no longer be regarded as outstanding and unpaid.

Section 22. AMENDMENT. (a) The Holders of Bonds aggregating in principal amount 51% of the aggregate principal amount of the then outstanding Bonds shall have the right to approve any amendment to this Resolution which may be deemed necessary or desirable by the Board, provided, however, that no amendment may alter the terms and conditions in this Resolution or in the Bond so as to:

(1) Make any change in the maturity of the outstanding Bonds;

(2) Reduce the rate of interest borne by any of the outstanding Bonds;

(3) Reduce the amount of the principal payable on the outstanding Bonds;

(4) Modify the terms of payment of principal of or interest on the outstanding Bonds, or impose any conditions with respect to such payment;

(5) Affect the rights of the holders of less than all of the Bonds then outstanding; or

(6) Change the minimum percentage of the principal amount of Bonds necessary for consent to such amendment.

(b) If the Board desires to amend the Resolution, such notice of the proposed amendment shall be published in a financial newspaper or journal published in the City of New York, New York, or in the City of Austin, Texas, once during each calendar week for at least two successive calendar weeks, setting forth the nature of the proposed amendment and stating that a copy thereof is on file at the principal office of the Paying Agent/Registrar for inspection by all holders of Bonds. Such publication is not required, however, if notice in writing is given to each holder of Bonds.

(c) Whenever the Board shall receive an instrument executed by the holders of at least 51% in aggregate principal amount of all Bonds then outstanding within not less than 30 days nor more than one year from the date of publication of the notice or other service of written notice, referring to the proposed amendment described in said notice and which specifically consents to and approves such amendment in substantially the form of copy thereof on file with the Paying Agent/Registrar, the Board may adopt the amendatory resolution in substantially the same form.

(d) Upon the adoption of any amendatory resolution pursuant to the provisions provided herein, this Resolution shall be deemed to be amended in accordance with such amendatory resolution, and the respective rights, duties, and obligations under this Resolution of the Board, and all the holders of then outstanding Bonds and all future Bonds shall thereafter be determined, exercised, and enforced thereunder, subject in all respects to such amendments.

(e) Any consent given by the holder of a Bond pursuant to the provisions provided herein shall be irrevocable for a period of six months from the date of the first publication of the notice provided for herein, and shall be conclusive and binding upon all future holders of the same Bond during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the holder who gave such consent, or by a successor in title, by filing notice thereof with the Paying Agent/Registrar and the Board, but such revocation shall not be effective if the holders

of 51% in aggregate principal amount of the then outstanding Bonds as defined hereinabove have, prior to the attempted revocation, consented to, and approved the amendment.

(f) For the purpose of amending this Resolution as hereinabove provided, ownership may be provided by the affidavit of the person claiming to be such holder, or by a certificate executed by any trust company, bank, banker, or any other depository wherever situated showing that at the date therein mentioned such person had on deposit with such trust company, bank, banker, or other depository, the Bonds described in such certificate. The Board may conclusively assume that such ownership continues until written notice to the contrary is served upon the Board.

Section 23. APPROVAL AND REGISTRATION. 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 the registration of the initial Bond by the Comptroller of Public Accounts of the State of Texas. Upon registration of said Bond, said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate on the initial Bond and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Bond.

Section 24. SALE AND DELIVERY. The sale of the Bonds is hereby awarded to Eugene Hasten and Don Rash for a price of par, subject to the approving opinions, as to the legality of the Bonds, of the Attorney General of the State of Texas and Reynolds, Allen & Cook Incorporated, 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 25. OFFERING DOCUMENTS. The Limited Offering Memorandum, together with any supplements and amendments thereto, are hereby ratified, authorized and approved for use in connection with the sale and distribution of the Bonds.

Section 26. 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.

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3. U. T. System: Approval to (a) Establish the U. T. System Center for High Performance Computing (CHPC); (b) Authorize the Office of the Chancellor to Establish the CHPC Executive Committee, and (c) Authorize the Office of the Chancellor to Evaluate and Recommend Equipment Purchases to the Board.--In April 1985, the U. T. Board of Regents authorized in principle the establishment of a U. T. System Center for High Performance Computing (CHPC) and, in addition, authorized the development of an operating plan for such a unit as well as plans and recommendations for the acquisition of equipment subject to future Board approval. In June 1985, a final draft operating plan for the Center for High Performance Computing (CHPC) was developed and reviewed by all component institutions.

Following a brief discussion and without objection, the Board:

- a. Established The University of Texas System Center for High Performance Computing (CHPC)
- b. Authorized the Office of the Chancellor to establish a CHPC Executive Committee to initially evaluate and make recommendations to the Office of the Chancellor on the purchase of equipment for the Center and to develop and implement an operating plan and operating policies for the CHPC, subject to approval by the Office of the Chancellor

The Executive Committee is to be composed of three general academic institution representatives and two health institution representatives and such ex officio members as may be deemed appropriate. Appointments to the CHPC Executive Committee would be made by the Executive Vice Chancellors for Academic Affairs and Health Affairs, respectively.

- c. Authorized the Office of the Chancellor to evaluate and recommend to the Board at a future date the purchase of equipment for initial operation of the CHPC

RECESS FOR COMMITTEE MEETINGS AND COMMITTEE REPORTS TO THE BOARD.--At 1:18 p.m., the Board recessed for the meetings of the Standing Committees and Chairman Hay announced that at the conclusion of each committee meeting, the Board would reconvene to approve the report and recommendations of that committee.

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

REPORT AND RECOMMENDATIONS OF STANDING COMMITTEES

REPORT OF EXECUTIVE COMMITTEE (Pages 59 - 64).--In compliance with Section 7.14 of Chapter I of Part One of the Regents' Rules and Regulations, Chairman Hay reported to the Board for ratification and approval all actions taken by the Executive Committee since the last meeting. Unless otherwise indicated, the recommendations of the Executive Committee were in all things approved as set forth below:

1. U. T. System: Approval of Aetna Life and Casualty Insurance Company, Hartford, Connecticut, Renewal Rates for Employee Group Medical and Dental Insurance Contract for 1985-86 (Exec. Com. Letter 85-21).--The Board, upon recommendation of the Executive Committee, approved the Aetna Life and Casualty Insurance Company, Hartford, Connecticut, renewal rates for The University of Texas System employee group medical and dental insurance contract for 1985-86, as set forth below:

- a. Group Medical Insurance

	<u>Plan I-UT</u>	<u>Plan II-UT</u>	<u>Plan III-UT</u>
Employee	\$ 93.70	\$ 54.25	\$ 29.82
Employee/Spouse	217.32	130.84	93.35
Employee/Children	177.70	98.31	70.34
Employee/Family	259.95	162.59	99.01

- b. Group Dental Insurance

Monthly Dental (Aetna) Rates

Employee	\$ 9.28
Employee/Spouse	16.98
Employee/Children	22.70
Employee/Family	28.36

2. U. T. System: Systemwide Comprehensive Dishonesty, Disappearance and Destruction Insurance Policy - Authorization to Secure Replacement Policy from American International Group, Manchester, New Hampshire, Effective June 1, 1985 Through June 1, 1986 (Exec. Com. Letter 85-20).--Upon recommendation of the Executive Committee, authorization was given to secure a replacement Comprehensive Dishonesty, Disappearance and Destruction Insurance Policy for The University of Texas System from the American International Group, Manchester, New Hampshire, with a one year premium charge of \$30,442 effective June 1, 1985 for the period ending June 1, 1986.

It was reported that the Hartford Insurance Company has underwritten the U. T. Systemwide Comprehensive Dishonesty, Disappearance and Destruction Insurance Policy (commonly referred to as U. T.'s employee bond coverage) on a continuous basis since 1973. However, U. T. System Administration was notified that as of June 1, 1985, the Hartford Insurance Company would no longer provide this coverage.

3. U. T. Arlington: Authorization to (a) Purchase Warwick Apartments I, II, III and V for Student Housing, (b) Issue and Sell Board of Regents of The University of Texas System, The University of Texas at Arlington Apartment Revenue Bonds, Series 1985, in the Amount of \$950,000, (c) Appoint Reynolds Allen & Cook, Houston, Texas, as Bond Counsel and Rotan Mosle, Inc., San Antonio, Texas, as Bond Advisor and (d) Advertise for Bids for Paying Agent/Registrar and Printing of the Bonds (Exec. Com. Letter 85-22).--Upon recommendation of the Executive Committee, the Board:
- a. Authorized the purchase of the Warwick Apartments I, II, III and V adjacent to The University of Texas at Arlington campus for \$950,000
 - b. Authorized the issuance of Board of Regents of The University of Texas System, The University of Texas at Arlington Apartment Revenue Bonds, Series 1985, in the amount of \$950,000 to the seller at a rate of 9% per annum
 - c. Appointed the firm of Reynolds Allen & Cook, Houston, Texas, Bond Counsel, and Rotan Mosle, Inc., San Antonio, Texas, Bond Advisor
 - d. Authorized the Office of Investments and Trusts to advertise for bids for paying agent/registrar and printing of the bonds to be submitted to the U. T. Board of Regents at a subsequent meeting

The proceeds of the bonds will be used to purchase four apartment complexes consisting of a total of 62 units which will be used for student housing at U. T. Arlington. Rental income from the apartments will be pledged to service the bonds. In the event that the apartments are unable to provide sufficient income to pay the debt, U. T. Arlington will apply income generated from its other housing units to retire the bonds.

See Page 34 related to the bond sale.

4. U. T. Austin: Authorization to Accept Offer from B & J Properties, Haltom City, Texas, to Purchase a Portion of Interests in Blocks 3 and 6, Richland Hills South in Tarrant County, Texas, Bequeathed from the Estate of Lylla Walker Arant (Exec. Com. Letter 85-22).--The Executive Committee recommended and the Board accepted an offer from B & J Properties, Haltom City, Texas, to purchase two tracts of land in Tarrant County, Texas, from the Estate of Lylla Walker Arant for the benefit of The University of Texas at Austin under the terms set out on Page 61.

Tract 1:

Description: Lot "A," Block 3,
Richland Hills South
Size: 3.172 Acres
U. T. Austin
Interest: 10%
Sale Price: \$110,000
Down payment: \$22,000
Note: \$88,000 (amortized per a 20 year
payment schedule)
Interest Rate: 11%
Interest Payments: Semiannually, Years 1-5
Principal Payments: Semiannually, Years 4-5
Principal outstanding due at the
end of year 5

Tract 2:

Description: Block 6, Richland Hills South
Size: 1.039 acres
U. T. Austin
Interest: 10%
Sale Price: \$40,000
Down payment: \$8,000
Note: \$32,000 (amortized per a 20 year
payment schedule)
Interest Rate: 11%
Interest Payments: Semiannually, Years 1-5
Principal Payments: Semiannually, Years 4-5,
Principal outstanding due at
the end of Year 5

At the October 1983 U. T. Board of Regents' meeting, authorization was given to sell Tracts 1 and 2 to a different purchaser for \$113,256 and \$31,500, respectively, but that purchaser failed to obtain a required zoning variance, so the sale was never finalized.

In addition to U. T. Austin's 10% interest, the U. T. Austin Law School Foundation and Southern Methodist University (SMU), Dallas, Texas, own 40% and 50% interests, respectively. U. T. Austin's share of the proceeds will total \$14,100 net of a 6% sales commission.

5. U. T. Austin - Former Nike Missile Base Property: Authorization to Sell 1.0583 Acre Surface Easement Out of the Chris Parker Survey No. 703 on Ranch Road 2244, Austin, Travis County, Texas, to Mr. Randy Braband, Austin, Texas (Exec. Com. Letter 85-22).--In a deed dated July 17, 1967, the U. S. Government conveyed approximately 33 acres out of the Chris Parker Survey No. 703 to The University of Texas at Austin and included in that transfer was ownership of a 1.0583 acre surface easement across the property immediately east of the 33 acre tract.

The Board, upon recommendation of the Executive Committee, authorized the sale of a 1.0583 acre surface easement out of the Chris Parker Survey No. 703 located on Ranch Road 2244, Austin, Travis County, Texas (Former Nike Missile Base Property - The University of Texas at Austin), to Mr. Randy Braband, Austin, Texas, for \$26,123.33.

The deed restrictions provide that proceeds from any such sale must be split between U. T. Austin and the U. S. Government, during the thirty-year period subsequent to the date of conveyance. Upon the 30th anniversary, the conveyance will vest unconditionally. The value of the easement was appraised by Thomas R. Gardner, M.A.I., Austin, Texas, and determined to be \$46,100. Accordingly, 17/30th (\$26,123.33) goes to U. T. Austin, and 13/30th (\$19,976.67) goes to the U. S. Government.

6. U. T. Austin - Jester Center Food Service Facilities Improvements: Award of Contracts for Furniture and Furnishings to Architectural Interior Services/Finger Office Furniture, Houston, Texas; and Clegg/Austin, Austin, Texas (Exec. Com. Letter 85-20).--Upon recommendation of the Executive Committee, the Board awarded contracts for furniture and furnishings for Food Service Facilities Improvements at Jester Center at The University of Texas at Austin to the lowest responsible bidders as follows:

Architectural Interior Services/
Finger Office Furniture
Houston, Texas

Proposal "A"
(Wood Tables and Chairs) \$ 81,884.10

Clegg/Austin
Austin, Texas

Proposal "B"
(Pedestal Tables and
Upholstered Chairs) 141,607.03

GRAND TOTAL CONTRACT AWARDS \$223,491.13

7. U. T. Dallas - Special Committee on Endowment Lands in Collin and Dallas Counties, Texas: Approval of Policy Statement on Use of Proceeds from Sale of Certain Lands Donated by the Texas Research Foundation (Exec. Com. Letter 85-20).--Upon recommendation of the Executive Committee and the Special Committee on Endowment Lands in Collin and Dallas Counties, Texas, the Board adopted the following policy statement relating to the use of the proceeds from the sale of lands donated to The University of Texas at Dallas by the Texas Research Foundation:

POLICY STATEMENT

The proceeds from any sale of lands acquired for and on behalf of The University of Texas at Dallas by deed of gift from the Texas Research Foundation dated September 1, 1972, are removed from the governance of the POLICY STATEMENT adopted by the Board of Regents of The University of Texas System on June 11, 1982, and will be governed instead by this policy statement.

The Deed of Gift from The Texas Research Foundation to The University of Texas System (dated September 1, 1972) conveying the Texas Research Foundation lands contains the following provisions:

"...that this gift and donation is made for the purpose of aiding the establishment and operation of the Institute

for Environmental Sciences at The University of Texas at Dallas, but this proviso is never to be construed as a limitation or restriction on the use or sale of said real estate at any time; and in the event any of said real estate shall be sold or exchanged by Grantee, the proceeds of such sales or exchanges shall not become a part of the Permanent University Fund, the Available University Fund or the general funds of the State of Texas, but their use shall be limited to the acquisition of other lands, the construction of buildings and improvements and the purchase of equipment and personal property for the use of The University of Texas at Dallas; and PROVIDED FURTHER, that no purchaser or grantee of any of said real estate shall be obliged to be concerned with the use or application made of any funds or other property paid or delivered by him or it to The University of Texas System for any of said real estate."

The Hoblitzelle Foundation held a reversionary interest in a portion of the lands conveyed to The University of Texas System by Texas Research Foundation. The Assignment of Reversionary Interest (dated September 1, 1972) from the Hoblitzelle Foundation contains the following provision:

"...that this gift and donation is made for the purpose of aiding the establishment and operation of the Institute for Environmental Sciences at The University of Texas at Dallas, but this proviso is never to be construed as a limitation or restriction on the use or sale of said real estate; and in the event any of said real estate shall be sold or exchanged by Grantee, the proceeds of such sales or exchanges shall not become a part of the Permanent University Fund, the Available University Fund or the general funds of the State of Texas, but their use shall be limited to the acquisition of other lands, the construction of buildings and improvements and the purchase of equipment and personal property for the use of The University of Texas at Dallas; and PROVIDED FURTHER, that no purchaser or grantee of any of said real estate shall be obliged to be concerned with the use or application made of any funds or other property paid or delivered by him or it to The University of Texas System for any of said real estate."

The agreement between the Texas Research Foundation and The University of Texas System dated August 15, 1972, concerning the gift of Texas Research Foundation lands to The University of Texas System contains the following recital:

"WHEREAS, UTD has been and is now and will continue to be engaged in activities of the kind and similar to those now being conducted by TRF at Renner, Texas, and its establishment of an institute for research and education in the environmental sciences on its campus will carry out and perform the purposes for which TRF was organized;"

In recognition of the above-referenced provisions of the legal instruments and the circumstances surrounding the conveyance of the Texas Research Foundation lands to the Board of Regents of The University of Texas System for and on behalf of The University of Texas at Dallas, the Board of Regents of The University of Texas System directs:

1. that the proceeds from the sale of such lands be placed in an appropriate investment account with The University of Texas System Office of Asset Management;

2. that, while the income from the investment account may be budgeted and spent (in accordance with the annual Regentally approved budget for U. T. Dallas) for one or more of the purposes for which the gifts were made, expenditures from the corpus of the account may be made only by specific and separate action of the Board of Regents of The University of Texas System; and
3. that expenditures from the corpus of the account will be made only for one or more of the purposes for which the gifts were made.

As a matter of policy, it is the hope and intent of the Board of Regents of The University of Texas System to maximize the value of the gift of the Texas Research Foundation lands for and on behalf of The University of Texas at Dallas by first utilizing the income from said proceeds for the purposes for which the gifts were made, and then using from time to time such amounts of corpus, if any, as may be needed (i.e., is not available or obtainable from income or other sources) for the construction of buildings and improvements and the purchase of equipment and personal property for research and education in science and engineering on The University of Texas at Dallas campus.

REPORT AND RECOMMENDATIONS OF THE FINANCE AND AUDIT COMMITTEE (Pages 65 - 74).--Committee Chairman Yzaguirre reported that the Finance and Audit Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Finance and Audit Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. System: Approval of Docket No. 23 of the Office of the Chancellor (Catalog Change).--Upon recommendation of the Finance and Audit Committee, the Board approved Docket No. 23 of the Office of the Chancellor in the form distributed by the Executive Secretary. It is attached following Page 188 in the official copies of the Minutes and is made a part of the record of this meeting.

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

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

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

2. U. T. System: Approval of Non-Personnel Aspects of the 1985-86 Operating Budgets, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical Service, Research and Development Programs and Authorization for the Office of the Chancellor to Make Editorial Corrections Therein.--Committee Chairman Yzaguirre called on Chancellor Mark who, with the aid of slides, presented a comprehensive overview of the proposed 1985-86 Operating Budgets for The University of Texas System. A copy of Chancellor Mark's report is on file in the Office of the Board of Regents.

Committee Chairman Yzaguirre reported that the personnel aspects of the recommended 1985-86 Operating Budgets for The University of Texas System would be considered in Executive Session. Therefore, upon recommendation of the Finance and Audit, Academic Affairs and Health Affairs Committees, the Board approved the non-personnel aspects of the 1985-86 Operating Budgets, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds and Medical Service, Research and Development Programs for The University of Texas System as listed on the following page and authorized the Office of the Chancellor to make editorial corrections therein with subsequent adjustments to be reported to the Board through the institutional Dockets.

The University of Texas System Administration
 (including the Available University Fund)
 The University of Texas at Arlington
 The University of Texas at Austin
 The University of Texas at Dallas
 The University of Texas at El Paso
 The University of Texas of the Permian Basin
 The University of Texas at San Antonio
 The University of Texas at Tyler
 The University of Texas Institute of Texan
 Cultures 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

These budgets are a part of the Minutes of this meeting
 and the official copy is in bound Volume XXXX entitled
Annual Budgets for 1985-86.

On behalf of the Board, Chairman Hay expressed apprecia-
 tion to the Office of the Chancellor and the component
 institutions for the excellent manner in which the bud-
 getary emphasis remained on the development of academic
 excellence and the maintenance of the program momentum
 which has been evident during the past decade.

See Page 185 for approval of personnel aspects of the
 1985-86 Operating Budgets.

3. U. T. System: Approval of Transfer of Funds Between
 Legislative Appropriation Items During the Biennium
 Beginning September 1, 1985 (Article III, H.B. 20,
 69th Legislature, Regular Session, 1985). --The Board
 adopted the following resolution which provides for
 the most effective utilization of the General Revenue
 Appropriations during the 1985-86 biennium:

RESOLUTION

Pursuant to the appropriate transfer provisions of
 Article III, H.B. 20, 69th Legislature, Regular
 Session, 1985, it is hereby resolved that the State
 Comptroller be requested to make necessary transfers
 within the Legislative Appropriations from the Gen-
 eral Revenue Fund for each of the following compo-
 nents as authorized by the Chief Financial Officers
 of The University of Texas System institution con-
 cerned:

The University of Texas at Arlington
 The University of Texas at Austin
 The University of Texas at Dallas
 The University of Texas at El Paso
 The University of Texas of the Permian
 Basin
 The University of Texas at San Antonio
 The University of Texas at Tyler
 The University of Texas Health Science
 Center at Dallas

The University of Texas Medical Branch
at Galveston
The University of Texas Health Science
Center at Houston
The University of Texas Health Science
Center at San Antonio
The University of Texas System Cancer
Center
The University of Texas Health Center
at Tyler

4. T. System: Approval of Rules and Regulations for the Administration of Line Item Scholarships (General Appropriations Bill, Section 14, Article III, 69th Legislature, Regular Session, 1985).--Section 14 of Article III of the General Appropriations Bill of the 69th Legislature, Regular Session, 1985, provides that copies of the rules and regulations adopted by an institutional governing board concerning the award of tuition scholarships should be filed with the Coordinating Board, Texas College and University System and the State Comptroller prior to disbursement of funds. In compliance with Section 14, the following rules and regulations for the administration of line item scholarships were adopted by the Board for implementation at all component institutions of The University of Texas System for the 1985-86 biennium:

Rules and Regulations for Administration
of Line Item Scholarships
1985-86

a. Scholarships

- (1) Scholarships from said fund may be awarded only to students who have been accepted for enrollment and who actually enroll on at least a half-time basis in the term or terms for which the scholarship is awarded.
- (2) Scholarships are to be awarded based on the financial need of the applicant as determined by the component institution and based on accepted need analysis procedures generally in use in other "need based" financial assistance programs.
- (3) Each student shall first utilize any other grant funds for support of educational expenses for which the student may reasonably be eligible before receiving state scholarship funds.
- (4) The amount of the scholarship award, when combined with all other grant or gift funds awarded to the student, shall not exceed 70% of the reasonable expenses to be incurred by the student in the semester or term for which the scholarship is awarded.
- (5) No student shall receive an amount in excess of demonstrated need.
- (6) No more than 10% of total scholarship funds awarded through the program in a fiscal year shall be awarded to nonresident students.

- b. Institutional matching share of earnings in the Federal College Work-Study Program
 - (1) Any or all of the scholarship funds appropriated may be used for the institutional matching share of earnings in the College Work-Study Program.
 - (2) Funds used in this manner will not be subject to the restriction governing the scholarships.
- c. No funds appropriated in this Act for scholarships to institutions of higher education may be used to provide athletic scholarships.

5. U. T. System: Adoption of Policy for Filing Financial Disclosure Statements as Required by Section 86 of Article V of the General Appropriations Act for 1986-87.--
Section 86 of Article V of the General Appropriations Act for 1986-87 requires that persons who are responsible for entering into contracts obligating appropriated funds and approving expenditures for such contracts submit for the review and approval of the governing board of the employing agency a financial disclosure statement and that such statements remain on file with the administrative office of the governing board.

Upon recommendation of the Finance and Audit Committee, the Board adopted the following policy for the filing of financial disclosure statements as required by Section 86 of Article V of the General Appropriations Act for 1986-87:

- a. The financial disclosure statement form promulgated by the Secretary of State for purposes of compliance with Section 4 of Article 6252-9b, Vernon's Civil Statutes, shall be utilized by The University of Texas System personnel who are required to file statements in compliance with Section 86 of Article V of the General Appropriations Act for 1986-87.
- b. The financial disclosure statement shall be submitted to the U. T. Board of Regents for review and approval through the dockets of the component institutions and the U. T. System and upon approval by the Board shall be filed as a part of the records of the Office of the Board of Regents.
- c. Initial financial disclosure statements shall be submitted for review and approval of the Board at its meeting on October 10-11, 1985, and thereafter shall be submitted annually at the meeting of the Board immediately preceding the beginning of the fiscal year on September 1. Persons who are appointed to positions requiring the filing of such statement shall submit same to the Board for review and approval at the first meeting of the Board following their appointment.

- d. Persons appointed to the following positions shall file the required financial disclosure statement:

U. T. System

- (1) Chancellor
- (2) Executive Vice Chancellor for Academic Affairs
- (3) Executive Vice Chancellor for Health Affairs
- (4) Executive Vice Chancellor for Asset Management
- (5) Vice Chancellor and General Counsel
- (6) Executive Director for Finance and Administration
- (7) Director, Business and Administrative Services
- (8) Comptroller
- (9) Director, Facilities Planning and Construction
- (10) Executive Director for Investments and Trusts

Component Institutions

- (11) Chief Administrative Officer
- (12) Chief Business Officer
- (13) Business Manager
- (14) Purchasing Agent

- e. The Chancellor and Chief Administrative Officers of the academic component institutions of the U. T. System may file copies of the financial statements that they currently are required to file with the Secretary of State pursuant to Section 3 of Article 6252-9b, Vernon's Civil Statutes.

The Board noted that there are legal questions regarding the appropriateness of this rider and its lack of specificity and authorized the Office of the Chancellor to modify the policy as necessary to respond to directives from cognizant State officials.

6. U. T. System: Approval of Standing Resolution Related to Acceptance of Grants by The Robert A. Welch Foundation, Houston, Texas.--It was reported that the Robert A. Welch Foundation, Houston, Texas, at the request of its legal counsel, recently circulated a draft of a Standing Resolution to the governing boards of institutions of higher education in Texas for the purpose of assuring the Welch Foundation that individual institutions have the authority to sign grant award letters.

The Board, upon recommendation of the Finance and Audit Committee, approved the Standing Resolution set out on Pages 70 - 72 with regard to the acceptance of Welch Foundation grants for The University of Texas System.

STANDING RESOLUTION CONCERNING GRANTS BY

THE ROBERT A. WELCH FOUNDATION

WHEREAS, The Robert A. Welch Foundation (the "Foundation") from time to time makes grants to faculty members and institutions of higher education within the State of Texas for the purpose of supporting fundamental chemical research;

WHEREAS, The University of Texas System desires that its component institutions and the faculty members of those component institutions have the opportunity to receive consideration for chemical research grants from the Foundation;

WHEREAS, the Foundation requires, as a condition to the approval and funding of any grant, that the institution sponsoring a grant furnish a resolution passed by its governing body showing the authority of its signatory to bind the institution to the conditions stated in the Foundation's award letter and General Information and Instructions, copies of which are attached hereto and incorporated herein;

WHEREAS, the Foundation's award letter includes in its General Conditions an indemnity agreement favorable to the Foundation;

NOW, THEREFORE, BE IT RESOLVED by the Board of Regents of The University of Texas System that:

1. The Board of Regents of the University of Texas System hereby authorizes the execution of such agreements, including such indemnification agreements as may be permitted under the laws and Constitution of the State of Texas, as may be required by the Robert A. Welch Foundation as a condition precedent to the awarding of grants from the Foundation supporting fundamental chemical research.
2. The Board of Regents of The University of Texas System hereby grants standing authority to the Chancellor of The University of Texas System, the Presidents of its component

institutions, or a designated representative of such institutions, to agree, as may be permitted under the laws and Constitution of the State of Texas, to indemnify the Robert A. Welch Foundation as stated in the Foundation's award letter and to agree to and accept such other conditions for obtaining grants as may be appropriate.

