

MATERIAL SUPPORTING THE AGENDA

Volume XXXVb

Part I

This volume contains the Material Supporting the Agenda furnished to each member of the Board of Regents prior to the meeting held on

February 11, 1988

The material is divided according to the standing committees and the meetings that were held and is color coded as follows:

White paper - for documentation of all items that were presented before the deadline date.

Blue paper - all items submitted to the Executive Session and distributed only to the Regents, Chancellor and Executive Vice Chancellors of the System.

Yellow paper - emergency items distributed at the meeting.

Material distributed at the meeting as additional documentation is not included in the bound volume, because sometimes there is an unusual amount and other times some people get copies and some do not get copies. If the Executive Secretary was furnished a copy, then that material goes into the appropriate subject file.



**Material Supporting the Agenda
of the
Board of Regents
The University of Texas System**

Meeting No.: 831
Date: February 11, 1988
Location: San Antonio, Texas

BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

CALENDAR

Place: John Peace Library Building, Room 4.03.12
The University of Texas at San Antonio
John Peace Boulevard
San Antonio, Texas

Host Institution: The University of Texas at San Antonio

Thursday, February 11, 1988

10:30 a.m. Convene in Open Session for the sole
purpose of recessing to Executive
Session

2:00 p.m. Reconvene in Open Session to continue
until completion of business

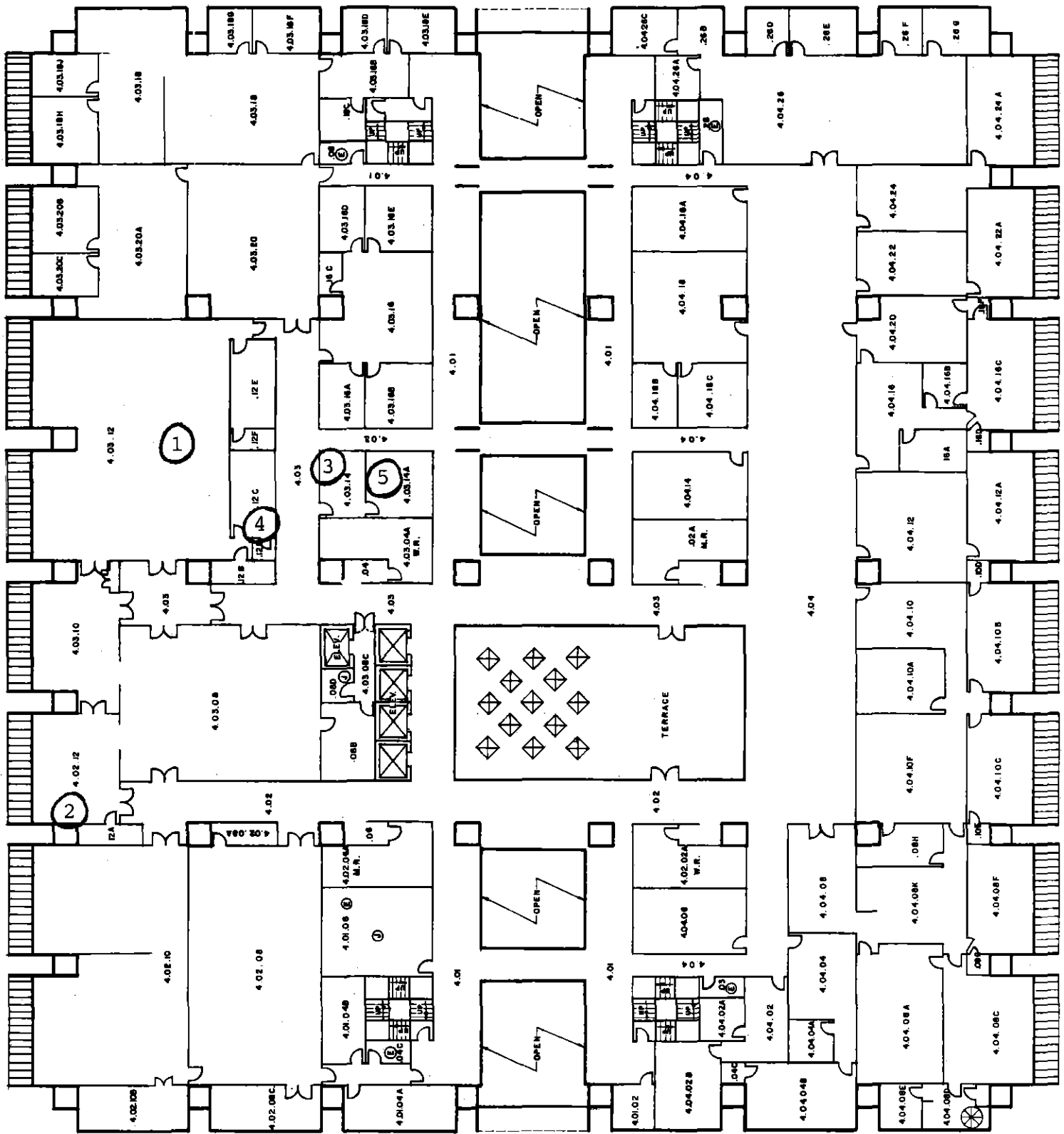
See Pages B of R 1 - 13,
Items A - P

Telephone Numbers

President Wagener	512, 691-4101
Wyndham San Antonio (9821 Colonnade)	512, 691-8888

The University of Texas at San Antonio

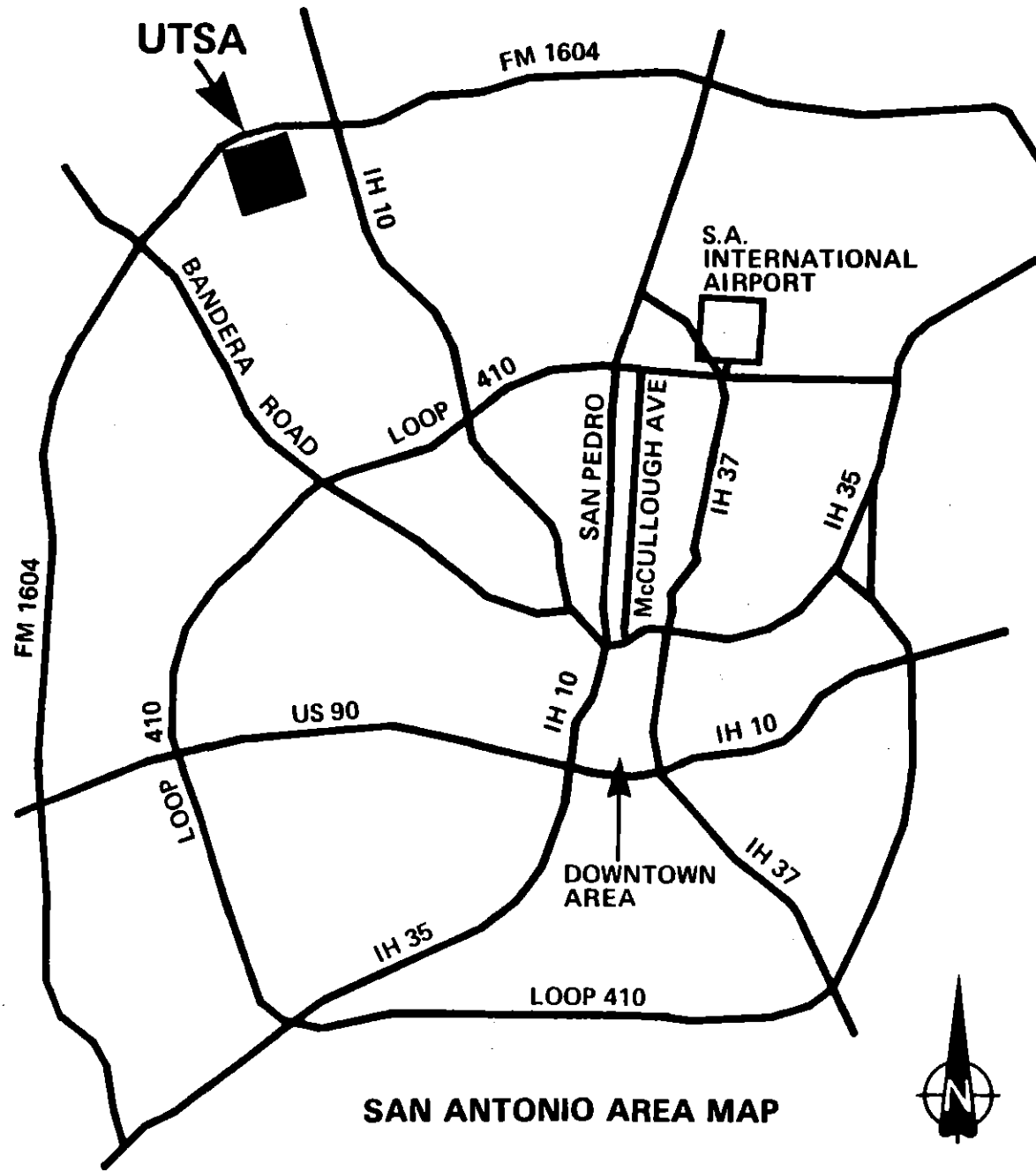
John Peace Library



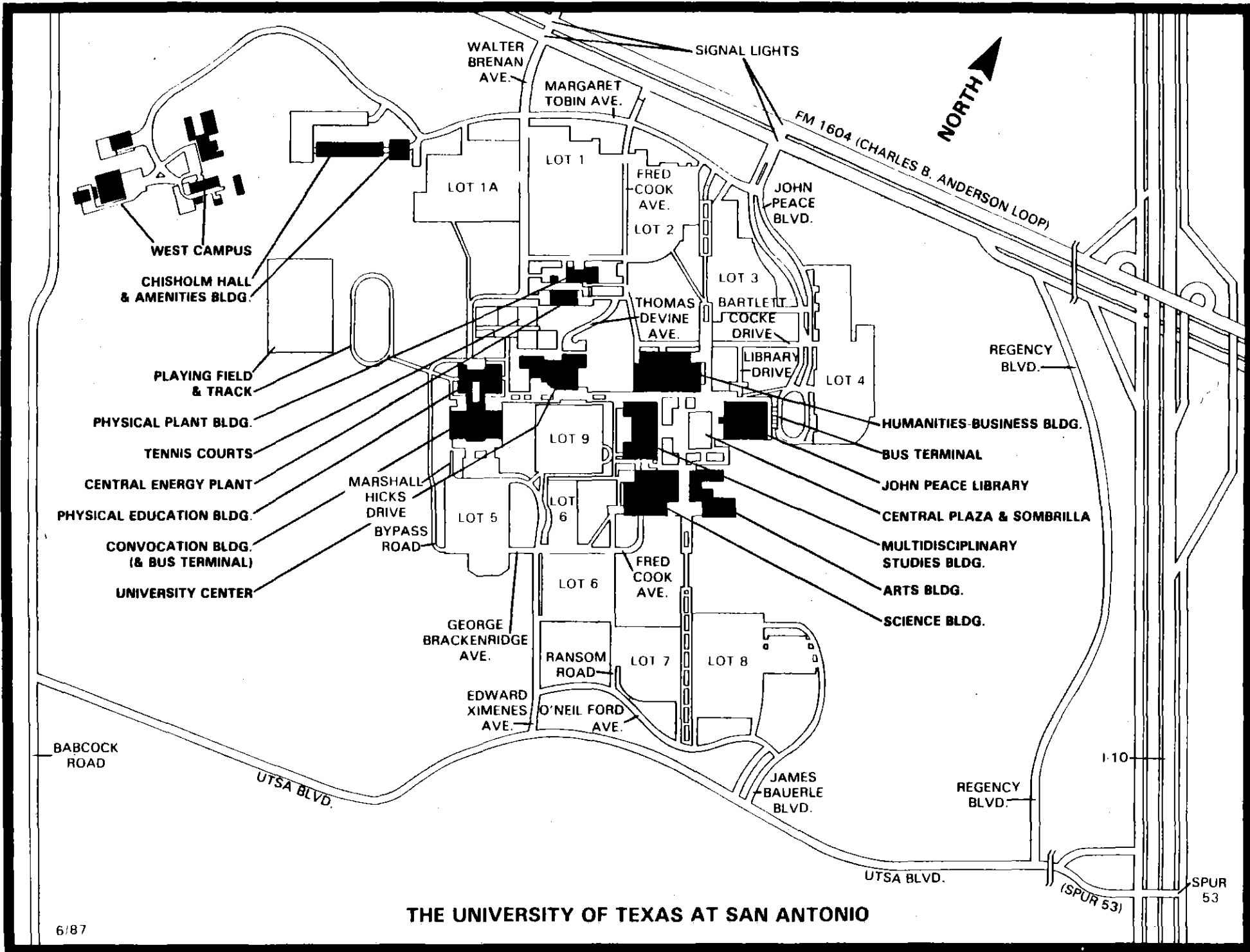
JOHN PEACE LIBRARY
LEVEL 4

- 1 = Meeting Room
- 2 = Executive Session
- 3 = Regents' Secretarial Office
- 4 = Telephones for Press
- 5 = Telephones for Staff





SAN ANTONIO AREA MAP



THE UNIVERSITY OF TEXAS AT SAN ANTONIO

Meeting of the Board

AGENDA FOR MEETING
OF
BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

Date: Thursday, February 11, 1988

Time: 10:30 a.m. Convene in Open Session for the sole purpose of recessing to Executive Session
2:00 p.m. Reconvene in Open Session to continue until completion of business

Place: John Peace Library Building, Room 4.03.12 (Open Session) and Room 4.02.12 (Executive Session)
U. T. San Antonio

A. CALL TO ORDER

B. RECESS TO EXECUTIVE SESSION

The Board will convene in Executive Session pursuant to Vernon's Texas Civil Statutes, Article 6252-17, Sections 2(e), (f) and (g) to consider those matters set out on Page Ex.S - 1 of the Material Supporting the Agenda.

C. RECONVENE IN OPEN SESSION

D. WELCOME BY PRESIDENT WAGENER

E. APPROVAL OF MINUTES OF REGULAR MEETING HELD DECEMBER 3, 1987

F. SPECIAL ITEMS

1. U. T. Board of Regents: Recommendation to Approve Resolution Authorizing the Amendment of the General Tuition Revenue Refunding Bonds, Series 1986, Escrow Agreement and Authorize the Office of Asset Management to Restructure The University of Texas System General Tuition Revenue Refunding Bonds, Series 1986, Escrow Fund.--

RECOMMENDATION

The Office of the Chancellor recommends that the U. T. Board of Regents:

- a. Adopt the resolution set out on Pages B of R 3 - 8 authorizing the execution of a First Supplemental Escrow Agreement amending the General Tuition Revenue Refunding Bonds, Series 1986, Escrow Agreement to permit the restructuring of the Escrow Fund
- b. Authorize the Office of Asset Management to restructure the Board of Regents of The University of Texas System General Tuition Revenue

Refunding Bonds, Series 1986, Escrow Fund by substituting currently escrowed securities with U. S. Treasury Obligations - State and Local Government Series (SLGS)

- c. Authorize the simultaneous sale of Escrow Fund securities to Underwood, Neuhaus and Co. Incorporated, Houston, Texas, and, from sale proceeds, purchase of the substitute SLGS from the Federal Reserve Bank, provided that the net realized gain from the transaction exceeds \$400,000
- d. Appoint Vinson & Elkins, Austin, Texas, as legal and tax counsel for this transaction
- e. Appoint Ernst & Whinney, Tucson, Arizona, as escrow verification agent.

BACKGROUND INFORMATION

In the majority of bond refunding transactions, the escrow is funded with SLGS subscriptions rather than U. S. Treasury obligations purchased in the open market. This is due to the fact that SLGS provides a perfect matching of investment maturities with the debt service requirements of the refunded bonds. At the time of issuance of the General Revenue Refunding Bonds in 1986, however, interest rates were such that it was to the U. T. System's advantage to use higher yielding open market Treasuries in the Escrow Fund. This position in turn created the future opportunity (given certain rate differentials between the SLGS market and the open market) to trade into SLGS at a profit. The Board approved a similar transaction in August 1987 for the General Revenue Refunding Bonds, Series 1986, which generated a net profit of \$1.6 million. The maximum net profit from restructuring the General Tuition Revenue Refunding Bonds Escrow Fund allowed by the U. S. Treasury is \$526,000.

RESOLUTION
AUTHORIZING THE EXECUTION OF A FIRST SUPPLEMENTAL
ESCROW AGREEMENT AMENDING THAT CERTAIN
ESCROW AGREEMENT DATED AS OF JUNE 1, 1986
RELATING TO THE REFUNDING OF
THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
GENERAL TUITION REVENUE BONDS, SERIES 1971,
SERIES 1972 AND SERIES 1972-A AND
GENERAL TUITION REVENUE REFUNDING BONDS, SERIES 1978

WHEREAS, it is necessary and advisable that the Board of Regents of The University of Texas System (the "Board") enter into the first supplemental escrow agreement hereinafter authorized with MTrust Corp, Houston, Texas for the purpose of amending that certain Escrow Agreement dated as of June 1, 1986 (the "Escrow Agreement") between the Board and MBank Houston, National Association (now MTrust Corp) relating to the refunding, through the issuance of the Board's General Tuition Revenue Refunding Bonds, Series 1986, of the following obligations of the Issuer (collectively, the "Refunded Obligations"): General Tuition Revenue Bonds, Series 1971, dated October 1, 1971, issued in the original aggregate principal amount of \$50,000,000; General Tuition Revenue Bonds, Series 1972 dated April 1, 1972 issued in the original aggregate principal amount of \$50,000,000; General Tuition Revenue Bonds, Series 1972-A dated October 1, 1972, issued in the original aggregate principal amount of \$17,000,000; and General Tuition Revenue Refunding Bonds, Series 1978, dated August 1, 1978, issued in the original aggregate principal amount of \$32,280,000.

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

Section 1. That the Executive Vice Chancellor for Asset Management of The University of Texas System is authorized and directed, for and on behalf of the Board, to sign, seal, and otherwise execute and deliver a first supplemental escrow agreement in substantially the form and substance attached to this Resolution and made a part hereof for all purposes (the "First Supplemental Agreement").

Section 2. That, upon its execution and delivery by the parties thereto, the First Supplemental Agreement shall constitute a binding and enforceable agreement of the Board in accordance with its terms and provisions.

Section 3. That the Board hereby finds and determines that the amendments to the Escrow Agreement made by the First Supplemental Agreement, and the carrying out of the actions permitted by such amendments in accordance with the requirements of the First Supplemental Agreement, will not adversely affect the owners of the Refunded Obligations.

Section 4. That the Escrow Agreement, as amended and supplemented by the First Supplemental Agreement, is ratified and approved hereby and shall remain in full force and effect, as so amended.

FIRST SUPPLEMENTAL

ESCROW AGREEMENT

THIS FIRST SUPPLEMENTAL ESCROW AGREEMENT, dated as of February 1, 1988 (herein called the "First Supplemental Agreement") is entered into by and between the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (herein called the "Issuer") and MTRUST CORP, Houston, Texas (formerly MBank Houston, National Association), as escrow agent (herein, together with any successor in such capacity, called the "Escrow Agent").

W I T N E S S E T H :

WHEREAS, by resolution of the Issuer dated June 5, 1986 (the "Bond Resolution") the Issuer has heretofore authorized and has entered into an escrow agreement with the Escrow Agent dated as of June 1, 1986 (the "Original Agreement" and, together with any amendments or supplements thereto, including this First Supplemental Agreement, the "Agreement"), for the purpose of providing for the safekeeping, investment, administration and disposition of a deposit made by the Issuer with the Escrow Agent as a firm banking and financial arrangement for the discharge and final payment of certain obligations of the Issuer (the "Refunded Obligations," as defined in the Original Agreement);

WHEREAS, the Issuer desires to amend the Original Agreement in order to permit a sale and replacement of certain of the securities held to the credit of the Escrow Fund created under the Section 3.01 of the Escrow Agreement, in order to realize substantial economic benefits to the Issuer and provide continued firm banking and financial arrangement for the discharge and final payment of the Refunded Obligations;

WHEREAS, the Escrow Agent is a party to this First Supplemental Agreement in order to acknowledge its acceptance of the terms and provisions hereof and its approval of the amendments of the Original Agreement made hereby;

NOW THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained and other good and valuable consideration, the sufficiency of which are acknowledged hereby, the Issuer and the Escrow Agent mutually undertake, promise and agree for themselves and their respective representatives and successors, as follows:

Section 1. Definitions. The terms "First Supplemental Agreement," "Issuer," "Escrow Agent," "Original Agreement" and "Agreement," when they are used in this First Supplemental Agreement, shall have the meanings assigned to them in the preamble to this First Supplemental Agreement. All other capitalized terms used herein, unless otherwise expressly defined herein or unless the context clearly indicates otherwise, shall have the meanings assigned to them in Article I of the Original Agreement.

Section 2. Amendment of Original Agreement. Section 4.03 of the Original Agreement is amended hereby to read as follows:

Section 4.03. Substitution for Escrowed Securities. At the written request of the Issuer, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall sell, transfer, otherwise dispose of or request the redemption of the Escrowed Securities and apply the proceeds therefrom to purchase Refunded Obligations or direct obligations of, or obligations the principal of and interest on which is unconditionally guaranteed by, the United States of America, which do not permit the redemption thereof at the option of the obligor. Any such transaction may be effected by the Escrow Agent only if: (i) the Escrow Agent shall have received a written opinion from a nationally recognized firm of certified public accountants that such transaction will not cause the amount of money and securities in the Escrow Fund to be reduced below an amount sufficient to provide for the payment of principal of, redemption premium on and interest on the Refunded Obligations as they become due pursuant to Section 3.02 and 3.03 of this Agreement; and (ii) the Escrow Agent shall have received the unqualified written legal opinion of nationally recognized bond counsel or tax counsel to the effect that such transaction will not cause any of the

Refunding Obligations to be an "arbitrage bond" within the meaning of Section 103(c) of the Code. The Issuer agrees that, in the event that the Escrow Agent shall sell, transfer, otherwise dispose of or request the redemption of any Escrowed Securities under this paragraph at the request of the Issuer, and apply the proceeds therefrom to purchase any Refunded Obligations, the Issuer promptly shall cancel or cause to be cancelled any Refunded Obligations so purchased, so that such Refunded Obligations thereafter shall no longer be outstanding for any purpose.

In addition to the substitution permitted by the foregoing paragraph, the Issuer, concurrently with the sale and delivery of the Refunding Obligations to the initial purchaser thereof, may substitute cash or non-interest bearing direct obligations of the United States Treasury (i.e., Treasury obligations that mature and are payable in a stated amount on the maturity date thereof, and for which there are no payments other than the payment made on the maturity date) for non-interest bearing Escrowed Securities, if any, listed in part IV of Exhibit D attached hereto, but only if such cash and/or substituted non-interest bearing direct obligations of the United States Treasury -

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

If any such cash and/or obligations are so substituted for any Escrowed Securities, the Issuer may, at any time thereafter, substitute for such cash and/or obligations the same Escrowed Securities for which such cash and/or obligations originally were substituted.

Section 3. Ratification of Agreement. The Original Agreement, as amended by this First Supplemental Agreement, is hereby ratified and approved and shall remain in full force and effect.

Section 4. Effective Date. This First Supplemental Agreement shall be effective upon its due authorization and execution by the parties hereto.

EXECUTED as of the date first written above.

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

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

MTRUST CORP
Houston, Texas

By _____
Title _____

ATTEST:

By _____
Title:

(CORPORATE SEAL)

2. U. T. Board of Regents - General Revenue Subordinate Lien Notes: Declaration of Project Eligibility for U. T. Austin - Recreational Sports Facilities - Phase I and U. T. Medical Branch - Galveston - Shriners Burns Institute - New Parking Structures; Authorization to Pay Project Costs from Note Proceeds; and Pledge of Revenues.--

RECOMMENDATION

The Office of the Chancellor recommends that the U. T. Board of Regents:

- a. Declare the U. T. Austin Recreational Sports Facilities - Phase I (Project No. 102-596) and the U. T. Medical Branch - Galveston - Shriners Burns Institute - New Parking Structures (Project No. 601-670) to be Eligible Projects for purposes of the Note Resolution authorizing General Revenue Subordinate Lien Notes
- b. Authorize the payment of any costs and expenses attributable to the construction of these projects from Note proceeds
- c. Pledge as additional Pledged Revenues:
 1. the U. T. Austin Recreational Sports Fee (to be assessed upon completion of Phase I of the Recreational Sports Facilities) and
 2. the U. T. Medical Branch - Galveston John Sealy Hospital Cafeteria Net Revenues and University Parking Facilities Net Revenues.

BACKGROUND INFORMATION

At its August 1987 meeting, the Board adopted a resolution authorizing the issuance of up to \$20 million of General Revenue Subordinate Lien Notes to provide interim financing for non-PUF capital projects. The purpose of the program was to enable the U. T. System to minimize financing costs during project construction by issuing short-term variable rate notes. Project notes would be combined and subsequently refinanced permanently with a single fixed rate long-term bond. To date, \$1,025,000 in notes have been issued to fund the purchase of the U. T. Arlington Keys Apartments at an average cost of 5.78%.

Final plans for the \$6,500,000 New Parking Structures were approved by the Board at its December 1987 meeting. It is anticipated that two notes totalling \$6,500,000 will be issued during the eight months construction period with interest and issuance costs to be paid from pledged revenues and interest income on note proceeds.

The Board will be asked to approve final plans for the \$12,460,000 Recreational Sports Facilities - Phase I project at the February 1988 meeting. It is expected that from four to six notes totaling \$13,500,000 will be

issued during the 22 months construction period with interest and issuance costs to be paid substantially from note proceeds. See Item 4 on Page B&G - 6 related to the construction and financing of the U. T. Austin Recreational Sports Facilities.

3. U. T. Board of Regents: Recommendations Related to the (a) Issuance of New Permanent University Fund Debt and (b) Refinancing of Existing Permanent University Fund Debt.--

RECOMMENDATION

Supplemental materials detailing the background and recommendations related to this item will be distributed at the meeting and the Executive Vice Chancellor for Asset Management will make any necessary presentations at the meeting.

4. U. T. Board of Regents: Request for Authorization to Enter Into Lease and Other Financing Agreements Related to the SEMATECH (Semiconductor Manufacturing Technology) Retrofit of the Data General Facility.--

RECOMMENDATION

Supplemental materials detailing the background and recommendations related to this item will be distributed at the meeting and the Executive Vice Chancellor for Asset Management will make any necessary presentations at the meeting.

SUPPLEMENTAL MATERIAL

SPECIAL ITEM

FEBRUARY 11, 1988

3. U. T. Board of Regents: Authorizations Related to (1) the Issuance of New Permanent University Fund Debt, and (2) the Refinancing of Existing Permanent University Fund Debt--

RECOMMENDATION

1. Issuance of New Permanent University Fund Debt
The Office of the Chancellor recommends that the U. T. Board of Regents:
- a. adopt a Resolution (Attachment A)
1. amending and restating a resolution adopted by the Board on December 5, 1985, as amended on December 4, 1986, establishing an interim financing program for PUF Capital Improvements projects;
 2. approving and authorizing the issuance of notes in an aggregate principal amount at any one time outstanding not to exceed \$125,000,000 (except for a promissory note associated with supporting the credit agreement shown in Attachment C which may be in the principal amount of \$134,500,000) to provide interim financing to pay Project Costs for Eligible Projects;
 3. authorizing the sale of \$25,000,000 of such notes;
 4. authorizing such notes to be issued, sold and delivered in various forms, including commercial paper notes, variable rate notes and a revolving note, and prescribing the terms, features and characteristics of such instruments;
 5. approving and authorizing certain authorized officers and employees of the System to act on behalf of the Board in the selling and delivery of such notes, within the limitations and procedures specified herein;
 6. making certain covenants and agreements in connection therewith;
 7. resolving other matters incident and related to the issuance, sale, security and delivery of such notes;
 8. approving the following agreements:
 - a. Paying Agent/Registrar Agreement (substantially in the form set forth in Attachment B),
 - b. Credit Agreement (substantially in the form set forth in Attachment C),
 - c. Trust Agreement with the Texas State Treasurer (substantially in the form set forth in Attachment D),

- d. Official Statement (substantially in the form set forth in Attachment E), and
 - e. Remarketing Agreement (substantially in the form set forth in Attachment F).
- b. Re-appoint McCall, Parkhurst & Horton of Dallas, Dallas County, Texas, as bond counsel;
 - c. Re-appoint Goldman Sachs & Co., New York, New York, as Dealer/Remarketing Agent;
 - d. Re-appoint Morgan Guaranty Trust Company, New York, New York, as Paying Agent/Registrar.
2. Refinancing of Existing Permanent University Fund Debt
 The Office of the Chancellor recommends that the U. T. Board of Regents authorize the issuance of \$100,000,000 Permanent University Fund Bonds Series 1988 to refinance \$100,000,000 outstanding Permanent University Fund Variable Rate Notes Series A. It is also recommended that the Board:
- a. Designate Vinson and Elkins, Austin, Travis County, Texas, as bond counsel;
 - b. Authorize the Office of Asset Management to:
 - 1. Advertise for bids for the sale of bonds, Paying Agent/Registrar, and printing of the bonds (all of which will be submitted for Board approval at its April, 1988, meeting);
 - 2. Take any and all actions necessary to bring to the Board, for its approval at its April, 1988, meeting, competitive bids for the purchase of the Series 88 Bonds;
 - c. Authorize the payment of issuance costs from proceeds of Permanent University Fund Variable Rate Notes, Series A.

BACKGROUND INFORMATION

The Board, at its December 1985 meeting, authorized the issuance of Permanent University Fund Variable Rate Notes, Series A (the "Notes") in an original amount of \$100 million to fund a portion of the PUF Capital Improvements Plan. The financing program underlying the issuance of the Notes anticipated financing in two stages: first, short term variable rate financing during construction and second, refunding of variable rate notes at periodic intervals with fixed rate long term bonds. A two stage financing program incorporating the use of variable rate financing was recommended because it permitted the System to minimize AUF debt service during construction by borrowing at short term interest rates and only as expenditures were incurred.

As of January 31, 1988, unexpended Note proceeds totalled \$35.3 million. Projected expenditures for capital expenditures of \$145.8 million through fiscal year 1989 will require that the System have in place a sustained financing capability during this period. Consequently, to provide for the continued use of variable rate financing, the Office of the Chancellor recommends increasing the variable rate financing program to \$125 million and converting the \$100 million of notes currently outstanding under the program to fixed rate long term bonds.

A RESOLUTION amending and restating a resolution adopted by the Board of Regents of The University of Texas System on December 5, 1985, as amended on December 4, 1986, establishing an interim financing program; approving and authorizing the issuance of obligations in an aggregate principal amount at any one time outstanding of not to exceed \$125,000,000 (except for a promissory note which may be in the principal amount of \$134,500,000) to provide interim financing to pay Project Costs for Eligible Projects; authorizing the sale of \$25,000,000 of such obligations; authorizing such obligations to be issued, sold and delivered in various forms, including commercial paper notes, variable rate notes and a revolving note, and prescribing the terms, features and characteristics of such instruments; approving and authorizing certain authorized officers and employees to act on behalf of the Board of Regents of The University of Texas System in the selling and delivery of such obligations, within the limitations and procedures specified herein; making certain covenants and agreements in connection therewith; resolving other matters incident and related to the issuance, sale, security and delivery of such obligations, including the approval of an Issuing and Paying Agent/Registrar Agreement, Credit Agreement, Trust Agreement with the Texas State Treasurer, Official Statement and Remarketing Agreement; and providing an effective date.

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EXHIBITS

- Exhibit A Credit Agreement
- Exhibit B Paying Agent Agreement
- Exhibit C Remarketing Agreement
- Exhibit D Bid Forms

A RESOLUTION amending and restating a resolution adopted by the Board of Regents of The University of Texas System on December 5, 1985, as amended on December 4, 1986, establishing an interim financing program; approving and authorizing the issuance of obligations in an aggregate principal amount at any one time outstanding of not to exceed \$125,000,000 (except for a promissory note which may be in the principal amount of \$134,500,000) to provide interim financing to pay Project Costs for Eligible Projects; authorizing the sale of \$25,000,000 of such obligations; authorizing such obligations to be issued, sold and delivered in various forms, including commercial paper notes, variable rate notes and a revolving note, and prescribing the terms, features and characteristics of such instruments; approving and authorizing certain authorized officers and employees to act on behalf of the Board of Regents of The University of Texas System in the selling and delivery of such obligations, within the limitations and procedures specified herein; making certain covenants and agreements in connection therewith; resolving other matters incident and related to the issuance, sale, security and delivery of such obligations, including the approval of an Issuing and Paying Agent/Registrar Agreement, Credit Agreement, Trust Agreement with the Texas State Treasurer, Official Statement and Remarketing Agreement; and providing an effective date.

WHEREAS, the Board of Regents (the "Board") of The University of Texas System (the "System") hereby determines to issue obligations pursuant to the provisions of Section 18 of Article VII of the Constitution of the State of Texas, Article 717q, V.A.T.C.S., as amended and Chapter 919, Acts of the 69th Legislature, Regular Session, 1985 (codified as Section 65.46, Texas Education Code) to provide interim financing for Eligible Projects (hereinafter defined); 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 twenty percent of the cost value of investments and other assets of the Permanent University

Fund (hereinafter defined) (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 (hereinafter defined) 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 such section or prior law, at or for the System administration and certain component institutions of the System; and

WHEREAS, the Board has issued its Board of Regents of The University of Texas System Permanent University Fund Refunding Bonds, Series 1985 pursuant to the 1984 Constitutional Amendment, being payable from and secured by a first lien on and pledge of the Interest of the University (hereinafter defined) in the Available University Fund; and

WHEREAS, the Board, by a resolution duly adopted on December 5, 1985, as amended by a resolution duly adopted on December 4, 1986 (together, the "Original Resolution"), authorized the issuance of its Board of Regents of The University of Texas System Permanent University Fund Variable Rate Notes, Series A, in an amount at any one time outstanding of not to exceed \$100,000,000 (the "Series A Notes"); and

WHEREAS, the Series A Notes were secured in part by the Interest of the University in the Available University Fund, such lien and pledge thereof, however, being junior and subordinate to the lien and pledge thereof securing the payment of Fund Priority Obligations (hereinafter defined) outstanding on or after the date of issuance of the Series A Notes; and

WHEREAS, pursuant to the Credit Agreement (the "Original Credit Agreement") dated as of December 16, 1985, among the Board, MBank Dallas, National Association ("MBank Dallas") and MBank Austin, National Association ("MBank Austin"), MBank Dallas agreed to make certain loans to the Board in the amounts up to, but not exceeding \$109,000,000, such loans to be made to enable the Board to refund Project Notes (as defined in the Original Resolution), including interest thereon; and

WHEREAS, as of December 5, 1986, the Board discharged MBank Dallas and MBank Austin from all obligations under the Original Credit Agreement; and

WHEREAS, pursuant to the Amended and Restated Credit Agreement (the "Restated Credit Agreement") dated as of December 5, 1986, between the Board and Morgan Guaranty Trust Company of New York ("Morgan"), Morgan assumed the obligations of MBank Dallas and MBank Austin, and agreed to make certain loans to the Board in amounts up to, but not exceeding, \$109,000,000, such loans to be made to enable the Board to refund Project Notes, including interest thereon; and

WHEREAS, the Board finds it necessary and advisable to increase the aggregate principal amount of notes that the Original Resolution initially authorized may be issued and be outstanding at any time; and

WHEREAS, Morgan and the Dealer (as defined in the Original Resolution) have been notified of the Board's intention to increase the authorized principal amount of such notes and neither entity has interposed an objection thereto; and

WHEREAS, the Board hereby finds that the purposes for which the Board may issue such notes constitute a "public utility", as contemplated by Article 717q, V.A.T.C.S., as amended; and

WHEREAS, the Board intends to fund or refund the herein authorized interim obligations through the issuance of such notes pursuant to the Constitutional Amendment (hereinafter defined); and

WHEREAS, arrangements relating to such interim financing have been settled and the Board hereby finds and determines that the issuance of obligations, including commercial paper notes, variable rate notes, and a promissory note, subject to the terms, conditions, and limitations hereinafter prescribed, should be approved and authorized at this time; now, therefore,

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

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context shall indicate a contrary meaning or intent, the terms below defined, for all purposes of this resolution or any resolution amendatory or supplemental hereto, shall be construed, are used and are intended to have the following meanings, to-wit:

"Acts" shall mean, collectively, Article 717q, V.A.T.C.S., as amended, and Section 65.46, Texas Education Code.

"Advances" shall have the same meaning given said term in the Agreement.

"Agreement" or "Credit Agreement" shall mean the credit agreement approved and authorized to be entered into by Section 2.05, as from time to time amended or supplemented, or other credit facility provided in lieu thereof in accordance with the provisions of Section 6.04(a).

"Authorized Investments" shall mean one or more of the following:

(1) obligations of the United States of America and its agencies and instrumentalities;

(2) direct obligations of the State of Texas and its agencies;

(3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States of America;

(4) obligations of states, agencies, counties, cities, and other political subdivisions of any state, or any issuer acting on behalf of such entities, having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of no less than A or its equivalent;

(5) money market mutual funds whose assets consist exclusively of all or part of the obligations described by Subdivisions (1)-(4) of this section;

(6) certificates of deposit of state and national banks doing business in Texas, guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor, or secured by obligations described by Subdivisions (1)-(5) of this section or Article 2529b-1, Vernon's Texas Civil Statutes, in market value no less than the principal amount of the certificates; and

(7) direct repurchase agreements with a defined termination date secured by obligations described by subdivisions (1) - (6) of this section, pledged with a third party other than an agent for the pledgor.

"Authorized Representative" shall mean one or more of the following officers or employees of the System, to-wit: the Chancellor, any Executive Vice Chancellor, the General Counsel, the Director of Endowments and Trusts, the Manager of Special Investments and Financing, the Comptroller, or such other officer or employee of the System authorized by the Board to act as an Authorized Representative.

"Available University Fund" shall mean, as provided in the Constitutional Amendment, 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.

"Bank" shall mean Morgan Guaranty Trust Company of New York, or any subsequent lender which becomes a party to the Agreement.

"Board of Regents" or "Board" shall mean the Board of Regents of the System.

"Bond Counsel" shall mean Messrs. McCall, Parkhurst & Horton.

"Bond Resolution" shall mean, collectively, the resolutions authorizing any Fund Priority Obligations.

"Business Day" shall mean any day (a) when banks are open for business in Austin, Texas and (b) when banks are not authorized to be closed in New York, New York.

"Commercial Paper Note" shall mean a Note issued pursuant to the provisions of this Resolution, having the terms and characteristics specified in Section 2.03 and in the form described in Section 2.07(a).

"Constitutional Amendment" shall mean the 1984 Constitutional Amendment, and any amendment thereto or any other amendment to the Constitution of the State of Texas relating to the Permanent University Fund hereafter approved by the voters of the State of Texas.

"Conversion Date" shall mean: (a) when used with respect to the Fixed Rate, the Fixed Rate Conversion Date; (b) when used with respect to any particular type of Variable Rate Period, the Daily Rate Conversion Date, the Weekly Rate Conversion Date, the Monthly Rate Conversion Date, the Quarterly Rate Conversion Date, the Semiannual Rate Conversion Date, and the Term Rate Conversion Date, as applicable; and (c) when used with respect to Flexible Rate Periods, the Flexible Rate Conversion Date.

"Daily Rate Conversion Date" shall mean the day on which the Variable Rate Notes first bear interest at a Daily Rate pursuant to Section 3.02(h) or (i).

"Daily Rate" shall mean the interest rate to be determined for the Variable Rate Notes on each Business Day pursuant to Section 3.02(b).

"Daily Rate Period" shall mean the period during which the Variable Rate Notes bear interest at a Daily Rate pursuant to Section 3.02(b), commencing on a Business Day and extending to but not including the next Business Day.

"Dealer" or "Remarketing Agent" shall have the meaning given said term in Section 5.04.

"Eligible Project" shall mean the acquisition of land either with or without permanent improvements, the construction and equipping of buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, the acquisition of capital equipment and library books and library materials. The term "Eligible Project" shall not include the construction, equipping, repairing or rehabilitating of buildings or other permanent improvements that are to be used for student housing, intercollegiate athletics, or auxiliary enterprises.

"Fiscal Year" shall mean the twelve-month operational period of the System commencing on September 1 of each year and ending on the following August 31.

"Fitch" shall mean Fitch Investors Service or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the Board.

"Fixed Rate" shall mean the rate at which the Variable Rate Notes shall bear interest from and including the Fixed Rate Conversion Date to the maturity date thereof.

"Fixed Rate Conversion Date" shall mean the date on which the Variable Rate Notes are converted to bear interest at the Fixed Rate pursuant to Section 3.04 which Fixed Rate Conversion Date shall be an Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is made or in the event of conversion from Flexible Rate Periods, the day following an Interest Payment Date on which interest is payable on all Variable Rate Notes.

"Fixed Rate Period" shall mean the period during which the Variable Rate Notes bear interest at the Fixed Rate.

"Flexible Rate" shall mean, when used with respect to any particular Variable Rate Notes, the interest rate determined for each Flexible Rate Period applicable thereto pursuant to Section 3.03.

"Flexible Rate Conversion Date" shall mean the date on which the Variable Rate Notes first begin to bear interest at Flexible Rates which Flexible Rate Conversion Date shall be an Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; provided, however, that in the case of a conversion from a Term Rate Period, the Conversion Date shall be an Interest Payment Date on which a new Term Rate Period would otherwise have commenced pursuant to Section 3.02(g).

"Flexible Rate Period" shall mean each period during which a Variable Rate Note bears interest at a Flexible Rate.

"Fund Priority Obligations" shall mean the Series 1985 Bonds and any other obligations issued by the Board pursuant to the Constitutional Amendment which are secured by and payable from a lien on and pledge of the Interest of the University in the Available University Fund prior in rank and dignity to the lien and pledge securing the payment of the Notes.

"Holder" or "Noteholder" shall mean the Registered Owner or any person, firm, association, or corporation who is in possession of any Note drawn, issued or endorsed to such person, firm, association or corporation or to the order of such person, firm, association or corporation or to bearer or in blank.

"Interest of the University" and "Interest" in the Available University Fund shall mean the System's two-thirds interest in the Available University Fund as apportioned and provided in the Constitutional Amendment.

"Interest Payment Date" shall mean (a) when used with respect to Variable Rate Notes bearing interest at the Daily, Weekly or Monthly Rate, the first Business Day of each calendar month to which interest at such rate has accrued; (b) when used with respect to Variable Rate Notes bearing interest at the Quarterly Rate, the first Business Day of the third calendar month following the month in which the Quarterly Rate Conversion Date occurs and the first Business Day of each third calendar month thereafter to which interest at such rate has accrued; (c) when used with respect to Variable Rate Notes bearing interest at the

Semiannual Rate or Term Rate or Fixed Rate, the first day of the sixth calendar month following the month in which the Semiannual, Term or Fixed Rate Conversion Date occurs and the first day of each sixth month thereafter to which interest at such rate has accrued; and (d) when used with respect to any particular Variable Rate Note bearing interest at a Flexible Rate, the last day of each Flexible Rate Period applicable thereto.

"Interest Period" shall mean the period from and including any Interest Payment Date to and including the day immediately preceding the next following Interest Payment Date.

"Investment Company" shall mean an open-end diversified management investment company registered under the Investment Company Act of 1940, as amended.

"Issuing and Paying Agent", "Paying Agent/Registrar", "Paying Agent" or "Registrar" shall mean the agent appointed pursuant to Section 2.02, or any successor to such agent.

"Issuing and Paying Agent Agreement" or "Paying Agent/Registrar Agreement" shall mean the agreement approved and authorized to be entered into by Section 5.03, as from time to time amended or supplemented.

"Maximum Interest Rate" shall mean the lesser of (a) 15% per annum and (b) the maximum net effective interest rate permitted by law to be paid on obligations issued or incurred by the Board in the exercise of its borrowing powers (prescribed by Article 717k-2, V.A.T.C.S., as amended, or any successor provision).

"Maximum Maturity Date" shall mean December 1, 2015.

"Monthly Rate" shall mean the interest rate to be determined for the Variable Rate Notes on a monthly basis pursuant to Section 3.02(d).

"Monthly Rate Conversion Date" shall mean the day (which is also an Interest Payment Date) on which the Variable Rate Notes first bear interest at a Monthly Rate pursuant to Section 3.02(h) or (i).

"Monthly Rate Period" shall mean each period during which the Variable Rate Notes bear interest at a Monthly Rate commencing on the first Business Day of each calendar month and ending on the last day prior to the first Business Day of the following month.

"Moody's" shall mean Moody's Investors Service, Inc. or, if such corporation is dissolved or liquidated or

otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the Board.

"1985 Constitutional Amendment Bond Resolution" shall mean the resolution adopted by the Board on October 24, 1985, authorizing the issuance of the Series 1985 Bonds.

"1984 Constitutional Amendment" shall mean the amendment to Section 18 of Article VII of the Constitution of the State of Texas approved by the voters on November 6, 1984.

"Note" or "Notes" shall mean the evidences of indebtedness authorized to be issued and at any time outstanding pursuant to this Resolution and shall include Commercial Paper Notes, Variable Rate Notes, or the Revolving Note as appropriate.

"Note Date" shall have the meaning given in Section 2.02.

"Original Resolution" shall mean the resolution adopted by the Board on December 5, 1985, as amended on December 4, 1986, authorizing and establishing an interim financing program through the issuance of interim obligations.

"Permanent University Fund", "Permanent Fund", and "Fund" used interchangeably herein shall 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 currently or hereafter amended, and further implemented by the provisions of Chapter 66, Texas Education Code.

"Permanent University Fund Obligations" shall mean, collectively, all bonds or notes of the Board or the Board of Regents of The Texas A&M University System heretofore or hereafter issued and delivered pursuant to the provisions of the Constitutional Amendment, payable from and secured by a lien on and pledge of income from the Permanent University Fund.

"Project Costs" shall mean all costs and expenses incurred in relation to Eligible Projects, including without limitation design, planning, engineering, and legal costs, acquisition costs of land, interests in land, right-of-way, and easements, construction costs, costs of machinery, equipment, and other capital assets incident and related to the operation, maintenance, and administration of an Eligible Project, and financing costs, including interest during construction and thereafter, underwriter's discount and/or fees, legal, financial, and other professional services, and reimbursement for such Project Costs attributable to

Eligible Projects incurred prior to the issuance of any Project Notes.

"Project Note" shall mean, as appropriate, a Note or all the Notes other than the Revolving Note.

"Quarterly Rate" shall mean the interest rate to be determined for the Variable Rate Notes on a quarterly basis pursuant to Section 3.02(e).

"Quarterly Rate Conversion Date" shall mean the date on which the Variable Rate Notes first bear interest at a Quarterly Rate pursuant to Section 3.02(h) or (i).

"Quarterly Rate Period" shall mean each period during which the Variable Rate Notes bear interest at a Quarterly Rate (a) commencing initially on a Quarterly Rate Conversion Date and (b) ending on the last day preceding either the commencement date of the following Quarterly Rate Period or the Conversion Date on which a different Rate Period shall become effective.

"Rate Period" shall mean the period during which a particular rate of interest determined for the Variable Rate Notes is to remain in effect pursuant to Article III.

"Registered Owner" shall mean the person or entity in whose name any Note is registered in the Registration Books.

"Registration Books" shall mean the books or records relating to the registration, payment and transfer or exchange of the Project Notes maintained by the Issuing and Paying Agent pursuant to Section 2.10.

"Regular Record Date" shall mean the close of business on the (a) Business Day immediately preceding the Interest Payment Date in the case of Variable Rate Notes bearing interest at Flexible, Daily, Weekly, Monthly, and Quarterly Rates and (b) fifteenth (15th) day of the month immediately preceding the Interest Payment Date in the case of Variable Rate Notes bearing interest at Semiannual or Term Rates or at the Fixed Rate.

"Remarketing Agreement" shall mean the agreement approved and authorized to be entered into by Section 5.04, as from time to time amended or supplemented.

"Resolution" shall mean this resolution and any amendment, modification, or supplement hereto as permitted hereby.

"Revolving Note" shall mean the refunding promissory bond issued pursuant to the provisions of this Resolution

and the Agreement in evidence of Advances made by the Bank under the Agreement to refund a Project Note or Notes, or the interest thereon, having the terms and characteristics contained therein and issued in accordance therewith, including any renewals or modifications thereof.

"Semiannual Rate" shall mean the interest rate to be determined for the Variable Rate Notes on a semiannual basis pursuant to Section 3.02(f).

"Semiannual Rate Conversion Date" shall mean the day on which the Variable Rate Notes first bear interest at a Semiannual Rate pursuant to Section 3.02(h) or (i).

"Semiannual Rate Period" shall mean each period during which the Variable Rate Notes bear interest at a Semiannual Rate.

"Series 1985 Bonds" shall mean The Board of Regents of The University of Texas System Permanent University Fund Refunding Bonds, Series 1985, dated October 15, 1985, and issued in the aggregate principal amount of \$345,970,000.

"Short Term Obligations" shall mean bonds or other evidences of indebtedness hereafter issued and incurred by the Board (other than the Notes) payable from the same sources, or any portion of such sources, securing the payment of the Notes and equally and ratably secured by a parity lien on and pledge of such sources securing the Notes, or any portion thereof.

"Special System Account" shall mean The State Treasurer - University of Texas Special System Account established by the Treasurer of the State of Texas pursuant to the Trust Agreement.

"Standard & Poor's" or "S&P" shall mean Standard & Poor's Corporation or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the Board.

"Term Rate" shall mean the interest rate to be determined for the Variable Rate Notes of a term of one or more years pursuant to Section 3.02(g).

"Term Rate Conversion Date" shall mean the day on which the Variable Rate Notes first bear interest at a Term Rate pursuant to Section 3.02(h) or (i).

"Term Rate Period" shall mean each period during which the Variable Rate Notes bear interest at a Term Rate.

"Trust Agreement" shall mean the Trust Agreement between the System and the State Treasurer, dated December 5, 1985, and any amendment or supplement thereto.

"University" or "System" shall mean The University of Texas System.

"Variable Rate" shall mean, as the context requires, the Daily, Weekly, Monthly, Quarterly, Semiannual, or Term Rate applicable to Variable Rate Notes.

"Variable Rate Conversion Date" shall mean the day on which the Variable Rate Notes first bear interest at a Variable Rate pursuant to Section 3.02(h) or (i).

"Variable Rate Note" shall mean a Note issued pursuant to the provisions of this Resolution, having the terms and characteristics specified in Section 2.04 and Articles III and IV and in substantially the form described in Section 2.07(b).

"Variable Rate Period" shall mean each period during which the Variable Rate Notes bear interest at a specific Variable Rate.

"Weekly Rate" shall mean the interest rate to be determined for the Variable Rate Notes on a weekly basis pursuant to Section 3.02(c).

"Weekly Rate Conversion Date" shall mean the day on which the Variable Rate Notes first bear interest at a Weekly Rate pursuant to Section 3.02(h) or (i).

"Weekly Rate Period" shall mean the period during which the Variable Rate Notes bear interest at a Weekly Rate.

Section 1.02. Construction of Terms Utilized in this Resolution. If appropriate in the context of this Resolution, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine, or neuter gender shall be considered to include the other genders.

ARTICLE II

AUTHORIZATION OF NOTES

Section 2.01. General Authorization. Pursuant to authority conferred by and in accordance with the provisions of the Constitution and laws of the State of Texas,

particularly the Constitutional Amendment and the Acts, Project Notes shall be and are hereby authorized to be issued in an aggregate principal amount not to exceed ONE HUNDRED TWENTY FIVE MILLION DOLLARS (\$125,000,000) at any one time outstanding for the purpose of financing Project Costs of Eligible Projects and to refinance, renew, or refund Notes, including interest thereon; and a refunding bond herein called the Revolving Note shall be and is hereby authorized to be issued in an aggregate principal amount not to exceed One Hundred Thirty Four Million Five Hundred Thousand Dollars (\$134,500,000) at any one time outstanding for the purpose of refunding Project Notes, including interest thereon, and evidencing Advances under the Agreement relating thereto; all in accordance with and subject to the terms, conditions, and limitations contained herein and, with respect to the Revolving Note, in the Agreement. For purposes of this Section 2.01, any portion of outstanding Notes to be paid from money on deposit in the Series A Note Payment Fund or the Special System Account and from the available proceeds of Notes, Short Term Obligations, Fund Priority Obligations or other obligations of the Board issued pursuant to the Constitutional Amendment on the day of calculation shall not be considered outstanding.

Section 2.02. Terms Applicable to Notes - General. Subject to the limitations contained herein, Commercial Paper Notes herein authorized shall be dated as of their date of issuance or prior thereto, but within 30 days of the date of issuance as determined herein or as otherwise determined by an Authorized Representative, and Variable Rate Notes herein authorized shall be dated as of the date of authentication of such Variable Rate Notes (the "Note Date"), and Project Notes shall bear no interest or bear interest at such rate or rates (either fixed, variable, floating, adjustable, or otherwise) per annum computed either on the basis of (i) actual days elapsed and on a 365-day year, or (ii) a 360-day year composed of twelve 30-day months (but in no event in any case to exceed the Maximum Interest Rate in effect on the date of issuance thereof), as provided herein or otherwise as may be determined by an Authorized Representative, and shall mature on or prior to the Maximum Maturity Date. Subject to the provisions of Articles III and IV, an Authorized Representative may establish a formula, index or other method for establishing the interest rates.

Project Notes issued hereunder may contain terms and provisions for the redemption or prepayment thereof prior to maturity, subject to any applicable limitations contained herein, as provided herein or otherwise as shall be determined by an Authorized Representative.

Subject to applicable terms, limitations, and procedures contained herein and to the provisions of Articles III and IV, Project Notes may be sold in such manner at public or private sale and at par or at such discount or premium (within the interest rate and yield restrictions provided herein) as an Authorized Representative shall approve at the time of the sale thereof; provided, however, that if any Project Notes are required to be sold through competitive bidding, such Project Notes shall be sold in accordance with the procedures set forth in Section 5.01.

The Project Notes shall be issued in registered form, without coupons, provided, however, Commercial Paper Notes may be registered to bearer. Both principal of and interest on the Project Notes shall be payable in the manner provided in Section 2.07 for Commercial Paper Notes and Variable Rate Notes, respectively.

The selection and appointment of Morgan Guaranty Trust Company of New York, New York, New York to serve as Paying Agent/Registrar for the Project Notes is hereby confirmed and the Board covenants and agrees to keep and maintain the Registration Books at the principal corporate office of the Paying Agent/Registrar, all as provided herein and pursuant to such reasonable rules and regulations as the Paying Agent/Registrar may prescribe. The Board covenants to maintain and provide a Paying Agent/Registrar at all times while the Project Notes are outstanding, which shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any State and authorized under such laws to exercise trust powers. Should a change in the Paying Agent/Registrar for the Project Notes occur, the Board agrees to promptly cause a written notice thereof to be (i) sent to each Registered Owner of the Project Notes then outstanding by United States Mail, first class, postage prepaid and (ii) published in a financial newspaper or journal of general circulation in The City of New York, New York, once during each calendar week for at least two calendar weeks, provided, however, the publication of such notice shall not be required if notice is given to each Holder. Such notice shall give the address of the successor Paying Agent/Registrar. A successor Paying Agent/Registrar may be appointed without the consent of the Holders.

A copy of the Registration Books and any change thereto shall be provided to the Board by the Paying Agent/Registrar, by means of telecommunications equipment or such other means as may be mutually agreeable thereto, within two Business Days of the opening thereof or any change therein, as the case may be.

The Board and the Paying Agent/Registrar may treat the bearer (in the case of Project Notes so registered) or the

Registered Owner of any Project Note as the absolute owner thereof for the purpose of receiving payment thereof and for all other purposes, and the Board and the Paying Agent/Registrar shall not be affected by any notice or knowledge to the contrary.

Section 2.03. Commercial Paper Notes. Under and pursuant to the authority granted hereby and subject to the limitations contained herein, Commercial Paper Notes to be designated "Board of Regents of The University of Texas System Permanent University Fund Commercial Paper Notes, Series A" are hereby authorized to be issued and sold and delivered from time to time in such principal amounts as determined by an Authorized Representative in denominations of any multiple of \$1,000, with a minimum denomination of \$100,000, numbered in ascending consecutive numerical order in the order of their issuance and to mature and become due and payable on such dates as an Authorized Representative shall determine at the time of sale; provided, however, that no Commercial Paper Note shall (i) mature after the Maximum Maturity Date or (ii) have a term in excess of 270 days.

Interest, if any, on Commercial Paper Notes shall be payable at maturity with principal.

Section 2.04. Variable Rate Notes. Under and pursuant to authority granted hereby and subject to the limitations contained herein, Variable Rate Notes to be designated "Board of Regents of The University of Texas System Permanent University Fund Variable Rate Notes, Series A", are hereby authorized to be issued and sold and delivered from time to time in such principal amounts as determined by an Authorized Representative, such Variable Rate Notes to be in denominations provided in the Form of Variable Rate Notes in Section 2.07(b), to be numbered in ascending consecutive numerical order in the order of their issuance and to mature and become due and payable on the date selected by an Authorized Representative in accordance with this Resolution but not later than the Maximum Maturity Date. Variable Rate Notes shall be payable and subject to purchase on demand of the Holder and redemption prior to maturity under the terms and conditions and at the redemption price or prices as set forth in Section 2.07(b) and Articles III and IV or as otherwise determined by an Authorized Representative; provided, however, any premium associated with a redemption prior to maturity of a Variable Rate Note shall not exceed three percent (3%) of the principal amount thereof.

Variable Rate Notes are hereby authorized to be issued bearing interest at a variable, floating, or adjustable rate not to exceed the Maximum Interest Rate and interest thereon shall be payable at maturity and at such intervals prior to maturity all as determined in accordance with the provisions

of Articles III and IV and in the form of Variable Rate Notes set forth in Section 2.07(b).

To exercise its option to redeem Variable Rate Notes, the Authorized Representative shall deliver notice to the Paying Agent of its intention to redeem the Variable Rate Notes, which notice shall specify the principal amount of the Notes to be redeemed, and, if less than all of the Notes are to be called, the Notes or portions thereof to be redeemed, (a) with respect to Variable Rate Notes bearing interest at Flexible, Daily, Weekly, or Monthly Rates at least fifteen (15) days prior to the proposed redemption date; and (b) with respect to Variable Rate Notes bearing interest at Quarterly, Semiannual or Term Rates or at a Fixed Rate at least thirty five (35) days prior to the proposed redemption date. The Paying Agent shall cause notice of any redemption of Variable Rate Notes to be mailed to each Registered Owner of Variable Rate Notes to be redeemed at the respective addresses appearing in the Registration Books. If such notice shall (i) be mailed at least ten (10) days prior to the redemption date with respect to Variable Rate Notes bearing interest at Flexible, Daily, Weekly, or Monthly Rates and at least thirty (30) days prior to the redemption date with respect to Variable Rate Notes bearing interest at Quarterly, Semiannual, or Term Rates or at a Fixed Rate, (ii) identify the Variable Rate Notes to be redeemed (specifying the CUSIP numbers (as defined herein), if any, assigned to the Variable Rate Notes), (iii) specify the redemption date and the redemption price, and (iv) state that (a) on the redemption date the Variable Rate Notes called for redemption will be payable at the principal corporate trust office of the Paying Agent, (b) from the redemption date interest will cease to accrue, and (c) no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Variable Rate Notes, and, if due provision for the payment of the redemption price is made, then the Variable Rate Notes which are to be redeemed thereby automatically shall be deemed to have been redeemed prior to their scheduled maturities, and they shall not bear interest after the redemption date, and they shall not be regarded as being outstanding except for the right of the Registered Owner thereof to receive the redemption price from the Paying Agent. No defect affecting the giving of notice of redemption of any Variable Rate Notes, whether in the notice of redemption or mailing thereof (including any failure to mail such notice) shall affect the validity of the redemption provisions for any other Variable Rate Notes.

Section 2.05. Credit Agreement. The Agreement, substantially in the form attached hereto as Exhibit A, is hereby approved, and shall be entered into with the Bank. The form of Revolving Note contained in the Agreement is

also approved, including the interest rate to be determined as set forth therein. An Authorized Representative is hereby authorized to execute and deliver the Agreement and any other documents called for thereunder; and the Chairman of the Board and the Executive Secretary of the Board are hereby authorized and directed to execute and deliver the Revolving Note and the Executive Secretary of the Board is authorized to place the Board seal thereon.

Section 2.06. Revolving Note. Under and pursuant to authority granted hereby and by the Agreement and subject to the limitations contained herein and in the Agreement, the Revolving Note to be designated "Board of Regents of The University of Texas System Credit Agreement Promissory Note" is hereby authorized to refund outstanding Notes and interest thereon in accordance with the terms of this Resolution, the Agreement and the form of Revolving Note set forth in Exhibit A to the Agreement.

Section 2.07. Forms of Project Notes. The Project Notes and the Certificate of Authentication to appear on each of the Project Notes shall be substantially in the forms set forth in this Section with such appropriate insertions, omissions, substitutions and other variations as are permitted or required by this Resolution and may have such letters, numbers or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Banks Association) ("CUSIP" numbers) and such legends and endorsements thereon as may, consistently herewith, be approved by an Authorized Representative. Any portion of the text of any Project Notes may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Project Notes.

The Project Notes shall be printed, lithographed, or engraved or produced in any other similar manner, or typewritten, all as determined and approved by an Authorized Representative.

(a) Form of Commercial Paper Note:

UNITED STATES OF AMERICA
STATE OF TEXAS
BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND
COMMERCIAL PAPER NOTE, SERIES A

Note Number _____ Interest Rate _____ Note Date _____ \$ _____

On _____ (the "Maturity Date") for value received, THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the "Board")

Promises To Pay To The Order Of _____
The Principal Sum Of _____
Payable At _____
(the "Issuing and Paying Agent").

on the Maturity Date specified above, and to pay interest, if any, on said principal amount specified above at said Maturity Date, from the above specified Note Date to said Maturity Date at the per annum Interest Rate shown above (computed on the basis of actual days elapsed and a 365-day year) solely from the sources hereinafter identified and as hereinafter stated; both principal and interest on this Commercial Paper Note being payable in immediately available lawful money of the United States of America at the principal corporate office of the Issuing and Paying Agent specified above, or its successor. No interest will accrue on the principal amount hereof after said Maturity Date.

This Commercial Paper Note is one of an issue of commercial paper notes (the "Commercial Paper Notes") which, together with other forms of obligations, including the below-referenced Revolving Note (such other obligations and the Commercial Paper Notes being hereinafter collectively referred to as the "Notes"), has been duly authorized and issued in accordance with the provisions of a resolution (the "Resolution") passed by the Board, an agency and political subdivision of the State of Texas, for the purpose of financing Project Costs of Eligible Projects (each as defined in the Resolution) and to refinance, renew, or refund the Notes issued pursuant to the provisions of the Resolution; all in accordance and in strict conformity with the provisions of Section 18 of Article VII of the Constitution of the State of Texas, Article 717q, V.A.T.C.S., as amended and Section 65.46, Texas Education Code. Capitalized terms used herein and not otherwise defined shall have the meaning given said terms in the Resolution.

This Commercial Paper Note, together with the other Notes, is payable from and equally secured by (i) the proceeds from (a) the sale of the Fund Priority Obligations, Short Term Obligations or other obligations of the Board under the Constitutional Amendment issued for such purpose and (b) the sale of Project Notes issued pursuant to the Resolution for such purpose, (ii) Advances under the Credit Agreement, (iii) the amounts held in the Series A Note Payment Fund and the Special System Account, and (iv) the Interest of the University in the Available University Fund, such lien on and pledge of the Interest of the University in the Available University Fund, however, being junior and subordinate to the lien and pledge thereof securing the payment of the Fund Priority Obligations now outstanding and hereafter issued by the Board.

This Commercial Paper Note, together with the other Notes, is payable solely from the sources hereinabove identified securing the payment thereof. The Notes do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the Board, except with respect to the Interest of the University in the Available University Fund, and the holder hereof shall never have the right to demand payment of this obligation from any sources or properties of the Board except as identified above.

It is hereby certified and recited that all acts, conditions, and things required by law and the Resolution to exist, to have happened, and to have been performed precedent to and in the issuance of this Commercial Paper Note, do exist, have happened, and have been performed in regular and in due time, form, and manner as required by law and that the issuance of this Commercial Paper Note, together with all other Notes, is not in excess of the principal amount of Notes permitted to be issued under the Resolution.

This Commercial Paper Note has all the qualities and incidents of a negotiable instrument under the laws of the State of Texas.

This Commercial Paper Note shall not be entitled to any benefit under the Resolution or be valid or become obligatory for any purpose until this Commercial Paper Note shall have been authenticated by the execution by the Issuing and Paying Agent of the Certificate of Authentication hereon.

IN WITNESS WHEREOF, the Board has authorized and caused this Commercial Paper Note to be executed on its behalf by the manual or facsimile signatures of the Chairman of the Board and the Executive Secretary of the Board and its official seal impressed or a facsimile thereof to be printed hereon.

BOARD OF REGENTS OF THE UNIVERSITY
TEXAS SYSTEM

Chairman

ATTEST:

Executive Secretary

(SEAL)

ISSUING AND PAYING AGENT'S
CERTIFICATE OF AUTHENTICATION

This Commercial Paper Note is one of the Commercial Paper Notes delivered pursuant to the within-mentioned Resolution.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
as Issuing and Paying Agent

By _____
Countersignature

(b) Form of Variable Rate Note.

\$ _____ Number _____

UNITED STATES OF AMERICA
STATE OF TEXAS
BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND
VARIABLE RATE NOTE, SERIES A

Interest Rate	Maturity Date	Tender Date	Note Date	Principal Amount
_____	_____	_____	_____	_____

INTEREST RATE MODE:

<u>Flexible</u>	<u>Daily</u>	<u>Weekly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Semiannual</u>	<u>Term</u>	<u>Fixed</u>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

REGISTERED OWNER:

THE BOARD OF REGENTS (the "Board") OF THE UNIVERSITY OF TEXAS SYSTEM (the "System") being an agency and political subdivision of the State of Texas, FOR VALUE RECEIVED, hereby promises to pay, solely from the sources hereinafter identified and as hereinafter stated, to the order of the registered owner set forth above, or the assignee thereof, on the Maturity Date specified above the principal amount specified above and to pay interest, if any, on said principal amount from the above specified Note Date to said Maturity Date or earlier redemption date or the date of payment pursuant to a demand for payment at the rate determined as herein provided from the most recent Interest Payment Date to which interest has been paid or duly provided for or from the Note Date if no interest has been paid, such payments of interest to be made on each Interest Payment Date until the principal hereof has been paid or provided for as aforesaid. Both principal of and interest on this note are payable in immediately available funds or clearing house funds, depending on the interest rate mode, the principal amount of notes owned and the instructions of the registered owner, in lawful money of the United States of America; the principal hereof being payable upon presentation and surrender of this note at the principal corporate office of the Paying Agent/Registrar executing the Certificate of Authentication appearing hereon, or its successor, and the interest hereon to be payable to the registered owner hereof whose name appears on the registration and transfer books (the "Registration Books") kept by the Paying Agent/Registrar as of the close of business on the record date by check mailed to such registered owner or by such other method requested by and at the risk and expense of the registered owner provided, that (i) if the registered owner has submitted a written request with the Paying Agent/Registrar prior to the record date, interest for any Daily, Weekly, Monthly or Quarterly Rate Period shall be paid by federal funds check, by deposit to the account of the registered owner if such account is maintained by the Paying Agent/Registrar or by wire transfer within the continental United States; or (ii) interest for Flexible Rate Periods will be paid in immediately available funds; provided further that interest accrued during any Flexible Rate Period and at the maturity of this Note shall be paid only upon its presentation and surrender. The record date for any Interest Payment Date shall be the close of business on the Business Day immediately preceding the Interest Payment Date, except that, while this note bears interest at Semiannual or Term Rates, or at a Fixed Rate the regular record date shall be the close of business on the 15th day of the calendar month immediately preceding such Interest Payment Date.

THIS NOTE is one of an issue of variable rate notes (the "Variable Rate Notes") which, together with other forms

of obligations, including the below referenced Revolving Note (such other obligations and the Variable Rate Notes being hereinafter collectively referred to as the "Notes"), has been duly authorized and issued in accordance with the provisions of a resolution (the "Resolution") passed by the Board for the purpose of financing Project Costs of Eligible Projects and to refinance, renew, or refund the Notes issued pursuant to the provisions of the Resolution; all in accordance and in strict conformity with the provisions of Section 18 of Article VII of the Constitution of the State of Texas, Article 717q, V.A.T.C.S., as amended and Section 65.46, Texas Education Code. Capitalized terms used herein and not otherwise defined shall have the meaning given in the Resolution.

This note, together with the other Notes, is payable (which includes the obligation to purchase upon tender as provided herein) from and equally secured by (i) the proceeds from (a) the sale of Fund Priority Obligations, Short Term Obligations or other obligations of the Board under the Constitutional Amendment issued for such purpose and (b) the sale of Project Notes issued pursuant to the Resolution for such purpose, (ii) Advances under the Credit Agreement, (iii) the amounts held in the Series A Note Payment Fund and the Special System Account, and (iv) the Interest of the University in the Available University Fund, such lien on and pledge of the Interest of the University in the Available University Fund, however, being junior and subordinate to the lien and pledge thereof securing the payment of Fund Priority Obligations now outstanding and hereafter issued by the Board.