3. Upon execution by the Chancellor of The University of Texas System, the President of the component institution receiving a Welch Foundation award, or a designated representative of such institution, of such indemnity agreement, as may be permitted under the laws and Constitution of the State of Texas, and such other agreements as may be required by the Robert A. Welch Foundation as a condition precedent to the awarding of a grant to a component institution or its faculty, such component institution will be fully bound in accordance with the terms of such agreements.
4. A copy of this Resolution and of any amendatory resolutions shall be promptly furnished to the Robert A. Welch Foundation.

PASSED AND APPROVED BY THE U. T. BOARD OF REGENTS ON
AUGUST _____, 1985.

Arthur H. Dilly, Executive
Secretary to the Board of
Regents

THE
WELCH FOUNDATION

The Trustees of The Robert A. Welch Foundation, at a meeting held in Houston on _____ approved
the following:

Sponsoring Institution: _____

Grantee(s): _____

Subject: _____

Period: _____

Amount: _____

The following special conditions apply:

The following general conditions are applicable to this grant and to all renewal and supplemental grants:

1. Grantee(s) and the sponsoring institution agree to fully indemnify and hold harmless The Robert A. Welch Foundation, its employees and trustees, from any and all claims or liabilities for damages of whatsoever nature, including property damage, personal injury, or death, arising from research or activities performed under this grant and caused by the negligence or fault of Grantee(s), the sponsoring institution, or persons within their supervision or control, even though caused in part by the negligence or fault of the Foundation.

2. This grant is made for the subject research project and no part of it is to be used for any other purpose.

3. Grantee(s) and the sponsoring institution agree to comply with all published instructions of the Foundation, and agree to all terms stated in the Foundation's General Information and Instructions, which are incorporated herein by reference.

If you agree to all special and general conditions stated above, please indicate your acceptance hereof by signing in the space provided for your signature and return one copy to the Foundation. Please retain one copy of this award letter for your files.

Yours very truly,

THE ROBERT A. WELCH FOUNDATION

AGREED AND ACCEPTED:

SPONSORING INSTITUTION

CHANCELLOR OR PRESIDENT

GRANTEE(S)

DATE OF ACCEPTANCE

7. U. T. System: Request for Authorization to Renew Automobile Liability Insurance Policy for Officers and Employees Arising from Use and Operation of University-Owned and Operated Motor Vehicles for the Period Beginning September 1, 1985 Through August 31, 1986 (Withdrawn).--The item related to the renewal of The University of Texas System Automobile Liability Insurance Policy for officers and employees arising from use and operation of University-owned and operated motor vehicles for the period beginning September 1, 1985 through August 31, 1986, was withdrawn for consideration at a future meeting.

8. U. T. System: Acceptance of Health Maintenance Organization (HMO) Contracts with Central Texas Health Plan (Austin), Maxicare Texas, Inc. (Houston), and PruCare (Houston); and Approval of Renewal Rates for CIGNA Health Plan of Texas, Inc. (Dallas), CIGNA Health Plan of Texas, Inc. (Houston), HealthAmerica Corporation of Texas (San Antonio) [formerly Good Health Plus, Inc., (San Antonio)], Kaiser Foundation Health Plan of Texas (Dallas), and PruCare (Austin) for 1985-86.--Based upon the Procedures for Inclusion of Health Maintenance Organizations approved by the U. T. Board of Regents on February 11, 1983, the Board accepted the Health Maintenance Organization (HMO) contracts between The University of Texas System and Central Texas Health Plan (Austin), Maxicare Texas, Inc. (Houston), and PruCare (Houston), and approved renewal rates for CIGNA Health Plan of Texas, Inc. (Dallas), and CIGNA Health Plan of Texas, Inc. (Houston), HealthAmerica Corporation of Texas (San Antonio) [formerly Good Health Plus, Inc. (San Antonio)], Kaiser Foundation Health Plan of Texas (Dallas), and PruCare (Austin) for 1985-86.

The monthly rates for 1985-86 are as follows:

-Initial Acceptance-
Monthly Rates

	Central Texas Austin	Maxicare Houston	PruCare Houston
Employee	\$ 92.66	\$ 87.04	\$ 78.33
Employee/Spouse	195.51	172.57	168.94
Employee/Children	175.45	165.24	149.45
Employee/Family	291.88	259.65	240.13

-Renewal-
Monthly Rates

	CIGNA Dallas	CIGNA Houston	HealthAm San Antonio	Kaiser Dallas	PruCare Austin
Employee	\$ 75.40	\$ 78.59	\$ 84.58	\$ 80.44	\$ 84.92
Employee/Spouse	179.52	172.81	154.78	201.07	186.82
Employee/Children	160.06	149.27	139.56	160.88	165.60
Employee/Family	237.27	245.11	239.36	241.32	254.76

9. U. T. Dallas: Appropriation from Endowment Funds for Resourcing Requirements for Engineering and Computer Science Programs and Reaffirmation of Commitment to Appropriate Permanent University Fund Bond Proceeds for Construction of a Facility to House Engineering and Computer Science Programs.--Following a brief discussion and upon recommendation of the Finance and Audit Committee, the Board:

- a. Appropriated from U. T. Dallas endowment funds, as such funds become available, \$11 million over six years beginning September 1, 1985, for the resourcing requirements of The University of Texas at Dallas School of Engineering and Computer Sciences
- b. Reaffirmed its commitment, as expressed in the degree program proposal approved by the U. T. Board of Regents and presented to the Coordinating Board, Texas College and University System, to appropriate at the appropriate time \$17.5 million from Permanent University Fund Bond proceeds toward the construction of a building to house the School of Engineering and Computer Sciences

REPORT AND RECOMMENDATIONS OF THE ACADEMIC AFFAIRS COMMITTEE (Pages 75 - 84).--Committee Chairman Baldwin reported that the Academic Affairs Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Academic Affairs Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Amendment to Chapter I, Section 9 (Admission of Nonresident Students)(Catalog Change).--Upon recommendation of the Academic Affairs Committee, approval was given to amend Section 9, Chapter I, Part Two of the Regents' Rules and Regulations to read as set forth below:

Sec. 9 Admission of Nonresident Students.--No nonresident of the State of Texas shall be enrolled as a new or transfer student in any school, college, or degree-granting program at any component institution of the System when all of the three following conditions occur: (1) when there is a limitation on the number of students who will be enrolled in the class of which such nonresident would be a member if he were enrolled; (2) when the result of enrolling such nonresident would be to increase to greater than 10% the percentage of nonresidents enrolled in the class of which such nonresident would be a member if he were enrolled; and (3) when at the time of the proposed enrollment of such nonresident, admission to the school, college, or degree-granting program is being denied to one or more Texas residents who have applied for admission and who reasonably demonstrate that they are probably capable of doing the quality of work that is necessary to obtain the usual degree awarded by the school, college, or degree-granting program. It is provided, however, that the nonresident enrollment at the School of Law, The University of Texas at Austin, may be equal to 15% of each class of which nonresidents are a part provided that the admission of such nonresidents is on the basis of academic merit alone.

This amendment is based upon the modification by the 69th Legislature to the appropriations bill rider which mandates a limitation on the number of nonresidents to be enrolled in restricted enrollment programs of some professional schools. A special provision related to the U. T. Austin School of Law was added to Article III, Section 19 of the appropriations bill.

It was noted that the next appropriate catalog published at U. T. Austin will be amended to reflect this action.

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

a. College of Engineering effective September 1, 1985

Dr. Stephen G. Wright, Professor of Civil Engineering, initial holder of the Ashley H. Priddy Centennial Professorship in Engineering

b. College of Fine Arts

(1) Dr. Gordon Peacock, Professor of Drama, University of Alberta (Canada), to the Frank C. Erwin, Jr. Centennial Professorship in Drama effective January 16, 1986

(2) Dr. Gerard H. Behague, Professor and Chairman, Department of Music, initial holder of the Frank C. Erwin, Jr. Centennial Professorship in Music effective September 1, 1985

c. Lyndon B. Johnson School of Public Affairs effective September 1, 1985

Dr. Robert C. Krueger to the Lloyd M. Bentsen, Jr. Chair in Government/Business Relations for the 1985-86 academic year only

d. School of Law effective September 1, 1985

(1) Mr. John A. Robertson, Edward Clark Centennial Professor in Law, to the Baker and Botts Professorship in Law

(2) Mr. Corwin W. Johnson, Baker and Botts Professor in Law, to the Edward Clark Centennial Professorship in Law

(3) Mr. Joseph M. Dodge, Professor of Law, to the W. H. Francis, Jr. Professorship in Law

(4) Mr. Lino A. Graglia, Rex G. Baker and Edna Heflin Baker Professor in Constitutional Law, to the Liddell, Sapp, Zivley & LaBoon Professorship in Banking, Financial, Commercial and Corporate Law for the 1985-86 fall semester only

It was noted that Professor Graglia will retain his appointment as the Rex G. Baker and Edna Heflin Baker Professor in Constitutional Law during the one semester he holds this professorship.

- (5) Mr. Olin Guy Wellborn, Professor of Law, to the William C. Liedtke, Sr. Professorship in Law
- (6) Mr. Michael P. Rosenthal, William C. Liedtke, Sr. Professor in Law, to the Thomas Shelton Maxey Professorship in Law

e. College of Liberal Arts effective September 1, 1985

- (1) Dr. G. Karl Galinsky, James R. Dougherty, Jr. Centennial Professor in Classics, initial holder of the Robert M. Armstrong Centennial Professorship in Classics
- (2) Dr. Walt W. Rostow, Rex G. Baker, Jr. Professor of Political Economy, reappointed to the Rex G. Baker, Jr. Professorship of Political Economy
- (3) Dr. Joseph C. Carter, Jr., Professor of Classics, initial holder of the Centennial Professorship in Classical Archaeology

See Page 164 related to the establishment of this professorship.

- (4) Dr. Peter M. Green, Professor of Classics, to the James R. Dougherty, Jr. Centennial Professorship in Classics
- (5) Dr. Clifton M. Grubbs, Jr., Sue Killam Professor in the Foundations of Economics and Professor of Economics, reappointed to the Sue Killam Professorship in the Foundations of Economics

f. College of Natural Sciences effective September 1, 1985

- (1) Dr. Abraham Silberschatz, Professor of Computer Sciences, to the First David Bruton, Jr. Centennial Professorship in Computer Sciences
- (2) Dr. Simon S. Lam, Professor of Computer Sciences, to the Second David Bruton, Jr. Centennial Professorship in Computer Sciences
- (3) Dr. Jayadev Misra, Professor of Computer Sciences, initial holder of the Third David Bruton, Jr. Centennial Professorship in Computer Sciences
- (4) Dr. James C. Browne, David Bruton, Jr. Centennial Professor in Computer Sciences, initial holder of the Professorship in Computer Sciences
- (5) Dr. K. Mani Chandy, David Bruton, Jr. Centennial Professor in Computer Sciences, initial holder of the Professorship in Computer Sciences

- (6) Dr. Robert E. Wyatt, Professor and Chairman, Department of Chemistry, to the W. T. Doherty Professorship in Chemistry
- (7) Dr. Frank N. Bash, Professor and Chairman, Department of Astronomy, initial holder of the Frank N. Edmonds, Jr. Regents Professorship in Astronomy
- (8) Dr. Austin M. Gleeson, Professor of Physics and Associate Dean, College of Natural Sciences, to the Marian Harris Gilliam Centennial Professorship in Mathematics or Physics for the 1985-86 academic year only
- (9) Dr. J. Strother Moore II, Associate Professor of Computer Sciences, initial holder of the Gottesman Family Centennial Professorship in Computer Sciences
- (10) Dr. John M. White, Professor of Chemistry, to the Norman Hackerman Professorship in Chemistry
- (11) Mr. Andrew J. Casson, Professor of Mathematics, to the Mildred Caldwell and Baine Perkins Kerr Centennial Professorship in Mathematics
- (12) Dr. William H. Jefferys, Professor of Astronomy, initial holder of the Harlan J. Smith Centennial Professorship in Astronomy
- (13) Dr. Gillian R. Knapp, Visiting Astronomer at Bell Laboratories and Associate Professor, Princeton University, initial holder of the Beatrice M. Tinsley Centennial Visiting Professorship in Astronomy for the 1985-86 fall semester only
- (14) Dr. William Shive, Professor of Chemistry, initial holder of the Roger J. Williams Centennial Professorship in Biochemistry
- (15) Dr. J. Craig Wheeler, Professor of Astronomy, initial holder of the Samuel T. and Fern Yanagisawa Regents Professorship in Astronomy

g. Institute of Latin American Studies

Dr. Joao Alexandre Costa Barbosa, Chair Professor of Literary Theory and Comparative Literature, University of Sao Paulo, Brazil, to the Edward Larocque Tinker Chair in Latin American Studies for the 1985-86 Spring Semester

Dr. Barbosa will be a Visiting Professor in the Department of Spanish and Portuguese at U. T. Austin during the Spring Semester 1986.

3. U. T. Austin: Establishment of Guaranteed Student Loan Processing Fee and Approval to Increase Transcript, In Absentia Registration and Late Registration Fees Effective with the Fall Semester 1985 (Catalog Change).--Upon recommendation of the Academic Affairs Committee, the Board established a Guaranteed Student Loan Processing Fee in the amount of \$15 at The University of Texas at Austin effective with the Fall Semester 1985.

Further, approval was given to increase the following fees as indicated:

	<u>Effective Fall Semester 1985</u>
Transcript Fee	\$5 for transcript ordered by mail or in person; \$10 for transcript ordered by telephone
In Absentia Registration Fee	\$25 for Texas resident or nonresident student
Late Registration Fee	\$25 per student

It was reported that the next appropriate catalog published at U. T. Austin will be amended to conform to these actions.

4. U. T. Austin: Approval of Amendments to the Guidelines for The Regents' Endowed Teachers and Scholars Program Effective September 1, 1985.--Approval was given to extend The Regents' Endowed Teachers and Scholars Program at The University of Texas at Austin for the 1985-87 biennium and to amend the operating guidelines for the program effective September 1, 1985, as set forth below:

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

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

- (1) that matching monies be available only for grants from private sources in amounts that will, at a minimum, fully fund one of the endowed academic positions provided for in Section 4, Chapter I, Part Two of the Regents' Rules and Regulations as the section now reads or as it later may be amended;

- (2) that once the condition in (1) above is met, the Board of Regents agrees to match from the Available University Fund each dollar granted by private sources as follows:
- (a) to increase existing endowments based on institutional priorities.
 - (b) subject to institutionally established priorities for minimum endowments and model endowments (based on number and types of endowed positions), to match all eligible gifts to a school or college until the minimum endowment is met. Thereafter, gifts to a school or college which has met its minimum endowment will be matched on the basis of institutional priorities until the minimum endowments of all schools and colleges have been met. Once all school or college minimum endowments are met, eligible gifts to schools or colleges will be matched on the basis of institutional priorities until the model endowment is met.
 - (c) eligible matching funds will be distributed as follows:
 - 1) the Board of Regents will provide matching monies in an amount sufficient to double the size of the grant for the establishment of one endowed academic position; or
 - 2) the Board of Regents will allow the grant to be divided and will provide matching monies on a dollar-for-dollar basis to each divided portion of the grant in order to establish additional endowed academic positions that require the same or a lesser minimal amount for establishment; or
 - 3) if a donor endows two or more academic positions in one academic unit of the University which endowments, when added together, are equivalent to or greater than the value of another endowed academic position, the Board of Regents will, from matching monies, create in the same or another academic unit of the University an endowed academic position of the equivalent value;
 - (d) the wishes of the donor will be considered within these overall guidelines; and
 - (e) matching in an academic year is to be limited to the amount budgeted for that year with eligible gifts beyond the budgeted amount to have priority for matching in subsequent years;
- (3) that, other than the matching of private grants with Available University Fund monies, all provisions of Section 4, Chapter I, Part Two of the Regents' Rules and Regulations, as that section now reads or as it later may be amended, will be in full force and effect;

- (4) that the investment procedures for the endowments established under The Regents' Endowed Teachers and Scholars Program be the same as those established for other endowments of academic positions;
- (5) that The Regents' Endowed Teachers and Scholars Program, be effective for gifts or pledges received on or after September 1, 1985, and except as provided in (6) below, on or before August 31, 1987;
- (6) that matching monies made available under The Regents' Endowed Teachers and Scholars Program, be available for matching pledges made on or before August 31, 1987, if the pledges are to be fulfilled during the two-year period following August 31, 1987;
- (7) that matching monies made available under The Regents' Endowed Teachers and Scholars Program, be available for matching testamentary grants, insofar as the terms of the last will and testament of the donor, the wishes of the donor as determined by the last will and testament, and these guidelines are in harmony;
- (8) that payments of pledges for the establishment of endowed positions be matched as received if the first amount paid is at least equivalent to the value of the smallest endowed academic position provided for in the Regents' Rules and Regulations with the provision that, should any subsequent pledge not be received, the endowed academic position established pursuant to the original pledge will be reduced to a level or levels equivalent to the value of payments received and in hand at the time the pledges cease to be paid;
- (9) that potential donors be informed that for such time as an endowed professorship is unfilled by regular appointment, annual or semester appointments in the same academic area may be made to a fellowship that bears the name of the endowed professorship;
- (10) that donors be encouraged to make undesignated gifts to colleges and schools rather than departments or disciplines so that endowed professorships and chairs can be established where they are most needed; and
- (11) that donors be encouraged to establish endowed fellowships and teaching fellowships to support and encourage outstanding assistant and associate professors who have not yet achieved the distinction required for a professorship or chair.

These policy changes extend the matching plan under The Regents' Endowed Teachers and Scholars Program for the 1985-87 biennium with a control point being the level of funds provided in the U. T. Austin annual operating budget and with modifications designed to encourage growth of existing endowments and to further stimulate gifts for underendowed schools and colleges in accordance with base and model endowments for each school or college as established by the institution.

5. U. T. Dallas: Authorization for a Fourth-Year Leave of Absence Without Pay to Professor Will Beth Stephens, School of Human Development, for the 1985-86 Academic Year (Exception to Section 16, Chapter III, Part One of the Regents' Rules and Regulations).--An exception was made to Section 16, Chapter III, Part One, of the Regents' Rules and Regulations and a fourth-year leave of absence without pay was granted to Professor Will Beth Stephens, School of Human Development at The University of Texas at Dallas, for the 1985-86 academic year.

Professor Stephens has been on leave for the past three years to serve as Director of the Defense Department's Dependents Schools in Washington, D.C., and that agency has requested an extension of her position through the 1985-86 academic year to enable her to conclude overseas educational responsibilities which she has undertaken.

Professor Stephens' continuing public service reflects great credit on U. T. Dallas, will enhance her subsequent contributions on her return to the School of Human Development, and justifies the granting of a fourth consecutive leave of absence.

6. U. T. Dallas: Establishment of a Computer User Fee Effective Spring Semester 1986 (Catalog Change).--In order to provide additional support for the Academic Computer Center and to meet increased computer access demands at The University of Texas at Dallas, the Board established a Computer User Fee of \$20 per student per semester effective with the Spring Semester 1986. It was reported that any student using computer resources will pay this fee.

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

7. U. T. Dallas: The Aerospace Heritage Foundation, Inc. - Appointments to the Board of Directors Effective Immediately.--Since The Aerospace Heritage Foundation, Inc. is an internal corporation as defined in Part One, Chapter VII, Section 6 of the Regents' Rules and Regulations and the U. T. Board of Regents is, under the charter of this corporation, authorized to appoint the Board of Directors, the following were appointed to the Board of Directors of The Aerospace Heritage Foundation, Inc. at The University of Texas at Dallas effective immediately for terms to expire December 31, 1986:

Reappointments

Mr. M. A. "Dutch" Barbettini, Neosho, Missouri
Mr. Roy Cowan, Dallas
Mr. Stewart C. Fallis, Dallas
Mr. John J. Hospers, Dallas
Mr. M. Howard Megreedy, Dallas
Brig. Gen. Herman Rumsey, Dallas
Mr. Henry Stuart, Dallas
Mr. Richard E. Williamson, Dallas

New Appointments

Mr. W. C. "Bill" Cooper, Dallas
Mr. Ralph Emery, Dallas
Mr. David G. Fox, Dallas
General Alfred F. Hurley, Ph.D., Denton
Mrs. Kay Bailey Hutchison, Dallas
Mr. Tom James, Dallas
Mr. Robert Lambert, Dallas
Mr. Michael R. Quinn, Dallas
Mr. William A. Solemene, Dallas
Mrs. Louise Timkens, Cleveland, Ohio
Mr. Tommy L. Wilson, Dallas

8. U. T. El Paso: Appointment of Dr. Timothy P. Roth as Initial Holder of the Arleigh B. Templeton Professorship in Financial Management and Banking, College of Business Administration, Effective September 1, 1985.---
Approval was given to appoint Dr. Timothy P. Roth, Chairman of the Department of Economics and Finance at The University of Texas at El Paso, as the initial holder of the Arleigh B. Templeton Professorship in Financial Management and Banking in the College of Business Administration effective September 1, 1985.
9. U. T. El Paso: Authorization to Establish a Master of Arts in Art Degree and to Submit the Proposal to the Coordinating Board for Approval (Catalog Change).---
Authorization was given to establish a Master of Arts in Art degree at The University of Texas at El Paso and to submit the proposal to the Coordinating Board, Texas College and University System for approval. This degree is within the role and scope of the institution as approved by the U. T. Board of Regents and was included in the University's six-year strategic plan.
- It is anticipated that approximately three full-time and ten part-time students will enroll in the program during its first year of operation and that by its fifth year twelve full-time and twenty-two part-time students will be enrolled. The estimated cost to the institution during the first year of the program is \$5,450, increasing to \$40,350 by its fifth year. The program will be supported entirely by formula generated funding. Adequate library holdings and equipment are available for the program and existing facilities in the Fox Fine Arts Center are more than adequate to support it. Sufficient faculty exist at the present time to initiate the program, although it is anticipated that one new faculty position will be needed by its third year and that the position will be supported by formula funding. Several teaching assistants will also be employed during the first five years of the program.
- Upon Coordinating Board approval, the next appropriate catalog published at U. T. El Paso will be amended to reflect this action.
10. U. T. Permian Basin: Establishment of a Computer Use Fee and Approval of Increases in Diploma Fee, General Use Fee, and Student Services Fee (Required) Effective with the Fall Semester 1985 (Catalog Change).---In order to defray the cost of providing additional support to meet the vastly increased computer access demands for

the curricula and to provide a proper maintenance and replacement program, authorization was granted to establish a Computer Use Fee of \$20 per student per semester effective with the Fall Semester 1985 at The University of Texas of the Permian Basin. Only students enrolled in courses requiring computer use will pay this fee.

Further, the Board approved increases in the following fees at U. T. Permian Basin:

	<u>Effective</u> <u>Fall Semester 1985</u>
Diploma Fee	\$12.00
General Use Fee	\$6.00 per student per semester credit hour
Student Services Fee (Required)	\$6.50 per semester credit hour, not to exceed \$78 for any one semester or summer session

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

11. U. T. Permian Basin: Development Board - Approval of Nominees Thereto.--Five nominees for membership on The University of Texas of the Permian Basin Development Board were approved for terms to expire in 1988.

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

12. U. T. Permian Basin: Proposed Approval of Amendments to the Student Senate Constitution (Deferred).--Committee Chairman Baldwin reported that the item related to proposed amendments to the Constitution of the Student Senate at The University of Texas of the Permian Basin was deferred for consideration at a future meeting.

REPORT AND RECOMMENDATIONS OF THE HEALTH AFFAIRS COMMITTEE (Pages 85 - 155).--Committee Chairman Briscoe reported that the Health Affairs Committee had met in open session to consider those items on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Health Affairs Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. Health Science Center - Dallas: Appointment of Dr. Joseph Frank Sambrook as Initial Holder of The Distinguished Chair in Biochemistry Effective August 1, 1985.-- Approval was given to appoint Dr. Joseph Frank Sambrook, currently Assistant Director of the Cold Spring Harbor Laboratory in Cold Spring Harbor, New York, as the initial holder of The Distinguished Chair in Biochemistry at The University of Texas Health Science Center at Dallas effective August 1, 1985.

See Page 175 related to the establishment of this chair.

2. U. T. Health Science Center - Dallas - Item for the Record: Approval of License Agreement with Mission Pharmacal Company, San Antonio, Texas, Relating to Urine Collection, Analysis and Reporting.--At the June 1985 meeting, the Board approved the license agreement by and between The University of Texas Health Science Center at Dallas and Mission Pharmacal Company, San Antonio, Texas, whereby Mission was granted a license to use certain technology related to urine collection and analysis, subject to resolution by the Office of General Counsel of the issue of ownership of patent rights (if any) if Mission abandons the licensed technology program.

In its final form, a copy of which is set forth on Pages 86-93 for the record, the agreement provides that if the University exercises its option to terminate the agreement because of Mission's failure to satisfactorily commercialize the technology under its exclusive license, then the University is free to pursue licensing and marketing of this technology through another entity. Paragraph 7.2 makes it clear that all information developed before and during the term of the agreement belongs to the University.

AGREEMENT

1. PARTIES:

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

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

2. CONSIDERATION:

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

3. SUBJECT MATTER OF AGREEMENT:

3.1 The present Agreement relates to technology for the Southwestern Mineral Metabolism Laboratory. As used herein, "TECHNOLOGY" shall refer to (1) a method of collecting and preserving urine specimens, adaptable for mailing without refrigeration, designed for reliable estimation of various stone-forming risks; (2) a method of data display, permitting visual recognition of important stone-forming risks; and (3) the copyright to item (2). Charles Y. C. Pak, M.D. ("PAK") is the developer of TECHNOLOGY.

4. WARRANTY:

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

5. GRANT AND EXCHANGE OF INFORMATION:

5.1 UNIVERSITY hereby grants to MISSION the right to make, use and sell TECHNOLOGY.

5.2 Within thirty (30) days after final execution of this Agreement, UNIVERSITY and MISSION will enter into the feasibility phase of the transfer of TECHNOLOGY. During the phase, which will last approximately one (1) year, the Southwestern Mineral Metabolism Laboratory at UNIVERSITY will perform a reasonable number of chemical analyses and data reports using TECHNOLOGY, at the request of MISSION. MISSION will begin marketing TECHNOLOGY during the feasibility phase, including: billing customers, collecting from customers and distributing the reporting data.

5.3 At a mutually agreeable time following the one (1) year period, the feasibility phase of the transfer of TECHNOLOGY will end. At that time, MISSION agrees: (1) to establish the Southwestern Mineral Metabolism Laboratory as an arm of MISSION, completely separate and apart from UNIVERSITY; (2) to perform all further chemical analyses and distribute data reports using TECHNOLOGY; (3) to bill and collect from customers; (4) to do all other acts necessary to provide a fully functioning laboratory for the chemical analysis and data reporting encompassed in TECHNOLOGY. MISSION agrees to use its best efforts to establish the Southwestern Mineral Metabolism Laboratory in the Dallas area as soon as possible, consistent with sound and reasonable business practices and judgment.

5.4 After the feasibility phase of the transfer of TECHNOLOGY ends, UNIVERSITY will have no further obligations in regards to TECHNOLOGY except for the receipt of royalties under paragraph 6 and the provision for consultation and advice under paragraph 7.

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

5.6 The TECHNOLOGY to be furnished to MISSION under this Agreement is for the use of MISSION in estimating various stone-forming risks. UNIVERSITY and PAK make no representations, extend no warranties of any kind, either expressed or implied, and assume no responsibilities whatsoever with respect to the use, sale, or other disposition by MISSION or any other person of the products or processes employing TECHNOLOGY or information resulting from TECHNOLOGY furnished under this Agreement. MISSION agrees to hold UNIVERSITY and PAK harmless against all liabilities, demands, damages, expenses or losses arising out of the use, sale, or other disposition by MISSION or by third parties acquiring through MISSION, of any TECHNOLOGY furnished under this Agreement, and, if requested, to defend UNIVERSITY and PAK against any and all claims arising out of such use, sale or other disposition.

5.7 MISSION agrees to supply UNIVERSITY and PAK with sufficient quantities of urine preservation kits, including containers for urine, mailing boxes, and other materials for its use for UNIVERSITY patients at cost. UNIVERSITY reserves the right to use the method of data display for its own purposes.

6. PAYMENTS:

6.1 During the feasibility phase MISSION will pay UNIVERSITY Fifty (\$50.00) Dollars for each chemical analysis and data report initiated using TECHNOLOGY.

6.2 During the feasibility period, and after the establishment, if any, by MISSION of the Southwestern Mineral Metabolism Laboratory as an entity separate and apart from UNIVERSITY, MISSION will pay UNIVERSITY an amount in United States dollars equal to nine percent (9%) of the Net Selling Price as defined herein for each and every use of TECHNOLOGY disclosed by UNIVERSITY in accordance with paragraph 5, after the effective date of this Agreement and prior to the termination of this Agreement. MISSION will pay PAK an amount in United States dollars equal to three percent (3%) of the Net Selling Price as defined herein for such use of TECHNOLOGY disclosed by UNIVERSITY in accordance with paragraph 5, after the effective date of this Agreement and prior to the termination of this Agreement.

6.3 "Net Selling Price" as used herein shall mean MISSION'S invoice price for any chemical analysis and data report using TECHNOLOGY, less discounts thereon actually allowed and less sales, use, or other similar taxes and any transportation or delivery charges borne by MISSION. No royalties shall be due on any chemical analyses data reports which are not accepted by the customer and when royalties shall have been paid on such analyses and reports, they shall be credited against future royalties to be paid hereunder.

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

7. INTELLECTUAL PROPERTY AND TECHNOLOGY:

7.1 It is recognized by the parties hereto that a considerable amount of proprietary information, which may be patentable, copyrightable or otherwise protectable, has been developed by UNIVERSITY. It is also likely that MISSION has and will under this Agreement make contributions to such informational base.

7.2 All such information developed both before and during the term of the Agreement shall belong to UNIVERSITY and SYSTEM. MISSION shall have the right and the responsibility to pursue any patent applications and copyrights to protect its interest as an exclusive licensee and shall file all documents at its own expense in a timely manner, giving due credit to UNIVERSITY and its inventors as is required to comply with statutory prerequisites.

7.3 Nothing herein shall be construed as preventing UNIVERSITY and SYSTEM from utilizing any of TECHNOLOGY for any traditional purposes of research and teaching. Nor shall any constraints be inferred to prevent employees of UNIVERSITY and SYSTEM from publishing such research results. UNIVERSITY agrees to be reasonable cooperative with respect to timing and content of such publication so as to not unduly prejudice MISSION'S competitive position at an early stage.

8. CONSULTATION AND ADVICE:

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

9. REASONABLE EFFORTS:

9.1 MISSION agrees to use reasonable efforts to introduce TECHNOLOGY into the commercial market as soon as practicable, consistent with sound and reasonable business practices and judgment. Should MISSION not be commercially disseminating TECHNOLOGY satisfactorily on the second anniversary of this Agreement, UNIVERSITY may terminate the Agreement upon sixty (60) days written notice. UNIVERSITY shall then be free to pursue marketing through another firm.

10. TERMINATION:

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

10.2 In the event of termination of this Agreement, MISSION shall have the right to sell thereafter (1) completed chemical analyses and data reports then on hand; (2) those then being processed; and (3) those with respect to which a firm commitment has been made at the time of termination by reason of the existence of a written agreement. All such sales or other dispositions shall be subject to reporting and royalty payments exactly as if termination had not occurred.

10.3 Upon termination MISSION shall be obligated to return to UNIVERSITY the original and all copies of TECHNOLOGY sent to MISSION under this Agreement, and to continue to honor the commitment in paragraph 5.5 not to disclose such TECHNOLOGY to third parties.

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

11. EXPIRATION:

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

12. ASSIGNMENT:

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

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

13. LAW APPLICABLE:

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

14. MISCELLANEOUS:

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

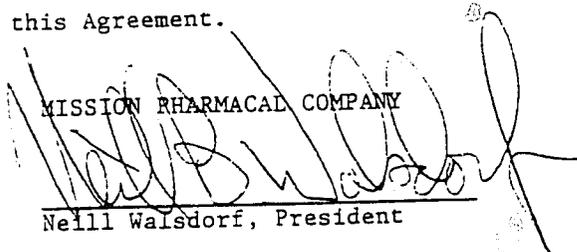
15. EXECUTION AND EFFECTIVE DATE:

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

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

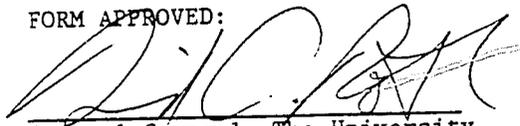
ATTEST:

Secretary

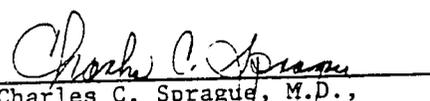

MISSION PHARMACAL COMPANY

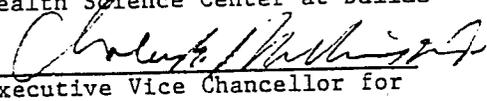
Neill Walsdorf, President

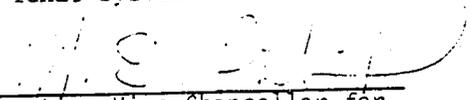
FORM APPROVED:


General Counsel, The University
of Texas System

CONTENT APPROVED:

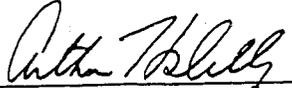

Charles C. Sprague, M.D.,
President, The University of Texas
Health Science Center at Dallas


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


Executive Vice Chancellor for
Asset Management, The University
of Texas System

CERTIFICATE OF APPROVAL

I hereby certify that the foregoing Agreement was approved by the Board of Regents of The University of Texas System on the 13TH day of JUNE, 1985, and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.


Executive Secretary, Board of Regents
The University of Texas System

3. U. T. Medical Branch - Galveston: Approval of Rate Increases for Dormitories and Apartments Effective September 1, 1985 (Catalog Change).--Due to the continuing escalation of operating costs such as utilities, salaries, and general maintenance, the Board approved the following rental rates for dormitories and apartments at The University of Texas Medical Branch at Galveston effective September 1, 1985:

	<u>1985-86 Monthly Rates</u>
Dormitory:	
Semi-Private	\$105.00
Private Room	150.00
Apartments:	
Two persons per apartment	\$270.00
Three persons per apartment	300.00

It was ordered that the next appropriate catalog published at the U. T. Medical Branch - Galveston be amended to conform to this action.

4. U. T. Medical Branch - Galveston (U. T. G.S.B.S. - Galveston): Authorization to Establish a Master of Arts in Allied Health Sciences and to Submit Proposal to the Coordinating Board for Approval (Catalog Change).-- Authorization was given to establish a Master of Arts in Allied Health Sciences at U. T. G.S.B.S. - Galveston of The University of Texas Medical Branch at Galveston and to submit the proposal to the Coordinating Board, Texas College and University System for approval.

The purpose of this program is to educate a limited number of health professionals in clinical research and academia relating to allied health. The program will begin with five students and will be limited to nineteen students by 1991. Graduates will fill positions in clinical research, government health agencies and academia.

It was pointed out that the cost of the program will be minimal since no additional equipment or classroom space will be required. Twenty-three faculty members holding doctorate degrees and three faculty members holding terminal masters' degrees in their fields have been selected from the present faculty to provide necessary didactics and supervision for the program. The undergraduate program in health education will be discontinued and faculty and clerical personnel will be reallocated to accommodate the workload of this program.

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

5. U. T. Medical Branch - Galveston: Approval to Name the Physical Therapy Laboratory in the New School of Allied Health Sciences and Nursing Building as The Ruby Decker Physical Therapy Laboratory (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings).--In accordance with the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, relating to the naming of facilities other than buildings, approval was given to name the Physical Therapy Laboratory in the new School of Allied Health Sciences and Nursing Building at The University of Texas Medical Branch at Galveston as The Ruby Decker Physical Therapy Laboratory.

The naming of this laboratory is in recognition of Ms. Decker's many contributions in the area of physical therapy and her distinguished service to the Medical Branch.

6. U. T. Medical Branch - Galveston: Approval to Name the Health Information Management Laboratory in the New School of Allied Health Sciences and Nursing Building as The Sally Mount Health Information Management Laboratory (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings).--The Board approved the naming of the Health Information Management Laboratory in the new Allied Health Sciences and Nursing Building at The University of Texas Medical Branch at Galveston as The Sally Mount Health Information Management Laboratory in recognition of Ms. Mount's distinguished service to the Department of Medical Record Administration.

The naming of this laboratory is in accordance with the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, relating to the naming of facilities other than buildings.

7. U. T. Health Science Center - Houston: Approval to Lease, Receive, Govern and Operate the Facilities of the Texas Research Institute of Mental Sciences (TRIMS) from the Texas Department of Mental Health and Mental Retardation (MHMR) Effective September 1, 1985, and Establishment of The University of Texas Mental Sciences Institute.--Pursuant to the provisions of Senate Bill 1295, 69th Legislature, Regular Session, 1985, and upon recommendation of the Health Affairs Committee, the Board:

- a. Approved the Agreement for Lease and Transfer of the Texas Research Institute of Mental Sciences by the Texas Board of Mental Health and Mental Retardation (MHMR) to the Board of Regents of The University of Texas System on behalf of The University of Texas Health Science Center at Houston which was approved by the MHMR Board on August 2, 1985

- b. Approved the Contract for Services for Psychiatric Inpatients and Outpatients between the Texas Board of Mental Health and Mental Retardation and The University of Texas System which was executed by Executive Vice Chancellor Mullins and Commissioner Miller on July 30, 1985, and approved by the MHMR Board on August 2, 1985
- c. Approved the Subcontract for Services for Psychiatric Inpatients and Outpatients between Hermann Hospital and the Board of Regents of The University of Texas System which was executed by President for Administration Walker on July 31, 1985, for submission to the Board of Trustees of the Hospital at its meeting on August 20, 1985, and by Executive Vice Chancellor Mullins
- d. Authorized Executive Vice Chancellor Mullins to take the actions noted in b. and c. above
- e. Established The University of Texas Mental Sciences Institute (UTMSI) as a part of The University of Texas Health Science Center at Houston (UTHSCH).

The foregoing documents are set forth on Pages 97-139.

AGREEMENT FOR LEASE AND TRANSFER AND ESTABLISHMENT
OF THE UNIVERSITY OF TEXAS MENTAL SCIENCES INSTITUTE

PARTIES TO AGREEMENT

THIS AGREEMENT, dated August 19, 1985, by and between The Texas Board of Mental Health and Mental Retardation (MHMR) and, The Board of Regents of The University of Texas System (UTS), acting on behalf of its component institution The University of Texas Health Science Center at Houston (UTHSCH), to be effective on September 1, 1985, unless otherwise expressly indicated,

WITNESSETH:

RECITALS:

WHEREAS, pursuant to the provisions of Senate Bill 1295, Acts of the 69th Legislature, Regular Session, 1985, a copy of which is attached as Exhibit 1, the Texas Research Institute of Mental Sciences (TRIMS) shall be transferred on September 1, 1985, from MHMR to UTS, and

WHEREAS, pursuant to the provision of S.B. 1295, on September 1, 1985, the name of the institute shall be The University of Texas Mental Sciences Institute (UTMSI), and

WHEREAS, pursuant to the provisions of Senate Bill 1322, Acts of the 69th Legislature, Regular Session, 1985, a copy of which is attached as Exhibit 2, any funds generated by its passage for fiscal year 1986 and 1987, on September 1, 1985, shall be appropriated to UTS for the provision of the services authorized by S.B. 1295, and

WHEREAS, pursuant to the provisions of S.B. 1295, on September 1, 1985, the sum of \$1 million appropriated to MHMR for the conduct of research at TRIMS in House Bill 20, Acts of the 69th Legislature, Regular Session, 1985, the General Appropriations Act, a copy of portions of which are attached as Exhibit 3, shall be transferred by MHMR to UTS for the conduct of that research, and

WHEREAS, MHMR and UTS desire to provide for a smooth transition and implementation of the provisions of S.B. 1295, and

WHEREAS, among the provisions, S.B. 1295 requires that MHMR provide for the continuity of inpatient and outpatient care of patients and programs operated at TRIMS, and

WHEREAS, among other provisions, S.B. 1295 requires that the governance, operation, management, and control of TRIMS and all land, buildings, improvements thereon, and major fixed

equipment comprising TRIMS be leased from MHMR and transferred to the Board of Regents of UTS for \$1 a year and be subject to Section 65.02(a) (9), Education Code, a copy of which is attached as Exhibit 4, and

WHEREAS, among other provisions, S.B. 1295 requires that all land, buildings, and improvements thereon and major fixed equipment so leased be utilized only for purposes of patient care services, research, and education related to mental health and mental retardation, and

WHEREAS, among other provisions, S.B. 1295 authorizes MHMR to sell or otherwise dispose of the land, buildings, improvements thereon, or major fixed equipment so long as the proceeds from the sale or other disposition be used for the purposes recited immediately above and only if prior to the sale or other disposition UTS has given its approval of such sale or disposition and the allocation of proceeds, and

WHEREAS, among other provisions, S.B. 1295 authorizes present TRIMS personnel to apply for employment with UTS; be given priority consideration for such employment; and, if employed by UTS be subject to the personnel policies, rules, and regulations of the Board of Regents of UTS after the transition, and

WHEREAS, among other provisions, S.B. 1295 requires that any gifts, grants, unexpended balances of appropriated or unappropriated funds, and all movable equipment held by MHMR for, on behalf of, or for the use and benefit of TRIMS be transferred to UTS, and

WHEREAS, among other provisions, S.B. 1295 requires that all previously appropriated funds for statewide training of MHMR personnel and program evaluation by TRIMS be retained by MHMR, and

WHEREAS, among other provisions, S.B. 1295 permits UTS to contract with MHMR for continued extramural and other laboratory services, and

WHEREAS, among other provisions, S.B. 1295 states that as of September 1, 1985, all contracts and written obligations of every kind and character entered into by MHMR for and on behalf of TRIMS will be ratified, confirmed, and validated by statute and that in all such contracts and obligations the Board of Regents of UTS as of September 1, 1985, is to be substituted in lieu and stand and act in place and stead of MHMR so long as an advisory committee be established with regard to research protocols and the Commissioner of MHMR be a member, and

WHEREAS, among other provisions, S.B. 1295 requires that UTS, MHMR, and the Assets Management Division of the General Land Office review and evaluate the use of the TRIMS land and buildings and submit a report containing the results of the review to the 70th Legislature, and

WHEREAS, among other provisions, S.B. 1295 permits MHMR to contract for the provision of inpatient and outpatient care of the patients cared for at TRIMS, all in accordance with the provisions of and appropriations provided in the General Appropriations Act of the 69th Legislature, pertinent portions of which are attached as Exhibit 3,

NOW, THEREFORE, MHMR AND UTS MUTUALLY AGREE AS FOLLOWS:

PART A: NAMES, PURPOSES, EXHIBITS, DEFINITIONS, GOVERNANCE

Article I: NAME, PURPOSES, EXHIBITS, DEFINITIONS

Sec. 1. Name, Purposes

- (a) On September 1, 1985, and at all times thereafter, the name of the institute that is hereby established by the Board of Regents of The University of Texas System as a part of The University of Texas Health Science Center at Houston, and is the subject of this Agreement, shall be The University of Texas Mental Sciences Institute (UTMSI).
- (b) All land, buildings, and improvements thereon and major fixed equipment comprising said institute shall be utilized only for purposes of patient care services, research, and education related to mental health and mental retardation.

Sec. 2. Patient Care; Contract for Services

- (a) The list of medical records numbers set out at Exhibit 5 shows the number of patients currently being treated on an inpatient or outpatient basis as of the Closing Date.
- (b) UTS and MHMR have contracted patient care services on an inpatient or outpatient basis to those previous psychiatric patients, i.e. fiscal year (FY) 1984-85 patients, of TRIMS who need them and whose identifying numbers are listed at Exhibit 5 at Closing under the terms and conditions as the Commissioner of MHMR and the Executive Vice Chancellor of Health Affairs of UTS have mutually agreed in writing provided the patients proposed to be served consent to such care or involuntarily committed to such care. UTS and MHMR

hereby approve the Contract for Services set out at Exhibit 40 and incorporate it herein as if recited verbatim.

Sec. 3. Research

The research projects listed at Exhibit 6 may be continued by UTS under the terms and conditions set out in the written contracts upon which they are based.

Sec. 4. Education

The education programs listed at Exhibit 7 shall be continued by UTS under the terms and conditions set out in the written contracts upon which they are based.

Sec. 5. Extramural and Other Laboratory Consultative Services

MHMR and UTS may contract at Closing for the extramural and other laboratory consultative services listed at Exhibit 8 by written agreement of the Commissioner of MHMR and the Executive Vice Chancellor for Health Affairs of UTS.

Sec. 6. Exhibits

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

- EXHIBIT 1: S.B. 1295
- EXHIBIT 2: S.B. 1322
- EXHIBIT 3: General Appropriations Act (portions)
- EXHIBIT 4: Section 65.02(a)(9), Education Code
- EXHIBIT 5: Medical Record Numbers of Patient Files Without Patient Names
- EXHIBIT 6: Research Projects
- EXHIBIT 7: Education Programs and Trainees
- EXHIBIT 8: Extramural and Other Laboratory Consultative Services
- EXHIBIT 9: List of Volunteers and Copy of Charter
- EXHIBIT 10: Equipment Associated with Statewide Training of Department Personnel and Program Evaluation
- EXHIBIT 11: Survey of Leased Premises

- EXHIBIT 12: Floorplans of the Leased Premises and Photographs
- EXHIBIT 13: Center Pavilion Lease
- EXHIBIT 14: Shamrock Building Lease
- EXHIBIT 15: Personnel Names and Titles
- EXHIBIT 16: Copy of Deed to Leased Premises
- EXHIBIT 17: List of Major Fixed Equipment
- EXHIBIT 18: List of Movable Equipment
- EXHIBIT 19: List of Leased Personal Property
- EXHIBIT 20: Copies of Leased Personal Property
- EXHIBIT 21: List of Maintenance or Other Contracts
- EXHIBIT 22: Copies of Maintenance or Other Contracts
- EXHIBIT 23: List of Affiliation Agreements
- EXHIBIT 24: Copies of Affiliation Agreements
- EXHIBIT 25: Library Inventory
- EXHIBIT 26: List of Permits
- EXHIBIT 27: Copies of Permits
- EXHIBIT 28: List of Licenses
- EXHIBIT 29: Copies of Licenses
- EXHIBIT 30: List of Accreditations
- EXHIBIT 31: Copies of Accrediting Statements
- EXHIBIT 32: List of Grievances, EEOC or Section 504 Complaints, and Lawsuits
- EXHIBIT 33: List of Motor Vehicle Titles and Copies
- EXHIBIT 34: List of Grants
- EXHIBIT 35: Copies of Grants
- EXHIBIT 36: List of Utility Providers
- EXHIBIT 37: List of Copyrights and Other Intellectual Property
- EXHIBIT 38: Audit Report, 1983-84
- EXHIBIT 39: Balance Sheets, September 1984 - July 1985
- EXHIBIT 40: Contract for Services
- EXHIBIT 41: Plan of Dissolution

(b) These Exhibits have been separately boxed and will be made available for inspection at all reasonable times during normal business hours by MHMR and UTS at the offices of TRIMS, 1300 Moursund Avenue, Houston, Texas, until August 31, 1985, and thereafter at the offices of UTMSI, at the same address, unless the Exhibits are being examined by Members of their respective Boards or unless they are in the custody of staff for official purposes.

Sec. 7. Definitions

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

"Commissioner" means the Commissioner of the Texas Department of Mental Health and Mental Retardation.

"Executive Vice Chancellor" means the Executive Vice Chancellor for Health Affairs of The University of Texas System.

"Grants" mean those grants listed in Exhibit 35 and include, where applicable, any research animals purchased with grant funds, unless expressly provided for otherwise herein.

"Leased Premises" means the land, the legal description of which is found at Exhibit 16 and incorporated herein as if recited verbatim, and buildings, improvements, and major fixed equipment situated thereon.

"MHMR" means the Texas Board of Mental Health and Mental Retardation.

"Movable equipment" means that equipment listed in Exhibit 18.

"President" means the President of The University of Texas Health Science Center at Houston.

"Priority consideration" means the consideration given by The University of Texas System or its components to employees of TRIMS who were full-time employees of TRIMS prior to June 1, 1985, and who apply for employment with The University of Texas System or any of its components during the period of time beginning June 1, 1985, and ending December 31, 1985, whereby for a given posted position for which such TRIMS or former TRIMS employee applies The University of Texas System agrees to choose such employee for employment over any other applicant not currently employed by The University of Texas System, when taken as a whole the qualifications of all applicants are otherwise equally valued.

"TRIMS" means the Texas Research Institute of Mental Sciences, a part of the Texas Department of Mental Health and Mental Retardation.

"UT Health Science Center" or "UTHSCH" means The University of Texas Health Science Center at Houston, a component institution of The University of Texas System.

"UTMSI" means The University of Texas Mental Sciences Institute.

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

Article II. GOVERNANCE

Sec. 8. Governance; Phases of Transition

- (a) The governance, management and control of TRIMS, the institute created by Chapter 427, Acts of the 55th Legislature, Regular Session, 1957, as amended (Article 3174-4, Vernon's Texas Civil Statutes) is the responsibility of MHMR prior to the Closing Date of this Agreement; shall be the responsibility of MHMR and UTS after the Closing Date but prior to September 1, 1985; and shall be the responsibility of the Board of Regents of UTS on and after September 1, 1985.
- (b) Between the Closing Date and September 1, 1985, the governance management and control of TRIMS shall remain the responsibility of MHMR, but any and all actions taken by MHMR for or on behalf of TRIMS shall be taken only after and with the approval of the Executive Vice Chancellor for Health Affairs of UTS or his designee.

Sec. 9. Lease and Operations

- (a) All land, buildings, improvements thereon, and major fixed equipment comprising TRIMS shall be leased from the MHMR as of September 1, 1985, in accordance with the provisions of this Agreement and transferred to the Board of Regents of The University of Texas System and shall be subject to the provisions of Subdivision (9) of Subsection (a) of Section 65.02 of the Education Code.
- (b) Except as provided in Section 8(b) above, the operation of the institute shall be the responsibility of MHMR until midnight, August 31, 1985, and shall be the responsibility of UTS at 12:01 a.m., September 1, 1985.

- (c) From and after September 1, 1985, the Board of Regents of UTS delegates to the UT Health Science Center at Houston the general authority to manage the day-to-day operations of the UTMSI and to perform functions consistent with the role of manager of UTMSI.

Sec. 10. Research; Advisory Committee on Research Protocols

- (a) With respect to the research projects listed at Exhibit 6 and future proposed projects, MHMR and UTS hereby establish an Advisory Committee on Research Projects who shall meet as necessary to advise UTS on the selection and conduct of research projects.
- (b) The Advisory Committee on Research Projects shall consist of the following members:
- (1) Commissioner of MHMR;
 - (2) Executive Vice Chancellor, ex officio, nonvoting;
 - (3) Dean of the UTHSCH Medical School, ex officio, nonvoting;
 - (4) Other persons as may be appointed.
- (c) The Chairman and the Committee Members of the Advisory Committee on Research shall be appointed by the President of UT Health Science Center at Houston in consultation with the Chairman of the Psychiatry Department of the UTHSCH Medical School and the Commissioner.
- (d) Meetings of the Advisory Committee shall be called by the Chairman as necessary. The Committee shall meet at least once each year.

Sec. 11. Oversight Committee

- (a) MHMR, UTS, and UT Health Science Center at Houston recognize their mutual interdependence in carrying out the terms of this Agreement and agree that there shall be consultation and good faith cooperation among all persons representing each entity.
- (b) An Oversight Committee shall be established to resolve disputes between MHMR and UTS, in any manner mutual agreed

upon, regarding the transition under and implementation of this Agreement.

- (c) The Oversight Committee consists of the following persons:
 - (1) the Executive Vice Chancellor for Health Affairs of UTS;
 - (2) the Commissioner of MHMR.
- (d) The Oversight Committee shall expire on August 31, 1986.

Sec. 12. Volunteers

- (a) UTS acknowledges the existence and outstanding contributions that volunteers and their nonprofit corporations listed at Exhibit 9 have made to the work of TRIMS over the years and pledges to work with them during and after the transition.
- (b) MHMR pledges to work with these volunteers and UTS to assure the continued support of these generous citizens to the future activities of UTMSI.

Sec. 13. Evaluation of Transfer of Research Institute

- (a) UTS, MHMR, and the Assets Management Division (the Division) of the General Land Office shall review and evaluate the use of the transferred institute's land and buildings and shall submit a report containing the results of the review to the 70th Legislature.
- (b) In conducting the review, UTS and MHMR shall consider at least the following factors:
 - (1) the future need for continued use of this land and buildings for outpatient services and mental health sciences research;
 - (2) alternative locations for any future needed outpatient services and mental health sciences research;
 - (3) alternatives for disposition of the land and buildings, including the possibility of continued leasing to UTS, leasing to other entities, or sale of the land and buildings; and

- (4) the cost benefits of each alternative for disposition, including the revenue that might be generated and the possibility of applying that revenue toward the provision of mental health services.
- (c) Not later than the second Tuesday in January, 1987, UTS and MHMR, along with the Division, shall jointly prepare and submit a report to the 70th Legislature detailing the findings and conclusions made by the participants.
- (d) This section of the Agreement shall expire upon submission of the report.

Sec. 14. Statewide Training of MHMR Personnel and Program Evaluation

All previously appropriated funds to MHMR and the programs themselves for statewide training of department personnel and program evaluation by TRIMS shall be retained by MHMR. The equipment listed at Exhibit 10 shall be moved by MHMR prior to the Closing Date.

PART B: LEASE

Article III. LEASE

Sec. 15. Survey, Floorplans, and Photographs

- (a) MHMR agrees to furnish UTS at Closing the updated or certified versions of the following:
- EXHIBIT 11: Survey of the Leased Premises
EXHIBIT 12: Floorplans of the Leased Premises and Photographs
EXHIBIT 13: Center Pavilion Lease
EXHIBIT 14: Shamrock Building Lease
- (b) If at Closing MHMR no longer leases space at the Center Pavilion or the Shamrock Building, documents need not be furnished.
- (c) MHMR shall furnish UTS prior to Closing photographs of the entire TRIMS premises.