This note, together with the other Notes, is payable solely from the sources hereinabove identified securing the payment thereof. The Notes do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the Board, except with respect to the Interest of the University in the Available University Fund, and the holder hereof shall never have the right to demand payment of this obligation from any sources or properties of the Board except as identified above.

INTEREST ON VARIABLE RATE NOTES

*The originally issued Variable Rate Notes shall bear interest at the Flexible Rate for a Flexible Rate Period which ends on _____, 1988. At the end of the initial Flexible Rate Period, the Variable Rate Note shall be subject to mandatory tender, without right of retention by the registered owner. Thereafter, the Variable Rate Notes shall continue in the Flexible Rate Mode until converted to another interest rate mode in accordance with the Resolution.

The rate of interest applicable to any Rate Period shall be determined in accordance with the applicable provisions of the Resolution and, for Flexible Rate Periods and Rate Periods, as hereinafter defined pursuant to the terms of the Remarketing Agreement between the Board and Goldman, Sachs & Co. or any successor thereto (the "Remarketing Agent"). All computations of interest shall be based on 365-day years for the actual number of days elapsed; except for interest at Semiannual or Term Rates, which shall be computed on the basis of 360-day years of twelve 30-day months.

The Variable Rate Notes may bear interest at Flexible Rates or a Variable Rate effective for periods ("Flexible Rate Periods" in the case of Flexible Rates and "Rate Periods" in the case of Variable Rates) established in accordance with the Resolution, from time to time. The Variable Rate Notes may be converted to bear interest at a Fixed Rate from the conversion date until maturity in accordance with the Resolution.

The Variable Rate Notes may bear interest as follows:

Flexible Rate Mode.

While the Variable Rate Notes bear interest at Flexible Rates, the interest rate for each particular Variable Rate Note will remain in effect for the duration (not exceeding 180 days) of the Flexible Rate Period. While the Variable Rate Notes are in the Flexible Rate Mode, Variable Rate Notes may have successive Flexible Rate Periods of any duration up to 180 days each and any Variable Rate Note may bear interest at a rate and for a period different from any other Variable Rate Note.

Variable Rate Modes.

The Variable Rate Notes may bear interest at a Variable Rate computed on a Daily, Weekly, Monthly, Quarterly, Semi-annual, or Term basis, as follows:

Daily Rate.

While the Variable Rate Notes bear interest at a Daily Rate, the interest rate established for the Variable Rate Notes will be effective from day to day until changed.

Weekly Rate.

While the Variable Rate Notes bear interest at a Weekly Rate, the rate of interest on the Variable Rate

Notes will be determined weekly to be effective for a seven-day period commencing on Wednesday of the following week.

Monthly Rate.

While the Variable Rate Notes bear interest at a Monthly Rate, the interest rate will be determined monthly to be effective for a one-month period.

Quarterly Rate.

While the Variable Rate Notes bear interest at a Quarterly Rate, the rate of interest will be determined quarterly to remain in effect for a three-month period.

Semiannual Rate.

While the Variable Rate Notes bear interest at a Semiannual Rate, the rate of interest will be determined semiannually to remain in effect for a six-month period.

Term Rate.

While the Variable Rate Notes bear interest at a Term Rate, the interest rate determined will remain in effect for a term of one year or any whole multiple of one year selected in accordance with the Resolution.

Fixed Rate Mode.

At the option of an Authorized Representative, the Variable Rate Notes bearing interest at a Variable Rate or Flexible Rates may be converted to bear interest at a Fixed Rate to the Maturity Date.

An interest rate mode will remain in effect until changed. During each Rate Period, and unless otherwise established by an Authorized Representative, the rate of interest on the Variable Rate Notes shall be that rate which, in the determination of the Remarketing Agent, if borne by the Variable Rate Notes on the date of such determination under prevailing market conditions, would result in the market value of the Variable Rate Notes being 100% of the principal amount thereof. While this Note bears interest at the Flexible Rate Mode, and unless otherwise established by an Authorized Representative, each Flexible Rate and Flexible Rate Period shall be determined by the Remarketing Agent in connection with the sale of the Variable Rate Notes to which they relate by the offer and acceptance of purchase commitments for such Variable Rate Notes at a Flexible Rate or Rates and for such Flexible Rate Periods as

it deems to be advisable in order to minimize the net interest cost on the Variable Rate Notes under prevailing market conditions. In the event that the Remarketing Agent is unable, or fails, to determine the Variable Rate or the Flexible Rates, the Variable Rate or the Flexible Rates shall remain those in effect for the then current Rate Period or Flexible Rate Period.

Variable Rate Notes which bear interest at Flexible Rates will be issued in denominations of any multiple of \$1,000, with a minimum denomination of \$100,000. Variable Rate Notes which bear interest at a Daily, Weekly, Monthly, or Quarterly Rate will be issued in denominations of \$100,000 and whole multiples thereof. Variable Rate Notes which bear interest at a Semiannual, Term Rate or Fixed will be issued in the denomination of \$5,000 and whole multiples thereof. In the event of a change in interest rate mode so that a registered owner owns Variable Rate Notes in an unauthorized denomination, the principal amount of Variable Rate Notes in excess of the authorized denomination is subject to mandatory tender for purchase at the principal amount thereof plus accrued interest on the date of conversion to the new interest rate mode.

OPTIONAL TENDERS

While this Variable Rate Note bears interest at a Variable Rate the registered owner of this Variable Rate Note has the right to tender this Variable Rate Note to the Paying Agent/Registrar for purchase at the principal amount hereof plus accrued interest (from the same sources from which the principal and interest hereon are payable) as follows: (i) during a Daily Rate Period on any Business Day upon notice to the Paying Agent/Registrar and Remarketing Agent prior to 11:00 a.m., New York time, on such Business Day, (ii) during a Weekly Rate Period on any Business Day upon notice to the Paying Agent/Registrar given on a Business Day at least 7 days prior to the Tender Date, (iii) during a Monthly Rate Period on any Interest Payment Date upon at least 3 Business Days notice to the Paying Agent/Registrar, (iv) during a Quarterly or Semiannual Rate Period on any Interest Payment Date upon notice to the Paying Agent/Registrar given on a Business Day at least 7 days prior to the Tender Date, and (v) during a Term Rate Period on the first day of the succeeding Rate Period upon notice to the Paying Agent/Registrar given on a Business Day at least 7 days prior to the Tender Date. AFTER THE VARIABLE RATE NOTES HAVE BEEN CONVERTED TO BEAR INTEREST AT A FIXED RATE THEY SHALL NOT BE SUBJECT TO TENDER FOR PURCHASE.

MANDATORY TENDERS

While this Variable Rate Note bears interest at a Flexible Rate or at a Variable Rate, this Variable Rate Note shall be tendered for purchase at the principal amount thereof plus accrued interest (from the same sources from which the principal and interest hereon are payable) to the Paying Agent/Registrar on the effective date of (i) a change from one interest rate mode to a different interest rate mode (except for changes between a Daily Rate and Weekly Rate) and (ii) a change from one Flexible Rate Period to another Flexible Rate Period; provided, however, that the registered owner of this Variable Rate Note may elect to retain this Variable Rate Note (or his investment in this Variable Rate Note in the event this Variable Rate Note bears interest at a Flexible Rate) upon written notice to the Paying Agent/Registrar as provided in the Resolution.

Interest on any Variable Rate Note as to which a registered owner has not elected to continue to own after a mandatory tender date (as described above) and which is not tendered on the mandatory tender date, but for which there has been irrevocably deposited with the Paying Agent/Registrar an amount sufficient to pay the purchase price thereof, shall cease to accrue on the mandatory tender date, and the registered owner of such Variable Rate Note shall not be entitled to any payment other than the purchase price for such Variable Rate Note and such Variable Rate Note shall no longer be outstanding and entitled to the benefits of the Resolution, except for the payment of the purchase price of such Variable Rate Note from monies held by the Paying Agent/Registrar for such payment. On the mandatory tender date, the Paying Agent/Registrar shall authenticate and deliver substitute Variable Rate Notes in lieu of such untendered Variable Rate Notes.

WRITTEN NOTICE OF RATE MODE CHANGE

While the Variable Rate Notes bear interest at Flexible Rates or a Variable Rate, the Paying Agent/Registrar shall give notice to the registered owners of all Variable Rate Notes of the conversion from one interest rate mode to another at the times described in the Resolution. ANY REGISTERED OWNER OF VARIABLE RATE NOTES WHO MAY BE UNABLE TO TAKE TIMELY ACTION ON ANY NOTICE SHOULD CONSIDER WHETHER TO MAKE ARRANGEMENTS FOR ANOTHER PERSON TO ACT IN HIS OR HER STEAD. If a new interest rate mode for the Variable Rate Notes is not selected in a timely fashion in accordance with the Resolution, the interest rate mode then in effect will continue until changed by timely notice.

INTEREST PAYMENT DATES

While this Variable Rate Note bears interest at a Flexible Rate, interest is payable on the last day of each Flexible Rate Period. While this Variable Rate Note bears interest at Daily, Weekly, or Monthly Rates, interest is payable on the first Business Day of each month. During Quarterly Rate Periods, interest is payable on the first Business Day of the third calendar month after the date each interest rate becomes effective. During any Semiannual or Term Rate Period, interest is payable on the first Business Day of the sixth calendar month after the date each interest rate becomes effective. After the Variable Rate Notes have been converted to bear interest at a Fixed Rate, interest is payable on January 1 and July 1 of each year. Each such date is herein defined as an "Interest Payment Date".

OPTIONAL REDEMPTION

During any Flexible, Daily, Weekly, Monthly, Quarterly, or Semiannual Rate Period, this Variable Rate Note is subject to redemption by the Board on any Interest Payment Date, in whole or in part, at a redemption price equal to the principal amount thereof plus interest accrued to the redemption date.

[Insert - Term or Fixed Rate Redemption Provisions selected by an Authorized Representative, if any]

It is hereby certified and recited that all acts, conditions, and things required by law and the Resolution to exist, to have happened, and to have been performed precedent to and in the issuance of this note, do exist, have happened, and have been performed in regular and due time, form, and manner as required by law and that the issuance of this note, together with all other Notes, is not in excess of the principal amount of Notes permitted to be issued under the Constitutional Amendment or the Resolution.

This note is and has all the qualities and incidents of a negotiable instrument under the laws of the State of Texas.

This note shall not be entitled to any benefit under the Resolution or be valid or become obligatory for any purpose until this note shall have been authenticated by the execution by the Paying Agent/Registrar of the Certificate of Authentication hereon.

IN WITNESS WHEREOF, the Board has authorized and caused this note to be executed on its behalf by the manual or facsimile signatures of the Chairman of the Board and the Executive Secretary of the Board and its official seal impressed or a facsimile thereof to be printed hereon.

BOARD OF REGENTS OF THE UNIVERSITY
OF THE TEXAS SYSTEM

Chairman

ATTEST:

Executive Secretary

(SEAL)

PAYING AGENT/REGISTRAR'S
CERTIFICATE OF AUTHENTICATION

This Variable Rate Note is one of the Variable Rate Notes delivered pursuant to the within mentioned Resolution.

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK,
as Paying Agent/Registrar

Registered This Date: By _____

Countersignature

NOTE TO PRINTER: ¶ with "*" in Variable Rate form to appear on Variable Rate Notes which are issued prior to the end of the initial Flexible Rate Period.

Section 2.08. Execution - Authentication. The Notes shall be executed on behalf of the Board by the Chairman of the Board under its seal reproduced or impressed thereon and attested by the Executive Secretary of the Board. The signature of said officers on the Notes may be manual or facsimile. Notes bearing the manual or facsimile signatures of individuals who are or were the proper officers of the Board on the date of passage of this Resolution shall be deemed to be duly executed on behalf of the Board, notwithstanding that such individuals or either of them shall cease to hold such offices at the time of the initial sale and delivery of Notes authorized to be issued hereunder and with respect to Notes delivered in subsequent sales, exchanges and transfers, all as authorized and provided in Article 717k-6, V.A.T.C.S., as amended.

No Project Note shall be entitled to any right or benefit under this Resolution, or be valid or obligatory for any purpose, unless there appears on such Project Note a certificate of authentication substantially in the applicable form provided in Section 2.07, executed by the Paying Agent/Registrar by manual signature, and such certificate upon any Project Note shall be conclusive evidence, and the only evidence, that such Project Note has been duly certified or registered and delivered.

Section 2.09. Notes Mutilated, Lost, Destroyed, or Stolen. If any Note shall become mutilated, the Board, at the expense of the Holder of said Note, shall execute and the Paying Agent/Registrar shall authenticate and deliver a new Note of like tenor and number in exchange and substitution for the Note so mutilated, but only upon surrender to the Paying Agent/Registrar of the Note so mutilated. If any Note shall be lost, destroyed, or stolen, evidence of such loss, destruction, or theft may be submitted to the Board and the Paying Agent/Registrar and if such evidence be satisfactory to them and indemnity satisfactory to them shall be given, the Board, at the expense of the Holder, shall execute and the Paying Agent/Registrar shall authenticate and deliver a new Note of like tenor in lieu of and in substitution for the Note so lost, destroyed, or stolen. In the event any such Note shall have matured the Paying Agent/Registrar instead of issuing a duplicate Note may pay the same without surrender thereof after making such requirement as it deems fit for its protection, including a lost instrument bond. Neither the Board nor the Paying Agent/Registrar shall be required to treat both the original Note and any duplicate Note as being outstanding for the purpose of determining the principal amount of Notes which may be issued hereunder, but both the original and the duplicate Note shall be treated as one and the same. The Board and the Paying Agent may charge the Holder of such Note with their reasonable fees and expenses for such service.

Section 2.10. Negotiability, Registration and Exchangeability. The Notes issued hereunder shall be, and shall have all of the qualities and incidents of a negotiable instrument under the laws of the State of Texas, and each successive Holder, in accepting any of the obligations, shall be conclusively deemed to have agreed that such Notes shall be and have all of the qualities and incidents of a negotiable instrument under the laws of the State of Texas.

Registration Books relating to the registration, payment, and transfer or exchange of the Project Notes shall at all times be kept and maintained by the Board at the corporate trust office of the Registrar, and the Registrar shall obtain, record, and maintain in the Registration Books

the name and, to the extent provided by or on behalf of such Registered Owner, the address of each Registered Owner of the Project Notes, except for Commercial Paper Notes registered to bearer, issued under and pursuant to the provisions of this Resolution. Any Project Note may, in accordance with its terms and the terms hereof, be transferred or exchanged for Project Notes of like tenor and character and of other authorized denominations upon the Registration Books by the Holder thereof in person or by his duly authorized agent, upon surrender of such Project Note to the Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder thereof or by his duly authorized agent, in form satisfactory to the Registrar.

Upon surrender for transfer of any Project Note at the corporate trust office of the Registrar, the Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Project Notes, executed on behalf of and furnished by the Board, of like tenor and character and of authorized denominations, and having the same maturity, bearing interest at the same rate, and of a like aggregate principal amount as the Project Note or Project Notes surrendered for transfer.

Furthermore, Project Notes may be exchanged for other Project Notes of like tenor and character and of authorized denominations and having the same maturity, bearing the same rate of interest, and of like aggregate principal amount as the Project Notes surrendered for exchange, upon surrender of the Project Notes to be exchanged at the corporate trust office of the Registrar. Whenever any Project Notes are so surrendered for exchange, the Registrar shall register and deliver new Project Notes of like tenor and character as the Project Notes exchanged, executed on behalf of, and furnished by, the Board to the Holder thereof requesting the exchange.

The Board and the Registrar may charge the Holder a sum sufficient to reimburse them for any expenses incurred in making any exchange or transfer after the first such exchange or transfer. The Registrar or the Board may also require payment from the Holder of a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation thereto. Such charges and expenses shall be paid before any such new Project Note shall be delivered.

The Board and the Paying Agent/Registrar shall not be required to transfer or exchange any Project Note selected, called or being called for redemption in whole or in part unless said Project Note has been tendered for purchase and

remarketed for a period which ends no later than the redemption date.

New Project Notes delivered upon any transfer or exchange shall be valid special obligations of the Board, evidencing the same debt as the Project Notes surrendered, shall be secured by this Resolution and shall be entitled to all of the security and benefits hereof to the same extent as the Project Notes surrendered.

The Board reserves the right to change the above registration and transferability provisions of the Project Notes at any time on or prior to the delivery thereof in order to comply with applicable laws and regulations of the United States of America in effect at the time of issuance thereof. In addition, to the extent that the provisions of this Section conflict with or are inconsistent with the provisions of Section 2.07(b) or Articles III and IV, such other provisions shall control.

Section 2.11. Series A Note Payment Fund. The Board hereby reaffirms that there is established with the Issuing and Paying Agent a separate and special fund designated as the "Board of Regents of The University of Texas System Series A Note Payment Fund" (the "Series A Note Payment Fund"). The proceeds from the sale of Fund Priority Obligations issued for the purpose of refunding and retiring notes outstanding under the Original Resolution shall be deposited to the credit of the Series A Note Payment Fund and used for such purpose. In addition, all amounts required to be deposited by the Board pursuant to Section 2.12 shall be deposited to the Series A Note Payment Fund and shall be used to pay principal of, premium, if any, and interest on Notes at the respective interest payment, maturity, redemption, or purchase dates of each issue of such Notes as provided herein, including the repayment of any amounts owed with respect to the Revolving Note in evidence of Advances under the Agreement. Amounts remaining in the Series A Note Payment Fund not then necessary for the purposes thereof may be transferred to the Series A Note Construction Account (as described in Section 2.14) upon request of an Authorized Representative.

Additionally all Advances under the Agreement shall be deposited into the Series A Note Payment Fund and used to pay the principal of, premium, if any, and interest on the Project Notes, including the purchase price pursuant to Articles III and IV.

Pending the expenditure of moneys in the Series A Note Payment Fund or the Series A Note Construction Account for authorized purposes, moneys deposited therein may be invested at the direction of an Authorized Representative in

Authorized Investments. Any income received from investments in the Series A Note Payment Fund shall be retained in the Series A Note Payment Fund, and any income received from investments in the Series A Note Construction Account shall be retained in the Series A Note Construction Account.

Section 2.12. Pledge of Revenues; Payments. The Notes are special obligations of the Board payable from and secured solely by the funds pledged therefor pursuant to this Resolution. The Board agrees to make payments into the Series A Note Payment Fund at such times and in such amounts as are necessary to provide for the full payment of the principal of, premium, if any, and the interest on the Notes when due, whether by reason of maturity, redemption, or tender for purchase. Payments from the Series A Note Payment Fund shall be made from the first moneys deposited to the account of the Series A Note Payment Fund. Unless paid from the proceeds from the sale of Fund Priority Obligations, Short Term Obligations, Notes, or other obligations of the Board issued pursuant to the Constitutional Amendment, or, with respect to the Project Notes, the Advances under and pursuant to the Agreement, such payments are to be made from the amounts required to be deposited in the Series A Note Payment Fund.

To provide security for the payment of the principal of and interest on the Notes as the same shall become due and payable, there is hereby pledged, subject only to the provisions of this Resolution permitting the application thereof for purposes and on the terms and conditions set forth herein, (i) the proceeds from (a) the sale of the Fund Priority Obligations or Short Term Obligations or other obligations of the Board under the Constitutional Amendment issued for such purpose and (b) the sale of Project Notes issued pursuant to this Resolution for such purpose, (ii) Advances under the Credit Agreement, (iii) the amounts held in the Series A Note Payment Fund and the Special System Account, provided, however, amounts in the Series A Note Payment Fund attributable to and derived from Advances under and pursuant to the Agreement are pledged to, and shall be used to pay, the principal of, premium, if any, and interest on the Project Notes, and (iv) the Interest of the University in the Available University Fund, such pledge of Interest of the University in the Available University Fund, however, being subordinate to the pledge thereof securing the payment of Fund Priority Obligations as described below, and it is hereby resolved and declared that the principal of and interest on the Notes shall be and are hereby equally and ratably secured by and payable from a lien on and pledge of the sources hereinabove identified in clauses (i), (ii), (iii), and (iv) subject and subordinate only to the exceptions noted therein.

Section 2.13. Application of Prior Covenants. The covenants and agreements (to the extent the same are not inconsistent herewith) contained in the 1985 Constitutional Amendment Bond Resolution are hereby incorporated herein and shall be deemed to be for the benefit and protection of the Notes and the Holders thereof in like manner as applicable to the Fund Priority Obligations, provided, however, in the event of any conflict between the terms, covenants, and agreements contained herein and the terms, covenants, and agreements contained in the 1985 Constitutional Amendment Bond Resolution, the provisions of the 1985 Constitutional Amendment Bond Resolution shall control over the provisions hereof; and provided, further, that, with respect to furnishing Holders full audits and reports by the State Auditor of Texas, as described in the 1985 Constitutional Amendment Bond Resolution, the Board shall furnish such reports as the State Auditor of Texas is required by state law to prepare and distribute.

In accordance with the provisions of the 1985 Constitutional Amendment Bond Resolution, the Notes represent obligations which are subordinate to the Fund Priority Obligations. As described in Section 9 of the 1985 Constitutional Amendment Bond Resolution, there heretofore has been established in the Treasury of the State of Texas a fund 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"). The Fund Priority Obligations are payable from moneys required to be transferred to the Interest and Sinking Fund. After provision has been made for the payment of the principal of and interest on the Fund Priority Obligations, based upon the projection of monies to be deposited into the Interest and Sinking Fund from the Available University Fund which demonstrates that the deposits to the Series A Note Payment Fund will not impair the obligation of the Board to pay the principal of and interest on the Fund Priority Obligations as the same mature and come due, the balance of the Interest of the University in the Available University Fund shall be made available to the Board to deposit into the Series A Note Payment Fund such amounts as are necessary to pay the interest on and/or the principal, and premium, if any, of the Notes to the extent not paid from the proceeds of Notes, Short Term Obligations, Fund Priority Obligations, or other obligations of the Board issued pursuant to the Constitutional Amendment, or with respect to the Project Notes, from the proceeds of Advances under the Agreement. After provision has been made for the payment of the interest and any premium on and/or principal of the Notes, the balance of the Interest of the University 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 the Board as it may lawfully direct.

To the end that money will be available at the Paying Agent/Registrar in ample time to pay the principal of and interest and any premium on the Notes as such principal, interest and premium respectively come due, respectively, an Authorized Representative, or such officer or employee as may hereafter be designated by the Board to perform the following duties, shall perform the following duties:

(1) Concurrently with the issuance of the Notes there is being established in the Treasury of the State of Texas the Special System Account. If there is on deposit in the Special System Account from the Interest of the University in the Available University Fund, monies sufficient to pay the interest and any premium on and/or principal of the Notes as the same come due and mature or are required to be purchased, an Authorized Representative or such other designated officer or employee shall transfer from the Special System Account to the Paying Agent/Registrar for deposit in the Series A Note Payment Fund moneys sufficient to pay such amounts, and thereafter shall coordinate with the State Treasurer and the Comptroller of Public Accounts of the State of Texas (hereinafter called the "Comptroller of Public Accounts") and take such actions as shall be necessary to restore the Special System Account to an amount equal to the amount such official estimates will be necessary from the Interest of the University in the Available University Fund, to pay said interest on and/or principal of and, premium, if any, on the Notes, including the purchase price thereof.

(2) If it is anticipated that there shall not be on account in the Series A Note Payment Fund or the Special System Account, from the Interest of the University in the Available University Fund, monies sufficient to pay the interest on and/or principal of, and premium, if any, on the Notes as the same are due, an Authorized Representative or such other designated officer or employee shall implement the procedures necessary to cause the Comptroller of Public Accounts to withdraw from the Interest and Sinking Fund the amount of such interest and/or principal and any premium which will become due on the scheduled payment date and deposit said amount in the Series A Note Payment Fund or, if such deposit cannot be made within the time required, to make an Advance in such amount.

This Resolution is supplemental to and a restatement of the Original Resolution, and is adopted under authority reserved by the Board under the Original Resolution.

Section 2.14. Series A Note Construction Account. The Board hereby reaffirms that there is established a separate

account designated as the "Board of Regents of The University of Texas System Series A Note Construction Account" (the "Series A Note Construction Account"). The Series A Note Construction Account is and shall be maintained by the Board in an official depository of the System. Moneys on deposit or to be deposited in the Series A Note Construction Account shall remain therein until from time to time expended for the Project Costs, and shall not be used for any other purposes whatsoever, except as otherwise provided below, and for temporary investment thereof as provided in Section 2.11.

Any amounts remaining in the Series A Note Construction Account and not necessary for the payment of Project Costs shall be paid into the Series A Note Payment Fund and used either for the payment of such maturities or purchases of the Project Notes coming due at such times as may be selected by the Authorized Representative or for the payment of the Revolving Note, as the case may be. In the event no Project Notes are outstanding and there are no outstanding amounts under the Revolving Note, any amounts in the Series A Note Construction Account not anticipated to be needed to pay Project Costs shall be transferred to the Interest and Sinking Fund.

Section 2.15. Cancellation. All Project Notes which at maturity are surrendered to the Paying Agent/Registrar for the collection of the principal and interest thereof or are surrendered for transfer or exchange pursuant to the provisions hereof or are purchased on behalf of the Board through an Advance shall, upon payment or issuance of new Project Notes, be cancelled by the Paying Agent/Registrar and forthwith transmitted to the Board, and the Board, thereafter shall have the custody of all thereof.

Section 2.16. Fiscal and Other Agents. In furtherance of the purposes of this Resolution, the Board may from time to time appoint and provide for the payment of such additional fiscal, paying or other agents or trustees as it may deem necessary or appropriate in connection with the Notes.

Section 2.17. Trust Agreement. An Authorized Representative is hereby authorized and directed to execute and deliver to the Texas State Treasurer any certificate or document deemed necessary by such Authorized Representative to update the Trust Agreement to reflect the increase in the amount of Notes at any time outstanding as authorized by this Resolution.

ARTICLE III

INTEREST RATES ON VARIABLE RATE NOTES

Section 3.01. Initial Interest Rates; Subsequent Rates. The Variable Rate Notes originally issued hereunder shall bear interest at the Flexible Rate for an initial Flexible Rate Period which shall end on the date so determined by an Authorized Representative following the sale of the Variable Rate Notes in the manner described in Section 5.05. At the end of said initial Flexible Rate Period, the Variable Rate Notes shall be subject to mandatory tender, without right of retention by the Registered Owner. Thereafter, the Variable Rate Notes shall bear interest at the Flexible Rates determined from time to time in accordance with the provisions of Section 3.03, except that the Rate Period applicable to the Variable Rate Notes may be converted to or from Variable Rate Periods, Flexible Rate Periods, or to the Fixed Rate Period pursuant to Section 3.02, 3.03, or 3.04.

Section 3.02. Variable Rates; Conversions to Variable Rate Periods.

(a) Determination by Remarketing Agent. Subject to the further provisions of this Article III with respect to particular Variable Rates or conversions between Rate Periods, the Variable Rate to be applicable to Variable Rate Notes during any Variable Rate Period shall be determined by the Remarketing Agent. The Remarketing Agent shall determine the Variable Rate in accordance with this section on the Rate Determination Date and shall notify the Authorized Representative of such determination of the Variable Rate by providing telephonic notice of such rate to an Authorized Representative. The Variable Rate so determined shall become effective on the first day of the next succeeding Rate Period.

(i) In each case the Variable Rate for the Variable Rate Period in question shall be determined by the Remarketing Agent on the date or dates ("Rate Determination Date") and at the time or times required pursuant to Section 3.02 (b), (c), (d), (e), (f), or (g) below, whichever is applicable.

(ii) The Variable Rate so to be determined shall be the lowest rate of interest which, in the judgment of the Remarketing Agent, would cause the Variable Rate Notes to have a market value equal to the principal amount thereof, plus accrued interest, under prevailing market conditions as of the date of determination; provided that: (A) if the Remarketing Agent fails for any reason to determine or notify the Authorized

Representative or the Paying Agent of the Variable Rate for any Variable Rate Period when required hereunder, the Variable Rate for such period shall be deemed to be determined as the Variable Rate then in effect; and (B) in no event shall the Variable Rate for any Variable Rate Period exceed the Maximum Rate.

(iii) All determinations of Variable Rates pursuant to this Section shall be conclusive and binding upon the Board, the Paying Agent, the Bank, and the Holders of the Variable Rate Notes to which such rates are applicable. The Board, the Paying Agent, and the Remarketing Agent shall not be liable to any Holders for failure to give any notice required above or for failure of any Holders to receive any such notice.

(b) Daily Rates. A Daily Rate shall be determined for each Daily Rate Period as follows:

(i) Daily Rate Periods shall commence on each Business Day and shall extend to, but not include, the next succeeding Business Day.

(ii) The Daily Rate for each Daily Rate Period shall be effective from and including the commencement date thereof and shall remain in effect to, but not including, the next succeeding Business Day. Each such Daily Rate shall be determined between 1:00 p.m. and 4:00 p.m., New York City time, on the Business Day immediately preceding the commencement date of the Daily Rate Period to which it relates and made available to the Paying Agent by the Remarketing Agent by the close of business on the day such rate is determined. If the Daily Rate is not determined for any day the Daily Rate determined for the preceding day shall remain in effect.

(iii) Notice of Daily Rates determined for each Daily Rate Period shall be given by the Paying Agent by first class mail to each Registered Owner by monthly statement within 7 Business Days after each Interest Payment Date on which Interest at a Daily Rate or Rates is to be paid.

(c) Weekly Rates. A Weekly Rate shall be determined for each Weekly Rate Period as follows:

(i) Weekly Rate Periods shall commence on Wednesday of each week and end on Tuesday of the following week; except that (A) in the case of a conversion to a Weekly Rate Period from a different Variable Rate Period or from a Flexible Rate Period, the initial Weekly Rate Period shall commence on the Conversion

Date from such other Variable Rate Period and end on Tuesday of the following week; and (B) in the case of a conversion from a Weekly Rate Period to a different Rate Period or to the Fixed Rate, the last Weekly Rate Period prior to conversion shall end on the last day immediately preceding the Conversion Date.

(ii) The Weekly Rate for each Weekly Rate Period shall be effective from and including the commencement date of such period and shall remain in effect through and including the last day thereof. Each such Weekly Rate shall be determined by the Remarketing Agent on the eighth (8th) day prior to the commencement date of the Weekly Rate Period to which it relates or the immediately succeeding Business Day, if such eighth (8th) day is not a Business Day, and made available to the Paying Agent by the Remarketing Agent by the close of business on the day such rate is determined.

(iii) Notice of Weekly Rates determined for each Weekly Rate Period shall be given by the Paying Agent by first class mail to each Registered Owner by monthly statement within 7 Business Days after each Interest Payment Date on which interest at a Weekly Rate or Rates is to be paid.

(d) Monthly Rates. A Monthly Rate shall be determined for each Monthly Rate Period as follows:

(i) Monthly Rate Periods shall commence on the first Business Day of each calendar month and end on the last day prior to the first Business Day of the following month.

(ii) The Monthly Rate for each Monthly Rate Period shall be effective from and including the commencement date of such period and shall remain in effect through and including the last day thereof. Each such Monthly Rate shall be determined by the Remarketing Agent not later than 12:00 p.m., New York City time, on the Business Day immediately preceding the commencement date of such period and made available to the Paying Agent by the Remarketing Agent by the close of business on the day such rate is determined.

(iii) Notice of Monthly Rates determined for each Monthly Rate Period shall be given by the Paying Agent by first class mail to each Registered Owner within 7 Business Days after its determination pursuant to Section 3.02(d)(ii) above.

(e) Quarterly Rates. A Quarterly Rate shall be determined for each Quarterly Rate Period as follows:

(i) Quarterly Rate Periods shall (A) commence initially on a Quarterly Rate Conversion Date; and (B) end on the last day preceding either the commencement date of the following Quarterly Rate Period or the Conversion Date on which a different type of Rate Period shall become effective.

(ii) The Quarterly Rate for each Quarterly Rate Period shall be effective from and including the commencement date of such period and shall remain in effect through and including the last date thereof. Each such Quarterly Rate shall be determined by the Remarketing Agent not later than 12:00 p.m., New York City time, on the Business Day immediately preceding the commencement date of such period and made available to the Paying Agent by the Remarketing Agent by the close of business on the same day.

(iii) Notice of a Quarterly Rate shall be given by the Paying Agent by first class mail to each Registered Owner promptly after such actual Quarterly Rate is determined pursuant to Section 3.02(e)(ii) above.

(f) Semiannual Rates. A Semiannual Rate shall be determined for each Semiannual Rate Period as follows:

(i) Semiannual Rate Periods shall (A) commence initially on the Conversion Date to a Semiannual Rate Period from a different type of Rate Period and on the first day of each sixth (6th) calendar month thereafter; and (B) end on the last day preceding either the commencement date of the following Semiannual Rate Period or the Conversion Date on which a different type of Rate Period shall become effective.

(ii) The Semiannual Rate for each Semiannual Rate Period shall be effective from and including the commencement date of such period and shall remain in effect through and including the last day thereof. Each such Semiannual Rate shall be determined by the Remarketing Agent for each Semiannual Rate Period shall be determined not later than 12:00 p.m., New York City time, on the Business Day immediately preceding the commencement date of such period and made available to the Paying Agent by the Remarketing Agent by the close of business on the day such rate is determined.

(iii) Notice of each Semiannual Rate shall be given by the Paying Agent by first class mail to each Registered Owner promptly after such actual Semiannual Rate is determined pursuant to Section 3.02(f)(ii) above.

(g) Term Rates. A Term Rate shall be determined for each Term Rate Period as follows:

(i) Term Rate Periods shall (A) commence initially on the Term Rate Conversion Date and on the first day of a calendar month which is an integral multiple of twelve (12) calendar months thereafter; and (B) end on the last day preceding either the commencement date of the following Term Rate Period or the Conversion Date on which a different Rate Period, shall become effective.

(ii) The Term Rate for each Term Rate Period shall be effective from and including the commencement date of such period and remain in effect through and including the last day thereof. Each such Term Rate shall be determined for each Term Rate Period not later than 12:00 p.m., New York City time, on the day immediately preceding the commencement date of such period and made available to the Paying Agent by the Remarketing Agent by the close of business on the day such rate is determined.

(iii) Notice of each Term Rate shall be given by the Paying Agent by first class mail to each Registered Owner promptly after such actual Term Rate is determined pursuant to Section 3.02(g)(ii) above.

(h) Conversions between Variable Rate Periods. At the option of an Authorized Representative, the Variable Rate Notes may be converted from one Variable Rate Period to another. To accomplish the proposed conversion, the Authorized Representative shall give written notice of the proposed conversion together with a copy of the opinion referred to in Section 3.02(h)(v), if applicable, to the Remarketing Agent not fewer than one day prior to the date that notice is required to be given pursuant to Section 3.02(h)(ii). The conversion shall be accomplished as follows:

(i) The Conversion Date of a conversion to a different Variable Rate Period shall be an Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; provided, however, that if the conversion is from a Term Rate Period to a different Variable Rate Period, the Conversion Date shall be limited to an Interest Payment Date on which a new Term Rate Period would otherwise have commenced pursuant to Section 3.02(g) above; and provided, further, that if the conversion is between Daily and Weekly Rate Periods, the Conversion Date may be any Wednesday, regardless of whether the Wednesday is an Interest Payment Date.

(ii) The Authorized Representative shall give written notice of any such conversion to the Paying Agent and the Bank, not fewer than forty-five (45) days prior to the proposed Conversion Date, or twenty (20) days in the case of conversions between Daily and Weekly Rate Periods. Such notice shall specify the proposed Conversion Date and the Variable Rate Period to which the conversion will be made, and in the case of conversion to a Term Rate Period, or to a new Term Rate Period if the previous Rate Period is a Term Rate Period, the number of years to be included within such Term Rate Period.

(iii) Not fewer than fifteen (15) days prior to the Conversion Date in the case of conversions between Daily and Weekly Rate Periods and not fewer than thirty (30) days prior to the Conversion Date in all other cases (including Flexible Rate Periods), the Paying Agent, except as provided in Section 3.05, shall mail (by first class mail) a written notice of the conversion to the Registered Owners. Such notice shall

(A) contain the information set forth in the notice from the Authorized Representative pursuant to Section 3.02(h)(ii) above,

(B) set forth the dates by which the Remarketing Agent will determine and the Paying Agent will notify the Registered Owners of the Variable Rate for the Variable Rate Period commencing on the Conversion Date pursuant to Section 3.02(h)(iv) below, and

(C) set forth the matters required to be stated pursuant to Section 4.03 with respect to purchases of Variable Rate Notes governed by such Section.

(iv) The Variable Rate for the Variable Rate Period commencing on the Conversion Date shall be determined by the Remarketing Agent in the manner provided in Section 3.02(a) above on the date set forth in Section 3.02(b), (c), (d), (e), (f), or (g) above, whichever is applicable to the Variable Rate Period to which the conversion shall be made.

(v) Any conversion pursuant to this Section 3.02(h) from a Flexible, Daily, Weekly, Monthly, Quarterly, or Semiannual Rate Period to a Term Rate Period; or from a Term Rate Period to another Term Rate Period; or from a Term Rate Period to a Flexible, Daily, Weekly, Monthly, Quarterly, or Semiannual Rate Period; or from a Flexible, Daily, Weekly, Monthly,

Quarterly, Semiannual or Term Rate Period to a Fixed Rate shall be subject to the condition that on or before the date of such conversion, an Authorized Representative shall have delivered to the Paying Agent and the Remarketing Agent an opinion of nationally recognized bond counsel to the effect that the conversion is authorized hereunder and will not adversely affect the exemption of interest on the Variable Rate Notes from federal income taxation. If said opinion is not delivered, the conversion shall not occur and the Variable Rate Notes shall remain in the same Rate Period.

(i) Conversions from Flexible Periods. At the option of an Authorized Representative, the Variable Rate Notes may be converted from Flexible Rate Periods to a Variable Rate Period. To accomplish the proposed conversion, an Authorized Representative shall give written notice of the proposed conversion together with a copy of the opinion referred to in Section 3.02(h)(v), if applicable, to the Remarketing Agent not fewer than one day prior to the date that notice is required to be given pursuant to subparagraph 3.02(i)(ii). The conversion shall be accomplished as follows:

(i) The Conversion Date shall be both (A) the first Business Day of a calendar month, and (B) the last Interest Payment Date on which interest is payable for any Flexible Rate Periods theretofore established for the Variable Rate Notes to be converted pursuant to Section 3.03.

(ii) The Authorized Representative shall give written notice of any such conversion to the Paying Agent and the Bank no fewer than forty-five (45) days prior to the proposed Conversion Date. Such notice shall specify the proposed Conversion Date and the type of Rate Period to which the conversion will be made, and in the case of conversion to a Term Rate Period, the number of years to be included within such Term Rate Period. The Paying Agent shall give notice of conversion to Registered Owners prior to the Conversion Date in the manner prescribed by Section 3.02(h)(iii). Notwithstanding the foregoing, however, no conversion shall be effected unless, prior to the date on which such notice is required to be given, the Paying Agent shall have received written confirmation from the Remarketing Agent to the effect that it has not established and will not establish any Flexible Rate Periods extending beyond the Conversion Date and, if applicable, the opinion required by Section 3.02(h)(v) above shall be delivered prior to the Conversion Date. If said opinion is not delivered, the conversion shall not

occur and the Variable Rate Notes shall remain in the same Rate Period.

(iii) The Variable Rate for the Variable Rate Period commencing on the Conversion Date shall be established and notice thereof shall be given in the same manner as is provided for conversions from one Variable Rate Period to another pursuant to Section 3.02(h)(iii) above, except as provided in Section 3.05.

Section 3.03. Flexible Rates; Conversions to Flexible Rate Periods.

(a) Flexible Rates. A Flexible Rate for each Flexible Rate Period shall be determined as follows:

(i) The Flexible Rate Period for each Variable Rate Note shall be of such duration, not exceeding 180 days, as may be offered by the Remarketing Agent and specified by the purchaser pursuant to Section 4.02 or 4.03 hereof and any Variable Rate Note may bear interest at a Flexible Rate for a Flexible Rate Period different from any other Variable Rate Note; provided that each such Flexible Rate Period shall (A) commence on a Business Day (initially, the Flexible Rate Conversion Date), and (B) end on a day which is a Business Day.

(ii) The Flexible Rate for each Flexible Rate Period shall be effective from and including the commencement date of such period through but not including the last day thereof. Each such Flexible Rate shall be determined by the Remarketing Agent in connection with the sale of the Variable Rate Note or Variable Rate Notes to which it relates pursuant to Section 4.02 or 4.03 hereof. Flexible Rates shall be determined for Variable Rate Notes prior to the commencement of each Flexible Rate Period with respect to such Variable Rate Note by the Remarketing Agent in connection with the remarketing of Variable Rate Notes, by the offer and acceptance of purchase commitments for such Variable Rate Notes at a rate or rates it deems to be advisable in order to minimize the net interest cost on the Variable Rate Notes under prevailing market conditions and shall notify an Authorized Representative of the Flexible Rate Period and the Flexible Rate for each Variable Rate Note by providing telephonic notice of such period and rate to an Authorized Representative. If the Flexible Rate Period is approved by an Authorized Representative (and it will be deemed to be approved if it is not rejected by an Authorized Representative within thirty minutes after such telephonic notice), it shall become effective on the first

day of the next Rate Period. If the period is rejected by the Authorized Representative, the next succeeding Rate Period shall be a Flexible Rate Period of one day's duration. Longer Flexible Rate Periods may be established pursuant to Section 4.02(b) hereof.

(b) Conversions to Flexible Rate Periods. At the option of an Authorized Representative, the Variable Rate Notes may be converted from a Variable Rate Period to Flexible Rate Periods. To accomplish the proposed conversion, the Authorized Representative shall give written notice of the proposed conversion together with a copy of the opinion referred to in Section 3.02(h)(v), if applicable, to the Remarketing Agent not fewer than one day prior to the date that notice is required to be given pursuant to Section 3.03(b)(ii). The conversion shall be accomplished as follows:

(i) In any such case, the Flexible Rate Conversion Date shall be an Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; provided, however, that in the case of a conversion from a Term Rate Period, the Conversion Date shall be an Interest Payment Date on which a new Term Rate Period would otherwise have commenced pursuant to Section 3.02(g).

(ii) The Authorized Representative shall give written notice of any such conversion to the Paying Agent and the Bank in the manner and at the times prescribed by Sections 3.02(h)(ii) and (iii) above.

(iii) Not fewer than thirty (30) days prior to the Conversion Date, the Paying Agent, except as provided in Section 3.05, shall mail (by first class mail) a written notice of the conversion to the Registered Owner of all Variable Rate Notes, specifying the Conversion Date and setting forth the matters required to be stated pursuant to Section 4.03 with respect to purchases of Variable Rate Notes governed by such Section.

(iv) Any conversion at the direction of an Authorized Representative pursuant to this Section 3.03(b) shall be subject to the condition, if required by Section 3.02(h)(v), that on or before the date of such conversion, the Authorized Representative shall have delivered to the Paying Agent and the Remarketing Agent an opinion of nationally recognized bond counsel to the effect that the conversion is authorized hereunder and will not adversely affect the exemption of interest on the Variable Rate Notes from federal income taxation. If said opinion is not delivered or if

conversion is to be made on the determination of the Remarketing Agent and is rejected by the Authorized Representative, the conversion shall not occur and the Variable Rate Notes shall remain in the same Rate Period.

Section 3.04. Fixed Rate Conversion at Option of Authorized Representative. At the option of an Authorized Representative, the Variable Rate Notes bearing interest at a Variable Rate or Flexible Rates may be converted to bear interest at a Fixed Rate to their final maturity. Any such conversion, shall be made as follows:

(a) The Fixed Rate Conversion Date shall be an Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made or an Interest Payment Date on which interest is payable for all Variable Rate Notes during Flexible Rate Periods.

(b) (i) The Authorized Representative shall give written notice of any such conversion to the Remarketing Agent, the Paying Agent, and the Bank, not fewer than forty-five (45) days prior to the proposed Conversion Date. Such notice shall specify the Fixed Rate Conversion Date.

(ii) Not fewer than thirty (30) days prior to the Fixed Rate Conversion Date, the Paying Agent shall mail (by first class mail) a written notice of the conversion to the Holder of all Variable Rate Notes, specifying the Conversion Date and setting forth the matters required to be stated pursuant to Section 3.04(c) hereof.

(c) Notice of conversion shall be given by first class mail by the Paying Agent to the Holders of all Variable Rate Notes. Such notice shall inform the Holders of:

(i) the proposed Fixed Rate Conversion Date;

(ii) the dates by which the Authorized Representative will determine and the Paying Agent will notify the Holders of the Fixed Rate pursuant to Section 3.04(d) below;

(iii) the conditions to the conversion pursuant to Section 3.04(e) below; and

(iv) the matters required to be stated pursuant to Section 4.04 hereof with respect to purchases of Variable Rate Notes governed by such Section.

(d) Not later than 12:00 p.m., New York City time, on the Business Day prior to the Fixed Rate Conversion Date an Authorized Representative shall determine the Fixed Rate for

the Variable Rate Notes and make the Fixed Rate available to the Paying Agent. Such determination shall be conclusive and binding upon the Board, the Paying Agent and the Holders of the Variable Rate Notes to which such rate will be applicable. Promptly after the date of determination, the Paying Agent shall give notice of such Fixed Rate by first class mail to the Board, the Remarketing Agent, the Bank and the Holders (as of the Fixed Rate Conversion Date).

(e) Any conversion to a Fixed Rate pursuant to this Section 3.04 shall be subject to the following conditions:

(i) on or before the Fixed Rate Conversion Date, an Authorized Representative shall have delivered to the Paying Agent and the Remarketing Agent an opinion of nationally recognized bond counsel to the effect that the conversion is authorized hereunder and will not adversely affect the exemption of interest on the Variable Rate Notes from federal income taxation; and

(ii) as of the Fixed Rate Conversion Date, sufficient funds shall be available to purchase Variable Rate Notes which are then required to be purchased pursuant to Section 4.04 hereof. If the foregoing conditions are not met for any reason, the conversion shall not be effective, the Variable Rate Notes shall continue to bear interest at the last effective Variable Rate (if the conversion was to have been made from a Variable Rate Period), at Flexible Rates determined by the Remarketing Agent pursuant to the provisions of Section 3.03(a) as of the date on which the conversion was to occur (if the conversion was to have been made from Flexible Rate Periods). The Paying Agent shall promptly notify the Registered Owners of such fact and shall give all additional notices and take all further actions required pursuant to Section 4.06.

Section 3.05. Notices to Registered Owners.

In the event that the Remarketing Agent has not provided the Registrar with complete registration information, including the name and address of any Registered Owner of a Variable Rate Note, any notice which the Paying Agent is required to give to such Registered Owner with respect to such Variable Rate Note shall be sent by the Paying Agent to the Remarketing Agent and it shall be the sole responsibility of the Remarketing Agent to furnish such notice to the Registered Owner. Where the Registrar has not been provided with complete registration information, including name and address of any Registered Owner, the Registrar and Paying Agent shall have no responsibility nor incur any liability in connection with the giving of such notice.

ARTICLE IV

TENDER AND PURCHASE OF VARIABLE RATE NOTES

Section 4.01. Tenders During Variable Rate Periods.

(a) Purchase Dates. The Holders of Variable Rate Notes bearing interest at Variable Rates may elect to have their Variable Rate Notes (or portions thereof in amounts equal to the lowest denomination then authorized pursuant to Section 2.07 hereof or whole multiples of such lowest denomination) purchased at a purchase price equal to 100% of the principal amount of such Variable Rate Notes (or portions), plus accrued interest, if any, on the following purchase dates and upon the giving of the following telephonic or written notices meeting the further requirements of subsection (b) below:

(i) Variable Rate Notes bearing interest at Daily Rates may be tendered for purchase at a price payable in immediately available funds on any Business Day prior to conversion from a Daily Rate Period to a different Rate Period, upon telephonic notice of tender given to the Paying Agent and the Remarketing Agent not later than 11:00 a.m., New York City time, on the purchase date.

(ii) Variable Rate Notes bearing interest at Weekly Rates may be tendered for purchase at a price payable in immediately available funds on any Business Day prior to conversion from a Weekly Rate Period to a different Rate Period upon delivery of a written notice of tender to the Paying Agent not later than 5:00 p.m., New York City time, on a Business Day not fewer than seven (7) days prior to the purchase date.

(iii) Variable Rate Notes bearing interest at Monthly Rates may be tendered for purchase on any Interest Payment Date for such Variable Rate Notes at a price payable in immediately available funds upon delivery of a written notice of tender not later than 5:00 p.m., New York City time, on a Business Day which is not fewer than three (3) Business Days prior to the purchase date.

(iv) Variable Rate Notes bearing interest at a Quarterly or Semiannual Rate may be tendered for purchase on Interest Payment Date for such Variable Rate Notes at a price payable in clearing house funds upon delivery of a written notice of tender not later than 5:00 p.m., New York City time, on a Business Day which is not fewer than seven (7) days prior to the purchase date.

(v) Variable Rate Notes bearing interest at a Term Rate may be tendered for purchase on the commencement date the following Rate Period for such Variable Rate Notes at a price payable in clearing house funds upon delivery of a written notice of tender not later than 5:00 p.m., New York City time, on a Business Day which is not fewer than seven (7) days prior to the purchase date.

(vi) Notwithstanding any provision in this subsection to the contrary, any Registered Owner who has elected to retain Variable Rate Notes upon a conversion from one Rate Period to another in the manner prescribed in Section 4.03 or Section 4.04 may no longer elect to have their Variable Rate Notes purchased as provided in this Section 4.01.

(b) Notice of Tender. Each notice of tender:

(i) shall, in the case of a written notice, be delivered to the Paying Agent at its corporate trust office and be in form satisfactory to the Paying Agent;

(ii) shall state, whether delivered in writing or by telephone (A) the principal amount of the Variable Rate Note to which the notice relates, (B) that the Holder irrevocably demands purchase of such Variable Rate Note or a specified portion thereof in an amount equal to the lowest denomination, then authorized pursuant to Section 2.07(b) hereof or a whole multiple of such lowest denomination, hereof or a whole multiple of such lowest denomination, (C) the date on which such Variable Rate Note or portion is to be purchased, and (D) payment instructions with respect to the purchase price; and

(iii) shall automatically constitute, whether delivered in writing or by telephone, (A) an irrevocable offer to sell the Variable Rate Note (or portion thereof) to which the notice relates on the purchase date to any purchaser selected by the Remarketing Agent, at a price equal to the principal amount of such Variable Rate Note (or portion thereof) plus any interest thereon accrued and unpaid as of the purchase date, (B) an irrevocable authorization and instruction to the Paying Agent to effect transfer of such Variable Rate Note (or portion thereof) upon payment of such price to the Paying Agent on the purchase date, (C) an irrevocable authorization and instruction to the Paying Agent to effect the exchange of the Variable Rate Note to be purchased in whole or in part for other Variable Rate Notes in an equal aggregate principal amount so as to facilitate the sale of such Variable Rate Note (or

portion thereof to be purchased), and (D) an acknowledgement that such Registered Owner will have no further rights with respect to such Variable Rate Note (or portion thereof) upon payment of the purchase price thereof to the Paying Agent on the purchase date, except for the right of such Registered Owner to receive such purchase price upon surrender of such Variable Rate Note to the Paying Agent and that after the purchase date such Registered Owner will hold an undelivered certificate as agent for the Paying Agent.

The determination of the Paying Agent as to whether a notice of tender has been properly delivered pursuant to the foregoing shall be conclusive and binding upon the Registered Owner. The Paying Agent may waive nonconforming tenders.

(c) Variable Rate Notes to be Remarketed. Not later than 11:00 a.m., New York City time, on the Business Day immediately following the date of receipt of any notice of tender (or immediately upon such receipt, in the case of Variable Rate Notes bearing interest at Daily Rates), the Paying Agent shall notify, by telephone promptly confirmed in writing, in the case of a Daily or Weekly Rate, and in writing in all other cases an Authorized Representative, the Remarketing Agent and the Bank of the principal amount of Variable Rate Notes (or portions thereof) to be purchased and the date of purchase.

(d) Remarketing of Tendered Variable Rate Notes. Unless otherwise instructed by an Authorized Representative, the Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all Variable Rate Notes or portions thereof for which notice of tender has been received pursuant to Section 4.01(c) above. The terms of any sale by the Remarketing Agent shall provide for the payment of the purchase price for tendered Variable Rate Notes by the Remarketing Agent to the Paying Agent (in exchange for new registered Variable Rate Notes) (i) in immediately available funds at or before 2:00 p.m., New York City time, on the purchase date, in the case of Variable Rate Notes bearing interest at Daily, Weekly, Monthly, or Quarterly Rates, and (ii) in clearing house funds at or before 12:00 p.m., New York City time, on the purchase date, in the case of Variable Rate Notes bearing interest at Semiannual or Term Rates. Notwithstanding the foregoing, the Remarketing Agent shall not sell any Variable Rate Note for which a notice of conversion from one type of Variable Rate Period to another, to Flexible Rate Periods or to a Fixed Rate Period has been given by the Paying Agent unless the Remarketing Agent has advised the person to whom the sale is made of the conversion.

(e) Purchase of Tendered Variable Rate Notes.

(i) Notice. At or before 3:00 p.m., New York City time, on the Business Day immediately preceding the date fixed for purchase of tendered Variable Rate Notes (or 12:45 p.m., New York City time, on the purchase date in the case of Variable Rate Notes bearing interest at Daily Rates), the Remarketing Agent shall give notice by telephone, telegram, telecopy, telex, or other similar communication to the an Authorized Representative and the Paying Agent of the principal amount of tendered Variable Rate Notes which were remarketed. Not later than 5:00 p.m. (or 1:30 p.m., in the case of Variable Rate Notes bearing interest at Daily Rates), New York City time, on the date of receipt of such notice the Paying Agent shall give notice by telephone, telegram, telecopy, or other similar communication to an Authorized Representative and the Bank specifying the principal amount of tendered Variable Rate Notes as to which the Remarketing Agent has not found a purchaser. At or before 3:00 p.m., New York City time on the day prior to the purchase date to the extent known to the Remarketing Agent, but in any event, no later than 11:00 a.m. (or 1:00 p.m., in the case of Variable Rate Notes bearing interest at Daily Rates), New York City time, on the date fixed for purchase, the Remarketing Agent shall give notice to the Paying Agent by telephone (promptly confirmed in writing) of any change in the names, and taxpayer identification numbers of the purchasers, the denominations of Variable Rate Notes to be delivered to each purchaser, and, if available, payment instructions for regularly scheduled interest payments.

(ii) Sources of Payment. The Remarketing Agent shall cause to be paid to the Paying Agent for deposit in the Series A Note Payment Fund on the date fixed for purchase of tendered Variable Rate Notes, all amounts representing proceeds of the remarketing of such Variable Rate Notes, such payments to be made in the manner and at the time specified in Section 4.01(d) above. If such amounts, plus all other amounts received by the Paying Agent for the purchase of tendered Variable Rate Notes, are not sufficient to pay the principal amount plus the accrued and unpaid interest thereon to the purchase date (if any), the Paying Agent shall immediately notify the Authorized Representative and the Bank, of any deficiency. The Board shall deliver or through Advances under the Credit Agreement (provided that any Advance under the Credit Agreement shall be in an amount equal to an authorized denomination of the Notes being purchased) cause to be delivered to the Paying Agent (A) immediately available

funds in an amount at least equal to such deficiency prior to 3:00 p.m., New York City time, on the date set for purchase of tendered Variable Rate Notes bearing interest at Daily, Weekly, Monthly, or Quarterly Rates, and (B) clearing house funds in an amount at least equal to such deficiency prior to 3:00 p.m., New York City time on the date set for purchase of tendered Variable Rate Notes bearing interest at Semiannual or Term Rates. All monies received by the Paying Agent as remarketing proceeds and additional amounts, if any, received from the Board or the Bank, if any, shall be deposited by the Paying Agent in the Series A Note Payment Account to be used solely for the payment of the purchase price of tendered Variable Rate Notes and shall not be commingled with other funds held by the Paying Agent; if any such monies exceed the amounts required to pay the purchase price of tendered Variable Rate Notes, such excess shall be paid to the Bank to the extent necessary to repay any Advance under the Credit Agreement and then to the Board.

(iii) Payments by the Paying Agent. At or before 3:00 p.m., New York City time, on the date set for purchase of tendered Variable Rate Notes and upon receipt by the Paying Agent of 100% of the aggregate purchase price of the tendered Variable Rate Notes, the Paying Agent shall pay the purchase price of such Variable Rate Notes to the Holders thereof at its corporate trust office or by bank wire transfer. Such payments shall be made in immediately available funds, unless the Variable Rate Notes to be purchased bear interest at Semiannual or Term Rates, in which event such payments shall be made in clearing house funds. The Paying Agent shall apply in order (A) moneys paid to it by the Remarketing Agent as proceeds of the remarketing of such Variable Rate Notes by the Remarketing Agent, (B) moneys made available by the Board, and (C) moneys drawn on the Credit Agreement, if any. If sufficient funds are not available for the purchase of all tendered Variable Rate Notes, no purchase shall be consummated.

(iv) Registration and Delivery of Tendered or Purchased Variable Rate Notes. On the date of purchase, the Paying Agent shall register and deliver (or hold) or cancel all Variable Rate Notes purchased on any purchase date as follows: (A) Variable Rate Notes purchased or remarketed by the Remarketing Agent shall be registered and made available (delivered in the case of Variable Rate Notes bearing interest at Flexible Rates) to the Remarketing Agent by 2:00 p.m. in accordance with the instructions of the Remarketing Agent; (B) Variable Rate Notes purchased with amounts drawn

under the Credit Agreement, if any, or purchased for cancellation upon the directions of an Authorized Representative shall be cancelled; and (C) Variable Rate Notes purchased with amounts provided by the Board shall be registered in the name of the Permanent University Fund and shall be held in trust by the Paying Agent on behalf of the Permanent University Fund and shall not be released from such trust unless the Paying Agent shall have received written instructions from an Authorized Representative.

(v) Sale of Variable Rate Notes to Refund Advances Under Revolving Note. In the event that any Variable Rate Notes are purchased with amounts drawn under the Credit Agreement or are registered to the Permanent University Fund pursuant to subparagraph (iv) above to the extent requested by an Authorized Representative, the Remarketing Agent shall offer for sale and use its best efforts to sell such Variable Rate Notes registered to the Permanent University Fund or new Variable Rate Notes in a principal amount equal to the principal amount of Variable Rate Notes purchased and cancelled pursuant to a draw under the Credit Agreement, as the case may be, at a price equal to the principal amount thereof plus accrued interest. Variable Rate Notes to be sold to refund the amounts due under the Revolving Note shall not be delivered upon remarketing unless the Credit Agreement is reinstated for the principal amount thereof and interest thereon in accordance with its terms and the Remarketing Agent has been advised of such reinstatement by the Bank.

(vi) Delivery of Variable Rate Notes; Effect of Failure to Surrender Variable Rate Notes. All Variable Rate Notes to be purchased on any date shall be required to be delivered to the corporate trust office of the Paying Agent at or before 1:00 p.m. New York City time, on the purchase date except for Variable Rate Notes delivered in accordance with Section 4.07 hereof which may be delivered on the purchase date. If the Registered Owner of any Variable Rate Note (or portion thereof) that is subject to purchase pursuant to this Section fails to deliver such Variable Rate Note to the Paying Agent for purchase on the purchase date, and if the Paying Agent is in receipt of the purchase price therefor, such Variable Rate Note (or portion thereof) shall nevertheless be deemed purchased on the day fixed for purchase thereof and ownership of such Variable Rate Note (or portion thereof) shall be transferred to the purchaser thereof as provided in Section 4.01(e)(iv) above. Any Registered Owner who fails to deliver such Variable Rate Note for purchase shall have

no further rights thereunder except the right to receive the purchase price thereof upon presentation and surrender of said Variable Rate Note to the Paying Agent. The Paying Agent shall, as to any tendered Variable Rate Notes which have not been delivered to it (i) promptly notify the Remarketing Agent of such nondelivery and (ii) place a stop transfer against an appropriate amount of Variable Rate Notes registered in the name of such Registered Owner(s) on the Registration Books. The Paying Agent shall place such stop(s) commencing with the lowest serial number Variable Rate Note registered in the name of such Registered Owner(s) until stop transfers have been placed against an appropriate amount of Variable Rate Notes until the appropriate tendered Variable Rate Notes are delivered to the Paying Agent. Upon such delivery, the Paying Agent shall make any necessary adjustments to the bond Registration Books.

Section 4.02. Tenders During Flexible Rate Periods.

(a) Purchase Dates. Each Variable Rate Note bearing interest at a Flexible Rate shall be subject to mandatory tender for purchase, on the last day of each Flexible Rate Period applicable to such Variable Rate Note at a purchase price equal to 100% of the principal amount thereof, plus interest accrued during such Flexible Rate Period, subject, however, to the right of the Registered Owner to elect to retain his investment in the Variable Rate Note by irrevocable telephonic or written notice delivered to the Paying Agent or the Remarketing Agent, if authorized to receive such notice by the Paying Agent not later than 3:00 p.m. on the Business Day before the expiration of the then current term of such Flexible Rate for that Variable Rate Note. In the event a Registered Owner of a Variable Rate Note bearing interest at a Flexible Rate desires to retain his investment, the Registered Owner must present his Variable Rate Note to the Paying Agent in exchange for payment of principal and accrued interest in immediately available funds and the Paying Agent will authenticate and deliver to the Remarketing Agent for redelivery to such Registered Owner a substitute Variable Rate Note for the term of the succeeding Flexible Rate Period in replacement of the old Variable Rate Note. Each such Flexible Rate Period and mandatory tender date for a Variable Rate Note shall be established on the date of purchase of such Variable Rate Note as hereinafter provided. The Registered Owner of any Variable Rate Note bearing interest at a Flexible Rate and tendered for purchase as provided in this Section 4.02(a) shall provide the Paying Agent with payment instructions for the purchase price of its Variable Rate Note upon tender thereof to the Paying Agent. The Paying Agent shall notify by telephone

the Remarketing Agent immediately upon receipt of notice of any election to retain Variable Rate Notes.

(b) Remarketing of Tendered Variable Rate Notes. Not later than 3:00 p.m., New York City time, on the Business Day immediately preceding each purchase date the Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all Variable Rate Notes bearing interest at Flexible Rates required to be purchased on the ensuing purchase date. Subject to the provisions of Section 3.03, in remarketing the Variable Rate Notes, the Remarketing Agent shall offer and accept purchase commitments for the Variable Rate Notes for such Flexible Rate Periods and at such Flexible Rates as it deems to be advisable in order to minimize the net interest cost on the Variable Rate Notes under prevailing market conditions; provided, however, that the foregoing shall not prohibit the Remarketing Agent from accepting purchase commitments for longer Flexible Rate Periods (and at higher Flexible Rates) than are otherwise available at the time of any remarketing if the Remarketing Agent determines that, under prevailing market conditions, a lower net interest cost on the Variable Rate Notes can be achieved over the longer Flexible Rate Period. Notwithstanding the foregoing, no Flexible Rate Period may be established which exceeds 180 days or, if the Remarketing Agent has given or received notice of any conversion to a Variable Rate Period or Fixed Rate Period, the remaining number of days prior to the Conversion Date. The terms of any sale by the Remarketing Agent shall provide for the authorization of the payment of the purchase price by the Remarketing Agent to the Paying Agent in immediately available funds in exchange for Variable Rate Notes registered in the name of the new Registered Owner delivered to the Remarketing Agent at or before 2:15 p.m., New York City time, on the purchase date. Such payment by the Remarketing Agent pursuant to authorization shall be made no later than 2:45 p.m., New York City time on such date, unless the Remarketing Agent shall notify the Paying Agent that the Variable Rate Notes are to be reauthenticated in accordance with instructions from the Remarketing Agent.

(c) Purchase of Tendered Variable Rate Notes. The provisions of Section 4.01(e) shall apply to tenders pursuant to this Section 4.02; provided that, for the purpose of so applying such provisions;

(i) The notices required pursuant to Section 4.01(e)(i) shall be given on the date of purchase at or before (A) 1:00 p.m., New York City time, in the case of the notice from the Remarketing Agent as to the principal amount of Variable Rate Notes remarketed, (B) 1:30 p.m., New York City time, in the case of the notice from the Paying Agent of the principal amount of

Variable Rate Notes remarketed, and (C) 1:00 p.m., New York City time, in the case of the notice from the Remarketing Agent providing information concerning the purchasers of the Variable Rate Notes;

(ii) the manner and time of payment of remarketing proceeds shall be as specified in subsection 4.02(b) above;

(iii) all payments to tendering Holders shall be paid in immediately available funds on the purchase date; and

(iv) the deliveries of Variable Rate Notes under Section 4.02(a) shall be required to be made at or before 3:00 p.m., New York City time, on each purchase date.

Section 4.03. Tender Upon Variable or Flexible Rate Conversion.

(a) Conversions to Variable Rate Periods. On any Variable Rate Conversion Date pursuant to Section 3.02(h) or 3.02(i) hereof, the Variable Rate Notes shall be subject to optional or mandatory tender on such date as follows:

(i) Variable Rate Notes to be converted from Flexible Rate Periods to a Variable Rate Period or from any Variable Rate Period to a different type of Variable Rate Period (other than Variable Rate Notes to be converted from a Weekly Rate Period to a Daily Rate Period or from a Daily Rate Period to a Weekly Rate Period) are subject to mandatory tender for purchase on the Conversion Date at a purchase price equal to the principal amount thereof;

(ii) Holders of Variable Rate Notes may elect to retain their Variable Rate Notes (or authorized portions as described above) notwithstanding a mandatory tender pursuant to this subparagraph and Section 4.05 hereof, as follows:

(A) Upon a conversion to a Daily Rate Period or Weekly Rate Period from any Variable Rate Period (other than a Daily or Weekly Rate Period) or Flexible Rate Periods, a Registered Owner may elect to retain its Variable Rate Notes by delivering a written notice to the Paying Agent at its corporate trust officer of such election no later than 5:00 p.m. New York City time on a Business Day which is at least fifteen (15) days (or seven (7) days in the case of conversion from

Flexible Rate Periods) prior to the Conversion Date; or

(B) Upon a conversion to a Variable Rate Period (other than a Daily or Weekly Rate Period) from a different type of Rate Period or from Flexible Rate Periods, a Registered Owner may elect to retain its Variable Rate Notes by delivering a written notice to the Paying Agent at its corporate trust office of such election no later than 5:00 p.m., New York City time on a Business Day which is at least (i) seven (7) days prior to the Conversion Date in the event of a conversion to a Monthly Rate Period; or (ii) thirteen (13) days in the case of a conversion to a Quarterly Rate Period; or (iii) fifteen (15) days in the case of a conversion to a Semiannual or Term Rate Period.

(C) Promptly upon receipt of any such notices, the Paying Agent shall notify the Remarketing Agent of the Variable Rate Notes to be retained pursuant to such notices.

(b) Conversion To Flexible Rate Periods From Variable Rate Periods. On any Flexible Rate Conversion Date pursuant to Section 3.03(b) hereof, the Variable Rate Notes are subject to mandatory tender for purchase on the applicable Conversion Date at a purchase price equal to the principal amount thereof, subject, however, to the right of the Registered Owner to elect to retain his investment in his Variable Rate Notes as provided in Section 4.02(a) by irrevocable written notice delivered to the Paying Agent not later than 5:00 p.m., New York City time, at least three (3) Business Days prior to the Flexible Rate Conversion Date.

(c) Mandatory Denomination Tender. On any conversion to a Daily, Weekly, Monthly, or Quarterly Rate Period, any Variable Rate Note in a denomination which is not a whole multiple of \$100,000 is subject to mandatory tender for purchase on the applicable Conversion Date at a purchase price equal to the principal amount thereof; provided, however, that any Registered Owner may elect to retain any portion of its Variable Rate Notes which is in the denominations of any multiple of \$100,000 in the manner described in Section 4.03(d) hereof. On any conversion to a Semiannual or Term Rate period, any Variable Rate Note in a denomination which is not a whole multiple of \$5,000 is subject to mandatory tender for purchase on the applicable Conversion Date at a purchase price equal to the principal amount thereof; provided, however, that any Registered Owner may elect to retain any portion of its Variable Rate Notes which is in the denomination of any multiple of \$5,000 in the

manner described in Section 4.03(d) hereof. On any conversion to Flexible Rate Periods, any Variable Rate Note which is not in the denomination of \$100,000 or a whole multiple of \$1,000 above \$100,000 is subject mandatory tender for purchase on the Flexible Rate Conversion Date at a purchase price equal to the principal amount thereof; provided, however, that any Registered Owner may elect to retain any portion of its Variable Rate Note which is in the denomination of \$100,000 or a whole multiple of \$1,000 above \$100,000 in the manner described in Section 4.03(d) hereof. To the extent that any Variable Rate Note is not in an authorized denomination on a Mandatory Tender Date the excess amount shall be cancelled and retired.

(d) Notice of Election to Retain. Notices of elections to retain Variable Rate Notes pursuant to Sections 4.03(a), (b) and (c) above shall state the name of the Registered Owner, specify the principal amount of the Variable Rate Notes (or portions thereof) to which such notice relates, and direct the Paying Agent not to purchase the Variable Rate Notes (or portions) so specified. Any such notice delivered to the Paying Agent shall be irrevocable and binding upon the Registered Owner delivering the same and all subsequent Holders of the Variable Rate Notes to be retained, including any Variable Rate Notes to be issued in exchange therefor or upon transfer thereof. Any Registered Owner who elects to retain its Variable Rate Notes pursuant to this Section shall no longer have the right to tender its Variable Rate Notes for optional purchase pursuant to Section 4.01 hereof prior to the applicable Conversion Date.

(e) Notice to Holders. Any notice of a Conversion Date given to Holders pursuant to Section 3.02(h)(iii), 3.02(i)(iii) or 3.03(b)(iii) hereof shall, in addition to the requirements of such Section: (i) state whether the Variable Rate Notes to be converted will be subject to mandatory tender for purchase on the Conversion Date and the time at which Variable Rate Notes are to be tendered for purchase; (ii) specify the date and time by which any notice of a tender or of an election to retain Variable Rate Notes pursuant to this Section must be received; and (iii) if appropriate, specify the matters required to be stated in notices of elections to retain Variable Rate Notes (or contain a form thereof).

(f) Remarketing. Promptly after receipt of any election to retain Variable Rate Notes, but in any event not later than 1:00 p.m., New York City time, on the Business Day immediately following the last day on which notices of elections to retain Variable Rate Notes may be delivered to the Paying Agent pursuant to Section 4.03(a) or (b) above, the Paying Agent shall notify an Authorized Representative,

the Remarketing Agent, and the Bank by telephone, telegram, telecopy, or other similar communication, of the principal amount of Variable Rate Notes to be tendered for purchase on the Conversion Date. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for such Variable Rate Notes. The terms of any sale by the Remarketing Agent shall provide for the payment of the purchase price of tendered Variable Rate Notes by the Remarketing Agent to the Paying Agent in immediately available funds (or clearing house funds if Variable Rate Notes are converted from a Term or Semiannual Rate Period) at or before 2:00 p.m., New York City time, on the Conversion Date.

(g) Purchase of Tendered Variable Rate Notes. The provisions of Section 4.01(e) shall apply to tenders pursuant to this Section 4.03 with respect to Variable Rate Notes bearing interest at Variable Rates; provided that, for the purpose of so applying such provisions:

(i) the notices required pursuant to Section 4.01(e) shall be given as therein described, except that the provisions relating specifically to Variable Rate Notes bearing interest at Daily Rates shall be disregarded;

(ii) the manner and time of payment of remarketing proceeds referred to in Section 4.01(e)(ii) shall be as specified in Section 4.03(f) above;

(iii) all payments to tendering Holders referred to in Section 4.01(e)(iii) shall be made in immediately available funds unless the Variable Rate Notes to be purchased bear interest at Semiannual or Term Rates, in which event such payments shall be made in clearing house funds; and

(iv) the deliveries of Variable Rate Notes under Section 4.01(e)(vi) shall be required to be made at or before 1:00 p.m., New York City time, on the Conversion Date (or 5:00 p.m., New York City time, on the second (2nd) Business Day prior to the Conversion Date in the case of Variable Rate Notes bearing interest at Semiannual or Term Rates).

The provisions of Section 4.02(c) shall apply to tenders pursuant to this Section 4.03 with respect to Variable Rate Notes bearing interest at Flexible Rates.

Section 4.04. Tender Upon Fixed Rate Conversion.

(a) Mandatory Tender Upon Conversion. Any Variable Rate Notes to be converted to bear interest at the Fixed

Rate pursuant to Section 3.04 hereof shall be subject to mandatory tender for purchase on the Fixed Rate Conversion Date at a price equal to the principal amount thereof; provided that the Holders of any such Variable Rate Notes may elect to retain their Variable Rate Notes notwithstanding a mandatory tender pursuant to this Section by delivering to the Paying Agent at its corporate trust office not later than 5:00 p.m., New York City time, on a Business Day which is not fewer than fifteen (15) days prior to the Fixed Rate Conversion Date a written notice of such election. Such written notice shall:

(i) state that the person delivering the same is a Registered Owner (specifying the numbers and denominations of the Variable Rate Notes of such Registered Owner);

(ii) state that the Registered Owner is aware of the fact that, after the Fixed Rate Conversion Date, the Variable Rate Notes will no longer be subject to tender at the option of the Registered Owner;

(iii) direct the Paying Agent not to purchase the Variable Rate Notes of such Registered Owner; and

(iv) be irrevocable and binding upon the Registered Owner delivering such notice and all subsequent Holders of the Variable Rate Notes to be retained, including any Variable Rate Notes issued in exchange therefor or upon transfer thereof.

(b) Notice to Holders. Any notice of conversion given to Holders pursuant to Section 3.04(c) hereof shall, in addition to the requirements of such Section, specify the date and time by which any notice of election to retain Variable Rate Notes pursuant to this Section must be received, and specify the matters required to be stated in such notices (or contain the form thereof).

(c) Remarketing. At or before 4:00 p.m., New York City time, on the Business Day immediately following the last day on which notices of elections to retain Variable Rate Notes may be delivered to the Paying Agent pursuant to Section 4.04(a) above, the Paying Agent shall notify an Authorized Representative, the Remarketing Agent, and the Bank by telephone, telegraph, telecopy, telex, or other similar communication, of the principal amount of Variable Rate Notes to be tendered for purchase on the Fixed Rate Conversion Date. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for such Variable Rate Notes; provided that in no event shall the Remarketing Agent sell any such Variable Rate Note for sale to any person unless the Remarketing Agent has advised such

person of the fact that, after the Fixed Rate Conversion Date, the Variable Rate Notes will no longer be subject to tender at the option of the Registered Owner. The terms of any sale by the Remarketing Agent shall provide for the payment of the purchase price to the Paying Agent of the tendered Variable Rate Notes in immediately available funds (or clearinghouse funds in the event of conversion from a Term Rate or Semiannual Rate) at or before 3:00 p.m., New York City time.

(d) Purchase of Tendered Variable Rate Notes. The provisions of Section 4.01(e) shall apply to mandatory tenders pursuant to this Section 4.04; provided that, for the purpose of so applying such provisions:

(i) the notices required pursuant to Section 4.01(e)(i) shall be given as therein described, except that the provisions relating specifically to Variable Rate Notes bearing interest at Daily Rates shall be disregarded;

(ii) the manner and time of payment of remarketing proceeds referred to in Section 4.01(e)(ii) shall be as specified in subsection 4.04(c) above; and

(iii) the deliveries of Variable Rate Notes under Section 4.01(e)(vi) shall be required to be made at or before 1:00 p.m., New York City time, (3:00 p.m., New York City time in the case of Variable Rate Notes bearing interest at Flexible Rate), on the Conversion Date (or 5:00 p.m., New York City time, on the second (2nd) Business Day prior to the Conversion Date in the case of Variable Rate Notes bearing interest at Semiannual or Term Rates).

Section 4.05. Mandatory Tender Upon Expiration of Credit Agreement.

(a) At all times prior to conversion to a Fixed Rate, the Variable Rate Notes shall be subject to mandatory purchase upon the expiration or termination of the Credit Agreement, subject to the right of the Registered Owner to retain his Variable Rate Note, which purchase shall occur:

(i) on the last Business Day prior to the termination or expiration of the Credit Agreement, provided that no such tender and purchase shall be required if the Credit Agreement is renewed prior to the date of notice to Registered Owner pursuant to subsection 4.05(b) below; or

(ii) on the last Business Day prior to the substitution of a new Credit Agreement, for such Variable

Rate Notes, provided that no such tender and purchase shall be required if prior to the date of notice to the Registered Owner pursuant to subsection 4.05(b) below, the Remarketing Agent and the Paying Agent shall have received confirmation from Standard & Poor's or Moody's or Fitch (or any of them) to the effect that the rating or ratings assigned by any of such agencies to the Variable Rate Notes will not be lowered as a result of the expiration or substitution.

(b) Not later than thirty (30) days prior to the purchase date, the Paying Agent shall mail a written notice of the purchase to the Holders of all Variable Rate Notes subject to purchase, which notice shall specify (i) the purchase date, and (ii) the event requiring the purchase pursuant to subsection (a) above.

(c) The Holders of any Variable Rate Notes may elect to retain their Variable Rate Notes notwithstanding a mandatory tender pursuant to this Section by delivering to the Paying Agent at its corporate trust office not later than 5:00 p.m., New York City time, on a Business Day which is not fewer than fifteen (15) days prior to the mandatory tender date a written notice of such election. Such written notice shall:

(i) state that the person delivering the same is a Registered Owner (specifying the numbers and denominations of the Variable Rate Notes of such Registered Owner);

(ii) state that the Registered Owner is aware of the fact that after the Credit Agreement termination or expiration date, the Credit Agreement will no longer be in effect;

(iii) direct the Paying Agent not to purchase the Variable Rate Notes of such Holders; and

(iv) be irrevocable and binding upon the Holder delivering such notice and all subsequent Holders of the Variable Rate Notes to be retained, including Variable Rate Notes issued in exchange therefor or upon transfer thereof.

Section 4.06. Inadequate Funds for Tenders. If the funds available for purchases of Variable Rate Notes pursuant to this Article IV are inadequate for the purchase of all Variable Rate Notes tendered on any purchase date, the Paying Agent shall, after any applicable grace period: (a) return all tendered Variable Rate Notes to the Holders thereof; (b) return all moneys received for the purchase of such Variable Rate Notes to the Persons providing such

moneys; and (c) notify an Authorized Representative of the return of such Variable Rate Notes and moneys and the failure to make payment for tendered Variable Rate Notes.

Section 4.07. Tenders or Waivers By Investment Companies. The Registered Owner of any Variable Rate Note issued hereunder may, at its option, notify the Remarketing Agent and the Paying Agent in writing that it is an Investment Company, or is holding Note(s) on behalf of an Investment Company and in such notice either (a) irrevocably waive its option to retain its Note(s) subject to mandatory tender pursuant to Section 4.03(a), (b) or (c) and 4.04(a) hereof or (b) irrevocably elect to have its Note(s) purchased on the next date on which such Note(s) may be purchased pursuant to Section 4.01 hereof. In the event of a notice under clause (b) above, the notice from the purchaser shall contain the information required under Section 4.01(b) hereof. Any notice delivered by an Investment Company with respect to its Note(s) shall be irrevocable with the same effect described in Section 4.01(b)(iii).

Section 4.08. Mandatory Tender at End of Initial Flexible Rate Period. Notwithstanding any provision of this Resolution to the contrary, the Variable Rate Notes initially issued hereunder shall be subject to mandatory tender, without right of retention by the Registered Owner at the end of the initial Flexible Rate Period.

ARTICLE V

ISSUE AND SALE OF NOTES

Section 5.01. Issuance and Sale of Notes. (a) Except as provided in subsection (b) of this Section, all Project Notes issued to provide funds to pay Project Costs shall be sold through competitive bidding in the manner set forth in this Resolution and as required by the Constitutional Amendment. In connection with sales of Project Notes to provide funds to pay Project Costs (specifically excluding Project Notes described in Section 5.01(b)), an Authorized Representative shall prepare a Notice to Bidders and Bidding Instructions with respect thereto.

(b) All Project Notes sold to refund Notes, including amounts outstanding under the Revolving Note which evidence Advances under the Agreement are hereby deemed to be "refunding bonds" within the meaning of the Constitutional Amendment and therefore may be sold in the manner determined by an Authorized Representative to be most economically advantageous to the Board.

(c) The Commercial Paper Notes shall be completed and delivered by the Issuing and Paying Agent in accordance with

telephonic, computer or written instructions of any Authorized Representative and in the manner specified in the Issuing and Paying Agent Agreement and below. To the extent such instructions are not written, they shall be confirmed in writing within 24 hours. Said instructions shall specify such principal amounts, dates of issue, maturities, rates of discount or interest, and other terms and conditions which are hereby authorized and permitted to be fixed by any Authorized Representative at the time of sale of the Commercial Paper Notes. Such instructions shall include the purchase price of the Commercial Paper Notes, and a request that the Issuing and Paying Agent authenticate such Commercial Paper Notes by counter signature of its authorized officer or employee and deliver them to the named purchaser or purchasers thereof upon receipt of payment in accordance with the custom then prevailing in the New York financial market in regard to obligations such as the Commercial Paper Notes. Such instructions shall also specify the amounts of the proceeds of such issue of Commercial Paper Notes which are to be deposited to the Series A Note Payment Fund and to be transferred to the Series A Note Construction Account. Such instructions shall also contain provisions representing that all action on the part of the Board necessary for the valid issuance of the Commercial Paper Notes then to be issued, or the incurring of Advances under the Revolving Note then to be incurred, has been taken, that all provisions of Texas and federal law necessary for the valid issuance of such Commercial Paper Notes with provision for original issue discount and interest exemption from federal income taxation have been complied with, and that such Commercial Paper Notes in the hands of the Holders thereof will be valid and enforceable special obligations of the Board according to their terms, subject to the exercise of judicial discretion in accordance with general principles of equity and bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that, based upon the advice of Bond Counsel, the earned original issue discount on the Commercial Paper Notes or stated interest on the Commercial Paper Notes, as the case may be, is exempt from federal income tax. Such instructions shall also certify that:

(i) if the Commercial Paper Notes are being issued to pay Project Costs, (A) the bidding requirements set forth in this Resolution have been satisfied and (B) attached to such instructions is (1) a No-Arbitrage Certificate (as described in Section 6.06), (2) an approving opinion of Bond Counsel, and (3) an opinion of the general counsel of the University that the Commercial Paper Notes are being issued to pay Project Costs for Eligible Projects;

(ii) no Event of Default under Section 7.01 has occurred and is continuing as of the date of such Certificate and that the Issuing and Paying Agent has not received a No-Issuance Notice (as defined in the Agreement);

(iii) the Board is in compliance with the covenants set forth in Section 2.13 and Article VI as of the date of such instructions;

(iv) that the sum of the interest payable on such Commercial Paper Note and any discount established for such Commercial Paper Note will not exceed a yield (calculated on the principal amount of the Commercial Paper Note on the basis of a 365-day year and actual days elapsed) to the maturity date of such Commercial Paper Note in excess of the Maximum Interest Rate in effect on the date of issuance of such Commercial Paper Note;

(v) that the aggregate principal amount of Fund Priority Obligations, Notes (including the principal amount of the Commercial Paper Notes to be sold pursuant to such instructions), Short Term Obligations and other obligations of the Board issued under the Constitutional Amendment does not 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) as of the time of the sale of the Commercial Paper Notes; and

(vi) that, based upon the projected monies to be deposited into the Interest and Sinking Fund from the Interest of the University in the Available University Fund, the payment of the interest on and/or principal of any Note from monies on deposit in the Interest and Sinking Fund by the Board will not impair the obligation of the Board to pay the principal of and/or interest on any Fund Priority Obligation as the same matures and comes due.

(d) The Revolving Note shall be delivered to the Bank and thereafter Advances may be made thereunder in accordance with the terms of the Agreement.

(e) Variable Rate Notes shall be issued and sold at public or private sale in the same manner provided for the issuance and sale of Commercial Paper Notes in subsections (a), (b) and (c) of this Section 5.01 and pursuant to the provisions of Articles III and IV; except that the certification described in Section 5.01(c)(iv) shall be calculated on the basis of a 360-day year of twelve 30-day months or a 365-day year and actual days elapsed, as applicable.

Section 5.02. Proceeds of Sale of Project Notes. The proceeds of the sale of any Project Notes (net of all expenses and costs of sale and issuance) shall be deposited into Series A Note Payment Fund, and shall be applied for any or all of the following purposes as directed by an Authorized Representative:

(i) Proceeds to be used for the payment and redemption or purchase of outstanding Project Notes at or before maturity and the refunding of any Advances (evidenced by the Revolving Note) under the Agreement shall be expended therefor.

(ii) Proceeds not to be retained in the Series A Note Payment Fund as provided in subparagraph (i) above shall be transferred to the Series A Note Construction Account and used and applied in accordance with the provisions of Section 2.14.

Section 5.03. Issuing and Paying Agent Agreement. That the Issuing and Paying Agent Agreement by and between the Board and Morgan Guaranty Trust Company of New York, New York, New York, relating to the Project Notes, in the form attached hereto as Exhibit B, is hereby approved as to form and content and an Authorized Representative is hereby authorized and directed to execute the same for and on behalf of the Board and, in connection with the execution thereof, approve such changes, additions, or amendments thereto as may be necessary and proper to carry out the purpose and intent of such Issuing and Paying Agent Agreement. The Board is hereby authorized to enter into any supplemental agreements with the Issuing and Paying Agent or with any successor Issuing and Paying Agent.

Section 5.04. Remarketing Agreement. That the Remarketing Agreement in the form attached hereto as Exhibit C with Goldman, Sachs & Co. (the "Dealer" or "Remarketing Agent") pertaining to the sale, from time to time, of Project Notes or the purchase of Project Notes from the Board, all for a fee as set forth in said Remarketing Agreement, is hereby approved as to form and content and an Authorized Representative is hereby authorized and directed to execute the same for and on behalf of the Board and, in connection with the execution thereof, approve such changes, additions, or amendments thereto as may be necessary and proper to carry out the purpose and intent of such Remarketing Agreement. The Board may enter any supplemental agreements with the Dealer or with any successor Dealer selected by the Board.

Section 5.05. Initial Sale. There currently are outstanding \$100,000,000 in principal amount of Variable Rate Notes issued as Flexible Rate Notes. The Board hereby

authorizes that, in addition to the \$100,000,000 in Variable Rate Notes Outstanding, additional Variable Rate Notes shall be originally issued as Flexible Rate Notes in the aggregate principal amount of \$25,000,000. The Board hereby directs an Authorized Representative to sell the additional Variable Rate Notes through competitive bid in accordance with the procedures described in the Official Notice of Sale and Official Bid Form attached hereto as Exhibit E; provided, that, an Authorized Representative may vary the date and times of such competitive sale.

ARTICLE VI

COVENANTS OF THE BOARD

Section 6.01. Limitation on Issuance. Unless this Resolution and the Agreement is amended and modified by the Board in accordance with the provisions of Section 8.01 hereof, the Board covenants that there will not be issued and outstanding at any time more than \$125,000,000 in principal amount of Project Notes. The Board, however, does reserve the right to issue additional Project Notes in excess of said amount by resolution duly adopted by the Board. For purposes of this Section 6.01 any portion of outstanding Project Notes to be paid on the day of calculation from moneys on deposit in the Series A Note Payment Fund and the proceeds of Notes, Short Term Obligations, Fund Priority Obligations or other obligation of the Board issued pursuant to the Constitutional Amendment shall not be considered outstanding.

Additionally, the Board covenants and agrees that the total principal amount of all Project Notes outstanding at any one time and the total amount of interest accrued or to accrue thereon in the succeeding 185 days following such date of calculation shall not exceed the sum total of the "Available Bank Loan Commitment" (as defined in the Agreement) plus the amount on deposit in the Series A Note Payment Fund and the Special System Account.

Section 6.02. General Covenant. The Board covenants and agrees that while the currently outstanding Permanent University Fund Obligations are outstanding, the Board will maintain and invest and keep invested the Permanent University Fund in a prudent manner and as required by law.

Section 6.03. Payment of Fund Priority Obligations and Notes. The Board hereby covenants and reaffirms to the holders or owners of any Fund Priority Obligations that the payment from time to time of the interest on and/or principal of the Notes shall not impair the ability or the obligation of the Board to pay the principal of and/or interest on

any Fund Priority Obligations, and that the Board further covenants (i) that it shall establish appropriate procedures with the State Treasurer and the Comptroller of Public Accounts with respect to deposits into the Series A Note Payment Fund and the Special System Account, and (ii) that such procedures shall not impair the ability of the Board to pay the principal of and/or interest on the Fund Priority Obligations.

Section 6.04. Maintenance of Available Credit Facilities Requirement. (a) The Board agrees and covenants that at all times while there are outstanding Commercial Paper Notes or Variable Rate Notes which have not been converted to a Fixed Rate it will maintain credit facilities with banks in amounts such that, assuming that all then outstanding Commercial Paper Notes and Variable Rate Notes which have not been converted to a Fixed Rate were to become due and payable immediately, the amount available for borrowing under the credit facilities would be sufficient at that time to pay principal of all such Commercial Paper Notes and Variable Rate Notes which have not been converted to a Fixed Rate, and interest thereon for 185 days computed at the rate of 15% per annum. No Commercial Paper Notes or Variable Rate Notes which have not been converted to a Fixed Rate shall be issued which if, after giving effect to the issuance thereof and, if applicable, the immediate application of the proceeds thereof to retire other Commercial Paper Notes and Variable Rate Notes which have not been converted to a Fixed Rate covered by the credit facility, the aggregate principal amount of all Commercial Paper Notes and Variable Rate Notes which have not been converted to a Fixed Rate and interest thereon covered by the credit facility would exceed the amount of the credit commitment under the credit facility. The availability for borrowing of such amounts under the credit facilities may be subject to reasonable conditions precedent, including but not limited to, bankruptcy of the Board. In furtherance of the foregoing covenant, the Board agrees that it will not issue any Project Notes or make any borrowings which will result in a violation of such covenant, will not amend the Agreement in a manner which will cause a violation of such covenant and, if and to the extent necessary to maintain compliance with such covenant, and will arrange for new credit facilities prior to, or contemporaneously with, the expiration of the Agreement.

(b) The Agreement presently satisfies the covenant contained in paragraph (a) above with respect to the issuance of up to \$125,000,000 in aggregate principal amount at any one time outstanding of Commercial Paper Notes and Variable Rate Notes, which have not been converted to a Fixed Rate.

Section 6.05. Available Funds. To the extent Notes cannot be issued to renew or refund outstanding Notes, the Board in good faith shall endeavor to sell a sufficient principal amount of Fund Priority Obligations, Short Term Obligations, or other obligations of the Board under the Constitutional Amendment in order to have funds available, together with other moneys available therefor, to pay the Notes and the interest thereon, or any renewals thereof, as the same shall become due, and other amounts due under the Agreement.

Section 6.06. Notes to Remain Tax Exempt. The Board covenants that it will execute and deliver to the Issuing and Paying Agent a No-Arbitrage Certificate in the form prescribed by Bond Counsel in connection with the original issuance of the Notes, and each issuance of Notes thereafter to pay Project Costs, and that in connection with any other issuance of Notes, it will execute and deliver to the Issuing and Paying Agent a confirmation that the facts, estimates, circumstances and reasonable expectations contained therein continue to be accurate as of such issue date. The Board represents and covenants that it will not expend, or permit to be expended, the proceeds of any Notes in any manner inconsistent with its reasonable expectations as certified in the No-Arbitrage Certificates to be executed from time to time with respect to the Notes; provided, however, that the Board may expend Note proceeds in any manner if the Board first obtains an unqualified opinion of Bond Counsel that such expenditure will not impair the exemption from federal income taxes of interest paid on the Notes. The Board represents that it has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is an issuer whose arbitrage certifications may not be relied upon. The Board further covenants with the Holders of all Notes at any time outstanding that no use of the proceeds of any of the Notes or any other funds of the Board will be made which will cause any of such Notes to be "arbitrage bonds" subject to federal income taxation by reason of section 148 of the Internal Revenue Code of 1986. To that end, so long as any of the Notes are outstanding, the Board, with respect to such proceeds and other funds, shall comply with all requirements of said section 148 and of all regulations of the United States Department of the Treasury issued thereunder, to the extent that such regulations are, at the time, applicable and in effect.

Section 6.07. Supplemental Resolutions. Other than as permitted in Section 6.10 with respect to the issuance of additional obligations of the Board secured by the Interest of the University in the Available University Fund, the Board will not adopt any supplemental resolutions, pursuant to this Resolution or otherwise, without, to the extent

required by the Agreement, the consent of the Bank, or which would materially adversely affect the ability of the Board to make payments on the Notes when due.

Section 6.08. Opinion of Bond Counsel. The Board shall cause the legal opinion of Bond Counsel as to the validity of the Notes and as to the exemption of interest on the Notes from federal income taxation to be furnished to any Holder without cost.

Section 6.09. Compliance With Bond Resolution and Other Documents. The Board will comply with the terms and provisions of the Bond Resolution, and any other resolution or contract to which the Board is a party, the non-compliance with which would materially adversely affect the ability of the Board to make payments on the Notes when due.

Section 6.10. Reservation of Right to Issue Obligations of Superior Lien, Obligations of Inferior Lien and Short Term Obligations. The Board hereby expressly reserves the right to hereafter issue obligations payable from and secured by a lien on and pledge of the Interest of the University in the Available University Fund prior in right and claim to the lien on and pledge of the Interest of the University in the Available University Fund covering the payment of the Notes. Furthermore, the Board expressly reserves the right to hereafter issue additional Notes or Short Term Obligations when and as the Board shall determine and authorize without any limitation as to principal amount or otherwise, which additional Notes or Short Term Obligations may be equally and ratably payable from and secured by a lien on and pledge of the Interest of the University in the Available University Fund of equal rank and dignity with the lien and pledge securing the payment of the Notes and may or may not be secured by the Agreement. The Board also retains the right to issue obligations or other evidences of indebtedness or to incur contractual obligations secured by a lien on and pledge of the Interest of the University in the Available University Fund junior and subordinate to the lien and pledge securing the Notes. Notwithstanding any of the above to the contrary, the Board covenants 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 System, and that the Board will, subject to the provisions hereof, continuously preserve the Fund and each and every part thereof.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF NOTEHOLDERS

Section 7.01. Events of Default. If one or more of the following events (an "Event of Default" or "Events of Default") shall happen, to-wit:

(a) if default shall be made in the due and punctual payment of any installment of principal of any Project Note when and as the same shall become due and payable, whether at stated maturity as therein expressed, by declaration or otherwise;

(b) if the Board shall fail to make due and punctual payment of any installment of interest on any Project Note when and as such interest installment shall become due and payable and such failure shall continue for 5 Business Days;

(c) if an "Event of Default" under the Agreement occurs;

(d) if default shall be made by the Board in the performance or observance of any other of the covenants, agreements or conditions on its part in this Resolution or in the Project Notes contained, and such default shall continue for a period of 60 days after written notice thereof to the Board by the Holders of not less than 10% in principal amounts of the Project Notes then outstanding; or

(e) if default shall be made in the due and punctual payment of a Note upon tender for payment pursuant to the demand payment provisions thereof.

Section 7.02. Suits at Law or in Equity and Mandamus. In case one or more Events of Default shall occur, then and in every such case the Holder of any Note at the time outstanding shall be entitled to proceed to protect and enforce such Holder's rights by such appropriate judicial proceeding as such Holder shall deem most effectual to protect and enforce any such right, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained in this Resolution, or in aid of the exercise of any power granted in this Resolution, or to enforce any other legal or equitable right vested in the Holders by this Resolution or the Notes or by law. The provisions of this Resolution shall be a contract with each and every Holder and the duties of the Board shall be enforceable by any Holder by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction.

Section 7.03. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised at any time or from time to time, and as often as may be necessary, by any Holder.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Amendments or Modifications Without Consent of Holders. This Resolution and the rights and obligations of the Board and of the Holders may be modified or amended at any time by a supplemental resolution, without notice to or the consent of any Holders, but only to the extent permitted by law, and, subject to the rights of the Holders, only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Board in the Resolution contained, other covenants and agreements thereafter to be observed, or to surrender any right or power herein reserved to or conferred upon the Board; or

(2) to cure any ambiguity, or to cure or correct any defective provision contained in the Resolution, upon receipt by the Board of an approving opinion of Bond Counsel, that the same is needed for such purpose, and will more clearly express the intent of the Resolution;

(3) to supplement the security for the Notes, replace or provide additional credit facilities, or change the form of the Notes or make such other changes in the provisions hereof as the Board may deem necessary or desirable and which shall not materially adversely affect the interests of the Noteholders;

(4) to make any changes or amendments requested by Standard & Poor's, Moody's, or Fitch as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Board, materially adversely affect the interests of the Holders; or

(5) to make any changes or amendments with respect to Commercial Paper Notes if there are no Commercial Paper Notes then outstanding or with respect to any mode of the Variable Rate Notes if there are no Variable Rate Notes then outstanding in such mode;

provided, however, nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions of this Resolution or in the Notes so as to:

- (1) Make any change in the stated maturity of any of the outstanding Project Notes;
- (2) Reduce the rate of interest borne by any of the outstanding Project Notes;
- (3) Reduce the amount of the principal payable on any of the outstanding Project Notes;
- (4) Modify the terms of payment of principal or interest on the outstanding Project Notes, or impose any conditions with respect to such payment;
- (5) Affect the rights of the Holders of less than all of the outstanding Project Notes; and
- (6) Reduce or restrict the pledge made herein (Section 2.12) for payment of the Project Notes.

and provided, further, that, except as provided in Section 8.02 hereof, no change, modification or amendment shall be made in the Resolution or become valid and effective without the approval of such change, modification or amendment by the Attorney General of the State of Texas if, in the opinion of Bond Counsel, such approval is required by the Constitutional Amendment and the Acts and, to the extent required by the Agreement, without the consent of the Bank.

Section 8.02. Additional Actions. The Chairman of the Board, the Executive Secretary of the Board, the Authorized Representatives and the other officers of the Board are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the issuance, sale, and delivery of the Notes and otherwise to effectuate the purposes of this Resolution, the Agreement, the Remarketing Agreement, the Trust Agreement, and the Issuing and Paying Agent Agreement. In addition, the Chairman of the Board, the Chancellor, any Executive Vice Chancellor, the General Counsel to the System, and Bond Counsel are hereby authorized to approve, subsequent to the date of the adoption of this Resolution, any amendments to the Trust Agreement and the documents attached hereto as Exhibits A through D, inclusive, and any technical amendments to this Resolution as may be required by Moody's, Standard & Poor's, or Fitch as a condition to the granting of a rating on the Project Notes.

Section 8.03. Resolution to Constitute a Contract; Equal Security. In consideration of the acceptance of the Notes, the issuance of which is authorized hereunder, by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Board and the Holders from time to time of the Notes and the pledge made in this Resolution by the Board and the covenants and agreements set forth in this Resolution to be performed by the Board shall be for the equal and proportionate benefit, security, and protection of all Holders, without preference, priority, or distinction as to security or otherwise of any of the Notes authorized hereunder over any of the others by reason of time of issuance, sale or maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by this Resolution or, with respect to the Revolving Note, the Agreement.

Section 8.04. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions herein contained shall be held contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other provisions hereof or of the Notes issued hereunder.

Section 8.05. Payment and Performance on Business Days. Except as provided to the contract in the Form of Notes or in Article III and IV, whenever under the terms of this Resolution or the Notes, the performance date of any provision hereof or thereof, including the payment of principal of or interest on the Notes, shall occur on a day other than a Business Day, then the performance thereof, including the payment of principal of and interest on the Notes, need not be made on such day but may be performed or paid, as the case may be, on the next succeeding Business Day with the same force and effect as if made on the date of performance or payment.

Section 8.06. Defeasance. If, when all or any portion of the Project Notes shall have become due and payable in accordance with their terms or otherwise as provided in this Resolution, the entire principal and interest so due and payable upon said Project Notes shall be paid, or if at or prior to the date said Project Notes have become due and payable, sufficient moneys or direct obligations of, or obligations guaranteed by, the United States of America the principal of and interest on which will provide sufficient moneys for such payment upon maturity, to the date upon

which the Project Notes have been called for redemption or to a mandatory tender date (after taking into account any demand payment provisions), shall be held by the Issuing and Paying Agent and provision shall also be made for paying all other sums payable hereunder by the Board with respect to said Project Notes, the rights, title and interest of the Holders of the Project Notes in the Interest of the University in the Available University Fund shall thereupon cease, terminate and become discharged and said Project Notes shall no longer be deemed outstanding for purposes of this Resolution and all the provisions of this Resolution, including all covenants, agreements, liens and pledges made herein, shall be deemed duly discharged, satisfied and released.

Section 8.07. Limitation of Benefits With Respect to the Resolution. With the exception of the rights or benefits herein expressly conferred, nothing expressed or contained herein or implied from the provisions of this Resolution or the Notes is intended or should be construed to confer upon or give to any person other than the Board, the Holders, the Issuing and Paying Agent/Registrar and the parties to the Remarketing Agreement and the Agreement, any legal or equitable right, remedy or claim under or by reason of or in respect to this Resolution or any covenant, condition, stipulation, promise, agreement, or provision herein contained. This Resolution and all of the covenants, conditions, stipulations, promises, agreements, and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the Board, the Noteholders, the Issuing and Paying Agent/Registrar and the parties to the Remarketing Agreement and the Agreement as herein and therein provided.

Section 8.08. Approval of Attorney General. No Notes herein authorized to be issued shall be sold or delivered by an Authorized Representative until the Attorney General of the State of Texas shall have approved this Resolution, the Agreement, and other agreements and proceedings as may be required in connection therewith, and therefor the Notes to be issued in accordance with such proceedings, all as is required by the Constitutional Amendment and the Acts.

Section 8.09. Approval of Official Statement. The form of Official Statement, to be used by the Dealer in the offering of the Variable Rate Notes, and the use thereof by the Dealer in connection therewith, is hereby approved, with such changes as are approved in accordance with the provisions of Section 8.02.

PASSED AND ADOPTED, this the 11th day of February,
1988.

ATTEST:

Executive Secretary

Chairman

(Seal)

PAYING AGENT/REGISTRAR AGREEMENT

THIS AGREEMENT (this "Agreement"), is entered into as of February 11, 1988, by and between the Board of Regents of The University of Texas System (the "Board"), and Morgan Guaranty Trust Company of New York, New York, New York, (the "Bank").

RECITALS OF THE ISSUER

Pursuant to a resolution adopted by the Board on February 11, 1988 (the "Resolution"), the Board has duly provided for the issuance, from time to time, of its notes, entitled "Board of Regents of The University of Texas Systems Permanent University Fund Commercial Paper Notes, Series A" (the "Commercial Paper Notes") and "Board of Regents of The University of Texas System Permanent University Fund Variable Rate Notes, Series A" (the "Variable Rate Notes" and, together with the Commercial Paper Notes, the "Notes"); provided that the aggregate principal amount of the Notes at any one time outstanding pursuant to the Resolution may not exceed \$125,000,000;

Variable Rate Notes issued under the Resolution shall be in fully registered form, without coupons, and Commercial Paper Notes issued under the Resolution shall be in registered form, without coupons, provided that such Commercial Paper Notes may be registered to bearer;

All things necessary to make the Notes the valid obligations of the Board, in accordance with their terms, will be done upon the issuance and delivery thereof;

The Board and the Bank wish to provide the terms under which the Bank will act as Paying Agent to pay the principal and interest on the Notes and to pay the purchase price of tendered Notes, all in accordance with the terms thereof, and under which the Bank will act as Registrar for the Notes;

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

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE ONE

APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR

Section 1.01. Appointment.

The Board hereby appoints the Bank to act as Paying Agent with respect to the Notes, to pay to the Holders (as defined in the Resolution) of the Notes the principal of and interest on all or any of the Notes including the purchase price of any Notes tendered for purchase by said Holders, all in accordance with the terms and provisions of this Agreement and Resolution.

The Board hereby appoints the Bank as Registrar with respect to the Notes, to authenticate the Notes and to register the transfer, exchange or assignment of Notes, all in accordance with the terms and provisions of this Agreement and the Resolution.

The Bank hereby accepts its appointment, and agrees to act as Paying Agent and Registrar, and to perform all obligations imposed upon it as Paying Agent and Registrar under the Resolution and this Agreement.

Section 1.02. Compensation, Payment of Legal Expenses.

As compensation for the Bank's services as Paying Agent and Registrar, the Board hereby agrees to pay the Bank its customary and reasonable fees in accordance with the fee schedule attached hereto as Exhibit A, or as otherwise agreed by the parties hereto. The Board also agrees to reimburse the Bank for the reasonable fees and expenses paid by the Bank for legal services rendered to it in connection with the discharge of its duties hereunder.

ARTICLE TWO

DEFINITIONS

Section 2.01. Definitions.

All defined terms used in this Agreement not defined herein shall have the same meaning as provided in the Resolution. For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

"Bank" means the party identified as such on the first page of this Agreement.

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

"Board" means the party identified as such on the first page of this Resolution.

"Commercial Paper Notes" has the meaning set forth in the recitals to this Agreement.

"Notes" has the meaning set forth in the recitals to this Agreement.

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

"Registration Books" means the books or records relating to the registration, payment and transfer or exchange of Notes maintained by the Bank, as Registrar, pursuant to this Agreement and the Resolutions.

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

"Variable Rate Notes" has the meaning set forth in the recitals to this Agreement.

ARTICLE THREE

PAYING AGENT

Section 3.01. Advances by the Paying Agent.

To the extent that the Remarketing Agent (as defined in the Resolution) has given notice (as provided in Section 4.01(e) of the Resolution) that it has remarketed Variable Rate Notes and that the full purchase price thereof required to be paid on the purchase date will be paid to the Paying Agent for deposit in the Series A Note Payment Fund, then the Paying Agent may, but shall not be obligated to, credit the Series A Note Payment Fund in the amount of such purchase price. To the extent the Paying Agent has so credited the Series A Note Payment Fund, it shall not be required to obtain funds from the Board in respect of such Variable Rate Notes on such date. If the Paying Agent makes any such credit to the Series A Note Payment Fund in immediately available funds, such credit shall represent an advance by it to the Board to be repaid from the purchase price of the remarketing or by the Board in the event that such purchase price is not received by the Paying Agent. It is intended

that any such advance shall be for no longer than 24 hours. Interest on each unpaid advance shall be at a rate negotiated between the Paying Agent and the Board and shall begin to accrue on the day of the advance.

ARTICLE FOUR

REGISTRAR

Section 4.01. Unauthenticated Notes.

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

Section 4.02. Form of Registration Books.

The Bank as Registrar will maintain the records of the Registration Books in accordance with the Bank's general practices and procedures in effect from time to time.

Section 4.03. Reports.

The Bank will provide the Board reports not less often than once each three months, which reports will describe in reasonable detail all transactions pertaining to the Notes and the Registration Books. The Bank will also provide the Board with copies of any changes to the Registration Books, by means of telecommunications equipment or such other method mutually agreeable to the Bank and the Board, within two Business Days (as defined in the Resolution) of the date such changes are recorded in the Registration Books.

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

Section 4.04. Cancelled Notes.

All Notes surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the Bank, shall be promptly cancelled by it and, if surrendered to the Board, shall be delivered to the Bank and, if not already cancelled, shall be promptly cancelled by the Bank. The

Board may at any time deliver to the Bank for cancellation any Notes previously authenticated and delivered which the Board may have acquired in any manner whatsoever, and all Notes so delivered shall be promptly cancelled by the Bank. All cancelled Notes held by the Bank shall be destroyed and evidence of such destruction furnished to the Board.

ARTICLE FIVE

THE BANK

Section 5.01. Duties of Bank.

The Bank undertakes to perform the duties set forth herein and in accordance with the Resolution and agrees to use reasonable care in the performance thereof.

Section 5.02. Reliance on Documents, Etc.

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

(b) The Bank shall not be liable to the Board for actions taken under this Agreement so long as it acts in good faith and exercises due diligence with regard to its duties hereunder.

(c) This Agreement is not intended to require the Bank to expend its own funds for performance of any of its duties hereunder.

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

Section 5.03. Recitals of Board.

The recitals contained in the Resolution and the Notes shall be taken as the statements of the Board, and the Bank assumes no responsibility for their correctness.

Section 5.04. May Own Notes.

The Bank, in its individual or any other capacity, may become the owner or pledgee of Notes with the same rights it would have if it were not the Paying Agent and Registrar for the Notes.

Section 5.05. Money Held by Bank.

Money held by the Bank hereunder shall be held in trust for the benefit of the Holders of the Notes.

The Bank shall be under no obligation to pay interest on any money received by it hereunder.

Any money deposited with the Bank for the payment of the principal or interest on or purchase price of any Note and remaining unclaimed for three years after the stated maturity of the Note will be paid by the Bank to the Board, upon receipt of a written request signed by an Authorized Representative of the Board, and the Board and the Bank agree that the Holder of such Note shall thereafter look only to the Board for payment thereof, and that all liability of the Bank with respect to such moneys shall thereupon cease.

ARTICLE SIX

MISCELLANEOUS PROVISIONS

Section 6.01. Amendment.

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

Section 6.02. Assignment.

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

Section 6.03. Notices.

Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the Board or the Bank shall be mailed or delivered to the Board or the Bank, respectively, at the addresses shown hereon, or such other address as may have been given by one party to the other by 15 days written notice.

Section 6.04. Effect of Headings.

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

Section 6.05. Successors and Assigns.

All covenants and agreements herein by the Board and the Bank shall bind their successors and assigns, whether so expressed or not.

Section 6.06. Severability.

If any provision of this Agreement shall be invalid or unenforceable, the validity and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

Section 6.07. Benefits of Agreement.

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

Section 6.08. Resolution Governs Conflicts.

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

Section 6.09. Counterparts.

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

Section 6.10. Term and Termination.

This Agreement shall be effective from and after its date for a term ending on the Stated Maturity date or Redemption Date of the last Note to mature or be redeemed, whichever first occurs, and may be terminated by the Board at any time upon sixty (60) days written notice to the Bank. In the event of early termination regardless of circumstances, the Bank shall deliver to the Board or its designee all books and records pertaining to the Bank's role as Paying Agent/Registrar with respect to the Bonds, including, but not limited to, the Registration Books.

Section 6.11. Governing Law.

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

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

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By _____
Authorized Representative

ATTEST: ADDRESS: _____

Executive Secretary

(SEAL)

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK

By _____
Title _____

ATTEST: ADDRESS: _____

Title _____

(SEAL)

Corporate Trust Services
and Compensation Proposal

Expenses

Out-of-pocket expenses for timesharing, postage, insurance, stationery, legal fees, advertising, etc. are in addition to the foregoing.

Extraordinary Services

Extraordinary services or those not specifically contemplated within the foregoing proposal may be subject to additional charges. With general reference to all of our charges, it should be understood that they are subject to adjustment in a manner satisfactory to yourself and The Morgan Bank if at any time changing conditions should indicate that they are either substantially too high or too low to represent reasonable compensation.

February 1, 1988

Corporate Trust Services
and Compensation Proposal

Tender Agent, Paying Agent, Registrar and Authenticating Agent

Administrative Services

Annual Administrative Charge for services as Tender Agent, Registrar,
Paying Agent, and Authenticating Agent:

This charge and is based upon the highest principal amount
outstanding during each billing period, reducible commensurate
with the reduction in outstanding debt in accordance with the
following rate schedule:

\$3,500 basic administrative charge, plus:	
\$100 per \$1,000,000 for the first	\$ 20,000,000
\$ 75 per \$1,000,000 for the next	\$ 30,000,000
\$ 60 per \$1,000,000 for the next	\$ 50,000,000
\$ 50 per \$1,000,000 for the next	\$200,000,000
\$ 45 per \$1,000,000 for the next	\$700,000,000

Registrar Services

Transfer and Registration

Issuance and registration of bonds in transfer transactions -
\$2.75 per bond

Issuance and registration of bonds in remarketing transactions -
\$18.50 per bond

Transfers involving special handling, such as those requiring
correspondence, interpretation of supporting documents,
transfers without administration, etc. - \$5.50 per transaction

Corporate Trust Services
and Compensation Proposal

Registrar Services (Continued)

Record Maintenance

Maintenance of bondholder accounts, including: opening and closing accounts; processing changes of address and payment orders; placement, maintenance and removal of stop orders; application of ZIP Code numbers; replying to bondholder inquiries; etc. - \$1.10 per bondholder account, per annum

Miscellaneous Charges

Preparing holder lists, addressing and/or enclosing material and such other miscellaneous services as may be requested from time to time or required by regulatory authorities-by appraisal

Minimum Charges

The minimum charge for all Registrar services is \$825 per annum with respect to the first issue outstanding and \$275 annum for each additional issue outstanding under the same Indenture.

Paying Agency Services

Payment of registered interest - \$.55 per check issued with a minimum charge of \$1,200 per annum

Payment made by Federal Funds Wire transfer - \$15 per transfer

Preparation and filing of such tax information returns as may be required by regulatory authorities - by appraisal

Redemption of principal at maturity - \$2.75 per bond

Redemption of principal by call in part or at holder's option - \$5 per bond

Delivery of the Letter of Credit bank of bonds surrendered for optional redemption - \$110 per delivery

Custody of bonds surrendered for optional redemption in lieu of delivery thereof - by appraisal

\$134,500,000

AMENDED AND RESTATED
CREDIT AGREEMENT

dated as of

February 11, 1988

between

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

and

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

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AMENDED AND RESTATED
CREDIT AGREEMENT

This Amended and Restated Credit Agreement is effective and dated as of February 11, 1988, between the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the "Board") and MORGAN GUARANTY TRUST COMPANY OF NEW YORK.

W I T N E S S E T H:

WHEREAS, The University of Texas System (hereinafter sometimes referred to as the "System") is governed by the Board; and

WHEREAS, the Board has determined to issue obligations pursuant to the provisions of Section 18 of Article VII of the Constitution of the State of Texas, Article 717q, V.A.T.C.S., as amended and Section 65.46, Texas Education Code to provide interim financing for Eligible Projects (hereinafter defined); 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 twenty percent (20%) of the cost value of investments and other assets (exclusive of real estate) of the Permanent University Fund (hereinafter defined) at the time of issuance thereof, and to pledge all or any part of its two-thirds (2/3) interest in the "Available University Fund" (hereinafter defined) to secure the payment 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 the 1984 Constitutional Amendment or prior law, at or for System administration and certain component institutions of the System; and

WHEREAS, the Board has issued its Board of Regents of The University of Texas System Permanent University Fund Refunding Bonds, Series 1985 (the "Series 1985 Bonds"), pursuant to the 1984 Constitutional Amendment, being payable

from and secured by a first lien on and pledge of the Interest of the University (hereinafter defined) in the Available University Fund; and

WHEREAS, pursuant to its resolution, adopted December 5, 1985 (the "Original Resolution"), the Board authorized the issuance of obligations in an aggregate principal amount not to exceed One Hundred Nine Million Dollars (\$109,000,000) to provide interim financing to pay Project Costs for Eligible Projects (as such terms are hereinafter defined); and has authorized such obligations to be evidenced by Notes (hereinafter defined), and to refinance, renew or refund Notes including interest thereon, including Commercial Paper Notes, Variable Rate Notes, and a Promissory Note (as such terms are hereinafter defined) in an aggregate principal amount not to exceed One Hundred Nine Million Dollars (\$109,000,000) at any one time outstanding; and

WHEREAS, pursuant to the Credit Agreement (the "Original Credit Agreement") dated as of December 16, 1985, among the Board, MBank Dallas, National Association ("MBank Dallas") and MBank Austin, National Association ("MBank Austin"), MBank Dallas agreed to make certain loans to the Board in the amounts up to, but not exceeding \$109,000,000, such loans to be made to enable the Board to refund Project Notes (hereinafter defined), including interest thereon; and

WHEREAS, pursuant to a resolution amending the Original Resolution, adopted December 4, 1986 (as amended, the "Amended Resolution"), the Board authorized the execution and delivery of an amended and restated credit agreement between the Board and Morgan Guaranty Trust Company of New York, and as of December 5, 1986, the Board discharged MBank Dallas and MBank Austin from all obligations under the Original Credit Agreement; and

WHEREAS, pursuant to the Amended and Restated Credit Agreement (the "1986 Restated Credit Agreement") dated as of December 5, 1986, between the Board and the Bank (hereinafter defined), the Bank assumed the obligations of MBank Dallas and MBank Austin, and agreed to make certain loans to the Board in amounts up to, but not exceeding, \$109,000,000, such loans to be made to enable the Board to refund Project Notes, including interest thereon; and

WHEREAS, the Board adopted a resolution on February 11, 1988 (the "Resolution") whereby the Board authorized that the Amended Resolution be amended and restated to provide for an increase in the maximum amount of outstanding obligations authorized to be issued, including an increase in the aggregate principal amount of the Promissory Note, to an aggregate principal amount not to exceed One Hundred Thirty-Four Million Five Hundred Thousand Dollars (\$134,500,000), to provide interim financing to pay Project Costs for Eligible Projects; and

WHEREAS, the Board and the Bank desire to amend and restate the 1986 Restated Credit Agreement to provide for an increase in the amount of the Bank Loan Commitment (hereinafter defined) in the manner herein provided;

NOW THEREFORE, the parties hereto agree as follows:

[END OF RECITALS]

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. The terms defined below have the following meanings when used herein unless the context shall indicate a contrary meaning:

"Acts" shall mean, collectively, Article 717q, V.A.T.C.S., as amended, and Section 65.46, Texas Education Code.

"Advance" shall mean a Prime Advance or a CD Advance and "Advances" shall mean Prime Advances or CD Advances or both.

"Adjusted CD Rate" shall mean Adjusted CD Rate as defined in Section 2.04(b).

"Amended Resolution" shall have the meaning set forth on recitals to of this Agreement.

"Assessment Rate" shall mean Assessment Rate as defined in Section 2.04(b).

"Agreement" shall mean this Amended and Restated Credit Agreement, as from time to time amended or supplemented.

"Authorized Representative" shall mean one or more of the following officers or employees of the System, to-wit: the Chancellor, any Executive Vice Chancellor, the General Counsel, the Director of Endowments and Trusts, the Manager of Special Investments and Financing, and the Comptroller or such other office or employee of the System authorized by the System to act as an Authorized Representative.

"Available Bank Loan Commitment" shall mean, with respect to the Bank and at any date, the Bank Loan Commitment less the aggregate principal amount of Advances made by the Bank to the Board.

"Available University Fund" shall mean, as provided in Article VII, Section 18 of the Texas Constitution, 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.

"Bank" shall mean Morgan Guaranty Trust Company of New York or its herein permitted successors or assigns.

"Bank Loan Commitment" shall mean One Hundred Thirty-Four Million Five Hundred Thousand Dollars (\$134,500,000), being the maximum principal amount for which the Bank is committed to make Advances, as such amount may be reduced pursuant to Section 2.06.

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

"Bond Counsel" shall mean Messrs. McCall, Parkhurst & Horton.

"Business Day" shall mean any day (i) when banks are open for business in Austin, Texas and (ii) when banks are not authorized to be closed in New York, New York.

"CD Advance" shall mean an Advance to be made as a CD Advance pursuant to the applicable Notice of Advance.

"CD Base Rate" shall mean CD Base Rate as defined in Section 2.04(b).

"CD Margin" shall mean CD Margin as defined in Section 2.04(b).

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and when reference is made to a particular section thereof, the applicable Treasury Regulations from time to time promulgated or proposed thereunder.

"Commercial Paper Note" shall mean a Note issued pursuant to the provisions of the Resolution, having the terms and characteristics specified in Section 2.03 of the Resolution and in the form described in Section 2.07(a) of the Resolution.

"Commitment Reduction Date" shall mean the first day of each January, April, July and October of each year, commencing on the second such day after the Term Loan Conversion Date, to and including the Maturity Date.

"Constitutional Amendment" shall mean the 1984 Constitutional Amendment, and any amendment thereto or any other amendment to the Constitution of the State of Texas relating to the Permanent University Fund hereafter approved by the voters of the State of Texas.

"Constitutional Amendment Bond Resolution" shall mean any resolution authorizing the issuance of the Constitutional Amendment Bonds.

"Constitutional Amendment Bonds" shall mean the Series 1985 Bonds and any additional bonds and notes, including refunding bonds and notes, issued on a parity with the Series 1985 Bonds pursuant to the Constitutional Amendment, but not including the Notes and any Short Term Obligations not issued on a parity with the Series 1985 Bonds.

"Dealer" or "Remarketing Agent" shall mean the dealer or remarketing agent selected from time to time by the Board to remarket the Project Notes in accordance with Section 5.04 of the Resolution. The initial Dealer shall be Goldman, Sachs & Co.

"Default" or "Event of Default" shall mean any of the events described in Section 8.01.

"Domestic Reserve Percentage" shall mean Domestic Reserve Percentage as defined in Section 2.04(b).

"Effective Date" shall mean the Effective Date as defined in Section 3.01.

"Eligible Project" shall mean the acquisition of land either with or without permanent improvements, the construction and equipping of buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, the acquisition of capital equipment and library books and library materials, and refunding bonds or notes issued under the Constitutional Amendment or prior law (law in effect prior to November 6, 1984). The term "Eligible Project" shall not include the construction, equipping, repairing or rehabilitating of buildings or other permanent improvements that are to be used for student housing, intercollegiate athletics, or auxiliary enterprises.

"Fiscal Year" shall mean the twelve-month operational period of the Fund commencing on September 1 of each year and ending on the following August 31.

"Fixed CD Rate" shall mean Fixed CD Rate as defined in Section 2.04(b).

"Fund Priority Obligations" shall mean the Series 1985 Bonds and any other obligations issued by the Board pursuant to the Constitutional Amendment which are secured by and payable from a lien on and pledge of the Interest of the University in the Available University Fund prior in rank and dignity to the lien and pledge securing the payment of the Notes, including any Constitutional Amendment Bonds.

"Holder" shall mean the Bank and any other holder of the Promissory Note or any entity to which the Bank or any such other holder sells a participation in the Promissory Note (whether or not the Board was given notice of such sale and whether or not the Holder has an interest in the Promissory Note at the time amounts are payable to such Holder thereunder and under this Agreement) and any affiliated group (within the meaning of Section 1504 of the Code or any successor section thereto) of which any Holder is a member.

"Immediately Available Bank Loan Commitment" shall mean, as of the date of calculation, an amount equal to (i) the principal amount of Project Notes outstanding on the date of the most recently delivered Reduction Notice, together with the Interest Commitment on such principal amount, plus (ii) an amount equal to the cumulative principal amount of any additional Project Notes issued after the date of the most recently delivered Reduction Notice, together with the Interest Commitment on such cumulative principal amount.

"Increase Notice" shall mean a notice completed and executed by an Authorized Representative in substantially the form attached hereto as Exhibit "D".

"Interest Commitment" shall mean, with respect to any principal amount of Project Notes, interest on such principal amount for 185 days (calculated in the manner set out in Section 2.04(f)) at the rate of 15 percent per annum.

"Interest of the University" and "Interest" in the Available University Fund shall mean, with respect to the Constitutional Amendment Bonds, the System's two-thirds interest in the Available University Fund.

"Interest Period" shall mean: (i) with respect to each CD Advance, the period commencing on the date of such Advance and ending 30, 60, 90 or 180 days thereafter, as the Authorized Representative may elect in the applicable Notice of Advance; provided that:

(A) any Interest Period which begins before the first Commitment Reduction Date and would otherwise end after the first Commitment Reduction Date shall end on the first Commitment Reduction Date; and

(B) if any Interest Period includes a date on which a payment of principal of the Advances is required to be made under Section 2.06 hereof but does not end on such date, then (1) the principal amount (if any) of each CD Advance required to be repaid on such date shall have an Interest Period ending on such date and (2) the remainder (if any) of each such CD Advance shall have an Interest Period determined as set forth above; and

(ii) with respect to each Prime Advance, the period commencing on the date of such Advance and ending 30 days thereafter; provided that:

(A) any Interest Period which begins before the first Commitment Reduction Date and would otherwise end after the first Commitment Reduction Date shall end on the First Commitment Reduction Date; and

(B) if any Interest Period includes a date on which a payment of principal of the Advances is required to be made under Section 2.06 but does not end on such date, then (1) the principal amount (if any) of each Prime Advance required to be repaid on such date shall have an Interest Period ending on such date and (2) the remainder (if any) of each such Prime Advance shall have an Interest Period determined as set forth above.

"Interest Recapture" shall mean as of any date the cumulative amount by which the amount of interest accrued and payable as of such date in respect of all Advances made and repaid or prepaid prior to such date is, as a result of the limitations contained herein on the rate or amount of interest which may be charged or collected hereunder, less than the cumulative amount thereof which would have

otherwise accrued and been payable thereon at the rate determined under Section 2.04 (other than the provisions of subsection (d) thereof), but only to the extent that such deficiency has not been recovered by the Bank pursuant to clause (y) of Section 2.04(d)(ii).

"Issuing and Paying Agent," "Paying Agent" or "Registrar" shall mean such agent appointed pursuant to the Resolution, or any successor to such agent.

"Lending Office" shall mean, as to the Bank, its office located at its address set forth on the signature pages hereof or such other office as the Bank may hereafter designate as its Lending Office by notice to the Board.

"Maturity Date" shall mean the date seven years after the first Commitment Reduction Date.

"Maximum Interest Rate" shall mean the lesser of (a) the maximum nonusurious rate of interest permitted to be charged by applicable federal or Texas law (whichever shall permit the higher lawful rate) from time to time in effect and (b) the maximum net effective interest rate permitted by law to be paid on obligations issued or incurred by the Board in the exercise of its borrowing powers (currently prescribed by Article 717k-2, V.A.T.C.S., as amended, or any successor provision).

"1985 Constitutional Amendment Bond Resolution" shall mean the resolution adopted by the Board on October 24, 1985, authorizing the issuance of the Series 1985 Bonds.

"1984 Constitutional Amendment" shall mean the amendment to Section 18 of Article VII of the Constitution of the State of Texas approved by voters November 6, 1984.

"1986 Restated Credit Agreement" shall mean the 1986 Restated Credit Agreement as defined on recitals to this Agreement.

"Note" or "Notes" shall mean the evidences of indebtedness authorized to be issued and at any time outstanding pursuant to the Resolution and shall include Commercial Paper Notes or Variable Rate Notes, or the Promissory Note, as appropriate.

"Notice of Advance" shall mean that notice completed and executed by an Authorized Representative in substantially the form attached hereto as Exhibit "B", which notice shall serve as a written request to borrow funds for the purposes and in the manner set forth in this Agreement.

"Notice of Default" shall mean a notice of Default or an Event of Default under this Agreement.

"Original Resolution" shall have the meaning set forth on recitals to this Agreement.

"Permanent University Fund," "Permanent Fund," and "Fund" used interchangeably herein shall 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 currently or hereafter amended, and further implemented by the provisions of Chapter 66, Texas Education Code.

"Permanent University Fund Obligations" shall mean, collectively, all bonds or notes of the Board or the Board of Regents of The Texas A&M University System heretofore or hereafter issued and delivered pursuant to the provisions of the Constitutional Amendment, including without limitation the Promissory Note, payable from and secured by a lien on and pledge of income from the Permanent University Fund.

"Person" shall mean an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a governmental or political subdivision or an agency or instrumentality thereof.

"Prime Advance" shall mean an Advance to be made as a Prime Advance pursuant to the applicable Notice of Advance or Article IX.

"Prime Rate" shall mean the rate of interest publicly announced by Morgan Guaranty Trust Company of New York in New York City from time to time as its Prime Rate.

"Principal and Interest Requirements" shall mean, with respect to any Fiscal Year, the amounts of principal of and interest on Fund Priority Obligations, Notes and Short Term Obligations scheduled to be paid in such Fiscal Year from the Interest of The University in the Available University Fund. For purposes hereof, amortization of principal (i)

with respect to Short Term Obligations shall be based on average annual amortization over the term of the obligation in question and (ii) with respect to the Notes, shall be based upon the repayment of principal amounts required under the Promissory Note and Sections 2.01(d) and 2.06 of this Agreement, assuming for purposes of such calculation that the full amount of the Bank Loan Commitment has been or will be converted to the Term Loan on the Term Loan Conversion Date. If the rate or rates of interest to be borne by any Fund Priority Obligations, Notes, or Short Term Obligations is not fixed, but is variable or adjustable by any formula, agreement, or otherwise, and therefore cannot be calculated as actually being scheduled to be paid in a particular amount for any particular period, then for the purposes of the previous sentence such Fund Priority Obligations, Notes, or Short Term Obligations shall be deemed to bear interest at all times to maturity or due date at the annual rate equal to (A) with respect to Short Term Obligations and Fund Priority Obligations, the lesser of (1) the maximum rate then permitted by law, or (2) the maximum rate specified therein to be borne by such Fund Priority Obligations or Short Term Obligations during the next Fiscal Year and (B) with respect to the Notes, the lesser of (1) the maximum rate then permitted by law, or (2) 12%.

"Project Costs" shall mean all costs and expenses incurred in relation to Eligible Projects, including without limitation design, planning, engineering and legal costs, acquisition costs of land, interests in land, right-of-way and easements, construction costs, costs of machinery, equipment, and other capital assets incident and related to the operation, maintenance, and administration of an Eligible Project, and financing costs, including interest during construction and thereafter, underwriter's discount and/or fees, legal, financial, and other professional services, and reimbursement for such Project Costs attributable to Eligible Projects incurred prior to the issuance of any Project Notes.

"Project Note" shall mean, as appropriate, a Note or all the Notes, other than the Promissory Note.

"Promissory Note" shall mean the refunding promissory bond issued pursuant to the provisions of the Resolution and this Agreement in evidence of Advances made by the Bank under this Agreement to refund a Project Note or Project

Notes, such refunding promissory bond to be substantially the form attached hereto as Exhibit "A", with appropriate completions, and any and all renewals, extensions or modifications thereof. The Promissory Note is the "Revolving Note" referred to in the Resolution.

"Reduction Notice" shall mean a notice completed and executed by an Authorized Representative in substantially the form attached hereto as Exhibit "C".

"Repayment Advance" shall mean an Advance which, after application of the proceeds thereof, results in no net increase in the outstanding principal amount of Advances made by the Bank.

"Resolution" shall mean the amended and restated Resolution adopted by the Board on February 11, 1988 relating to the issuance of Project Notes and authorizing this Agreement and the Promissory Note.

"Revolving Credit Period" shall mean the period from the Effective Date to but not including the Term Loan Conversion Date.

"Series 1985 Bonds" shall have the meaning set forth on recitals to this Agreement.

"Short Term Obligations" shall mean bonds or other evidences of indebtedness hereafter issued and incurred by the Board (other than the Notes and this Agreement) payable from the same sources, or any portion of such sources, securing the payment of the Notes and equally and ratably secured by a parity lien on and pledge of such sources securing the Notes, or any portion thereof.

"Special System Account" shall mean The State Treasurer University of Texas Special System Account established by the Treasurer of the State of Texas pursuant to the Resolution.

"Standby Available Bank Loan Commitment" shall mean, as of the date of calculation, the Available Bank Loan Commitment less the Immediately Available Bank Loan Commitment.

"Term Loan" shall mean the Advances evidenced by the Promissory Note from, after, and including the Term Loan Conversion Date.

"Term Loan Conversion Date" shall mean January 1, 1991 or such later date, if any, as may be agreed to pursuant to Section 2.12(a) hereof.

"Variable Rate Note" shall mean a Note issued pursuant to the provisions of the Resolution, having the terms and characteristics specified in Section 2.04 and Articles III and IV thereof and in substantially the form described in Section 2.07(b) of the Resolution the interest rate on which is adjusted from time to time in accordance with Article III thereof.

Section 1.02. Incorporation of Certain Definitions by Reference. Any terms with an initial capital letter which are used herein and which are not otherwise defined herein shall have the meanings assigned to them in the Resolution as in effect on the Effective Date unless the context shall indicate a contrary meaning.

Section 1.03. Accounting Terms. All accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with Section 61.065 of the Texas Education Code.

Section 1.04. Rules of Construction. For all purposes of this Agreement, unless the context requires otherwise, all references to designated Articles, Sections and other subdivisions are to the Articles, Sections and other subdivisions of this Agreement.

Section 1.05. Interpretations. The table of contents, titles and headings of this Agreement have been inserted for convenience of reference only and are not to be considered a part of this Agreement and shall not in any way modify or restrict any of the terms or provisions hereof.

[END OF ARTICLE I]

ARTICLE II

REVOLVING CREDIT

Section 2.01. Terms of Revolving Credit.

(a) Commitment to Lend. The Bank agrees that it will, during the Revolving Credit Period, on the terms and conditions set forth in this Agreement, lend to the Board from time to time amounts up to, but not to exceed, an aggregate principal amount at any one time outstanding equal to the Bank Loan Commitment. Each Advance hereunder shall be made in such amount as may be requested by an Authorized Representative to refund amounts due under one or more Project Notes, including any amounts payable as a result of the exercise of any demand provision contained in the Project Notes. All Advances other than Repayment Advances made pursuant to this Section 2.01(a) shall initially be Prime Advances and Repayment Advances may be either Prime Advances or CD Advances. Within the foregoing limits, the Board may borrow under this Section 2.01(a), prepay under Section 2.07 and reborrow under this Section 2.01(a) at any time and from time to time during the Revolving Credit Period.

(b) After the Revolving Credit Period. After the Revolving Credit Period the Bank agrees, on the terms and conditions set forth in this Agreement, to make a new Advance to the Board upon the repayment of an outstanding Advance pursuant to Section 2.01(d) or any optional prepayment of an outstanding Advance pursuant to Section 2.07; provided that the principal amount of the Bank's new Advance shall not exceed the principal amount of its outstanding Advance being repaid or prepaid; and provided further that the aggregate principal amount of the Bank's outstanding Advances shall at no time exceed the Bank Loan Commitment. Amounts required to be repaid pursuant to Section 2.06 shall not be reborrowed. The Advances made pursuant to this Section 2.01(b) may be Prime Advances or CD Advances.

(c) Consolidation of Outstanding Advances. On the first Commitment Reduction Date the Bank's outstanding Advances shall be consolidated into a single Advance and thereafter there shall be no more than one Advance outstanding hereunder at any time. If any combination of CD Advances or Prime Advances are outstanding immediately prior to the first Commitment Reduction Date, the Board shall borrow new Advances of one type on such date to the extent

required to refund its outstanding Advances of the other type.

(d) Maturity of Advances. Each Advance shall mature, and the principal amount thereof shall be due and payable, on the last day of the Interest Period applicable thereto.

Section 2.02. Method of Borrowing.

(a) Each Advance shall be made to the Board (or as directed by it) pursuant to its borrowing request made to the Bank as prescribed in this Section 2.02, which request shall be so made not later than 2:15 p.m. (local time in New York, New York) on the date of the proposed Advance, which date shall be a Business Day. A request for an Advance shall be made to the Bank by delivery or telecopy of a completed and signed Notice of Advance or by telephonic notice confirmed as soon as possible by delivery or telecopy of a completed and signed Notice of Advance, provided that the Advance shall not be conditioned upon the receipt of the confirming Notice of Advance.

(b) Each Notice of Advance, whether by telephone, telecopy or in writing, requesting an Advance shall specify therein:

(i) the date of such Advance, which shall be a Business Day,

(ii) the amount of such Advance,

(iii) whether such Advance is to be a CD Advance or a Prime Advance, and

(iv) in the case of a CD Advance, the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period.

(c) If the Bank makes a new Advance hereunder on a day on which the Board is to repay all or any part of an outstanding Advance from the Bank, the Bank shall apply the proceeds of its new Advance to make such repayment and only an amount equal to the difference (if any) between the amount being borrowed and the amount being repaid shall be made available by the Bank as provided in subsection (d) of this Section, or remitted by the Board as provided in Section 2.08, as the case may be.

(d) Upon receipt by the Bank of the Notice of Advance, the Board's request for an Advance as therein set out shall not be revocable by the Board. At or prior to 3:00 p.m. (local time in New York, New York) on the date for which the Advance is requested, except as provided in subsection (c) above, and subject to satisfaction of the applicable conditions set forth in Section 3.02, the Bank shall make available, in Federal or other immediately available funds, to the Paying Agent, the funds necessary for such Advance, for the account of the holders of Project Notes, as directed by the Board in its Notice of Advance.

Section 2.03. Promissory Note. (a) The Advances of the Bank shall be evidenced by a single Promissory Note payable to the order of the Bank for the account of its Lending Office in a principal amount equal to the aggregate unpaid principal amount of the Bank's Advances. The Promissory Note shall bear interest and shall be due and payable on the dates, in the amounts and under the circumstances set forth herein with respect to the Advances and in the Promissory Note.

(b) The Bank shall record, and prior to any transfer of the Promissory Note shall endorse on the schedules forming a part thereof appropriate notations to evidence, the date, amount and maturity of each Advance made by it and the date and amount of each payment of principal made by the Board with respect thereto; provided that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Board hereunder or under the Promissory Note. The Bank is hereby irrevocably authorized by the Board so to endorse the Promissory Note and to attach to and make a part of the Promissory Note a continuation of any such schedule as and when required.

Section 2.04. Interest Rates. (a) Each Prime Advance shall bear interest on the outstanding principal amount thereof, for each day from the date such Advance is made until it becomes due, at a rate per annum equal to (i) the Prime Rate for such day, if such day falls prior to the Term Loan Conversion Date; (ii) the sum of 1/8 of 1% plus the Prime Rate for such day, if such day falls on or after the Term Loan Conversion Date and prior to the third anniversary of the Term Loan Conversion Date; (iii) the sum of 1/4 of 1% plus the Prime Rate for such day, if such day falls on or after the third anniversary of the Term Loan Conversion Date and prior to the fifth anniversary of the Term Loan Conversion Date; and (iv) the sum of 3/8 of 1% plus the Prime Rate

for such day if such day falls on or after the fifth anniversary of the Term Loan Conversion Date. Such interest shall be payable for each Interest Period on the last day thereof.