Sec. 16. Lease

- (a) MHMR, as owner of the Leased Premises, acting as Lessor herein, in consideration of the rents, covenants, agreements and conditions herein set forth, which UTS, acting as Lessee herein, on behalf of UT Health Science Center, hereby agrees shall be paid, kept and performed by Lessee, does hereby lease, let, demise, and rent exclusively unto Lessee, and Lessee does hereby rent and lease from Lessor, the Leased Premises, together with all and singular the rights, privileges and appurtenances thereunto attaching or in anywise belonging or hereinafter provided for under the terms of this Lease;

SUBJECT HOWEVER, among other matters, to the Easement provided for in subsection (b);

TO HAVE AND TO HOLD the Leased Premises subject to the matters as aforesaid, together with all and singular the rights, privileges and appurtenances thereunto attaching or in anywise belonging or hereinafter provided for under the terms of this Lease, exclusively unto Lessee, its successors and assigns, for a two-year term commencing on September 1, 1985, and, automatically renewable for two-year terms thereafter unless prior written notice of cancellation is given; and upon and subject to the covenants, agreements, terms, provisions and limitations hereinafter set forth, all of which Lessee covenants and agrees to perform and observe.

- (b) MHMR, hereby retains in its ownership interest the right to have access to the premises by way of driveways, walkways, and corridors of the Leased Premises for purposes of inspection as provided for at subsection (m), below.
- (c) This lease agreement is subject to the prior fulfillment by MHMR and UTS of all conditions expressed throughout this Agreement.
- (d) MHMR covenants to UTS that if UTS shall discharge the covenants, agreements and obligations herein set forth to be performed by UTS, UTS shall have and enjoy, during the Term hereof the quiet and undisturbed possession of the Leased Premises.
- (e) UTS covenants that during the Term hereof, UTS will comply, at its sole cost, the expense with all federal and state laws which may be applicable to the Leased Premises, the

buildings, improvements and equipment to be situated on the Leased Premises, the use or manner of use of the Leased Premises or the carrying on of UTS business on the Leased Premises.

- (f) UTS shall have the right, and MHMR agrees to cooperate with UTS to the extent fully reasonable, including if necessary the joining in suit, after written notice to them to contest by appropriate legal proceedings the validity of the law, ordinance, rule, regulation or requirement of the nature referred to in subsection (e), above, and to postpone compliance with the same, provided such contest shall be promptly and diligently prosecuted. MHMR, at its expense, shall also have the right, but not the obligation, to contest any such law, ordinance, rule, regulation or requirement.
- (g) Any construction or improvements on the Leased Premises shall be approved in writing by MHMR prior to commencement of construction or improvement and such approval shall not be unreasonably withheld.
- (h) All major fixed equipment listed at Exhibit 17 shall be owned by MHMR. The entire cost and expense of repairing or replacing such fixed equipment shall be borne and paid for by UTS. At any time of a sale or other disposition of major fixed equipment, MHMR shall reimburse UTS an amount of money equal to the then fair market value of such repairing or replacement projects, as determined by the Commissioner and the Executive Vice Chancellor.
- (i) Any and all movable equipment, signs, furniture, and other property installed by UTS, shall be and remain the property of UTS and may be removed from the Leased Premises by UTS at its cost at any time prior to or upon the termination of this Lease; provided, however, UTS shall be liable for any material damage or injury to the Leased Premises occasioned by such removal.
- (j) UTS shall have the right to finance the acquisition and installation of UTS property by granting a security interest therein or entering into an equipment lease therefor; and in connection therewith, MHMR agrees to subordinate any landlord's lien which it may possess on any and all of UTS property.
- (k) Any and all necessary or desirable changes and alterations in or to the improvements, in excess of \$10,000,

constructed by UTS upon the Leased Premises shall be approved in writing by MHMR prior to the commencement of the changes or alterations and such approval shall not be unreasonably withheld. All such permitted changes and alterations shall be immediately considered a part of the Leased Premises. UTS covenants and agrees that all work done in connection with any alteration shall be done in a good workmanlike manner and in compliance with all federal and state rules and regulations.

- (l) All of the covenants, agreements, conditions and restrictions set forth in this Agreement are intended to be and shall be construed as covenants running with the land, binding upon, inuring to the benefit of and enforceable by the parties hereto and their successors and assigns.
- (m) MHMR, through agents or representatives, shall have full right and authority to enter in and upon the Leased Premises, and any building or improvements to be constructed by UTS thereon, at any and all reasonable times during normal business hours during the Term of this Lease upon reasonable notice to UTS and without interference with the use or business of UTS for the purpose of inspecting the same, without the interference or hindrance by UTS or by agents or representatives.
- (n) With the prior written consent of MHMR, UTS shall have the right to sublet all or any portion of the Leased Premises, or the improvements constructed thereon by UTS for activities consistent with or related to the construction and operation of UTMSI. Any sublease or assignment shall be subject and subordinate to this Lease. No prior written consent shall be required for the assignment, subletting or transfer of this Lease in the event that such assignment, subletting or transfer occurs in connection with a reorganization of UTS by a mere change in the identity, form, or place of organization. UTS and MHMR agree to share equally the net excess of revenues over expenditures incurred as a result of any such sublease.
- (o) On September 1, 1985, and thereafter, UT Health Science Center shall obtain utility services and sewer facilities required for use of the Leased Premises. UTS shall pay or cause to be paid all subsequent charges for gas, electricity, water, sewer service, telecommunications, and other utilities obtained for the Leased Premises during the Term of this Lease and all sewer use charges or similar charges or assessments for utilities levied against the Leased

Premises during the Term of this Lease. A list of utility providers is attached at Exhibit 36.

- (p) On September 1, 1985, and thereafter, UTS covenants, throughout the Term hereof, to take good care of all improvements constructed by UTS upon the Leased Premises and, subject to the provisions of this Lease, elsewhere set forth, to keep the same in good working order and condition, excepting reasonable wear and tear, and to make all necessary repairs thereto, interior and exterior, structural and nonstructural. UTS shall keep and maintain all portions of the improvements constructed by UTS upon the Leased Premises and all sidewalks, passageways and driveways within the Leased Premises in a clean and orderly condition.
- (q) On September 1, 1985, and thereafter, UTS shall not suffer or permit any mechanics' or materialmen's liens to be enforced against the Leased Premises or against the fee estate of MHMR as to the Leased Premises, by reason of work, labor, services or materials supplied or claimed to have been supplied to UTS or anyone holding the Leased Premises or any part thereof, through or under the Lease. If any such mechanics' or materialmen's liens shall at any time be filed against the Leased Premises, UTS shall, within 90 days after notice to UTS of the filing thereof, cause the same to be discharged of record or make provisions acceptable to MHMR for the discharge of such lien; provided, however, that UTS shall have the right to contest the amount or validity, in whole or in part, of any such lien by appropriate proceedings.
- (r) If, at any time during the Term of this Agreement, the Leased Premises or any part thereof shall be damaged or destroyed by fire or other casualty of any kind or nature, ordinary or extraordinary, foreseen or unforeseen, UTS shall, to the extent only that funds are made available by MHMR, repair, alter, restore, replace or rebuild the same to such extent and in such manner as UTS may deem appropriate; provided, however, in the event such damage or destruction occurs during the last five years of the Term of this Lease, UTS may elect whether or not it wishes to repair, restore, replace or rebuild. Such repair, alteration, restoration, replacement or rebuilding, including such changes and alterations as aforementioned and including temporary repairs for the protection of other property pending the completion of any thereof, are sometimes referred to in this Section as "Work." All insurance

money, if any, paid on account of such damage or destruction, shall be available for the payment of the cost of the Work to the extent such insurance proceeds are required for such purpose. No mortgage of the fee or any other creditor of MHMR shall be entitled to receive any of the proceeds.

- (s) In no event shall UTS be entitled to any abatement, allowance, reduction or suspension of rent because part or all of the Leased Premises shall be untenable owing to the partial or total destruction thereof, and notwithstanding anything herein to the contrary, no such damage or destruction shall affect in any way the obligation of UTS to pay the rent due and other charges herein reserved or required to be paid, nor release UTS of or from any obligation imposed upon UTS under this Lease.
- (t) Notwithstanding the provisions of (r) and (s) above, UTS shall have the right to terminate this Lease if at any time during the Term of this Lease any Improvements constructed by UTS on the Leased Premises shall be damaged or destroyed by fire or any other casualty whatsoever to the extent that it would not be in the best interest of UTS and MHMR to repair such damage.
- (u) The time within which either party hereto shall be required to perform any act under this Agreement shall be extended by a period of time equal to the number of days during which performance of such act is delayed unavoidably by strikes, lockouts, Acts of God, governmental restrictions, failure or inability to secure materials or labor by reason of priority or similar regulations or order of any governmental or regulatory body, enemy action, civil disturbance, fire, unavoidable casualties or any other cause beyond the reasonable control of either party hereto.

Sec. 17. Term

- (a) Subject to Legislative action, this Lease between MHMR and the Board of Regents of UTS shall be for an initial term of two years, automatically renewable for two-year terms thereafter unless either party gives written notice of this intention not to renew at least sixty (60) days prior to the expiration of the initial term or renewal term, as the case may be.
- (b) Notwithstanding any other provisions in this Lease, to the contrary, either party may terminate this Lease for good

cause so long as such termination is not inconsistent with applicable state law, at any time prior to the expiration of the initial term or any renewal term, by giving the other party written notice one year prior to the proposed date of termination. Such notice shall include a detailed statement of the cause or causes, which may be deficiencies in the performance of responsibilities under this Lease and the other party shall have 6 months within which to remedy the cause or causes or to cure the specified deficiencies, as the case may be. In the event there remains a dispute as to whether or not the cause or causes have been remedied or at the proposed date of termination, then such dispute shall be submitted to the Oversight Committee.

- (c) UTS shall have the right to terminate this Lease upon 90 days prior written notice upon failure to obtain funds sufficient to operate UTMSI as budgeted.

Sec. 18. Rent

Pursuant to S.B. 1295, UTS shall pay rent to MHMR in the amount of one dollar per year for the Term of this Lease.

Sec. 19. Sale or Other Disposition of Land, Buildings, Improvements, Major Fixed Equipment

Pursuant to S.B. 1295, and subject to the prior fulfillment of the conditions set forth in Sec. 13, above, and subject to the provisions of Section 20 below, MHMR may sell or otherwise dispose of the land, buildings, improvements thereon, or major fixed equipment provided that the proceeds from the sale or other disposition shall be used in Harris County for the purposes indicated in Section 1(b) of this Agreement. Subject to the requirements of S.B. 1295, the acquisition or improvement of capital assets which will assist MHMR in the delivery of services in Harris County shall be the purpose for which any such proceeds will be expended.

Sec. 20. Conditions Prior to Sale or Other Disposition

Subject to the prior fulfillment of the conditions set forth in Sec. 13, above, the Board of Regents of The University of Texas System, prior to any sale or other disposition as provided for in Section 19, shall consider and determine whether to approve such sale or disposition and the allocation of

proceeds. No sale or other disposition shall be valid without the approval of the Board of Regents.

PART C: TRANSFER AGREEMENTS, CONDITIONS TO
OBLIGATIONS, CLOSING FUNDS, RESEARCH,
APPROPRIATIONS, CONTRACTS FOR SERVICES

Article IV. TRANSFER AGREEMENTS

Sec. 21. Representations and Covenants of MHMR and UTS
Regarding Personnel

- (a) MHMR represents that the names and titles of persons listed at Exhibit 15 constitute the present institute personnel. UTS agrees that present institute personnel shall be allowed to apply for employment with UTS and be given priority consideration for such employment.
- (b) Unless or until state law provides otherwise, if employed by UTS on or after September 1, 1985, TRIMS employees who become employees of the UTS shall, pursuant to S.B. 1295, become members of the Teacher Retirement System of Texas, if they are otherwise eligible under the law and rules governing membership, and all their service and salary credit shall be transferred from the Employees Retirement System to the Teacher Retirement System, subject to Subsections (c) and (d) of this section.
- (c) Unless or until state law provides otherwise, service of those employees that was covered by the Employees Retirement System before the transfer shall thereafter be regarded as service that was covered by the Teacher Retirement System. The law and rules of the Teacher Retirement System pertaining to membership, service and salary credit, member contributions, and reinstatement of withdrawn accounts shall apply to service occurring before the transfer, except that the member contribution rate for such service shall be that in effect for members of the Employees Retirement System. Member contributions previously withdrawn from the Employees Retirement System may be reinstated in the Teacher Retirement System only subject to the laws and rules governing reinstatement of accounts and credit in the Teacher Retirement System.

- (d) Unless or until state law provides otherwise, military service credit already established with the Employees Retirement System shall be credited by the Teacher Retirement System only when the employee's service credit, excluding military credit, in the Teacher Retirement System consists of at least 10 years. Deposits for military credit transferred under Subsection (e) of this section will be placed in the member savings account of the employee and refunded if the employee dies or retires on a disability benefit before obtaining 10 years of credit. An employee may obtain a total of no more than five years of military service credit in the Teacher Retirement System, including military credit transferred pursuant to this section, and may not receive duplicate credit for the same military duty.
- (e) Unless or until state law provides otherwise, when credit is transferred pursuant to this section or as soon thereafter as possible, the Employees Retirement System shall transfer to the Teacher Retirement System the following:
- (1) all amounts in the individual member accounts with the Employees Retirement System of employees described in Subsection (b) of this section and of any member contributions subsequently received for these employees for service before the date of transfer; and
 - (2) an amount from the state accumulation fund determined by the actuary of the Employees Retirement System to be such that the transfer of funds and service credit under this section will neither increase nor diminish the period required to amortize the unfunded liability of that system.
- (f) Unless or until state law provides otherwise, an employee described in Subsection (b) of this section shall not be entitled to a refund of contributions or retirement from the Employees Retirement System in lieu of the transfer of credit provided by S.B. 1295. After the transfer of the institute to UTS, the employee shall not be entitled to credit in the Employees Retirement System for service subject to transfer to the Teacher Retirement System under this section.
- (g) Unless or until state law provides otherwise, MHMR and UTS acknowledge that the legislature may appropriate to the Teacher Retirement System an amount determined necessary to finance the additional actuarial liabilities created by

this section and not financed by the transfer of funds provided by Subsection (e) of this section.

- (h) Unless or until state law provides otherwise, MHMR and UTS shall provide the Teacher Retirement System with information necessary to establish employees' rights to credit under this section. The Employees Retirement System and the Teacher Retirement System shall establish procedures to prevent duplication of retirement credit for the same service.
- (i) If employed by The University of Texas System, such former TRIMS employees shall be subject to the personnel policies, Rules and Regulations of the Board of Regents of The University of Texas System, after the transfer provided for in this Agreement.

Sec. 22. Representations, Covenants, Warranties of MHMR and UTS Regarding Inventories, Maintenance, Agreements, and Other Miscellaneous Matters

- (a) MHMR is a nonprofit state agency duly organized and validly existing under the laws of the State of Texas.
- (b) MHMR has the legal power and authority to own all of the assets and properties that will be owned by it on the Closing Date and to perform all of its agreements and obligations set forth in this Agreement; and the execution and delivery of this Agreement and performance of MHMR agreements and obligations set out herein by its officers and agents have been duly approved and authorized by the Board of MHMR.
- (c) The consummation of the transactions contemplated by this Agreement will not result in the breach of any term or provision of, or constitute a default under, any deed, mortgage, deed of trust, lease, grant or contract, or other agreement or instrument to which MHMR is a party or by which it is bound, or to which any of its assets or properties are subject.
- (d) MHMR is the fee estate owner of the Leased Premises under Deed in lieu of Lost Deed dated May 19, 1959, a copy of which is attached as Exhibit 16, between donor, and MHMR as donee; and the Deed is now and on the Closing Date will be in full force and effect, and MHMR is not, now and on the

Closing Date will not be in violation of or default under any term or provision thereof.

- (e) MHMR now owns, and on the Closing Date will own, the building and improvements including major fixed equipment, a list of which equipment is attached as Exhibit 17, constituting TRIMS, that are constructed and are located on the land covered by the Deed, subject to the terms and provisions of the Deed.
- (f) MHMR, on behalf of TRIMS, now owns all of the movable equipment described in Exhibit 18, attached hereto and made a part hereof, and none of the movable equipment is, to the knowledge or belief of MHMR, subject to any lien, security agreement, encumbrance or other charge; and on the Closing Date, the movable equipment (except for such changes therein as may in the meantime be made in due course of operations) will be owned by MHMR and not, to the knowledge or belief of MHMR, subject to any lien, security agreement, encumbrance or other charge (except as stated above).
- (g) MHMR, on behalf of TRIMS, is not now, and on the Closing Date will not be, a party, as lessor or lessee, to any lease covering personal property except those listed at Exhibit 19. Copies of such leases are attached at Exhibit 20.
- (h) MHMR, on behalf of TRIMS, is not now, and on the Closing Date will not be a party to any maintenance or other contract except those listed at Exhibit 21. Copies of maintenance or other contracts are attached at Exhibit 22.
- (i) MHMR, on behalf of TRIMS, is not now, and on the Closing Date will not be a party to any Affiliation Agreements except those listed at Exhibit 23. Copies of Affiliation Agreements are attached at Exhibit 24.
- (j) MHMR, on behalf of TRIMS, is not now, and on the Closing Date will not be the owner or the owner of any parts of a library except that inventory of the library of the institute as listed at Exhibit 25.
- (k) MHMR, on behalf of TRIMS, is not now, and on the Closing Date will not be the permit holder of any permits except those listed at Exhibit 26. Copies of permits are attached at Exhibit 27.

- (l) MHMR, on behalf of TRIMS, is not now, and on the Closing Date will not be the licensor nor licensee of any licensor except for those listed at Exhibit 28. Copies of licenses are attached as Exhibit 29.
- (m) MHMR, on behalf of TRIMS, is not now, and on Closing Date, will not be accredited excepted by those entities listed at Exhibit 30. Copies of Accrediting Statements are attached as Exhibit 31.
- (n) MHMR, on behalf of TRIMS, is not now, and on Closing Date will not be a party to any grievance, EEOC or Section 504 complaint, or lawsuit other than those listed at Exhibit 32.
- (o) MHMR, on behalf of TRIMS, is not now, and on Closing Date will not be the owner or holder of title of any motor vehicle except except for those listed at Exhibit 33. MHMR agrees that the titles, copies of which are found at Exhibit 33, shall be signed over by its representative to UTS's representative at 12:01 a.m. on September 1, 1985, at the administrator's office.
- (p) MHMR is the recipient of the grants and is the performing party under the contracts described in Exhibit 34, hereto attached and made a part hereof, and the data shown on Exhibit 35, pertaining to the grants and contracts are true and correct. MHMR will use its best efforts to continue each of the grants and contracts in effect to the Closing Date. MHMR, on behalf of TRIMS, is not now, and on the Closing Date will not be, a party to any grants and contracts except those described on Exhibits 34 and 35, those, if any, which MHMR may, prior to the Closing Date, receive or enter into with the written consent of UTS.
- (q) MHMR, on behalf of TRIMS, is not now, and on the Closing Date, will not be the owner or holder of copyrights or other intellectual property interests except those listed at Exhibit 37.
- (r) UTS represents, covenants and warrants that the Board of Regents of UTS, for the benefit of the UT Health Science Center at Houston, has the legal power and authority to accept and own the assets and properties of MHMR or TRIMS that will be contributed, transferred, assigned and delivered to the Board of Regents of UTS for the benefit of

UT Health Science Center, as contemplated by this Agreement, and to perform all of its agreements and obligations set forth in this Agreement.

- (s) The execution and delivery of this Agreement and performance of UTS's agreements and obligations set out herein by its officers and agents and by the officers and agents of UT Health Science Center have been duly approved and authorized by the Board of Regents of UTS.
- (t) The Board of Regents of UTS hereby authorizes UT Health Science Center at Houston to recruit, employ, train, promote, assign and set rates of compensation, suspend or terminate employees of UTMSI in accordance with the Rules and Regulations of the Board of Regents, all as necessary for UTS to fulfill its obligations under this Agreement for the proper operation and maintenance of the UTMSI. All such employees shall be employees of and shall be carried on the payroll of UT Health Science Center and shall not be employees of MHMR.

Sec. 23. Financial Audit of TRIMS

- (a) MHMR will before December 31, 1985, deliver to UTS the Balance Sheet of TRIMS as of August 31, 1985 and a related Operating Statement for the 12 month period then ended, certified by a joint audit team of employees of MHMR and UTHSCH. Such statements will be true, correct and complete, will be prepared in accordance with sound accounting practice and principles consistently followed, and will fairly present the condition of TRIMS on the date of said Balance Sheet. MHMR will have no knowledge of any liability, actual, contingent or otherwise, which will not be reflected in said Balance Sheet, including the related schedules, if any, and notes.
- (b) MHMR and UTS agree that MHMR may sublease space in the Leased Premises for purposes of closing the books of TRIMS and closing personnel matters under such terms and conditions as the Commissioner and the Executive Vice Chancellor may in writing mutually agree upon at Closing. The sublease may also be entered into for such other purposes as the Commissioner and the Executive Vice Chancellor may mutually agree upon.

Sec. 24. Ratification, Confirmation, and Validation of
Contracts and Written Obligations; Waivers

- (a) Pursuant to S.B. 1295, the contracts and written obligations of every kind and character as listed in Exhibits attached to this agreement and entered into by the MHMR for and on behalf of TRIMS shall be considered by UTS as ratified, confirmed, and validated by operation of law on September 1, 1985, and in all such contracts and written obligations, the Board of Regents of The University of Texas System shall be substituted in lieu and shall stand and act in place and stead of MHMR.
- (b) No variations, modifications or changes herein or hereof shall be binding upon any party hereto unless executed by such party or by a duly authorized officer or a duly authorized agent of the particular party. No waiver or waivers of any breach or default or any breaches or defaults by either party of any term, condition or liability of or a performance by the other party of any duty or obligation hereunder, including without limitation the acceptance by MHMR, or payment by UTS of any rentals at any time or in any manner other than as herein provided, shall be deemed a waiver thereof or of any waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver or waivers of subsequent breaches or defaults of any kind, character or description under any circumstances. The acceptance by MHMR of any performance, rental, additional rent or other sum or sums of money or other charges herein reserved to be paid or provided to be done by UTS from any person, firm, or corporation other than UTS shall not discharge UTS or any others liable with UTS except to the extent of the performance any payment so accepted by MHMR from liability to pay the rental, additional rent or other sum or sums of money and other charges herein provided to be paid by UTS or from liability to perform any of the terms, covenants, conditions and agreements herein set forth.

Article V. CONDITIONS TO OBLIGATIONS
UNDER TRANSFER AGREEMENTS; CLOSING

Sec. 25. Conditions to Obligations of MHMR

The agreements and obligations of MHMR herein set forth shall be subject to the fulfillment of each of the following

conditions on or before the Closing Date (any one or more of which MHMR may expressly waive by a written instrument signed by its Commissioner or written designee and delivered to UTS):

- (a) UTS shall have performed all of the agreements required to be performed by it on or before the Closing Date;
- (b) The representations, covenants and warranties of UTS shall be true in all material respects on and as of the Closing Date as if made on the Closing Date, except as otherwise contemplated by this Agreement;
- (c) UTS shall have delivered to MHMR its certificate signed by a duly authorized officer stating that all representations, covenants and warranties of UTS herein contained are true on and as of the Closing Date in all material respects as if made on that date;
- (d) MHMR or UTS shall have received from all necessary persons written consents to any assignments and transfer of rights, titles and interests in written contracts to the Board of Regents of UTS for the benefits of UT Health Science Center;
- (e) MHMR or UTS shall have received from the various lessors of the equipment leases their consents to the assignment and transfer to UTS of the rights, titles and interests of the lessee under their respective equipment leases;
- (f) MHMR or UTS shall have received from the donors and contracting parties of the grants and contracts their written consents to the assignment and transfer of their respective grants and contracts to UTS, and the assumption and agreement to perform same by UTS, and
- (g) UTS shall have delivered to MHMR an opinion from its Office of General Counsel for UTS in this transaction, dated the Closing Date, to the effect that:
 - (1) The Board of Regents of UTS, for the benefit of UT Health Science Center, has the legal power and authority to accept and own the assets and properties of MHMR that will be contributed, transferred, assigned and delivered to the Board of Regents of UTS for the benefit of UT Health Science Center as contemplated by this Agreement, and to perform all of its agreements and obligations set forth in this Agreement; and

- (2) The execution and delivery of this Agreement and performance of the agreements and obligations of UTS set out herein by the officers and agents of UTS have been duly approved and authorized by the Board of Regents of UTS; and no further approval or action is required in connection therewith.

Sec. 26. Conditions of Obligations of UTS

The agreements and obligations of the Board of Regents of UTS, expressly including those of UTS and the UT Health Science Center at Houston herein set forth shall be subject to the fulfillment of each of the following conditions on or before the Closing Date (any one or more of which the Board of Regents of UTS may expressly waive by a written instrument signed by the Chancellor or the Executive Vice Chancellor for Health Affairs of UTS, or by the President of the UT Health Science Center, and delivered to MHMR):

- (a) MHMR shall have performed all of its agreements required to be performed by it on or before the Closing Date;
- (b) The representations, covenants and warranties of MHMR shall be true in all material respects on and as of the Closing Date as if made on the Closing Date, except as otherwise contemplated by this Agreement;
- (c) MHMR shall have delivered to UTS its certificate signed by its Commissioner stating that all representations, covenants and warranties of MHMR herein contained are true on and as of the Closing Date in all material respects as if made on that date;
- (d) UTS shall have received from the various lessors of the equipment leases their consents to the assignment and transfer to UTS of the rights, titles and interests of the lessee under their respective equipment leases;
- (e) UTS shall have received from the donors and contracting parties of the grants and contracts their written consents to the assignment and transfer of their respective grants and contracts to UTS and the assumption and agreement to perform same by UTS;
- (f) MHMR shall have delivered to UTS an opinion from its Office of General Counsel for MHMR in this transaction, dated the Closing Date, to the effect that:

- (1) The Board of MHMR has the legal power and authority to lease and transfer the assets and properties of MHMR that will be contributed, transferred, assigned and delivered to the Board of Regents of UTS for the benefit of UT Health Science Center as contemplated by this Agreement, and to perform all of its agreements and obligations set forth in this Agreement; and
- (2) The execution and delivery of this Agreement and performance of the agreements and obligations of MHMR set out herein by the officers and agents of MHMR have been duly approved and authorized by the Board of MHMR; and no further approval or action is required in connection therewith.

Sec. 27. Closing

Consummation of the assignment and transfer of TRIMS to UTS, as contemplated by this Agreement, which event is herein sometimes called the "Closing", will take place at the office of TRIMS, at 1300 Moursund Avenue in Houston, Texas, at 1:00 o'clock p.m. (Central Daylight Savings Time) on August 19, 1985. PROVIDED, HOWEVER, that if the conditions for closing hereinabove set forth shall not have been fulfilled by August 19, 1985, or other good cause exists for deferring the Closing, MHMR or UTS may upon written notice to the other postpone the Closing to another date mutually agreed upon by them, but not beyond August 31, 1985. The date of the Closing is herein called the "Closing Date." The Closing shall be effective on and as of August 19, 1985, (herein called the "Effective Date of the Closing") whether such date be prior or subsequent to the actual Closing Date; but by mutual agreement of MHMR and UTS a different date may be designated as the Effective Date of the Closing.