(b) Each CD Advance shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the applicable Fixed CD Rate; provided that if any CD Advance or any portion thereof shall, as a result of clause (i) of the definition of Interest Period, have an Interest Period of less than 30 days, such portion shall bear during such Interest Period at the rate applicable to Prime Advances during such period. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than 90 days, at intervals of 90 days after the first day thereof.

The "Fixed CD Rate" applicable to any CD Advance for any Interest Period means a rate per annum equal to the sum of the CD Margin plus the applicable Adjusted CD Rate.

"CD Margin" means (i) 1/2 of 1% prior to the Term Loan Conversion Date; (ii) 5/8 of 1% on and after the Term Loan Conversion Date and prior to the third anniversary of the Term Loan Conversion Date; (iii) 3/4 of 1% on and after the third anniversary of the Term Loan Conversion Date and prior to the fifth anniversary of the Term Loan Conversion Date; and (iv) 7/8 of 1% on and after the fifth anniversary of the Term Loan Conversion Date.

The "Adjusted CD Rate" applicable to any Interest Period means a rate per annum determined pursuant to the following formula:

$$\text{ACDR} = \frac{[\text{CDBR}]^*}{[1.00 - \text{DRP}]} + \text{AR}$$

ACDR = Adjusted CD Rate
 CDBR = CD Base Rate
 DRP = Domestic Reserve Percentage
 AR = Assessment Rate

* The amount in brackets being rounded upwards, if necessary, to the next higher 1/100 of 1%

The "CD Base Rate" applicable to any Interest Period is the rate of interest determined by the Bank to be the prevailing rate per annum bid at 10:00 A.M. (New York City time) (or as soon thereafter as practicable) on the first day of such Interest Period by two or more New York certificate of deposit dealers of recognized standing for the purchase at face value from Morgan Guaranty Trust Company of New York of its certificates of deposit in an amount comparable to the unpaid principal amount of the CD Advance of the Bank to which such Interest Period applies and having a maturity comparable to such Interest Period.

"Domestic Reserve Percentage" means for any day, that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including without limitation any basic, supplemental or emergency reserves) for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion dollars in respect of new non-personal time deposits in dollars in New York City having a maturity comparable to the related Interest Period and in an amount of \$100,000 or more. The Fixed CD Rate shall be adjusted automatically on and as of the effective date of any change in the Domestic Reserve Percentage.

"Assessment Rate" means for any Interest Period the net annual assessment rate (rounded, if necessary, to the nearest 1/100 of 1%) actually incurred by Morgan Guaranty Trust Company of New York to the Federal Deposit Insurance Corporation (or any successor) for such Corporation's (or such successor's) insuring time deposits at offices of Morgan Guaranty Trust Company of New York in the United States during the most recent period for which such rate has been determined prior to the commencement of such Interest Period.

(c) The Bank shall determine each interest rate applicable to the Advances hereunder. The Bank shall give prompt notice to the Board by telex or cable of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(d) Notwithstanding anything contained herein or in the Promissory Note to the contrary:

(i) if the rate or amount of interest applicable to an outstanding Advance evidenced by the Promissory Note, when calculated or determined under the provisions hereof, at any time would exceed the Maximum Interest Rate or would produce an amount which would be greater than the amount of interest determined at such rate, then the applicable rate and amount of interest payable in regard to such outstanding Advance shall be reduced to the Maximum Interest Rate and the amount determined at a rate per annum equal to the Maximum Interest Rate; and

(ii) (x) in the event that the amount of interest accrued in respect of any Advance as of any date, is, as a result of the limitations contained herein on the rate or amount of interest which may accrue on such Advances under the Promissory Note, less than the amount of interest which would have otherwise accrued on such Advance as of such date at the rate determined under this Section 2.04, (without regard to the provisions of this Subsection (d)) then the Promissory Note will continue to bear interest with respect to such Advance at the Maximum Interest Rate until such date (or the date such Advance is due and payable pursuant to Sections 2.01(d) and 2.06, if earlier) on which the cumulative amount of interest accrued on the Promissory Note with respect to such Advance equals the cumulative amount of interest which would have accrued thereon in accordance with this Section 2.04 (other than the provisions of this subsection (d)), at which date the rate of interest on the Promissory Note with respect to such Advance shall revert to the rates otherwise provided for herein; and (y) to the extent and for such period (or, if earlier, the Maturity Date or the first date after the Term Loan Conversion Date shall occur on which no Advance is outstanding) as is necessary for the Bank to obtain the amount of Interest Recapture as to Advances previously made and repaid or prepaid, each subsequent Advance made prior to the full recovery of the amount of Interest Recapture shall itself bear interest at the Maximum Interest Rate until the Bank shall have recovered the full amount of Interest Recapture in respect of all prior Advances; and

(iii) in all events, all interest accruing on or becoming payable in respect of the Promissory Note or any Advance evidenced thereby, including not only

amounts so denominated herein but also any other payment, consideration, value, benefit or other compensation for the use, forbearance or detention of money, shall never exceed an amount or produce a rate in excess of the maximum amount or rate that may lawfully be contracted for, charged, reserved, received or paid under applicable law in respect of the Promissory Note or any such Advance.

(e) Beginning five (5) days after the date any amount of principal or interest is due under the Promissory Note, any overdue principal of and, to the extent permitted by law, overdue interest on, (i) any Prime Advance shall bear interest, payable on demand, for each day the same is overdue until paid, at a rate per annum equal to the lesser of (x) the sum of 1% per annum plus the otherwise applicable rate for such day, or (y) the Maximum Interest Rate, or (ii) any CD Advance shall bear interest, payable on demand, for each day the same is overdue until paid at a rate per annum equal to the lesser of the (x) sum of 1% plus the higher of (a) the Fixed CD Rate for the current (or next preceding) Interest Period and (b) the rate applicable to Prime Advances for such day and (y) the Maximum Interest Rate.

(f) Computation of the commitment fee, which is provided for in Section 2.05, and, subject to the last sentence of this Section 2.04(f), of interest on Advances based on the Prime Rate shall be made on the basis of a year of 365 or 366 days, as the case may be, applied to and payable for the actual number of days elapsed (including the first day but excluding the last day). Interest on Advances based on the Adjusted CD Rate shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed, calculated as to each Interest Period from and including the first day thereof but excluding the last day thereof. Any calculation made pursuant to this Section 2.04(f) (other than with respect to the commitment fee which is provided for by Section 2.05) that would cause the interest paid, payable or accruing on the indebtedness of the Board under this Agreement and the Promissory Note to exceed the Maximum Interest Rate shall be adjusted so as to reduce the interest paid, payable and accruing hereunder to such Maximum Interest Rate, as more fully set out in this Agreement.

(g) Notwithstanding anything contained herein to the contrary, the interest rates applicable to Advances may be changed at any time upon the mutual written agreement of the

Board and the Bank. If any such change in the interest rates applicable to Advances is so agreed to, this Agreement and the Promissory Note shall remain outstanding and continue in full force and effect, without modification other than as to the change in the interest rates applicable to Advances, and all Advances will continue to be made under the Promissory Note in accordance with this Agreement, modified only to reflect the agreement of the parties with respect to the changed interest rates applicable to Advances.

Section 2.05. Commitment Fees. (a) Except as provided in subsection (b), the Board shall pay to the Bank a commitment fee (calculated in the manner set out in Section 2.04(f) above) equal to .25 percent per annum of the Available Bank Loan Commitment for each day of the Revolving Credit Period.

(b) Notwithstanding the provisions of subsection (a) above, on any date after which the Board has paid Project Notes in an aggregate principal amount at least equal to \$25,000,000, the Board, acting through an Authorized Representative, shall be entitled to elect a reduction in the commitment fee payable to the Bank for each day of the Revolving Credit Period by delivery to the Bank of the Reduction Notice set forth in Exhibit "C" hereto. The reduction shall be effective on the date on which the Bank receives the Reduction Notice. After the first such election, the commitment fee (calculated in the manner set out in Section 2.04(f) above) on the Standby Available Bank Loan Commitment shall equal .15 percent per annum, and the commitment fee (calculated in the manner set out in Section 2.04(f) above) on the Immediately Available Bank Loan Commitment shall equal .25 percent per annum. Each time that the Board issues additional Project Notes after delivery of a Reduction Notice, an Authorized Representative shall deliver to the Bank an Increase Notice, in the form set forth on Exhibit "D" hereto, and the Standby Available Bank Loan Commitment shall decrease and the Immediately Available Bank Loan Commitment shall increase effective as of the date of issuance of such additional Project Notes.

(c) The commitment fee shall accrue from and including the Effective Date to (but excluding) the Term Loan Conversion Date and shall be payable (i) on the first day of each January, April, July, and October during the term hereof and (ii) on the Term Loan Conversion Date. No commitment fee shall be payable or accrue in respect of

Advances advanced and outstanding under the Bank Loan Commitment.

Section 2.06. Termination or Reduction of Commitment.

(a) During the Revolving Credit Period, the Board may, upon at least three Business Days' notice to the Bank and any rating agency which has issued a rating of the Project Notes, terminate entirely at any time or reduce from time to time by an aggregate amount of \$1,000,000 or any integral multiple thereof, the Bank Loan Commitment at the time; provided that the Board may not reduce the Bank Loan Commitment if such proposed reduction would cause the then Available Bank Loan Commitment to be less than the amount of Available Bank Loan Commitment required to be maintained by the Board under Section 6.04 of the Resolution.

(b) The Bank Loan Commitment shall terminate on the Maturity Date, and any Advances then outstanding (together with accrued interest thereon) shall be due and payable on such date.

(c) On any date on or after the Term Loan Conversion Date on which the Bank Loan Commitment shall be greater than the principal amount of the Advances outstanding on such date (after giving effect to any repayment, prepayment and borrowing on such date), the Bank Loan Commitment shall be automatically reduced to an amount equal to such outstanding principal amount.

(d) The Bank Loan Commitment shall be further reduced, on each Commitment Reduction Date, by an amount equal to one-twenty-eighth (1/28) of the Bank Loan Commitment in effect on the Term Loan Conversion Date (after giving effect to any reduction pursuant to subsection (c) on such date). No reduction of the Bank Loan Commitment pursuant to subsection (c) shall reduce the amount of any subsequent mandatory reduction of the Bank Loan Commitment pursuant to this subsection (d).

(e) On each Commitment Reduction Date, the Board shall repay such principal amount (together with accrued interest thereon) of outstanding Advances, if any, as may be necessary so that after such repayment, the unpaid principal amount of the Bank's Advances does not exceed the amount of the Bank Loan Commitment as then reduced.

Section 2.07. Optional Prepayments. (a) The Board may, upon at least two Business Days' notice to the Bank, prepay any Prime Advance in whole at any time, or from time to time in part in an amount equal to \$1,000,000 or any integral multiple thereof, by paying the principal amount to be prepaid together with accrued interest thereon to (but not including) the date of prepayment.

(b) The Board may not prepay all or any portion of the principal amount of any CD Advance prior to the maturity thereof.

(c) Upon receipt of a notice of prepayment by the Bank pursuant to this Section, such notice shall not be revocable by the Board.

Section 2.08. General Provisions as to Payment. The following general provisions shall apply to all payments under the Promissory Note:

(a) The Board shall make each payment of principal and interest on the Promissory Note not later than 12:00 noon (local time in New York, New York), on the day when due, in Federal or other funds immediately available, at the office of the Bank referred to in Section 10.01.

(b) Whenever any payment of principal of and interest on the Promissory Note shall be due on any day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day. If the date for any payment or prepayment of principal is extended by the preceding sentence, operation of law or otherwise, interest thereon shall be payable for the period of such extension at the rate applicable thereto under other provisions of this Agreement.

Section 2.09. Funding Losses. If the Board makes any payment of principal with respect to any CD Advance (pursuant to Articles VIII or IX or otherwise) on any day other than the last day of the Interest Period applicable thereto, or if the Board fails to borrow any CD Advance after notice has been given to the Bank in accordance with Section 2.02, the Board shall reimburse the Bank on demand for any resulting loss or expense incurred by it (or by any prospective participant in the related Advance), including (without

limitation) any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment, provided that the Bank shall have delivered to the Board a certificate as to the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

Section 2.10. Security For Promissory Note. The Promissory Note is the special obligation of the Board, payable solely from and secured by the funds pledged therefor pursuant to the Resolution, including specifically Section 2.12 thereof, and this Agreement, as authorized thereby. To provide ratable security for the payment of the principal of and interest on the Project Notes and the Promissory Note, as the same shall become due and payable, the Board has pledged, pursuant to the Resolution, and as to the Promissory Note does hereby grant to Bank a lien on and pledge of, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth therein and to the provisions of Section 6.03 (allowing issuance of certain debt), all of the following: (i) the proceeds from (a) the sale of Fund Priority Obligations or Short Term Obligations or other obligations of the Board under the Constitutional Amendment issued for such purpose, and (b) the sale of Project Notes issued pursuant to the Resolution for such purpose, (ii) the amounts held in the Series A Note Payment Fund and the Special System Account, provided, however, amounts in the Series A Note Payment Fund attributable to and derived from Advances under and pursuant to this Agreement are pledged to, and shall be used to pay, the principal of, premium, if any, and interest on the Project Notes, and (iii) the Interest of the University in the Available University Fund (all the items of property referred to in the immediately preceding clauses (i), (ii) and (iii), and all proceeds thereof, being hereinafter collectively referred to as the "Collateral"). Notwithstanding anything contained herein to the contrary, the security interest in and pledge of the Interest of the University in the Available University Fund is subordinate and inferior to the pledge thereof (the "Fund Priority Lien") securing the payment of the Fund Priority Obligations, and the principal of, and premium (if any) and interest on the Project Notes and the Promissory Note shall be and the same are hereby equally and ratably secured solely by and payable from a security interest in, lien on, and pledge of the sources hereinabove identified in clauses (i), (ii) and (iii),

subject and subordinate only to the Fund Priority Lien. The Promissory Note shall further be entitled to the benefits of Article VI hereof.

Section 2.11. Application of Prior Covenants - Available Revenues. In accordance with the provisions of the 1985 Constitutional Amendment Bond Resolution, the Notes represent obligations which are subordinate to the Fund Priority Obligations. As described in Section 9 of the 1985 Constitutional Amendment Bond Resolution, there heretofore has been established in the Treasury of the State of Texas a fund 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"). The Fund Priority Obligations are payable from moneys required to be transferred to the Interest and Sinking Fund. After provision has been made for the payment of the principal of and interest on the Fund Priority Obligations, based upon the projection of moneys to be deposited into the Interest and Sinking Fund from the Available University Fund which demonstrates that the deposits to the Series A Note Payment Fund will not impair the obligation of the Board to pay the principal of and interest on the Fund Priority Obligations as the same mature and come due, the balance of the Interest of the University in the Available University Fund shall be made available to the Board to deposit into the Series A Note Payment Fund such amounts as necessary to pay the interest on and/or the principal of the Promissory Note to the extent not paid from the proceeds of Project Notes, Short Term Obligations, or Fund Priority Obligations, or other obligations of the Board issued pursuant to the Constitutional Amendment. After provision has been made for the payment of the interest on and principal of the Promissory Note, the balance of the Interest of the University 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 as it may lawfully direct.

To the end that money will be available in ample time to pay the principal of and interest on the Promissory Note as such principal and interest respectively come due, the Comptroller of The University of Texas System, or such officer as may hereafter be designated by the Board to perform the duties now vested in such officer shall perform such duties as are described in Section 2.13 of the Resolution.

Section 2.12. Extension or Modification of Agreement.
This Agreement may be extended or modified in accordance with the following conditions and provisions:

(a) At any time not less than 60 days prior to the Term Loan Conversion Date, the Board may, by written notice to the Bank, request that the Term Loan Conversion Date be extended by one or more whole years after the then-existing Term Loan Conversion Date. The Bank may, in its sole and absolute discretion, decide to accept or reject any such proposed extension. The Bank will use its best efforts to notify the Board of its decision within 30 days of receipt of such request, it being understood and agreed that the failure of the Bank to notify the Board of any decision within such 30-day period shall be deemed to be a rejection and that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to notify the Board of the Bank's decision within such 30-day period.

(b) The Bank shall use its best efforts to give the Board 105 days notice of the Term Loan Conversion Date, provided, however, (i) that the Bank shall have no liability or responsibility whatsoever to the Board or any other Person (including, without limitation, the Issuing and Paying Agent, the Registrar or any Holder) by reason of its failure to give such notice or any delay in giving such notice; and (ii) that failure to give such notice shall not be construed as an acceptance by or agreement of the Bank to extend the Term Loan Conversion Date or otherwise entitle the Board to extend the Term Loan Conversion Date in the absence of an express written agreement of the Bank to so extend the Term Loan Conversion Date.

(c) If the Board shall desire to increase the authorized aggregate principal amount of Project Notes that may be outstanding during the term of this Agreement ("Additional Notes") and to provide for such Additional Notes to have the benefit of a revolving credit agreement to which one or more national banking associations or state-chartered banks would be party ("New Credit Agreement"), then the Board shall notify the Bank, in writing, of the amount, terms and conditions of such New Credit Agreement and of the Additional Notes.

Section 2.13. Notice of Paying Agent. The Resolution appoints Morgan Guaranty Trust Company of New York as the initial Paying Agent. The Board will give notice to the Bank of the appointment of any substitute Paying Agent, which notice shall specify the name and address of the Paying Agent.

Section 2.14. Failure of the Bank to Advance. The failure of the Bank to make any requested Advance required to be made under the Promissory Note shall not release the Bank from its agreement to make such Advances, nor shall receipt and acceptance by the Board of any Advance or portion thereof from the Bank be a release, discharge or waiver of any claim, demand or cause of action of, or for the benefit of, the Board arising out of or in connection with any such failure to advance funds.

Section 2.15. Compliance With Law. Notwithstanding any other term or provision of this Agreement or of the Promissory Note, the maximum amount of interest which may be payable by, charged to, or collected from the Board, or any other person either primarily or conditionally liable for the payment of the Promissory Note, shall be limited to, and shall in no event or under any circumstances exceed, the maximum amount of interest which could be lawfully charged under applicable law (including, to the extent applicable, the provisions of Article 717k-2, Vernon's Texas Civil Statutes, as in effect at the time and the provisions of any applicable amendment thereto or other successor or superseding provision of law) so that, notwithstanding any other term or provision of this Agreement or the Promissory Note, the aggregate of the interest on any Advance, including all fees and other amounts which constitute interest under applicable state law (and any applicable Federal statutes), shall never exceed the maximum amount of interest which under said laws could be lawfully charged on or in respect of such Advance. Accordingly, the Board and the Bank stipulate and agree that this Agreement and the Promissory Note shall not be construed to create a contract to pay interest for the use, forbearance or detention of money at a rate in excess of the Maximum Interest Rate or maximum amount permitted to be charged under applicable state law (and any applicable Federal statutes), and the Board shall never be liable for interest in excess of the maximum amount or Maximum Interest Rate that could be lawfully charged under such laws.

Specifically and without limiting the generality of the foregoing, it is further agreed among the Board and the Bank that the maximum amount of interest contracted for and payable on or under the Promissory Note, now or hereafter shall be calculated in order that strict compliance may be had with the applicable state laws (and any applicable Federal statutes), and such parties agree that:

(a) in the event of voluntary prepayment of any Advance or payment prior to the normal maturity date of any Advance, if the aggregate amount of any interest calculated thereunder or thereon, plus any other amounts which constitute interest on such Advance would, in the aggregate, if charged or paid (if calculated in accordance with provisions other than those set forth in this Section) exceed the maximum amount of interest which, under applicable state laws (and any applicable Federal statutes), may lawfully be charged or paid on or in respect of the Advance involved, then in such event the amount of such excess shall not be charged, payable or due (if not previously paid) or (if paid) shall be credited toward the payment of the principal of the Advance involved so as to reduce the amount thereof and if, and to the extent, the entire principal amount has been paid in full, refunded to the Board; and

(b) if under any circumstances the aggregate amounts paid on any Advance prior to or incident to final payment thereof include any amounts which under applicable state laws (and any applicable Federal statutes) would be deemed interest and which would exceed the maximum amount of interest which, under applicable state laws (and any applicable Federal statutes), could lawfully have been paid and collected on or in respect of such Advance, such payment and collection shall be deemed to have been the result of mathematical error on the part of all parties hereto, and the party receiving such excess payment shall promptly refund the amount of such excess (to the extent only of the excess of such interest payments above the maximum amount which could lawfully have been collected and retained under said state laws and any applicable Federal statutes) upon discovery of such error by the party receiving such payment or notice thereof from the party making such payment.

(c) The provisions of this Section 2.15 shall control over any other provisions of this Agreement, the Promissory Note, any other instrument or writing evidencing, respecting or affecting any Advance, and the Bank further agrees that any limitations or restrictions imposed on it, or on payments which it may receive, by reason of this Section 2.15 shall apply and be recognized in all circumstances and to all payments, regardless of the source or payor thereof.

(d) All commitment fees prescribed in Section 2.05 hereof shall constitute exclusively consideration for the Bank's agreement to have available funds in the amount committed by the Bank in respect of Advances and to make such Advances in the future as provided herein and shall not constitute or be treated as compensation for the use of, forbearance, or detention of money actually loaned and advanced hereunder.

[END OF ARTICLE II]

ARTICLE III

CONDITIONS

Section 3.01. Conditions to Closing. The Revolving Credit Period shall commence on the date (the "Effective Date") on which the conditions set out in subsections 3.01(a) and (b) shall have been satisfied.

(a) The Bank shall have received all of the following:

(i) a counterpart of this Agreement duly executed by the Board and the Bank;

(ii) a duly executed Promissory Note, dated the Effective Date, complying with the provisions of Section 2.03 and substantially in the form attached hereto as Exhibit "A";

(iii) a copy of the Resolution, including amending resolutions thereto which have been adopted as of the Effective Date approving and authorizing this Agreement and the Promissory Note, all certified by the Executive Secretary or an Assistant Secretary of the Board as being in full force and effect;

(iv) a certificate of (A) the Executive Vice Chancellor for Asset Management dated the Effective Date, substantially in the form attached hereto as Exhibit "G," and (B) the Executive Secretary or an Assistant Secretary of the Board dated the Effective Date, substantially in the form attached hereto as Exhibit "H";

(v) an opinion of the general attorney and associate counsel for the Board, dated the Effective Date, substantially in the form attached hereto as Exhibit "E", with such changes, modifications, deletions or additions as may be acceptable to such counsel and counsel for the recipients thereof;

(vi) an opinion of Bond Counsel, dated the Effective Date, substantially in the form attached hereto as Exhibit "F", with such changes,

modifications, deletions or additions as may be acceptable to such counsel and counsel for the recipients thereof;

(vii) a certificate of the general attorney and associate counsel for the Board dated the Effective Date, substantially in the form attached hereto as Exhibit "I"; and

(viii) evidence satisfactory to the Bank that the Attorney General of the State of Texas shall have approved this Agreement and the Promissory Note, all as required by the Constitutional Amendment and the Acts.

(b) In addition, the Board shall have received all of the following, with a copy for Paying Agent:

(i) Counterparts of this Agreement, duly executed by the Board and the Bank;

(ii) A certificate, dated the Effective Date, of an officer of the Bank, authorized to execute and deliver such certificate, to the effect that each of the representations and warranties of the Bank contained in this Agreement are true and correct on and as of the date of such certificate as though made on and as of such date and additionally to the effect that the Bank has received the instruments set forth in Section 3.01(a), that such instruments are in satisfactory form and that the conditions set forth in Section 3.01(a) have been satisfied;

(iii) An opinion of Vinson & Elkins, special counsel to the Bank, dated the Effective Date and substantially in the form attached hereto as Exhibit "H", with such changes, modifications, deletions or additions as may be acceptable to such counsel and counsel for the recipients thereof; and

(iv) The original promissory note delivered by the Board to the Bank in connection with the execution and delivery of the 1986 Restated Credit Agreement.

Section 3.02. Conditions to Advances. The obligation of the Bank to make any Advance, when so requested hereunder upon or after the Effective Date and during the Revolving Credit Period, is subject to receipt by the Bank of a Notice of Advance as required by Section 2.02 and to the satisfaction of the following further conditions:

(a) At the time the Advance is made, the Board shall not have commenced a voluntary case or other proceeding seeking liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or any substantial part of its property, shall not have consented to any such relief or to the appointment of, or taking possession by, any such official in an involuntary case or other proceeding commenced against it, shall not have made a general assignment for the benefit of its creditors, shall not have declared a moratorium with respect to its debts, shall not have failed generally to pay its debts as they become due, and shall not have taken any action to authorize any of the foregoing;

(b) At the time the Advance is made, no involuntary case or other proceeding shall have been commenced against the Board seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official and no trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property shall have been appointed; and

(c) Immediately after such Advance is made the Board shall not have issued bonds and notes exceeding a total amount of twenty percent (20%) of the cost value of investments and other assets (exclusive of real estate) of the Permanent University Fund.

In addition, the Bank shall have no obligation to make an Advance to the Board to pay the principal of or any interest on any Project Notes which were issued by the Board after

receipt by the Paying Agent, the Dealer, and an Authorized Representative of a Notice of Default.

[END OF ARTICLE III]

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE BOARD

Section 4.01. Organization and Powers. The Board (a) is duly established and validly existing under the laws of the State of Texas under and pursuant to the Constitution of the State of Texas and is an agency and political subdivision of the State of Texas, (b) has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, (c) has full power and authority to operate the System and to acquire, construct, finance and operate the Eligible Projects, and (d) has full power and authority to adopt the Resolution, to execute, deliver and perform the Resolution and this Agreement, to borrow hereunder and to execute, deliver and perform the Promissory Note.

Section 4.02. Authorization; Contravention. The execution, delivery and performance by the Board of the Resolution, this Agreement and the Promissory Note and the making of the Advances under the Promissory Note have been duly authorized by all necessary action by the Board and do not contravene, or result in the violation of or constitute a default under, any provision of applicable law or regulation, the Acts, or any order, rule or regulation of any court, governmental agency or instrumentality or any agreement, resolution or instrument to which the Board is a party or by which it or any of its property is bound.

Section 4.03. Governmental Consent or Approval. No authorization, consent, approval, permit, license, or exemption of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality that has not been obtained or issued is or will be necessary for the valid adoption, execution, delivery or performance by the Board of the Resolution, this Agreement and the Promissory Note.

Section 4.04. Binding Effect. This Agreement, the Resolution and the Promissory Note constitute valid and binding obligations of the Board.

Section 4.05. Restrictions on Use of Proceeds. The proceeds of the Advances will be applied by the Board only to the refunding of the Project Notes. None of the funds borrowed by virtue of this Agreement will be used in any

manner or for any purpose except in the manner and for the purposes authorized by Texas law and the Resolution adopted by the Board.

Section 4.06. Federal Reserve Regulations. No part of the proceeds of any Advance will be used for the purpose, whether immediate, incidental or ultimate, to purchase or carry any margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, as amended from time to time) or to extend credit to others for the purpose of purchasing or carrying any margin stock or for any other purpose which would violate any of the regulations of said Board of Governors.

Section 4.07. Litigation. There is no action, suit or proceeding pending or, to the knowledge of the Board, threatened against or affecting the Board, the System or relating to the Acts, or other applicable laws or regulations, or this Agreement in any court or before or by any governmental department, agency or instrumentality which, if adversely determined, would materially affect the ability or authority of the Board to perform its obligations under this Agreement or the Promissory Note, or which in any manner questions the validity or enforceability of this Agreement, the Resolution or the Promissory Note or the granting, perfection, enforceability or priority of the lien on and pledge of the Collateral provided in Section 2.12 of the Resolution, except any action, suit or proceeding which may be brought subsequent to the date hereof as to which the Bank has received an opinion of counsel satisfactory to the Bank and its counsel, to the effect that such action, suit or proceeding is without substantial merit.

Section 4.08. No Event of Default Under the Resolution. No "Event of Default" specified in the Resolution and no event which, with the giving of notice or lapse of time or both would become such an event of default, has occurred and is continuing.

[END OF ARTICLE IV]

ARTICLE V
REPRESENTATIONS AND WARRANTIES
OF THE BANK

The Bank represents and warrants:

Section 5.01. Organization and Powers. The Bank (a) is duly established and validly existing under the laws of the State of New York; and (b) has full power and authority to execute, deliver and perform this Agreement and to make Advances in accordance with its Bank Loan Commitment and this Agreement.

Section 5.02. Authorization; Contravention. The execution, delivery and performance by the Bank of this Agreement and its Advances to be made hereunder have been duly authorized by all necessary action by the Bank and do not contravene, or result in the violation of or constitute a default under, any provision of applicable law or regulation, its charter, or any order, rule or regulation of any court, governmental agency or instrumentality or any material agreement, resolution or instrument to which the Bank is a party or by which it or any of its property is bound.

Section 5.03. Governmental Consent or Approval. No authorization, consent, approval, permit, license, or exemption of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality that has not been obtained or issued is or will be necessary for the valid execution, delivery or performance by the Bank of this Agreement.

Section 5.04. Bank Obligations Valid. The Bank represents that this Agreement is a valid and binding agreement of the Bank, assuming that this Agreement is a valid and binding agreement of the Board.

Section 5.05. Litigation. There is no action, suit or proceeding pending or, to the knowledge of the Bank, threatened against or affecting the Bank, in any court or before or by any governmental department, agency or instrumentality which, if adversely determined, would materially

affect the ability or authority of the Bank to perform its obligations under this Agreement, or which in any manner questions the validity of this Agreement or the Promissory Note.

[END OF ARTICLE V]

ARTICLE VI

COVENANTS

The Board agrees that during the term of this Agreement and while any amount payable under the Promissory Note remains unpaid:

Section 6.01. Information. The Board will deliver to the Bank:

(a) within 120 days after the end of each Fiscal Year, a copy of the annual report of the Fund that includes a balance sheet of the Fund as of the end of such Fiscal Year and related statements of income and a statement of cash receipts and disbursements, prepared in accordance with Section 61.065 of the Texas Education Code accompanied by a certificate of an Authorized Representative (i) to the effect that as of the date of such certificate no Default has occurred, (ii) or if such Default has occurred, specifying the nature of such Default, the period of its existence and the action which the Board is taking or proposes to take with respect thereto;

(b) as soon as reasonably available after the end of each Fiscal Year, (i) the unaudited annual report of the System for the Fiscal Year then ended, (ii) the unaudited financial statement of System Administration for the Fiscal Year then ended that includes schedules of income and changes in fund balances for the Available University Fund, and (iii) the audited annual financial statement of the State, prepared by the Comptroller of Public Accounts of the State and audited by the State Auditor's Office;

(c) as soon as available and in any event within 60 days after the end of each fiscal quarter, a copy of the most recent quarterly summary of assets of the Fund;

(d) as soon as practicable but in any event within ten (10) Business Days after the issuance thereof, copies of any prospectus, official statement, offering circular, placement memorandum or similar or corresponding document, and any supplements thereto and updates and amendments thereof, that the Board makes available in connection with the offering for sale of

any securities payable from the Available University Fund, and, on request, copies of such other financial reports as the Board shall customarily and regularly provide to the public;

(e) forthwith upon the occurrence of any Default, a certificate of an Authorized Representative setting forth the details thereof and the action which the Board is taking or proposes to take with respect thereto;

(f) concurrently with the delivery of the reports set out in subsection (c) above, a report showing the aggregate amount of Project Notes issued at the end of the preceding quarter; and

(g) upon written request of the Bank, information relating to the Available University Fund or any other financial information reasonably requested.

Section 6.02. Access to Records. The Board will furnish to the Bank such information regarding the financial condition, results of operations or business of the Board, the Available University Fund and the Fund as the Bank may reasonably request and will permit any officers, employees or agents of the Bank to visit and inspect any of the properties of the Board and to discuss matters reasonably pertinent to an evaluation of the credit of the Available University Fund and the Fund, all at such reasonable times as the Bank may reasonably request. Further, the Bank, at its request, will be kept informed of regular and special meetings of the Board, and a representative of the Bank may attend any such meeting subject to provisions of Texas law authorizing executive sessions of the Board. All information received by or provided to the Bank pursuant to this Agreement, unless otherwise made public by the Board, will be held as confidential information by the Bank.

Section 6.03. Proceeds of Project Notes; Limitation on Certain Debt.

(a) The proceeds of the Project Notes will be used by the Board solely for the purpose of paying or prepaying, as the case may be, in whole or in part, other Project Notes, the Promissory Note or Project Costs of Eligible Projects or, to the extent not so used, for temporary investment while in the Series A Note Payment Fund or Special System Account.

(b) The Board shall, however, have the right to issue Fund Priority Obligations or Short Term Obligations pursuant to Section 6.10 of the Resolution.

Section 6.04. No Amendment of Certain Contracts or Resolutions. The Board will not consent to any amendment to or modification or waiver of any of the provisions of the Resolution which would be materially adverse to the Bank's interests. The Board will give the Bank notice as promptly as practicable (but in no event less than 10 Business Days) of any proposed amendments to or modifications or waivers of any provisions of the Resolution and of any meeting of the Board at which any of the foregoing will be discussed or considered.

Section 6.05. Sales of Fund Priority Obligations or Short Term Obligations. The Board shall use its best efforts and reasonable diligence to offer and sell Fund Priority Obligations or Short Term Obligations or to obtain a New Credit Agreement, in an amount sufficient to pay when due any outstanding principal amount of the Promissory Note not to be paid from the proceeds of a Repayment Advance and all other amounts due to the Bank hereunder in respect thereof not to be paid from other funds available to the Board. The Board covenants that Advances maturing under the Promissory Note and not paid from the proceeds of a Repayment Advance shall be retired in full, or pro rata if not in full, with proceeds of Fund Priority Obligations or Short Term Obligations sold, issued or created by the Board prior to any other payment or use of the proceeds of such Fund Priority Obligations or Short Term Obligations.

Section 6.06. Other Covenants. The Board shall fully and faithfully perform each of the covenants required of it pursuant to the provisions of the Resolution and the resolutions of the Board authorizing the Fund Priority Obligations.

Section 6.07. Taxes and Liabilities. The Board will pay all its indebtedness and obligations promptly and in accordance with their terms and pay and discharge or cause to be paid and discharged promptly all taxes, assessments and governmental charges or levies imposed upon it or upon its income and profits, or upon any of its property, real, personal or mixed, or upon any part thereof, before the same shall become in default.

Section 6.08. Supplemental Resolutions and Further Assurances. The Board will not adopt any supplemental resolutions, pursuant to the Resolution or otherwise, which would adversely affect the ability of the Board to make payments on the Promissory Note when due; provided that nothing herein shall prevent the Board from issuing additional Short Term Obligations and Fund Priority Obligations as provided in this Agreement and Section 6.10 of the Resolution. The Board will at any and all times, insofar as it may be authorized so to do by law, pass, make, do, execute, acknowledge and deliver all and every such further resolutions, acts, deeds, conveyances, assignments, recordings, filings, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, revenues and other funds and Collateral hereby pledged or assigned to the payment of the Promissory Note, or intended so to be, of which the Board may become bound to pledge or assign.

Section 6.09. Additional Borrowings. The Board may issue Fund Priority Obligations or Short Term Obligations in such amounts and on such terms as the Board shall determine, subject only to the covenants contained herein.

Section 6.10. Efforts to Pay. In the event that the Promissory Note is not paid at maturity, the Board shall as quickly as possible take all actions reasonably necessary to allow payment from any available funds.

Section 6.11. Federal Tax Status of Interest on the Promissory Note. It is the intention of the parties that the Promissory Note not be an obligation described in section 103(a) of the Code and that the interest payable with respect thereto not be excludable from the gross income of the Bank. Accordingly, in furtherance thereof, the Board represents that it has not taken, and covenants not to take the actions, including the filing of any information returns required by the Code, which would be required to cause any interest on the Promissory Note to be excludable from gross income of the Bank.

[END OF ARTICLE VI]

ARTICLE VII

ADDITIONAL PARITY OBLIGATIONS

Section 7.01. Additional Short Term Obligations. The Board reserves the right and shall have full power at any time and from time to time, to authorize, issue, and deliver additional Short Term Obligations, (including the credit agreements relating thereto) 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 additional Short Term Obligations, when issued, (including the credit agreements relating thereto) 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, in the same manner and to the same extent as are the Notes, and the Notes and the additional Short Term Obligations (including the credit agreements relating thereto), when issued, and the interest thereon, shall be on a parity and in all respects of equal dignity. It is further covenanted that no installment or series of additional Short Term Obligations shall be issued and delivered unless the Executive Vice Chancellor for Asset Management 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 immediately 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 average annual Principal and Interest Requirements of the installment or series of additional Short Term Obligations then proposed to be issued and all then outstanding Fund Priority Obligations, Notes, and Short Term Obligations which will be outstanding after the issuance and delivery of said proposed installment or series; and

(b) a certificate to the effect that the total principal amount of (i) Fund Priority Obligations, Notes, and Short Term Obligations, and (ii) all other

obligations of the Board which are secured by and payable from a lien on and pledge of the Interest of The University of Texas System in the Available University Fund, that will be outstanding after the issuance and delivery of the installment or series of additional Short Term Obligations 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 additional Short Term Obligations is issued.

[END OF ARTICLE VII]

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.01. Events of Default. If one or more of the following events ("Events of Default") shall have occurred and be continuing:

(a) the Board shall fail to pay any principal due under the Promissory Note;

(b) the Board shall fail to pay any interest on the Promissory Note or any commitment fee within 5 Business Days of the due date thereof;

(c) any representation, warranty, certification or statement made by the Board in this Agreement or in any certificate, financial statement or other document delivered pursuant to this Agreement shall prove to have been incorrect in any material respect when made, and the Bank shall have given the Board 5 days' written notice thereof;

(d) breach by the Board of any covenant or agreement or condition contained in Section 6.03 through 6.10, inclusive; or a breach by the Board of any other covenant or agreement or condition (other than those referred to or contained in clauses (a), (b), (c) above) contained in this Agreement or the Promissory Note and the continuation thereof for more than 60 days after written notice thereof has been given to the Board by the Bank without cure or correction to the satisfaction of the Bank;

(e) if default, other than a default described in (k) below, shall be made by the Board in the performance or observance of any covenant, agreement or condition on its part in the Resolution or in the Project Notes contained, and such default shall continue for a period of 60 days after written notice thereof to the Board by the Bank or the holders of not less than 10% in aggregate principal amount of the Project Notes then outstanding; or if the holder of any Fund Priority Obligations or, Short Term Obligations or other obligations of the Board secured by the Interest in the Available University Fund exercises its rights as a result of an event of default under the

constituent instruments under which such obligations were issued or incurred to declare the principal thereof (and interest accrued thereon) to be payable prior to the maturity thereof; notwithstanding anything contained herein to the contrary, the parties hereto acknowledge that, as of the date of this Agreement, the Board has not agreed to, and there are not outstanding, any constituent instruments under which Fund Priority Obligations or Short Term Obligations or other obligations of the Board secured by the Interest in the Available University Fund were issued which grant to any holder of any Fund Priority Obligations or Short Term Obligations or other obligations of the Board secured by the Interest in the Available University Fund any rights to declare the principal of such Fund Priority Obligations or Short Term Obligations or other obligations of the Board secured by the Interest in the Available University Fund (or interest accrued thereon) to be payable prior to the stated maturity thereof, and the Board does not presently intend to adopt any resolution granting or creating any such rights; or

(f) the Board shall commence a voluntary case or other proceeding seeking (i) liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, or (ii) the appointment of a receiver, liquidator, custodian, or other similar official with respect to the Board or any substantial part of its property, or shall consent to or acquiesce in any such relief or the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it; or

(g) a receiver, liquidator, custodian or other official, appointed in an involuntary case or proceeding commenced against the Board, appointed without consent or acquiescence of the Board, takes charge of a substantial part of its property and such action as to its property is not promptly stayed, discharged or vacated; or

(h) the Board shall make a general assignment for the benefit of creditors, or declare a moratorium with respect to its debts, or shall fail generally to pay

its debts as they become due, or shall take any corporate action to authorize any of the foregoing; or

(i) an involuntary case or other proceeding shall be commenced against the Board seeking (i) liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, or (ii) the appointment of a custodian, receiver or trustee or similar official of the System, or any substantial part thereof, and such proceeding or case shall not be dismissed or stayed within 90 days after the filing thereof or an order of relief shall be entered against the Board under the Federal Bankruptcy Laws as now or hereafter in effect; or

(j) any material provision of this Agreement shall at any time for any reason cease to be valid and binding on the Board, or shall be declared by any court having jurisdiction over the Board to be null and void or the validity or enforceability thereof shall be contested by the Board and the Bank shall have given 5 days' written notice thereof to the Board; or

(k) if the Board shall default under the Resolution or the Project Notes and such default extends beyond any period of grace provided with respect thereto and relates to the obligation to pay any principal interest or other payments due under the Resolution or the Project Notes;

then, and in any such event, the Bank by notice to the Board, may terminate the Bank Loan Commitment, if any (except as provided below), and the Bank Loan Commitment shall thereupon terminate to the extent hereinafter permitted. The occurrence of any one or more Events of Default shall not terminate the Bank Loan Commitment and shall not terminate or affect the obligations of the Bank to make Advances under this Agreement, subject to the conditions set out in Section 3.02, to the extent but only to the extent necessary for the Board to make Repayment Advances and to make required payments of principal and interest on Project Notes that were issued and sold prior to the time a Notice of Default was received by the Paying Agent, the Dealer, and an Authorized Representative. If there is any termination or reduction of the Bank Loan Commitment, the Board will

promptly notify any rating agency which has issued a rating of the Project Notes of such termination or reduction.

Failure to take action in regard to one or more Events of Default shall not constitute a waiver of the right to take action in the future in regard to such or subsequent Events of Default.

Section 8.02. Suits at Law or in Equity and Mandamus. In case one or more Events of Default shall occur, then and in every such case the Holder of the Promissory Note shall be entitled to proceed to protect and enforce such Holder's rights by such appropriate judicial proceeding as such Holder shall deem most effectual to protect and enforce any such right, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained in this Agreement, or in aid of the exercise of any power granted in this Agreement, or to enforce any other legal or equitable right vested in the Holders by this Agreement or the Promissory Note or by law. The provisions of this Agreement shall be a contract with each and every Holder and the duties of the Board shall be enforceable by any Holder by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction.

Section 8.03. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised at any time or from time to time, and as often as may be necessary, by any Holder.

[END OF ARTICLE VIII]

ARTICLE IX

CHANGE IN CIRCUMSTANCES

Section 9.01. Basis for Determining Interest Rate Inadequate or Unfair. If on or prior to the first day of any Interest Period:

(a) the Bank determines that deposits in dollars (in the applicable amount) are not being offered to the Bank in the relevant market for such Interest Period, or

(b) the Adjusted CD Rate will not adequately and fairly reflect the cost to the Bank of funding its CD Advances for such Interest Period,

the Bank shall forthwith give notice thereof to the Board whereupon until the Bank notifies the Board that the circumstances giving rise to such suspension no longer exist, the obligations of the Bank to make CD Advances shall be suspended. Unless the Board notifies the Bank at least two Business Days before the date of any CD Advance for which a Notice of Advance has previously been given that it elects not to borrow on such date, such Advance shall instead be made as a Prime Advance.

Section 9.02. Increased Cost and Reduced Return. (a) If after the date hereof, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank (or its Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(i) shall subject the Bank (or its Lending Office) to any tax, duty or other charge with respect to its CD Advances, the Promissory Note or its obligation to make CD Advances, or shall change the basis of taxation of payments to the Bank (or its Lending Office) of the principal or interest on its CD Advances or any other amounts due under this Agreement in respect of its CD Advances or its obligation to make CD Advances (except for changes in the rate of tax on

the overall net income of the Bank or its Lending Office imposed by the jurisdiction in which the Bank's principal executive office or Lending Office is located; or

(ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any CD Advance any such requirement included in an applicable Domestic Reserve Percentage) against assets of, deposits with or for the account of, or credit extended by, the Bank (or its Lending Office) or shall impose on the Bank (or its Lending Office) or on the United States market for certificates of deposit any other condition affecting its CD Advances, the Promissory Note or its obligation to make CD Advances;

and the result of any of the foregoing is to increase the cost to the Bank (or its Lending Office) of making or maintaining any CD Advance, or to reduce the amount of any sum received or receivable by the Bank (or its Lending Office) under this Agreement or under the Promissory Note with respect thereto, by an amount deemed by the Bank to be material, then, within 15 days after demand by the Bank, the Board shall pay to the Bank such additional amount or amounts as will compensate the Bank for such increased cost or reduction.

(b) If after the date hereof, the Bank shall have determined that the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank (or its Lending Office) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on the Bank's capital as a consequence of its obligations hereunder to a level below that which the Bank could have achieved but for such adoption, change or compliance (taking into consideration the Bank's policies with respect to capital adequacy) by an amount deemed by the Bank to be material, then from time to time, within 15 days after demand by the Bank, the

Board shall pay to the Bank such additional amount or amounts as will compensate the Bank for such reduction.

(c) The Bank will promptly notify the Board of any event of which it has knowledge, occurring after the date hereof, which will entitle the Bank to compensation pursuant to this Section and will designate a different Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of the Bank, be otherwise disadvantageous to the Bank. A certificate of the Bank claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, the Bank may use any reasonable averaging and attribution methods.

[END OF ARTICLE IX]

ARTICLE X

MISCELLANEOUS

Section 10.01. Notices and Accounts. Except as otherwise provided herein, all notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telex or similar writing) and shall be given to such party at its address set forth on the signature pages hereof or such other address or telex number as such party may hereafter specify for the purpose of giving notice. Each such notice, request or other communication shall be effective (i) if given by telex, when such telex is transmitted to the telex number hereafter specified by any party for the purpose of giving notice and the appropriate answerback is received, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, or (iii) if given by any other means, when delivered at the address specified in this Section; provided that notices to the Bank under Article II hereof shall not be effective until received.

Section 10.02. No Waivers. No failure or delay by the Bank in exercising any right, power or privilege hereunder or under the Promissory Note or otherwise shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 10.03. Costs, Expenses and Taxes. The Board shall pay (i) all reasonable out-of-pocket expenses of the Bank (including fees and disbursements of counsel to the Bank) in connection with the preparation of this Agreement, any waiver or consent hereunder or any amendment hereof or any Default or alleged Default by the Board hereunder, and (ii) if an Event of Default occurs, all out-of-pocket expenses incurred by the Bank, in connection with such Event of Default and collection and other enforcement proceedings resulting therefrom. In addition, the Board shall pay any and all stamp taxes and other taxes and fees payable or determined to be payable in connection with the execution and delivery of this Agreement and the Promissory Note.

Section 10.04. Amendments or Modification. Any provision of this Agreement or the Promissory Note may be amended or modified if, but only if, such amendment or modification is in writing and is signed by the Board and Bank.

Section 10.05. Severability. Any provision of this Agreement which is prohibited, unenforceable or not authorized shall be ineffective to the extent of such prohibition, unenforceability of non-authorization without invalidating the remaining provisions hereof.

Section 10.06. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 10.07. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. Complete sets of counterparts shall be lodged with the Board and the Bank.

Section 10.08. Texas Law; Venue. This Agreement shall be deemed to be a contract made under and shall be construed in accordance with and governed by the laws of the State of Texas. The venue for any legal action to enforce or interpret this Agreement shall be in Travis County, Texas.

Section 10.09. Successors and Assigns; Participations. This Agreement may not be assigned by the Bank, or other than by operation of law to a successor or merged institution, unless with the consent of the Board, provided that this shall not restrict the Bank in the sale of participations. The Board recognizes that the Bank contemplates entering into participation agreements with certain other participants whereby the several participants will participate with the Bank in the Promissory Note and in a portion of each Advance made by the Bank under the Promissory Note. Accordingly, the Board confirms that all of its representations, warranties, covenants, certifications and obligations under this Agreement and the Promissory Note, as well as all rights under the lien and pledge securing the payment of the Promissory Note and granted to the Bank pursuant to the Resolution and Section 2.10 of this Agreement, are for the benefit of the participants as well

as for the benefit of the Bank. No assignee, participant or other transferee of the Bank's rights shall be entitled to receive any greater payment under Section 9.02, than the Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Board's prior written consent or by reason of the provisions of Section 9.02, requiring the Bank to designate a different Lending Office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exist.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Address:
201 West Seventh Street
Austin, Texas 78701

BOARD OF REGENTS OF THE UNIVERSITY
OF TEXAS SYSTEM

By: _____
Its: _____

Address/Lending Office:
23 Wall Street
New York, NY 10015
Telex No. 420230

MORGAN GUARANTY TRUST COMPANY OF
NEW YORK

By: _____
Its: _____

EXHIBIT A

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
CREDIT AGREEMENT PROMISSORY NOTE

Austin, Texas
February 11, 1988

For value received, THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, an agency and political subdivision of the State of Texas organized and existing under and by virtue of the laws of the State of Texas (the "Borrower"), promises to pay, solely from the special funds hereafter referred to, to the order of MORGAN GUARANTY TRUST COMPANY OF NEW YORK (the "Bank"), for the account of its Lending Office, the aggregate unpaid principal amount of each Advance made by the Bank to the Borrower pursuant to the Amended and Restated Credit Agreement referred to below on the last day of the Interest Period relating to such Advance. The Borrower promises to pay interest on the unpaid principal amount of each such Advance on the dates and at the rate or rates provided for in the Amended and Restated Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of the bank at 23 Wall Street, New York, New York.

All Advances made by the Bank, the respective maturities thereof and all repayments of the principal thereof shall be recorded by the Bank and, prior to any transfer hereof, endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Amended and Restated Credit Agreement.

This note is the Promissory Note referred to in the Amended and Restated Credit Agreement dated as of February 11, 1988 between the Borrower and the Bank (as the same may be amended from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used

herein with the same meanings. Reference is made to the Credit Agreement for provisions for the prepayment hereof.

If the holder enforces this Promissory Note upon default, the Borrower shall reimburse the holder for reasonable costs and expenses incurred by the holder in collection, including attorney's fees and expenses as set out in Section 10.03 of the Credit Agreement. This Promissory Note shall be construed under and governed by the laws of the State of Texas but Chapter 15, Texas Credit Code (Art. 5069-15.01, V.A.T.C.S.) shall not apply.

This Promissory Note, including the interest herein, is payable solely from and secured by a lien upon and pledge of certain revenues and certain other valuable funds and moneys of the Borrower, all as set forth in the Credit Agreement and the Resolution; and this Promissory Note does not constitute a general obligation or indebtedness of the Borrower within the meaning of any constitutional, charter or statutory limitations or provisions (and the holder hereof shall never have the right to require or compel the levy of ad valorem taxes for the payment of the principal of and interest on this Promissory Note). Reference is made to the Credit Agreement and such Resolution for the provisions relating to the security of this Promissory Note and the duties and obligations of the Borrower.

Made and executed at Austin, Texas, on the day and year first above written.

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By: _____
Chairman

Attest:

By: _____
Executive Secretary

(SEAL)

Promissory Note (cont'd)

ADVANCES AND PAYMENTS OF PRINCIPAL

Date	Prime or CD Advance	Amount of Advance	Amount of Principal Repaid	Maturity Date	Notation Made by

EXHIBIT B

NOTICE OF ADVANCE

TO: Morgan Guaranty Trust Company
of New York ("Bank")

FROM: Board of Regents of The University
of Texas System ("Board")

The Board, acting herein by the undersigned Authorized Representative, pursuant to Section 2.02 and related provisions of the Amended and Restated Credit Agreement dated as of February 11, 1988 between the Board and the Bank (the "Agreement"), issues this notice for an Advance to be made under the Agreement as follows:

1. Date Advance is to be made (which shall be a Business Day):

_____;

2. Amount of Advance:

_____;

3. If the Advance is a Repayment Advance, (the type of Advance, Prime or CD):

_____;

4. If the Advance is a CD Advance, duration of the Interest Period for the Advance:

_____;

5. If the Advance is not a Repayment Advance, the Maturity Date (which shall be the date referred to in item 1 above) and Face Amounts of Project Notes to be refunded:

_____;

6. If the Advance is not a Repayment Advance, the amount of interest on Project Notes to be refunded:

_____.

The Advance, to the extent provided in Section 2.02 of the Agreement, shall be available for the account of holders of the Project Notes at Morgan Guaranty Trust Company of New York, the Paying Agent.

In connection with this Notice of Advance, the Board certifies to the Bank that at the date of this Notice of Advance and on the date of the Advance, the conditions specified in Section 3.02 of the Agreement have been satisfied. Capitalized terms herein are used with the meaning given in the Agreement.

Date of this Notice
of Advance: _____

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

BY: _____
Authorized Representative

EXHIBIT C

REDUCTION NOTICE

TO: Morgan Guaranty Trust Company of New York (the
"Bank")

FROM: Board of Regents of The University of Texas
System (the "Board")

The Board, acting herein by the undersigned Authorized Representative, pursuant to Section 2.05(b) of the Amended and Restated Credit Agreement dated as of February 11, 1988 between the Board and the Bank (the "Agreement"), issues this Reduction Notice to elect a reduction in the commitment fees pursuant to Section 2.05(b) of the Agreement. Capitalized terms herein are used with the meaning given in the Agreement.

The Board hereby certifies that on or before the date hereof:

1. the Board has paid Project Notes in an aggregate principal amount at least equal to \$25,000,000; and
2. the aggregate principal amount of Project Notes outstanding is \$_____.

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By: _____
Authorized Representative

Date:

EXHIBIT D
INCREASE NOTICE

TO: Morgan Guaranty Trust Company of New York (the
"Bank")

FROM: Board of Regents of The University of Texas
System (the "Board")

The Board, acting herein by the undersigned Authorized Representative, pursuant to Section 2.05(b) of the Amended and Restated Credit Agreement dated as of February 11, 1988 between the Board and the Bank (the "Agreement"), issues this Increase Notice to enable the Bank to calculate the commitment fees pursuant to Section 2.05 of the Agreement. Capitalized terms herein are used with the meaning given in the Agreement.

1. On the date hereof, the Board has issued and delivered \$_____ in principal amount of Project Notes.

2. The principal amount of Project Notes issued and delivered under the Resolution from the date of the most recently delivered Reduction Notice through and including the date of this Increase Notice is \$_____.

In connection with this Increase Notice, the Board certifies to the Bank that at the date hereof, the conditions specified in Section 3.02 of this Agreement have been satisfied.

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By: _____
Authorized Representative

EXHIBIT E

[Letterhead of General Counsel]

_____, 1988

Morgan Guaranty Trust Company
of New York
New York, New York
(the "Bank")

Gentlemen:

I am general attorney and associate counsel to the Board of Regents of The University of Texas System (the "Board") and I have acted in such capacity in connection with the Amended and Restated Credit Agreement (the "Agreement") between the Bank and the Board dated February 11, 1988, the issuance of a promissory note of the Board ("Promissory Note") under the Agreement in an aggregate principal amount of up to \$134,500,000 and the amended and restated resolution adopted February 11, 1988 (the "Resolution") relating to the issuance of Notes (as defined in the Resolution) and providing for the execution and delivery of the Agreement and issuance of the Promissory Note. This opinion is provided to the Bank pursuant to Section 3.01(a)(v) of the Agreement. Terms defined herein shall have the meanings ascribed to them in the Agreement.

In connection with my opinion, I have examined the following:

1. A certified copy of the Resolution, which Resolution authorizes, among other things, the following:
 - a. execution and delivery of the Agreement, and the Promissory Note;
 - b. execution and delivery of the Remarketing Agreement, as defined in the Resolution;
 - c. execution and delivery of the Issuing and Paying Agent Agreement, as defined in the Resolution; and

- d. execution and delivery of the Project Notes;
2. An executed counterpart of the Agreement;
3. An executed counterpart of the Remarketing Agreement;
4. An executed counterpart of the Paying Agent/Registrar Agreement;
5. The executed Promissory Note;
6. Article 717q, Vernon's Annotated Texas Civil Statutes, as amended, and Section 65.46, Texas Education Code (collectively, the "Acts"), the Constitutional Amendment and such other provisions of the Constitution and laws of the State of Texas and the United States of America as I believe necessary to enable me to render the opinions herein contained; and
7. Such other agreements, documents, certificates, opinions, letters, and other papers, including all documents delivered or distributed on the Effective Date (as defined in the Agreement) pursuant to Section 3.01 of the Agreement, as I have deemed necessary or appropriate in rendering the opinions set forth below.

In my examination, I have assumed the authenticity of all documents and agreements submitted to me as originals, conformity to the originals of all documents and agreements submitted to me as certified or photostatic copies and the authenticity of the originals of such latter documents and agreements. I have also assumed that the Agreement constitutes the valid and binding agreement of the Bank, enforceable in accordance with its terms against the Bank.

Based upon the foregoing, and subject to the qualifications described below, I am of the opinion, under applicable laws of the United States of America and the State of Texas in force and effect on the date hereof, that:

1. The Board is a duly organized and validly existing agency and political subdivision of the State of Texas with full power and authority to own and

operate its System as currently operated and to issue the Project Notes, to pay the costs in connection with the System, and to enter into and perform under the Agreement and to issue the Project Notes and the Promissory Note in connection therewith. The Board has full legal right, power and authority (a) to enter into the Agreement, the Remarketing Agreement and the Paying Agent/Registrar Agreement; (b) to adopt the Resolution; (c) to sell, issue and deliver the Project Notes; (d) to execute and deliver the Promissory Note and to borrow, repay and reborrow under the Promissory Note, and (e) to carry out and consummate the transactions contemplated by the Resolution, the Agreement, the Promissory Note, the Remarketing Agreement and the Paying Agent/Registrar Agreement; and the Board has complied, at the Effective Date with applicable law, including the terms of the Acts and the Constitutional Amendment, and with the obligations on its part contained in the Resolution, the Project Notes, the Agreement, the Promissory Note, the Remarketing Agreement and the Paying Agent/Registrar Agreement.

2. By official action of the Board, the Board has duly adopted the Resolution, has duly authorized and approved the execution and delivery of, and the performance by the Board of the obligations on its part contained in, the Project Notes, the Resolution, the Agreement, the Promissory Note and the consummation by it of all other transactions contemplated by such instruments and has all necessary power and authority to conduct its business as presently conducted and to perform its obligations under the Agreement, the Promissory Note and the Project Notes.

3. Each of the Resolution, the Agreement, the Promissory Note and the Project Notes has been executed and delivered by duly authorized officers of the Board. The Resolution, the Agreement, the Project Notes and (to the extent of the amounts advanced or paid to the Board thereunder) the Promissory Note each constitute valid and binding obligations of the Board enforceable against the Board in accordance with their respective terms (limited in the case of the Promissory Note to the amounts advanced thereunder or otherwise payable in accordance with the terms thereof), except as such enforcement is limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other

similar laws now or hereafter in effect relating to or affecting generally the enforcement of creditors' rights and remedies.

4. No authorization, consent or approval of any governmental authority, agency or bureau not already obtained is required in connection with (i) the valid execution and delivery of the Resolution, the Project Notes, the Agreement, the Promissory Note, the Remarketing Agreement, or the Paying Agent/Registrar Agreement by the Board; (ii) the performance by the Board of its obligations under such documents or (iii) the borrowing, repayment, and reborrowing under the Promissory Note by the Board in accordance with the terms of the Agreement and the Promissory Note.

5. The Board is not in breach of or in default under any applicable constitutional provision, law or administrative regulation, or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Board is a party or to which the Board, or any of its property or assets is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default by the Board under any such instrument; the execution and delivery by the Board of the Project Notes, the Agreement, the Promissory Note, the Remarketing Agreement and the Paying Agent/Registrar Agreement, the adoption of the Resolution and compliance by the Board with the provisions of the Resolution, the Project Notes, the Agreement, the Promissory Note, the Remarketing Agreement and the Paying Agent/Registrar Agreement, and the borrowing of Advances pursuant to the terms of the Promissory Note and the Agreement do not and will not conflict with or constitute a breach of or default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Board is a party or to which the Board or any of its properties or assets is otherwise subject.

6. There is no action, suit, investigation, inquiry or proceeding (whether or not purportedly on behalf of the Board) pending, or to the best of my knowledge, threatened or could be reasonably asserted

against the Board or any of its assets in any court, governmental agency, public board or body or before any arbitrator or before or by any governmental body, (i) affecting the corporate existence of the Board or the titles of the officers of the Board to their respective offices, or (ii) affecting or seeking to prohibit, restrain, or enjoin the sale, issuance or delivery of the Project Notes or the Promissory Note, or (iii) in any way contesting or affecting the validity or enforceability of the Project Notes, the Resolution, the Agreement, the Promissory Note, the Remarketing Agreement or the Paying Agent/Registrar Agreement, or (iv) contesting the tax-exempt status of the interest on the Project Notes or (v) contesting any authority or proceedings for the issuance, sale or delivery of the Project Notes or Promissory Note, the adoption of the Resolution, or the execution and delivery of the Agreement, the Project Notes, the Promissory Note, the Remarketing Agreement, or the Paying Agent/Registrar Agreement, or the performance of the Board's obligations thereunder, or (vi) contesting the powers of the Board or questioning or affecting the ability of the Board to operate and maintain the Fund, or (vii) which involves the possibility of any ruling, order, judgment or uninsured liability which may result in any material adverse change in the business, properties or assets or the condition, financial or otherwise, of the Fund, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Project Notes, the Resolution, the Agreement, the Promissory Note, the Remarketing Agreement, or the Paying Agent/Registrar Agreement; the current routine litigation of the Board relating to the Fund does not entail any potential recovery or liability for material amount which is not otherwise covered by the Board's insurance policies.

7. The Resolution and the Agreement duly and effectively grant a lien on and pledge of, as security for the Promissory Note, ratably with the Project Notes issued for such purpose, (i) the proceeds from (a) the sale of Fund Priority Obligations and Short Term Obligations and other obligations of the Board under the Constitutional Amendment issued for such purpose, and (b) the sale of Project Notes issued pursuant to the Resolution of such purposes, and (ii) the amounts from time to time on deposit in the Series A Note

Payment Fund (as defined in the Resolution) and the Special System Account, provided that amounts on deposit in the Series A Note Payment Fund derived from and attributable to Advances under the Agreement are pledged to, and shall be used to pay, amounts payable in respect of the Project Notes, and (iii) the Interest of the University in the Available University Fund, said pledge of the Interest of the University in the Available University Fund being subordinate only to the pledge thereof for payment of Fund Priority Obligations, and except as so provided the lien of such security interest and pledge is valid and binding in accordance with its terms without further action on the part of the Board and without any filing or recording with regard therein except in the records of the Board.

Yours very truly,

EXHIBIT F

[Letterhead of McCall, Parkhurst & Horton]

_____, 1988

Morgan Guaranty Trust Company
of New York
New York, New York
(the "Bank")

Gentlemen:

We have acted as bond counsel to the Board of Regents of The University of Texas System (the "Board") in connection with the issuance of a promissory note of the Board (the "Promissory Note") in an aggregate principal amount of up to \$134,500,000 under the Amended and Restated Credit Agreement dated February 11, 1988 (the "Agreement") between the Bank and the Board and in connection with the amended and restated resolution adopted February 11, 1988 (the "Resolution") relating to the issuance of Notes (as defined in the Resolution) and providing for the execution and delivery of the Agreement and issuance of the Promissory Note. This opinion is provided to the Bank pursuant to Section 3.01(a)(vi) of the Agreement. Terms defined in the Agreement and not otherwise defined herein shall have the meaning ascribed to them in the Agreement.

In connection with our opinion, we have examined the following:

(1) Certified copies of the Resolution which authorizes, among other things, the following:

(a) execution and delivery of the Agreement and the Promissory Note;

(b) execution and delivery of the Remarketing Agreement, as defined in the Resolution;

(c) execution and delivery of the Paying Agent/Registrar Agreement, as defined in the Resolution; and

- (d) execution and delivery of the Project Notes;
- (2) an executed counterpart of the Agreement;
- (3) an executed counterpart of the Remarketing Agreement;
- (4) an executed counterpart of the Paying Agent/Registrar Agreement;
- (5) the executed Promissory Note;
- (6) Article 717q, Vernon's Annotated Texas Civil Statutes, as amended, and Section 65.46, Texas Education Code) (collectively, the "Acts"), the Constitutional Amendment and such other provisions of the Constitution and laws of the State of Texas and the United States of America as we believe necessary to enable us to render the opinions herein contained;
- (7) an opinion of W. O. Schultz II, Esq., general attorney and associate counsel to the Board, of even date herewith provided to you under Section 3.01(a)(v) of the Agreement; and
- (8) such other agreements, documents, certificates, opinions, letters, and other papers, including all documents delivered or distributed on the Effective Date (as defined in the Agreement) pursuant to Section 3.01 of the Agreement, as we have deemed necessary or appropriate in rendering the opinion set forth below.

In our examination, we have assumed the authenticity of all documents, agreements and certificates submitted to us as originals, conformity to the originals of all documents, agreements and certificates submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents, agreements and certificates. We have also assumed, as to the Agreement, that such constitutes the valid and binding agreement of the Bank, enforceable in accordance with its terms as to the Bank.

Based upon the foregoing, and subject to the qualifications set out below, we are of the opinion, under applicable laws of the United States of America and the State of Texas in force and effect on the date hereof, that:

1. The Board is a governmental agency and political subdivision of the State of Texas and has the requisite power and authority under Texas law to issue the Promissory Note and to enter into and perform under the Agreement, and to borrow, repay and reborrow under the Promissory Note in accordance therewith and in accordance with the Agreement.

2. The Board has duly adopted the Resolution and has duly authorized and approved the execution and delivery of, and the performance by the Board of the obligations on its part contained in, the Promissory Note, the Resolution, the Project Notes, the Agreement, and the consummation by it of all other transactions contemplated by such instruments.

3. The Agreement and the Promissory Note have been executed and delivered by duly authorized officers of the Board. The Agreement and the Promissory Note each constitute a valid and binding obligation of the Board, enforceable against the Board in accordance with its respective terms (such obligations being limited in the case of the Promissory Note to the amounts advanced and outstanding thereunder or otherwise payable in accordance with the terms thereof).

4. No authorization, consent, approval, permit, license or exemption of, or filing or registration with, any governmental department, commission, board, instrumentality, authority, agency or bureau not already obtained is required for the valid execution and delivery of the Resolution, the Agreement or the Promissory Note by the Board or in connection with the performance by the Board of its payment obligations under such documents.

5. The execution and delivery by the Board of the Project Notes, the Agreement, the Promissory Note, the Remarketing Agreement and the Paying Agent/Registrar Agreement and the adoption of the Resolution and compliance by the Board with the provisions of the Resolution, the Project Notes, the Agreement, the Promissory Note, the Remarketing Agreement and the Paying Agent/Registrar Agreement do not and will not conflict with or constitute a breach of or default under any constitutional provision, law, or administrative regulation.

6. The Promissory Note, ratably with the Project Notes, is solely payable from and, pursuant to the Resolution and the Agreement, is duly and effectively secured by the grant of a first lien on and pledge of (except to the extent provided in (iii) below) (i) the proceeds from (a) the sale of Fund Priority Obligations and Short Term Obligations and other obligations of the Board under the Constitutional Amendment issued for such purpose, and (b) the sale of Project Notes issued for such purpose, (ii) the amounts from time to time on deposit in the Series A Note Payment Fund (as defined in the Resolution) and Special System Account, provided that amounts on deposit in the Series A Note Payment Fund derived from and attributable to Advances under the Agreement are pledged to, and shall be used to pay, amounts payable in respect of Project Notes, and (iii) the Interest of the University in the Available University Fund, said pledge of the Interest of the University in the Available University Fund being subordinate only to the pledge thereof for payment of Fund Priority Obligations, and except as so provided the lien of such security interest and pledge is valid and binding in accordance with its terms without further action on the part of the Board and without any filing or recording with regard thereto except in the records of the Board. In accordance with Section 6.10 of the Resolution, as limited by Sections 6.03 and 6.05 of the Agreement, the Resolution reserves the right and permits the issuance of (a) Fund Priority Obligations and additional Short Term Obligations and (b) obligations which are junior and subordinate to the lien and pledge securing the Project Notes and the Promissory Note while the Project Notes and the Promissory Note are outstanding, without any limitations as to principal amount but subject to any terms, conditions and limitations as may be applicable thereto.

8. The Promissory Note constitutes a "refunding bond" within the meaning of Sections 18 (b) and (g) of Article 7 of the Constitution of the State of Texas.

Our opinions in paragraphs 3 and 6 above as to enforcement are qualified and limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter in effect relating to or affecting generally the enforcement of creditors' rights and remedies and by the limitations on creditors' remedies contained in

the Acts, and such opinions as to enforcement are subject to general principles of equity which may permit the exercise of judicial discretion, to the reasonable exercise in the future by the State of Texas and its governmental bodies of the police power inherent in the sovereignty of the State, and to the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America. Our opinions in paragraph 6 do not extend to the status of title of the Board or the Fund to properties pledged and encumbered.

Very truly yours,

MCCALL, PARKHURST & HORTON

EXHIBIT G

CERTIFICATE OF EXECUTIVE VICE CHANCELLOR
FOR ASSET MANAGEMENT

THE STATE OF TEXAS §
§
THE UNIVERSITY OF TEXAS SYSTEM §

I, the undersigned, Executive Vice Chancellor for Asset Management of The University of Texas System (the "System"), hereby certify as follows:

1. That capitalized terms used in this Certificate have the same meanings given to such terms in the Amended and Restated Credit Agreement dated as of February 11, 1988 (the "Agreement") between the Board of Regents of The University of Texas System (the "Board") and Morgan Guaranty Trust Company of New York (the "Bank").

2. That this certificate is made for the benefit of the Bank, the Attorney General of the State of Texas and all other persons interested in the Project Notes authorized to be issued pursuant to the Resolution;

3. That the Series 1985 Bonds are the only outstanding Permanent University Fund Obligations of the Board, other than the Project Notes and the Promissory Note;

4. That the cost value of the investments and other assets of the Permanent University Fund (exclusive of real estate) totals \$_____ and the total principal amount of Permanent University Fund Obligations of the Board that are outstanding (assuming outstanding Advances under the Promissory Note of \$134,500,000) do not exceed 20 percent of the cost value of the investments and other assets of the Permanent University Fund (exclusive of real estate) as of the date of this Certificate;

5. That the Board is not in default with respect to any Permanent University Fund Obligations, or with respect to any resolutions authorizing same, or any covenants relating thereto; apart from the Resolutions authorizing their issuance, there are no agreements under which Permanent University Fund Obligations of the Board have been issued;

6. That the following tables show the total dividends, interest, and other income from the Permanent University Fund (less administrative expenses) for the years 1983 through 1987 and the Interest in such income for each year actually distributed to the System and the estimated and anticipated Interest of the System in the Available University Fund during the years 1988 through 1991 (which amount is not anticipated to decrease in any year thereafter through 2015), which will be deposited to the credit of The University of Texas System in the Available University Fund in the State Treasury and be available for and pledged, to the extent required, to pay the annual debt service requirements on the Permanent University Fund Obligations of the Board:

PERMANENT UNIVERSITY FUND
HISTORICAL AND ESTIMATED ANNUAL INCOME

(000 Omitted)

Fiscal Year Ending August 31	Total Available University Fund (after Administration Expenses)	Two-Thirds Interest of the System in Available University Fund	Other Income	Total Income Available to Pay Debt Service
1983	\$156,486	\$104,324	\$6,323	\$111,050
1984	171,437	114,291	7,632	120,535
1985	187,927	125,285	6,635	131,920
1986	209,700	139,800	5,111	144,911
1987*	209,182	139,455	4,152	143,607
1988	218,300	145,533	4,000	149,533
1989	215,700	143,800	4,000	147,800
1990	218,100	145,400	4,000	149,400
1991	220,400	146,933	4,000	150,933
1992	223,300	148,867	4,000	152,867

*unaudited figures

7. That (i) each of the representations and warranties of the Board contained in Article IV of the Agreement is true and correct on and as of the date hereof as though made on and as of this date (ii) on such date no "Event of Default" (within the meaning of the Agreement) and no event or condition which with the giving of notice or the lapse of time, or both would constitute an Event of Default has occurred and is continuing and (iii) on the date hereof

the Agreement satisfies the provisions contained in paragraph (a) of Section 6.04 of the Resolution.

WITNESS MY HAND this ___ day of _____, 1988.

Executive Vice Chancellor for
Asset Management

EXHIBIT B
SPECIMEN SIGNATURE OF JESS HAY

Jess Hay

EXHIBIT H

CERTIFICATE OF EXECUTIVE SECRETARY

THE STATE OF TEXAS §
 §
THE UNIVERSITY OF TEXAS SYSTEM §

I, the undersigned, Executive Secretary of the Board of Regents (the "Board") of The University of Texas System (the "System"), hereby certify as follows:

1. That capitalized terms used in this Certificate have the same meanings given to such terms in the Amended and Restated Credit Agreement dated as of February 11, 1988 (the "Agreement") between the Board and Morgan Guaranty Trust Company of New York (the "Bank").

2. Attached hereto as Exhibit A is a true and correct copy of the Resolution duly adopted by the Board on February 11, 1988, duly amending and restating the Board's Amended Resolution (the "Resolution").

3. That on February 11, 1988, and at all times since such date, the following named persons have duly constituted the Board and officers of the System:

<u>Name</u>	<u>Office</u>
Jack S. Blanton	Chairman
Shannon H. Ratliff	Vice Chairman
Bill Roden	Vice Chairman
Robert B. Baldwin III	Member
Sam Barshop	Member
Louis A. Beecherl, Jr.	Member
Jess Hay	Member
W. A. "Tex" Moncrief, Jr.	Member
Mario Yzaquirre	Member

4. That on February 11, 1988, and at all times since such date, the following named persons have held and now hold the respective positions with the System shown opposite their names and the signature appearing above the names of each person set forth below is such person's genuine

signature and that each of such persons is an Authorized Representative under the Resolution:

<u>Michael E. Patrick</u>	Executive Vice Chancellor for Asset Management
<u>Brenda F. Meglasson</u>	Director of Endowments and Trusts
<u>Thomas G. Ricks</u>	Manager of Special Investments and Financing
<u>Thomas M. Grady</u>	Comptroller

5. That other than in connection with the authorization of the Agreement and the Promissory Note, none of the proceedings or authorizations heretofore taken or given for the adoption of the Resolution, the execution and delivery of the Agreement, the Issuing and Paying Agent Agreement, the Remarketing Agreement and the Trust Agreement (as such terms are defined in the Resolution) (collectively the "Note Agreements") or the issuance of the Project Notes or the Promissory Note have been repealed, revoked, amended or rescinded.

6. That this certificate is made for the benefit of the Bank, the Attorney General of the State of Texas and all other persons interested in the Project Notes authorized to be issued pursuant to the Resolution;

7. That Jack S. Blanton is the duly appointed Chairman of the Board and the signature appearing below is his genuine signature.

Jack S. Blanton

8. That attached hereto as Exhibit B is a true and correct copy of the signature of Jess Hay, who at the time of the initial sale of the \$100,000,000 of the Series A Notes, was Chairman of the Board and whose signature is hereby adopted as the signature of the Chairman of the Board as of the date hereof.

WITNESS MY HAND AND THE SEAL OF THE SYSTEM this ___ day
of _____, 1988.

Executive Secretary, Board of
Regents

(SEAL OF THE UNIVERSITY
OF TEXAS SYSTEM)

EXHIBIT I

CERTIFICATE OF GENERAL ATTORNEY AND
ASSOCIATE COUNSEL

THE STATE OF TEXAS §
§
THE UNIVERSITY OF TEXAS SYSTEM §

I, the undersigned, General Attorney and Associate Counsel to the Board of Regents (the "Board") of The University of Texas System (the "System"), hereby certify as follows:

1. That capitalized terms used in this Certificate have the same meanings given to such terms in the Amended and Restated Credit Agreement dated as of February 11, 1988 (the "Agreement") between the Board and Morgan Guaranty Trust Company of New York (the "Bank").

2. That to the best of my knowledge, no litigation, administrative action or proceeding of any nature is pending or threatened:

- (i) contesting the corporate existence of the Board, or the authority of the officers of the Board to adopt, issue, execute, sign and deliver the Project Notes, the Agreement, the Resolution, the Promissory Note, the Paying Agent/Registrar Agreement, the Remarketing Agreement or the Trust Agreement, or to perform any actions required to be performed under any of such instruments; or
- (ii) to restrain or enjoin the issuance or delivery of any of the Project Notes or the Promissory Note or the execution, delivery, or performance of the Resolution or the Note Agreements or the collection of revenues and amounts pledged under the Resolution and the Agreement with respect to the Project Notes and the Promissory Note; or
- (iii) in any way contesting the validity of the Resolution, or the validity or enforceability or the execution and delivery of the Project

Notes, the Agreement, the Promissory Note, the Paying Agent/Registrar Agreement, the Remarketing Agreement or the Trust Agreement, or the authority of the Board to issue the Project Notes or the Promissory Note or to enter into the Agreement, the Paying Agent/Registrar Agreement, the Remarketing Agreement or the Trust Agreement; or

- (iv) in any way contesting the powers of the Board in connection with any action contemplated in the Resolution, the Agreement, the Paying Agent/Registrar Agreement, the Remarketing Agreement or the Trust Agreement, nor the titles of the current officers to their respective offices.

3. That this certificate is made for the benefit of the Bank, the Attorney General of the State of Texas and all other persons interested in the Project Notes authorized to be issued pursuant to the Resolution.

WITNESS MY HAND this ___ day of _____, 1988.

General Attorney and
Associate Counsel

EXHIBIT J

_____, 1988

Board of Regents of The
University of Texas System
Attorney General of the State of Texas
Standard & Poor's Corporation
Moody's Investors Service Inc.

Dear Sirs:

We have acted as special counsel to Morgan Guaranty Trust Company of New York, a New York trust company (the "Bank"), in connection with the Amended and Restated Credit Agreement dated as of February 11, 1988 (the "Agreement") between the Board of Regents of The University of Texas System (the "Board") and the Bank. Terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Agreement.

We have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, records, certificates of public officials and other instruments and have conducted such other investigations of fact and law as we have deemed necessary or advisable for purposes of this opinion and have, with your approval and without limiting the generality of the foregoing, assumed the correctness in all material respects of the representations and warranties made in the Agreement by the Board.

Upon the basis of the foregoing, we are of the opinion that:

1. The Bank has the power and authority to execute, deliver and perform its obligations under the Agreement.
2. The Agreement has been duly executed and delivered by the Bank pursuant to due authorization.

3. Assuming the due authorization, execution and delivery of the Agreement by the Board, the Agreement constitutes a valid and binding agreement of the Bank enforceable against the Bank in accordance with its terms, except as (x) the enforceability thereof against the Bank may be limited by insolvency, reorganization, liquidation, moratorium or other similar laws affecting the enforcement of creditors' rights generally as such laws would apply in the event of the insolvency, reorganization or liquidation of, or other similar occurrence with respect to, the Bank or in the event of any moratorium or similar occurrence affecting the Bank and (y) the availability of equitable remedies (including without limitation the remedy of specific performance) may be limited by equitable principles of general applicability.

We are members of the Bar of the State of Texas and, with your approval, the opinion contained herein is limited to the law of the State of Texas and the federal law of the United States of America.

The foregoing opinion is for your benefit only and no other party may rely on such opinion.

Very truly yours,

TRUST AGREEMENT

Attachment D

STATE OF TEXAS
COUNTY OF TRAVIS

KNOW ALL WHO COME
BY THESE PRESENTS

This Trust Agreement is entered into by The University of Texas System (hereinafter sometimes referred to as "Trustor" or the "System") and Ann W. Richards, Treasurer of the State of Texas, (hereinafter sometimes referred to as the "Treasurer" or the "Trustee".)

ARTICLE I.

STATUTORY BASIS AND PURPOSE FOR THE TRUST

During the 69th Legislature, the System obtained express statutory authority to issue "variable rate notes." See, HB 1837, 69th Legislature. Necessary to the System's plans to begin to market said variable rate notes is a quick and efficient system for paying interest and principal on said notes as they become due and payable. Under existing law, the Treasury invests and safekeeps the Available University Fund. Also during the 69th Legislature, the Treasurer obtained express statutory authority to serve as Trustee of Funds outside the Treasury. See, SB 366, 69th Legislature, Section 3.051. It is the intention of the parties hereto to establish from monies contained in the Available University Fund a secure, collateralized, interest-bearing account outside the Treasury for the purpose of servicing the variable rate notes issued by the System. Said account will be entitled "The State Treasurer-The University of Texas System Special Account" (hereinafter sometimes referred to as "the Account.")

ARTICLE II.

CREATION OF THE TRUST

The System by these presents does appoint the Treasurer as Trustee for the purpose of investing and collateralizing funds in the Account.

ARTICLE III.

POWERS AND DUTIES OF THE TRUSTEE

- (a) The Treasurer, as Trustee, will contract with the Texas State Treasury ("Treasury") to manage System funds with the same degree of care and assuming the same duty to the System that is applicable to the management of funds inside the Treasury. The form of the contract between the Treasurer and the Treasury is

attached hereto as Exhibit "A" and is expressly approved by the System.

- (b) The System desires that the funds in the account subject to this Trust be invested in the same manner and at the same rate as other State Treasury, interest-bearing money market accounts. In investing System funds, the Treasury shall have all the obligations, duties and powers set out in Section 2.011-2.015 and Sections 3.001-3.003 of SB 366, 69th Legislature and orders of the Texas State Depository Board from time to time in effect. These powers include but are not limited to approval of the form of any surety bond offered as collateral.
- (c) The Trustee shall not at any time be held liable for any action or default of herself, her agents, Treasury employees or of any other person in connection with the administration of the Trust Estate, unless caused by gross negligence or wilful misconduct.

ARTICLE IV.

DEPOSITS AND WITHDRAWALS FROM THE ACCOUNT

The System shall effect the transfer of funds into and out of the Account by employing the following procedures:

- (a) To make a deposit into the Account, the System will cause to be issued by the Comptroller of Public Accounts a warrant made payable to "Ann W. Richards, Trustee for the University of Texas System." The Treasurer shall immediately deposit said warrant into the Account.
- (b) The System shall provide to the Treasurer a resolution in the form attached hereto as Exhibit B indicating those individuals empowered to issue instructions concerning the Account.
- (c) The Treasurer shall provide a resolution to the System in the form attached as Exhibit C indicating those individuals empowered to receive and execute instructions concerning the Account.
- (d) To withdraw funds from the Account, an authorized System representative shall issue instructions not later than 1:00 p.m. on the day funds are to be transferred to an authorized Treasurer's representative that a sum certain be wired in immediately available funds to Morgan Guaranty Trust Company of New York/FTR Corporate Trust Department 999-99-739 reference The

University of Texas System Variable Rate Notes
Acct. No. 4530(Acct.No.). Said instructions may be oral,
provided however, that a written confirmation signed by any two
individuals authorized per Exhibit "B" be received by the
Treasurer's representative within 24 hours of the oral
instruction. The System hereby acknowledges that the Treasurer's
representative may rely on the accuracy of the sum communicated by
the System's representative. If the System delivers instructions
to the Treasurer after 1 p.m., the Treasurer will use its best
efforts to complete the transfer before the end of the business
day. The System acknowledges that the securities wire system is
in large part beyond the Treasurer's control. The System hereby
releases the Treasurer from any wire related failures, delays or
defaults unless the failures, delays or defaults are caused by the
Treasurer's own gross negligence or willful misconduct.

- (e) Wire and other charges incurred to transport the funds will be billed to the System by the Banks currently used by the Treasurer for similar services. The Bank's current fee schedules will be provided to the System
- (f) At the end of each month, the Treasurer shall issue a report to the System indicating the balance remaining in the Account, the interest earned on the Account for that month, all deposits and all withdrawals.

All requests to transfer funds into or out of the Account shall be made by the System in accordance with the above referenced procedures.

ARTICLE V.

MISCELLANEOUS

- (a) The Trustee hereby waives all fees for services as Trustee, hereunder.
- (b) No bond shall be required of the Trustee; or if a bond is ever required by law no surety shall be required on such bond.
- (c) All written notices to the Treasurer concerning this Trust shall either be forwarded to the Treasurer by certified mail, return

receipt requested, telecopy or delivered to Paul Williams, Associate Deputy Treasurer, P.O. Box 12608, Capitol Station, Austin, Texas 78711 (111 E. 17th Street, Austin, Texas 78702). All written notices to The University of Texas System concerning this trust shall either be forwarded to The University of Texas System by certified mail, return receipt requested, telecopy or delivered by hand to:

Thomas Ricks
Manager - Debt Administration
The University of Texas System
210 W. 6th Street
Austin, Texas 78701
Telephone: (512) 499-4340
Telephone: (512) 499-4696

- (d) This Trust Agreement shall be governed by the laws of the State of Texas and is performable in Travis County, Texas.
- (e) If any part, clause, provision or condition of this trust is held to be void, invalid, or inoperative, such voidness, invalidity, or other inoperativeness shall not effect any other clause, provision or condition hereof; but the remainder of this Trust Agreement shall be effective as though such clause, provision, or condition had not been contained therein.
- (f) As used in this Trust Agreement, the masculine, feminine or gender, and singular or plural number shall be deemed to include the others whenever the context so indicates.

In Witness Whereof, this Trust Agreement has been signed by the Trustor and the Trustee on this 5TH day of DECEMBER, 1985.

TRUSTOR
THE UNIVERSITY OF TEXAS SYSTEM

TRUSTEE
TEXAS STATE TREASURER

By: Jerry

Its: CHAIRMAN

Ann W. Richards
ANN W. RICHARDS

CONTRACT BETWEEN
THE TEXAS STATE TREASURER
AND
THE TEXAS STATE TREASURY

This is an agreement by and between Ann W. Richards, Treasurer of the State of Texas, (hereinafter sometimes referred to as "Treasurer" or "Richards") and the Texas State Treasury (hereinafter sometimes referred to as "Treasury") and is as follows:

WITNESSETH

WHEREAS, contemporaneously with the execution of this contract, the Treasurer has signed a Trust Agreement with the University of Texas System agreeing to serve as Trustee of the State Treasurer-University of Texas System Special Account; and

WHEREAS, SB 366, 69th Legislature, Section 3.051 in pertinent part provides, "(b) the Treasurer functioning as the Trustee of funds or property outside the Treasury may contract with the Treasury to manage the funds or property in a manner similar to the management of funds in the Treasury"; and

WHEREAS, the Treasurer pursuant to Section 3.051 desires to contract with the Treasury to manage for her the "the State Treasurer-University of Texas Special Account"; and

WHEREAS, the University of Texas System has consented to this contract and all of its terms;


NOW THEREFORE, in consideration of the mutual promises and considerations herein contained (including obligations imposed upon the parties by statute) the parties hereto agree to as follows:

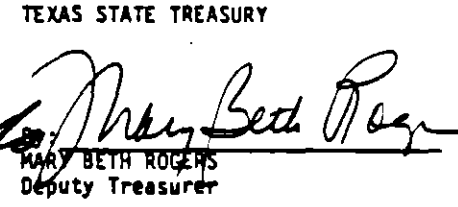
I.

The Treasury hereby agrees to manage for the Treasurer that one certain account known as the State Treasurer-University of Texas System-Special Account. The Treasury shall safekeep and invest said account in the manner provided by Sections 2.011-2.015 and Sections 3.001-3.003 of SB 366, 69th Legislature and the State Depository Board rules interpreting those statutes from time to time in effect.

EXECUTED this 14th day of December, 1985.

TEXAS STATE TREASURY


ANN W. RICHARDS
Texas State Treasurer


MAY BETH ROGERS
Deputy Treasurer

Consent Granted

The University of Texas System

By: 

Its: Executive Vice Chancellor for Asset Management

RESOLUTION AUTHORIZING
SPECIAL ACCOUNT WITHDRAWAL AGENTS

pursuant to SB 366, 69th Legislature, Section 3.051 The University of Texas System and the Treasurer of the State of Texas have created "The State Treasurer-The University of Texas System Special Account" for the purpose of investing and collateralizing System Funds.

The University of Texas System, by and through its duly appointed Board of Regents does hereby certify that the following administrative officers of the University of Texas System, the Executive Vice Chancellor for Asset Management, Vice Chancellor and General Counsel, Director of Asset Strategy and Planning, Manager of Debt Administration, Manager-Endowment Real Estate, Controller, Director of Accounting and Operations Officer--Investments and Trusts have full authority and are empowered to execute all documents and instructions necessary or incidental to creating and maintaining the Special Account. Their true signatures appear below.

This authority shall remain in full force and effect until written notice revoking or modifying the same has been received by The University of Texas System.

IN WITNESS WHEREOF, the Regents have hereunto affixed the seal of The University of Texas System.

SIGNED AND ENTERED this 10TH day of DECEMBER 1985.

RESOLUTION AUTHORIZING
SPECIAL ACCOUNT WITHDRAWAL AGENTS

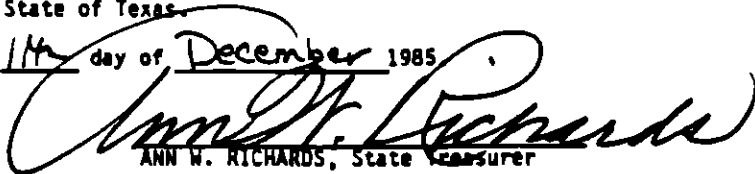
Pursuant to SB 366, 69th Legislature, Section 3.051 the University of Texas System and the Treasurer of the State of Texas have created "The State Treasurer-University of Texas System Special Account" for the purpose of investing and collateralizing System Funds.

I do hereby certify that PAUL J. WILLIAMS, WINSOME JEAN, CAROLYN BOWMAN, JUANITA GONZALES AND TERRI CURRY have full authority and are empowered to execute all documents and instructions necessary or incidental to creating and maintaining the Special Account. Their true signatures appear below.

This authority shall remain in full force and effect until written notice revoking or modifying the same has been received by the University of Texas System.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of the Treasurer of the State of Texas.

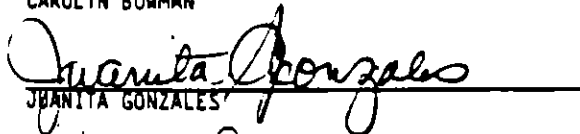
SIGNED AND ENTERED this 11th day of December 1985.

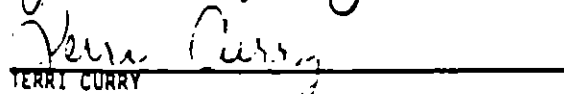

ANN W. RICHARDS, State Treasurer


PAUL J. WILLIAMS


WINSOME JEAN


CAROLYN BOWMAN


JUANITA GONZALES


TERRI CURRY

CERTIFICATE OF INCUMBENCY

I, the undersigned, hereby certify with respect to that Trust Agreement between The University of Texas System and Ann W. Richards, Treasurer of the State of Texas, that the following persons are the duly chosen and acting administrative officers of The University of Texas System holding the positions set forth beside their respective names:

<u>Name</u>	<u>Title</u>
Michael E. Patrick	Executive Vice Chancellor for Asset Management
James L. Crowson	Vice Chancellor and General Counsel
Brenda F. Meglasson	Director of Asset Strategy and Planning
Thomas G. Ricks	Manager of Debt Administration
James S. Wilson	Manager, Endowment Real Estate
Thomas M. Grady	Comptroller
James C. Werchan	Director of Accounting
Maxine R. Dean	Operations Officer - Investments and Trusts

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of The University of Texas System on this 10TH DAY OF DECEMBER, 1985

THE UNIVERSITY OF TEXAS SYSTEM

(Seal)

By: Arthur H. Dilly

Arthur H. Dilly

Its: Executive Secretary to the Board of Regents

Attachment E

PRELIMINARY OFFICIAL STATEMENT DATED

, 1988

In the opinion of Bond Counsel, interest on the Notes will be excludable from gross income for purposes of federal income taxation under existing statutes, court decisions, regulations and published rulings, except as explained under "Tax Exemption" herein.

\$25,000,000

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

Permanent University Fund Variable Rate Notes, Series A

Dated: Date of Issuance

Due: December 1, 2015

The Notes will constitute valid and legally binding special obligations of the Board of Regents of The University of Texas System (the "Board"), secured by and payable from a lien on and pledge of the "Interest of The University" in the "Available University Fund" which lien and pledge is junior and subordinate to the lien and pledge of the "Fund Priority Obligations" heretofore issued and which may hereafter be issued (see "Security for the Notes").

The Notes as initially issued will bear interest at Flexible Rates. The rate of interest on the Notes may be changed from time to time to Daily, Weekly, Monthly, Quarterly, Semiannual or Term Rates ("Variable Rates") or Flexible Rates upon notice as described herein and, under certain circumstances, the Notes may be converted to bear interest at a Fixed Rate until maturity. The interest rate to be borne by each Note while bearing interest at Variable Rates or Flexible Rates will be determined by Goldman, Sachs & Co. as Remarketing Agent.

Noteholders have the right to tender their Notes for purchase at the principal amount thereof, plus accrued interest, at the times and subject to the conditions described herein. Unless Noteholders elect to retain their Notes, Noteholders will be required to tender their Notes for purchase at the end of each Flexible Rate Period (as described herein) and upon conversion of the interest rate on the Notes from one interest rate mode to a different interest rate mode, except conversions between Daily and Weekly Rates. Subject to certain limitations, tendered Notes may be remarketed and remain outstanding.

The Board has entered into a restated and amended Credit Agreement (the "Agreement") with Morgan Guaranty Trust Company of New York (the "Bank") pursuant to which the Bank has agreed, subject to the conditions set forth in the Agreement, to make advances upon the request of the Board to refund amounts due under any one or more Notes, including any amounts payable as a result of the exercise of any demand provision contained in the Notes.

The Notes will be issued in the denominations of \$100,000 and whole multiples thereof while bearing interest at Daily, Weekly, Monthly or Quarterly Rates; in denominations of \$1,000 and whole multiples thereof with a minimum denomination of \$100,000 while bearing interest at Flexible Rates; and in denominations of \$5,000 and whole multiples thereof while bearing interest at a Semiannual or Term Rate or at the Fixed Rate.

Morgan Guaranty Trust Company of New York, is Paying Agent/Registrar for the Notes. Principal or redemption price of and interest on the Notes will be paid in immediately available funds or clearing house funds, depending on the interest rate mode, the principal amount of Notes owned and the instructions of the registered owner, as described herein.

Goldman, Sachs & Co. is the Remarketing Agent for the Notes.

The Notes are subject to redemption prior to maturity as described herein.

All Notes to be Priced 100%

Dated:

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

The information contained in this Official Statement has been obtained from the Board and other sources which are deemed to be reliable. This Official Statement is submitted in connection with the sale of the securities referred to herein, and may not be reproduced or be used, in whole or in part, for any other purpose. The delivery of this Official Statement at any time does not imply that the information herein is correct as of any time subsequent to its date.

No dealer, salesman or any other person has been authorized by the Board or the Remarketing Agent to give any information or to make any representations other than as contained in this Official Statement in connection with the offering described herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer of any securities, other than those described on the cover page, or an offer to sell or a solicitation of an offer to buy in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

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Board of Regents of The University of Texas System

	<u>Residence</u>	<u>Term Expiration</u>
Mr. Jack S. Blanton, Chairman	Houston	1991
Mr. Shannon H. Ratliff, Vice Chairman	Austin	1991
Mr. Bill Roden, Vice Chairman	Midland	1991
Mr. Robert B. Baldwin, III	Austin	1989
Mr. Sam Barshop	San Antonio	1993
Mr. Louis A. Beecherl, Jr.	Dallas	1993
Mr. Jess Hay	Dallas	1989
Mr. W. A. "Tex" Moncrief, Jr.	Fort Worth	1993
Mr. Mario Yzaguirre	Brownsville	1989
Mr. Arthur H. Dilly, Executive Secretary		

Principal Administrative Officers and Staff

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

Investment Advisory Committee

Andrew Delaney, Houston
Edward Randall, III, Houston

John T. Stuart II, Dallas
John T. Trotter, Houston

Bond Counsel

McCall, Parkhurst, & Horton
Dallas, Texas

\$25,000,000
Board of Regents of
The University of Texas System
Permanent University Fund Variable Rate Notes, Series A

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page and the Appendices hereto, provides certain information regarding the issuance by the Board of Regents of The University of Texas System (the "Board") of its Notes, entitled "Board of Regents of The University of Texas System Permanent University Fund Variable Rate Notes, Series A" (the "Notes"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the resolution (the "Resolution") adopted by the Board authorizing issuance of the Notes.

The University of Texas System (the "System") consists of The University of Texas at Austin and thirteen other state-supported institutions currently included in the System by operation of State law and the Texas Constitution. For a general discussion of the System, see "APPENDIX A".

The Board is created by law and is the constitutionally recognized governing board of the System. As an agency of the State of Texas, its members are officers of the State and are appointed by the Governor with the advice and consent of the Texas Senate.

The Board has outstanding \$327,420,000 of Permanent University Fund Refunding Bonds, Series 1985 which together with any additional bonds and notes hereafter issued on a parity with such Series 1985 Bonds (collectively, the "First Lien Obligations") and the interest thereon are equally and ratably secured by and payable from a first lien on and pledge of the Interest of The University of Texas System in the Available University Fund.

The Board also has outstanding \$100,000,000 Permanent University Fund Variable Rate Notes, Series A pursuant to the terms of the original resolution, as amended on December 4, 1986. The original resolution authorized the Board to adopt future resolutions to authorize increases in the principal amount of Series A Notes which may be issued and at any one time outstanding. The Resolution restates and amends the original resolution and increases the principal amount of Series A Notes that may be at any one time outstanding to \$125,000,000. The issuance of the \$25,000,000 Notes will be on a parity with and in addition to the outstanding \$100,000,000 Notes. The Resolution provides that the Notes and the interest thereon are secured by a lien on and pledge of the Interest of the University of Texas System in the Available University Fund on a junior and subordinate basis to the First Lien Obligations and certain other obligations which may hereafter be issued (the First Lien Obligations and such other obligations collectively, the "Fund Priority Obligations"). See "Security for the Notes".

The Board will also enter into a restated and amended Credit Agreement with Morgan Guaranty Trust Company of New York (the "Agreement"), pursuant to which Morgan Guaranty Trust Company of New York (the "Bank") will agree during the three year period which may be extended by the Bank in accordance with the terms of the Agreement to make advances, provided certain conditions are met, to refund amounts due on the Notes, which advances are to be evidenced by a note (the "Revolving Note") authorized by the Resolution to be issued on a parity with the Notes. See "The Agreement and Revolving Note".

There follow in this Official Statement brief descriptions and summaries of the Notes, the Agreement, the Revolving Note and the Resolution. Such descriptions and summaries do not purport

to be complete and are subject to and qualified by reference to the provisions of the complete documents, copies of which are available at the offices of the Paying Agent/Registrar and Goldman, Sachs & Co.

THE NOTES

The Notes will be issued in the principal amount of \$25,000,000 and initially will bear interest at Flexible Rates. The Notes will mature on December 1, 2015, and are subject to redemption prior to maturity as set forth below. The principal or redemption price of the Notes is payable at the corporate trust office of Morgan Guaranty Trust Company of New York, as Paying Agent/Registrar.

Prior to conversion of the interest rate on the Notes to a Fixed Rate, the Notes may bear interest at Flexible Rates or at a Variable Rate effective for periods ("Flexible Rate Periods" in the case of Flexible Rates and "Rate Periods" in the case of Variable Rates) selected or approved by an "Authorized Representative" of the Board. The rate of interest to be borne by the Notes during any particular Flexible Rate Period or Rate Period will be determined by the Remarketing Agent as described below under "Determination of Interest on the Notes Prior to Fixed Rate Conversion Date". The Notes may bear interest as follows:

FLEXIBLE RATE MODE. While the Notes bear interest at Flexible Rates, the interest rate for each particular Note will be determined by the Remarketing Agent in accordance with the Resolution and will remain in effect for the duration (not exceeding 180 days) of the Flexible Rate Period selected for that Note by the Remarketing Agent. While the Notes are in the Flexible Rate mode, Notes may have successive Flexible Rate Periods of any duration up to 180 days each and any Note may bear interest at a Flexible Rate and for a Flexible Rate Period different from any other Note.

VARIABLE RATE MODES. The Notes may bear interest at a Variable Rate computed on a Daily, Weekly, Monthly, Quarterly, Semiannual or Term basis.

Daily Rate. While the Notes bear interest at a Daily Rate, the interest rate established for the Notes will be effective from day to day until changed by the Remarketing Agent in accordance with the Resolution.

Weekly Rate. While the Notes bear interest at a Weekly Rate, the interest rate on the Notes will be determined weekly by the Remarketing Agent in accordance with the Resolution to be effective for a seven-day period commencing on Wednesday of the following week.

Monthly Rate. While the Notes bear interest at a Monthly Rate, the interest rate will be determined monthly by the Remarketing Agent in accordance with the Resolution to be effective for a one-month period.

Quarterly Rate. While the Notes bear interest at a Quarterly Rate, the interest rate will be determined quarterly by the Remarketing Agent in accordance with the Resolution to remain in effect for a three-month period.

Semiannual Rate. While the Notes bear interest at a Semiannual Rate, the interest rate will be determined semiannually by the Remarketing Agent in accordance with the Resolution to remain in effect for a six-month period.

Term Rate. While the Notes bear interest at a Term Rate, the interest rate will be determined by the Remarketing Agent to remain in effect for a term of one year or any whole multiple of one year selected by an Authorized Representative.

The interest rate mode selected by an Authorized Representative will remain in effect until changed by an Authorized Representative by notice to the Paying Agent/Registrar and the Remarketing Agent in accordance with the Resolution. Notice of changes in interest rate modes will be given as described below under "Rate Mode Change".

Interest on the Notes will be calculated on the basis of 365-day year, for the actual number of days elapsed while the Notes bear interest at Flexible Rates or at a Daily, Weekly, Monthly or Quarterly Rate. Interest will be calculated on the basis of a 360-day year of twelve thirty-day months while the Notes bear interest at a Semiannual, Term or Fixed Rate. Interest on a Note for a Flexible Rate Period will be paid in immediately available funds to the registered owner at the end of that Flexible Rate Period upon presentation and surrender of the Note. While the Notes bear interest at a Daily, Weekly, Monthly or Quarterly Rate, interest will be paid by check mailed to the registered owner or, at the written election of the registered owner delivered to the Paying Agent prior to the close of business on the Business Day immediately preceding the interest payment date for which such election will be effective, in immediately available funds to the owner of record at the close of business on such Business Day (such immediately available funds to include wire transfer within the continental United States, federal funds check or deposit into the account of such registered owner if such account is maintained with the Paying Agent/Registrar). While the Notes bear interest at a Semiannual, Term or Fixed Rate, interest will be paid by check mailed to the owner of record at the close of business on the 15th day of the month preceding the interest payment date whether or not a Business Day or by such other method requested by and at the risk and expense of the registered owner.

Interest on the Notes will be paid on the dates indicated herein under "Summary of Certain Provisions of the Notes".

Notes which bear interest at Flexible Rates will be issued in the denomination of \$1,000 and whole multiples thereof, with a minimum denomination of \$100,000. Notes which bear interest at a Daily, Weekly, Monthly or Quarterly Rate will be issued in denominations of \$100,000 and whole multiples thereof. Notes which bear interest at a Semiannual, Term or Fixed Rate will be issued in the denomination of \$5,000 and whole multiples thereof. In the event of a change in interest rate mode so that a registered owner owns Notes in an unauthorized denomination, the principal amount of Notes in excess of the authorized denomination is subject to mandatory tender for purchase at the principal amount thereof plus accrued interest on the date of conversion to the new interest rate mode.

Notes may be exchanged or transferred at the corporate trust office of the Paying Agent/Registrar. For every exchange or transfer of a Note, the Paying Agent/Registrar shall make a charge sufficient to reimburse it for any tax, fee or governmental charge required to be paid with respect to such exchange or transfer.

If any Note is mutilated, lost, stolen or destroyed, the Resolution provides that the Board shall execute and the Paying Agent/Registrar shall authenticate a new Note. In the case of a lost, stolen or destroyed Note, the Board and the Paying Agent/Registrar may require satisfactory indemnification prior to authenticating a new Note. The Board and the Paying Agent/Registrar may charge reasonable fees and expenses in connection with replacing Notes mutilated, lost, stolen or destroyed.

Goldman, Sachs & Co. has been appointed to serve as Remarketing Agent (the "Remarketing Agent") for the Notes. The Remarketing Agent may be removed and a successor Remarketing Agent may be appointed in accordance with the Resolution and the Remarketing Agreement.

Determination of Interest on the Notes Prior to Fixed Rate Conversion Date

On the date of initial authentication and delivery of the Notes, the Notes shall bear interest at Flexible Rates. Thereafter, but prior to conversion of the interest rate on the Notes to a Fixed Rate, the interest rate mode for the Notes may be changed from time to time in the manner described below under "Rate Mode Change."

During each Rate Period, the rate of interest on the Notes shall be that rate which the Remarketing Agent determines, under prevailing market conditions on the date of such determination, would result in the market value of the Notes being 100% of the principal amount thereof. The Remarketing Agent will give the Authorized Representative telephonic notice of the establishment of the rate of interest.

While in the Flexible Rate mode, each Flexible Rate shall be determined by the Remarketing Agent in connection with the sale of the Note or Notes to which they relate by the offer and acceptance of purchase commitments for such Notes at a Flexible Rate or Rates and for such Flexible Rate Periods as it deems to be advisable in order to minimize the net interest cost on the Notes under prevailing market conditions and shall notify an Authorized Representative of the Flexible Rate Period and the Flexible Rate for each Variable Rate Note by providing telephonic notice of such period and rate to the Authorized Representative. If the Flexible Rate Period is approved by an Authorized Representative (and it will be deemed to be approved if it is not rejected by an Authorized Representative within thirty minutes after such telephonic notice) it shall become effective on the first day of the next succeeding Flexible Rate Period. If the period is rejected by an Authorized Representative, the next succeeding Flexible Rate Period shall be of one days duration.

The determination by the Remarketing Agent of the Flexible Rates or Variable Rate to be borne by the Notes shall be conclusive and binding on the holders of the Notes, the Board, the Paying Agent/Registrar and the Bank. Failure by the Paying Agent/Registrar to give any notice, or any defect therein, shall not affect the interest rate borne by the Notes or the rights of the owners thereof. In the event that the Remarketing Agent is unable, or fails, to determine the Flexible Rates or the Variable Rate, the Flexible Rates or the Variable Rate shall remain those in effect for the then current Flexible Rate Period or Rate Period. In no event shall the interest rate borne by the Notes exceed 15% per annum.

Optional Tender

While the Notes bear interest at Variable Rates, the registered owners of the Notes may tender their Notes for purchase at the principal amount thereof plus accrued interest to the Paying Agent/Registrar, as summarized in the table under "Summary of Certain Provisions of the Notes".

Payment of the purchase price of Notes to be purchased upon optional tender as described herein will be made by the Paying Agent/Registrar in immediately available funds in the event the Notes bear interest at a Flexible, Daily, Weekly, Monthly or Quarterly Rate or in clearing house funds in the event the Notes bear interest at a Semiannual or Term Rate.

Interest on any Note which the registered owner thereof has elected to tender for purchase and which is not tendered on the tender date, but for which there has been irrevocably deposited with the Paying Agent/Registrar an amount sufficient to pay the purchase price thereof, shall cease to accrue on the tender date, and the registered owner of such Note shall not be entitled to any payment other than the purchase price for such Note, and such Note shall no longer be outstanding and entitled to the benefits of the Resolution, except for the payment of the purchase price of such Note from moneys held by the Paying Agent/Registrar for such payment. On the optional tender date the Paying Agent/Registrar shall authenticate and deliver substitute Notes in lieu of such untendered Notes.

Mandatory Tender

The Notes are required to be tendered for purchase, at a purchase price equal to the principal amount thereof plus accrued interest, to the Paying Agent/Registrar on the effective date of any change between interest rate modes except changes between the Daily and Weekly Rate Modes, subject, however, to the right of registered owners to elect to retain their Notes as described in the table under "Summary of Certain Provisions of the Notes." Any registered owner electing to retain Notes shall have no right to tender such Notes prior to the effective date of the change in interest rate mode and such election shall be irrevocable and binding upon the registered owner and all subsequent registered owners of such Notes. Additionally, each Note bearing interest at a particular Flexible Rate must be tendered by the registered owner for purchase at the expiration of the term of such Flexible Rate for that Note subject, however, to the right of the registered owner to elect to retain his investment in the Note by irrevocable telephonic or written notice delivered to the Remarketing Agent not later than 3:00 p.m. New York City time on the day before the expiration of the then current

term of such Flexible Rate for that Note; provided, however, that the registered owners shall not have the right to retain possession of their investment in the Notes at the end of the initial Flexible Rate Period for the originally issued Notes. In the event a registered owner of a Note bearing interest at a Flexible Rate desires to retain his investment, the registered owner must present his Note to the Paying Agent/Registrar in exchange for payment of principal and accrued interest in immediately available funds and the Paying Agent/Registrar will authenticate and deliver a substitute Note for the term of the succeeding Flexible Rate Period in replacement of the old Note.

The Notes are required to be tendered for purchase, at the purchase price described above, to the Paying Agent/Registrar on the Fixed Rate Conversion Date. See "Conversion to a Fixed Rate." Any registered owner may elect to retain his Notes by delivering written notice thereof to the Paying Agent/Registrar not fewer than fifteen days prior to the Fixed Rate Conversion Date pursuant to the Resolution.

Any Note purchaser which is a registered investment company may waive its option to retain Notes subject to mandatory tender pursuant to the foregoing two paragraphs and may request mandatory purchase of its Notes on the next optional tender date by delivering an irrevocable notice to the Paying Agent/Registrar on or after the date it purchases Notes.

At all times prior to conversion to a Fixed Rate, the Notes shall be subject to mandatory purchase at the purchase price described above, upon the expiration or termination of the Agreement, subject to the right of the registered owner to retain his Variable Rate Note (i) on the last Business Day prior to the termination or expiration of the Agreement, provided that no such tender and purchase shall be required if the Agreement is renewed prior to the date of notice from the Paying Agent described below; or, (ii) on the last Business Day prior to the substitution of a new Agreement, for such Variable Rate Notes, provided that no such tender and purchase shall be required if prior to the date of notice the Paying Agent/Registrar shall have received confirmation from Standard & Poor's or Moody's or Fitch (or any of them) to the effect that the rating or ratings assigned by any of such agencies to the Variable Rate Notes will not be lowered as a result of the expiration or substitution.

The Paying Agent/Registrar shall give notice by mail to the registered owners of the Notes subject to mandatory tender as a result of termination or expiration of the Agreement not less than 30 days prior to the mandatory tender date. Any registered owner may elect to retain his Notes by delivering written notice thereof to the Paying Agent/Registrar not fewer than fifteen days prior to the Mandatory Tender Date pursuant to the Resolution as described under "Summary of Certain Provisions of the Notes".

Payment of the purchase price of Notes to be purchased upon mandatory tender as described herein will be made by the Paying Agent/Registrar in immediately available funds in the event the Notes bear interest at Flexible Rates or at a Daily, Weekly, Monthly or Quarterly Rate and in clearing house funds in the event the Notes bear interest at a Semiannual, Term or Fixed Rate.

On any conversion to a Daily, Weekly, Monthly or Quarterly Rate Period, any Note in a denomination which is not a whole multiple of \$100,000 is subject to mandatory tender for purchase on the applicable Conversion Date at a purchase price equal to the principal amount thereof; provided, however, that any registered owner may elect to retain any portion of its Notes which is in the denomination of \$100,000 or a whole multiple thereof. On any conversion to a Semiannual or Term Rate Period, any Note in a denomination which is not a whole multiple of \$5,000 is subject to mandatory tender for purchase on the applicable Conversion Date at a purchase price equal to the principal amount thereof; provided, that any registered owner may elect to retain any portion of its Notes which is in the denomination of \$5,000 or a whole multiple thereof. On any conversion to Flexible Rate Periods, any Variable Rate Note which is not in the denomination of \$100,000 or a whole multiple of \$1,000 above \$100,000 is subject to mandatory tender for purchase on the Flexible Rate Conversion Date at a purchase price equal to the principal amount thereof; provided, however, that any registered owner may elect to retain any portion of its Variable Rate Note which is in the denomination of \$100,000 or a whole multiple of \$1,000 above \$100,000.

Interest on any Note which the registered owner has not elected to continue to own after a mandatory tender date and which is not tendered on the mandatory tender date, but for which there has been irrevocably deposited with the Paying Agent/Registrar an amount sufficient to pay the purchase price thereof, shall cease to accrue on the mandatory tender date, and the registered owner of such Note shall not be entitled to any payment other than the purchase price for such Note, and such Note shall no longer be outstanding and entitled to the benefits of the Resolution, except for the payment of the purchase price of such Note from moneys held by the Paying Agent/Registrar for such payment. On the mandatory tender date the Paying Agent/Registrar shall authenticate and deliver substitute Notes in lieu of such untendered Notes.

Rate Mode Change

While the Notes bear interest at Flexible Rates or a Variable Rate, the Paying Agent/Registrar shall give notice to the registered owners of all Notes of the conversion from one interest rate mode to another at the times described in the table under "Summary of Certain Provisions of the Notes." Each notice of a change between interest rate modes will be sent by first class mail to the registered owner's address as it appears on the registration books of the Paying Agent/Registrar and shall state: (i) the effective date of and the type of interest rate mode to which the change will be made; (ii) the dates by which the Remarketing Agent will determine the Flexible Rates or Variable Rate and the dates by which the registered owners will be notified thereof; (iii) if the Notes (including portions which will not be in authorized denominations) will be subject to optional or mandatory tender on the effective date of the change in the interest rate mode, the procedure for such mandatory tender, including the date and time any notices must be received; and (iv) the procedure (including form of notice) to be followed if the registered owner desires to retain his Notes.

Any conversion from a Flexible, Daily, Weekly, Monthly, Quarterly, or Semiannual Rate Period to a Term Rate Period; or from a Term Rate Period to another Term Rate Period; or from a Term Rate Period to a Flexible, Daily, Weekly, Monthly, Quarterly, or Semiannual Rate Period will be conditioned on delivery of an opinion of nationally recognized bond counsel to the effect that the conversion will not adversely affect the exemption of interest on the Notes from federal income taxation.

Conversion of interest rate modes may take place only on an interest payment date for the interest rate mode then in effect, except conversions between Daily and Weekly Rate modes may take place on Wednesdays. In the case of Notes in the Flexible Rate mode, the conversion date must also be the first Business Day of a month. Term Notes may be converted to a different interest rate mode only at the expiration of a Term Rate Period.

Any registered owner of Notes who may be unable to take timely action on any notice should consider whether to make arrangements for another person to act in his or her stead.

Written Notice of Rate

Registered owners will be notified by first-class mail of the Flexible Rates or Variable Rate applicable to the Notes at the times described in the table under "Summary of Certain Provisions of the Notes".

Summary of Certain Provisions of the Notes

While the Notes bear interest at Flexible Rates or a Daily, Weekly, Monthly, Quarterly, Semiannual or Term Rate, the dates on which interest will be paid (the "Interest Payment Dates"), the date each interest rate will be determined (the "Rate Determination Date"), the date each interest rate will become effective (the "Effective Date of Rate"), the period of time each interest rate will be in effect (the "Flexible Rate Period/Rate Period"), the requirements for notice to registered owners of interest rate adjustments (the "Written Notice of Rate"), the dates on which registered owners may tender their Notes for purchase to the Paying Agent/Registrar and the notice requirements therefor

(the "Optional Tender Dates: Owner's Notice of Optional Tender"), the requirements for physical delivery of tendered Notes and payment provisions therefor ("Physical Delivery of and Payment for Notes Subject to Optional and Mandatory Tender"), the notice requirements in order to change from one interest rate mode to a different interest rate mode ("Written Notice of Rate Mode Change"), the date on which Notes are subject to mandatory tender for purchase in the event of a change from one interest rate mode to a different interest rate mode or in the event of a change from one Flexible Rate Period to another Flexible Rate Period ("Mandatory Tender Date Upon Rate Mode Change or Upon Flexible Rate Period Change") and the provisions relating to each registered owner's right to elect to retain his Notes in the event the Notes are subject to mandatory tender as described above (the "Owner's Election to Retain Notes Upon Rate Mode Change When Converting to Designated Rate or Upon Flexible Rate Period Change") are shown in summary in the following table (all times shown are New York City time). A "Business Day" is defined in the Resolution to be any day (a) when banks are open for business in Austin, Texas and (b) when banks are not authorized to be closed in New York, New York. All references to time are in New York City time.

Flexible Rates

Daily Rate

Weekly Rate

Interest Payment Dates

With Respect to any Note, the last day of Flexible Rate Period for that Note

First Business Day of each calendar month

First Business Day of each calendar month

Rate Determination Date

For each Note, on or prior to the first day of the Flexible Rate Period for that Note

On any Business Day between 1:00 p.m. and 4:00 p.m. immediately preceding Date of Rate.

Tuesday or next Business Day of week preceding Effective Date of Rate

Effective Date of Rate; Flexible Rate Period/Rate Period

For each Note, first day of Flexible Rate Period for that Note; for each Note, Flexible Rate effective for designated pricing term for that Note (not to exceed 180 days) ending on a Business Day

Next Business Day following each Rate Determination Date: Daily Rate effective for one Business Day and for each Business Day thereafter until reset by Remarketing Agent

Wednesday of week following each Rate Determination Date: Weekly Rate effective through Tuesday of next week

Written Notice of Rate

To owner upon purchase by confirmation mailed by Remarketing Agent

Paying Agent/Registrar to mail owner monthly confirmation statement within 7 Business Days after Interest Payment Date

Paying Agent/Registrar to mail owner monthly confirmation statement within 7 Business Days after Interest Payment Date

Optional Tender Dates; Owner's Notice of Optional Tender

None: None

Any Business Day: Telephonic notice by owner to Paying Agent/Registrar and Remarketing Agent on or prior to 11:00 a.m. on such Business Day

Any Business Day: Written notice by owner to Paying Agent/Registrar on or prior to 5:00 p.m. on any Business Day at least 7 days prior to optional tender date

Physical Delivery of and Payment for Bonds Subject to Optional and Mandatory Tender

To Paying Agent/Registrar by 3:00 p.m. on designated tender date for each Note, payment same day

To Paying Agent/Registrar by 1:00 p.m. on designated tender date; payment by 3:00 p.m. same day

To Paying Agent/Registrar by 1:00 p.m. on designated tender date, payment by 3:00 p.m. same day

Written Notice of Rate Mode Change

Paying Agent/Registrar to mail notice to owners at least 30 days prior to effective date of Rate Mode Change; no notice given if Flexible Rates continue

If change to Weekly Rate, Paying Agent/Registrar to mail owners notice at least 15 days prior to effective date of Rate Mode Change. If change to Flexible, Monthly or longer Rate, Paying Agent/Registrar to mail owners notice at least 30 days prior to effective date of Rate Mode Change

If change to Daily Rate, Paying Agent/Registrar to mail owners notice at least 15 days prior to effective date of Rate Mode Change. If change to Flexible, Monthly or longer Rate, Paying Agent/Registrar to mail owners notice at least 30 days prior to effective date of Rate Mode Change

Mandatory Tender Date Upon Rate Mode Change or Upon Flexible Rate Period Change

For each Note, last day of Flexible Rate Period for that Bond

Effective date of Rate Mode Change, except no mandatory tender on change to Weekly Rate

Effective date of Rate Mode Change, except no mandatory tender on change to Daily Rate

Owner's Election to Retain Bonds Upon Rate Mode Change When Converting to Designated Rate or Upon Flexible Rate Period Change

While in Flexible Rate Mode: Owner may elect to retain investment in a Note upon notice to Remarketing Agent not later than 3:00 p.m. on Business Day before Note is subject to mandatory tender. Change from Variable Rate: Upon written notice to Paying Agent/Registrar delivered at least 3 Business Days prior to Effective Date of Rate

Change from Weekly Rate: No prior election necessary for owner to retain Notes. Change from Monthly or longer Rate: Owner may elect to retain Notes upon written notice to Paying Agent/Registrar delivered on Business Day at least 15 days prior to Effective Date of Rate. Change from Flexible Rate: Owner may elect to retain Notes upon written notice to Paying Agent/Registrar delivered on Business Day at least 7 days prior to Effective Date of Rate

Change from Daily Rate: No prior election necessary for owner to retain Notes. Change from Monthly or longer Rate: Owner may elect to retain Notes upon written notice to Paying Agent/Registrar delivered on Business Day at least 15 days prior to Effective Date of Rate. Change from Flexible Rate: Owner may elect to retain Notes upon written notice to Paying Agent/Registrar delivered on Business Day at least 7 days prior to Effective Date of Rate

Monthly Rate	Quarterly Rate	Semiannual Rate	Term Rate
First Business Day of each calendar month	First Business Day of third calendar month after Effective Date of Rate and first Business Day of every third month thereafter	First Business Day of sixth calendar month after Effective Date of Rate and first Business Day of every sixth month thereafter	First Business Day of sixth calendar month after Effective Date of Rate and first Business Day of every sixth month thereafter
Monthly Rate determined by 12:00 p.m. on Business Day preceding Effective Date of Rate	Quarterly Rate determined by 12:00 p.m. on Business Day preceding Effective Date of Rate	Semiannual Rate determined by 12:00 p.m. on Business Day preceding Effective Date of Rate	Term Rate determined by 12:00 p.m. on Business Day preceding Effective Date of Rate
First Business Day of each calendar month; Monthly Rate effective until first Business Day of next calendar month	First Business Day of each Quarterly Rate Period; Quarterly Rate effective until first Business Day of third calendar month thereafter	First calendar day of each Semiannual Rate Period; Semiannual Rate effective until first day of sixth calendar month thereafter	First calendar day of each Term Rate Period; Term Rate effective until designated anniversary (one or more whole years) of Effective Date of Rate
Paying Agent/Registrar to mail owner notice of Monthly Rate within 7 Business Days after Rate Determination Date	Paying Agent/Registrar to mail owner notice of Quarterly Rate promptly after Rate Determination Dates	Paying Agent/Registrar to mail owner notice of Semiannual Rate promptly after Rate Determination Dates	Paying Agent/Registrar to mail owner notice of Term Rate promptly after Rate Determination Dates
Any Interest Payment Date: Written notice by owner to Paying Agent/Registrar on or prior to 5:00 p.m. on any Business Day at least 3 Business Days prior to optional tender date	Any Interest Payment Date: Written notice by owner to Paying Agent/Registrar on or prior to 5:00 p.m. on any Business Day at least 7 days prior to optional tender date	Any Interest Payment Date: Written notice by owner to Paying Agent/Registrar on or prior to 5:00 p.m. on any Business Day at least 7 days prior to optional tender date	First day of next Rate Period: Written notice by owner to Paying Agent/Registrar on or prior to 5:00 p.m. on any Business Day at least 7 days prior to optional tender date
To Paying Agent/Registrar by 1:00 p.m. on designated tender date; payment by 3:00 p.m. same day	To Paying Agent/Registrar by 1:00 p.m. on designated tender date; payment by 3:00 p.m. same day	To Paying Agent/Registrar by 1:00 p.m. on designated tender date; payment by 3:00 p.m. on designated tender date	To Paying Agent/Registrar by 1:00 p.m. on designated tender date; payment by 3:00 p.m. on designated tender date
Paying Agent/Registrar to mail notice to owners at least 30 days prior to effective date of Rate Mode Change	Paying Agent/Registrar to mail notice to owners at least 30 days prior to effective date of Rate Mode Change	Paying Agent/Registrar to mail notice to owners at least 30 days prior to effective date of Rate Mode Change	Paying Agent/Registrar to mail notice to owners at least 30 days prior to effective date of Rate Mode Change
Effective date of Rate Mode Change	Effective date of Rate Mode Change	Effective date of Rate Mode Change	Effective date of Rate Mode Change
Change from any mode: Owner may elect to retain Notes upon written notice delivered to Paying Agent/Registrar on Business Day at least 7 days prior to Effective Date of Rate	Change from any mode: Owner may elect to retain Notes upon written notice delivered to Paying Agent/Registrar on Business Day at least 13 days prior to Effective Date of Rate	Change from any mode: Owner may elect to retain Notes upon written notice delivered to Paying Agent/Registrar on Business Day at least 15 days prior to Effective Date of Rate	Change from any mode: Owner may elect to retain Notes upon written notice delivered to Paying Agent/Registrar on Business Day at least 15 days prior to Effective Date of Rate

Conversion to a Fixed Rate

The Resolution provides that the Board has the right to convert the interest rate on the Notes to a Fixed Rate (i) on any date on which interest is payable on all Notes bearing interest at Flexible Rates, or (ii) on any date on which interest is payable while the Notes bear interest at a Daily, Weekly, Monthly, Quarterly, Semiannual or Term Rate. To exercise its option, the Authorized Representative must deliver to the Paying Agent/Registrar, the Remarketing Agent and the Bank, written notice at least 45 days prior to the interest payment date on which the Fixed Rate is to become effective (the "Fixed Rate Conversion Date"). In addition, the Board must deliver to the Paying Agent/Registrar prior to the Fixed Rate Conversion Date an opinion of nationally recognized bond counsel to the effect that the conversion to the Fixed Rate is authorized under the provisions of the Resolution and will not adversely affect the exemption of interest on the Notes from federal income taxation.

The Paying Agent/Registrar shall give notice by mail to all registered owners of the conversion to a Fixed Rate no less than 30 days prior to the Fixed Rate Conversion Date. Such notice shall specify the Fixed Rate Conversion Date, the dates by which the Authorized Representative will determine and the Paying Agent/Registrar will notify the registered owners of the Fixed Rate and shall state that the Notes shall be subject to mandatory tender for purchase on the Fixed Rate Conversion Date unless the registered owner elects to retain his Notes.

On or before 12:00 p.m. New York City time on the Business Day preceding the Fixed Rate Conversion Date, the Authorized Representative shall determine the Fixed Rate, and shall give notice thereof to the Paying Agent. The Paying Agent shall then give notice of such Fixed Rate by first class mail to the Remarketing Agent, the Bank and the registered owners of the Notes.

After the Fixed Rate Conversion Date, the registered owners of the Fixed Rate Notes shall have no right to tender their Notes for purchase.

Remarketing and Purchase

In the event that notice is received of any optional tender, or if the Notes become subject to mandatory tender, the Remarketing Agent shall use its best efforts to sell such Notes at a price of 100% of the principal amount thereof plus accrued interest, if any, on the forthcoming optional or mandatory tender date.

Notes tendered for purchase shall be paid by the Paying Agent/Registrar first from moneys derived from the remarketing of such Notes by the Remarketing Agent, second moneys made available by the Board, third from advances made under the Agreement. If sufficient funds are not available for the purchase of all tendered Variable Rate Notes, no purchase shall be consummated.

Optional Redemption

During any Flexible, Daily, Weekly, Monthly, Quarterly or Semiannual Rate Period, the Notes are subject to redemption by the Board, on any interest payment date, in whole or in part, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date. While the Notes bear interest at a Term Rate and after conversion to a Fixed Rate, the Notes are subject to redemption by the Board, in whole or in part, on the dates and at the redemption prices determined by an Authorized Representative.

SECURITY FOR THE NOTES

Pledge Under the Resolution

Pursuant to constitutional authority, the Resolution provides that the Notes and the interest thereon are equally and ratably secured by and payable from a lien on and pledge of the Interest of the University in the Available University Fund, subject and subordinate to the lien and pledge of the

Interest of the University in the Available University Fund to the Fund Priority Obligations heretofore or hereafter issued. Additionally, the Board in the Resolution has reserved the right to issue obligations with a superior, parity, or inferior lien and pledge of the Interest of the University in the Available University Fund subject to the constitutional limitation that the aggregate amount of bonds and notes payable from the Interest of the University in the Available University Fund cannot at the time of issuance exceed 20% of the cost value of investments and other assets of the Permanent University Fund, exclusive of real estate. See "Constitutional Debt Power, Debt Limitations." The Board currently has outstanding \$327,420,000 of Fund Priority Obligations and \$100,000,000 Permanent University Fund Variable Rate Notes, Series A.

Covenant to Maintain a Credit Facility

The Board has covenanted that at all times prior to the Fixed Rate Conversion Date it will maintain credit facilities with banks in amounts such that, assuming that all then outstanding Notes were to become due and payable immediately, the amount available for borrowing under the credit facilities would be sufficient at that time to pay the principal of all Notes and 185 days interest on the Notes calculated at 15%. No Note shall be issued prior to the Fixed Rate Conversion Date which if, after giving effect to the issuance thereof and, if applicable, the immediate application of the proceeds thereof to retire other Notes covered by the credit facility, the aggregate principal amount of all Notes covered by the credit facility would exceed the amount of the credit commitment under the credit facility. The availability for borrowing of such amounts under the credit facilities may be subject to reasonable conditions precedent, including but not limited to, bankruptcy of the Board.

To the extent Notes cannot be issued to renew or refund outstanding Notes, the Board in good faith shall endeavor to sell a sufficient principal amount of Fund Priority Obligations or Short Term Obligations or other obligations of the Board issued pursuant to the Constitutional Amendment in order to have funds available, together with other moneys available therefor, to pay the Notes and the interest thereon, or any renewals thereof, as the same shall become due, and other amounts due under the Agreement.

Creation of Funds and Accounts

The Resolution reaffirms the establishment with the Paying Agent/Registrar of a separate and special fund designated as the "Board of Regents of The University of Texas System Series A Note Payment Fund" (the "Series A Note Payment Fund"). All amounts required to be deposited by the Board pursuant to the Resolution shall be deposited to the Series A Note Payment Fund and shall be used to pay principal of, premium, if any, and interest on Notes at the respective interest payment, maturity, redemption or purchase dates of each issue of such Notes as provided herein, including the repayment of any amounts owed with respect to the Revolving Note in evidence of Advances under the Agreement; amounts remaining in the Series A Note Payment Fund not then necessary for the purposes thereof may be transferred to the Series A Note Construction Account upon request of an Authorized Representative.

Additionally, all Advances under the Agreement shall be deposited into the Series A Note Payment Fund and used to pay the principal of, premium, if any, and interest on the Notes.

The Notes represent obligations which are subordinate to the Fund Priority Obligations. The resolution authorizing the Fund Priority Obligations has established in the Treasury of the State of Texas a fund known as "Board of Regents of The University of Texas System Permanent University Fund Bonds Interest and Sinking Fund" (the "Interest and Sinking Fund"). The Fund Priority Obligations are payable from moneys required to be transferred to the Interest and Sinking Fund. After provision has been made for the payment of the principal of and interest on the Fund Priority Obligations, the balance of the Interest of the University of Texas System in the Available University Fund shall be made available to the Board to deposit into the Series A Note Payment Fund such amounts as are necessary to pay the interest on and/or the principal and premium, if any, of the Notes

to the extent not paid from the proceeds of Notes, Short Term Obligations, Fund Priority Obligations, or other obligations of the Board issued under the Constitutional Amendment, or from the proceeds of Advances under the Agreement. After provision has been made for the payment of the interest and premium on and/or principal of the Notes, 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 the Board as it may lawfully direct.

To the end that money will be available at the Paying Agent/Registrar in ample time to pay the principal of and interest and any premium on the Notes as such principal and interest and any premium respectively come due, an Authorized Representative or such other designated officer or employee of the Board, shall perform the following duties:

(1) Concurrently with the issuance of the Notes — the Resolution establishes in the Treasury of the State of Texas the "Special System Account." If there is on account in the Special System Account from the Interest of the University in the Available University Fund, monies sufficient to pay the interest on and/or principal of the Notes as the same come due and mature or are required to be purchased, and to pay such fees and expenses of the Bank and the Remarketing Agent, an Authorized Representative or such other designated officer or employee shall transfer from such account to the Paying Agent/Registrar for deposit in the Series A Note Payment Fund moneys sufficient to pay such amounts, and thereafter shall coordinate with the Treasurer of the State of Texas and the Comptroller of Public Accounts of the State of Texas and to take such actions as shall be necessary to restore the Special System Account to an amount equal to the amount such official estimates will be necessary, from the Interest of the University of Texas System in the Available University Fund, to pay said interest and any premium on and/or principal of the Notes, including the purchase price thereof.

(2) If it is anticipated that there shall not be on account in the Series A Note Payment Fund, from the Interest of the University in the Available University Fund, monies sufficient to pay the interest on and/or principal of the Notes as the same are due, an Authorized Representative or such other designated officer or employee shall implement the procedures necessary to cause the Comptroller of Public Accounts to withdraw from the Interest and Sinking Fund the amount of such interest and/or principal and any premium which will become due on the scheduled payment date and deposit said amount in the Series A Note Payment Fund or, if such deposit cannot be made within the time required, to make an Advance in such amount.

Available University Fund

The Available University Fund consists of the dividends, interest and other income of the Permanent University Fund (less expenses attributable to the administration of the Permanent University Fund), including income attributable to the surface of Permanent University Fund land. See "Permanent University Fund." As such income is received, the Comptroller of Public Accounts of the State of Texas credits the receipts to the Available University Fund and the moneys are deposited by the State Treasurer among the other funds of the State of Texas.

Two-thirds of the amounts attributable to the Available University Fund, after deducting administrative expenses, are constitutionally appropriated to the System, to be used for constitutionally prescribed purposes, and is defined in and for all purposes of the Resolution as the "Interest of The University in the Available University Fund." The remaining one-third of the amounts attributable to the Available University Fund, after deducting such expenses, is constitutionally appropriated to The Texas A&M University System.

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

Income, Debt Service Requirements and Coverage

Table I and Table II, below, contain statements of historical and projected earnings of the Permanent University Fund that were and will be deposited, if realized, to the Available University Fund, together with projected debt service coverage with respect to the Fund Priority Obligations outstanding and the Notes:

TABLE I
PERMANENT UNIVERSITY FUND
HISTORICAL AND ESTIMATED ANNUAL INCOME(1)
 (000 Omitted)

<u>Fiscal Year Ending August 31</u>	<u>Total Available University Fund (after Administration Expenses) (2)</u>	<u>Two-Thirds Interest of the System in Available University Fund</u>	<u>Other Income (3)</u>	<u>Total Income Available to Pay Debt Service</u>
1983	\$156,486	\$104,324	\$6,323	\$111,050
1984	171,437	114,291	7,632	120,535
1985	187,927	125,285	6,635	131,920
1986	209,700	139,800	5,111	144,911
1987	209,182	139,455	4,152	143,607
1988	218,300	145,533	4,000	149,533
1989	215,700	143,800	4,000	147,800
1990	218,100	145,400	4,000	149,400
1991	220,400	146,933	4,000	150,933
1992	223,300	148,867	4,000	152,867

- (1) The amounts stated in the years 1983 through 1986 are audited actual amounts. The 1987 amounts are the unaudited amounts reflected in the books of the System. The amounts stated in the years 1988 through 1992 represent estimates prepared under the direction of the Administration of the System based on investment forecasts and assumptions believed to be reasonable. However, no assurance can be or is given that the estimates will not materially differ from actual results in the future.
- (2) The expenses of administering the Permanent University Fund constitutes a first claim on the income therefrom and are deducted prior to dividing the Available University Fund between the System and The Texas A&M University System. The Resolution contains covenants restricting administrative expenses of the Permanent University Fund to a minimum consistent with prudent business judgment.
- (3) Through 1985, represents certain income from the Permanent University Fund which under early constitutional provisions is appropriated solely to the System, plus earnings on share of System in Available University Fund. From 1986 forward, represents actual and estimated earnings on share of System in Available University Fund.

TABLE II

PROJECTED COVERAGE OF ESTIMATED DEBT SERVICE ON THE OUTSTANDING FUND PRIORITY OBLIGATIONS AND THE NOTES

Fiscal Year Ending August 31,	Total Income Available for Debt Service (1)	Debt Service on Outstanding Fund Priority Obligations	Estimated Debt Service on the Notes (2)	Annual Debt Service	Coverage (3)
1988	\$149,533,000	\$38,220,960	\$7,500,000	\$45,720,960	3.27x
1989	147,800,000	36,150,960	7,500,000	43,650,960	3.39x
1990	149,400,000	34,079,995	7,500,000	41,579,995	3.59x
1991	150,933,000	34,060,595	7,500,000	41,560,595	3.63x
1992	152,867,000	34,037,435	7,500,000	41,537,435	3.68x
1993	152,867,000	34,010,335	7,500,000	41,510,335	3.68x
1994	152,867,000	33,988,473	7,500,000	41,488,473	3.68x
1995	152,867,000	33,961,248	7,500,000	41,461,248	3.69x
1996	152,867,000	33,924,388	7,500,000	41,424,388	3.69x
1997	152,867,000	33,885,328	7,500,000	41,385,328	3.69x
1998	152,867,000	33,853,848	7,500,000	41,353,848	3.70x
1999	152,867,000	33,823,965	7,500,000	41,323,965	3.70x
2000	152,867,000	33,778,560	7,500,000	41,278,560	3.70x
2001	152,867,000	41,713,240	7,500,000	49,213,240	3.11x
2002	152,867,000	48,084,705	7,500,000	55,584,705	2.75x
2003	152,867,000	48,042,550	7,500,000	55,542,550	2.75x
2004	152,867,000	53,373,300	7,500,000	60,873,300	2.51x
2005	152,867,000	53,350,050	7,500,000	60,850,050	2.51x

(1) The total income available for debt service are estimates prepared under the direction of the Administration of the System based on investment forecasts and assumptions believed to be reasonable estimates with respect to fiscal years through 1992 and thereafter are repeated. However, no assurance can be or is given that the estimates will not materially differ from actual results in the future.

(2) For illustration purposes assumes issuance of \$125,000,000 of Notes at an average annual effective interest rate of 6.0%.

(3) Represents Total Income Available for Debt Service divided by Total Debt Service.

Constitutional Debt Power, Debt Limitations

The discretion to direct the use of the Interest of The University of Texas System in the Available University Fund, after expenses, for constitutionally authorized purposes is vested in the Board. The discretion to direct the use of the one-third interest of The Texas A&M University System in the Available University Fund, after expenses, is vested in the Board of Regents of The Texas A&M University System.

Article VII, Section 18(b), the Texas Constitution, authorizes the Board to issue bonds and notes, payable from all or any part of its Interest in the Available University Fund for the purpose of (a) acquiring land with or without permanent improvements, (b) constructing and equipping buildings or other permanent improvements, (c) making major repairs and rehabilitations of buildings and other permanent improvements, (d) acquiring capital equipment, library books and library materials, and (e) refunding bonds or notes issued under said section or prior law at or for System administration and the component institutions of the System. The pledge and security created and granted in the Resolution is accomplished pursuant to the Constitutional Provision.