At the Closing MHMR will execute and deliver to UTS designating as grantee or assignee the Board of Regents of The University of Texas System, for the use and benefit of UT Health Science Center in the operation of UTMSI:

- (a) MHMR's good and sufficient Lease, leasing the fee estate and the right, title and interest of MHMR to the Leased Premises, and granting and conveying the building and improvement on the land covered by the Lease, together with the major fixed equipment;

- (b) MHMR's good and sufficient Bill of Sale assigning, transferring and delivering the movable equipment;
- (c) MHMR's good and sufficient Assignments, assigning, transferring and delivering:
 - (1) the rights, titles and interest of the lessee under the equipment leases;
 - (2) the rights, agreements and obligations of MHMR under those maintenance contracts which will not have been theretofore terminated at the request of UTS;
 - (3) the rights, agreements and obligations of MHMR under the grants and contracts (except any approval for the transfer of which, shall not have been obtained); and
- (d) Under appropriate cover letter from the Commissioner to the Executive Vice Chancellor, MHMR's good and sufficient checks, stock powers, assignments and other instruments as may be necessary or appropriate to assign, transfer and deliver to UTS all of MHMR's cash funds, bank accounts, insurance policies (except those that shall have been cancelled or terminated at the request of UTS) and other assets and properties owned by it on the Effective Date of the Closing, and appropriate references to sources of funds for this agreement and contracts hereunder; and
- (e) Duplicate signed or other copies of any releases MHMR will have obtained from MHMR employees;

At the Closing the Board of Regents of UTS will join MHMR in the execution of, and deliver to MHMR executed counterparts of the Assignments of MHMR, whereby the Board of Regents of UTS will expressly assume and agree to perform all of the agreements and obligations of MHMR contained in, arising out of or pertaining to the equipment leases, maintenance and other contracts, grants and contracts referred to therein.

Each party agrees to pay and discharge all costs and expenses, including attorneys' fees and expenses, incurred by it in connection with this Agreement and its consummation.

Article VI. FUNDS, RESEARCH APPROPRIATIONS,
CONTRACT FOR SERVICES

Sec. 28. Funds

Any gifts, grants, unexpended balances of appropriated or unappropriated funds, and all movable equipment held by MHMR on behalf of, or for the use and benefit of the TRIMS shall be transferred to UTS on September 1, 1985, pursuant to the provisions of S.B. 1295, S.B. 1322, H.B. 20. Unless otherwise determined through a review of legislative intent, all funds collected and held by the Genetics Counseling and Screening component of TRIMS through August 31, 1985, pursuant to the provisions of Sec. 2.25 of Art. 5547-202, V.T.C.S., shall be retained by MHMR.

Sec. 29. Research Appropriations

Pursuant to S.B. 1295, the sum of \$1 million appropriated to MHMR for the conduct of research at TRIMS in H.B. 20, Acts of the 69th Legislature, Regular Session, 1985, shall be transferred by MHMR to UTS for the conduct of that research on September 1, 1985.

Sec. 30. Contract for Services

Funds that are the subject of the contract for inpatient and outpatient services between MHMR and UTS, as found at Exhibit 40, shall be paid from MHMR to UTS in the manner indicated in the terms of such a contract.

Article VII. OTHER TRANSFER AGREEMENTS

Sec. 31. Phases of Transition and Transfer

- (a) MHMR and UTS agree that the transition and transfer from TRIMS to UTMSI consists of three phases as follows:

Phase I: Activities prior to Closing Date;
Phase II: Activities from Closing Date to
September 1, 1985; and
Phase III: Activities after September 1, 1985.

- (b) During Phase I, the Contract for Services for Psychiatric Inpatients and Outpatients was executed by the Commissioner on behalf of MHMR and by the Executive Vice Chancellor on behalf of UTS.
- (c) The Contract for Services executed by the Commissioner and the Executive Vice Chancellor during Phase I is in all respects hereby ratified, confirmed and validated by MHMR and UTS.
- (d) During Phase II, the activities listed in Sections 32 and 33, below, are to take place and MHMR and UTS agree to approve, confirm, and validate those activities at their respective next meetings of their Boards.
- (e) During Phase III, MHMR and UTS agree to participate in the transfer evaluation as provided for in Section 13, above, and perform the actions required of each in any contract of services for inpatient and outpatient care, and for any extramural and other laboratory consultative services.

Sec. 32. Agreements to be Performed by MHMR Before Closing

(a) MHMR will duly adopt:

- (1) a resolution to dissolve TRIMS and cease conducting its affairs (except insofar as may be necessary for the winding up thereof); and
- (2) the Plan of Dissolution (the "Plan of Dissolution") consistent with the terms and provisions of this Agreement, a copy of which is set out in Exhibit 41 and incorporated herein as if recited verbatim.

(b) MHMR will promptly deliver to UTS: certificates in due form of the resolutions of its Board authorizing and directing the execution of this Agreement and performance of the agreements and obligations of MHMR set forth herein, and authorizing the dissolution of TRIMS; and a copy of the Plan of Dissolution.

(c) MHMR will use its best efforts to obtain prior to the Closing:

- (1) The written consent of the various lessors of the equipment leases to the assignment and transfer of the

rights, titles and interests of the lessee thereunder to UTS;

- (2) The written consent of the other parties to all maintenance contracts to UTS (except such of them as UTS will request MHMR to terminate as of the Effective Date of the Closing);
 - (3) The written approval of those who made same to the assignment and transfer of the pledges to UTS; and
 - (4) The written consent of the donors and contracting parties of the grants and contracts to the assignment and transfer thereof to UTS as of the Effective Date of the Closing.
- (d) MHMR will not, after August 2, 1985, without the prior written consent of UTS accept or enter into any new grant or contract similar to those described in Exhibit 35.
- (e) MHMR will, upon being requested in writing by UTS to do so, give notice of termination, as of the Effective Date of the Closing, to the other parties to such maintenance contracts as are described in Exhibit 22 that UTS will not desire to maintain in effect after the Effective Date of the Closing.

Sec. 33. Agreements of UTS to be Performed Prior to Closing

UTS will promptly deliver to MHMR a certificate in due form of the resolution of its Board of Regents authorizing and directing the execution of this Agreement and performance of the agreements and obligations of UTS set forth herein.

Sec. 34. Agreements to be Performed by MHMR After Closing

- (a) MHMR will upon the request of UTS execute and deliver such additional correction Assignments, Bills of Sale and supplemental and other documents and instruments as may be required, appropriate or reasonably requested in order to vest in the Board of Regents of UTS the leasehold estate under the Lease, the movable equipment and the other assets and properties to be conveyed, assigned and delivered hereunder, and otherwise to carryout and perform the terms, provisions and intent of this Agreement.

- (b) MHMR will carry out and comply with the Plan of Dissolution of TRIMS and dissolve and wind up its affairs as set forth in the Plan of Dissolution.

Sec. 35. Agreements of UTS to be Performed After the Closing

- (a) The Board of Regents of UTS will upon the request of MHMR execute and deliver such additional documents and instruments as may be required, appropriate or reasonably request to carry out and perform the terms, provisions and intent of this Agreement.
- (b) UTS agrees that, except only to the extent it may be unable to obtain funds therefor: UTS will maintain and continue the operation of UTMSI in the manner specified herein.

PART D: MISCELLANEOUS

Article VIII. MISCELLANEOUS

Sec. 36. Survival of Representations

All representations, covenants, warranties, agreements, and obligations of either party contained herein shall survive the Closing and remain in full force and effect.

Sec. 37. Construction of Agreement

- (a) This Agreement shall be liberally construed, consistent with the provisions of the laws of the State of Texas.
- (b) If any term, provision, condition or covenant of this Agreement or the application thereof to any party or circumstances shall, to any extent, be held invalid or unenforceable, the remainder of this Agreement, or the application of such term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

(c) This Agreement, together with the exhibits hereto attached and the schedules and documents herein referred to and prepared and delivered pursuant to this Agreement, embody the entire agreement between the parties. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall be deemed for all purposes one Agreement.

Sec. 38. Amendments

This Agreement may be amended only by written instrument executed by authorized signatories for the parties hereto.

Sec. 39. Non-Assumption of Liabilities

UTS shall not by entering into and performing this Agreement assume or become liable for any of the obligations, liabilities or debts of MHMR or TRIMS other than as provided for in S.B. 1295 and H.B. 20. No partnership or joint venture is intended or created by this Agreement.

Sec. 40. Exoneration

Notwithstanding any term or provision of this Agreement or any statute or rule of law to the contrary, no officer, employee or agent of MHMR, UTS, and TRIMS shall have any personal responsibility, obligation or liability for, arising out of, or in connection with any term or provision of this Agreement or hereunder, and each of them is fully exonerated in connection therewith, except only for acts or conduct involving personal dishonesty.

Sec. 41. Notices

Any Notice, communication, request, reply or advice, or duplicate thereof (hereinafter severally and collectively, for convenience, called "Notice") in this Agreement provided or permitted to be given, made or accepted by the parties to any other party must be in writing, and may, unless otherwise in this instrument expressly provided, be given or be served by depositing the same in the United States mail, postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same in person to such party, or if the party or parties to be

notified be incorporated, to an officer of such party, or be prepaid telegram when appropriately addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be effective, unless otherwise stated in this Agreement, from and after the expiration of five (5) days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For purposes of notice and addresses of the parties shall, until changed as hereinafter provided, be as follows:

If to MHMR, addressed to:

Board of Texas Department
Mental Health and Mental Retardation
909 West 45th Street
Austin, Texas 78756
Attention: Dr. Gary Miller, Commissioner

with copies to:

Office of General Counsel, MHMR
909 West 45th Street
Austin, Texas 78756
Attention: Mr. W. Kent Johnson,
Director of Legal Services

If to UTS addressed to:

The Board of Regents of The University
of Texas System
c/o The University of Texas System
Office of Investments and Trusts
210 West Sixth Street
Austin, Texas 78701
Attention: Executive Secretary
Arthur H. Dilly

with copies to:

(1) Office of the Chancellor
601 Colorado Street
Austin, Texas 78701
Attention: Dr. Charles B. Mullins,
Executive Vice-Chancellor for Health Affairs

- (2) Office of the President
The University of Texas Health
Science Center at Houston
P.O. Box 20036
Houston, Texas 77225
Attention: Dr. Roger J. Bulger, President
- (3) Office of General Counsel, U.T. System
Attention: John L. Darrouzet, Attorney
201 West Seventh Street
Austin, Texas 78701

However, the parties hereto and their respective heirs, successors, legal representatives and assigns shall have the right from time to time and at any time to change their respective addresses and shall have the right to specify as their respective addresses and other addresses within the United States of America by at least fifteen (15) days' written notice to the other party; provided, however, if at any one time more than one person or party owns an interest in the Leased Premises, nevertheless such persons or parties may not designate more than two such persons or parties may not designate more than two places or addresses to receive notice pursuant to the terms hereof. Each party shall have the right to change such party's address for purposes of notice, by giving written notice to the other party in the manner herein set forth.

EXECUTION

EXECUTED as of the day and year first above written.

Texas Board of Mental Health
and Mental Retardation

Recommended for Approval:

By: _____

Title: _____

Form Approved:

Content Approved:

W. Kent Johnson
Director of Legal Services

Dr. Gary Miller
Commissioner

Attest:

Approved:

Barbara Miller
Secretary
MHMR Board

R. Coke Mills
Chairman
Board of MHMR

The Board of Regents of
The University of Texas
System on behalf of The
University of Texas Health
Science Center at Houston

Recommended for Approval:

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

Form Approved:

Content Approved:

Office of General Counsel
The University of Texas
System

Dr. Charles B. Mullins
Executive Vice Chancellor for
Health Affairs

Attest:

Approved:

Arthur H. Dilly
Executive Secretary to the
Board of Regents

Jess Hay
Chairman
The Board of Regents

Contract for Services
for
Psychiatric Inpatients and Outpatients

THIS CONTRACT, dated August 1, 1985, by and between The Texas Board of Mental Health and Mental Retardation (MHMR) and The Board of Regents of The University of Texas System (UTS), acting on behalf of its component health institution, The University of Texas Health Science Center at Houston (UTHSCH), to be effective September 1, 1985, unless otherwise expressly indicated,

WITNESSETH:

WHEREAS, pursuant to the provisions of Senate Bill 1295, Acts of the 69th Legislature, Regular Session, 1985, effective September 1, 1985, MHMR by law is required to insure continuity of care for inpatients and outpatients previously served by the Texas Research Institute of Mental Sciences (TRIMS), a facility of MHMR, located in Houston, Harris County, Texas, which will be dissolved by MHMR pursuant to S.B. 1295, and

WHEREAS, pursuant to the provisions of House Bill 20, Acts of the 69th Legislature, Regular Session, 1985, MHMR has been appropriated certain funds with which to contract for services for such psychiatric patients, and

WHEREAS, pursuant to the provisions of S.B. 1295, UTS will establish on September 1, 1985, The University of Texas Mental Sciences Institute (UTMSI) as a part of UTHSCH in order to take over the facilities of TRIMS, and govern and operate such facilities, and

WHEREAS, MHMR and UTS are entering into an Agreement for Lease and Transfer of TRIMS which authorizes this Contract for Services, and

WHEREAS, UTS desires to provide services to the previous psychiatric inpatients and outpatients of TRIMS beginning on September 1, 1985,

NOW, THEREFORE, MHMR AND UTS MUTUALLY
AGREE AS FOLLOWS:

Part A: INPATIENT SERVICES

Sec. 1. Previous Patients

UTS agrees to make inpatient services available to any of the previous psychiatric patients, i.e., fiscal year (FY) 1984-85 patients of TRIMS who need them and whose identifying numbers are listed in Exhibit 5 of the Agreement for Lease and Transfer, beginning on September 1, 1985, and ending August 31, 1986, to insure continuity of services offered by TRIMS to the extent funds are made available hereunder.

Sec. 2. Other Patients

UTS agrees to make inpatient services available to mentally ill persons in Harris County other than those referred to in Section 1 to the extent funds are made available hereunder; provided, however, that previous patients receive services first; provided, further, that the number of such other mentally ill persons together with the number of previous patients being served may not be less than the number of inpatients admitted to TRIMS facilities during FY 1984-1985, provided funds are available for such treatment.

Sec. 3. Quality Inpatient Services

UTS agrees to provide quality inpatient services that are equal to or greater than those previously provided by TRIMS.

Sec. 4. Delegation

UTS may, and hereby does, delegate the authority to provide such inpatient services to UTHSCH.

Sec. 5. Subcontracting

MHMR agrees that UTS or UTHSCH may subcontract for the provision of such inpatient services.

Part B: OUTPATIENT SERVICES

Sec. 6. Previous Patients

UTS agrees to make outpatient services available to the previous psychiatric patients, i.e., FY 1984-85 patients, of TRIMS who need them and whose identifying numbers are listed in Exhibit 5 of the Agreement for Lease and Transfer, beginning September 1, 1985, and ending August 31, 1987, to insure continuity of services currently offered by TRIMS to the extent funds are made available hereunder.

Sec. 7. Other Patients

UTS agrees to make outpatient services available to mentally ill persons in Harris County other than those referred to in Section 6 to the extent funds are made available hereunder; provided, however, that previous patients receive services first.

Sec. 8. Quality Outpatient Services

UTS agrees to provide quality outpatient services that are equal to or greater than those previously provided by TRIMS.

Sec. 9. Delegation

UTS may, and hereby does, delegate the authority to provide such outpatient services to UTHSCH.

Part C: PAYMENT FOR SERVICES

Sec. 10. Payment

In consideration of services to be rendered, MHMR shall pay UTS the amount of \$6.1 million in four payments, quarterly, with the first quarterly payment being paid on September 1, 1985, for services to be rendered during FY 1985-1986 and \$895 thousand and any unexpended balances in four payments, quarterly, with the first payment being paid on September 1, 1986, for services to be rendered during FY 1986-1987. MHMR agrees to seek additional funds, pursuant to the provisions of H.B. 20, Art. II, MHMR Central Office appropriation, Sec. 20, Page II-28, should these amounts become insufficient for UTS to provide the services to the number of patients described in Parts A and B.

Sec. 11. Method of Payment

MHMR shall cause its state funds to be paid to UTS by any method allowable under state law.

With regard to the \$7.1 million noted in Item 9 of the MHMR Central Office appropriation page II-23 of Article II of H.B. 20 for the fiscal year beginning September 1, 1985, not more than \$5,635,053 applicable to inpatient and outpatient care and the \$1.0 million made applicable to research by the provisions of S.B. 1295 will be paid by MHMR to UTS from money appropriated from general revenue funds, unless otherwise permitted by law.

Any funds paid to UTS by MHMR in excess of the referenced \$5,635,053 for inpatient and outpatient care may be paid under this or other contracts provided UTS provides for the services and provides any documents to enable MHMR to meet its obligations to the original funding entity.

Part D: MISCELLANEOUS PROVISIONS

Sec. 12. Records

MHMR shall cause all records of TRIMS patients currently under control of TRIMS to be delivered to the custody of UTHSCH on September 1, 1985. At the end of the contract period, MHMR shall resume custody of the records and cause them to be removed from the premises.

Sec. 13. Amendments

MHMR and UTS agree that this Contract for Services may be amended in writing by the MHMR's Commissioner and UTS's Executive Vice Chancellor for Health Affairs or their respective designees.

Sec. 14. Notice of Cancellation

Either party to this contract may cancel the contract after giving 6 months written notice to the other party of its intent to cancel, unless an earlier time is otherwise mutually agreed upon in writing.

Sec. 15. Return of Unobligated Balances

Any funds paid to UTS by MHMR under this contract which are unobligated by UTS on the date of cancellation of this contract will be returned to MHMR within 30 days.

Sec. 16. Limitation on Expenditures

UTS will not expend or obligate any funds under this contract on or after the date it receives notice from MHMR of the intent to cancel without the prior written approval of such expenditures by MHMR, except in emergency situations; provided, however, that any and all phase out costs or obligations shall be approved.

Sec. 17. Conditioned on Board Approval

This Contract for Services is expressly conditioned on the written approval of the Texas Board of Mental Health and Mental Retardation and on the written approval of the Board of Regents of The University of Texas System.

Executed this 30th day of July, 1985.

MHMR

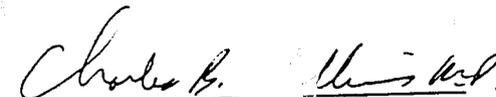
by



Dr. Gary E. Miller
Commissioner

UTS

by



Dr. Charles E. Collins
Executive Vice Chancellor
for Health Affairs

Subcontract for Services
for
Psychiatric Inpatients

THIS SUBCONTRACT, dated July 31, 1985, by and between the Hermann Hospital (Hospital) and The Board of Regents of The University of Texas System (UTS) on behalf of The University of Texas Health Science Center at Houston (UTHSCH) to be effective September 1, 1985, unless otherwise expressly indicated,

WITNESSETH:

WHEREAS, UTS has entered into a Contract for Services for Psychiatric Inpatients and Outpatients (primary contract) with The Texas Board of Mental Health and Mental Retardation (MHMR) which permits UTS to subcontract for the provision of inpatient services to certain psychiatric patients, and

WHEREAS, UTS desires Hospital to provide inpatient psychiatric services on a subcontract basis, and

WHEREAS, Hospital desires to provide such services,

NOW, THEREFORE, HOSPITAL AND UTS MUTUALLY
AGREE AS FOLLOWS:

Part A: FACILITIES AND SERVICES; PATIENTS: LIMITATIONS

Sec. 1. Facilities and Services

Hospital shall make available: (a) forty (40) private or semiprivate beds for adult patients participating in the primary contract psychiatric program of UTHSCH; (b) admission workups; (c) 24-hour medical care and other basic hospital care; (d) occupational therapy and social work services; (e) appropriate diagnostic testing and medication; and (f) other usual and customary services available to other admitted patients of Hospital.

Sec. 2. Patients

Participating patients will be identified for the hospital admitting office by the Chief of Psychiatry of Hospital or the Chief's designee.

Sec. 3. Limitations

- (a) No patient shall be admitted to Hospital under this Subcontract without the prior approval of the Chief of Psychiatry of Hospital or the Chief's designee.
- (b) The availability of beds shall be subject to disaster and emergency situations.

Part B: PAYMENT

Sec. 4. Charges

The charges for all services to participating patients shall be assessed by Hospital in accordance with its customary fee schedule.

Sec. 5. Payment

- (a) In consideration for the facilities and services set out under Section 1, above, UTS shall pay \$250,000 per month or a total of \$3.0 million for the year beginning September 1, 1985, and ending August 31, 1986.
- (b) Hospital shall make a concerted effort to collect payments from any available source which shall be deducted on a monthly basis from UTS monthly statement; provided, however, that the total amount of deductions shall not exceed \$500,000 for the contract year; and provided further that collections which are received after August 31, 1986, shall be paid to UTS so long as the total of the deductions and these additional collection payments does not exceed \$500,000 altogether.
- (c) If it becomes necessary to extend this contract beyond its term as provided in Section 10, below, UTS and Hermann shall enter into a new agreement at a rate of payment proportional to \$250,000 per month, but not to exceed that \$250,000 per month.

Part C: OTHER PROVISIONS

Sec. 6. MHMR

Hospital agrees that it will permit MHMR or any other party so designated by UTHSCH to examine and evaluate the services provided under this Subcontract, to do periodic on-site surveys and to audit or inspect its fiscal and service records relating to said services at any time. Hospital will also furnish UTHSCH or MHMR such information as may be requested relating to the services herein provided including information from Hospital records maintained on persons served by it; provided, however, that the disclosure of such information is permitted by law.

Sec. 7. Insurance

Hospital has adopted a self-insurance program for its protection against Hospital Professional Liability consisting of a combination of purchased insurance and self-insurance complying with the standards of the Medicare Provider Reimbursement Manual, Section 2162. Participants in the primary contract psychiatric program of UTHSCH would be covered while hospitalized in Hospital. Parameters of the plan are specified in the attached sworn affidavit, Exhibit A.

Sec. 8. Hospital Assurances

In providing the services for which funds are allocated, Hospital gives assurance and agrees that:

- (a) Information obtained in services to any person or persons served under this Subcontract will be available, as permitted by law, to TDMHMR and MHMRA of Harris County.
- (b) All persons shall be served without discrimination because of race, creed, religion, handicap, national origin, or sex and all services provided by Hospital will be provided in compliance with Title VI of the Civil Rights Act of 1964, and all amendments thereto.
- (c) Persons employed or under contract to Hospital will be employed and paid without discrimination because of race, creed, religion, sex, handicap, age, national origin or other Texas or federal, protected classification under Texas or federal law.

- (d) Hospital shall give priority consideration to employees and former employees of the Texas Research Institute of Mental Sciences (TRIMS) in staff expansions, reorganizations, or internal transfers necessitated for the services provided for under this Subcontract. By "priority consideration" Hospital means the consideration it will give to TRIMS employees or former employees who apply for employment with Hospital during the period of time beginning June 1, 1985, and ending December 31, 1985, whereby for a given posted position for which a TRIMS or former TRIMS employee applies, Hospital agrees to choose such employee for employment over any other applicant not then currently employed by Hospital, when taken as a whole the qualifications of all applicants are otherwise equally valued.

Sec. 9. Assignments; Amendments

No assignment of the Subcontract or the rights and obligations thereunder shall be valid without the written consent of both parties hereto; and this Subcontract may be amended only by an instrument in writing signed by both parties or representatives authorized to do so.

Sec. 10. Term

This Subcontract shall begin September 1, 1985, and shall terminate August 31, 1986, but maybe extended on a weekly basis thereafter until the opening of the Harris County Psychiatric Center. Failure to comply with the terms of this Subcontract or to provide the services herein are grounds for cancellation. Such cancellation for cause shall require 30 days advance written notice.

Sec. 11. Compliance With Law

It is mutually understood and agreed by the parties that each will comply with the laws of the State of Texas and federal laws of the United States, the regulations, orders and rules of the respective governing bodies and the terms of this Subcontract.

Sec. 12. Reservation of Rights

This Subcontract for Services is not a third-party beneficiary agreement and confers no rights upon any person or persons other than the parties to this Subcontract.

Sec. 13. Conditioned on Board Approval

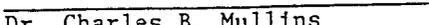
This Subcontract for Services is expressly conditioned on the written approval of the Board of Trustees of the Hermann Hospital Estate and on the written approval of the Board of Regents of The University of Texas System.

Executed this 31st day of July, 1985.

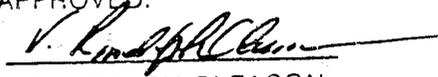
HERMANN HOSPITAL
by


E. Don Walker
President of Administration

THE UNIVERSITY OF TEXAS SYSTEM
by


Dr. Charles B. Mullins
Executive Vice Chancellor
for Health Affairs

APPROVED:


V RANDOLPH GLEASON
GENERAL COUNSEL

8. U. T. Health Science Center - Houston: Speech and Hearing Institute Advisory Council - Approval of Nominee Thereto.--Approval was given to a nominee for membership on the Speech and Hearing Institute Advisory Council at The University of Texas Health Science Center at Houston for a term to expire in 1986.

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

9. U. T. Health Science Center - San Antonio: Permission for Dr. Leonard Lawrence to Serve on the National Advisory Council on Drug Abuse of the Alcohol, Drug Abuse, and Mental Health Administration [Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)].--Permission was granted for Dr. Leonard Lawrence, Associate Dean for Student Affairs at The University of Texas Health Science Center at San Antonio, to serve on the National Advisory Council on Drug Abuse of the Alcohol, Drug Abuse, and Mental Health Administration.

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

10. U. T. Health Science Center - San Antonio (U. T. Dental School - San Antonio): Approval of Bylaws for Dental Service, Research and Development Plan (Rescission of Bylaws Adopted by the Board in July 1980).--Upon recommendation of the Health Affairs Committee, the Board approved bylaws for the Dental Service, Research and Development Plan for the U. T. Dental School - San Antonio of The University of Texas Health Science Center at San Antonio as set out on Pages 141-154.

It was reported that the U. T. Board of Regents adopted similar bylaws at their meeting in July 1980, but the Plan was never implemented because of disagreement by the San Antonio District Dental Society. Since 1980, a Liaison Committee consisting of representatives from the San Antonio District Dental Society and the U. T. Dental School - San Antonio have reached agreement on issues believed to be important by both groups. The Plan will be a "pilot program" and will be reviewed at the end of three years to determine the success and continuation of the Plan.

With the adoption of these bylaws, the bylaws for the Plan approved by the Board at its July 1980 meeting will be rescinded.

BYLAWS
THE DENTAL SCHOOL OF
THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER
AT SAN ANTONIO
DENTAL SERVICE, RESEARCH AND DEVELOPMENT PLAN

ARTICLE I
PURPOSE

The purpose of the Dental Service, Research and Development Plan (the "Plan") is to manage and hold in trust the professional income of faculty members of the Plan at the Dental School of The University of Texas Health Science Center at San Antonio (the "School"). The Plan will contribute to and safeguard the continued growth in excellence of the School. The Plan creates an Institutional Trust Fund. The purposes and operation of the Fund are described in these Bylaws.

ARTICLE II
DEFINITIONS

2.10 TOTAL COMPENSATION

2.11 For purposes of this Plan, "Total Compensation" shall be defined as that total remuneration comprised of salary and other compensation paid to faculty members by The University of Texas Health Science Center at San Antonio (the "Institution"). Total Compensation shall not be construed to include fringe benefits.

2.20 SALARY

2.21 For purposes of this Plan, "Salary" shall be defined as that part of Total Compensation set forth as "Total Salary" in the annual operating budget of the Institution, and amendments thereto as approved by the Board of Regents of The University of Texas System upon recommendation of the administration.

2.22 Each Member's Salary shall be determined annually, upon recommendation of his or her Department Chairman and the Dean of the Dental School with approval of the President of the Institution and the Office of the Chancellor in accordance with The University of Texas System Budget Rules and Procedures.

2.30 OTHER COMPENSATION

2.31 For purposes of the Plan, "Other Compensation" shall be defined as that part of Total Compensation set forth as an addition to Total Salary in the annual operating budget of the Institution, and amendments thereto, as approved by the Board of Regents of The University of Texas System upon recommendation of the administration.

2.32 Each Member's "Other Compensation" shall be determined annually, upon recommendation of his or her Department Chairman and the Dean of the Dental School with approval of the President of the Institution and the Office of the Chancellor in accordance with The University of Texas System Budget Rules and Procedures.