The Constitutional Provision limits the aggregate amount of bonds and notes (which are payable from the Board's share of the Available University Fund) that may be issued by the Board to amounts not exceeding, at the time of issuance, 20% of the cost value of investments and other assets of the Permanent University Fund, exclusive of real estate. As of December 31, 1987, the cost value of the Permanent University Fund, exclusive of real estate, was \$2,980,455,890. Accordingly, as of this date, after the issuance of the additional \$25,000,000 of Notes, the Board will be authorized to issue an additional \$143,671,178 of bonds or notes payable from its Interest in the Available University Fund. For the purpose of making these calculations, "cost value" and "book value" are treated as equivalent terms.

Future Financings

The Constitutional Provision provides that, except for cases of demonstrated need and upon a vote of two-thirds of each house of the Texas Legislature, and except in cases of fire or natural disaster, member institutions of the System may not receive any funds from the general revenues of the State for acquiring land, with or without improvements, for constructing or equipping buildings or other permanent improvements, or for major repairs or rehabilitations of buildings or other permanent improvements. Accordingly, the needs of the System for capital funds through the issuance of bonds or notes are on-going. The Board also has authorized the issuance of \$100,000,000 of Fund Priority Obligations, the proceeds of which would be used to refund \$100,000,000 of outstanding Notes. The Board also expects to issue Notes of approximately \$95,000,000 to fund various capital projects during the remainder of 1988 and 1989. The Board reserves the right to issue Fund Priority Obligations and Notes over and above these amounts should it elect to do so.

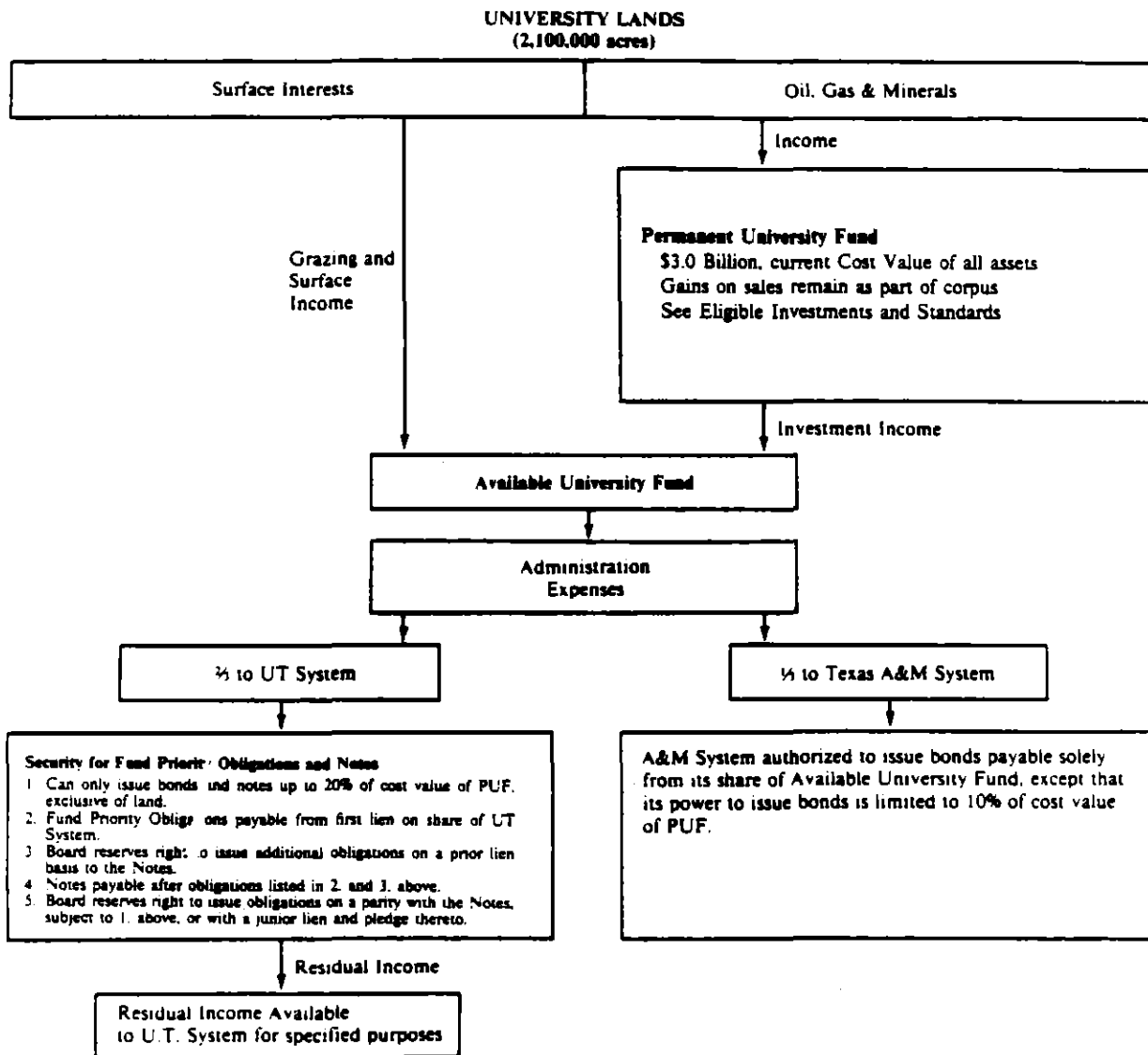
Residual Funds After Payment of Bonds

After the payment of annual debt service on the Fund Priority Obligations and after payment of the Notes and any other Permanent University Fund subordinate lien obligations, constitutional provisions appropriate the remaining amount attributable to the Interest of the University in the Available University Fund as follows: (a) first, the sum of \$6,000,000 annually, for ten years commencing November 1, 1984, to Prairie View A&M University, and (b) the balance to the Board for the support and maintenance of The University of Texas at Austin and for the administration of the System.

PERMANENT UNIVERSITY FUND

Introduction

The Permanent University Fund is a constitutional fund, created in the Texas Constitution of 1876. The assets and earnings of the Permanent University Fund are dedicated to the uses and purposes of The University of Texas System and The Texas A&M University System. See "Security for the Bonds — Available University Fund." A graphic summary and analysis of the relationship among the Permanent University Fund, the Available University Fund, the System and The Texas A&M University System follows. Said summary and analysis is qualified in its entirety by reference to the full text of this Official Statement and to the documents, laws and constitutional provisions referred to herein.



As interpreted by the Texas Supreme Court and by the Attorney General of Texas, the Permanent University Fund must be forever kept intact, and the proceeds from oil, gas, sulphur and water

royalties, together with all gains on investments, all rentals on mineral leases, all lease bonuses and all amounts received from the sale of land must be added to the corpus of such Fund.

Table III contains a statement of the annual growth in the Permanent University Fund (additions from income and gains required to become a part of the corpus) through fiscal year 1987.

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

<u>Fiscal Year Ending August 31</u>	<u>Oil, Gas & Sulphur Royalties</u>	<u>Mineral Lease Bonuses</u>	<u>Other Sources (1)</u>	<u>Total Additions</u>
Prior to September 1, 1975.....	\$ 481,887	\$247,253	\$ 52,632	\$ 781,772
1976.....	70,123	15,379	(12,676)	72,826
1977.....	76,598	13,862	1,012	91,472
1978.....	76,845	18,573	1,832	97,250
1979.....	76,637	10,818	3,043	90,498
1980.....	119,356	253	3,041	122,650
1981.....	160,285	98,282	4,316	262,883
1982.....	178,286	20,221	7,886	206,393
1983.....	154,702	742	21,431	176,875
1984.....	145,186	7,254	27,462	179,902
1985.....	135,422	244	98,687	234,353
1986.....	109,510	6,172	172,970	288,652
1987.....	73,148	6,985	233,881	314,014
Totals.....	\$1,857,985	\$446,038	\$615,517	\$2,919,540

(1) Includes net realized gains (losses) on sale of Fund securities.

Assets

The Permanent University Fund is a public endowment contributing to the support of institutions of The University of Texas System and the Texas A&M University System. The Constitution of 1876 established the Fund through the appropriation of land grants previously given to The University of Texas plus one million acres. The land grants to the Fund were completed in 1883 with the contribution of another one million acres. Today the Fund contains 2,109,109.87 acres located in 19 West Texas counties.

Table IV lists, as of December 31, 1987, the distribution and book value of the assets of the Permanent University Fund, with land being carried at nominal value.

TABLE IV
ASSETS OF THE PERMANENT UNIVERSITY FUND
 (As of December 31, 1987)

	<u>Book Value</u>
Cash (Interest Bearing).....	\$ 44,669,955
Commercial Paper.....	476,000,000
U.S. Treasury and Agency Securities.....	842,707,485
FHA Real Estate Mortgages.....	4,014,369
Corporate Bonds.....	676,948,123
Common Stocks.....	928,436,013
Convertible Preferred Stock.....	1,777,364
Preferred Stock.....	5,902,581
Land.....	10,027,384
Total.....	\$2,990,483,274

Investment Responsibility

The fiduciary responsibility for managing and investing the Permanent University Fund is constitutionally assigned to the Board. The Board currently employs an investment and administrative staff as well as unaffiliated investment managers in optimizing investment performance while complying with legal limitations and policy guidelines. The Board for Lease of University Lands, composed of representatives of the System, The Texas A&M University System and the State Land Commissioner, is responsible for the approval of oil, gas and other mineral leases.

The Board additionally appoints an Investment Advisory Committee of six citizen members whose particular qualifications and experience qualify them, in the opinion of the Board, to advise the Board and the Administration of the System with respect to investment policy, planning and performance evaluations.

The principal administrative officer responsible for the management of the Permanent University Fund is the Executive Vice Chancellor for Asset Management. He is supported by a staff of more than 100 employees, consisting of securities analysts, accountants, geologists and other personnel. His duties and powers include the power to make and execute daily investment decisions consistent with legal limitations and policy guidelines.

The Texas Education Code additionally requires the Board to employ a well recognized performance measurement service to evaluate and analyze the investment results of the Permanent University Fund with other public and private funds having similar objectives.

Eligible Investments and Standards

Under current provisions of the Texas Constitution, the Board is authorized to invest the Permanent University Fund in securities, bonds or other obligations issued, insured or guaranteed in any manner by the United States Government or any of its agencies, and in such bonds, debentures or obligations, and preferred and common stocks issued by corporations, associations or other institutions as the Board deems to be proper investments; provided, however, that no more than one percent of the cost value of the Permanent University Fund, at the time of purchase, may be invested in the securities of any one corporation, nor shall more than five percent of the voting stock of any one corporation be owned; provided, further, that stocks eligible for purchase shall be restricted to stocks of companies incorporated within the United States which have paid dividends for five consecutive years or longer immediately prior to the date of purchase and which, except for bank stocks and insurance stocks, are listed upon an exchange registered with the Securities and Exchange Commission or its successors.

In addition to constitutional restrictions, Board investment policies provide that (a) corporate bonds and preferred stocks must be rated "Baa," "BBB," or higher, or if not rated, must in the opinion of the Board's investment staff be of at least equal quality to such ratings; and (b) commercial paper must be rated in the top two quality classes by Moody's Investors Service or Standard & Poor's Corporation.

The Resolution requires the Board to maintain and invest and keep invested the Permanent University Fund in a prudent manner and as required by law. In making each and all investments, the Texas Constitution requires the Board to exercise the judgment and care under the circumstances then prevailing which men of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital.

To the best knowledge and belief of the Board, the Board's investments, practices and policies are in full compliance with the requirements of the Texas Constitution and the Resolution.

During the second called session of the 70th Legislature, joint resolution HJR 5 was passed proposing, among other things, a constitutional amendment allowing the Board to use the "prudent person" investment rule as the sole investment standard in the management of the Fund.

The proposed amendment will be submitted to the voters at an election to be held November 8, 1988. In the event of passage of the amendment, the Board will review and consider revision of its Fund investment policies to incorporate the adoption of the expanded investment authority provided by the amendment. In so doing, however, the Board will continue to maintain as a primary investment objective the generation of more than sufficient income to service interest and principal payments of Fund Priority Obligations and Notes heretofore issued and which may be hereafter issued, as well as to provide a dependable and growing stream of income for the support and maintenance of The University of Texas at Austin and The University of Texas System administration.

Financial Information

Beginning with the fiscal year ended August 31, 1987, the State of Texas will issue audited financial statements, prepared in accordance with generally accepted accounting principles, for the state government as a whole. The statements will be prepared by the Comptroller of Public Accounts and will be audited by the State Auditor's Office. The State Auditor will express an opinion on the financial statements of the State of Texas but will not express an opinion on the financial statements of individual component units including those of The University of Texas System.

The scope of the State Auditor's audit will include tests for compliance with the covenants of general obligation and revenue bond issues of the state or its component agencies and institutions. In addition, supplementary schedules will be included in the state financial statements, providing for each bond issue, information related to pledged revenues and expenditures, coverage of debt service requirements, restricted account balances and/or other relevant information which may feasibly be incorporated. The State Auditor will express an opinion on such schedules in relation to the basic financial statements taken as a whole. Any material compliance exceptions related to bond covenants will be disclosed in the notes to the financial statements and all compliance exceptions related to bond covenants will be addressed in the overall management letter for the state audit.

THE AGREEMENT AND REVOLVING NOTE

The Resolution authorizes the execution of the "Agreement", dated as of February 11, 1988, among the Board, Morgan Guaranty Trust Company of New York (the "Bank"), whereunder the Bank agrees to lend the Board from time to time amounts up to, but not to exceed the "Bank Loan Commitment", such amounts are referred to in the Agreement as "Advances". The Bank Loan Commitment initially shall be \$134,500,000.

Advances made under the Agreement shall be made in such amount as may be requested by an Authorized Representative to refund amounts due or to come due under one or more Notes, including any amounts payable as a result of the exercise of any tender for purchase provision contained in the Notes.

The obligation of the Bank to make any Advance, when so requested by an Authorized Representative, is subject to receipt by the Agent or a "Notice of Advance" as required by the Agreement and to the satisfaction of the following further conditions:

- (a) At the time the Advance is made, the Board shall not have commenced a voluntary case or other proceeding seeking liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or any substantial part of its property, shall not have consented to any such relief or to the appointment of, or taking possession by, any such official in an involuntary case or other proceeding commenced against it, shall not have made a general assignment for the benefit of its creditors, shall not have declared a moratorium with respect to its debts, shall not have failed generally to pay its debts as they become due, and shall not have taken any action to authorize any of the foregoing;

(b) At the time the Advance is made, no involuntary case or other proceeding shall have been commenced against the Board seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official and no trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property shall have been appointed and.

(c) Immediately after such Advance is made the Board shall not have issued bonds and notes exceeding a total amount of twenty percent (20%) of the cost value of investments and other assets (exclusive of real estate) of the Permanent University Fund.

In addition, the Bank shall have no obligation to make an Advance to the Board to pay the principal of or any interest on any Notes which were issued by the Board after receipt by the Paying Agent, the Dealer, and an Authorized Representative of a "Notice of Default" under the Agreement.

The Agreement sets forth the procedures by which the Bank shall transmit funds to the Paying Agent for the account of the holders of the Notes.

The obligation of the Board to repay the Bank the principal of, and all other amounts payable in respect of, the Advances shall be evidenced by a single revolving note (the "Revolving Note"), payable to the order of the Bank. Pursuant to the terms of the Resolution, the payment of the Revolving Note is secured by the Board in the same manner and on a parity with the Notes.

ABSENCE OF LITIGATION

The Board is not a party to any litigation or other proceeding pending or, to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the Board, would have a material adverse effect on the financial condition of the Board, the Permanent University Fund or the Interest of the University of Texas System in the Available University Fund, and no litigation of any nature has been filed, or to the Board's knowledge, threatened which seeks to restrain or enjoin the issuance or delivery of the Notes or which would affect the provisions made for their payment or security, or in any manner questioning the validity of the Notes.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the unqualified approval of the Attorney General of the State of Texas and of McCall, Parkhurst & Horton, whose approving opinion will be printed on the Bonds. Bond Counsel was not requested to participate, and did not take part, in the preparation of this Official Statement except as hereinafter noted, and such firm has not assumed any responsibility with respect thereto or undertaken to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information relating to the Notes and the Resolution contained under the captions "THE NOTES," "SECURITY FOR THE NOTES" (except for information contained under the subheading "Income, Debt Service Requirements and Coverage," "Constitutional Debt Powers, Debt Limitations" and "Future Financings"), "TAX EXEMPTION" and "LEGAL INVESTMENTS IN TEXAS" in this Official Statement, and such firm is of the opinion that the information relating to the Notes and the Resolution contained under such captions is a fair and accurate summary of the information purported to be shown. The payment of legal fees to Bond Counsel in connection with the issuance of the Notes is contingent on the sale and delivery of the Notes.

TAX EXEMPTION

In the opinion of McCall, Parkhurst & Horton, Dallas, Texas, Bond Counsel, under existing statutes, regulations, published rulings and court decisions, interest on the Notes is excludable from the gross income of the owners of the Notes for federal income tax purposes. In expressing their opinion that interest on the Notes is excludable from the gross income of the owners of the Notes, Bond Counsel will rely on the Board's no-arbitrage certificate and will assume compliance by the Board with certain covenants of the Board with respect to the use and investment of the proceeds of the Notes. Failure by the Board to comply with these covenants may cause the interest on the Notes to become includable in gross income retroactively to the date of issuance of the Notes.

Interest on the Notes will be includable as an adjustment for book income or adjusted earnings and profits to calculate alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Internal Revenue Code of 1986 (the "Code"), and for purposes of the environmental tax imposed on corporations by 59A of the Code. In addition, certain foreign corporations doing business in the United States may be subject to the new "branch profits tax" on their effectively-connected earnings and profits including tax-exempt interest such as interest on the Notes. Furthermore, in the case of a Subchapter S corporation, interest on the Notes is treated as "passive investment income" which is subject to the tax imposed by section 1375 of the Code.

The Code includes as an individual and corporate alternative minimum tax preference item, the interest on certain "private activity bonds" issued after August 7, 1986. In the opinion of Bond Counsel, the interest on the Notes is not an alternative minimum tax preference item.

Except as stated above with respect to the exclusion of the interest on the Notes from gross income, Bond Counsel expresses no opinion as to any other federal income tax consequences of acquiring, carrying, owning or disposing of the Notes.

The law upon which Bond Counsel have based their opinion is subject to change by the Congress and the Department of the Treasury and to subsequent judicial and administrative interpretation. There can be no assurance that such law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of ownership of the Notes.

Prospective purchasers of the Notes should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers falling within any of these categories should consult their own tax advisors as to the applicability of these consequences.

LEGAL INVESTMENTS IN TEXAS

The Notes are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees, and for the sinking fund of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas. The Notes are eligible to secure deposits of public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the Board has been made of the laws in other states to determine whether the Notes are legal investments for various institutions in those states.

RATINGS

Rating applications have been made to Standard & Poor's Corporation and to Moody's Investors Service for ratings on the Notes. An explanation of the significance of each such rating may be obtained from the company furnishing such rating. The ratings reflect only the views of such

organizations at the time such ratings were given, and the Board makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of such rating companies, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Notes.

OTHER MATTERS

The financial data and other information contained herein have been obtained from the Board's records, financial statements and other sources which are believed to be reliable. All of the summaries of the statutes and documents contained in this Official Statement are made subject to all of the provisions of such statutes and documents. The summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

/s/ MICHAEL E. PATRICK

Michael E. Patrick,

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

APPENDIX A

THE UNIVERSITY OF TEXAS SYSTEM

History, Administration, Sources of Funding

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

The Board consists of nine regents who serve without pay. Members are appointed to staggered six-year terms. Administration of the University conforms to that of leading American universities. The System is headquartered in Austin, Texas, and is supported by State appropriations, private gifts and endowments, Federal appropriations and grants, student tuitions and fees, its Interest in the Available University Fund, and miscellaneous sources. The percentage division of these fund sources for the fiscal year ended August 31, 1987 is as follows:

State Appropriations	39.7%
Federal Funds	14.0
Sales and Service of Hospitals	18.3
Private Gifts	6.6
Student Tuition and Fees	6.0
Sales and Services of Auxiliary Enterprises	5.4
Endowment Income (Including Allocations from Available University Fund)	4.5
Sales and Service of Education Activities and Other	5.5
Total	<u>100.0%</u>

Institutional Enrollment

The 1987 fall student enrollments at the teaching institutions of the System are as shown below:

U.T. Arlington	22,760
U.T. Austin	47,743
U.T. Dallas	7,735
U.T. El Paso	14,056
U.T. Permian Basin	1,954
U.T. San Antonio	12,879
U.T. Tyler	3,681
U.T. Health Science Center at Dallas	1,415
U.T. Medical Branch at Galveston	1,619
U.T. Health Science Center at Houston	2,667
U.T. Health Science Center at San Antonio	2,177
Total	<u>118,752</u>

Discussion of General Academic Institutions

The University of Texas at Arlington, which has the fifth largest university enrollment in the State of Texas, is located in Arlington, between Dallas and Fort Worth. Serving both a resident and commuter student body, the institution offers 120 degree programs at the baccalaureate, master and doctoral levels. Degree programs are offered through the Colleges of Liberal Arts, Science, Engineering, and Business Administration; Graduate School of Social Work; Institute of Urban Studies, which is a

statutory unit: School of Architecture and Environmental Design; School of Nursing; and Center for Professional Teacher Education.

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

The University of Texas at Dallas was established in 1969 as an upper-level institution and offers curricula leading to more than 85 degrees at the baccalaureate, master and doctoral levels. The University has a strong faculty that consistently ranks among the top three in the State among academic institutions in the amount of research dollars generated per full-time equivalent faculty. The Callier Center for Communication Disorders located near downtown Dallas, is a nationally recognized center for research and rehabilitation in speech and hearing disorders.

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

The University of Texas of the Permian Basin in Odessa opened for classes in September 1973. U.T. Permian Basin admits only upper-level students, and offers baccalaureate degrees in 27 fields and master's degrees in 9 fields. Innovative classroom and laboratory techniques are emphasized, especially self-paced instruction, experimental learning and open laboratory and art areas.

The University of Texas at San Antonio was authorized by the Texas Legislature in 1969. The University is comprised of four Colleges: Business, Fine Arts and Humanities, Social and Behavioral Sciences and Engineering. U.T. San Antonio offers 36 baccalaureate degrees and 19 master's degrees.

The University of Texas at Tyler became a part of the System in 1979 by action of the Texas Legislature. Created in 1971 at Tyler State College, the institution became Texas Eastern University in 1976. The upper-division (junior and senior) and graduate institution is located in the heart of East Texas midway between Dallas and Shreveport. The four schools within the University organization are: Business Administration, Education and Psychology, Liberal Arts and Sciences and Mathematics. Current degree programs include 45 bachelor degrees and 23 master's degrees.

The University of Texas Institute of Texan Cultures at San Antonio, founded as a world's fair exhibit for HemisFair '68, has grown into a statewide resource and information center concerned with the people and history of Texas. Visitors numbered nearly 400,000 last year. The Institute is the learning and communication center for the history, culture and folklore of Texas. The exhibit floor containing displays, artifacts, historic photographs and vignettes on Texas history has been expanded to a teaching laboratory with trained volunteers and staff members providing living history demonstrations of folk customs and crafts. The production staff serves museums across the state design, photography and exhibit fabrication.

Health Related Institutions

The University of Texas Health Science Center at Dallas was established in the fall of 1972 as a component institution consisting of the existing Southwestern Medical School, the Southwestern

Graduate School of Biomedical Sciences and the School of Allied Health Sciences. Southwestern Medical School was founded as Southwestern Medical College in 1943 by the Southwestern Medical Foundation and was added to the System in 1949. With more than 1,000 research projects totaling \$50 million a year the Southwestern Medical School has been rated as one of the top 15 Medical Schools in the nation. Southwestern Medical School now graduates approximately 200 physicians each year while the Graduate School of Biomedical Sciences and the School of Allied Health Sciences graduate a total of more than 150 health scientists and professionals.

The University of Texas Medical Branch at Galveston is an internationally recognized health science center providing diverse programs of biomedical education, research, and patient care. The Medical Branch includes the oldest medical school in Texas, founded in 1891. UTMB consists of the School of Nursing, School of Allied Health Sciences, Graduate School of Biomedical Sciences, Marine Biomedical Institute and Institute for the Medical Humanities. The Medical Branch employs approximately 8,000 people, making it the largest single employer in Galveston County.

The University of Texas Health Science Center at Houston, the largest of the health science universities in the U.T. System, consists of eight components, six of which are schools — the Dental Branch (established in 1905 as the Texas Dental College); the Graduate School of Biomedical Sciences (1963); the School of Public Health in Texas (1967); the Medical School (1970); the School of Nursing (1972); and the School of Allied Health Sciences (1973). The Division of Continuing Education and the Speech and Hearing Institute complete the eight components. With its 717 full-time faculty and approximately 2,700 students in eight teaching and research buildings, the Houston Health Science Center also is the largest institutional member of the Texas Medical Center.

The University of Texas Health Science Center at San Antonio was established in the fall of 1972. The operational units of the Health Science Center include schools of Medicine, Dentistry, Nursing Allied Health Sciences and the Graduate Biomedical Sciences. The campus occupies 100 acres within the South Texas Medical Center in Northwest San Antonio. The Health Science Center has earned a reputation as a first class research institution and is actively involved in its role as an educator of health professionals.

The University of Texas System Cancer Center is the official State agency for the care of Texans with cancer, for training and research in cancer, and for activities related to prevention of that disease. With M. D. Anderson Hospital and Tumor Institute at Houston as its hub, the Cancer Center also includes a Rehabilitation Center for recovering cancer patients, the Anderson Mayfair patient and family hotel and the U.T. Science Park in Bastrop County. Since the hospital opened in 1944 more than 220,000 persons with cancer have been treated there. At least 19,500 health professionals and scientists have received training at M. D. Anderson Hospital. The basic and clinical research program includes almost 500 different projects supported by more than \$65 million in grants, contracts and other funds.

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

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APPENDIX B

FINANCIAL INFORMATION REGARDING THE SYSTEM

- (1) Condensed Statement of Assets and Net Worth**
- (2) Current Revenues, Expenditures and Mandatory Transfers**
- (3) Indebtedness Not Payable from Available University Fund**

APPENDIX B (1)

THE UNIVERSITY OF TEXAS SYSTEM
 CONDENSED STATEMENT OF ASSETS AND NET WORTH (1)

	Fiscal Year Ended August 31.				
	1983	1984	1985	1986	1987 (2)
ASSETS:					
Current Funds					
General	\$ 227,027,921	\$ 247,981,349	\$ 342,135,901	\$ 385,044,412	\$ 391,440,225
Designated	268,112,875	256,443,462	288,045,846	362,498,872	386,353,750
Auxiliary Enterprise and Activity	54,366,358	69,045,826	67,661,072	67,539,561	76,935,553
Restricted	254,457,856	295,377,193	334,433,976	384,477,065	448,371,257
Total Current Funds	803,985,010	870,847,830	1,032,276,795	1,199,559,910	1,305,000,785
Loan Funds					
.....	44,900,251	49,506,865	53,482,648	58,199,565	63,643,064
Endowment and Similar Funds:					
State (Permanent University Fund)	1,912,646,657	2,092,548,880	2,326,902,088	2,615,553,884	2,929,567,882
Other than State	245,694,952	319,456,771	381,433,462	476,376,623	546,486,695
Total Endowment and Similar Funds	2,158,341,609	2,412,005,651	2,708,335,550	3,091,930,507	3,476,054,577
Annuity and Life Income Funds					
.....	4,386,988	4,226,482	4,427,271	4,745,766	4,961,928
Available University Fund					
.....	59,206,856	72,965,475	69,866,535	61,806,739	74,904,171
Plant Funds					
Unexpended	267,487,890	297,931,609	248,595,573	311,322,021	232,469,510
Renewals and Replacements	7,120,412	7,709,931	10,435,057	11,730,184	12,471,589
Fund for Retirement of Indebtedness	95,856,259	110,710,094	111,867,596	45,872,852	43,525,970
Invested in Plant	2,294,183,734	2,507,801,796	2,749,592,679	3,032,884,582	3,262,746,361
Total Plant Funds	2,664,648,295	2,924,153,430	3,120,490,905	3,401,809,639	3,551,213,450
Agency Funds					
.....	37,333,713	44,697,696	46,401,399	47,725,209	48,039,959
Deduct: Interfund Group Accounts					
.....	(68,935,844)	(82,075,062)	(65,221,084)	(65,156,078)	(57,261,046)
Grand Total Assets					
.....	5,703,866,878	6,296,328,367	6,970,060,019	7,900,621,257	8,466,556,888
Less: Total Liabilities (not including orders and contracts)					
.....	(825,706,649)	(971,939,797)	(1,034,768,557)	(1,081,132,608)	(1,153,932,142)
FUND BALANCES (i.e., Net Worth)	\$4,878,160,229	\$5,324,388,570	\$ 5,935,291,462	\$ 6,719,488,649	\$ 7,312,624,746

- (1) The University of Texas System uses the modified accrual method of accounting prescribed for Colleges and Universities as set forth in College and University Business Administration, Fourth Edition, 1982.
- (2) Prepared by the Office of Comptroller of the System from audited financial statements with the exception of 1987 which are preliminary and unaudited.

APPENDIX B(2)

THE UNIVERSITY OF TEXAS SYSTEM
 CURRENT REVENUES, EXPENDITURES AND MANDATORY TRANSFERS (1)

Fiscal Year Ended August 31.

	1983	1984	1985	1986	1987 (2)
CURRENT REVENUES:					
Tuition and Fees	\$ 61,934,707	\$ 64,924,284	\$ 68,739,972	\$ 119,615,343	\$ 130,850,558
Federal Funds	179,785,974	188,382,504	217,238,697	248,903,913	273,055,105
State Appropriations	921,708,827	943,976,556	1,022,981,019	964,910,274	958,511,124
Private Gifts	80,689,465	90,114,683	95,086,926	117,807,279	125,763,568
Endowment Income (includes transfers from Available University Fund)	52,391,655	58,935,903	67,346,232	97,779,855	96,443,086
Sales and Services of Auxiliary Enterprises	92,082,396	102,697,168	115,765,775	115,988,799	117,549,282
Sales and Services of Hospitals and Clinics: Professional Fees	278,501,338	285,632,549	313,447,998	334,702,775	397,036,267
Sales and Services of Educational Departments and Other Services	74,960,624	89,629,200	98,851,925	103,507,065	103,971,086
Total Current Revenues	1,742,054,986	1,824,292,847	1,999,458,544	2,093,115,303	2,103,754,376
CURRENT EXPENDITURES AND MANDATORY TRANSFERS:					
Educational and General	1,498,598,949	1,625,843,582	1,729,620,907	1,870,394,013	1,932,785,987
Auxiliary Enterprises	104,758,914	116,490,743	128,544,283	134,875,390	134,257,610
Mandatory Transfers	38,760,677	54,047,509	49,803,013	42,190,473	35,430,467
Total Current Expenditures and Mandatory Transfers	1,642,118,540	1,796,381,834	1,907,968,203	2,047,459,876	2,102,474,064
EXCESS REVENUES OVER EXPENDITURES AND MANDATORY TRANSFERS	\$ 99,936,446	\$ 27,911,013	\$ 91,490,341	\$ 45,655,427	\$ 1,310,312

- (1) The University of Texas System uses the modified accrual method of accounting prescribed for Colleges and Universities as set forth in College and University Business Administration, Fourth Edition, 1982.
- (2) Prepared by the Office of Comptroller of the System from audited financial statements with the exception of 1987 which are preliminary and unaudited.

APPENDIX B(3)

THE UNIVERSITY OF TEXAS SYSTEM
 OTHER INDEBTEDNESS

	<u>Original Amount Issued</u>	<u>August 31, 1987 Outstanding</u>
The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986(1)	\$ 36,410,000	\$ 35,555,000
Travis County Research and Development Authority Multi-Modal Interchangeable Rate Revenue Bonds, (The University of Texas at Austin Montopolis Research Center Project), Series 1988(1)	38,000,000	-0-
The University of Texas System General Tuition Revenue Refunding Bonds, Series 1986(2)	85,365,000	82,205,000
The University of Texas System General Revenue Refunding Bonds, Series 1986(2)	222,040,000	215,860,000
The University of Texas System General Revenue Subordinate Lien Notes, Series 1987A(2)	1,025,000	1,025,000
M. D. Anderson Hospital and Tumor Institute at Houston Endowment and Hospital Revenue Bonds, Series 1972 and 1976(2)	18,500,000	11,275,000
Hospital Revenue Bonds, Subordinate Lien, Series 1976(2)	4,770,000	3,540,000

(1) Payable from Available University Fund on a junior and subordinate basis to Fund Priority Obligations, the Notes and additional parity Notes.

(2) Not payable from Available University Fund.

OFFICIAL NOTICE OF SALE

\$25,000,000
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
PERMANENT UNIVERSITY FUND
VARIABLE RATE NOTES
SERIES A

The Sale

Notes Offered for Sale at Competitive Bidding: The Board of Regents of The University of Texas System (the "Board") is offering for sale its \$25,000,000 Board of Regents of The University of Texas System Permanent University Fund Variable Rate Notes, Series A (the "Notes"). The Notes will be delivered initially to the successful bidder (the "Purchaser") as a single fully registered note (the "Initial Note"), without interest coupons, payable to the initial registered owner thereof, to be named by the successful bidder, exchangeable as set forth below. Upon written request by the Purchaser, delivered to the registrar not later than the close of business on the day the Purchaser's bid is accepted, the Initial Note will be exchanged by the registrar on the date of delivery for Notes registered in accordance with instructions contained in such request, in minimum denominations of \$100,000 or in greater amounts in any integral multiple of \$1,000, bearing interest for the initial interest period on the Notes in accordance with the Purchaser's bid, all in accordance with the resolution authorizing the Notes.

Address of Bids: Sealed bids, plainly marked "BID FOR VARIABLE RATE NOTES," should be addressed and delivered to the "Board of Regents of The University of Texas System, c/o Mr. Thomas G. Ricks, Manager of Special Investments and Financing, The University of Texas System, 210 W. 6th Street, Austin, Texas 78701" prior to __:00 .m., C.S.T., on _____, 1988. All bids must be submitted on the Official Bid Form, without alteration or interlineation.

Place and Time of Bid Opening and Award: Representatives of the Board will open and publicly read the bids for the purchase of the Notes in the office of Mr. Thomas G. Ricks, Manager of Special Investments and Financing, The University of Texas System, 210 W. 6th Street, Austin, Texas at __:00 .m., C.S.T., on _____, 1988, and will award the Notes (or reject all bids) by __:15 .m., C.S.T., on such date.

The Notes

Description: The Initial Note will be dated as of the date of initial delivery of the Notes to the Purchaser. The Notes will bear interest at the rate of interest named by the Purchaser from the date of initial delivery of the Notes until _____, 1988 (the "Mandatory Tender Date"). ON THE MANDATORY TENDER DATE, THE NOTES ARE SUBJECT TO MANDATORY TENDER FOR PURCHASE, WITHOUT RIGHT OF RETENTION BY THE REGISTERED OWNER THEREOF, AT A PURCHASE PRICE EQUAL TO THE PRINCIPAL AMOUNT THEREOF PLUS ACCRUED INTEREST FROM THE DATE OF INITIAL DELIVERY THEREOF. Thereafter, the Notes will bear interest at a variable rate, set in the manner described in the Official Statement for the Notes. Reference is hereby made to the Official Statement, which describes in greater detail the terms of the Notes, including their maturity and payment and the security therefor.

Remarketing Agent: Goldman, Sachs & Co. has been appointed by the Board to serve as remarketing agent for the Notes. Pursuant to its Remarketing Agreement with the Board, the Remarketing Agent is obligated to purchase all of the Notes on the Mandatory Tender Date.

Paying Agent/Registrar: Morgan Guaranty Trust Company, New York, New York, has been appointed by the Board to serve at the Board's discretion as paying agent and registrar for the Notes.

Conditions of the Sale

Types of Bids and Interest Rates: The Notes will be sold in one block on an "all or none" basis, and at a price of not less than par value. Bidders are invited to name the rate of interest to be borne by the Notes for the first interest period on the Notes, which shall be from the date of initial delivery thereof until the Mandatory Tender Date, provided that each bid must name only one rate of interest for all Notes and such interest rate must not exceed 15%.

Basis for Award: Subject to the right of the authorized representatives of the Board to reject any or all bids and to waive any irregularities, the Notes will be awarded to the bidder whose bid produces the lowest net effective interest cost on the Notes for the initial interest period. In the event that two or more bidders submit an identical lowest bid the Purchaser will be selected by lot from among all such bidders.

Delivery of the Notes and Accompanying Documents

Printed Notes and CUSIP Numbers: The Initial Note will be delivered to the Purchaser in typed or printed form. It is anticipated that CUSIP identification numbers will be printed on the Notes, but neither the failure to print such number on any of the Notes nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Notes in accordance with the terms of this Official Notice of Sale and the Official Bid Form. All expenses in relation to the printing of CUSIP numbers on the Notes, including the CUSIP Service Bureau charge for the assignment of the numbers, shall be paid by the Board.

Delivery: Delivery will be accomplished by the issuance and delivery of the Initial Note, signed manually or in facsimile by the Chairman and the Executive Secretary of the Board, together with evidence of the approval of the Notes by the Attorney General of the State of Texas, and registration by the Comptroller of Public Accounts of the State of Texas. Delivery of the Notes will be at the corporate trust office of the registrar. Payment for the Notes must be made in immediately available funds for unconditional credit to the Board, or as otherwise directed by the Board. It is anticipated that delivery can be made on _____, 1988, and it is understood and agreed that the Purchaser will accept delivery and make payment for the Notes by 12:00 Noon, E.S.T. on _____, 1988, or thereafter on _____, 1988, if the Notes are tendered for delivery on such date. If for any reason the Board is unable to make delivery on or before _____, 1988, then both the Board and the Purchaser shall be relieved of any further obligation.

Certification: In order to provide the Board with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986 relating to the exclusion of interest on the Notes from the gross income of their owners, the underwriter will be required to complete, execute, and deliver to the Board from time to time a certification as to the interest rates and maturity dates of the Notes on the reoffering date(s) of the Notes in the form as shall be approved by Bond Counsel (hereinafter defined).

Conditions of Delivery: The obligation of the Purchaser to take up and pay for the Notes is subject to the Purchaser's receipt of (a) the legal opinion of McCall, Parkhurst & Horton, Dallas, Texas, Bond Counsel for the Board ("Bond Counsel"), (b) the certification of the Official Statement, and (c) the no-litigation certificate, all as further described below.

Legal Opinions: The Notes are offered when, as, and if issued, subject to the unqualified legal opinion of the Attorney General of the State of Texas, and of Bond Counsel (see "Legal Matters" in the Official Statement); the opinion of Bond Counsel will be printed on the Notes (excepting the Initial Notes).

Certification of Official Statement: The financial data and other information contained in the Official Statement have been obtained from the Board's records and other sources which are believed to be reliable. At the time of payment for and delivery of the Bonds, the Purchaser will be furnished a certificate, executed by the Executive Vice Chancellor for Asset Management, acting in his official capacity, to the effect that to the best of his knowledge and belief: (a) the Official Statement, dated _____, 1988, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of the sale of the Notes and the acceptance of the best bid therefor and on the date of the delivery, did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (b) there has been no material, adverse change in the financial condition of the Board from that reflected in the Board's unaudited and audited financial statements and other financial information contained in the Official Statement.

No-Litigation Certificate: The General Counsel of the System, acting in his official capacity, will execute and deliver to the Purchaser a certificate to the effect that no litigation of any nature has been filed or is then pending which would restrain or enjoin the issuance or delivery of the Notes or affect the provisions made for their payment or in any manner question the validity of said Notes.

Change in Tax Exempt Status: At any time before the Notes are tendered for delivery, the Purchaser may withdraw its bid if the interest received by private owners from notes of the same type and character shall be declared to be taxable income under federal income tax laws, either by ruling of the Internal Revenue Service or by a decision of any federal court, or shall be declared taxable or be required to be taken into account in computing any federal income taxes, by the terms of the federal income tax law enacted subsequent to the date of this Official Notice of Sale.

General

Remarketing Agent's Right to Bid: Goldman, Sachs & Co., the Remarketing Agent, reserves the right to bid on the Notes.

Blue Sky Laws: By submission of its bid, the Purchaser represents that the sale of the Notes in states other than Texas will be made only pursuant to exemptions from registration or, where necessary, the Purchaser will register the Notes in accordance with the securities law of the states in which the Notes are offered or sold. The Board agrees to cooperate with the Purchaser, at the Purchaser's written request and expense, in registering the Notes or obtaining an exemption from registration in any state where such action is necessary; provided, however, that the Board will not be required to execute a special or general consent to service of process or qualify to do business in connection with any such qualification in any jurisdiction.

Not an Offer to Sell: This Official Notice of Sale does not alone constitute an offer to sell the Notes, but is merely notice of the sale of the Notes. The offer to sell the Notes is being made by means of the Official Notice of Sale, the Official Bid Form and the Official Statement. Prospective purchasers are urged to examine carefully the Official Statement to determine the investment quality of the Notes.

Additional Copies of Notice, Bid Form and Statement: A limited number of additional copies of this Official Notice of Sale, the Official Bid Form and the Official Statement may be obtained from the Office of Asset Management, The University of Texas System, 210 West 6th Street, Austin, Texas 78701 or Goldman, Sachs & Co., Municipal Finance Department, 85 Broad Street, New York, New York 10004.

Executive Vice Chancellor for
Asset Management
The University of Texas System
210 West 6th Street
Austin, Texas 78701

_____, 1988

OFFICIAL BID FORM

Chairman and Members of the Board
of Regents of The University of
Texas System

_____, 1988

Gentlemen:

Reference is made to your Official Statement and Official Notice of Sale, dated _____, 1988, of The University of Texas System Permanent University Fund Variable Rate Notes, Series A (the "Notes"), both of which constitute a part hereof.

For your legally issued Notes, as described in said Official Notice of Sale and Official Statement, we will pay you par, plus a cash premium of \$_____, for Notes bearing interest at the rate of _____% from the date of initial delivery of the Notes until _____, 1988 (the "Mandatory Tender Date"). We understand that on the Mandatory Tender Date, the Notes are subject to mandatory tender for purchase, without right of retention by the registered owner, at a purchase price of par plus accrued interest from the date of initial delivery of the Notes.

The Initial Note shall be registered in the name of _____ . We will advise the Paying Agent/Registrar, on forms to be provided by the Paying Agent/Registrar, of our registration instructions by no later than the close of business on the date hereof.

We agree to accept delivery of and make payment for the Initial Note in immediately available funds at a place to be designated by an authorized representative of the Board no later than 12:00 Noon, E.S.T., on _____, 1988, or thereafter on _____, 1988, if the Initial Note is tendered for delivery on that date, pursuant to the terms set forth in the Official Notice of Sale.

Respectfully submitted,

By _____
Authorized Representative

ACCEPTED this ____ day of _____, 1988, by the undersigned authorized representative of The Board of Regents of The University of Texas System.

By _____
Authorized Representative
The University of Texas System

REMARKETING AGREEMENT

Remarketing Agreement, dated as of February 11, 1988, among the Board of Regents of the University of Texas System (the "Issuer"), Morgan Guaranty Trust Company of New York, as Paying Agent/Registrar (the "Paying Agent/Registrar") under the Resolution, adopted on February 11, 1988 (the "Resolution"), relating to \$125,000,000 aggregate principal amount of the Issuer's Permanent University Fund Variable Rate Notes, Series A (the "Securities") and Goldman, Sachs & Co., as Remarketing Agent (the "Agent").

1. Representations and Warranties. The Issuer represents and warrants to the Agent that:

(i) The Securities have been duly authorized, executed, authenticated, issued and delivered and constitute valid and binding obligations of the Issuer in accordance with their terms and are entitled to the benefits of the Resolution.

(ii) The Amended and Restated Credit Agreement dated as of February 11, 1988 between the Issuer and Morgan Guaranty Trust Company of New York, relating to the Securities has been duly authorized, executed and delivered and constitutes a valid and binding obligation of the Issuer in accordance with its terms is in full force and effect and will be in full force and effect at the time of any remarketing of Securities hereunder.

(iii) The Securities have been rated A-1+/AA+ and VMIG-1/AA by Standard & Poor's Corporation and Moody's Investors Services, respectively, at the date of their initial issuance.

(iv) The Issuer has furnished to the Agent for use in remarketing the Securities the Official Statement (the "Offering Document"), and the Offering Document is, and at the time of remarketing any Securities hereunder will be, accurate in all material respects and does not, and will not, omit to state a material fact necessary to make the statements therein not misleading.

(v) Since the date of the Issuer's most recent statement of financial condition, there has not occurred, and prior to any remarketing of Securities hereunder there will not have occurred, any material adverse change in the financial condition or general affairs of the Issuer.

2. Certain Agreements of the Issuer.

The Issuer agrees with the Agent that:

(i) The Issuer will immediately notify the Agent by telephone (which shall promptly be confirmed in writing) of: (A) any fact or occurrence as a result of which the Offering Document would be or become misleading or any representation or warranty of the Issuer would become false, (B) any material adverse change in the financial condition or general affairs of the Issuer or the Bank, (C) any reduction, or any suggestion by Standard & Poor's that it is considering a possible reduction, in the rating of the Securities below those set forth in Section 1(iii), (D) any adverse change, or threatened adverse change, in the Federal income tax treatment of holders of the Securities, (E) the need for an opinion of tax counsel as to the tax status of any of the Securities, (F) any substitution of a bank for the Bank under the Credit Agreement or replacement of the Paying Agent/Registrar under the Resolution, (G) any event of default under the Resolution or any event which, with notice or lapse of time or both, would constitute such an event of default and (H) any change in the dates for the redemption or purchase of the Securities;

(ii) The Issuer will, at its expense, furnish the Agent such number of copies of the Offering Document as the Agent may from time to time reasonably request. If any event occurs as a result of which the Offering Document, as then amended or supplemented, would include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Issuer will promptly amend or supplement the Offering Document to correct such statement or supply such omitted fact; provided, however, that no such amendment or supplement will be made prior to allowing the Agent a reasonable opportunity to review it. The Issuer will furnish the Agent such number of copies of the Offering Document, as so amended, or such supplement as the Agent may reasonably request; and

(iii) The Issuer will furnish the Agent copies of all reports and financial statements relating to the financial affairs and condition of the Issuer promptly after they are made available to the public by the Issuer and such additional information concerning the operations and financial condition of the Issuer as the Agent may from time to time reasonably request.

3. Remarketing

(a) The Issuer appoints the Agent as its exclusive agent for the remarketing of the Securities and, in reliance on the representations contained herein and subject to the terms hereof, the Agent agrees to use its best efforts to solicit offers to purchase, at a price of 100% of the principal amount thereof plus accrued interest, if any, the Securities which it has been advised by the Paying Agent/Registrar have been tendered by the holders thereof pursuant to the Resolution and to perform the other obligations of the Agent as set forth in the Resolution.

(b) In the event of (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange; (ii) a general moratorium on commercial banking activities in New York declared by either Federal or New York State authorities; (iii) the engagement by the United States in hostilities which have resulted in the declaration of a national emergency or war, if the effect of any such declaration in the Agent's judgment makes it impracticable or inadvisable to proceed with solicitation of offers to purchase the Securities; or (iv) the occurrence of any of the events contemplated by Section 2(i), whether the Agent learns thereof from the Issuer or otherwise, and so long as such situation continues to exist, the Agent shall have the right to suspend its efforts to solicit offers to purchase the Securities.

(c) As compensation for its services hereunder, the Issuer shall pay the Agent ongoing compensation in the form of a fee of 118% per annum in respect of the aggregate principal amount of the Securities outstanding from time to time. Such fee shall be payable in arrears commencing April 1, 1988 and at the final maturity of the Securities or earlier termination of this Agreement. The Issuer also agrees to pay the reasonable out-of-pocket expenses of the Agent (including, without limitation, the fees and disbursements of its counsel and any costs incurred in connection with the preparation, reproduction and delivery of documents) incurred in connection with the performance of its obligations hereunder. In addition, with respect to the sale of \$25,000,000 of the Securities as described in the "Official Bid Form" attached to the Resolution, the Issuer shall pay the Agent an initial fee of \$15,000, payable upon the receipt by the Board of the proceeds of the sale of said \$25,000,000 of Securities.

4. The Agent.

(a) The Agent will be acting solely as the Issuer's agent in the re-sale of the Securities, and, other than as set forth herein, the Agent's responsibility is limited to the use of its best efforts to solicit offers to purchase the Securities.

(b) The Agent, in its individual capacity, either as principal or agent, may buy, sell, own, hold and deal in any of the Securities, and may join in any action which any holder of Securities may be entitled to take, with like effect as if it did not act in any capacity hereunder. The Agent, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Issuer and may act as depository, trustee or agent for any committee or body of holders of Securities or other obligations of the Issuer as freely as if it did not act in any capacity hereunder.

(c) The Agent shall incur no liability to the Issuer, the Paying Agent/Registrar or any other person for its actions as Agent pursuant to the terms of this Agreement except for its willful misconduct or gross negligence. In setting the interest rate(s) on the Securities, the Agent shall not be liable for any error made in good faith.

5. Intention of Parties. It is the express intention of the parties hereto that no purchase, sale or transfer of any Securities, as herein provided, or the setting of interest rates in respect thereof, shall constitute or be construed to be the extinguishment of any Security or the indebtedness represented thereby or the reissuance of any Security or the refunding of any indebtedness represented thereby.

6. Amendments.

(a) The Issuer agrees not to amend the Resolution insofar as it relates to this Agreement or the rights and duties of the Agent without the prior written consent of the Agent.

(b) This Agreement may not be amended except by a writing signed by each of the parties hereto.

7. Term. Unless previously terminated, this Agreement shall remain in full force and effect until payment in full of the Securities. The Issuer may terminate this Agreement at any time by giving at least five business days' prior written notice to the Agent and the Paying Agent/Registrar. The Agent may terminate this Agreement at

any time by giving at least ten business days' prior written notice to the Issuer and the Paying Agent/Registrar. The representations, warranties and agreements of the Issuer set forth herein shall remain in full force and effect regardless of any investigation (or any statement as to the results thereof) made by or on behalf of the Agent and shall survive the termination or expiration of this Agreement. The Issuer shall promptly pay to the Agent the compensation, in accordance with Section 3(c), accrued through the effective date of such termination.

8. Notices. Unless otherwise provided herein, all notices, certificates, requests or other communications hereunder shall be deemed given when delivered in writing by hand or sent by facsimile transmission, tested telex or registered mail, postage prepaid, addressed as follows:

If to the Issuer:

The University of Texas System
210 West 6th Street
Austin, Texas 78701
Attention: Tom Ricks
Facsimile Transmission Number: 512-499-4696

If to the Paying Agent/Registrar:

Morgan Guaranty Trust Company of New York
Corporate Trust Office
30 West Broadway, 14th Floor
New York, New York 10015
Attention: Pat Crooks
Facsimile Transmission Number: 212-693-0534

If to the Agent:

Goldman, Sachs & Co.
85 Broad Street, 26th Floor
New York, New York 10004
Attention: Municipal Note Desk
Facsimile Transmission Number: 212-902-1550

Each of the above parties may, by written notice given hereunder to the others, designate any further or different addresses to which, or means by which, subsequent notices, certificates, requests or other communications shall be sent.

9. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

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

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By _____
(Name of Officer)

(Title)

MORGAN GUARANTY TRUST
COMPANY OF NEW YORK

By _____
(Name of Officer)

(Title)

GOLDMAN, SACHS & CO.

(Goldman, Sachs & Co.)

SUPPLEMENTAL MATERIAL

SPECIAL ITEM

FEBRUARY 11, 1988

4. U. T. Board of Regents: Authorization to Enter into Lease and Other Financing Agreements Related to the SEMATECH Retrofit of the Data General Facility. --

RECOMMENDATION

The Office of the Chancellor recommends that the U. T. Board of Regents adopt the attached Resolution (Attachment A) relating to the issuance of the Travis County Research and Development Authority Multi Modal Interchangeable Rate Revenue Bonds (The University of Texas at Austin Semiconductor Manufacturing Laboratory Project), Series 1988,

1. Authorizing the execution and delivery of:
 - a. a Lease and Installment Sale Agreement (substantially in the form of Attachment B)
 - b. a Standby Bond Purchase Agreement (substantially in the form of Attachment C)
 - c. a Lease Agreement (substantially in the form of Attachment D)
 - d. a Funds Management Agreement (substantially in the form of Attachment E)
 - e. a Remarketing Agreement (substantially in the form of Attachment F)
 - f. a Purchase Contract (substantially in the form of Attachment G)
2. Approving:
 - a. an Indenture of Trust and Security Agreement (substantially in the form of Attachment H)
 - b. a Paying Agent/Registrar Agreement (substantially in the form of Attachment I)
 - c. an Official Statement (substantially in the form of Attachment J)
3. Approving the description of the Project to be financed (Attachment K)
4. Authorizing the Chairman of the Board, Executive Secretary of the Board, Authorized Representatives and other officers of the System and of U. T. Austin, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds and to effectuate the purposes of the Resolution.
5. Approving and adopting the report entitled "Chancellor's Report on the Benefits Expected to be Derived by the

University of Texas at Austin from SEMATECH and the Semiconductor Manufacturing Laboratory", as set forth in Attachment A.

BACKGROUND

On January 20, 1988, U. T. Austin, as authorized per Executive Committee Letter 88-13 purchased 94.36 acres of land and improvements known as the Data General site. Pursuant to the Lease and Installment Agreement (Attachment B), U. T. Austin will lease 35 acres of the site plus existing improvements (the "Premises") to the Travis County Research and Development Authority for a nominal amount. The lease will expire on the earlier of February 1, 1993 or the date of completion of a clean room to be constructed by the Authority (at the direction of the Board) with proceeds of a \$38 million bond issue. U. T. Austin, in turn, will purchase the clean room from the Authority on an installment basis for an amount equal to the principal and interest on the Bonds less any amounts the Authority receives from the State. The installment payments will be due at the times and in amounts sufficient to pay debt service payments on the Bonds and will be payable and secured by a fourth lien on the Available University Fund.

To enable same day remittance of the required installment payments, the State Treasury, per the Funds Management Agreement (Attachment E), will hold amounts pre-withdrawn from the Available University Fund in a separate account and wire the payments to the Trustee as directed.

Under the Lease Agreement (Attachment D), U. T. Austin concurrently will lease the Premises and the clean room to Sematech for a primary term of 10 years at a nominal rental. The lease will contain an option for Sematech to renew the lease for an additional ten year period at a rent equal to the lesser of a fair market rental or at the maximum amount that will not adversely affect the tax exempt status of the Bonds.

The Bonds will be authorized and issued by the Authority pursuant to an Indenture of Trust and Security Agreement (Attachment H) and will be secured first by amounts received by the Authority from the State of Texas and second, to the extent such amounts are insufficient from installment payments made by U. T. Austin. The Bonds will be issued in the form of Multi Modal Interchangeable Rate Bonds, payable at the end of 20 years, and will be purchased initially by J. P. Morgan Securities pursuant to the Purchase Contract (Attachment G) and the Official Statement (Attachment J)

The Bonds will be issued initially in a short term low interest rate mode in order to minimize debt service prior to the next biennium. At the option of the Board, the Bonds may be prepaid should the State appropriate sufficient funds for redemption, or be converted into fixed rate amortizing bonds should the State only appropriate annual debt service.

At any time prior to conversion to a fixed rate long term rate mode, holders of the Bonds will have the right to tender any Bond for purchase by the Board. Pursuant to the Remarketing Agreement (Attachment F), J. P. Morgan Securities will use its best efforts to remarket all tendered Bonds. In the event, however, of a failure to remarket, Morgan Guaranty Trust Company of New York will serve as a source of liquidity and purchase all Bonds not promptly remarketed under the Standby Purchase Agreement (Attachment B)

RESOLUTION
AUTHORIZING THE EXECUTION AND DELIVERY OF
A LEASE AND INSTALLMENT SALE AGREEMENT,
A STANDBY BOND PURCHASE AGREEMENT,
A LEASE AGREEMENT, A FUNDS MANAGEMENT AGREEMENT,
A REMARKETING AGREEMENT AND A PURCHASE CONTRACT
AND APPROVING AN INDENTURE OF TRUST AND SECURITY AGREEMENT,
AN OFFICIAL STATEMENT AND A PAYING AGENT/REGISTRAR AGREEMENT
RELATING TO THE ISSUANCE OF THE
TRAVIS COUNTY RESEARCH AND DEVELOPMENT AUTHORITY
MULTI-MODAL INTERCHANGEABLE RATE REVENUE BONDS
(THE UNIVERSITY OF TEXAS AT AUSTIN SEMICONDUCTOR
MANUFACTURING LABORATORY PROJECT) SERIES 1988

THE STATE OF TEXAS :
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM :

WHEREAS, the Board of Regents (the "Board of Regents") of The University of Texas System (the "System"), along with the State of Texas, Travis County, the City of Austin and numerous private organizations and business enterprises have cooperated to encourage SEMATECH, Inc., a not-for-profit corporation organized by the major U.S. companies engaged in the semiconductor manufacturing industry ("SEMATECH"), to locate its semiconductor manufacturing technology center in Austin, Texas; and

WHEREAS, the Chancellor has made a formal presentation to the Board of Regents, a copy of which is attached hereto, setting out the benefits to The University of Texas at Austin and to the System expected to be received from the Project (as hereinafter defined) and the cooperative undertakings by The University of Texas at Austin with SEMATECH; and

WHEREAS, the Board of Regents has recently acquired a 94.366-acre tract of land with certain improvements thereon located in southeast Travis County for the purpose of establishing the Montopolis Research Center as a part of The University of Texas at Austin campus; and

WHEREAS, the Board of Regents finds and determines that in order to promote research and development into semiconductor manufacturing technology and to promote economic development that it is necessary and advisable to enter into a Lease and Installment Sale Agreement dated February 1, 1988 (the "Lease and Installment Sale Agreement") with the Travis County Research and Development Authority (the "Authority") under which the Authority would lease a site within the Montopolis Research Center and issue its Multi-Modal Interchangeable Rate Revenue Bonds (The

University of Texas at Austin Semiconductor Manufacturing Laboratory Project) Series 1988 (the "Bonds") to purchase, construct, improve and recondition a project to be known as The University of Texas at Austin Semiconductor Manufacturing Laboratory (the "Project"), which the Authority would then convey to the Board of Regents for use as an educational research and development facility of The University of Texas at Austin and the Board of Regents would further agree to make installment sale payments to the Authority in the amounts and at the times sufficient to enable the Authority to pay the debt service on its Bonds, all in accordance with the authority of Article VII, Sections 10, 11, 11a, 15 and 18 of the Texas Constitution, as amended, and the provisions of the Texas Education Code, specifically Sections 55.11 and 65.39, as amended, and Article 5190.10, Vernon's Texas Civil Statutes; and

WHEREAS, the Authority will issue the Bonds and secure the Bonds under the terms of an Indenture of Trust and Security Agreement by and between the Authority and MTrust Corp, National Association, as Trustee thereunder (the "Indenture") which, in order to obtain the lowest interest rates possible on the Bonds, provides that the Bonds may be issued in or converted to certain interest rate modes which permit the owners of the Bonds to tender the Bonds for purchase on certain agreed dates; and

WHEREAS, in order to provide for the availability of funds to pay the purchase price of any of the Bonds which may be tendered by the owners thereof, the Board has determined to enter into a Standby Bond Purchase Agreement dated as of February 1, 1988 with Morgan Guaranty Trust Company of New York (the "Standby Bond Purchase Agreement") to provide liquidity support for the purchase of the Bonds; and

WHEREAS, the Board of Regents will lease the Project to SEMATECH pursuant to the provisions of a Lease Agreement by and between the Board of Regents and SEMATECH (the "Lease Agreement") for a term of ten years with an option to renew and extend the term of the lease for an additional ten-year period pursuant to which SEMATECH agrees to use the Project for the conduct of advanced research and development of semiconductor manufacturing techniques both through its member corporations and in cooperation with The University of Texas at Austin; and

WHEREAS, in accordance with its agreements with the Authority under the Lease and Installment Sale Agreement, the Board of Regents has agreed to enter into certain ancillary agreements and contracts relating to the Bonds including a Remarketing Agreement dated as of February 1, 1988 (the "Remarketing Agreement") by and between the Board of Regents and J.P. Morgan Securities Inc., a Funds

Management Agreement (the "Funds Management Agreement") by and between the Board of Regents and Ann W. Richards, Treasurer of the State of Texas, and a Purchase Contract among the Board of Regents, the Authority and J.P. Morgan Securities Inc., as Underwriter (the "Purchase Contract"); and

WHEREAS, in order to authorize the execution and delivery of, and to carry out and perform the obligations under, the aforementioned agreements and contracts, the Board must appoint certain authorized officers of the System to execute such documents and take such actions as are necessary and advisable to consummate the issuance, sale and delivery of the Bonds and to effect the purposes of such agreements and contracts.

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

Section 1. The Chancellor or any Executive Vice Chancellor of the System is hereby authorized and directed, for and on behalf of the Board of Regents, to execute and deliver the following documents in substantially the form and substance attached to this Resolution and made a part hereof for all purposes: (a) the Lease and Installment Sale Agreement; (b) the Standby Bond Purchase Agreement; (c) the Lease Agreement; (d) the Funds Management Agreement; (e) the Remarketing Agreement; and (f) the Purchase Contract.

Section 2. Upon execution of the agreements and contracts set forth in Section 1 hereof by the other parties thereto, such agreements and contracts shall be binding upon the Board of Regents in accordance with their terms and provisions.

Section 3. The Board of Regents hereby accepts and approves of the terms and provisions of the following documents in substantially the form and substance attached hereto and agrees to be bound by and to perform such obligations of the Board of Regents contained therein: (a) the Indenture; and (b) the Paying Agent/Registrar Agreement. The Board of Regents further approves and consents to the use of the information relating to the Permanent University Fund, The University of Texas at Austin and the System in the draft Official Statement relating to the Bonds attached hereto and the Executive Vice Chancellor for Asset Management is authorized to execute the Official Statement.

Section 4. The Project to be financed pursuant to the Lease and Installment Sale Agreement is described in Exhibit A to the Installment Sale and Lease Agreement, and such description is approved and adopted as part of this Resolution.

Section 5. The Chairman of the Board of Regents, the Executive Secretary of the Board of Regents, the Authorized Representatives (as defined in the Lease and Installment Sale Agreement) and the other officers of the System and of The University of Texas at Austin are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution, the Lease and Installment Sale Agreement, the Indenture, the Standby Bond Purchase Agreement, the Lease Agreement, the Purchase Contract, the Remarketing Agreement, the Funds Management Agreement, the Paying Agent/Registrar Agreement and the Official Statement, including, particularly, making application and seeking the approval of the proposed transactions from the Texas Bond Review Board and the Attorney General of the State of Texas. In addition, the Executive Vice Chancellor for Asset Management, the General Counsel or Assistant General Counsel to the System, and Bond Counsel are hereby authorized to approve, subsequent to the date of the adoption of this Resolution, any amendments to the documents attached hereto and any technical amendments to this Resolution as may be required by each Rating Service (as defined in the Indenture) as a condition to the granting of a rating on the Bonds and to make such other changes in such documents as in the judgment of such persons do not materially change the purpose and intent of this Resolution.

Section 6. That the findings and determinations set forth in the preamble to this Resolution are hereby adopted and approved and the Chancellor's report attached hereto and entitled "Chancellor's Report on the Benefits Expected to be Derived by The University of Texas at Austin from SEMATECH and the Semiconductor Manufacturing Laboratory", and the findings and expectations set forth therein are hereby approved and adopted by the Board of Regents.

CHANCELLOR'S REPORT
ON THE BENEFITS
EXPECTED TO BE DERIVED BY THE
UNIVERSITY OF TEXAS AT AUSTIN
FROM SEMATECH AND THE SEMICONDUCTOR
MANUFACTURING LABORATORY

The facility being constructed at The University of Texas at Austin Montopolis Research Center and to be known as the Semiconductor Manufacturing Laboratory is a full-scale semiconductor manufacturing systems laboratory, which will be used to carry out a wide range of research projects related to the manufacture of semiconductor devices. Operation of the facility will be funded jointly by the United States Department of Defense and the major United States corporations engaged in the semiconductor manufacturing industry through SEMATECH, Inc., a not-for-profit corporation established by the companies listed at the end of this report. The University of Texas at Austin will be an associate member of SEMATECH and will engage in cooperative research efforts with the members of SEMATECH. In addition, The University of Texas at Austin will also maintain a liaison office at the Semiconductor Manufacturing Laboratory to coordinate joint activities in such areas as: faculty exchange, collaborative research, grants, contracts, intern programs, consortium interface with other universities and planning, and sponsorship of seminars, symposia and colloquia programs as the parties may later agree.

The University of Texas at Austin is one of the nation's leading research universities. In fiscal year 1985, The University of Texas at Austin ranked 18th in total research expenditures among all U.S. colleges and universities, 12th in engineering research expenditures, 9th in physical science research expenditures, and 8th in computer science research expenditures. A major portion of the research activity at The University is funded by the U.S. government and by U.S. industry. Much of the research involves collaborative efforts with government agencies and industrial sponsors.

Research is an integral part of the process of educating Ph.D.s. In 1986-87, The University of Texas at Austin awarded 606 doctoral degrees, including 217 in engineering and the natural sciences. Each student who receives a Ph.D. degree must have completed a piece of original research which makes a significant contribution to the body of knowledge in his or her field. The University maintains a research environment which facilitates this student work. The University interprets the mandate in the Texas Constitution to be a "...university of the first class" to include a mandate to maintain a research program of the first class.

Prior to the formation of the SEMATECH consortium, The University had established major research programs in

microelectronics, materials and manufacturing systems. Twelve endowed faculty positions were established in these fields, and The University had begun the design of, and allocated funds for, a microelectronics and materials engineering research building in which smaller scale experiments will be conducted. The presence of the full-scale semiconductor manufacturing laboratory will complement this research effort by permitting faculty and students to engage in further forms of research, research which can be conducted only in a full-scale experimental manufacturing plant. The existence of this laboratory, in combination with The University of Texas at Austin's existing laboratories, including particularly the Microelectronics Research Center and the Center for Technology Development, and those of Microelectronics and Computer Technology Corporation (MCC), will permit faculty and graduate students to explore a full range of research issues involved in the design and fabrication of microelectronic devices. There is no comparable laboratory environment in the world.

The cost of operating, maintaining, and continually reequipping this laboratory will be borne by the members of SEMATECH and the U.S. Department of Defense. Projected annual operating expenditures, including expenditures for new "cutting edge" equipment are projected to be \$200 million or more. The University of Texas at Austin projects that by academic year 1992-1993, at least 28 faculty and 150 graduate students will be engaged in research in this field and in closely related complementary fields. This facility will provide these university researchers with an opportunity to conduct collaborative research utilizing this advanced laboratory environment.

In addition to the direct involvement in research, students will benefit through the results of the ongoing research being brought into the classroom. Regular University faculty will be collaborating with SEMATECH on a variety of research projects and will build the research results into their curricula. Also, it is anticipated that several SEMATECH technical staff will hold adjunct faculty status and will teach on the campus of The University of Texas at Austin. The opportunity to learn from this group of faculty engaged in "cutting edge" research in semiconductor manufacturing systems is expected to attract many of the world's best graduate students in these fields to The University of Texas at Austin and, subsequently, to Texas industry. The impact on undergraduate education, although less easily measured, is expected to be similar.

As a final benefit to The University of Texas at Austin, there will be significant capital improvements added to The University of Texas at Austin Montopolis Research Center by SEMATECH which will be over and above the annual operating expenses borne by SEMATECH and the Department of Defense. As a result of such capital expenditures, at the completion of the

SEMATECH program The University of Texas at Austin will have been enriched academically as well as in its physical properties.

SEMATECH Members

Advanced Micro Devices	LSI Logic
AT&T Technologies, Inc.	Micron Technology, Inc.
Digital Equipment Corp.	Motorola
Harris Corp.	National Semiconductor
Hewlett-Packard Co.	Rockwell International
Intel Corp.	Texas Instruments
IBM Corporation	SEMI/SEMATECH

SEMATECH Associate Members

The University of Texas at Austin

LEASE AND INSTALLMENT SALE AGREEMENT

between

TRAVIS COUNTY RESEARCH AND DEVELOPMENT AUTHORITY

and

BOARD OF REGENTS OF
THE UNIVERSITY OF TEXAS SYSTEM

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Exhibit A - Description of Project.
Exhibit B - Description of Site.

LEASE AND INSTALLMENT SALE AGREEMENT

This Lease and Installment Sale Agreement dated as of February 1, 1988 (the "Agreement"), by and between TRAVIS COUNTY RESEARCH AND DEVELOPMENT AUTHORITY (together with its permitted successors and assigns, the "Issuer") and the BOARD OF REGENTS of THE UNIVERSITY OF TEXAS SYSTEM (together with its permitted successors and assigns, the "Board"):

W I T N E S S E T H:

GENERAL RECITALS AND FINDINGS

(a) The Issuer is a public body corporate and politic of the State, existing and operating as a research and development authority pursuant to the laws of the State, particularly Article 5190.10, Vernon's Texas Civil Statutes (the "Issuer Act"); and The University of Texas System (the "System") is an agency of the State and the Board is the duly appointed governing body of the System.

(b) This Agreement is authorized and executed pursuant to applicable State laws, including the Issuer Act and, as to the powers of the Board, the Texas Education Code, specifically Sections 55.11 and 65.39 (the "Board Act"; collectively the Issuer Act and the Board Act shall be referred to herein as the "Acts").

(c) The Board plans to construct, on behalf of the Issuer, and operate, an educational research and development facility and has requested the cooperation of the State and the Issuer pursuant to the Issuer Act, and has requested that the Issuer purchase, construct, improve and recondition or cause to be purchased, constructed, improved or reconditioned the Project (hereinafter defined), which will be located within the boundaries of the Issuer.

(d) The Issuer has determined, in the public interest, that it will purchase, construct, improve and recondition or cause to be purchased, constructed, improved and reconditioned at the Site the Project described in "Exhibit A" which is attached hereto and made a part hereof for all purposes, and will sell such Project to the Board in the manner provided in the Acts and this Agreement.

(e) The Issuer hereby finds and determines that the Issuer's purchasing, constructing, improving and reconditioning the Project or causing the Project to be purchased, constructed, improved and reconditioned in the manner provided in the Issuer Act and this Agreement is required or suitable for the promotion of scientific research and development and commercialization of research within the State, and will constitute the carrying out of a vital public purpose, which will benefit the educational programs of the Board at The University of Texas at Austin campus (the "University") and contribute to the economic development of Travis County, Texas.

(f) The Board intends to utilize the Project by making it a part of the University campus and by providing the use of the Project to SEMATECH (hereinafter defined) for the conduct of advanced research and development of semiconductor manufacturing techniques, both singularly and in cooperation with the University faculty and graduate students.

(g) The Legislature of the State, through the Issuer Act, has provided and determined that it is the policy of the State and the purpose of the Issuer Act to encourage institutions of higher education in the State to conduct research and development in cooperation with state and local governments and private industry in order to advance certain areas of manufacturing and to promote economic development and employment, and that the Issuer and the Board, by carrying out the purposes of the Issuer Act, as provided in this Agreement, will be performing an essential public purpose under the State Constitution.

NOW, THEREFORE, in consideration of the covenants and agreements herein made, and subject to the conditions herein set forth, the Issuer and the Board contract and agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. DEFINITIONS. Capitalized terms used herein, unless otherwise defined herein, shall have the meanings assigned to them in the Indenture of Trust and Security Agreement dated as of February 1, 1988 between the Issuer and MTrust Corp, National Association (the "Indenture"). In addition to all other words and terms defined herein, and unless a different meaning or intent clearly appears from the context, the following words and terms shall have the following meanings, respectively, whenever they are used in this Agreement;

Acts - Has the meaning stated in the General Recitals and Findings of this Agreement.

Additional Building Revenue Bonds - Obligations which are additional parity obligations with the currently outstanding Building Revenue Bonds.

Additional Payments - All payments owed by the Board under this Agreement, the Indenture, the Liquidity Facility, the Remarketing Agreement and the Paying Agent Agreement as provided herein and therein, but not including the Installment Sale Payments.

Agreement - This Lease and Installment Sale Agreement, together with "Exhibit A" and "Exhibit B" attached to this Agreement, and all amendments and supplements to this Agreement.

Authorized Representative - One or more of the following officers or employees of the System, to-wit: the Chancellor, any Executive Vice Chancellor, the General Counsel, the Director of Endowments and Trusts, the Manager of Special Investments and Financing and the Comptroller or such other officer or employee designated to act on behalf of the Board in matters relating to this Agreement by written certificate furnished to the Issuer, the Bank and the Trustee containing the specimen signature of any such person. The certificate may designate an alternate or alternates.

Available University Fund - As provided in Article VII, Section 18 of the State Constitution, 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 the Permanent University Fund land pursuant to applicable present and future constitutional and statutory provisions.

Bank - Morgan Guaranty Trust Company of New York, a New York banking corporation, in its capacity as obligor on the initial Liquidity Facility, and its successors in such capacity and their assigns permitted by the terms thereof, until such Liquidity Facility is released pursuant to the Indenture, and thereafter "Bank" shall mean the obligor on any alternate Liquidity Facility accepted in substitution therefor and its successors in such capacity and their assigns permitted by the terms thereof.

Board - Has the meaning stated in the Preamble of this Agreement.

Board Act - Has the meaning stated in the General Recitals and Findings of this Agreement.

Board of Directors - The lawfully qualified Board of Directors of the Issuer.

Bond Fund - Has the meaning stated in the Indenture.

Bondholder - A Holder of a Bond.

Bonds - The Travis County Research and Development Authority Multi-Modal Interchangeable Rate Revenue Bonds (The University of Texas at Austin Semiconductor Manufacturing Laboratory Project) Series 1988.

Bond Resolution - The Resolution adopted by the Board of Directors of the Issuer on February __, 1988 authorizing the execution of the Indenture, the issuance of the Bonds and other matters related thereto.

Building Revenue Bonds - The Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Refunding Bonds, Series 1986, currently outstanding in the aggregate principal amount of \$35,555,000.

Business Day - Has the meaning stated in the Indenture.

Closing Date - The date of the authentication and delivery of the initial Bonds in exchange for the purchase price therefor.

Code - The Internal Revenue Code of 1986, as amended from time to time.

Completion Certificate - The certificate of an Authorized Representative stating that construction of the Project has been completed or cancelled.

Costs - All costs incurred by the Issuer or the Board with respect to the purchase, construction, improvement and reconditioning of the Project either before or after the Closing Date, including but not limited to, the following items:

(i) Obligations incurred or assumed for labor, materials and equipment (including obligations payable to the Board for expenditures made or costs incurred by the Board);

(ii) Costs of any bonds and insurance deemed necessary or appropriate by the Board;

(iii) Costs of engineering services, including the costs incurred or assumed for preliminary design and development, surveys, estimates and plans and specifications, and for supervising construction and

performing all other duties required by or consequent upon proper construction;

(iv) Costs which the Board shall be required to pay under the terms of any contract or contracts in connection with the construction, purchase, improvement and reconditioning of the Project;

(v) Sums required to reimburse the Board for advances made for any of the above items, and for any other costs incurred for work done or caused to be done by the Board which are properly chargeable to the Project;

(vi) Interest on the Bonds actually paid during or attributable to the period of construction and initial operation of the Project through September 30, 1989;

(vii) To the extent authorized by the Issuer Act, costs of all other items related to the purchase, construction, improvement and reconditioning of the Project; and

(viii) All costs and expenses incurred by the Issuer or the Board in connection with the issuance and sale of the Bonds, including without limitation (i) fees and expenses of accountants, attorneys, engineers, financial advisors and underwriters, (ii) materials, supplies and printing and engraving costs, (iii) the cost of any policy or policies of title insurance and recording and filing fees, (iv) rating agency fees, (v) initial fees and expenses (including, without limitation, counsel fees and expenses) of the Trustee, the Paying Agents, the Remarketing Agent, the Tender Agent and the Bank, and (vi) the Issuer's administrative and overhead expenses as provided in Section 5.06 of this Agreement.

Facilities - The improvements located on the Site, including without limitation the existing buildings designated The University of Texas at Austin Semiconductor Manufacturing Laboratory and other existing improvements related thereto which are to be reconditioned and/or rehabilitated by the Issuer out of proceeds of the Bonds and any other funds made available to the Board or the Issuer therefor.

Force Majeure - Acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, orders of any kind of the Government of the United States, or of any state thereof, or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, blue northers, earthquakes, fires, hurricanes, tornadoes, storms, floods, washouts, droughts, arrests, restraining of

government and people, civil disturbances, explosions, breakage or accidents to machinery, transmission pipes or canals, partial or entire failure of utilities, shortages of labor, material, supplies or transportation, or any other cause not reasonably within the control of the party claiming such inability. The requirement that any force majeure shall be reasonably beyond the control of the party shall be deemed to be fulfilled even through an existing or impending strike, lockout or other industrial disturbance may not be settled but could have been settled by acceding to the demand of the opposing person or persons.

Holder - When used with respect to any Bond means the Person in whose name such Bond is registered in the Bond Register.

Indenture - The Indenture of Trust and Security Agreement dated as of February 1, 1988 between the Issuer and Morgan Guaranty Trust Company of New York, as the same may from time to time be amended, supplemented or modified.

Installment Sale Payment - Each payment required to amortize the Bonds issued pursuant to this Agreement, as described in Section 5.01 and as provided for in the Indenture, including the principal of, redemption premium, if any, and interest on such Bonds, including, to the extent permitted by law and as provided in the Indenture, interest on unpaid interest which has become due for payment but has not been paid, but not including the Additional Payments.

Issuer - Has the meaning stated in the Preamble of this Agreement.

Lease Agreement - The Lease Agreement by and between the Board and SEMATECH for the lease of the Project to SEMATECH.

Liquidity Confirmation - Has the meaning stated in the Indenture.

Liquidity Confirmer - Has the meaning stated in the Indenture.

Liquidity Facility - Has the meaning stated in the Indenture.

Outstanding - Has the meaning stated in the Indenture.

Parity Obligations - Bonds or other obligations issued or incurred pursuant to Section 5.05(b) on a parity with the Installment Sale Payments.

Paying Agent - Has the meaning stated in the Indenture.

Paying Agent Agreement - The Paying Agent/Registrar Agreement dated as of February 1, 1988, by and between the Issuer and the Paying Agent wherein the Paying Agent accepts the duties of Paying Agent, Registrar and Tender Agent under the Indenture.

Permanent University Fund - The fund designated by that name created, established, implemented and administered pursuant to Article VII, Sections 10, 11, 11a, 15 and 18 of the State Constitution, as amended, and is and will be governed by applicable present and future constitutional and statutory provisions.

Pledged Available Fund Surplus - Under present law, and after payment of expenses of administration of the Permanent University Fund, the Available University Fund is pledged and first used for the payment of principal of and interest on Permanent University Fund obligations heretofore and hereafter issued by The Texas A&M University System and by the System pursuant to Article VII, Section 18 of the State Constitution, as amended. Article VII, Section 18 of the State Constitution was amended effective November 1, 1984 to provide that for a ten year period, before any other allocation is made of the System's two-thirds share of the Available University Fund remaining after payment of principal and interest on its obligations, \$6 million per year shall be appropriated out of that share to The Texas A&M University System for its use in making appropriations to Prairie View A&M University. Traditionally, and without exception, the Texas Legislature biennially has granted and appropriated the constitutionally apportioned share of the balance in the Available University Fund to The Texas A&M University System, and has granted and appropriated the constitutionally apportioned share of such balance to the Board for the support and maintenance of the University and the System administration. The term "Pledged Available Fund Surplus" means any part of the aforesaid amount of the Available University Fund that is actually granted or appropriated by the Texas Legislature for the support and maintenance of the University, or otherwise appropriated or made available to the Board or the System from time to time, in any manner that will permit the use thereof by the Board or the System, to pay the principal of and interest on the Building Revenue Bonds, Additional Building Revenue Bonds, and to make the Installment Sale Payments and Additional Payments.

Pledged Revenues - (a) the Pledged Available Fund Surplus, (b) any additional revenues, income, receipts or other resources whatsoever received or to be received from any public or private source, whether pursuant to an agreement or otherwise, which hereafter may be pledged by the Board to the payment of the Installment Sale Payments and the Additional Payments.

Premises - Collectively, the Facilities and the Site which are leased to the Issuer pursuant to Section 4.01 of this Agreement.

Proceeds Fund - Has the meaning stated in the Indenture.

Project - The improvements, facilities and equipment described in Exhibit A to this Agreement.

Purchase Contract - The Purchase Contract, dated February 25, 1988, among the Issuer, the Board and J.P. Morgan Securities Inc., as Underwriter.

Regulations - The Income Tax Regulations promulgated pursuant to the Code.

Rebate Fund - Has the meaning stated in the Indenture.

Related Documents - The Bonds, the Bond Resolution, the Resolution of the Board authorizing this Agreement, the Indenture, the Liquidity Facility, the Purchase Contract, the Remarketing Agreement, the Paying Agent Agreement and any other agreement or instrument relating thereto.

Remarketing Agreement - Has the meaning stated in the Indenture.

SEMATECH - SEMATECH Inc., a Delaware not-for-profit corporation, of which the University is an associate member, which will lease the Project from the Board as described in Section 4.05 hereof and its successors and assigns.

Site - The land consisting of approximately 35 acres out of a 94.366-acre tract owned by the Board which is the location of The University of Texas at Austin Semiconductor Manufacturing Laboratory in the City of Austin, Travis County, Texas, as more fully described in Section 4.01 hereof and in "Exhibit B" hereto.

State - The State of Texas and any agency or instrumentality thereof.

Stated Maturity - Has the meaning stated in the Indenture.

System - Has the meaning stated in the General Recitals and Findings of this Agreement.

University - Has the meaning stated in the General Recitals and Findings of this Agreement.

References in the singular number in this Agreement shall be considered to include the plural, if and when

appropriate. Any times referred to herein shall be deemed to be references to New York City time. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with Section 61.065 of the Texas Education Code.

ARTICLE II

REPRESENTATIONS

Section 2.01. REPRESENTATIONS BY THE ISSUER. The Issuer makes the following representations as the basis for the undertakings on its part herein contained:

(a) The Issuer is a public body corporate and politic of the State, and an "Authority" within the definition set forth in the Issuer Act.

(b) The Issuer has the legal power under the Issuer Act to enter into the transactions described in this Agreement and the Related Documents to which it is a party, to carry out its obligations hereunder and thereunder, including the issuance and delivery of the Bonds, and to adopt the Indenture. The Issuer has been duly authorized to execute and deliver this Agreement and the Indenture by proper action of its Board of Directors.

(c) The Issuer, by carrying out the purposes of the Issuer Act as provided in this Agreement, will be performing an essential public purpose under the State Constitution.

(d) The Issuer is not in default under any of the provisions of the laws of the State which would impair, interfere with, or otherwise adversely affect the ability of the Issuer to make and perform the provisions of this Agreement or the Related Documents to which it is a party.

(e) There is no litigation pending, or to the knowledge of the Issuer threatened, in any court, either state or federal, calling into question the creation, organization or existence of the Issuer, the validity or enforceability of this Agreement or the Related Documents to which it is a party or the authority of the Issuer to purchase, construct, improve and recondition or cause to be purchased, constructed, improved and reconditioned the Project, to lease the Premises from the Board, to sell the Project to the Board or to otherwise make or perform this Agreement and the Related Documents to which it is a party or to issue the Bonds.

(f) The execution and delivery of this Agreement and the Related Documents to which it is a party, will not

violate any provision of the Constitution of the State or the laws or regulations thereof, or of any decree, writ, order or injunction or the organic documents of the Issuer, and will not contravene the provisions of or constitute a default under any agreement, indenture, bond resolution or other instrument to which the Issuer is a party or by which the Issuer is bound.

(g) All consents, authorizations, and approvals of governmental bodies or agencies, including the Attorney General of Texas, required in connection with the execution and delivery of this Agreement and the Related Documents to which it is a party or in connection with the carrying out by the Issuer of its obligations under this Agreement and the Related Documents to which it is a party will be duly obtained or waived prior to the initial delivery of the Bonds to the purchasers thereof.

(h) All requirements and conditions specified in the Issuer Act and all other laws and regulations applicable to the adoption of the Indenture, the execution and delivery of this Agreement and the Related Documents to which it is a party, will be fulfilled prior to the Closing Date.

Section 2.02. REPRESENTATIONS BY THE BOARD. The Board makes the following representations as the basis for the undertakings on its part herein contained:

(a) The System is an agency of the State and the Board is the duly appointed governing body of the System and, in particular, of the University;

(b) The Board has the legal power under the Constitution and general laws of the State, including particularly, the Board Act, to enter into the transactions described in this Agreement and the Related Documents to which it is a party and to carry out its obligations hereunder and thereunder including the obligations to make Installment Sale Payments and Additional Payments from the Pledged Revenues and to grant a lien on, a pledge of, and a security interest in the Pledged Revenues.

(c) The Board, by carrying out the purposes of the Issuer Act as provided in this Agreement, will be performing an essential public purpose under the State Constitution.

(d) The Board is not in default under any of the provisions of the laws of the State which would impair, interfere with, or otherwise adversely affect the ability of the Board to make and perform the provisions of this Agreement.

(e) There is no litigation pending, or to the knowledge of the Board threatened, in any court, either

state or federal, calling into question the creation, organization or existence of the Board, the validity or enforceability of this Agreement or the authority of the Board to lease the Premises to the Issuer, to purchase the Project from the Issuer or to otherwise make or perform this Agreement.

(f) The execution and delivery of this Agreement will not violate any provision of the Constitution of the State or the laws or regulations thereof, or of any decree, writ, order or injunction or the organic documents of the Board, and will not contravene the provisions of or constitute a default under any agreement, indenture, bond resolution or other instrument to which the Board is a party or by which the Board is bound.

(g) All requirements and conditions specified in the Acts and all other laws and regulations applicable to the execution and delivery of this Agreement and the Related Documents to which it is a party will be fulfilled prior to the Closing Date.

ARTICLE III

THE PROJECT

Section 3.01. PURCHASE AND CONSTRUCTION. (a) The Project shall be purchased, constructed, improved and reconditioned with all reasonable dispatch, and the Board and the Issuer will diligently pursue such purchase, construction, improvement and reconditioning in order that the Project may be completed as soon as practicable; subject only to delays incident to Force Majeure, as provided in Section 8.04 of this Agreement; but if for any reason there should be delays in such purchase, construction, improvement and reconditioning there shall be no diminution in or postponement of the Installment Sale Payments or Additional Payments to be made by the Board hereunder, and no resulting liability on the part of the Issuer.

(b) The Issuer shall purchase, construct, improve and recondition the Project or cause the Project to be purchased, constructed, improved and reconditioned at the Site in the manner provided in the Issuer Act and this Agreement and in accordance with the plans and specifications which will be prepared under the direction and control of the Board, as further provided in (d) below. The Board may amend such plans and specifications, provided, however, that such plans and specifications shall not be amended in such a way as to cause the Project to not be an educational research and development facility. It is agreed and understood that the Board will, on behalf of the Issuer, perform the obligations of the Issuer under the preceding sentence to purchase, construct, improve and recondition the

Project and that it has entered into and executed or will enter into and execute all agreements and contracts necessary to assure and cause the purchase, construction, improvement and reconditioning of the Project in accordance with this Agreement (and that the Issuer shall not execute any such agreements or contracts other than this Agreement), and that the Board will carry out, pay, supervise, and enforce all such agreements and contracts, and will provide for such insurance on and in connection with the Project as it deems necessary or advisable or as is required by law. The Issuer shall pay, solely from proceeds from the sale and delivery of the Bonds, or from any available income or earnings derived therefrom, or from any funds which otherwise might be made available to the Issuer for such purpose by the Board, SEMATECH or the State, the Costs, to the full extent provided in this Agreement and permitted by the Issuer Act. The Issuer shall pay such cost, or cause such cost to be paid, at such time or times after delivery of the Bonds, and when and as requested by the Board, in accordance with procedures to be established pursuant to Section 3.02 hereof and in the Indenture.

(c) The Board hereby grants to the Issuer, and the Issuer hereby grants to the Board, and to their respective employees, agents and contractors all necessary and reasonable rights of ingress and egress to such party's properties required in connection with the purchase, construction, improvement and reconditioning of the Project, and the Board and the Issuer agree that they will cooperate, so that such Project shall be purchased, constructed, improved and reconditioned as provided in this Agreement. The Issuer, its employees and agents shall not unnecessarily disrupt or interfere with the operation of the Project and shall cooperate with and observe the reasonable regulations of the Board to avoid any unnecessary disruption or interference with said operation. The Issuer recognizes that the drawings, designs, specifications, material lists, and other engineering documents and information contained in the plans and specifications or otherwise provided or made available to the Issuer in connection with the Project are proprietary to, and are the property of the Board or SEMATECH. The Issuer agrees to retain in confidence and not to disclose to others (except as required by applicable law) or to use or permit the use for the benefit of or by others, without the prior written consent of the Board in each such instance, any such drawings, designs, specifications, material lists and other engineering documents and information contained in the plans and specifications or otherwise provided or made available to the Issuer.

(d) The Board and the Issuer recognize that the plans and specifications for the Project will be furnished, prepared, revised or implemented under the direction and control of the Board; therefore, notwithstanding the

Issuer's representations, findings and determinations contained herein, the Issuer MAKES NO EXPRESS OR IMPLIED WARRANTY OF ANY KIND WHATSOEVER WITH RESPECT TO THE PROJECT, INCLUDING, BUT NOT LIMITED TO: THE MERCHANTABILITY THEREOF OR THE FITNESS THEREOF FOR ANY PARTICULAR PURPOSES; THE DESIGN OR CONDITION THEREOF; THE WORKMANSHIP, QUALITY OR CAPACITY THEREOF; COMPLIANCE THEREOF WITH THE REQUIREMENTS OF ANY LAW, RULE, SPECIFICATION OR CONTRACT PERTAINING THERETO; PATENT INFRINGEMENT; LATENT DEFECTS; OR THAT THE PROCEEDS DERIVED FROM THE SALE OF THE BONDS WILL BE SUFFICIENT TO PAY IN FULL FOR SAME.

Section 3.02. PROCEEDS FUND. Section 7.02 of the Indenture contains appropriate provisions with respect to the creation and establishment of a Proceeds Fund. The Proceeds Fund shall be drawn on and administered as provided in the Indenture.

Section 3.03. COMPLETION CERTIFICATE. At such time as the Board determines that construction of the Project has been completed or has determined to cancel any further construction of the Project, it shall deliver the Completion Certificate to the Issuer and the Trustee.

ARTICLE IV

TITLE AND OPERATION

Section 4.01. LEASE TO ISSUER. The Board does by these presents lease and demise to the Issuer the Site and the Facilities (together, the "Premises"). The Site, located in the City of Austin, Travis County, Texas, comprises 35 acres, more or less, and is more particularly described in Exhibit "B" attached hereto and made a part hereof. The consideration for the lease of the Premises and the use thereof by the Issuer shall include, among other things, the covenants of the Issuer in the Indenture which accrue to the benefit of the Board, the covenants contained in this Agreement, including the agreement to issue the Bonds for the benefit of the University, and the sum of ONE DOLLAR (\$1.00) to the Board in hand paid by the Issuer at or before the execution and delivery of this Agreement, the receipt and sufficiency of which are hereby acknowledged. The Issuer shall cause the Board, on its behalf, to purchase, construct, improve and recondition the Project on the Premises, and the Board shall have full rights to purchase, construct, improve and recondition the Project on the Premises. The Costs of the Project shall be payable solely from the moneys on deposit in the Proceeds Fund which shall include the proceeds of the Bonds and any other moneys which may be received by the Board from any public or private source (including, without limitation, the State and SEMATECH) for the purpose of purchasing, constructing, improving and reconditioning the Project. The term of this

lease shall commence on the Closing Date and shall expire on the earlier of the date that the Completion Certificate is delivered pursuant to Section 3.03 hereof or February 1, 1993. Upon the termination of this lease, all right, title and interest in and to the Premises shall return to the Board and, pursuant to Section 4.02 hereof, the Board shall be the owner of the Project which shall be located on the Site. The rights, privileges and lease hereby given shall not be transferable or assignable by the Issuer without the written consent of the Board.

Section 4.02. INSTALLMENT SALE. The Issuer does hereby sell and convey to the Board, and the Board does hereby purchase from the Issuer, all of its right, title and interest in and to each discrete portion of the Project as such portion is purchased, constructed, improved and reconditioned in accordance with the Acts and this Agreement. Upon such purchase, construction, improvement and reconditioning of each portion of the Project in accordance with the Acts and this Agreement, all of the Issuer's right, title, and interest of every nature whatsoever in and to such portion of the Project automatically shall vest irrevocably in the Board without the necessity of the execution of any conveyance by the Issuer, and such transaction shall result in the automatic sale and delivery of such portion of the Project by the Issuer to the Board, and the vesting of title to such portion of the Project in the Board, in consideration for the agreement of the Board to make, or cause to be made, the Installment Sale Payments and Additional Payments required under this Agreement. If requested in writing by an Authorized Representative, the Issuer will execute and deliver to the Board an appropriate instrument acknowledging that such sale, delivery, and vesting of title has occurred, but such instrument shall not be necessary to effect the automatic sale, delivery, and vesting of title, which shall occur as described above. The sale and delivery of the Project and vesting of title in the Board upon the aforesaid conditions are deemed desirable by the Issuer and are made in conformity with the Acts. During the purchase, construction, improvement and reconditioning of each portion of the Project in accordance with the Acts and this Agreement, all right, title, and interest in and to such portion of the Project shall be in the Issuer. After such purchase, construction, improvement and reconditioning of each portion of the Project in accordance with the Acts and this Agreement, and the resulting sale, delivery, and vesting of title in the Board, the Issuer shall have no right, title, or interest in, or responsibility with respect to, such portion of the Project. The payments required to be made by the Board under this Agreement shall be made in all events, regardless of whether title to the Project or any part thereof is in the Issuer or in the Board. The Issuer hereby waives, releases, relinquishes, and renounces any and all liens which it may have in the Project arising

as a result of the conveyance of the Project or any portion thereof to the Board, including, without limitation, any vendor's lien and/or privilege thereon. The Issuer shall, at the expense of the Board, assign to the Board its right to all warranties and guaranties which it may have made by any contractors, subcontractors, materialmen, suppliers, architects and engineers in connection with the Project and any rights or causes of action arising from or against any of the foregoing and any other rights or interests the Issuer might have acquired against third persons (other than the Board) by reason of its ownership of the Project.

Section 4.03. PURCHASE PRICE OF THE PROJECT AND PAYMENT. (a) The Board shall pay as and for the purchase price of the Project an amount equal to the aggregate principal amount of the Bonds, and as interest on the purchase price of the Project, an amount equal to the interest and premium, if any, on the Bonds, all of which shall be payable as Installment Sale Payments, as provided in Section 5.01 hereof; provided, however, that to the extent that moneys are lawfully received by the Issuer from the State or other public or private entity (including, without limitation, SEMATECH), and deposited into the Bond Fund, the Installment Sale Payments shall be reduced by a like amount. The Board will pay the Installment Sale Payments, but solely from the Pledged Revenues, in payment of the purchase price of the Project in installments, together with interest on the unpaid installments thereof at the rate or rates paid by the Issuer on the Bonds and the amount of any premium payable on the Bonds as further provided, in Section 5.04 hereof and in the Indenture. Such payments shall be made to the Trustee at its office in Austin, Texas in amounts which, together with other moneys available therefor in the Bond Fund, will be sufficient to pay the principal of, redemption premium, if any, and the interest on the Bonds as the same shall mature, be redeemed or come due as provided in the Indenture. Such Installment Sale Payments shall be made on the date such principal or redemption price or interest is due on the Bonds in funds which will be immediately available on such date.

(b) In the event the due date of any Installment Sale Payment hereunder is not a Business Day, such Installment Sale Payment shall be due on the next succeeding Business Day.

(c) All such payments by the Board shall constitute a part of the Bond Fund.

(d) At the option of the Board, sinking fund requirements of the Bonds, if any, may be reduced by Bonds delivered to the Trustee or previously canceled, all as provided in the Indenture.

Section 4.04. OPERATION. The Board shall pay or cause to be paid all costs and expenses of operation and maintenance of the Project, including all applicable taxes. It is understood and agreed that the Issuer shall have no duties or responsibilities whatsoever with respect to the operation or maintenance of the Project, or the performance of the Project for its designed purposes. The Issuer agrees that it will not mortgage, sell, lease, assign, transfer, convey, create liens or security interests, except for the lien and security interest created by the Indenture, upon or otherwise dispose of or encumber the Premises or the Project or the revenues and receipts derived from the sale thereof or any portion thereof during the term of this Agreement, and that it will not take any action which may reasonably be construed as tending to cause or induce the levy of special assessments against the Premises or the Project without (in any of such cases) the written consent of the Board. Nothing in this Agreement or in the Indenture shall create any vendor's lien on or other security interest in, or permit retention of title to, the Project as security for payments due under this Agreement.

Section 4.05. USE AND OPERATION OF THE PROJECT BY SEMATECH. The Board shall enter the Lease Agreement with SEMATECH simultaneously with the delivery of this Agreement, whereby SEMATECH shall, in cooperation with the University, conduct research and development concerning advanced semiconductor manufacturing techniques at the Project. The Issuer acknowledges that the Lease Agreement will provide for the operation of the Project by SEMATECH; provided, however, that such operation by SEMATECH shall not release or diminish the obligations of the Board to make the Installment Sale Payments and the Additional Payments. The Board agrees that in order to promote research and development in conformance with the University's role as a State institution of higher education and in order to promote economic development and employment in the State, and particularly within the boundaries of the Issuer, the use of the Project shall be provided to SEMATECH for a primary term of ten years for an annual rental of TWO DOLLARS (\$2.00) with an option to extend the lease for an additional ten-year period at "Fair Market Rental" or at "Bond Related Rental", as such quoted terms are defined in the Lease Agreement, in consideration of SEMATECH's agreement to make capital improvements to the Project and to conduct the extensive advanced research and development proposed.

Section 4.06. ISSUER'S LIMITED LIABILITY. It is recognized that the Issuer's only source of funds with which to carry out its commitments under this Agreement will be from the proceeds from the sale of the Bonds or from any available income or earnings derived therefrom, or from any funds which otherwise might be made available by the Board,

the State or any other public or private entity (including, without limitation, SEMATECH); and it is expressly agreed that the Issuer shall have no liability, obligation, or responsibility with respect to this Agreement or the Project except to the extent of funds available from such sources. If, for any reason, the proceeds from the sale of the Bonds are not sufficient to pay all the costs of completing the purchase, construction, improvement and reconditioning of the Project, the Board shall cause SEMATECH to complete the purchase, construction, improvement and reconditioning of the Project, but the Board shall not be entitled to reimbursement by the Issuer therefor, or to any diminution or postponement of any payments required to be made by the Board hereunder.

ARTICLE V

THE BONDS

Section 5.01. ISSUANCE OF THE BONDS. (a) In consideration of the covenants and agreements set forth in this Agreement, and to enable the Issuer to issue the Bonds to carry out the intents and purposes hereof, this Agreement is executed to assure the issuance of such Bonds, and to provide for the due and punctual payment by the Board, but solely from the Pledged Revenues, to the Issuer, or to the Trustee under the Indenture securing the Bonds, of amounts not less than those required to pay, when due, all of the principal of, redemption premium, if any, and interest on the Bonds, including, to the extent permitted by law and as provided in the Indenture, interest on unpaid interest which has become due for payment but has not been paid, and all other payments required in connection with such Bonds and the Indenture. Each such payment is hereby designated as an "Installment Sale Payment", and collectively such payments are hereby designated as "Installment Sale Payments". Such payments shall be made, or caused to be made, by the Board, for the benefit of the Bondholders into a Bond Fund as provided in the Indenture.

(b) By execution and delivery of this Agreement by the Board, the Indenture is hereby approved by the Board. It is hereby agreed that such approval constitutes the acknowledgment and agreement of the Board that the Bonds, when issued, sold, and delivered as provided in the Indenture, will be issued in accordance with and in compliance with this Agreement, notwithstanding any other provisions of this Agreement or any other contract or agreement to the contrary. Any Holder of the Bonds is entitled to rely fully and unconditionally on any such approval. Notwithstanding any provisions of this Agreement or any other contract or agreement to the contrary, all covenants and provisions in the Indenture affecting, or purporting to bind, the Board shall, upon the delivery of

the Bonds and the Indenture, become absolute, unconditional, valid and binding covenants and obligations of the Board so long as said Bonds and interest thereon are outstanding and unpaid. Particularly, the obligation of the Board to make, or cause to be made, promptly when due, all Installment Sale Payments specified in the Indenture, but solely from the Pledged Revenues, shall be absolute and unconditional, and said obligation may be enforced as provided in the Indenture, regardless of any other provisions of this Agreement or any other contract or agreement to the contrary.

Section 5.02 SECURITY AND PLEDGE. To provide security for the payment of the Installment Sale Payments and the Additional Payments as the same shall become due and payable, there is hereby irrevocably pledged to the Authority and made subject to the lien hereof the Pledged Revenues. The lien on the Pledged Revenues hereby pledged shall immediately be effective without any physical delivery thereof or further act, and such lien shall be valid and binding as against all persons having a claim of any kind against the Board. Notwithstanding the foregoing, the lien granted hereby is and shall be subordinate and inferior in all respects solely to the prior lien on the Pledged Revenues granted by the Board in favor of and securing the Building Revenue Bonds and any Additional Building Revenue Bonds.

Section 5.03. REFUNDING AND REDEMPTION OF BONDS. (a) After the issuance of the Bonds, the Issuer shall not refund the Bonds or change or modify the Bonds in any way without the prior written approval of an Authorized Representative; nor shall the Issuer redeem the Bonds prior to their Stated Maturities, or change or modify the Indenture, without the prior written approval of an Authorized Representative, unless such redemption is required by the Indenture. Prior to authorizing the issuance of such refunding bonds, the Board shall give notice to the Bank and the Liquidity Confirmer of its intention to authorize such refunding bonds.

(b) The Issuer, upon the written request of the Board (and provided that the Bonds are subject to redemption or prepayment prior to their Stated Maturity at the option of the Issuer or the Board, and provided that such request is received in sufficient time prior to the date upon which such redemption or prepayment is proposed), forthwith shall take or cause to be taken all action that may be necessary under the applicable redemption or prepayment provisions to effect such redemption or prepayment prior to Stated Maturity, to the full extent of funds made available for such purpose as set forth in Section 3.02 of the Indenture. The Issuer shall also take or cause to take all action that may be necessary on its part to effect the redemption of

Bonds on a date on which such Bonds are subject to redemption pursuant to the terms of the Indenture, all to the extent of funds made available for such purpose as set forth in Section 3.02 of the Indenture. The redemption or prepayment of any Bonds prior to Stated Maturity at any time shall not relieve the Board of its obligation to pay, or cause to be paid, each remaining Installment Sale Payment, with respect to the Bonds, as specified in the Indenture.

Section 5.04. INSTALLMENT SALE PAYMENTS. (a) Payment of all Installment Sale Payments shall be made, but solely from the Pledged Revenues, on the dates required to pay the principal of, premium, if any, and interest on the Bonds and in the amounts as required by Section 7.01 of the Indenture, including all such payments which may come due because of any redemption of the Bonds or the occurrence of a Default under the Indenture or otherwise, under the provisions of the Indenture. All Installment Sale Payments shall be deposited in the Bond Fund. If any funds in excess of current requirements are held on deposit in the Bond Fund at the time payment of any Installment Sale Payment is due, such payment of Installment Sale Payment shall be reduced by the amount of the funds so held on deposit, to the benefit of the Board. The Installment Sale Payments, together with funds held on deposit in the Bond Fund, except funds held therein for payment of matured installments of principal on the Bonds or interest payable thereon, shall be sufficient to pay when due all principal of, redemption premium, if any, and interest on the Bonds. The Board shall have the right to prepay or cause to be prepaid all or a portion of each Installment Sale Payment at any time and shall be obligated to do so in a timely manner if and to the extent the Board requests redemption or prepayment of the Bonds. Any such prepayment by the Board shall not relieve it of liability for each remaining Installment Sale Payment except as provided in this Agreement and the Indenture.

(b) Recognizing that the Installment Sale Payments will be used to pay when due the principal of, redemption premium, if any, and interest on the Bonds, it is hereby agreed that, if and when the Bonds are delivered, the Board shall be absolutely and unconditionally obligated to make and pay, or cause to be made and paid, each Installment Sale Payment prescribed by this Agreement, but solely from the Pledged Revenues, regardless of whether or not the Issuer or the Board actually purchases, constructs, improves, reconditions or completes the Project, or whether or not the Board actually approves, purchases, receives, accepts, or uses the Project; and the Board will not suspend or discontinue any Installment Sale Payment or terminate this Agreement for any cause including, without limiting the generality of the foregoing, failure of consideration, failure or impairment of title, or commercial frustration of purpose, or any damage to or destruction of all or part of

the Project, or the taking or condemnation of title to or the use or possession of all or any part of the Project, or any change in the laws of the State, or any failure of the Issuer to perform and observe any agreement or covenant, whether express or implied, or to discharge any duty, liability or obligation arising out of or connected with this Agreement or any other agreement between the Board and the Issuer; and the Installment Sale Payments shall not be subject to any abatement, set-off, or counterclaim; and the Holders of the Bonds shall be entitled to rely on this agreement and representation, notwithstanding any provisions of this Agreement or any other contract or agreement to the contrary, and regardless of the validity of, or the performance of, the remainder of this Agreement or any other contract or agreement. The Board further agrees to make or cause to be made all payments required to be made into the Bond Fund in accordance with Section 7.01 of the Indenture.

(c) The provisions of (b) above shall not be construed to release the Issuer from the performance of any of its agreements contained in this Agreement or, except to the extent provided in this Section 5.04, prevent or restrict the Board from asserting any rights which it may have against the Issuer, the Trustee or any other persons under this Agreement or under any provision of law, or prevent or restrict the Board, at its own cost and expense, from prosecuting or defending any action or proceeding against or by third parties or taking any other action to secure or protect its rights of purchase, acquisition, possession and use of the Project and its rights under this Agreement.

Section 5.05. ADDITIONAL BUILDING REVENUE BONDS AND PARITY OBLIGATIONS. (a) In addition to the right to issue obligations of inferior lien as authorized by the laws of the State, the Board reserves and shall have the right and power, notwithstanding the pledge by the Board hereunder of the Pledged Revenues, to issue or incur Additional Building Revenue Bonds for any purpose authorized by law, including the refunding of any Building Revenue Bonds or Additional Building Revenue Bonds, which Additional Building Revenue Bonds, when issued, shall be secured by and payable from a lien on and pledge of the Pledged Available Fund Surplus equally and ratably with, and in the same manner and to the same extent as, the Building Revenue Bonds and any other then outstanding Additional Building Revenue Bonds; provided, however, no such Additional Building Revenue Bonds shall be issued so long as the Board provides a Liquidity Facility pursuant to the Indenture.

(b) The Board reserves and shall have the right and power to issue or incur "Parity Obligations" for any purpose authorized by law, which Parity Obligations shall be secured by and payable from a lien on and pledge of the Pledged Revenues equally and ratably with, and in the same manner

and to the same extent as, the Installment Sale Payments; and the Parity Obligations permitted by this Section, when issued, shall be payable from and secured by the Pledged Available Fund Surplus and shall be in all respects of equal dignity and on a parity with the Installment Sale Payments. The Parity Obligations shall be issued or incurred only in accordance with this Agreement, but notwithstanding any provisions of this Agreement to the contrary, no Parity Obligations shall be issued, incurred or delivered unless:

(i) The senior financial officer of the System signs a written certificate to the effect that the Board is not in default as to any covenants, conditions or obligations in this Agreement;

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

(iii) So long as the Liquidity Facility is in force, the Board receives the written consent of the Bank to the issuance or undertaking of the Parity Obligations.

Section 5.06. PAYMENTS TO ISSUER. Out of money from the proceeds from the sale and delivery of the Bonds or out of funds provided by the Board, there shall be paid all of the Issuer's reasonable actual out-of-pocket expenses and Costs in connection with the Bonds.

Section 5.07. TAX-EXEMPT STATUS OF THE BONDS. That unless and until the Issuer and the Board shall have received a written Opinion of Counsel to the effect that failure to comply with one or more of the following covenants will not adversely affect the exclusion of the interest on the Bonds from gross income under Section 103(a) of the Code. The Issuer and the Board agree to comply with each of the specific covenants in this Section.

(a) That with respect to the Bonds and the Project, the Issuer and the Board shall not permit both the "Trade or Business Test" and the "Security Interest Test" to be met.

(1) Trade or Business Test. The Trade or Business Test is met if more than 10 percent of the proceeds of the Bonds are to be used (directly or indirectly) for any "private business use" by any person other than a governmental unit.

(2) Security Interest Test. The Security Interest Test is met if the payment of the principal of, or the interest on, more than 10 percent of the proceeds of the Bonds is (under the terms of the Bonds or any underlying arrangement) directly or indirectly-

(A) secured by any interest in -

(i) property used or to be used for a private business use, or

(ii) payments in respect of such property, or

(B) to be derived from payments (whether or not to the Issuer or the Board) in respect of property, or borrowed money, used or to be used for a private business use.

The term "private business use" means use (directly or indirectly) in a trade or business carried on by a person other than a governmental unit. For purposes of the preceding sentence, use as a member of the general public shall not be taken into account and any activity carried on by a natural person shall not be taken into account. All activities of section 501(c)(3) organizations, the federal government (including its agencies and instrumentalities), and other nongovernmental persons who are not natural persons are treated as trade or business activities.

(b) That for purposes of the Trade or Business Test, a person may be a user of bond proceeds and bond-financed property as a result of (1) ownership or (2) actual or beneficial use of property pursuant to a lease, a management or incentive payment contract, or (3) any other arrangement such as a take-or-pay or other output-type contract. Use on the same basis as the general public (including use as an industrial customer) is not taken into account. However, trade or business use by all persons on a basis different from the general public is aggregated in determining if the 10 percent limit is met.

(c) That for purposes of the Trade or Business Test, use pursuant to management contracts not exceeding five years (including renewal options) is not treated as private business use if -

(1) at least 50 percent of the compensation to any manager other than a governmental unit is on a periodic, fixed-fee basis;

(2) no amount of compensation is based on a share of net profits; and

(3) the governmental unit owning the facility may terminate the contract (without penalty) at the end of any three year period.

(d) That for purposes of the Security Interest Test, both direct and indirect payments made by any person (other than a governmental unit) who is treated as using the proceeds of the Bonds are counted. Such payments are counted whether or not they are formally pledged as security or are directly used to pay debt service on the Bonds. Similarly, payments to persons other than the Issuer or the Board may be considered. Revenues from generally applicable taxes are not treated as payments for purposes of the security interest test; however, special charges imposed on persons satisfying the use test (but not on members of the public generally) are so treated if the charges are in substance fees paid for the use of bond proceeds.

(e) That no more than 5 percent of the proceeds of the Bonds will be used for any private business use test that is not related to any governmental use of such proceeds. For this purpose, the term "related" means a use for a facility that is located within or adjacent to any governmental facility to which it is related.

(f) That no more than 5 percent of the proceeds of the Bonds will be used for any private business use that is disproportionate to the amount of such proceeds used for a related governmental use. The determination of whether a private use which is related to a government use also being financed with the bond proceeds is disproportionate to the government use to which such private use related is determined by comparing the amount of bond proceeds used for the related private and government uses. The related private use is disproportionate to the related government use to the extent it exceeds such use in amount. Multiple, related private use facilities for any governmental use are treated as one facility for purposes of this rule.

(g) That the Trade or Business Test and Security Interest Test are deemed to be met where 5 percent or more of the proceeds of the Bonds are used with respect to any output facility (other than a facility for the furnishing of water) and the amount of proceeds so used exceeds the excess of -

(1) \$15 million, over

(2) the aggregate amount of proceeds with respect to all prior tax-exempt issues 5 percent or more of the proceeds of which are or will be used with respect to such output facility (or any other facility which is part of the same project).

There shall not be taken into account under subparagraph (2) above any bond which is not outstanding at the time of the later issue or which is to be redeemed (other than in an advance refunding) from the net proceeds of the later issue.

(h) That the amount of the proceeds of the Bonds which are to be used (directly or indirectly) to make or finance loans to persons other than governmental units will not exceed the lesser of (a) 5 percent of such proceeds or (b) \$5 million.

(i) That the Issuer or the Board will not take any action which would adversely affect the exclusion of the interest on the Bonds from gross income under Section 103(a) of the Code, including without limitation any action that would permit any of the Bonds to be treated as "private activity bonds" within the meaning of section 141 of the Code, or as "federally guaranteed" within the meaning of section 149(b) of the Code, and will take, or require to be taken, such acts as may be reasonably within its ability and as may from time to time be required under applicable law or regulation to continue to exempt from federal income taxation the interest on the Bonds, including the preparation and filing of any statements or information reports required to be filed by the Issuer or the Board in order to maintain the tax-exempt status of the interest on the Bonds.

(j) That the Issuer or the Board has not taken, has no present intention of taking any action and knows of no action taken or intended which would cause interest on the Bonds to be includable in the gross income of any bondholders for federal income tax purposes.

The covenants and agreements contained herein are intended to assure compliance with the provisions of the Code and the Regulations relating to tax-exempt obligations. In the event that Regulations are hereafter proposed or promulgated and the effect of such Regulations is to modify or delete any element of the covenants contained herein, the Issuer and the Board shall be relieved of their obligation to comply with such covenants to the extent of such modification or deletion, provided that the Issuer and the Board receive an Opinion of Counsel that such action will not adversely affect the exclusion of the interest on the Bonds from gross income under Section 103(a) of the Code. In the event such Regulations impose additional requirements which are applicable to the Bonds, the Issuer and the Board

hereby agree to comply with the provisions of the Regulations.

Section 5.08. PAYMENT TO REBATE FUND. The Board hereby covenants and agrees to make the determinations and to pay any deficiency in the Rebate Fund, at the times and as described in Section 7.04 of the Indenture and in Section 5.09 hereof. In any event, if the amount of cash held in the Rebate Fund shall be insufficient to permit the Trustee to make payment to the United States of any amount due under Section 148(f)(2) of the Code, the Board forthwith shall pay the amount of such insufficiency on such date to the Trustee in immediately available funds. The obligations of the Board under this Section 5.08 are direct obligations of the Board, acting under the authorization of, and on behalf of, the Issuer and the Issuer shall have no further obligation or duty with respect to the Rebate Fund.

Section 5.09. COVENANTS REGARDING ARBITRAGE. That unless and until the Issuer and the Board shall have received an Opinion of Counsel to the effect that failure to comply with one or more of the following covenants will not adversely affect the exclusion of the interest on the Bonds from gross income under section 103(a) of the Code, the Issuer and the Board agree to comply with each of the specific covenants in this Section.

(a) Section 7.04 of the Indenture provides for the creation of a Rebate Fund. The Rebate Fund is established for the purpose of compliance with section 148 of the Code.

(b) That at the close of each "Bond Year," the Issuer and the Board shall compute the amount of "Excess Earnings," if any, for the period beginning on the date of delivery of the Bonds and ending at the close of such "Bond Year" and transfer an amount equal to the difference, if any, between the amount then in the Rebate Fund and the Excess Earnings so computed. The term "Bond Year" means with respect to the Bonds each one-year period ending on the anniversary of the date of delivery of the Bonds.

(c) That in general, "Excess Earnings" for any period of time means the sum of

(i) the excess of --

(A) the aggregate amount earned during such period of time on all "Nonpurpose Investments" (including gains on the disposition of such Investments) in which "Gross Proceeds" of the issue are invested (other than amounts attributable to an excess described in this subparagraph (c)(i)) over

(B) the amount that would have been earned during such period of time if the "Yield" on such Nonpurpose Investments (other than amounts attributable to an excess described in this subparagraph (c)(i)) had been equal to the Yield on the issue, plus

(ii) any income during such period of time attributable to the excess described in subparagraph (c)(i) above.

"Excess Earnings" will not include amounts, if any, which need not be taken into account under the special rules of section 148(f)(4)(A) and (B) of the Code relating to bona fide debt service funds and the six-month temporary investment period. The terms "Nonpurpose Obligations," "Gross Proceeds" and "Yield" shall have the meanings prescribed by section 148 of the Code and shall be applied in the manner prescribed in such section.

(d) That the Issuer and the Board shall pay to the United States of America at least once every five-years an amount that ensures that at least 90 percent of the Excess Earnings from the date of delivery of the Bonds to the close of the period for which the payment is being made will have been paid. The Issuer and the Board shall pay to the United States of America not later than 60 days after the Bonds have been paid in full 100 percent of the amount then required to be paid under section 148(f) of the Code as a result of Excess Earnings.

(e) That the Issuer and the Board shall keep such records as will enable the Issuer and the Board to fulfill their responsibilities under this section and section 148(f) of the Code and shall retain such records for at least six years following the final payment of principal and interest on the Bonds.

(f) That the Issuer and the Board will not use any portion of the proceeds of the Bonds directly or indirectly to acquire "higher yielding investments," or to replace funds which were used directly or indirectly to acquire "higher yielding investments." The term higher yielding investments means any investment property (as defined in section 148(b)(2) of the Code) which produces a yield over the term of the issue which is materially higher than the yield on the Bonds (as defined above). The foregoing limitation on higher yielding investments shall not apply to --

(1) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less until such proceeds are needed for the purpose for which Bonds are issued, and

(2) amounts invested in the Bond Fund (a bona fide debt service fund) if the gross earnings on such fund are less than \$100,000 in any Bond Year.

(g) That the Issuer and the Board covenant to restrict the use of the proceeds of Bonds in such manner and to such extent, as may be necessary, so that the Bonds will not constitute arbitrage bonds under section 148 of the Code and, to the extent applicable, section 149(d) of the Code (relating to advance refundings).

(h) That the requirements of this Section are subject to, and shall be interpreted in accordance with section 148 of the Code and any regulations which may be issued thereunder.

(i) That the Issuer and the Board shall not, at any time prior to the final maturity of the Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the Bonds not been relevant to either party.

(j) That the Issuer and the Board's payment of rebate to the United States is additional consideration for the purchase of the Bonds by the initial purchasers thereof and the loan of money represented thereby, and is for the purpose of preserving the exemption from federal income taxation of interest on the Bonds.

Section 5.10. PROVISIONS FOR TRANSFER OF MONEYS TO THE BOND FUND. To provide for money to be available at the Trustee in ample time to pay the principal of, redemption premium, if any, and interest on the Bonds as such principal, redemption premium, if any, and interest respectively come due, an Authorized Representative shall perform the following duties:

(1) Concurrently with the issuance of the Bonds there is being established by the Treasurer of the State, outside the Treasury of the State, the Special System Account - Semiconductor Manufacturing Laboratory Project (the "Special System Account"). To the extent there are not sufficient moneys on deposit in the Bond Fund to pay the principal of, redemption premium, if any, and interest on the Bonds as the same mature and come due, and if there is on deposit in the Special System Account from Pledged Revenues of the Board, including the interest of the University in the Available University Fund, moneys sufficient to pay such amounts, an Authorized Representative shall make an Installment Sale Payment by causing a transfer from

the Special System Account to the Trustee for deposit in the Bond Fund moneys sufficient to pay such amounts, and thereafter shall coordinate with the Treasurer of the State and the Comptroller of Public Accounts of the State, (the "Comptroller of Public Accounts"), and thereafter an Authorized Representative shall take such actions as may be necessary to restore from Pledged Revenues, including the interest of the University in the Available University Fund, the Special System Account to an amount equal to the amount such Authorized Representative estimates will be necessary to pay said principal, redemption premium, if any, or interest on the Bonds.

(2) If it is anticipated that there shall not be on account in the Bond Fund or in the Special System Account, from the Pledged Revenues, including the interest of the University in the Available University Fund, moneys sufficient to pay the principal of, redemption premium, if any, or the interest on the Bonds as the same are due, an Authorized Representative shall implement the procedures necessary to cause the Comptroller of Public Accounts to withdraw any available moneys from the Available University Fund to pay to the extent possible the amount on the Bonds which will become due on the scheduled payment date and deposit said amount in the Bond Fund.

ARTICLE VI

COVENANTS AND REMEDIES

Section 6.01. COVENANT. The Board agrees and covenants with the Issuer and the Trustee, regardless of and notwithstanding any provision of this Agreement, and regardless of the provisions of any other agreement or contract to the contrary, that it will pay, or cause to be paid, when due, each Installment Sale Payment and Additional Payment required and prescribed to be paid by it pursuant to the Indenture and all other sums to be paid by the Board under this Agreement and the Indenture, but solely from the Pledged Revenues. The Board further agrees and covenants to pay all reasonable expenses and charges (including court costs and attorneys' fees), paid or incurred by the Issuer or the Trustee in realizing upon any of the said payments to be made by the Board or in enforcing the provisions of this Agreement or the Indenture.

Section 6.02. ASSIGNMENT OF ISSUER'S RIGHTS TO THE TRUSTEE. The Board is advised and recognizes that the Issuer will assign all or any part of the Installment Sale Payments required to be made pursuant to this Agreement, and the right to receive and collect same, to the Trustee under the Indenture securing the Bonds and hereby consents to such

assignment. All rights against the Board arising under this Agreement or the Indenture may be enforced by the Issuer; and, with respect to the Installment Sale Payments and any other covenant hereunder (other than the Issuer's right to payments under Section 5.06), such rights may be enforced by the Trustee, or the Holders of the Bonds, to the extent provided in the Indenture, and the Trustee, or the Holders of the Bonds, shall be entitled to bring any suit, action, or proceeding against the Board, to the extent provided in the Indenture, for the enforcement of this Agreement or the Indenture, and it shall not be necessary in any such suit, action, or proceeding to make the Issuer a party thereto.

Section 6.03. ADDITIONAL PAYMENTS. The Board agrees to pay or cause to be paid the Additional Payments which include the reasonable fees and charges of the Trustee, the Bank, the Liquidity Confirmer, the Remarketing Agent, the Tender Agent, the Authenticating Agent, the Bond Registrar and the Paying Agents, as provided in the Indenture and the Related Documents, as and when the same become due, but solely from the Pledged Revenues, and the Issuer shall have no liability with respect thereto. Without limiting the foregoing, the Board agrees to pay directly to the Trustee from time to time reasonable compensation for all services rendered by the Trustee hereunder or under the Indenture (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) and, except as otherwise expressly provided herein, to reimburse the Trustee upon its requests for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provisions of this Agreement or the Indenture (including the reasonable compensation and the expenses and disbursements of the Trustee's agents and counsel), except any such expense, disbursement or advance as may be attributable to the gross negligence or willful misconduct of the Trustee.

Section 6.04. GENERAL PROVISIONS. (a) The terms of this Agreement may be enforced as to one or more breaches either separately or cumulatively.

(b) No remedy conferred upon or reserved to the Issuer, the Board, the Trustee or, the Holders of the Bonds in this Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy now or hereafter existing at law or in equity or by statute. No delay or omission, to exercise any right or power accruing upon any default, omission, or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In the event any provision contained in this Agreement should be breached by the

Issuer or the Board and thereafter duly waived, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach of this Agreement. No waiver by either party of any breach by the other party of any of the provisions of this Agreement shall be construed as a waiver of any subsequent breach, whether of the same or of a different provision of this Agreement.

(c) Headings of the Sections of this Agreement have been inserted for convenience of reference only and in no way shall they affect the interpretation of any of the provisions of this Agreement.

(d) This Agreement is made for the exclusive benefit of the Issuer, the Trustee, the Paying Agent, the Remarketing Agent, the Authenticating Agent, the Bond Registrar, the Holders of the Bonds, the Bank, the Liquidity Confirmer and the Board, and their respective successors and assigns herein permitted, and not for any third party or parties; and nothing in this Agreement, expressed or implied, is intended to confer upon any party or parties other than the Issuer, the Trustee, the Paying Agent, the Remarketing Agent, the Authenticating Agent, the Bond Registrar, the Holders of the Bonds, the Bank, the Liquidity Confirmer and the Board, and their respective successors and assigns herein permitted, any rights or remedies under or by reason of this Agreement.

(e) This Agreement is to be performed in Travis County, Texas, and the validity, interpretation, and performance of this Agreement shall be governed by the laws of the State. In addition, it is the intention of the parties hereto that venue for any actions brought hereunder to which the Issuer is a party shall lie in Travis County, Texas.

Section 6.05. AMENDMENT OF AGREEMENT. No amendment, change, addition to, or waiver of any of the provisions of this Agreement shall be binding upon the parties hereto unless in writing signed by the Authorized Representative and the President of the Board of Directors of the Issuer. No such amendment, change, addition to or waiver of any of the provisions of this Agreement shall be made or agreed to by the parties hereto unless the Bank shall consent thereto in writing, which consent may not be unreasonably withheld. In addition to amendments for any other purpose, it is specifically understood that this Agreement may be amended, if deemed necessary or advisable by the Board and the Issuer and provided that the Issuer shall have received an Opinion of Counsel to the effect that such amendment complies with the Acts, to change the definition and scope of the term "Project" as used herein so as to permit the Issuer to purchase, construct, improve or recondition, or cause to be purchased, constructed, improved or reconditioned, and sell to the Board, other additional research and development

facilities related thereto, at the same or other locations, or improvements related to the Project, pursuant to this Agreement and in accordance with applicable laws, with the same effect as if they had been described originally in "Exhibit A" hereto. Notwithstanding any of the foregoing, it is covenanted and agreed, for the benefit of the Holders of the Bonds and the Trustee, that the provisions of this Agreement shall not be amended, changed, added to, or waived in any way which would relieve, reduce or abrogate the obligations of the Board to make or pay, or cause to be made or paid, when due, all Installment Sale Payments with respect to any then Outstanding Bonds which have been issued and delivered pursuant to the Indenture and this Agreement, in the manner and under the terms and conditions provided herein and in the Indenture, or which would change or affect Article II, Sections 5.04, 5.07, 5.08, 5.09, 6.01, 7.01 or 8.02 hereof or the provisions of this sentence unless, in the judgment of the Trustee such change or amendment would not materially adversely affect the interests of the Bondholders.

ARTICLE VII

PURCHASE AND REMARKETING OF BONDS

Section 7.01. PURCHASE OF BONDS. (a) In consideration of the issuance of the Bonds and to achieve the lowest possible interest rate on the Bonds by the Issuer, but for the benefit of the Bondholders, the Board has contracted for the Bank to provide the Liquidity Facility whereby Holders from time to time of the Bonds may deliver Bonds for purchase and whereby such Bonds shall be so purchased. In furtherance of the foregoing covenant of the Board, the Issuer, at the direction of the Board, has set forth in the FORM OF BOND set forth in Exhibit A to the Indenture and in Article Six of the Indenture the terms and conditions relating to the delivery of Bonds by the Holders thereof to the Tender Agent for purchase and has set forth in the Indenture the duties and responsibilities of the Tender Agent and the Remarketing Agent with respect to the purchase and remarketing of Bonds. The Board hereby consents to acceptance and exercise by the Remarketing Agent or the Tender Agent, as the case may be, of their duties to purchase, offer, sell, and deliver Bonds in accordance with the Indenture.

Without limiting the generality of the foregoing covenant of the Board, the Board covenants, for the benefit of the Holders of the Bonds, to pay, or cause to be paid, to the Tender Agent such amounts as shall be necessary to enable the Tender Agent to pay the Purchase Price of Bonds delivered to it for purchase or deemed delivered for purchase, all as more particularly described, at the direction of the Board, in the Indenture; provided, however, that

the obligation of the Board to make, or cause to be made, any such payment hereunder shall be satisfied only by funds received by the Tender Agent or the Remarketing Agent (i) from the remarketing of the Bonds, (ii) from the Bank or the Liquidity Confirmer on purchases under the Liquidity Facility or Liquidity Confirmation and (iii) in the event funds are not available under clauses (i) and (ii) above, from Pledged Revenues of the Board.

(b) The Issuer shall have no obligation or responsibility, financial or otherwise, with respect to the purchase of Bonds or the making or continuation of arrangements therefor other than as expressly set forth in subsection (a) of this Section 7.01, except that the Issuer shall generally cooperate with the Board, the Tender Agent, the Remarketing Agent, the Bank and the Liquidity Confirmer as described in the Related Documents.

Section 7.02. OPTIONAL REDEMPTION OF BONDS. In accordance with Section 3.02 of the Indenture, the Board may direct the Issuer to call for redemption from time to time, Bonds or portions thereof, by giving notice to the Trustee as provided in the Indenture.

ARTICLE VIII

SPECIAL COVENANTS

Section 8.01. INSURANCE AND CONDEMNATION AWARDS. The Board will obtain such insurance in the name of the Issuer with respect to the purchase, construction, improvement and reconditioning of the Project, as it deems necessary or advisable or as is required by law. Initial premiums on such insurance may be paid from Bond proceeds as a Cost. Any proceeds received by the Issuer from such insurance prior to the delivery of the Completion Certificate shall be deposited in the Proceeds Fund and used to repair or replace the damaged or destroyed Project. The Issuer shall not, however, be under any obligation to obtain insurance, nor shall the Issuer be liable to the Board in any manner for any claims, losses, damages, penalties, costs or fines with respect to the purchase, construction, improvement, reconditioning, operation or ownership of the Project.

Any condemnation awards or insurance proceeds received in connection with the Project after the delivery of the Completion Certificate shall belong to the Board. If condemnation awards are received by the Issuer before the delivery of the Completion Certificate by an Authorized Representative and the Board does not choose to prepay the purchase price of the Project, such awards shall be deposited in the Proceeds Fund.

Section 8.02. ASSIGNMENT. The Board may assign its interest in this Agreement in whole or in part, provided, however, no assignment shall be made without the Board first obtaining the written consent of the Bank thereto, which consent shall not be unreasonably withheld by the Bank, and no assignment shall relieve the Board from primary liability for any of its obligations hereunder, and, without limiting the generality of the foregoing, in the event of any such assignment, the Board shall continue to remain primarily liable for its payments specified herein and for performance and observance of the other covenants and agreements on its part herein provided.

Section 8.03. FINANCIAL REPORTS. The Board shall furnish such audits and reports to the Issuer and the Bank and the Trustee with regard to the Pledged Revenues as the State Auditor is required by State law to prepare and distribute.

Section 8.04. FORCE MAJEURE. If by reason of Force Majeure either the Issuer or the Board shall be rendered unable wholly or in part to carry out its obligations under this Agreement, and if such party gives notice and full particulars of such Force Majeure in writing to the other party within a reasonable time after failure to carry out its obligations under this Agreement, such obligations (other than the obligations of the Board specified in the last sentence of this Section 8.04) of the party giving such notice, so far as they are affected by such Force Majeure, shall be suspended during the continuance of the inability then claimed, including a reasonable time for removal of the effect thereof. The occurrence of any event of Force Majeure shall not suspend or otherwise abate, and the Board shall not be relieved from, the obligation to make, or cause to be made, Installment Sale Payments or the Additional Payments or to purchase the Bonds.

Section 8.05. THIRD PARTY BENEFICIARIES. This instrument is executed in part to induce the purchase by others of the Bonds, and for the further securing of the Bonds, and accordingly, so long as any Bonds are outstanding, all respective covenants and agreements of the parties herein contained are hereby declared to be for the benefit of the Holders and the Bank from time to time of the Bonds, and may be enforced by or on behalf of the Holders and the Bank only by the Trustee in accordance with the provisions of the Indenture. As provided in the Issuer Act, in the event of a default in the payment of principal of, redemption premium, if any, or interest on the Bonds or in the performance of any agreement contained herein, such payment and performance may be enforced by mandamus or by the appointment of a receiver in equity with the power to charge to and collect from the Board Installment Sale Payments and Additional Payments and to apply such

Installment Sale Payments and Additional Payments received in accordance with this Agreement and the Related Documents.

Section 8.06. TERM OF AGREEMENT. The term of this Agreement shall be from the date hereof until all payments required to be made by the Board pursuant hereto shall have been made.

Section 8.07. NOTICES. (a) Any notice, request or other communication under this Agreement shall be given in writing and shall be deemed to have been given by either party to the other party upon either of the following dates:

(i) The date of the mailing thereof, as shown by the post office receipt if mailed to the other party hereto by registered or certified mail at the applicable address as follows:

TO THE ISSUER:

Travis County Research and Development Authority
Travis County Courthouse Annex
1010 San Antonio Street
Austin, Texas 78701
Attention: President of the Board of Directors

with a copy to the Board at the address set forth below:

TO THE BOARD:

Board of Regents of
The University of Texas System
210 West 6th Street
Austin, Texas 78701
Attention: Manager of Special Investments
and Financing

with a copy of any such notice sent to:

Board of Regents of
The University of Texas System
Office of the General Counsel
201 West 7th Street
Austin, Texas 78701

or the latest address specified by such other party in writing; or

(ii) The date of the receipt thereof by such other party if not so mailed by registered or certified mail.

(b) A copy of any notice required by this Agreement to be sent by one party hereto to the other party hereto shall be sent to the Bank at the following address:

Morgan Guaranty Trust Company of New York
Attn: Public Finance Department
23 Wall Street
New York, New York 10015

Section 8.08. SEVERABILITY. If any clause, provision or Section of this Agreement should be held illegal or invalid by any court, the invalidity of such clause, provision or Section shall not affect any of the remaining clauses, provisions or Sections hereof and this Agreement shall be construed and enforced as if such illegal or invalid clause, provision or Section had not been contained herein. In case any agreement or obligation contained in this Agreement should be held to be in violation of law, then such agreement or obligation shall be deemed to be the agreement or obligation of the Board or the Issuer, as the case may be, to the full extent permitted by law.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed in multiple counterparts, each of which shall be considered an original for all purposes, as of the day and year first set out above.

TRAVIS COUNTY RESEARCH
AND DEVELOPMENT AUTHORITY

By _____
President,
Board of Directors

ATTEST:

Secretary,

(SEAL)

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By Executive Vice Chancellor

APPROVED AS TO FORM:

APPROVED AS TO CONTENT:

Office of General Counsel

Vice President

EXHIBIT "A"

DESCRIPTION OF THE PROJECT

The Project involves the conversion of an existing single story light manufacturing type building with an attached five-story office building and related site and utility improvements at The University of Texas at Austin Montopolis Research Center, Austin, Travis County, Texas. The conversion work will primarily involve the construction of clean room and related special support system facilities to sustain advanced products research and development operations. The scope and character of the remodeling and retrofit type construction work will involve the following major considerations:

- (a) Maximum sub-micron tolerances of structural vibration transmission and control.
- (b) Ultra quality systems for production, distribution and control of large volumes of particulate-free air.
- (c) Ultra quality systems for production, distribution and control of process gases and liquids.
- (d) Ultra quality systems for collection, containment and treatment of process production materials exhaust and waste removal.
- (e) High quality distribution, control and emergency generation of electrical power systems and supply.
- (f) Systems for monitoring and controlling security, life safety requirements and operational protocols.
- (g) General improvements and support facilities to accommodate the mission and intent of the clean room research and development activities.

EXHIBIT "B"

DESCRIPTION OF THE SITE

Thirty-five (35) acres and the improvements thereon, out of a 94.366-acre tract out of the Santiago del Valle Grant in Travis County, Texas, platted as Lot 2, Block C, Marshall Hills Section 2, a subdivision in the City of Austin, Travis County, Texas, as set forth on plat recorded in Book 76, page 279 of the Plat Records of Travis County, Texas, and being the same lands conveyed to Data General Corporation in that certain deed recorded in Volume 6158, page 433 of the Deed Records of Travis County, Texas, and being more fully described in Exhibit "A" to the Lease Agreement.

STANDBY BOND PURCHASE AGREEMENT

dated as of

February 1, 1988

between

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

and

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

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STANDBY BOND PURCHASE AGREEMENT

This STANDBY BOND PURCHASE AGREEMENT, dated as of February 1, 1988, is between the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM and MORGAN GUARANTY TRUST COMPANY OF NEW YORK.

RECITALS

WHEREAS, the Travis County Research and Development Authority proposes to issue \$38,000,000 aggregate principal amount of its Multi-Modal Interchangeable Rate Revenue Bonds (The University of Texas at Austin Semiconductor Manufacturing Laboratory Project) Series 1988 pursuant to an Indenture (as hereinafter defined) between the Authority (as hereinafter defined) and the Trustee (as hereinafter defined), and a resolution duly adopted by the Board of Directors of the Authority on February ____, 1988 (the "Bond Resolution");

WHEREAS, the Board of Regents (as hereinafter defined) has entered into the Installment Sale Agreement (as hereinafter defined) with the Authority pursuant to which the Board of Regents has agreed to acquire the Project (as hereinafter defined) from the Authority and to make installment payments sufficient to pay principal of and interest on the Bonds (as hereinafter defined) when due;

WHEREAS, the Board of Regents will use the proceeds of the Bonds to construct needed improvements comprising the Project for use by The University of Texas at Austin as an educational research and development facility;

WHEREAS, if the Remarketing Agent (as hereinafter defined) is unable to remarket Bonds tendered by the owners thereof to the Tender Agent (as hereinafter defined) for purchase, the Board of Regents has agreed pursuant to the Installment Sale Agreement to arrange for the purchase of the Bonds; and

WHEREAS, the Board of Regents wishes to provide for the purchase of the Bonds by the Bank on the terms and conditions provided herein;

NOW, THEREFORE, the parties hereto agree as follows:

[END OF RECITALS]

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. The following terms, as used herein, have the following meanings:

"Agreement" means this Standby Bond Purchase Agreement, as the same may from time to time be amended, supplemented or modified.

"Agreement Effective Date" has the meaning specified for that term in Section 3.01.

"Authority" means the Travis County Research and Development Authority, or any successor or assign to its duties and functions.

"Authorized Representative" shall mean one or more of the following officers or employees of the System, to-wit: the Chancellor, any Executive Vice Chancellor, the General Counsel, the Director of Endowments and Trusts, the Manager of Special Investments and Financing and the Comptroller or such other officer or employee of the System authorized by the System to act as an Authorized Representative.

"Available Commitment" as of any day means the sum of the Available Principal Commitment and the Available Interest Commitment, in each case as of such day.