ARTICLE III
ORGANIZATION OF PLAN

3.10 MEMBERSHIP

3.11 Membership in the Plan is required of each full-time faculty member in a clinical department who performs professional activities as set out in 4.30, except as authorized by the U.T. Board of Regents. Members of the Plan who are licensed to practice dentistry in Texas may be active members. All other Members of the Plan are nonactive members.

3.12 A full-time faculty member in a preclinical department who generates income from dental professional activities must be a Member of the Plan.

3.13 Part-time faculty may become Members upon recommendation of the Department Chairman, and approval of the Dean of the Dental School and the President of the Institution.

3.14 All Members shall be entitled to participate in the Plan, all active Members may vote upon all business brought before the Membership of the Plan, and all active Members shall be eligible for any election or appointment to any committee of the Plan.

3.15 A Member leaving the faculty terminates Membership in the Plan without recourse.

3.20 MEETINGS OF MEMBERSHIP

- 3.21 The Membership shall meet in general session annually at a place designated by the Chairman of the Board of Directors. Notice of the annual meeting shall be distributed to each Member at least two weeks prior to the meeting.
- 3.22 Special meetings may be called by the Board, the President, the Dean, the Director, or upon written petition of one-half (1/2) of the active Members subject to two weeks notice in writing.
- 3.23 The Chairman of the Board of Directors or in his absence, the Vice-Chairman shall preside. The Secretary of the Board of Directors shall serve as Secretary of the Plan.
- 3.24 One-half (1/2) of the Membership shall constitute a quorum.
- 3.25 Each active Member shall have one (1) vote.
- 3.26 Except where otherwise specified within these Bylaws, a simple majority of the active Members who are present and voting shall constitute a prevailing vote.
- 3.27 Minutes of each meeting shall be prepared by the Secretary, published and circulated to each Member of the Board of Directors, and shall be available to each Member upon request.
- 3.28 The rules of order for meetings shall be the current edition of Robert's Rules of Order.

3.30 BOARD OF DIRECTORS

- 3.31 The Board of Directors will assume its responsibilities annually on September 1.
- 3.32 The Board of Directors shall be composed as follows:
- A. President and Executive Vice-President for Administration and Business Affairs of the Institution.
 - B. Dean of the Dental School.
 - C. The Clinic Coordinator of the Dental School.
 - D. Five active Members-at-Large, no two of whom shall be from the same clinical department, elected during the annual meeting of Members.

- E. Two active Members (clinical departments) elected from the Dental School Faculty Council after the five active Members-at-Large have been elected; with these Faculty Council members not being from the same departments as the five Members-at-Large.
 - F. The President of the San Antonio District Dental Society or a designee.
 - G. Two persons appointed by the President of the San Antonio District Dental Society.
 - H. The Director of the Plan shall be an Ex Officio Member without vote.
- 3.33 The Board of Directors shall be advisory to the Dean of the Dental School and the President of the Institution on all matters relating to the Plan.
- 3.34 The Board of Directors may create standing and ad hoc committees from the Directors or from the active Members to make recommendations upon specific matters when necessary. Committees may also be appointed at request of the active Members by vote. Appointment to these committees shall be noted in the Minutes of the Board of Directors. The Minutes shall be kept of all committee meetings and recommendations shall be submitted to the Board in writing.
- 3.35 The Board of Directors shall report its activities to the Membership at the annual meeting.
- 3.36 The Board shall meet at least quarterly on call of the Chairman of the Board, the Dean of the Dental School, the President, or on the written petition of two-thirds (2/3) of the Members of the Board.
- 3.37 The officers of the Board shall be a Chairman, a Vice-Chairman, and a Secretary.
- 3.38 The officers shall be elected annually, by the Board at the meeting of the Board in the first quarter.
- 3.39 The Chairman and Vice-Chairman shall not serve in the same office more than two (2) consecutive terms but are eligible for re-election after an intervening year. No two (2) elected officers shall be from the same clinical department.

- 3.40 The Terms of office shall be from September 1 to August 31 of the following year.
- 3.41 One-half (1/2) of the Board of Directors shall constitute a quorum.
- 3.42 Except where otherwise specified within these Bylaws, a simple majority vote shall prevail.
- 3.43 If a vacancy occurs on the Board, the President on the recommendation of the Dean of the Dental School shall appoint an active Member to fill the remainder of the unexpired term.

3.50 BUSINESS OPERATIONS

- 3.51 A Business Office shall be maintained for the Plan.
- 3.52 The Director of the Plan shall be the general and chief administrative officer and business manager. The Director and staff shall be under the direction and supervision of the Executive Vice President for Administration and Business Affairs of the Institution.
- 3.53 An annual operating budget for all income and expenditures of the Plan shall be prepared and approved in accordance with the Budget Rules and Procedures of the Board of Regents of The University of Texas System.
- 3.54 Financial reports for the Plan shall be prepared by the Director of the Plan and submitted to the Executive Vice President for Administration and Business Affairs for review and submission to the Board of Directors at each regular meeting. A copy shall also be submitted to the Office of the Chancellor.
- 3.55 Detailed accounting records of all revenue under the Plan shall be maintained by the Director of the Plan.
- 3.56 The cost of business operations and other expenses incurred in the generation of income shall be paid from income to the Institutional Trust Fund as noted in Article 4.52.

3.57 Professional fees shall be centrally billed and collected by the business office for the Plan, in accordance with procedures developed by the Director of the Plan in consultation with the Board and approved by the Executive Vice President for Administration and Business Affairs and the President. All collections will be deposited in the Institutional Trust Fund.

ARTICLE IV
INSTITUTIONAL TRUST FUND

4.10 COMPOSITION

4.11 An Institutional Trust Fund shall be established for the receipt and disbursement of Plan income.

4.12 The Institutional Trust Fund shall be composed of one or more component sections as follows:

- A. Business Operation Fund
- B. Institutional Development Fund
- C. Institutional Fringe Benefit Fund
- D. Clinical Department Fund

4.13 The Institutional Trust Fund and the component sections shall be audited annually in accordance with regulations of The University of Texas System. The cost of said audit shall be paid for from the Business Operation Fund described in 4.50.

4.20 SOURCES OF INCOME

4.21 Pursuant to the Member's contract with the Institution for participation in the DSRDP, each Member shall assign his professional income to the Institutional Trust Fund.

4.22 Income can be accepted from voluntary and part-time faculty who are not Members of the Plan, at the discretion of the individual, upon the recommendation of the Director and approval of the Dean of the Dental School, and the President of the Institution.

4.30 ITEMS INCLUDED IN PROFESSIONAL INCOME

- 4.31 Professional fees generated for all patient care services rendered by full-time faculty regardless of where rendered and by all part-time faculty who are Members of the Plan.
- 4.32 Fees for all court appearances, depositions, or legal consultations.
- 4.33 All other professional income with the exception of the following:
- A. Honoraria, royalties, nonprofessional retainers.
 - B. Payment for editing scientific publications.
 - C. Nondental professional consultation fees (honoraria).
- 4.34 Other income not specifically described above shall be reported to the President or a designee for determination.

4.40 DETERMINATION OF PROFESSIONAL FEES

- 4.41 Individual active Members of the Plan will prepare a fee schedule which shall be used for billing purposes, subject to procedures to be determined by the Board of Directors.
- 4.42 Guidelines for discounting fees will be developed by the Director of the Plan, recommended by the Board of Directors, and approved by the President. Individual active Members may alter or extinguish any charge for professional services at any time prior to billing for such services, or after billing and prior to collection where the initial charge resulted from an incorrect financial classification of patient.

4.50 BUSINESS OPERATION FUND

- 4.51 The Business Operation Fund shall be expended for the conduct of general administrative and business affairs of the Plan.
- 4.52 A percentage of the gross income from the Institutional Trust Fund, as needed to fund the approved budget of the business office of the Plan, shall be deposited each month into the Business Operation Fund.

4.53 Expenditures from the Business Operation Fund shall be subject to the same budget rules and procedures applicable to other funds within the Institutional Trust Fund.

4.60 INSTITUTIONAL DEVELOPMENT FUND

4.61 The Institutional Development Fund shall be expended to enhance and support programs of the Institution as a whole.

4.62 Additions to the Institutional Development Fund shall result from a distribution of net cash collections as determined by the President on an annual basis, after consultation with the Dean of the Dental School and the Board of Directors.

4.63 Expenditures from the Institutional Development Fund shall be at the discretion of the President. Such expenditures shall also be subject to the same budget rules and procedures applicable to other funds within the Institutional Trust Fund.

4.70 INSTITUTIONAL FRINGE BENEFIT FUND

4.71 The Institutional Fringe Benefit Fund shall be expended for basic fringe benefits, and may include supplemental retirement benefits for faculty members of the School.

4.72 Additions to the Institutional Fringe Benefit Fund shall result from a distribution of net cash collections deposited in the Institutional Trust Fund. Such distribution shall be in such amount as may be necessary to cover the basic Fringe Benefit Program plus appropriate reserves.

4.73 Expenditures from the Institutional Fringe Benefit Fund shall be made at the recommendation of the Board of Directors subject to approval of the Dean of the Dental School and the President. Such expenditures shall also be subject to the same budget rules and procedures applicable to other funds within the Institutional Trust Fund.

4.74 Expenditures allowable from the Institutional Fringe Benefit Fund shall be subject to the guidelines issued by the Office of the Chancellor. Fringe Benefits authorized by the Office of the Chancellor are set out in Appendix A.

4.80 CLINICAL DEPARTMENT FUND

- 4.81 An individual Clinical Department Fund shall be established for each clinical department in the Dental School. Clinical Department Funds shall be expended in support of faculty compensation, approved fringe benefits, Professional Liability Insurance, and functions related to teaching, research and patient-care activities.
- 4.82 Additions to the Clinical Department Fund shall result from a distribution of net cash collected and deposited in the Institutional Trust Fund. Such distribution shall be the remaining balance of said net income after the distributions to the Development Fund and the Fringe Benefit Fund.
- 4.83 Expenditures from the Clinical Department Fund shall be under the direction of the Dean of the Dental School in accordance with those items allowable per Section 4.84. Such expenditures shall also be subject to the same budget rules and procedures applicable to other funds within the Institutional Fund.
- 4.84 Expenditures allowable from the Clinical Department Fund will be detailed in Appendix B of the Plan.
- 4.85 Benefits provided pursuant to 4.71 and 4.81 which are determined by the Office of the Chancellor to be taxable to the individual Member shall be subject to withholding and reported pursuant to the rules and regulations of the Internal Revenue Service.
- 4.86 The fringe benefits provided to each Member shall be designated by the President from among those authorized by the Office of the Chancellor upon recommendation by the Dean of the Dental School. Members shall not have the authority to determine which fringe benefits they shall receive.

ARTICLE V
GENERAL PROVISIONS

5.10 ETHICS

5.11 The principles of ethics of the American Dental Society, the Texas Dental Association, and the San Antonio District Dental Society are accepted as the governing code of ethics by the Members of the Plan.

5.12 Should the principles of ethics described in 5.11 be found to be in conflict with the constitution or laws of the State of Texas or the United States of America, they shall not apply to the extent of the conflict.

5.20 AMENDMENTS

5.21 These Bylaws have been developed consistent with the standard format for Medical Service, Research, and Development Plans approved by the Board of Regents on June 14, 1984. Amendments under 5.22 may be made only as they affect discretionary provisions within that standard format.

5.22 These Bylaws may be amended by a two-thirds (2/3) vote of the active Members at any regular meeting of the Plan, provided that the proposed amendment shall have been offered at the previous meeting or by written notice to the Board of Directors and the Members not less than sixty (60) days prior to the meeting at which the amendment is brought to a vote. The President of the San Antonio District Dental Society shall be given notice of all proposed Bylaw changes.

5.23 Notice of proposed amendments required in 5.22 shall include the complete text of the proposed amendments.

5.24 Amendments shall become effective upon vote of the active Members as described in 5.22, approval by the President of Institution and the Office of the Chancellor.

5.30 CONTRACT

5.31 A contract prescribed by the Office of the Chancellor of The University of Texas System shall be executed between each Member and The University of Texas Health Science Center at San Antonio.

5.32 Execution of the Contract by the Member is a condition for membership and participation in the Plan, notwithstanding any other provision in these Bylaws.

5.40 DISSOLUTION

5.41 The Plan may be dissolved by the Dean of the Dental School and the President. All monies residual in the Trust Fund shall be utilized to discharge obligations of the Plan with the balance to become the property of The University of Texas Health Science Center at San Antonio.

5.50 LIAISON COMMITTEE

5.51 A Liaison Committee between the San Antonio District Dental Society and the Dental School shall be formed. The Liaison Committee shall be composed of representatives in equal numbers from the Dental School and the Dental Society.

5.52 The Liaison Committee shall review all matters of mutual concern to the Dental School and the Dental Society relating to the Plan. The Liaison Committee shall make recommendations to the Dean of the Dental School and the President of the Health Science Center.

APPENDIX A

DSRDP AUTHORIZED FRINGE BENEFITS*
Effective September 24, 1982

<u>Authorized Fringe Benefits</u>	<u>Maximum</u>
1. Health Insurance	UT Plan I for Member & Family plus TMA Plan or Equivalent (May include reimbursement allowance for incidental expenses not to exceed approved yearly limits).
2. Term Life	Maximum of 4 times the annual compensation.
3. Long-Term Disability	UT Plan with Umbrella Coverage.
4. Accidental Death	UT Plan for Member & Family.
5. Dental	UT Plan plus Umbrella Coverage for Member & Family.
6. College-Educational Allowance	In accordance with approved yearly limits per dependent in Post High School Educational Institution, not to exceed eight years. Tuition & Fees only for part-time enrollment.
7. Membership Dues	Memberships in Faculty Clubs, Dental Center Clubs, or Equivalent.

*Note: This list of authorized fringe benefits and yearly limits may be periodically amended by action of the Office of the Chancellor.

APPENDIX A

Page 2

<u>Authorized Fringe Benefits</u>	<u>Maximum</u>
8. Auto Lease Allowance	In accordance with approved limits.
9. Supplemental Retirement	Statutory limit plus additional taxable.
10. Parking Fees	For Member only.
11. Travel Expense: Spouse or Family Member	In rare instances-- by special approval.
12. Allowance for Special Education-Training	In accordance with yearly limits per dependent in special education or training program, necessi- tated by physical or mental impairment, not to exceed eight years.

In addition to the above, DSRDP funds may be used for Professional Business purposes set forth below:

Additional Expenditures

1. Malpractice Insurance.
2. Official Travel Expense to Maximum of Actual Expense.
3. Faculty Development Leaves in Accordance with Regents' Rules and Regulations.
4. Uniforms or Lab Coats.
5. Membership Dues in Professional or Scientific Organizations.
6. Education Aids related to Dentistry, such as Books, Journals, Slides and Audio or Video Cassettes and Tapes.

APPENDIX B

EXPENDITURES ALLOWABLE FROM CLINICAL DEPARTMENT FUND

1. Augmentation of member salaries.
2. Salary for faculty and/or staff.
3. General maintenance, operation and equipment for education, research and patient care.
4. Ordinary and necessary business expenses incurred by the member in earning the professional fees charged by said member.
5. Travel and other expenses including registration fees and tuition incident to attendance at meetings and courses as required by the Dental School or Department.
6. Travel in support of education, research and patient care activities.
7. Professional society memberships.
8. Fringe benefits as approved by The University of Texas System.
9. Permanent equipment and facilities.
10. Consultant fees, expenses and official entertainment including guest speakers at official University sponsored or sanctioned meetings.
11. Expenses incident to faculty or staff recruitment.
12. Establishment or endowment of lectureships, professorships, or chairs, and academic and institutional programs.

All expenditures are subject to the Rules and Regulations of the Board of Regents of The University of Texas System and applicable institutional regulations and procedures. This list of authorized expenditures may be periodically amended by action of the Office of the Chancellor.

11. U. T. Cancer Center: Donald Pinkel, M.D., Appointed Initial Holder of the Kelcie Margaret Kana Research Chair Effective September 1, 1985.--Approval was given to appoint Donald Pinkel, M.D., currently Professor and Chairman, Department of Pediatrics, Temple University School of Medicine, Philadelphia, Pennsylvania, and Director at St. Christopher's Hospital for Children, initial holder of the Kelcie Margaret Kana Research Chair at The University of Texas System Cancer Center effective September 1, 1985.

REPORT AND RECOMMENDATIONS OF THE BUILDINGS AND GROUNDS COMMITTEE (Pages 156 - 160).--Committee Chairman Rhodes reported that the Buildings and Grounds Committee had met in open session to consider those items on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, all actions set forth in the Minute Orders which follow were recommended by the Buildings and Grounds Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. Austin - Balcones Research Center - Nuclear Engineering Teaching Laboratory (Project No. 102-568): Approval of Preliminary Plans and Authorization to Prepare Final Plans.--Mr. John Killian, representing the Project Engineer EBASCO, Houston, Texas, and Mr. Horace Wilson, representing Wilson Stoeltje Martin, Austin, Texas, consulting architects to EBASCO, presented the preliminary plans for the Nuclear Engineering Teaching Laboratory at the Balcones Research Center of The University of Texas at Austin to the Buildings and Grounds Committee.

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

- a. Approved the preliminary plans for the Nuclear Engineering Teaching Laboratory at the Balcones Research Center of The University of Texas at Austin at an estimated total project cost of \$5,860,700
 - b. Authorized the Project Architect/Engineer to prepare final plans and specifications for consideration at a future meeting
2. U. T. Austin - Expansion of Physical Plant Facilities, Phase I (Project No. 102-454): Approval of Final Plans.--The Board, upon recommendation of the Buildings and Grounds Committee, approved the final plans for the Expansion of Physical Plant Facilities, Phase I, for The University of Texas at Austin at an estimated total project cost of \$12,500,000.

This project will provide new Physical Plant Facilities to be constructed on approximately 12.4 acres east of IH-35 between East 26th Street and Manor Road and will include approximately 210,000 square feet of floor area for workshops, central stores, greenhouses, and administrative offices for the Department of Physical Plant.

3. U. T. Austin: Recreational Sports Facilities - Authorization for Project Analysis; Appointment of F&S Partners, Inc., Dallas, Texas, Consulting Architect; and Appropriation Therefor.--Upon recommendation of the Buildings and Grounds Committee, the Board:

- a. Authorized a project analysis of Recreational Sports Facilities for The University of Texas at Austin

The project analysis will address the programmatic needs of recreational sports, the size and location of the facility (within the funding limits), the annual operating costs and include a construction cost estimate and schedule.

- b. Appointed the firm of F&S Partners, Inc., Dallas, Texas, Consulting Architect for this project
 - c. Appropriated \$40,000 from Auxiliary Enterprise Fund Balances for fees and expenses related to the project analysis
4. U. T. Austin - E. P. Schoch Laboratories - Renovation: Authorization for Project; Appointment of MGM Architects of Austin, Inc., Austin, Texas, Project Architect to Prepare Preliminary Plans and Cost Estimate; and Appropriation Therefor.--Upon recommendation of the Academic Affairs and Buildings and Grounds Committees, the Board:
- a. Authorized a project for the renovation of the E. P. Schoch Laboratories at The University of Texas at Austin at an estimated total project cost of \$3,375,000
 - b. Appointed the firm of MGM Architects of Austin, Inc., Austin, Texas, Project Architect to prepare preliminary plans and a detailed cost estimate to be presented to the U. T. Board of Regents at a future meeting
 - c. Appropriated \$90,000 from Permanent University Fund Bond Proceeds for fees and related expenses through the preparation of preliminary plans

It was reported that the Department of Chemical Engineering will relocate from E. P. Schoch Laboratories to the new Chemical and Petroleum Engineering Building in the Spring of 1986. After renovation, E. P. Schoch Laboratories will be used by the College of Liberal Arts to house the Departments of Germanic Languages and Anthropology.

5. U. T. Austin - Scott House - Sweetbrush - Renovation and Additions (Project No. 102-582): Approval of Final Plans for Renovation.--Mr. Wayne Bell, representing the Project Architect Bell, Klein and Hoffman, Austin, Texas, presented the final plans for the renovation phase of the Scott House to the Buildings and Grounds Committee.

Based upon this presentation, the Buildings and Grounds Committee recommended and the Board approved the final plans for the renovation phase of the Scott House - Sweetbrush project at The University of Texas at Austin at an estimated total project cost of \$587,300.

6. U. T. Austin: Approval to Waive Regents' Rules and Regulations, Part One, Chapter VIII, Section 1.1, and Authorization to Name the Undergraduate Library and Academic Center the Peter T. Flawn Academic Center.--Upon recommendation of the Buildings and Grounds Committee, Section 1.1, Chapter VIII, Part One of the Regents' Rules and Regulations, which requires that persons in whose honor a building is to be named "shall have been deceased at least five years," was waived and the Undergraduate Library and Academic Center at The University of Texas at Austin was named the Peter T. Flawn Academic Center.

The naming of this building, which houses the undergraduate library and other academic resources, is to recognize Dr. Flawn's invaluable service to the U. T. System and especially to U. T. Austin.

See Page 179 related to Resolution of Appreciation to President Peter T. Flawn.

7. U. T. San Antonio: Authorization to Dedicate Six Acres of Campus Land for Sorority and Fraternity Houses and to Negotiate Long-Term Ground Leases on This Acreage.-- Upon recommendation of the Academic Affairs and Buildings and Grounds Committees, authorization was given to set aside six acres of land on The University of Texas at San Antonio campus as "Greek Row" and to negotiate with national chapters of fraternities and sororities for long-term ground leases on this property for housing for their members. Negotiated leases will be subject to approval by the U. T. Board of Regents.

The acreage involved fronts on UTSA Boulevard and will consist of six one-acre tracts. In February 1980, the U. T. Board of Regents adopted a standard long-term ground lease for campus properties involving sorority and fraternity houses, and this lease form will be used with slight modifications as required by the various lending agencies.

8. U. T. San Antonio - Lutcher Center - Restoration (Project No. 401-547): Authorization for Increase in Project Cost; Acceptance of Additional Grant from the San Antonio Area Foundation, San Antonio, Texas, and Appropriation Thereof; and Award of Construction Contract to MSA General Contractors, Inc., San Antonio, Texas.--The Board, upon recommendation of the Buildings and Grounds Committee:

- a. Authorized an increase in the project cost for this phase of the Lutcher Center Restoration at The University of Texas at San Antonio from \$505,883 (available from previous appropriations) to \$657,060
- b. Accepted a grant not to exceed \$200,000 made by the San Antonio Area Foundation, San Antonio, Texas, from the Emily Wells Brown Trust to complete the funding for the restoration of the Lutcher Center and appropriated this additional amount to the project
- c. Awarded a construction contract for the Lutcher Center Restoration to MSA General Contractors, Inc., San Antonio, Texas, the lowest responsible bidder, for the base bid amount of \$532,060

Previous appropriations had been \$825,000 from the sale of property at the U. T. San Antonio Lutcher Center and \$750,000 provided by Mrs. Lutcher Brown through the Emily Wells Brown Trust of the San Antonio Area Foundation.

This project was approved by the Coordinating Board, Texas College and University System at its April 1983 meeting.

9. U. T. Medical Branch - Galveston - Pharmacology Building - Containment Laboratory: Authorization to Advertise for Bids and for Executive Committee to Award Contract, and Additional Appropriation Therefor.--At the April 1985 meeting of the U. T. Board of Regents, authorization was granted to execute a change order to the construction contract with Sirron Corporation, Houston, Texas, to provide for a containment laboratory on the third floor of the Pharmacology Building at The University of Texas Medical Branch at Galveston. Subsequently, the General Contractor indicated that the additional work could not be accepted because the firm is bankrupt and is being dissolved.

Since the need still exists for a properly designed containment laboratory for research projects involving high hazard toxic materials, the Board:

- a. Authorized the Office of Facilities Planning and Construction to advertise for bids for a Containment Laboratory in the Pharmacology Building at The University of Texas Medical Branch at Galveston
 - b. Authorized the Executive Committee to award a contract within a project cost of \$694,000
 - c. Appropriated \$99,895 from U. T. Medical Branch Unappropriated Balances and approved the transfer of \$594,105 from Pharmacology Building Project No. 601-543
10. U. T. Medical Branch - Galveston - Remodeling of John Sealy Hospital (Old Building) - Remodeling of Seventh Floor for Department of Otolaryngology (Project No. 601-594): Approval of Final Plans; Authorization to Advertise for Bids and for the Executive Committee to Award Contract and Appropriation Therefor.--The Board, upon recommendation of the Buildings and Grounds Committee:
- a. Approved the final plans and specifications for Remodeling the Seventh Floor of John Sealy Hospital (Old Building) for the Department of Otolaryngology at The University of Texas Medical Branch at Galveston at an estimated total project cost of \$750,000
 - b. Authorized the Office of Facilities Planning and Construction to advertise for bids upon completion of final review
 - c. Authorized the Executive Committee to award all contracts associated with this project within the authorized total project cost
 - d. Appropriated \$750,000 from grant funds awarded by The Sealy & Smith Foundation for the John Sealy Hospital

This particular project will provide for expansion of the Department of Otolaryngology, including research laboratories and faculty offices to support the patient care activities at the U. T. Medical Branch - Galveston.

11. U. T. Health Science Center - San Antonio - Warehouse Building: Approval of Final Plans; Authorization to Advertise for Bids and to Award a Construction Contract Within Authorized Project Cost.--The Board, upon recommendation of the Buildings and Grounds Committee:

- a. Approved the final plans for a Warehouse Building at The University of Texas Health Science Center at San Antonio at an estimated total project cost of \$560,000
- b. Authorized the U. T. Health Science Center - San Antonio Administration to advertise for bids and award a contract within the authorized total project cost

The Coordinating Board, Texas College and University System approved this project at its July 1984 meeting.

12. U. T. Cancer Center - Uniform Graphics System: Authorization for Project; Submission to Coordinating Board; Preparation of Final Plans; Subject to Coordinating Board Approval, Authorization to Advertise for Bids; and Award of Contract by U. T. Cancer Center Administration.-- Upon recommendation of the Health Affairs and Buildings and Grounds Committees, the Board:

- a. Authorized a project for a Uniform Graphics System for The University of Texas System Cancer Center at an estimated total project cost of \$500,000 (previously appropriated by U. T. Board of Regents in August 1984)
- b. Authorized submission of the project to the Coordinating Board, Texas College and University System
- c. Authorized preparation of final plans and specifications by the U. T. Cancer Center Administration with its own forces or through contract services, as required
- d. Subject to approval of the Coordinating Board, authorized the U. T. Cancer Center Administration to advertise for bids and award a construction contract within the authorized total project cost

13. U. T. Board of Regents: Informational Report on Capital Development Planning and Allocation of Permanent University Fund Bond Proceeds.--At the conclusion of the Buildings and Grounds Committee meeting, Committee Chairman Rhodes reported that the Board had met on Wednesday, August 7, 1985, with members of U. T. System Administration and the chief administrative officers of the component institutions to develop preliminary resourcing projections from Permanent University Fund Bond proceeds and to compare those projections with the prioritized capital development requirements as determined by the U. T. System Administration and the several components. The Board anticipates that at the October or December meeting it will act on recommendations from the Office of the Chancellor regarding a five-year capital development plan for the components of The University of Texas System.

REPORT AND RECOMMENDATIONS OF THE LAND AND INVESTMENT COMMITTEE (Pages 161 - 177).--Committee Chairman Milburn reported that the Land and Investment Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, all actions set forth in the Minute Orders which follow were recommended by the Land and Investment Committee and approved in open session and without objection by the U. T. Board of Regents:

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

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

I. PERMANENT UNIVERSITY FUND

A. INVESTMENT MATTERS

1. Report on Clearance of Monies to Permanent University Fund for May and June 1985, and Report on Oil and Gas Development as of June 30, 1985.--The following reports with respect to (a) certain monies cleared to the Permanent University Fund for May and June 1985, and (b) Oil and Gas Development as of June 30, 1985, were submitted by the Executive Director for Investments and Trusts:

Permanent University Fund	May, 1985	June, 1985	Cumulative Through June of This Fiscal Year (1984-1985)	Cumulative Through June of Preceding Fiscal Year (1983-1984)	Per Cent Change
Royalty					
Oil	\$ 8,810,150.49	\$ 7,603,864.87	\$ 84,962,081.78	\$ 88,947,110.54	(4.48%)
Gas	2,571,828.24	3,062,152.61	27,182,579.81	31,645,573.79	(14.10)
Sulphur	58,110.74	29,697.94	457,476.43	90,000.00	
Water	38,307.99	78,825.01	345,940.21	477,066.85	
Brine	9,875.43	6,964.99	83,461.45	137,882.80	
Rental					
Oil and Gas Leases	1,687.20	(611.80)	1,729,399.38	1,363,810.13	
Other	686.00	11,885.00	24,110.67	12,181.11	
Sale of Sand, Gravel, Etc.			18,142.00	10,728.25	
Gain or (Loss) on Sale of Securities	10,204,599.67	6,419,958.29	80,116,744.22	23,397,073.10	
Sub-Total	<u>21,695,245.76</u>	<u>17,212,736.91</u>	<u>194,919,935.95</u>	<u>146,081,426.57</u>	33.43%
Bonuses					
Oil and Gas Lease Sales	-0-	-0-	-0-	7,006,200.00	
Amendments and Extensions to Mineral Leases	-0-	-0-	227,270.46	215,427.19	
Total Bonuses	<u>-0-</u>	<u>-0-</u>	<u>227,270.46</u>	<u>7,221,627.19</u>	
TOTAL CLEARANCES	<u>\$21,695,245.76</u>	<u>\$17,212,736.91</u>	<u>\$195,147,206.41</u>	<u>\$153,303,053.76</u>	27.30%

Oil and Gas Development - June 30, 1985
Acreage Under Lease - 849,465

Number of Producing Acres - 557,075

Number of Producing Leases - 2,246

2. Permanent University Fund - Investment Advisory Committee: Appointment of Mr. John T. Trotter, Houston, Texas, and Reappointment of Mr. Andrew Delaney, Houston, Texas, to Three-Year Terms Through August 31, 1988.--Upon recommendation of the Land and Investment Committee, the Board appointed Mr. John T. Trotter, Chairman of the Board of Directors of Allied Bank of Texas, and a partner in the Washington, D. C. law firm, McClure and Trotter, to replace Mr. Thomas B. McDade, and reappointed Mr. Andrew Delaney, Vice Chairman and Chief Investment Officer of American General Corporation, both of Houston, Texas, to the Investment Advisory Committee for the Permanent University Fund for three-year terms through August 31, 1988.

With this action, the membership of the Investment Advisory Committee is as listed below:

	<u>Term Expires</u>
Orson C. Clay	8/31/86
J. Donald Squibb, Jr.	8/31/86
Harold W. Hartley	8/31/87
Dee S. Osborne	8/31/87
Andrew Delaney	8/31/88
John T. Trotter	8/31/88

Executive Vice Chancellor Patrick reported that Committee Chairman Milburn had written to Mr. McDade and expressed the gratitude of the Board for the thoughtful service and wise counsel that he had provided over the last fifteen years. Mr. Patrick noted that during Mr. McDade's tenure, the investment program had prospered and grown, and he applauded Mr. McDade's candor and forthrightness which have contributed substantively to the structure and direction of the Permanent University Fund.

B. LAND MATTERS

U. T. System: Exercise of Rights Under Paragraphs 18.1.10 and 18.1.16 of the Lease Agreement with G-R-C Corporation and S-G-R-C Limited, Both of Austin, Texas, for Operation of a Commercial Wine Grape Vineyard and Associated Winery on Permanent University Fund Lands in West Texas and Refusal of Purchase by Richter Corporation of the Interest of Cordier Corporation in the Richter-Cordier Corporation.--It was reported that the Richter-Cordier Corporation is the owner of 49 percent of G-R-C Corporation and is a limited partner in S-G-R-C Limited, both of Austin, Texas, which are the Lessees under the Lease Agreement for the operation of the winery and commercial vineyards on Permanent University Fund Lands in West Texas. Under the terms of Paragraphs 18.1.10 and 18.1.16 of the Lease Agreement and the Mutual Agreement between Richter Corporation and Cordier Corporation relating to the proposed purchase of Cordier's interest in Richter-Cordier Corporation, the U. T. Board of Regents has the right to either approve or disapprove any change in ownership in G-R-C Corporation or S-G-R-C Limited that would

divest the principals in such corporation or limited partnership of their right to operate and manage the leased premises under the Lease Agreement.

Because of the long and successful history of Cordier Corporation in the operation and management of vineyards and wineries in France and the marketing of wine produced at those wineries, the continued participation of Cordier Corporation in the management and operation of the West Texas winery and vineyards as a principal under the Lease Agreement is considered to be highly advantageous and desirable.

Upon recommendation of the Land and Investment Committee, the Board refused to approve the proposed purchase by Richter Corporation of the interest of Cordier Corporation in the Richter-Cordier Corporation (a Delaware Corporation). It was specifically provided that the action of the Board in adopting the recommendation of the staff does not preclude consideration of future proposals with regard to ownership changes among the parties.

II. TRUST AND SPECIAL FUNDS

GIFTS, BEQUESTS AND ESTATES

1. U. T. System: Acceptance of Bequest from the Estate of Leonard D. Ormsby, San Antonio, Texas, and Establishment of the Leonard D. Ormsby Medical Schools' Endowment Fund.--The Board accepted a \$75,000 bequest from the Estate of Leonard D. Ormsby, San Antonio, Texas, and established the Leonard D. Ormsby Medical Schools' Endowment Fund for The University of Texas System.

Income earned from the endowment will be used at the discretion of the Executive Vice Chancellor for Health Affairs for educational projects at medical schools within the U. T. System.
2. U. T. Arlington: Acceptance of Gift from Mrs. M. J. (Lila) Alsbury, Comanche, Texas, and Establishment of the Elizabeth Ann and M. J. Alsbury Memorial Scholarship Fund.--Approval was given to accept a \$10,000 gift from Mrs. M. J. (Lila) Alsbury, Comanche, Texas, and to establish the Elizabeth Ann and M. J. Alsbury Memorial Scholarship Fund in the School of Nursing at The University of Texas at Arlington.
3. U. T. Austin: Centennial Professorship in Classics and the Faculty Fellowship in Classical Archaeology Both in the College of Liberal Arts - Approval to Redesignate as the Centennial Professorship in Classical Archaeology and Establishment of Two Faculty Fellowships in Classics in the College of Liberal Arts with Previously Approved Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--Upon recommendation of the Land and Investment Committee, authorization was given to merge and redesignate the Centennial Professorship in Classics and the Faculty Fellowship in Classical Archaeology

both in the College of Liberal Arts at The University of Texas at Austin as the Centennial Professorship in Classical Archaeology with a total endowment of \$202,227.32.

Further, the \$100,000 in previously approved matching funds under The Regents' Endowed Teachers and Scholars Program for the Centennial Professorship in Classics will be used to establish two Faculty Fellowships in Classics in the College of Liberal Arts.

4. U. T. Austin: Redesignation of the Centennial Chair in Computing Theory as the Admiral B. R. Inman Centennial Chair in Computing Theory and the Centennial Chair in Computing Systems as the Peter O'Donnell, Jr. Centennial Chair in Computing Systems Both in the College of Natural Sciences.--Approval was granted to redesignate two chairs in the Department of Computer Sciences in the College of Natural Sciences at The University of Texas at Austin as follows:
- a. Centennial Chair in Computing Theory as the Admiral B. R. Inman Centennial Chair in Computing Theory
 - b. Centennial Chair in Computing Systems as the Peter O'Donnell, Jr. Centennial Chair in Computing Systems

5. U. T. Austin: Acceptance of Gifts and Pledges and Establishment of the Bartlett Cocke Regents Professorship in Architecture in the School of Architecture and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--The Board, upon recommendation of the Land and Investment Committee, accepted \$74,787.98 in gifts and \$25,213 in pledges, payable prior to August 31, 1987, from various donors for a total of \$100,000.98 and established the Bartlett Cocke Regents Professorship in Architecture in the School of Architecture at The University of Texas at Austin.

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

6. U. T. Austin: Acceptance of Gift from Mr. Charles M. Armstrong, San Benito, Texas, and Pledge from the John B. Armstrong Family, Kingsville, Texas, and Establishment of the Leroy G. Denman, Jr. Regents Professorship in Real Property Law in the School of Law and Establishment of the Leroy G. Denman, Jr. Regents Professorship in Economics in the College of Liberal Arts with Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--The Land and Investment Committee recommended and the Board accepted a \$25,000 gift from Mr. Charles M. Armstrong, San Benito, Texas, and a \$75,000 pledge, payable prior to August 31, 1987, from the John B. Armstrong family, Kingsville, Texas, for a total of \$100,000 and established the Leroy G. Denman, Jr. Regents Professorship in Real Property Law to be administered by the John Charles Townes Foundation in the School of Law at The University of Texas at Austin.

The gift and pledge, as received, will be matched under The Regents' Endowed Teachers and Scholars Program and will be used to establish the Leroy G. Denman, Jr. Regents Professorship in Economics in the College of Liberal Arts.

7. U. T. Austin: Acceptance of Gifts and Pledges and Establishment of the Priscilla Pond Flawn Regents Professorship in Child Development in the College of Natural Sciences and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program (No Publicity).--Upon recommendation of the Land and Investment Committee, the Board accepted \$97,456.50 in gifts and \$153,175 in pledges, payable prior to August 31, 1987, for a total of \$250,631.50 from various donors and established the Priscilla Pond Flawn Regents Professorship in Child Development in the College of Natural Sciences at The University of Texas at Austin.

Further, these gifts and pledges, as received, will be matched under The Regents' Endowed Teachers and Scholars Program, and a designation for use of the matching allocation will be made at a later time.

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

8. U. T. Austin: Chair of Free Enterprise in the College of Engineering - Acceptance of Pledge from Ms. Virginia L. Murchison, Athens, Texas, and Redesignation as the Clint W. Murchison, Sr. Chair of Free Enterprise and Establishment of the (a) John D. Murchison Regents Professorship in Art, (b) Virginia L. Murchison Regents Professorship in Fine Arts, (c) John D. Murchison Fellowship in Art, and (d) John D. Murchison Fellowship in Fine Arts, All in the College of Fine Arts, with Matching Funds Under The Regents' Endowed Teachers and Scholars Program.-- Authorization was granted to accept a \$750,000 pledge, payable prior to August 31, 1987, from Ms. Virginia L. Murchison, Athens, Texas, for addition to the Chair of Free Enterprise in the College of Engineering at The University of Texas at Austin and to redesignate as the Clint W. Murchison, Sr. Chair of Free Enterprise.

Further, the pledge, as received, will be matched under The Regents' Endowed Teachers and Scholars Program and will be used to establish the following endowments in the College of Fine Arts:

	<u>Endowed Academic Position</u>	<u>Matching</u>
a.	John D. Murchison Regents Professorship in Art	\$300,000
b.	Virginia L. Murchison Regents Professorship in Fine Arts	300,000

	<u>Endowed Academic Position</u>	<u>Matching</u>
c.	John D. Murchison Fellowship in Art	\$75,000
d.	John D. Murchison Fellowship in Fine Arts	75,000

9. U. T. Austin: Acceptance of Gift and Pledge from Mr. and Mrs. Ralph Spence, Tyler, Texas, and Establishment of the Louise Spence Griffeth Fellowship for Excellence in the College of Education and Establishment of the Judy Spence Frank Fellowship for Excellence in the College of Education with Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--The Board accepted a \$20,000 gift and a \$30,000 pledge, payable prior to August 31, 1987, from Mr. and Mrs. Ralph Spence, Tyler, Texas, for a total of \$50,000 and established the Louise Spence Griffeth Fellowship for Excellence in the College of Education at The University of Texas at Austin.

The gift and pledge, as received, will be matched under The Regents' Endowed Teachers and Scholars Program and will be used to establish the Judy Spence Frank Fellowship for Excellence in the College of Education.

10. U. T. Austin - Johnson & Johnson Centennial Professorship in Pharmacy in the College of Pharmacy: Acceptance of Pledge from Johnson & Johnson Products Inc., New Brunswick, New Jersey, and Redesignation as the Johnson & Johnson Centennial Chair in Pharmacy and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--The Board, upon recommendation of the Land and Investment Committee, accepted a \$450,000 pledge, payable prior to August 31, 1987, from Johnson & Johnson Products, Inc., New Brunswick, New Jersey, for addition to the Johnson & Johnson Centennial Professorship in Pharmacy in the College of Pharmacy at The University of Texas at Austin and redesignated this professorship as the Johnson & Johnson Centennial Chair in Pharmacy.

Further, the pledge, as received, will be matched under The Regents' Endowed Teachers and Scholars Program and will be used to increase the endowment of the chair.

11. U. T. Austin: W. James Kronzer Chair in Trial and Appellate Advocacy in the School of Law and Texas Centennial Lectureship in Astronomy and Astrophysics in the College of Natural Sciences - Authorization to Carry Forward Reserved Funds from The Centennial Teachers and Scholars Program to The Regents' Endowed Teachers and Scholars Program.--The Board authorized that funds reserved for the biennium ending August 31, 1985, under The Centennial Teachers and Scholars Program to match the projected value of the sale of real estate donated for the W. James Kronzer Chair in Trial and Appellate Advocacy in the School of Law and the

Texas Centennial Lectureship in Astronomy and Astrophysics in the College of Natural Sciences at The University of Texas at Austin be carried forward to the biennium ending August 31, 1987, and reserved for the same purpose.

12. U. T. Austin: Acceptance of Gift and Pledge from The Andrew W. Mellon Foundation, New York, New York, and Transfer of Funds and Establishment of Two Andrew W. Mellon Foundation Faculty Fellowships in Latin American Studies in the College of Liberal Arts and Establishment of Three Andrew W. Mellon Foundation Faculty Fellowships in Latin American Studies, All in the College of Liberal Arts, with Matching Funds Under The Regents' Endowed Teachers and Scholars Program.-- Upon recommendation of the Land and Investment Committee, the Board accepted a \$75,000 gift and a \$50,000 pledge, payable prior to August 31, 1987, for a total of \$125,000 from The Andrew W. Mellon Foundation, New York, New York, and a transfer of previously reported gifts totaling \$125,000 from U. T. Austin restricted funds for a total of \$250,000 and established two Andrew W. Mellon Foundation Faculty Fellowships in Latin American Studies in the College of Liberal Arts at The University of Texas at Austin with one fellowship endowed at \$200,000 and the other at \$50,000.

Further, the gift, pledge, and transfer of funds, as received, will be matched under The Regents' Endowed Teachers and Scholars Program and will be used to establish three Andrew W. Mellon Foundation Faculty Fellowships in Latin American Studies in the College of Liberal Arts. Two fellowships are to be endowed at \$100,000 each and a third at \$50,000.

13. U. T. Austin: Acceptance of Gifts and Pledges and Establishment of the Shakespeare at Winedale Teaching Fellowship in the College of Liberal Arts and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program.-- Approval was given to accept \$29,027.50 in previously reported gifts and \$39,500 in pledges, payable prior to August 31, 1987, for a total of \$68,527.50 from various donors and to establish the Shakespeare at Winedale Teaching Fellowship in the College of Liberal Arts at The University of Texas at Austin.

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

14. U. T. Austin: Acceptance of Gifts and Pledges from Various Donors and Matching Funds from the Texas Union Endowment Fund and Establishment of the Texas Union Lectureship in Student Leadership in the College of Education and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--The Land and Investment Committee recommended and the Board accepted \$10,000 in gifts and

\$15,000 in pledges, due prior to August 31, 1987, from various donors and \$25,000 in matching funds from the Texas Union Endowment Fund for a total of \$50,000 and established the Texas Union Lectureship in Student Leadership in the College of Education at The University of Texas at Austin.

Further, the gifts, pledges, and matching funds, as received, will be matched under The Regents' Endowed Teachers and Scholars Program and will be used to increase the endowment of the lectureship to \$100,000.

15. U. T. Austin: Louis Nicolas Vauquelin Centennial Lectureship in Inorganic Chemistry in the College of Natural Sciences - Acceptance of Additional Pledge from Anonymous Donors and Redesignation as the Louis Nicolas Vauquelin Regents Professorship in Inorganic Chemistry and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program for Addition to the Johann Friedrich Miescher Centennial Lectureship in Molecular Biology and Redesignation as the Johann Friedrich Miescher Regents Professorship in Molecular Biology (No Publicity).--Authorization was granted to accept an additional pledge of \$60,000, payable prior to August 31, 1987, from anonymous donors for addition to the Louis Nicolas Vauquelin Centennial Lectureship in Inorganic Chemistry in the College of Natural Sciences at The University of Texas at Austin for a total endowment of \$100,000 and to redesignate as the Louis Nicolas Vauquelin Regents Professorship in Inorganic Chemistry.

The \$60,000 pledge, as received, will be matched under The Regents' Endowed Teachers and Scholars Program and added to the Johann Friedrich Miescher Centennial Lectureship in Molecular Biology in the College of Natural Sciences for a total endowment of \$100,000. This lectureship will be redesignated as the Johann Friedrich Miescher Regents Professorship in Molecular Biology.

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

16. U. T. Austin: Allocation of Additional Matching Funds Under The Regents' Endowed Teachers and Scholars Program for Previously Established Endowed Academic Positions.--Approval was given to allocate matching funds totaling \$35,775 from The Regents' Endowed Teachers and Scholars Program for additional gifts to the endowments of the previously established endowed academic positions at The University of Texas at Austin as set forth on Pages 170 - 171 .

<u>Eligible Position, Date of Establish- ment, and Donor</u>	<u>Matching Designation</u>	<u>Total Previously Approved</u>	<u>Additional Gifts/Pledges</u>
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College of Business Administration and
the Graduate School of Business

Teeple Properties, Inc. Lectureship in Business Administration 8/9-10/84	Added to Lecture- ship	\$ 20,000.00	\$ 25.00
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Donor: Teeple Properties, Inc.,
Mr. Charles S. Teeple

College of Communication

DeWitt Carter Reddick Centennial Professorship in Journalism Education 6/10-11/82	DeWitt C. Reddick Centennial Lectureship in Communica- tion	140,639.00	1,400.00
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Donor: Various Donors

College of Engineering

Brunswick-Abernathy Regents Professor- ship in Soil Dynamics and Geotechnical Engineering 8/9-10/84	Added to Professor- ship	100,000.00	2,000.00
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Donor: Mr. K. Brooks Abernathy,
The Brunswick Foundation, Inc.

Claude R. Hocott Lectureship in Petroleum Engineering 8/9-10/84	Added to Lectureship	24,180.00	2,225.00
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Donor: Friends of Alec

College of Liberal Arts

Liz Sutherland Carpenter Distin- guished Visiting Lectureship in the Humanities and Sciences 8/11-12/83	Added to Lectureship	74,205.89	1,250.00
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Donor: Various Donors

<u>Eligible Position, Date of Establish- ment, and Donor</u>	<u>Matching Designation</u>	<u>Total Previously Approved</u>	<u>Additional Gifts/Pledges</u>
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College of Natural Sciences

Leonidas T. Barrow Centennial Chair in Mineral Resources 8/4/78	Added to Chair	\$ 217,421.00	\$ 500.00
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Donor: Mrs. L. T. Barrow

Beatrice M. Tinsley Centennial Visiting Professorship in Astronomy 6/17-18/83	Added to Professor- ship	100,000.00	3,000.00
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Donor: Various Donors

College of Pharmacy

The Hoechst-Roussel Centennial Endowed Professorship in Pharmacy 8/28-29/80	Added to Professor- ship	450,000.00	25,000.00
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Donor: Hoechst-Roussel
Pharmaceuticals, Inc.

Stephen H. Spurr Centennial Fellowship 8/11-12/83	Added to Fellowship	63,695.00	375.00
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Donor: Various Donors

The additional gifts to each endowment fund have been reported in the institutional docket or small gifts report.

17. U. T. Austin: G. B. Dealey Scholarship Fund in the College of Communication - Redesignation as The Dallas Morning News-WFAA Foundation Scholarship Fund.--Upon recommendation of the Land and Investment Committee, approval was given to redesignate the G. B. Dealey Scholarship Fund in the College of Communication at The University of Texas at Austin as The Dallas Morning News-WFAA Foundation Scholarship Fund in accordance with the donor's request.

18. U. T. Austin: Acceptance of Gift from Deloitte Haskins & Sells, Houston, Texas, and Establishment of the Deloitte Haskins & Sells Glenn A. Welsch Endowed Scholarship in the College of Business Administration.--The Board accepted a \$12,000 gift from Deloitte Haskins & Sells, Houston, Texas, and established the Deloitte Haskins & Sells Glenn A. Welsch Endowed Scholarship in the Department of Accounting, College of Business Administration, at The University of Texas at Austin.

Income earned from the endowment will be used to grant a scholarship annually to an upper division undergraduate student in the Department of Accounting with preference given to members of the University Accounting Association.

19. U. T. Austin: Acceptance of Gift of Security from Anonymous Donor and Establishment of the Department Chairman's Permanent Endowment for Discretionary Spending in the College of Natural Sciences.-- Authorization was granted to accept a \$100,000 Certificate of Deposit issued by Texas Federal Savings and Loan Association bearing 11% interest and due January 31, 1988, from an anonymous donor and to establish the Department Chairman's Permanent Endowment for Discretionary Spending in the Department of Computer Sciences, College of Natural Sciences, at The University of Texas at Austin.

20. U. T. Austin: Acceptance of Gifts from Mr. and Mrs. David Herndon and Mrs. Isabelle Thomason Decherd, All of Austin, Texas, and Establishment of the Homer Garrison Endowed Scholarship in Liberal Arts in the College of Liberal Arts.-- The Board, upon recommendation of the Land and Investment Committee, accepted a \$7,000 gift from Mr. and Mrs. David Herndon and a \$5,000 gift from Mrs. Isabelle Thomason Decherd, all of Austin, Texas, for a total of \$12,000 and established the Homer Garrison Endowed Scholarship in Liberal Arts in the College of Liberal Arts at The University of Texas at Austin.

Income earned from the endowment will be used to grant a scholarship to a student pursuing a degree in the College of Liberal Arts. Students will be selected on the basis of scholastic merit and financial need.

21. U. T. Austin: Acceptance of Gifts and Establishment of the Louis M. Pearce, Jr. Endowed Presidential Scholarship.-- Upon recommendation of the Land and Investment Committee, authorization was granted to accept gifts totaling \$32,975 from various donors and to establish the Louis M. Pearce, Jr. Endowed Presidential Scholarship at The University of Texas at Austin.

22. U. T. Austin: Acceptance of Bequest from the Estate of Ralph R. Read, III, Austin, Texas, and Establishment of the Ralph R. Read Endowed Scholarship for Undergraduate Students.-- The Land and Investment Committee recommended and the Board accepted a bequest estimated to be in excess of \$100,000 from the Estate of Ralph R. Read, III, Austin, Texas, and established the Ralph R. Read Endowed Scholarship for Undergraduate Students at The University of Texas at Austin. Initial distributions of \$79,913.16 have been received to date and a final report will be submitted upon completion of the estate administration.

Income earned from the endowment will be used to grant undergraduate scholarships to students demonstrating financial need and academic achievement. Priority in the selection of the recipients will be given to students in the Department of Germanic Languages, and then to students in the College of Liberal Arts. This scholarship is to be administered by the Office of Student Financial Aid.

Mr. Thomas J. O'Hare, Austin, Texas, was named Independent Executor of the estate.

23. U. T. Austin: Acceptance of Gift from Mr. and Mrs. Wayne Riddell, Austin, Texas, and Establishment of The Wayne and Marjorie Riddell Endowed Scholarship for Women's Athletics.--Approval was given to accept a \$10,000 gift from Mr. and Mrs. Wayne Riddell, Austin, Texas, and to establish The Wayne and Marjorie Riddell Endowed Scholarship for Women's Athletics, Intercollegiate Athletics for Women, at The University of Texas at Austin.

24. U. T. Austin: Acceptance of Gift from Southland Paper Mills Foundation, Houston, Texas, and Establishment of the Southland Paper Mills Foundation Endowed Scholarship.--Upon recommendation of the Land and Investment Committee, the Board accepted a \$100,000 gift from the Southland Paper Mills Foundation, Houston, Texas, and established the Southland Paper Mills Foundation Endowed Scholarship at The University of Texas at Austin.

Income earned from the endowment will be used to grant annual scholarships to be administered by the Office of Student Financial Aid.

25. U. T. Austin: Acceptance of Bequest from the Estate of Thomas Thompson, Fort Worth, Texas, and Establishment of the Thomas Thompson Journalism Scholarships in the College of Communication.--Authorization was granted to accept a bequest of \$50,000 from the Estate of Thomas Thompson, Fort Worth, Texas, and to establish the Thomas Thompson Journalism Scholarships in the College of Communication at The University of Texas at Austin.

26. U. T. Dallas: Acceptance of Gifts and Pledges and Establishment of the History of Aviation Collection Endowment Fund.--The Board, upon recommendation of the Land and Investment Committee, accepted gifts of \$72,840 and pledges of \$23,660, payable over the next three years, for a total of \$96,500 from various donors and established the History of Aviation Collection Endowment Fund at The University of Texas at Dallas.

27. U. T. El Paso: Acceptance of Gift from Mrs. Mary Carolyn DeGroat, El Paso, Texas, and Establishment of the James D. DeGroat Memorial Presidential Scholarship Fund.--Approval was granted to accept a \$25,000 gift from Mrs. Mary Carolyn DeGroat,

El Paso, Texas, and to establish the James D. DeGroat Memorial Presidential Scholarship Fund at The University of Texas at El Paso.

Income earned from the endowment fund will be used to award an annual scholarship of \$1,500 or more renewable for four years to a qualified student recommended by the Department of Intercollegiate Athletics. The student shall be nominated from men's football, basketball, track, or a women's NCAA approved program.

28. U. T. El Paso: Acceptance of Gift from Mrs. Louise B. Murchison, El Paso, Texas, and Establishment of the Mr. and Mrs. MacIntosh Murchison Professorship in Engineering and Eligibility for Matching Funds Under the Texas Eminent Scholars Program (No Publicity).-- Upon recommendation of the Land and Investment Committee, approval was given to accept a gift of Hilton Corporation common stock valued at \$251,750 from Mrs. Louise B. Murchison, El Paso, Texas, and to establish the Mr. and Mrs. MacIntosh Murchison Professorship in Engineering at The University of Texas at El Paso.

Further, the actual income which will be earned on the \$251,750 will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code.

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

29. U. T. Institute of Texan Cultures - San Antonio: Acceptance of Transfer of Funds and Establishment of The Alliance Endowment.--The Board accepted a transfer of \$20,000 in current restricted funds and established The Alliance Endowment at The University of Texas Institute of Texan Cultures at San Antonio.

Income earned from the endowment will be used to support volunteer service at the Institute.

30. U. T. Institute of Texan Cultures - San Antonio: Acceptance of Gifts and Transfer of Funds and Establishment of the Pat and Jack Maguire Cultural Outreach Endowment Fund.--The Board authorized the acceptance of gifts totaling \$24,900 from various donors and a transfer of \$5,357.98 in current restricted funds for a total of \$30,257.98 and established the Pat and Jack Maguire Cultural Outreach Endowment Fund at The University of Texas Institute of Texan Cultures at San Antonio.

The endowment is to be used at the discretion of the Executive Director to meet needs in the areas of research, education, and communications at the U. T. Institute of Texan Cultures - San Antonio.

31. U. T. Health Science Center - Dallas (U. T. Southwestern Medical School - Dallas): Acceptance of Gifts and Establishment of the David G. Beddow, M.D. Memorial Lectureship.--Approval was granted to accept gifts totaling \$24,007.50 from associates, colleagues, family, and friends of David G. Beddow, M.D., deceased, and to establish the David G. Beddow, M.D. Memorial Lectureship at the U. T. Southwestern Medical School - Dallas of The University of Texas Health Science Center at Dallas. The lectureship will be administered by the Department of Pathology.

32. U. T. Health Science Center - Dallas: Acceptance of Gift from Anonymous Donor and Establishment of The Distinguished Chair in Biochemistry and Eligibility for Matching Funds Under the Texas Eminent Scholars Program (No Publicity).--The Board, upon recommendation of the Land and Investment Committee, accepted a \$1,000,000 gift from an anonymous donor and established The Distinguished Chair in Biochemistry at The University of Texas Health Science Center at Dallas.

The gift of \$1,000,000 will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code.

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

See related item set forth on Page 75 .

33. U. T. Health Science Center - Dallas (U. T. Southwestern Medical School - Dallas): Acceptance of Gift from The Kroc Foundation, Santa Barbara, California, and Establishment of The Ray A. and Robert L. Kroc Lectureship in Rheumatology and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--The Board authorized the acceptance of a \$50,000 gift from The Kroc Foundation, Santa Barbara, California, and established The Ray A. and Robert L. Kroc Lectureship in Rheumatology at the U. T. Southwestern Medical School - Dallas of The University of Texas Health Science Center at Dallas.

Further, the actual income which will be earned on the \$50,000 gift will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code.

34. U. T. Medical Branch - Galveston: C. M. Phillips Lectureship in Medical Economics - Acceptance of Transfer of Funds and Gift and Pledge from Dr. C. M. Phillips, Austin, Texas, and Redesignation as the Evalyn Matheson Phillips and Clairice M. Phillips, M.D. Professorship in Family Medicine and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--The Land and Investment Committee recommended and the Board accepted a transfer of a previously reported gift of \$2,000 from the U. T. Medical Branch - Galveston restricted funds

and a \$30,000 cash gift and a \$58,000 pledge, to be paid over the next two years, from Dr. C. M. Phillips, Austin, Texas, for a total of \$90,000 for addition to the C. M. Phillips Lectureship in Medical Economics at The University of Texas Medical Branch at Galveston for a total endowment of \$100,000. This lectureship will be redesignated as the Evalyn Matheson Phillips and Claurice M. Phillips, M.D. Professorship in Family Medicine.

Further, the actual income which will be earned on the gift and pledge of \$88,000, as received, will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code.

35. U. T. Medical Branch - Galveston: Acceptance of Gift of Land from Mr. and Mrs. J. F. Seinsheimer, Jr., Galveston, Texas, and Establishment of the J. F. Seinsheimer, Jr. and Jessie Lee Seinsheimer Lectureship in Otolaryngology and Acceptance of Gift of Land and Securities from Dr. and Mrs. William C. Levin, Galveston, Texas, and Establishment of the Edna S. and William C. Levin Professorship in Internal Medicine and Eligibility of the Gift of Securities for Matching Funds Under the Texas Eminent Scholars Program.--Approval was given to accept a gift of 156,000 square feet of land being Block 164 and Block 194, Galveston County, Texas, from Mr. and Mrs. J. F. Seinsheimer, Jr. and Dr. and Mrs. William C. Levin, all of Galveston, Texas, and to establish the J. F. Seinsheimer, Jr. and Jessie Lee Seinsheimer Lectureship in Otolaryngology and the Edna S. and William C. Levin Professorship in Internal Medicine at The University of Texas Medical Branch at Galveston. The appraised value of the land is \$39,000 and is to be divided equally between the two endowments. Further, approval was given to accept a gift of various common stocks valued at \$80,636.62 from Dr. and Mrs. William C. Levin to be added to the Edna S. and William C. Levin Professorship in Internal Medicine for a total endowment of \$100,136.62.

The actual income which will be earned on the \$80,636.62 for the Edna S. and William C. Levin Professorship in Internal Medicine will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code.

36. U. T. Health Science Center - San Antonio: Acceptance of Gift from The Kroc Foundation, Santa Barbara, California, and Establishment of the Ray A. and Robert L. Kroc Visiting Scientist and Lectureship Program and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--Upon recommendation of the Land and Investment Committee, approval was given to accept a \$50,000 gift from The Kroc Foundation, Santa Barbara, California, and to establish the Ray A. and Robert L. Kroc Visiting Scientist and Lectureship Program at The University of Texas Health Science Center at San Antonio.

Further, the actual income which will be earned on the \$50,000 gift will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code.

37. U. T. Health Science Center - San Antonio: Meadows Foundation Teaching Fellowship in Child Psychiatry - Acceptance of Gifts from San Antonio Area Foundation, San Antonio, Texas, and Abell-Hanger Foundation, Midland, Texas, and Redesignation as Meadows/San Antonio Area Foundation (Semp Russ) Research Professorship in Child Psychiatry and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--The Board accepted gifts of \$50,000 from the San Antonio Area Foundation, San Antonio, Texas, and \$10,000 from the Abell-Hanger Foundation, Midland, Texas, for a total of \$60,000 for addition to the Meadows Foundation Teaching Fellowship in Child Psychiatry at The University of Texas Health Science Center at San Antonio. This fellowship was redesignated as the Meadows/San Antonio Area Foundation (Semp Russ) Research Professorship in Child Psychiatry with a total endowment of \$110,000.

Further, the actual income which will be earned on the \$60,000 will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code.

III. INTELLECTUAL PROPERTY

U. T. System: Recommendation for Approval of Policy Statements, Guidelines and Amendments to the Regents' Rules and Regulations, Part Two, Chapter V, Section 2.4 with Regard to the Management of Intellectual Property (Withdrawn).--The item related to proposed policy statements, guidelines and amendments to the Regents' Rules and Regulations, Part Two, Chapter V, Section 2.4 with regard to the management of intellectual property of The University of Texas System was withdrawn for consideration at a later date.

IV. OTHER MATTERS

U. T. Austin: Progress Report on The Regents' Endowed Teachers and Scholars Program.--President Flawn reported that since the June meeting of the U. T. Board of Regents, the number of endowed academic positions at The University of Texas at Austin has increased by 1 chair, 6 professorships and 9 fellowships, for a total of 16 new endowed positions, as a result of The Regents' Endowed Teachers and Scholars Program. The University of Texas at Austin now has 878 endowed academic positions with a total funding of \$183,000,000.

REPORT OF BOARD FOR LEASE OF UNIVERSITY LANDS

Regent Rhodes, a member of the Board for Lease of University Lands, submitted the following report on behalf of that Board:

Report

The Board for Lease of University Lands met in Austin, Texas, on July 9, 1985, to receive the bids for a special sealed bid sale involving 82 acres located in Pecos County, Texas, within the proposed water flooding project of Mid-America Oil Company. There was one bid received in the amount of 35% royalty and \$200 an acre bonus. This bid was accepted by the Board and the lease was awarded to Mid-America Petroleum, Inc.

The Board for Lease met in Austin, Texas, on August 8, 1985, and approved holding the 73rd Public Auction sale of oil and gas leases to be held in Midland on October 23, 1985. Two hundred twenty (220) tracts totaling 96,998 acres will be offered. The last sale was held in November 1983.

OTHER MATTERS

1. U. T. Board of Regents: Certificate of Appreciation to Mr. Jack R. Maguire, Executive Director of The University of Texas Institute of Texan Cultures at San Antonio.--Vice-Chairman Baldwin read and presented the following certificate of appreciation to Mr. Jack R. Maguire, Executive Director of The University of Texas Institute of Texan Cultures at San Antonio:

CERTIFICATE OF APPRECIATION

The Board of Regents
of
The University of Texas System

Expresses to

JACK R. MAGUIRE

Deep and Sincere Appreciation for His
Exceptional Leadership and Distinguished Service

as

Executive Director
The University of Texas
Institute of Texan Cultures at San Antonio

1976 - 1985

(signed by all members of the Board)

Vice-Chairman Baldwin stated that Mr. Maguire had served The University of Texas System diligently and well for nearly thirty years and noted that his tenure at the

Institute had been characterized by a remarkable increase in its program scope and quality, enhanced community development and understanding and a renewed commitment to the historical perspective which is so important to our Texas heritage. Mr. Maguire graciously accepted this accolade and expressed his sincere appreciation to the Board for the opportunity to serve The University of Texas System.

2. U. T. Board of Regents: Resolution of Appreciation to Dr. Peter T. Flawn, President of The University of Texas at Austin.--Upon motion of Vice-Chairman Ratliff, duly seconded, the following Resolution of Appreciation to Dr. Peter T. Flawn, President of The University of Texas at Austin, was unanimously adopted:

RESOLUTION OF APPRECIATION

WHEREAS, Dr. Peter T. Flawn has served The University of Texas System with great effectiveness and distinction for over thirty-five years;

WHEREAS, Dr. Flawn has demonstrated his remarkable administrative and professional leadership expertise as Director of the Bureau of Economic Geology, Vice President for Academic Affairs, Executive Vice President, and President of The University of Texas at Austin, as well as President of The University of Texas at San Antonio;

WHEREAS, Dr. Flawn has, through all of these administrative assignments, enhanced his professional stature on the national and international scene as an expert on the geological sciences and environmental affairs;

WHEREAS, Dr. Flawn has elected to retire from the presidency of The University of Texas at Austin effective August 31, 1985;

WHEREAS, The Board of Regents has already designated Dr. Flawn as the President-Emeritus of The University of Texas at Austin in grateful recognition of his distinguished leadership of that flagship campus; and

WHEREAS, In all of these positions and endeavors Dr. Flawn has been most ably assisted and complemented by his charming wife, Priscilla; now, therefore, be it

RESOLVED, That the Board of Regents expresses its heartfelt appreciation to Pris and Pete for their dedicated service and wise counsel in the affairs of The University of Texas System; and be it

RESOLVED, That the Board of Regents attests to the exceptional ability, high loyalty and professional integrity of Dr. Flawn; and, be it further

RESOLVED, That the original of this Resolution be presented to Dr. and Mrs. Peter T. Flawn as a token of the esteem and gratitude of the Board of Regents of The University of Texas System, and that a copy be spread upon the Minutes of this meeting so that those who come in the future will be aware of their invaluable service.

Adopted by unanimous vote this 8th day of August 1985

(signed by all members of the Board)

3. U. T. Board of Regents: Report by Regent Beryl Buckley Milburn on Women in Administration in the U. T. System.--
As a follow-up to her original statement to the Board on October 12, 1984, Regent Milburn presented the following report on women in administration in The University of Texas System:

Report on Women in Administration in
The University of Texas System

At our meeting last October at U. T. Dallas, I expressed great concern about the comparatively few women in senior administrative positions throughout The University of Texas System and in Texas higher education generally. After that meeting, I asked our chief administrative officers to provide me information on the senior administrative positions held by women on their campuses. Responses to that request were most helpful in giving me an appreciation of the situation in the U. T. System.

Last month I again asked presidents for the following information: the number of women in tenured faculty positions at each institution; a listing of the names of women appointed since last fall or effective September 1, 1985, to administrative positions at the rank of department chairman or above, or to comparable nonacademic positions; and the percentage of women administrators at the level of chairman or above, or in comparable nonacademic positions, as of September 1, 1985. I also asked the presidents to provide specific recommendations on ways to increase the number of qualified women administrators in the U. T. System. The presidents of our institutions have been most helpful in providing this information and in sharing their recommendations to enhance opportunities for women in higher education administration. A summary of the institutional responses is provided for your information. A copy of this summary and my report to you will be provided to all System Chief Administrative Officers.

In reviewing the information provided by the institutions, it appears that there are particularly few women in academic administration. In general, this appears to relate to the small numbers of women in the tenured ranks and therefore available for appointment to such positions. Among all the institutions in the U. T. System, excluding the U. T. Health Center at Tyler which has no tenured faculty, the number of women in tenured faculty positions ranges between 6 at our smallest institution and 163 at our largest institution.

Among the general academic institutions, the percentages range from 23 to 32 percent except for U. T. Permian Basin where the percentage of women in senior administrative positions is approximately 53 percent, due in part to the number of women in nonacademic positions and the rather small total number of administrative officers on the campus. The percentage of women in senior administrative positions at our three largest campuses equals approximately 24 percent at U. T. Austin; 25 percent at U. T. Arlington; and about 28 percent at U. T. El Paso.

The percentage of women in senior administrative positions in the U. T. System's health institutions ranges from approximately 18 to 23 percent. These percentages include the number of women at the level of chairman or above or in comparable nonacademic positions.

There appear to be several reasons why there are comparatively few women in senior administrative positions throughout the U. T. System. The most obvious is the small number of women who are in tenured faculty positions on our campuses. Administrators tend to be selected from individuals within the tenured ranks, and women make up a very small percentage of these pools of potential administrators.

Another reason may be the reluctance of their peers--mostly males--consciously or subconsciously to recommend women for administrative positions beginning as Department Chairman. A related reason is the somewhat low level of individual women faculty members who aspire to or have considered careers as administrators.

The chief administrative officers have also been most helpful in suggesting ways to enhance opportunities for women in higher education administration throughout the U. T. System. I encourage our presidents and their top administrators to consider especially the following suggestions:

- ° the appointment of women to both faculty and administrator search committees;
- ° the appointment of women as chairmen of university committees;
- ° the establishment of internships on campuses to provide women with administrative experience;
- ° the use of discretionary funds donated from the private sector to grant research and travel awards to deserving women in order to further their career development; and
- ° participation in the American Council on Education's identification programs for women in higher education administration.

I am pleased to say that progress is being made within The University of Texas System to enhance the opportunities of women in higher education administration. I recognize the efforts of our presidents to improve opportunities for women on their campuses and appreciate the progress that has been made under their leadership, and I urge our chief administrative officers to continue to identify women on their campuses who are qualified to fill administrative positions and ask that they encourage search committees on their campuses to include qualified women in candidate pools for both faculty and administrative positions. I also encourage the Office of the Chancellor, through the Council of Academic Institutions and the Council of Health Institutions, to establish a process through which chief administrative officers systematically notify their colleagues when they are seeking individuals to fill administrative positions on their campuses.

Finally, I urge our presidents, deans, and tenured faculty to continue to be cognizant of this important issue and ask my colleagues on this Board to monitor the increase of women administrators throughout the U. T. System and seek enhancement of opportunities for women to occupy senior administrative positions.

In conclusion, I must now sum up by saying we have many talented and capable women already on our campuses; too few hold senior positions, and this situation, in my view, is really not acceptable. Members and representatives of our universities have travelled the State for the last six months advancing the thesis that higher education is the catalyst for effecting major economic and social change in Texas. If this is truly so, then universities must also take the lead in changing the role of women in our own halls of academe as we offer leadership to the State.

Responses to Request for Information
 Re: Women in Administration (U. T. System)*

<u>Institution</u>	<u>Number of Women in Tenured Faculty Positions</u>	<u>% of Women in Senior Administrative Positions</u>
U. T. Arlington	54	25%
U. T. Austin	163	24.4%**
U. T. Dallas	15	31.6%
U. T. El Paso	52	27.9%
U. T. Permian Basin	6	53%
U. T. San Antonio	32	23%
// U. T. Tyler	15	32%
U. T. Medical Branch-Galveston	60	19%
U. T. HSC-Dallas	16	17.6%
U. T. HSC-Houston	39	20%
U. T. HSC-San Antonio	51	23%
U. T. Cancer Center	14	23%
U. T. HC-Tyler	no tenured faculty	20%

*Institute of Texan Cultures not included

**Percentages by level are as follows:

- 4% Department Chairpersons
- 13% Vice Presidents
- 13% Deans
- 31% Associate/Assistant Vice Presidents
- 29% Associate/Assistant Deans
- 22% Directors
- 34% Associate/Assistant Directors
- 50% Assistants to President
- 43% Assistants to Vice Presidents

SCHEDULED MEETING.--Chairman Hay announced that the next meeting of the U. T. Board of Regents would be hosted by The University of Texas at Arlington on October 10-11, 1985.

RECESS.--At 3:35 p.m., Chairman Hay announced that the Board would recess to convene in Executive Session to discuss matters pursuant to Vernon's Texas Civil Statutes, Article 6252-17, Sections 2(e), (f) and (g) and that the Executive Session would continue on Friday morning.

* * * * *

Friday, August 9, 1985

At 9:00 a.m. on Friday, August 9, 1985, the Board reconvened in Executive Session in the Regents' Conference Room on the ninth floor of Ashbel Smith Hall to discuss matters in accordance with Article 6252-17, Sections 2(e), (f) and (g) of Vernon's Texas Civil Statutes: Litigation, Land Acquisition and Personnel Matters.

RECONVENE.--At 11:45 a.m., the Board reconvened in open session for the purpose of acting on items discussed in Executive Session.

EXECUTIVE SESSION OF THE BOARD OF REGENTS

Chairman Hay reported that the Board had met in Executive Session in the Regents' Conference Room on the ninth floor of Ashbel Smith Hall on Thursday afternoon (August 8) following the meetings of the Standing Committees and continued its meeting on Friday morning (August 9) to discuss matters in accordance with Article 6252-17, Sections 2(e), (f) and (g) of Vernon's Texas Civil Statutes. In response to Chairman Hay's inquiry regarding the wishes of the Board, the following actions were taken:

1. U. T. Austin: Proposed Settlement of Potential Litigation Involving B. B. Anderson Construction Company (Withdrawn).--Chairman Hay reported that the item related to the proposed settlement of construction litigation involving B. B. Anderson Construction Company and The University of Texas at Austin was withdrawn from consideration at this time.

2. U. T. Health Science Center - Houston: Proposed Settlement of Medical Malpractice Litigation - Mr. Samuel Maldonado (Withdrawn).--The item related to the proposed settlement of medical malpractice litigation involving Mr. Samuel Maldonado and The University of Texas Health Science Center at Houston was withdrawn from consideration at this time.

3. U. T. Health Science Center - San Antonio: Settlement of Medical Malpractice Litigation - Ms. Barbara Kotzur.--Regent Briscoe moved that the Office of the Chancellor and the Office of General Counsel be authorized to settle on behalf of The University of Texas Health Science Center at San Antonio the medical malpractice lawsuit filed by Ms. Barbara Kotzur, et al, in accordance with the proposal presented in Executive Session.

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

4. U. T. Health Science Center - San Antonio: Settlement of Medical Malpractice Litigation - Mr. Sesareo Saenz.--Upon motion of Regent Briscoe, seconded by Vice-Chairman Ratliff and Regent Yzaguirre, the Office of the Chancellor and the Office of General Counsel were authorized to settle on behalf of The University of Texas Health Science Center at San Antonio the medical malpractice lawsuit filed by Mr. Sesareo Saenz, et al, in accordance with the proposal presented in Executive Session.

5. U. T. System: Authorization for Lessees Under Lease Agreement for Operation of a Commercial Wine Grape Vineyard and an Associated Winery on Permanent University Fund Lands in Pecos County, Texas, to Purchase Red Wine from the 1984 Harvest If Lessees Will Negotiate an Amendment to Lease Agreement.--Regent Milburn moved that the Office of Asset Management and the Office of General Counsel be authorized to notify the Lessees under the Lease Agreement for the winery and vineyards on Permanent University Fund Lands in Pecos County, Texas, that the U. T. Board of Regents will agree that Lessees may purchase red wine to blend with white wine from the 1984 harvest from the leased premises in order to make up to 800 cases of rosé wine to meet Lessees' marketing needs under an agreement with Safeway stores if the Lessees will agree to negotiate in good faith for an amendment to the Lease Agreement that clearly defines those conditions and circumstances not now specifically covered by the Lease Agreement under which Lessees may purchase and sell wine that has been produced from grapes that were not grown on the leased premises.

Regents Blanton and Roden seconded the motion which prevailed by unanimous vote.

6. U. T. System: Authorization for Executive Vice Chancellor for Asset Management and Office of General Counsel to Conclude Negotiations to Purchase Real Estate Located in Travis County, Texas.--Regent Milburn moved that the Executive Vice Chancellor for Asset Management and the Office of General Counsel be authorized, in consultation with Regents Milburn and Baldwin, to conclude negotiations to purchase real estate located in Travis County,

Texas, for the benefit of The University of Texas System in accordance with parameters discussed in Executive Session, and report back to the Board in an appropriate manner.

Vice-Chairman Ratliff seconded the motion which carried without objection.

7. U. T. Austin: Authorization for Executive Committee to Accept a Gift of Real Estate Located in Travis County, Texas.--Upon motion of Regent Milburn, seconded by Vice-Chairman Ratliff, the Executive Committee, upon the recommendation of the Office of the Chancellor and President Flawn, was authorized to accept for and on behalf of The University of Texas at Austin a gift of real estate in Travis County, Texas, if the negotiations for the gift are concluded within the parameters outlined in Executive Session and following approval of related documents by the Office of General Counsel and the Office of Asset Management.

8. U. T. System: Approval of Personnel Aspects of the 1985-86 Operating Budgets, Including Auxiliary Enterprises, Grants and Government Contracts, Designated Funds, Restricted Current Funds and Medical Service, Research and Development Programs and Authorization for Office of the Chancellor to Make Editorial Corrections Therein.--Regent Yzaguirre moved that the personnel aspects of the 1985-86 Operating Budgets, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical Service, Research and Development Programs for The University of Texas System be approved, and that the Office of the Chancellor be authorized to make editorial corrections therein and for subsequent adjustments to be reported to the Board through the institutional dockets.

Regent Blanton seconded the motion which carried by unanimous vote.

See Page 65 for approval of the non-personnel aspects of the 1985-86 Operating Budgets.

9. U. T. Austin: Dr. William H. Cunningham Appointed President Effective September 1, 1985, and Statement by Chairman Hay.--Chairman Hay moved that Dr. William H. Cunningham, currently Dean of the College of Business Administration and the Graduate School of Business, be elected President of The University of Texas at Austin effective September 1, 1985, at a compensation to be negotiated with Executive Vice Chancellor Duncan and reported to the Board via the usual budgetary procedures. Dr. Cunningham was one of the candidates recommended to the Board by the Advisory Committee for the Selection of a President for that component.

Vice-Chairmen Baldwin and Ratliff seconded the motion which prevailed without objection.

With this action, Chairman Hay read the following statement:

STATEMENT
by
Chairman Jess Hay

During the 102-year history of The University of Texas at Austin, there have been many milestones. Today is another entry in the history of that great university. The end of one era and the beginning of another.

Last evening the Board of Regents joined with the many groups which make up the University Family in a special tribute to President Peter Flawn for his extraordinary leadership of U. T. Austin for the past six years. His administration was dedicated to academic quality and to the enhancement of the academic stature and recognition of that flagship campus. What began as a "War on Mediocrity" has emerged as a "Camelot of Expectation," and future generations of Texans will have a wealth of reasons to remember the "Flawn Years" with pride and appreciation. He leaves with our heartfelt gratitude for his accomplishments and for the promises yet to be fulfilled.

The search for Dr. Flawn's successor began many months ago, and the members of the Advisory Committee for the Selection of a President, under the chairmanship of Executive Vice Chancellor Duncan, have labored with diligence and wisdom to bring to the Board candidates well-qualified to lead U. T. Austin in its continuing quest for national and international pre-eminence. The Committee sent forward several excellent candidates and the Board's decision was a very difficult one.

This morning after lengthy deliberations, the Board has made two appointments which it firmly believes will best position The University of Texas at Austin to achieve increasing national and international status among the great universities of the world.

By any standard, U. T. Austin is a major national research university and the development of its future academic and research greatness will be a difficult and fragile undertaking. Recognizing the critical administrative expertise which will be necessary in these next few years, the Board has made appointments to the Presidency of U. T. Austin and to the newly created position of Executive Vice President and Provost for that campus.

We welcome the selection of Dr. William Cunningham as the next President of The University of Texas at Austin. Dr. Cunningham currently serves as Dean of the College of Business Administration and Graduate School of Business at U. T. Austin.

His vita will be available to you after the meeting; however, let me tell you a few things about him.

He received his B.A., M.A. and Ph.D. degrees from Michigan State University.

Dr. Cunningham has been a faculty member at U. T. Austin since 1970 when he came to the campus as an Assistant Professor of Marketing. Since then, he has served as a Professor, Associate Dean, Acting Dean and now Dean of the College of Business Administration and Graduate School of Business.

He has received numerous teaching awards on the U. T. Austin campus and in 1982, UTmost magazine named him as one of the top 20 professors on the campus. Dr. Cunningham currently holds the Centennial Chair in Business Education Leadership.

He has written numerous books, monographs and articles, and has delivered many conference presentations.

Dr. Cunningham has been an important and invaluable member of U. T. Austin's academic and research community. He enjoys the confidence and respect of his academic peers and has served on many university committees which participate in the academic planning and governance for the campus. Dr. Cunningham has been a frequent consultant to the business community and has taken an active role in the private fund development programs which have been so successful in the College of Business Administration.

He has the academic and administrative background to provide experienced and trusted leadership as U. T. Austin consolidates and enhances its ever-increasing national academic stature and recognition.

To give even increased emphasis and recognition to the academic and research mission of the University, the Board has created the new senior administrative position, Executive Vice President and Provost. Pursuant to Dr. Cunningham's recommendation and with the complete support and enthusiastic endorsement of the Board of Regents, Dr. Gerhard Fonken has been appointed to this position.

Dr. Fonken currently serves as Vice-President for Academic Affairs and Research as well as a Professor of Chemistry.

Dr. Fonken received both his Bachelor of Science in Chemistry and his Ph.D. from the University of California, Berkeley. He has worked as a chemist in the private sector, a research chemist with the Stanford Research Institute in California and has been at the U. T. Austin campus since 1959.

He has a distinguished record of academic and research accomplishments and has supervised some 25 doctoral and master's students to the successful completion of their graduate programs.

Dr. Fonken has had a wide range of campus administrative experience. During the early 1970's, he served as Assistant to the President, Assistant Provost for Arts & Sciences, and Associate Provost. From 1975 to 1980, he was Acting Vice President for Academic Affairs, Executive Assistant to the President, and Vice President for Research and Acting Vice President for Academic Affairs. He has been Vice President for Academic Affairs and Research since 1980.

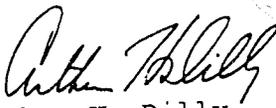
Dr. Fonken has shared Dr. Flawn's visions and hopes for the campus, and his continued service in this enhanced academic leadership role will ensure that the momentum will be continued.

I am particularly pleased with the selections of Dr. Cunningham and Dr. Fonken. By reason of their in-depth comprehension of the University's existing strengths and weaknesses and their broad and insightful understanding of the academic dimensions prerequisite to achievement of our targeted first rank status among the great universities of the world, this team is uniquely qualified to lead The University of Texas to the realization of the expectations triggered and resourced by our last six years of dynamic leadership and momentum.

We welcome them to their new responsibilities, and look forward to many years of happy and constructive association with them.

Dr. and Mrs. Cunningham and Dr. Fonken were presented and received a warm acknowledgement from those attending the meeting of the Board.

ADJOURNMENT.--There being no further business, the meeting was adjourned at 12:00 p.m.


Arthur H. Dilly
Executive Secretary

August 16, 1985