"Available Interest Commitment" initially means \$ _____ and thereafter means such initial amount adjusted from time to time as follows: (i) downward by an amount that bears the same proportion to such initial amount as the amount of any reduction in the Available Principal Commitment pursuant to the definition of "Available Principal Commitment" bears to the initial Available Principal Commitment and (ii) upward by an amount that bears the same proportion to such initial amount as the amount of any increase in the Available Principal Commitment pursuant to clause (iii) of the definition of "Available Principal Commitment" bears to the initial Available Principal Commitment.

"Available Principal Commitment" initially means \$38,000,000, and thereafter means such initial amount

adjusted from time to time as follows: (i) downward by the amount of any reduction of the Available Principal Commitment pursuant to the first sentence of Section 2.03; (ii) downward by the principal amount of any Bonds purchased by the Bank pursuant to Section 2.02; and (iii) upward by the principal amount of any Bonds, theretofore purchased by the Bank pursuant to Section 2.02, which are sold by the Bank or which the Bank declines to sell pursuant to Section 2.04(c) (regardless of the purchase price received for such Bonds).

"Available University Fund" means, as provided in Article VII, Section 18 of the Texas Constitution, 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.

"Bank" means Morgan Guaranty Trust Company of New York or any successor or assign permitted hereunder.

"Board of Regents" means the Board of Regents of the System and any successor governing body of the System.

"Board Resolution" means the resolution adopted by the Board of Regents on February 11, 1988, authorizing among other things, the execution and delivery of this Agreement.

"Bond Resolution" has the meaning specified for that term in the recitals.

"Bonds" means the Authority's Multi-Modal Interchangeable Rate Revenue Bonds (The University of Texas at Austin Semiconductor Manufacturing Laboratory Project) Series 1988, issued pursuant to the Indenture in an aggregate principal amount not to exceed \$_____, while such Bonds bearing interest at a rate other than the Fixed Rate.

"Building Revenue Bonds" means the \$36,410,000 Board of Regents of The University of Texas System, The University of Texas at Austin, Building Revenue Refunding Bonds, Series 1986.

"Business Day" means any day that is not a Saturday, Sunday or a legal holiday or a day on which banking

institutions in the City of Austin, Texas or the City of New York, New York are authorized by law or executive order to close.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and when reference is made to a particular section thereof, the applicable Treasury Regulations from time to time promulgated or proposed thereunder.

"Commitment" means the Available Commitment calculated without regard to clauses (ii) and (iii) of the definition of Available Principal Commitment and the effect thereof on the amount of the Available Interest Commitment.

"Costs" has the meaning set forth for that term in the Installment Sale Agreement.

"Debt" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee under capital leases, (v) all Debt of others secured by a lien, security interest or charge on any asset of such Person, whether or not such Debt is assumed by such Person and (vi) all Guarantees by such Person.

"Default" means any condition or event which constitutes an Event of Default or which, with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Event of Default" has the meaning set forth for that term in Section 6.01.

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets,

goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Indenture" means the Indenture of Trust and Security Agreement dated as of February 1, 1988, between the Authority and the Trustee, as the same may from time to time be amended, supplemented or modified.

"Installment Sale Agreement" means the Lease and Installment Sale Agreement dated as of February 1, 1988, between the Authority and the Board of Regents, as the same may from time to time be amended, supplemented or modified.

"Notice of Bank Purchase" has the meaning specified for that term in Section 2.02.

"Paying Agent Agreement" has the meaning specified for that term in the Installment Sale Agreement.

"Permanent University Fund," "Permanent Fund," and "Fund" used interchangeably herein shall 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 currently or hereafter amended, and further implemented by the provisions of Chapter 66, Texas Education Code.

"Permanent University Fund Obligations" means, collectively, all bonds or notes of the Board of Regents or the Texas A&M University System Board of Regents heretofore or hereafter issued and delivered pursuant to the provisions of subsection (a) of Article VII, Section 18 of the Texas Constitution, or any amendment to the Constitution of the State relating to the Permanent University Fund hereafter approved by the voters of the State, payable from and secured by a lien on and pledge of income from the Permanent University Fund.

"Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or

organization, including a government or political subdivision or an agency or instrumentality thereof.

"Pledged Available Fund Surplus" has the meaning specified for that term in the Installment Sale Agreement.

"Priority Obligations" means the Building Revenue Bonds, or any other Debt payable from or secured by the Pledged Available Fund Surplus on a parity with the lien and pledge securing the Building Revenue Bonds or in any way superior or prior to the lien and pledge securing the Bonds; provided, that the term "Priority Obligations" shall not include Permanent University Fund Obligations.

"Project" has the meaning specified for that term in the Installment Sale Agreement.

"Purchase Contract" means the Bond Purchase Contract, dated February 25, 1988, among the Authority, the Board of Regents and J. P. Morgan Securities Inc., as Underwriters.

"Purchase Date" means any Business Day during the Purchase Period with respect to which the Bank has received a Notice of Bank Purchase pursuant to Section 2.02 hereof.

"Purchase Notice" has the meaning specified for that term in Section 2.04(b).

"Purchase Period" means the period from the Agreement Effective Date hereof to and including the earlier of (i) February 1, 1991 (or such later date as may be agreed to by the Bank and the Board of Regents as contemplated by Section 2.06); provided that, if the last day of the Purchase Period is not a Business Day, the Purchase Period shall be extended to the next succeeding Business Day, (ii) the date on which no Bonds are outstanding; and (iii) the time and date on which the Bank receives notice from the Trustee pursuant to Section 6.01H(2) of the Indenture that Bonds are subject to mandatory tender under Section 6.01H(1) of the Indenture.

"Purchase Price" has the meaning specified for that term in the Indenture.

"Purchased Bonds" means any "Liquidity Facility Bonds," as defined in the Indenture.

"Purchaser" has the meaning specified in Section 2.04(b).

"Related Documents" means the Bonds, the Bond Resolution, the Board Resolution, the Indenture, the Installment Sale Agreement, the Purchase Contract, the Remarketing Agreement, the Paying Agent Agreement and any other agreement or instrument relating thereto.

"Remarketing Agent" means J. P. Morgan Securities Inc., and its successors and assigns under the Remarketing Agreement.

"Remarketing Agreement" means the Remarketing and Interest Services Agreement dated as of February 1, 1988 between the Board of Regents and J. P. Morgan Securities Inc.

"State" means the State of Texas.

"System" means The University of Texas System.

"Tender Agent" means Morgan Guaranty Trust Company of New York, in its capacity as Tender Agent under the Indenture, or any successor appointed pursuant to the Indenture.

"Termination Notice" has the meaning set forth in Section 2.03.

"Trustee" means MTrust Corp, National Association, as trustee under the Indenture or any successor trustee under the Indenture.

SECTION 1.02. Incorporation of Certain Definitions by Reference. Each capitalized term used herein and not otherwise defined shall have the meaning provided for that term in the Indenture.

SECTION 1.03. Rules of Construction. For all purposes this Agreement, unless the context requires otherwise, all references to designated Articles, Sections and other subdivisions are to the Articles, Sections and other subdivisions of this Agreement.

SECTION 1.04. Interpretations. The table of contents, titles and headings of this Agreement have been inserted for convenience of reference only and are not to be considered a

part of this Agreement and shall not in any way modify or restrict any of the terms or provisions hereof.

SECTION 1.05. Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with Section 61.065 of the Texas Education Code.

[END OF ARTICLE I]

ARTICLE II

COMMITMENT TO PURCHASE BONDS

SECTION 2.01. Commitment to Purchase Bonds. The Bank agrees, on the terms and conditions contained in this Agreement, to purchase Bonds from time to time during the Purchase Period at the Purchase Price. The aggregate principal amount (or portion thereof) of any Bond purchased on any Purchase Date shall be \$100,000 or any larger multiple of \$100,000 and shall not exceed the Available Principal Commitment on such date. The aggregate amount of the Purchase Price comprising interest on any Purchase Date shall not exceed the lesser of (i) the Available Interest Commitment on such date and (ii) the actual amount of interest accrued on such Bonds to but excluding such date. Notwithstanding the foregoing, the Bank shall not be obligated to purchase Bonds registered in the name of the Board of Regents from time to time during the Purchase Period.

SECTION 2.02. Method of Purchasing. Pursuant to Section 4.01 of the Indenture, the Tender Agent will give notice to the Bank as provided below if, on any Purchase Date, Bonds are to be purchased by the Bank pursuant to this Section due to the inability of the Remarketing Agent to remarket such Bonds on such Purchase Date. If on any Purchase Date the Bank receives not later than 12:30 P.M. (New York City time), a notice from the Tender Agent (such notice to be referred to as a "Notice of Bank Purchase"), specifying (i) that Bonds are to be purchased by the Bank on such Purchase Date pursuant to this Section, (ii) the aggregate Purchase Price of such Bonds and (iii) the amount of such aggregate Purchase Price comprising principal and interest, respectively, the Bank will, unless it determines that any of the applicable conditions specified in Section 3.02 are not satisfied, transfer not later than 2:15 P.M. (New York City time) on such Purchase Date to the Tender Agent, in immediately available funds, an amount equal to the aggregate Purchase Price of such Bonds for deposit into the Purchase Fund established pursuant to Section 7.03 of the Indenture. The Bank (in its capacity as purchaser of Bonds pursuant to this Agreement) shall have no responsibility for, or incur any liability in respect of, any act, or any failure to act, by the Tender Agent which results in the failure of the Tender Agent (x) to credit the

Purchase Fund with funds made available to the Tender Agent by the Bank pursuant to this Section or (y) to effect the purchase for the account of the Bank of Bonds with such funds pursuant to this Section.

SECTION 2.03. Reduction and Termination of Available Commitment. Upon (i) any redemption, repayment or other payment of all or any portion of the principal amount of the Bonds and (ii) the conversion of any Bonds to a Fixed Rate, the aggregate Available Principal Commitment shall automatically be reduced by the principal amount of the Bonds so redeemed, repaid or otherwise paid or so converted, as the case may be. Any Bonds deemed to have been paid for purposes of the Indenture pursuant to Section 8.02 thereof shall not be deemed to have been paid for purposes of the preceding sentence. If at any time an Event of Default shall have occurred and be continuing, the Bank may deliver a notice (a "Termination Notice") to that effect to the Board of Regents, the Authority, the Trustee and the Remarketing Agent, and the Available Commitment shall thereupon terminate immediately, and the Bank shall have no further obligation to purchase any Bonds hereunder. In addition, the Available Commitment shall terminate (x) on the date on which the Trustee notifies the Bank that an alternate Liquidity Facility has been deposited with the Trustee and is effective, and (y) on the date on which the Bank elects to terminate pursuant to Section 5.05(b). If the Available Commitment is terminated in its entirety, all accrued facility fees payable in accordance with this Article II shall be payable on the effective date of such termination.

SECTION 2.04. Sale of Bonds. (a) Purchase Notices. Prior to 11:15 A.M. (New York City time) on any Business Day on which the Bank holds Purchased Bonds, the Remarketing Agent may deliver a notice (a "Purchase Notice") to the Bank and the Board of Regents stating that it has located a purchaser (the "Purchaser") for some or all of such Bonds and that such Purchaser desires to purchase on such Business Day a minimum of \$100,000 principal amount of such Bonds (or any larger multiple of \$100,000) at a price determined as provided in Section 5.02 of the Indenture.

(b) Bank's Option to Sell and Sale of Purchased Bonds. The Bank shall decide whether to sell any Purchased Bond or Bonds to any Purchaser and shall give notice of such

decision to the Board of Regents and the Remarketing Agent, by Noon (New York City time) on the same Business Day that the Purchase Notice is received by the Bank in accordance with subsection (a) of this Section. If the Bank determines to sell such Purchased Bond or Bonds to the Purchaser, the Bank will deliver such Purchased Bond or Bonds to the Tender Agent by 1:00 P.M. (New York City time) on such Business Day against receipt of the Purchase Price therefor in immediately available funds at the Bank's address set forth in Section 7.01. Any sale of a Purchased Bond, or portion thereof, pursuant to this Section shall be without recourse to the seller and without representation or warranty of any kind.

SECTION 2.05. Facility Fee. The Board of Regents shall pay to the Bank at its address set forth in Section 7.01 a facility fee accruing at the rate of 1/4 of 1% per annum on the Available Commitment. Such facility fee shall accrue from and including the Agreement Effective Date to but excluding the last day of the Purchase Period and shall be payable quarterly in arrears on each January 1, April 1, July 1 and October 1 during the Purchase Period (commencing with a payment on April 1, 1988) and on the last day of the Purchase Period.

SECTION 2.06. Request by the Board of Regents for Extension of Purchase Period. No later than 90 days prior to the last day of the Purchase Period, the Board of Regents may by notice to the Bank request that the Purchase Period be extended by a one-year period upon terms and conditions to be agreed upon by the Board of Regents and the Bank in the Bank's sole and absolute discretion. The Bank shall notify the Board of Regents of its decision within 60 days of receipt of notice from the Board of Regents, it being understood and agreed that the failure of the Bank to notify the Board of Regents of any decision within such 60-day period shall be deemed to be a rejection of such request and that the Bank shall not incur any liability or responsibility whatsoever by reason of its failure to notify the Board of Regents of its decision within such 60-day period. If the Purchase Period is so extended, the Board of Regents may request further one-year extensions on the terms provided above.

SECTION 2.07. Reduced Return. (a) If after the date hereof, the Bank shall have determined that the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect or reducing the rate of return on the Bank's capital as a consequence of its obligations hereunder to a level below that which the Bank could have achieved but for such adoption, change or compliance (taking into consideration the Bank's policies with respect to capital adequacy) by an amount deemed by the Bank to be material, then from time to time, within 15 days after demand by the Bank, the Board of Regents shall pay to the Bank, as an adjustment to the facility fee under Section 2.05, such additional amount or amounts as will compensate the Bank for such reduction.

(b) The Bank will promptly notify the Board of Regents of any event of which it has knowledge, occurring after the date hereof, which will entitle the Bank to compensation pursuant to this Section and will designate a different payment office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of the Bank, be otherwise disadvantageous to the Bank. A certificate of the Bank claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, the Bank may use any reasonable averaging and attribution methods.

SECTION 2.08. Nature of Fees Paid. All facility fees prescribed in Section 2.05 (as such fees may be adjusted pursuant to Section 2.07) shall constitute exclusively consideration for the Bank's agreement to have available funds in the amount committed by the Bank to purchase Bonds and to make such purchases of Bonds in the future as provided herein and shall not constitute or be treated as compensation for the use of, forbearance, or detention of money loaned and advanced.

[END OF ARTICLE II]

ARTICLE III

CONDITIONS

SECTION 3.01. Conditions to Effectiveness. This Agreement shall become effective on the date (the "Agreement Effective Date") on which the Bonds are purchased pursuant to the Purchase Contract and each of the following conditions has been satisfied:

(i) a counterpart of this Agreement has been duly executed and delivered by the Board of Regents and the Bank;

(ii) the fact that no default under the Related Documents and no Default under this Agreement shall have occurred and be continuing on the Agreement Effective Date;

(iii) the fact that the representations and warranties of the Board of Regents contained (or incorporated by reference) in this Agreement shall be true and correct on and as of the Agreement Effective Date as if made on and as of such date;

(iv) the fact that the representations and warranties of the Authority contained in the Related Documents to which it is a party shall be true and correct on and as of the Agreement Effective Date as if made on and as of such date;

(v) receipt by the Bank of a copy of the Bond Resolution, including any supplemental resolutions which have been adopted as of the Agreement Effective Date, all certified to by the Secretary of the Authority as being in full force and effect on the Agreement Effective Date;

(vi) receipt by the Bank of a copy of the Board Resolution, including any supplemental resolutions which have been adopted as of the Agreement Effective Date, all certified to by the Executive Secretary or an Assistant Secretary of the Board of Regents as being in full force and effect on the Agreement Effective Date;

(vii) receipt by the Bank of an opinion of the general counsel for the Board of Regents, substantially in the form of Exhibit A hereto and also stating that the Bank is entitled to rely upon its opinion delivered pursuant to the Purchase Contract as if such opinion were addressed to the Bank;

(viii) receipt by the Bank of an opinion of McCall, Parkhurst & Horton and Fulbright & Jaworski, Co-Bond Counsel, substantially in the form of Exhibit B hereto and also stating that the Bank is entitled to rely on their opinions delivered pursuant to the Purchase Contract as if such opinions were addressed to the Bank;

(ix) receipt by the Bank of an opinion of Vinson & Elkins, special counsel for the Bank, substantially in the form of Exhibit C hereto;

(x) delivery by the Attorney General of the State of an opinion to the effect that the Installment Sale Agreement and the Agreement are binding obligations of the Board of Regents, enforceable in accordance with their respective terms for all purposes under State law;

(xi) receipt by the Bank of originals or certified copies of (A) the approval of the Attorney General of the State relating to the Bonds and a certificate relating to the registration of the Bonds by the Comptroller of Public Accounts of the State and (B) all other approvals, authorizations, or consents of, or notices to or registrations with, any governmental body or agency required for the Authority or the Board of Regents to enter into this Agreement and the Related Documents to which either of them is a party;

(xii) receipt by the Bank of a certificate of (A) the Executive Vice Chancellor for Asset Management dated the Agreement Effective Date, substantially in the form of Exhibit D hereto, and (B) the Executive Secretary or an Assistant Secretary of the Board of Regents dated the Agreement Effective Date, substantially in the form of Exhibit E hereto;

(xiii) receipt by the Bank of a certificate of the President and Secretary of the Authority dated the Agreement Effective Date, substantially in the form of Exhibit F hereto;

(xiv) receipt by the Bank of a certificate of the Executive Secretary or an Assistant Secretary of the Board of Regents certifying the names and the signatures of the Authorized Representatives authorized to sign this Agreement and the Related Documents to which the Board of Regents is a party;

(xv) receipt by the Bank of a certificate of the Secretary of the Authority certifying the names and the signatures of the officers of the Authority authorized to sign the Related Documents to which the Authority is a party;

(xvi) receipt by the Bank of executed copies (or, when the Bank is not a party, duplicates thereof) of the Related Documents, each of which shall be in form and substance satisfactory to the Bank;

(xvii) receipt by the Bank of a copy of each opinion, certificate and other document (in each case addressed to it if so requested by the Bank) required to be delivered under the Purchase Contract (as in effect immediately after the signing thereof and without regard to any waiver thereunder or amendment thereto); and

(xviii) receipt by the Bank of all documents it may reasonably request relating to the existence of the Authority or the Board of Regents, the authority for and the validity, binding effect and enforceability of this Agreement and each Related Document upon either of them, as appropriate, the tax-exempt status of interest on the Bonds and any other matters relevant hereto or thereto, all in form and substance satisfactory to the Bank.

Any certificate, dated the Agreement Effective Date, signed by any Vice President of the Bank and delivered pursuant to the Purchase Contract stating that the conditions set forth in this Section 3.01 have been satisfied on such date shall be conclusive for purposes of this Agreement.

SECTION 3.02. Condition to Each Purchase. The obligation of the Bank to purchase Bonds hereunder on any Purchase Date is subject to satisfaction of the following conditions:

(i) receipt by the Bank of a Notice of Bank Purchase as required by by Section 2.02;

(ii) no Event of Default of the character described in clause (vii) of Section 6.01(a) shall have occurred and be continuing; and

(iii) no involuntary case or other proceeding shall be commenced against the Board of Regents or the Authority seeking (A) liquidation, reorganization or other relief with respect to it or its Debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, or (B) the appointment of a trustee, receiver, liquidator, custodian or other similar official of the System or the Authority, as appropriate, or any substantial part of its property.

Each purchase hereunder shall be deemed to be a representation and warranty by the Board of Regents on the date of such purchase that the representations and warranties made by the Board of Regents pursuant to Section 4.01 are true and correct on such date and that none of the events or conditions set forth in clause (ii) and (iii) above has occurred and is continuing.

[END OF ARTICLE III]

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Board of Regents. The Board of Regents represents and warrants as follows:

(a) Organization and Powers. The System is duly established and validly existing under the laws of the State under and pursuant to the Constitution of the State and is an agency of the State, and the Board of Regents is the duly appointed governing body thereof; and the Board of Regents (i) has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, (ii) has full power and authority to operate the System and to acquire, construct and finance the Project, and (iii) has full power and authority to execute, deliver and perform this Agreement and the Related Documents to which the Board of Regents is a party.

(b) Authorization; Contravention. The execution, delivery and performance by the Board of Regents of this Agreement and the Related Documents to which the Board of Regents is a party have been duly authorized by all necessary action by the Board of Regents and do not contravene, or result in the violation of or constitute a default under, any provision of applicable law or regulation, or any order, rule or regulation of the Board of Regents or of any court, governmental agency or instrumentality or any agreement, resolution or instrument to which the Board of Regents is a party or by which it or any of its property is bound.

(c) Governmental Consent or Approval. No authorization, consent, approval, permit, license, or exemption of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality that has not been obtained or issued is or will be necessary for the valid adoption, execution, delivery or performance by the Board of Regents of this Agreement and the Related Documents to which the Board of Regents is a party.

(d) Binding Effect. This Agreement and the Related Documents to which the Board of Regents is a party constitute valid and binding obligations of the Board of Regents.

(e) Federal Reserve Regulations. Neither the Board of Regents nor any Person acting on its behalf has taken or will take any action that might cause moneys provided under this Agreement or any Related Document to which the Board of Regents is a party to be used for the purpose, whether immediate, incidental or ultimate, to purchase or carry any margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, as amended from time to time) or to extend credit to others for the purpose of purchasing or carrying any margin stock or for any other purpose which would violate any of the regulations of said Board of Governors.

(f) Litigation. There is no action, suit or proceeding pending or, to the knowledge of the Board of Regents, threatened against or affecting the Board of Regents or the System or relating to any applicable laws or regulations or this Agreement or any Related Document to which the Board of Regents is a party in any court or before or by any governmental department, agency or instrumentality which, if adversely determined, would materially affect the ability or authority of the Board of Regents to perform its obligations under this Agreement or any Related Document to which the Board of Regents is a party, or which in any manner questions the validity or enforceability of this Agreement or any Related Document to which the Board of Regents is a party or the granting, perfection, enforceability or priority of the lien on and pledge of the Pledged Available Fund Surplus pursuant to the Installment Sale Agreement, except any action, suit or proceeding as to which Bank has received an Opinion of Counsel satisfactory to Bank and its counsel, to the effect that such action, suit or proceeding is without substantial merit.

(g) No Event of Default Under Indenture. No "Event of Default" specified in the Indenture and no event which, with the giving of notice or lapse of time or both would become such an event of default, has occurred and is continuing.

(h) Incorporation of Representations and Warranties by Reference. The Board of Regents hereby makes to the Bank the same representations and warranties as are set forth in the Related Documents to which it is a party, which representations and warranties, as well as the related defined terms contained therein, are hereby incorporated by

reference with the same effect as if each and every such representation and warranty and defined term were set forth herein in its entirety. No amendment to such representations and warranties or defined terms made pursuant to the Related Documents to which it is a party shall be effective to amend such representations and warranties and defined terms as incorporated by reference herein without the consent of the Bank.

SECTION 4.02. Representations and Warranties of the Bank. The Bank represents and warrants:

(a) Organization and Powers. The Bank (i) is duly established and validly existing under the laws of the State of New York; and (ii) has full power and authority to execute, deliver and perform this Agreement.

(b) Authorization; Contravention. The execution, delivery and performance by Bank of this Agreement have been duly authorized by all necessary action by Bank and do not contravene, or result in the violation of or constitute a default under, any provision of applicable law or regulation, its charter, or any order, rule or regulation of any court, governmental agency or instrumentality or any material agreement, resolution or instrument to which Bank is a party or by which it or any of its property is bound.

(c) Governmental Consent or Approval. No authorization, consent, approval, permit, license, or exemption of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality that has not been obtained or issued is or will be necessary for the valid execution, delivery or performance by Bank of this Agreement.

(d) Bank Obligations Valid. Bank represents that this Agreement is a valid and binding agreement of it, assuming that this Agreement is a valid and binding agreement of the Board of Regents.

(e) Litigation. There is no action, suit or proceeding pending or, to the knowledge of the Bank, threatened against or affecting the Bank, in any court or before or by any governmental department, agency or instrumentality which, if adversely determined, would materially affect the

ability or authority of the Bank to perform its obligations under this Agreement, or which in any manner questions the validity of this Agreement.

[END OF ARTICLE IV]

ARTICLE V

COVENANTS

The Board of Regents agrees that, so long as the Bank has any Commitment hereunder or any amount payable hereunder or under any Bond held by the Bank remains unpaid:

SECTION 5.01. Information. The Board of Regents will deliver to the Bank:

(i) and in any event within 120 days after the end of each fiscal year, a copy of the annual report of the Permanent University Fund that includes a balance sheet of the Permanent University Fund as of the end of such fiscal year and related statements of income and a statement of cash receipts and disbursements, prepared in accordance with Section 61.065 of the Texas Education Code accompanied by a certificate of an Authorized Representative (A) to the effect that as of the date of such certificate no Default has occurred, (B) or if such Default has occurred, specifying the nature of such Default, the period of its existence and the action which the Board of Regents is taking or proposes to take with respect thereto;

(ii) as soon as reasonably available after the end of each fiscal year, (A) the unaudited annual report of the System for the fiscal year then ended, (B) the unaudited financial statement of System Administration for the fiscal year then ended that includes schedules of income and changes in fund balances for the Available University Fund, and (C) the audited annual financial statement of the State, prepared by the Comptroller of Public Accounts of the State and audited by the State Auditor's Office;

(iii) as soon as available and in any event within 60 days after the end of each fiscal quarter, a copy of the most recent quarterly summary of assets of the Permanent University Fund;

(iv) as soon as practicable but in any event within ten (10) Business Days after the issuance thereof, copies of any prospectus, official statement, offering circular, placement memorandum or similar or

corresponding document, and any supplements thereto and updates and amendments thereof, that the Board of Regents makes available in connection with the offering for sale of any securities payable from the Available University Fund, and, on request, copies of such other financial reports as the Board of Regents shall customarily and regularly provide to the public;

(v) forthwith upon the occurrence of any Default, a certificate of an Authorized Representative setting forth the details thereof and the action which the Board of Regents is taking or proposes to take with respect thereto;

(vi) concurrently with the delivery of the reports set out in subsection (iii) above, a report showing the aggregate amount of Priority Obligations and Permanent University Fund Obligations issued at the end of the preceding quarter; and

(vii) upon written request of the Bank, other information relating to the Available University Fund or any other financial information reasonably requested.

SECTION 5.02. Access to Records. The Board of Regents will furnish to the Bank such information regarding the financial condition, results of operations or business of the Board of Regents, the Available University Fund and the Fund as the Bank may reasonably request and will permit any officers, employees or agents of the Bank to visit and inspect any of the properties of the Board of Regents and to discuss matters reasonably pertinent to an evaluation of the credit of the Available University Fund and the Fund, all at such reasonable times as the Bank may reasonably request. Further, the Bank, at its request, will be kept informed of regular and special meetings of the Board of Regents, and a representative of the Bank may attend any such meeting subject to provisions of Texas law authorizing executive sessions of the Board of Regents. All information received by or provided to the Bank pursuant to this Agreement, unless otherwise made public by the Board of Regents, will be held as confidential information by the Bank.

SECTION 5.03. Proceeds of Bonds. The proceeds of the Bonds will be used by the Board of Regents solely for the

purpose of paying or, in whole or in part, Costs of the Project or, to the extent not so used, for temporary investment while in the Proceeds Fund.

SECTION 5.04. No Amendment of Certain Contracts. The Board of Regents will not consent to any amendment to, modification or waiver of, or assignment of rights under any of the provisions of the Installment Sale Agreement or the Related Documents without the prior written consent of the Bank, which consent will not be unreasonably withheld. The Board of Regents will give the Bank notice as promptly as practicable (but in no event less than 10 Business Days) of any proposed amendments to or modifications or waivers of any provisions of the Installment Sale Agreement or the Related Documents and of any meeting of the Board of Regents at which any of the foregoing will be discussed or considered.

SECTION 5.05. Permanent University Fund Obligations and Priority Obligations. (a) During the term of this Agreement, the Board of Regents will not issue, incur, assume or Guarantee any additional Priority Obligations. Without the prior written consent of the Bank, the Board of Regents will not issue, incur or permit to be incurred any other lien, pledge, security interest or encumbrance on the Pledged Available Fund Surplus. Except as provided in subsection (b), this covenant shall not be construed to restrain, restrict or limit in any way the ability or right of the Board of Regents to issue Permanent University Fund Obligations.

(b) The Board of Regents shall give written notice to the Bank at least 30 day before the Board of Regents authorizes the issuance, pursuant to applicable law then in effect, of Permanent University Fund Obligations, the issuance of which would cause the amount of Permanent University Fund Obligations outstanding on the proposed issuance date, including the amount of Permanent University Fund Obligations then proposed to be issued to exceed a total amount of twenty percent (20%) of the cost value of investments and assets (exclusive of real estate) of the Permanent University Fund at the time of the issuance thereof. Upon the giving of such notice by the Board of Regents, the Bank may deliver a "Termination Notice" in accordance with Section 2.03, terminating the Available Commitment on the 120th day following the giving of such notice by the Board of Regents.

SECTION 5.06. Other Covenants. The Board of Regents shall fully and faithfully perform each of the covenants required of it pursuant to the provisions of the Indenture, the Related Documents and the resolutions of the Board of Regents authorizing the Priority Obligations and any Permanent University Fund Obligations.

SECTION 5.07. Liabilities. The Board of Regents will pay all its Debts and obligations promptly and in accordance with their terms, including any extended periods permitted for corrective action.

[END OF ARTICLE V]

ARTICLE VI

DEFAULTS

SECTION 6.01. Events of Default. (a) If one or more of the following events ("Events of Default") shall have occurred and be continuing:

(i) the Board of Regents shall fail to pay when due any amounts of Installment Sale Payments payable hereunder or under any Related Document; or

(ii) the Board of Regents shall fail to pay when due any fees or additional payments payable hereunder or under any Related Document and such failure to pay such fees or additional payments shall continue for 30 days; or

(iii) the Board of Regents shall fail to observe or perform any of the covenants contained in Sections 5.04, 5.05 or 5.07, inclusive; or

(iv) the Board of Regents shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those covered by clauses (i), (ii) or (iii) above) for 45 days after written notice thereof has been given to it; or

(v) any representation, warranty, certification or statement made by the Board of Regents or the Authority in this Agreement or any Related Document to which the Board of Regents or the Authority, as appropriate, is a party, or in any certificate, financial statement or other document delivered pursuant to this Agreement by or on behalf of the Board of Regents or the Authority shall have been incorrect in any material respect when made, and the Bank shall have given the Board of Regents or the Authority, as appropriate, 5 days' written notice thereof; or

(vi) an event of default shall have occurred under the Indenture; or

(vii) the Board of Regents or the Authority shall commence a voluntary case or other proceeding seeking (A) liquidation, reorganization or other relief with respect to itself or its Debts under any bankruptcy,

insolvency or other similar law now or hereafter in effect or (B) the appointment of a trustee, receiver, liquidator, custodian or other similar official of the System or the Authority, as appropriate, or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its Debts as they become due, or shall take any corporate action to authorize any of the foregoing; or

(viii) a receiver, liquidator, custodian or other official, appointed in an involuntary case or proceeding commenced against the Board of Regents or the Authority, appointed without consent or acquiescence of the Board of Regents or the Authority, as appropriate, takes charge of a substantial part of the property of either of them and such action as to such property is not promptly stayed, discharged or vacated; or

(ix) an involuntary case or other proceeding shall be commenced against the Board of Regents seeking (A) liquidation, reorganization or other relief with respect to it or its Debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, or (B) the appointment of a custodian, receiver or trustee or similar official of the System, or any substantial part thereof, and such proceeding or case shall not be dismissed or stayed within 90 days after the filing thereof or an order of relief shall be entered against the Board under the Federal Bankruptcy Laws as now or hereafter in effect; or

(x) any material provision of this Agreement or any Related Document to which the Board of Regents or the Authority is a party shall at any time for any reason cease to be valid and binding on the Board of Regents or the Authority, or shall be declared by any court having jurisdiction over the Board of Regents or the Authority to be null and void or the validity or enforceability thereof shall be contested by the Board of Regents or the Authority, and the Bank shall have given 5 days' written notice thereof to the Board of Regents or the Authority, as the case may be;

then, and in every such event, the Bank may (x) terminate its obligation to purchase Bonds pursuant to this Agreement, as provided in Section 2.03; (y) give notice thereof to the Trustee for the purpose of causing mandatory redemption of the Bonds under Section 3.02C(3) of the Indenture to occur and (z) take any other actions permitted by applicable law.

(b) Notwithstanding the provisions of clause (i) of Section 6.01(a), failure by the Authority or the Board of Regents to pay interest on Purchased Bonds on the Liquidity Facility Special Interest Payment Date shall not constitute an Event of Default on such Purchased Bonds.

SECTION 6.02. Suits at Law or in Equity and Mandamus. In case one or more Events of Default shall occur, then and in every such case the Bank shall be entitled to proceed to protect and enforce its rights by such appropriate judicial proceeding as the Bank shall deem most effectual to protect and enforce any such right, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained in this Agreement, or in aid of the exercise of any power granted in this Agreement, or to enforce any other legal or equitable right vested in the Bank by this Agreement or by law. The duties of the Board of Regents shall be enforceable by the Bank by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction.

SECTION 6.03. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Bank is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised at any time or from time to time, and as often as may be necessary, by the Bank.

[END OF ARTICLE VI]

ARTICLE VII

MISCELLANEOUS

SECTION 7.01. Notices. All notices, requests and other communications to any Person hereunder shall be in writing (including bank wire, telex, telecopy or similar writing) and shall be given to such Person, addressed to it, at its address or telex number set forth below or such other address or telex number or such telephone number as such Person may hereafter specify for the purpose by notice to the other Persons listed below. Each such notice, request or communication shall be effective (i) if given by telex, when such telex is transmitted to the telex number specified and the appropriate answerback is received, (ii) if given by telecopy, when such telecopy is transmitted to the telephone number specified and its receipt is acknowledged, (iii) if given by mail 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (iv) if given by any other means, when delivered at the address specified below; provided that notices to the Bank under Sections 2.02 and 2.04 shall not be effective until received and that such notices may also be given by telephone to Public Finance Banking Department (telephone no. (212) 483-2323) (or such other department or telephone number as may be designated by the Bank, by written notice to the Board of Regents and the Trustee, to receive such notice), immediately confirmed in writing or by telex.

<u>Person</u>	<u>Address</u>
Travis County Research and Development Authority	Travis County Courthouse Annex 1010 San Antonio Street Austin, Texas 78701 Attn: President of the Board of Directors

with copy to:

Office of Asset
Management
The University of Texas
System
210 West Sixth Street
Austin, Texas 78701
Attn: Manager of Special
Investments and
Financing

Board of Regents of The
University of Texas
System

The University of Texas
System
201 West Seventh Street
Austin, Texas 78701
Attn: Office of the
General Counsel

Morgan Guaranty Trust
Company of New York,
in its capacity as
the Bank hereunder

23 Wall Street
New York, New York 10038
Attn: Public Finance-
Banking Department
Telex: 420230

SECTION 7.02. No Waivers. (a) The obligations of the Board of Regents hereunder shall not in any way be modified or limited by reference to any other document, instrument or agreement (including, without limitation, the Bonds or any other Related Document).

(b) No failure or delay by the Bank in exercising any right, power or privilege hereunder or under the Bonds shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 7.03. Expenses; Documentary Taxes. The Board of Regents shall pay (i) all out-of-pocket expenses of the Bank in connection with the preparation of this Agreement and the Related Documents, (ii) all fees and expenses of special counsel for the Bank in connection with the preparation of this Agreement and the Related Documents (iii) all

reasonable out-of-pocket expenses of the Bank, including fees and disbursements of special counsel for the Bank, in connection with any waiver or consent hereunder or thereunder or any amendment hereof or thereof or any Default or alleged Default hereunder or thereunder and (iv) if an Event of Default occurs, all out-of-pocket expenses incurred by the Bank, including fees and disbursements of counsel, in connection with such Event of Default and collection and other enforcement proceedings resulting therefrom. The Board of Regents shall reimburse the Bank for any payments made with respect to any transfer taxes, documentary taxes, assessments or charges made by any governmental authority by reason of the execution and delivery of this Agreement or any Related Document or the purchase by the Bank of the Bonds pursuant to this Agreement.

SECTION 7.04. Amendments and Waivers. Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Board of Regents and the Bank.

SECTION 7.05. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Board of Regents may not assign or otherwise transfer any of its rights under this Agreement.

SECTION 7.06. Term of this Agreement. The term of this Agreement shall be until the later of (i) the last day of the Purchase Period, and (ii) payment in full of the principal of and interest on all Bonds held by the Bank on the last day of the Purchase Period, provided in each case, that all sums payable to the Bank pursuant to this Agreement have been paid in full.

SECTION 7.07. Severability. Any provision of this Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 7.08. Successors and Assigns; Participations. This Agreement may not be assigned by the Bank, or other

than by operation of law to a successor or merged institution, unless with the consent of the Board of Regents, provided that this shall not restrict the Bank in the sale of participations. The Board of Regents recognizes that the Bank may enter into participation agreements with certain other participants whereby the several participants will participate with the Bank in its obligations hereunder. Accordingly, the Board of Regents confirms that all of its representations, warranties, covenants, certifications and obligations under this Agreement are for the benefit of the participants as well as for the benefit of the Bank. No assignee, participant or other transferee of the Bank's rights shall be entitled to receive any greater payment under Section 2.07, than the Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Board of Regents' prior written consent or by reason of the provisions of Section 2.07, requiring the Bank to designate a different office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exist.

SECTION 7.09. Governing Law; Venue. This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State, except that Article 5069, Chapter 15, Vernon's Texas Civil Statutes, as amended (which regulates certain revolving credit loan accounts and revolving triparty accounts), shall not apply to this Agreement. The venue for any legal action to enforce or interpret this Agreement shall be in Travis County, Texas.

SECTION 7.10. Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

SECTION 7.11. Beneficiaries. This Agreement is made solely for the benefit of the Board of Regents and the Bank and their respective successors and assigns, and no other Person (including, without limitation, the Trustee or any holder of a Bond) shall have any right, benefit or interest under or because of the existence of this Agreement.

SECTION 7.12. Ownership of Bonds. The Bank agrees that for federal income tax purposes it will treat all Purchased Bonds as Bonds owned by the Bank.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

THE BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By _____
Title _____

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK

By _____
Title _____

EXHIBIT A

[Letterhead of General Counsel]

_____, 1988

Morgan Guaranty Trust Company
of New York
New York, New York
(the "Bank")

J.P. Morgan Securities Inc.
New York, New York

MTrust Corp, National Association
Austin, Texas

Fulbright & Jaworski
Austin, Texas

McCall, Parkhurst & Horton
Dallas, Texas

Gentlemen:

I am general counsel to the Board of Regents of The University of Texas System (the "Board of Regents"), and I have acted in such capacity in connection with the issuance by the Travis County Research and Development Authority (the "Authority") of its Multi-Modal Interchangeable Rate Revenue Bonds (The University of Texas at Austin Semiconductor Manufacturing Laboratory Project) Series 1988 (the "Bonds") in the aggregate principal amount of \$38,000,000, pursuant to the terms of an Indenture of Trust and Security Agreement dated as of February 1, 1988 (the "Indenture") between the Authority and MTrust Corp, National Association (the "Trustee") and a resolution of the Board of Directors of the Authority adopted on February __, 1988 (the "Bond Resolution"). The proceeds of the Bonds will be used, pursuant to a Lease and Installment Sale Agreement dated as of February 1, 1988 (the "Installment Sale Agreement") between the Board of Regents and the Authority to finance the costs of equipment for and renovations to a research

facility owned by the Board of Regents in Travis County, Texas (as further described in the Installment Sale Agreement, the "Project"). To provide for the payment of the purchase price of Bonds tendered by the holders thereof, the Board of Regents has entered into a Standby Bond Purchase Agreement dated as of February 1, 1988 (the "Agreement") with the Bank.

This opinion is provided to the Bank pursuant to paragraph (vii) of Section 3.01 of the Agreement. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Agreement.

In connection with my opinion, I have examined the following:

1. A certified copy of the Board Resolution, which authorizes, among other things, the following:
 - a. execution and delivery of the Installment Sale Agreement, the Agreement, the Remarketing Agent and the Purchase Contract (the "University Agreements");
 - b. approval of the Indenture and the Paying Agent Agreement; and
 - c. approval, execution and delivery of the Preliminary Official Statement dated February ____, 1988 (the "Preliminary Official Statement"), and the Official Statement dated February ____, 1988 (the "Official Statement"), prepared in connection with the offer and sale of the Bonds;
2. Executed counterparts of the University Agreements;
3. Executed counterparts of the Indenture, the Remarketing Agreement and the Paying Agent Agreement, as defined in Sale Agreement;
4. Executed counterparts of the Preliminary Official Statement and the Official Statement;
5. The Texas Education Code, particularly Sections 55.11 and 65.39 (collectively, the "Acts"), Article VII, Sections 10, 11, 11a, 15 and 18 of the

Constitution of the State, and such other provisions of the Constitution and laws of the State and the United States of America as I believe necessary to enable me to render the opinions herein contained; and

6. Such other agreements, documents, certificates, opinions, letters, and other papers, including all documents delivered or distributed on the Agreement Effective Date pursuant to Section 3.01 of the Agreement, as I have deemed necessary or appropriate in rendering the opinions set forth below.

In my examination, I have assumed the authenticity of all documents and agreements submitted to me as originals, conformity to the originals of all documents and agreements submitted to me as certified or photostatic copies and the authenticity of the originals of such latter documents and agreements. I have also assumed that the University Agreements constitute the valid and binding agreement of the parties thereto, other than the Board of Regents, enforceable in accordance with their respective terms.

Based upon the foregoing, and subject to the qualifications described below, I am of the opinion, under applicable laws of the United States of America and the State of Texas in force and effect on the date hereof, that:

1. The Board of Regents is the governing body of the System, a duly organized and validly existing agency of the State of Texas, and has full power and authority to operate the System as currently operated, to acquire the Project and to enter into and perform under the University Agreements. The Board of Regents has full legal right, power and authority (a) to enter into each of the University Agreements; (b) to adopt the Board Resolution; (c) to pay the Installment Sale Payments and the Additional Payments (as such terms are defined in the Installment Sale Agreement) to carry out and consummate the transactions contemplated by the Board Resolution and each of the University Agreements; and the Board of Regents has complied, at the Agreement Effective Date, with applicable law, including the terms of the Acts, and with the obligations on its part contained in the Board Resolution and the University Agreements.

2. By official action of the Board of Regents, the Board of Regents has duly adopted the Board Resolution, has duly authorized and approved the execution and delivery of, and the performance by the Board of Regents of the obligations on its part contained in the University Agreements and the consummation by it of all other transactions contemplated by such instruments and has all necessary power and authority to conduct its business as presently conducted and to perform its obligations under each of the University Agreements.

3. The Board Resolution and each of the University Agreements has been executed and delivered by duly authorized officers or Authorized Representatives of the Board of Regents. The Board Resolution and the University Agreements constitute valid and binding obligations of the Board of Regents enforceable against the Board of Regents in accordance with their respective terms, except as such enforcement is limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter in effect relating to or affecting generally the enforcement of creditors' rights and remedies.

4. No authorization, consent, approval, permit, license or exemption of, or filing or registration with, of any governmental department, commission, board, instrumentality, authority, agency or bureau not already obtained is required in connection with (i) the valid execution and delivery of the Board Resolution or the University Agreements by the Board of Regents; or (ii) the performance by the Board of Regents of its obligations under such documents.

5. The Board of Regents is not in breach of or in default under any applicable constitutional provision, law or administrative regulation, or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Board of Regents is a party or to which the Board of Regents, or any of its property or assets is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default by the Board of Regents under any such instrument; the execution and delivery by the Board of

Regents of any of the University Agreements, the adoption of the Board Resolution and compliance by the Board of Regents with the provisions of the Board Resolution and each of the University Agreements does not and will not conflict with or constitute a breach of or default under any constitutional provision, law, or administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Board of Regents is a party or to which the Board of Regents or any of its properties or assets is otherwise subject.

6. There is no action, suit, investigation, inquiry or proceeding (whether or not purportedly on behalf of the Board of Regents) pending, or to the best of my knowledge, threatened or could be reasonably asserted against the Board of Regents or any of its assets in any court, governmental agency, public board or body or before any arbitrator or before or by any governmental body, (i) affecting the corporate existence of the Board of Regents or the titles of the officers of the Board of Regents to their respective offices, or (ii) affecting or seeking to prohibit, restrain, or enjoin the purchase of the Project, or (iii) in any way contesting or affecting the validity or enforceability of the Board Resolution or any of the University Agreements, or (iv) contesting any authority or proceedings for the Project, the adoption of the Board Resolution, or the execution and delivery of any of the University Agreements or the performance of the Board of Regents' obligations thereunder, or (v) contesting the powers of the Board of Regents or questioning or affecting the ability of the Board of Regents to operate and maintain the Permanent University Fund or the Available University Fund, or (vii) which involves the possibility of any ruling, order, judgment or uninsured liability which may result in any material adverse change in the business, properties or assets or the condition, financial or otherwise, of the Permanent University Fund or the Available University Fund, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Board Resolution or any of the University Agreements; the current routine litigation of the Board of Regents relating to the Permanent University Fund or the Available University Fund does not entail any potential recovery or liability for

material amount which is not otherwise covered by the Board of Regents' insurance policies.

7. The Installment Sale Agreement duly and effectively grants, as security for the Installment Sale Payments and the Additional Payments, a lien on and pledge of, (a) the Pledged Available Fund Surplus, and (b) any additional revenues, income, receipts or other resources whatsoever received or to be received from any public or private source which hereafter may be pledged by the Board of Regents, which lien is and shall be subordinate and inferior in all respects solely to the prior lien on the Pledged Available Fund Surplus granted by the Board of Regents in favor of and securing the Building Revenue Bonds and any Additional Building Revenue Bonds. Except as so provided, the lien of such security interest and pledge is valid and binding in accordance with its terms without further action on the part of the Board of Regents and without any filing or recording with regard therein except in the records of the Board of Regents.

Yours very truly,

EXHIBIT B

[Letterhead of Fulbright & Jaworski and
McCall, Parkhurst & Horton]

_____, 1988

Morgan Guaranty Trust Company
of New York
New York, New York
(the "Bank")

J. P. Morgan Securities Inc.
New York, New York

MTrust Corp, National Association
Austin, Texas

Gentlemen:

We have acted as co-bond counsel to the Travis County Research and Development Authority (the "Authority") in connection with the issuance of the Authority's Multi-Modal Interchangeable Rate Revenue Bonds (The University of Texas at Austin Semiconductor Manufacturing Laboratory Project) Series 1988 (the "Bonds") in an aggregate principal amount not to exceed \$____,000,000 pursuant to an Indenture of Trust and Security Agreement dated February 1, 1988 (the "Indenture") between the Authority and MTrust Corp, National Association, as trustee, and a resolution adopted by the Board of Directors of the Authority (the "Board of Directors") on February ____, 1988 (the "Bond Resolution"). The proceeds of the Bonds will be used, pursuant to a Lease and Installment Sale Agreement dated as of February 1, 1988 (the "Installment Sale Agreement"), between the Board of Regents of The University of Texas System (the "Board of Regents") and the Authority, to finance the costs of equipment for and renovations to a research facility owned by the Board of Regents in Travis County, Texas (as further described in the Installment Sale Agreement, the "Project"). The Board of Regents has arranged for the payment of the purchase price of Bonds tendered by the holders thereof to be paid by the Bank, pursuant to a Standby Bond Purchase Agreement dated as

of February 1, 1988 (the "Agreement"), between the Bank and the Board of Regents.

This opinion is provided to the Bank pursuant to paragraph (viii) of Section 3.01 of the Agreement. Terms defined in the Agreement and not otherwise defined herein shall have the meaning ascribed to them in the Agreement.

In connection with our opinion, we have examined the following:

(1) Certified copies of the Bond Resolution which authorizes, among other things, the following:

(a) execution and delivery of the Indenture and the Bonds;

(b) execution and delivery of the Installment Sale Agreement;

(c) execution and delivery of the Paying Agent Agreement;

(d) execution and delivery of the Purchase Contract; and

(e) approval, execution and delivery of the Preliminary Official Statement dated February __, 1988 (the "Preliminary Official Statement") and the Official Statement dated February __, 1988 (the "Official Statement"), prepared in connection with the offer and sale of the Bonds;

(2) A certified copy of the Board Resolution, which Board Resolution authorizes, among other things, the following:

(a) execution and delivery of the Installment Sale Agreement, the Agreement, the Remarketing Agreement, and the Purchase Contract (the "University Agreements");

(b) approval of the Indenture and the Paying Agent Agreement; and

(c) approval, execution and delivery of the Preliminary Official Statement and the Official Statement;

- (3) the [organizational documents] of the Issuer;
- (4) an executed counterpart of each of the Installment Sale Agreement, the Agreement and the Purchase Contract;
- (5) an executed counterpart of each of the Remarketing Agreement and the Paying Agent Agreement;
- (6) an executed counterpart of the Paying Agent Agreement;
- (7) registered Bond No. 1;
- (8) Article 5190.10, Vernon's Annotated Texas Civil Statutes (the "Authority Act"), and the Texas Education Code, particularly, Sections 55.11 and 65.39 (the "Board Act") (collectively, the Issuer Act and the Board Act are referred to as the "Acts"), Article VII, Sections 10, 11, 11a, 15 and 18 of the Constitution of Texas, and such other provisions of the Constitution and laws of the State of Texas and the United States of America as we believe necessary to enable us to render the opinions herein contained;
- (9) an opinion of _____, Esq., general counsel to the Board of Regents, of even date herewith provided to you under paragraph (vii) of Section 3.01 of the Agreement; and
- (10) such other agreements, documents, certificates, opinions, letters, and other papers, including all documents delivered or distributed on the Agreement Effective Date (as defined in the Agreement) pursuant to Section 3.01 of the Agreement, as we have deemed necessary or appropriate in rendering the opinion set forth below.

In our examination, we have assumed the authenticity of all documents, agreements and certificates submitted to us as originals, conformity to the originals of all documents, agreements and certificates submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents, agreements and certificates. We have also assumed that each such agreement constitutes the valid and binding agreement of the parties thereto, other than the Board of Regents and the Authority, enforceable in accordance with their respective terms.

Based upon the foregoing, and subject to the qualifications set out below, we are of the opinion, under applicable laws of the United States of America and the State of Texas in force and effect on the date hereof, that:

1. The Authority is a validly organized and validly existing body politic and corporate of the State of Texas, and an "authority" within the meaning of the Authority Act and has the requisite power and authority under Texas law (a) to adopt the Bond Resolution, (b) to issue the Bonds, (c) to enter into and perform under the Indenture, the Installment Sale Agreement, the Purchase Contract, the Remarketing Agreement and the Paying Agent Agreement (the "Authority Agreements"), (d) to assign its rights to the Installment Sale Payments to the Trustee pursuant to the Indenture, and (e) to carry out and consummate the transactions contemplated by the Bonds, the Bond Resolution and the Authority Agreements; and the Authority has complied with all provisions of applicable law (especially without limiting the generality of the foregoing, the Constitution and laws of the State of Texas) in all matters relating thereto.

2. The Board of Directors has duly adopted the Bond Resolution and has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in, the Bonds, the Bond Resolution and the Authority Agreements, and the consummation by it of all other transactions described in such instruments.

3. The Bonds and the Authority Agreements have been executed and delivered by duly authorized officers of the Authority. The Bond Resolution, the Bonds and the Authority Agreements each constitute valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms.

4. The Board of Regents is the governing body of the System, a duly organized and validly existing agency of the State of Texas, and has full power and authority to operate the System as currently operated, to acquire the Project and to enter into and perform under the University Agreements. The Board of Regents has full legal right, power and authority (a) to enter

into each of the University Agreements; (b) to adopt the Board Resolution; (c) to pay the Installment Sale Payments and the Additional Payments (as such terms are defined in the Installment Sale Agreement); and (d) to carry out and consummate the transactions contemplated by the Board Resolution and each of the University Agreements; and the Board of Regents has complied, at the Agreement Effective Date, with applicable law, including the terms of the Board Acts, and with the obligations on its part contained in the Board Resolution and the University Agreements.

5. By official action of the Board of Regents, the Board of Regents has duly adopted the Board Resolution, has duly authorized and approved the execution and delivery of, and the performance by the Board of Regents of the obligations on its part contained in the University Agreements and the consummation by it of all other transactions contemplated by such instruments and has all necessary power and authority to conduct its business as presently conducted and to perform its obligations under each of the University Agreements.

6. The Board Resolution and each of the University Agreements has been executed and delivered by duly authorized officers or Authorized Representatives of the Board of Regents. The Board Resolution and the University Agreements constitute valid and binding obligations of the Board of Regents enforceable against the Board in accordance with their respective terms.

7. No authorization, consent, approval, permit, license or exemption of, or filing or registration with, any governmental department, commission, board, instrumentality, authority, agency or bureau not already obtained is required for the valid execution and delivery of (a) the Bond Resolution, the Bonds or the Authority Agreements in connection with the performance by the Authority of its payment obligations under such documents, or (b) the Board Resolution or the University Agreements, in connection with the performance by the Board of Regents of its payment obligations under such documents.

8. The execution and delivery by the Authority of the Bonds and the Authority Agreements, and the adoption of the Bond Resolution and compliance by the Authority with the provisions of the Bond Resolution, the Bonds and the Authority Agreements do not and will not contravene, conflict with or constitute a breach of or default under any constitutional provision, law, or administrative regulation.

9. The execution and delivery by the Board of Regents of any of the University Agreements, the adoption of the Board Resolution and compliance by the Board of Regents with the provisions of the Board Resolution and each of the University Agreements does not and will not contravene, conflict with or constitute a breach of or default under any constitutional provision, law, or administrative regulation or resolution, indenture, agreement, instrument or proceeding to which the Board of Regents is a party, relating to Permanent University Fund Obligations or Priority Obligations.

10. The Installment Sale Agreement duly and effectively grants a lien on and pledge of, as security for the Installment Sale Payments and the Additional Payments, (a) the Pledged Available Fund Surplus, and (b) any additional revenues, income, receipts or other resources whatsoever received or to be received from any public or private source which hereafter may be pledged by the Board of Regents, which lien is and shall be subordinate and inferior in all respects solely to the prior lien on the Pledged Available Fund Surplus granted by the Board of Regents in favor of and securing the Building Revenue Bonds and any Additional Building Revenue Bonds. Except as so provided, the lien of such security interest and pledge is valid and binding in accordance with its terms without further action on the part of the Board of Regents and without any filing or recording with regard therein except in the records of the Board of Regents.

Our opinions in paragraphs 3 and 6 above as to enforcement are qualified and limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter in effect relating to or affecting generally the enforcement of creditors' rights and remedies and by the limitations on creditors' remedies contained in

the Acts, and such opinions as to enforcement are subject to general principles of equity which may permit the exercise of judicial discretion, to the reasonable exercise in the future by the State of Texas and its governmental bodies of the police power inherent in the sovereignty of the State of Texas, and to the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America. Our opinions in paragraph 10 do not extend to the status of title of the Board of Regents or the Available University Fund to properties pledged and encumbered.

We are members of the Bar of the State of Texas and, with your approval, the opinion contained herein is limited to the law of the State of Texas and the federal law of the United States of America.

Very truly yours,

EXHIBIT C

_____, 1988

Board of Regents of The
University of Texas System
Attorney General of the State of Texas
Standard & Poor's Corporation
Moody's Investors Service Inc.

Ladies and Gentlemen:

We have acted as special counsel to Morgan Guaranty Trust Company of New York, a New York trust company (the "Bank"), in connection with the Standby Bond Purchase Agreement dated as of February 1, 1988 (the "Agreement") between the Board of Regents of The University of Texas System (the "Board of Regents") and the Bank. Terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Agreement.

We have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, records, certificates of public officials and other instruments and have conducted such other investigations of fact and law as we have deemed necessary or advisable for purposes of this opinion and have, with your approval and without limiting the generality of the foregoing, assumed the correctness in all material respects of the representations and warranties made in the Agreement by the Board of Regents.

Upon the basis of the foregoing, we are of the opinion that:

1. The Bank has the power and authority to execute, deliver and perform its obligations under the Agreement.
2. The Agreement has been duly executed and delivered by the Bank pursuant to due authorization.

3. Assuming the due authorization, execution and delivery of the Agreement by the Board of Regents, the Agreement constitutes a valid and binding agreement of the Bank enforceable against the Bank in accordance with its terms, except as (x) the enforceability thereof against the Bank may be limited by insolvency, reorganization, liquidation, moratorium or other similar laws affecting the enforcement of creditors' rights generally as such laws would apply in the event of the insolvency, reorganization or liquidation of, or other similar occurrence with respect to, the Bank or in the event of any moratorium or similar occurrence affecting the Bank and (y) the availability of equitable remedies (including without limitation the remedy of specific performance) may be limited by equitable principles of general applicability.

We are members of the Bar of the State of Texas and, with your approval, the opinion contained herein is limited to the law of the State of Texas and the federal law of the United States of America.

The foregoing opinion is for your benefit only and no other party may rely on such opinion.

Very truly yours,

and anticipated Interest of the System in the Available University Fund during the years 1988 through 1991 (which amount is not anticipated to decrease in any year thereafter through 2015), which will be deposited to the credit of The University of Texas System in the Available University Fund in the State Treasury and be available for and pledged, to the extent required, to pay the annual debt service requirements on the Permanent University Fund Obligations of the Board of Regents:

PERMANENT UNIVERSITY FUND
HISTORICAL AND ESTIMATED ANNUAL INCOME

(000 Omitted)

Fiscal Year Ending August 31	Total Available University Fund (after Administration Expenses)	Two-Thirds Interest of the System in Available University Fund	Other Income	Total Income Available to Pay Debt Service
1983	\$156,486	\$104,324	\$6,323	\$111,050
1984	171,437	114,291	7,632	120,535
1985	187,927	125,285	6,635	131,920
1986	209,700	139,800	5,111	144,911
1987*	209,182	139,455	4,152	143,607
1988	218,300	145,533	4,000	149,533
1989	215,700	143,800	4,000	147,800
1990	218,100	145,400	4,000	149,400
1991	220,400	146,933	4,000	150,933
1992	223,300	148,867	4,000	152,867

*unaudited figures

4. The following table shows the estimated Pledged Available Fund Surplus estimated for the years indicated:

Fiscal Year Ending August 31	Estimated Pledged Available Fund Surplus
1988	\$ _____
1989	_____
1990	_____
1991	_____

5. (i) Each of the representations and warranties of the Board of Regents contained in Section 4.01 of the Agreement is true and correct on and as of the date hereof as though made on and as of this date and (ii) on such date no

"Event of Default" (within the meaning of the Agreement) and no event or condition which with the giving of notice or the lapse of time, or both would constitute an Event of Default has occurred and is continuing.

Executive Vice Chancellor for
Asset Management

WITNESS MY HAND this ___ day of _____, 1988.

EXHIBIT F

STANDBY BOND PURCHASE AGREEMENT
CERTIFICATE OF THE AUTHORITY

THE STATE OF TEXAS	§
	§
TRAVIS COUNTY RESEARCH AND DEVELOPMENT AUTHORITY	§ §

In satisfaction of the requirements of paragraph (xiii) of Section 3.01 of the Standby Bond Purchase Agreement dated as of February 1, 1988 (the "Agreement"), between the Board of Regents (the "Board of Regents") of The University of Texas System and Morgan Guaranty Trust Company of New York (the "Bank") delivered in connection with the issuance by the Travis County Research and Development Authority (the "Authority") of its Multi-Modal Interchangeable Rate Revenue Bonds (The University of Texas at Austin Semiconductor Manufacturing Laboratory Project), Series 1988 (the "Bonds") on the date hereof, and as an inducement to the Bank to enter into the Agreement, we the undersigned officers of the Authority do hereby execute and deliver this certificate on behalf of the Authority for the benefit of the Bank. Except as otherwise indicated, the capitalized terms used in this certificate have the same meanings given to such terms in the Agreement. We hereby certify that:

1. The Authority is a research and development authority duly established and validly existing under the laws of the State, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and the research and development authority has all powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

2. On February __, 1988, and at all times since such date, (i) the following named persons did constitute the Board of Directors of the Authority and (ii) as indicated below, certain of the directors were the duly appointed, qualified and acting officers of the Authority for the offices set forth opposite their names:

<u>Name</u>	<u>Office</u>
Bill Aleshire	President
William H. Cunningham	_____
Hank Gonzalez	_____

3. The Indenture, the Installment Sale Agreement, the Purchase Contract and the Paying Agent Agreement (the "Authority Agreements") and the Bonds, as executed and delivered or as accepted, as appropriate, by the duly authorized officers of the Authority acting in their official capacities, are in substantially the same form and text as the copies of such instruments which were authorized and approved by the Bond Resolution, with such changes and revisions therein as have been approved by the Board of Directors, and are in full force and effect on the date hereof.

4. None of the proceedings or authorizations heretofore taken or given for issuance of the Bonds or for the payment or security thereof has been repealed, revoked or rescinded.

5. The issuance and delivery of the Bonds and the execution, delivery and performance by the Authority of the Authority Agreements are within the Authority's powers, have been duly authorized by all necessary action, require no action by or in respect of, or filing with, any governmental body, agency or official (except the Attorney General of the State and the Comptroller of Public Accounts of the State, each of which has taken all action required to be taken by it) and do not contravene, result in a violation of or constitute a default under, any provision of applicable law or regulation of the Authority or of any order, rule or regulation of any court, governmental agency or instrumentality or any agreement, resolution or instrument to which the Board of Directors or the Authority is a party or by which it or any of its property is bound or result in the creation or imposition of any lien on any asset of the Board of Directors or the Authority (except for the liens created by the Indenture).

6. The Bonds, the Bond Resolution and the Authority Agreement constitute valid and binding agreements of the Authority.

7. No action, suit, proceeding or investigation at law or in equity before or by any court or governmental

agency or body is pending against the Authority or, to the best of our knowledge, threatened against the Authority:

(i) to restrain or enjoin the issuance or delivery of the Bonds, the application of the proceeds thereof, or the payment, collection or application of revenues pursuant to the Indenture and the Installment Sale Agreement; or

(ii) in any way contesting or affecting the validity or the execution and delivery, of the Bonds or the Authority Agreements, the application of the proceeds of the Bonds or the power or authority of the Authority to issue the Bonds or to enter into any of the Authority Agreements; or

(iii) in any way contesting (a) the right and power of the Authority in connection with any action contemplated in the Authority Agreements or the Indenture, (b) the titles of the current officers of the Authority to their respective offices or (c) the formation or existence of the Authority.

8. The representations and warranties of the Authority in each of the Authority Agreements are true and correct on and as of the date hereof as though made on and as of the date hereof, and the Authority has complied with all terms on its part to be performed or satisfied by it under the Bond Resolution and the Authority Agreements at or prior to the date hereof. The Authority hereby makes to the Bank the same representations and warranties as are made by the Authority in each Authority Agreement, which representations and warranties, as well as the related defined terms contained therein, are hereby incorporated by reference with the same effect as if each and every such representation and warranty and defined term were set forth herein in its entirety. No amendment to such representations and warranties or defined terms made pursuant to any such Authority Agreement shall be effective to amend such representations and warranties and defined terms as incorporated by reference herein with out the consent of the Bank.

9. The Bonds are being delivered on the date hereof in the form of fully registered Bonds, payable to J.P. Morgan Securities Inc., as underwriter, in authorized denominations in the aggregate equaling the principal amount authorized to be issued by the Bond Resolution; we have executed such Bonds with our manual signatures and have

placed an impression of the official seal of the Authority, an impression of which is also made hereon, on such Bonds.

10. Dana DeBeauvoir is the duly appointed, qualified and acting County Clerk of Travis County, Texas and such person's signature appearing on the following certificate is true and genuine.

WITNESS OUR HANDS AND THE OFFICIAL SEAL OF THE AUTHORITY as of the _____ day of _____, 1988.

President

Secretary

(SEAL)

I, the County Clerk of Travis County, Texas, hereby certify that Bill Aleshire and _____ are the duly appointed, qualified and acting President and Secretary, respectively, of the Authority and that their signatures appearing above are true and genuine.

County Clerk

MATERIAL SUPPORTING THE AGENDA

Volume XXXVb

Part II

This volume contains the Material Supporting the Agenda furnished to each member of the Board of Regents prior to the meeting held on

February 11, 1988

The material is divided according to the standing committees and the meetings that were held and is color coded as follows:

White paper - for documentation of all items that were presented before the deadline date.

Blue paper - all items submitted to the Executive Session and distributed only to the Regents, Chancellor and Executive Vice Chancellors of the System.

Yellow paper - emergency items distributed at the meeting.

Material distributed at the meeting as additional documentation is not included in the bound volume, because sometimes there is an unusual amount and other times some people get copies and some do not get copies. If the Executive Secretary was furnished a copy, then that material goes into the appropriate subject file.

LEASE AGREEMENT

DRAFT

STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

This Lease Agreement is made and entered into by and between the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, for and on behalf of THE UNIVERSITY OF TEXAS AT AUSTIN, and SEMATECH.

W I T N E S S E T H:

WHEREAS, the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, for and on behalf of THE UNIVERSITY OF TEXAS AT AUSTIN, has negotiated with SEMATECH Board of Directors to locate and establish its microelectronics and computer technology research and development project in the existing and proposed facilities of The University of Texas Montopolis Research Center; and

WHEREAS, the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM has acquired property and existing improvements for said Research Center in order to provide the site for SEMATECH's operation of a full-scale semiconductor manufacturing system laboratory; and

WHEREAS, the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM has well established major research and educational programs in microelectronics, materials and manufacturing systems, and has allocated funds for a Microelectronics Engineering Research Center to be located at ~~The~~ University of Texas Balcones Research Center, all of which will be complemented by the presence of SEMATECH's full-scale semi-conductor manufacturing laboratory in The University of Texas Montopolis Research Center; and

WHEREAS, the existence of SEMATECH's research laboratory in combination with The University of Texas at Austin existing laboratories and those of Microelectronics and Computer Technology Corporation (MCC), will permit faculty and graduate students to explore a full range of research and educational issues involved in the design and fabrication of microelectronic devices in a laboratory environment unparalleled anywhere in the world; and

WHEREAS, the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM and SEMATECH, in further consideration of the advancement of education and research at THE UNIVERSITY OF TEXAS AT AUSTIN, anticipate the following joint activities mutually beneficial to the parties:

- (1) SEMATECH will offer the THE UNIVERSITY OF TEXAS AT AUSTIN an associate membership status in the SEMATECH Consortium as host university for the research activities in Austin.
- (2) SEMATECH will permit students to be directly employed by SEMATECH while obtaining their degrees;
- (3) SEMATECH will collaborate with THE UNIVERSITY OF TEXAS AT AUSTIN with ongoing research;
- (4) Members of SEMATECH technical staff will hold adjunct faculty status and will teach on the campus of THE UNIVERSITY OF TEXAS AT AUSTIN; and
- (5) THE UNIVERSITY OF TEXAS AT AUSTIN will maintain a liaison office with the SEMATECH facilities to coordinate joint activities in such areas as: faculty exchange, collaborative research, grants, contracts, intern programs, Consortium interface with other universities, planning and sponsorship of seminar, symposium and colloquia programs as the parties may later agree.

NOW, THEREFORE, the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM ("Lessor") and SEMATECH ("Lessor"), in consideration of the above premises and other good and valuable consideration, have mutually agreed that it would be for the best interest of all parties that the terms and conditions of this lease arrangement be as hereinafter set out:

1. Demise of Leased Premises: Lessor does hereby lease to Lessee, and Lessee does hereby lease from Lessor the following tract of land and the buildings and improvements located thereon (the "Leased Premises"), located in the City of Austin, County of Travis, State of Texas, to-wit:

Thirty-five (35) acres and the improvements thereon, out of a 97.00-acre tract out of the Santiago del Valle Grant in Travis County, Texas, platted as Lot 2, Block C, Marshall Hills Section 2, a subdivision in the City of Austin, Travis County, Texas, as set forth on plat recorded in Book 76, page 279 of the Plat Records of Travis County, Texas, and being the same lands conveyed to Data General Corporation in that certain deed recorded in Volume 6158, page 433 of the Deed Records of Travis County, Texas, and being more fully described in Exhibit "A" attached hereto and incorporated here for all purposes.

Subject, however, to (a) real property taxes, if any; (b) all assessments, general and special; (c) all covenants, conditions, restrictions, reservations, rights, right-of-way and easements currently of record in Travis County, Texas; and (d) the consequences of any law, ordinance or governmental regulations, including, but not limited to, building and zoning ordinances (to the extent that all the foregoing items are valid and subsisting and cover or relate to the Leased Premises). This lease shall be for a primary term of ten (10) years, commencing on the Effective Date of this lease. Lessee shall have the option to review and extend this lease for one additional ten-year period; provided, however, that Lessee must give written notice to Lessor of its intention to exercise its option to extend this lease at least twelve (12) months prior to the termination date of the primary term of this lease, and provided further that Lessee shall have no right to exercise the extension option granted herein if Lessee shall be in default under the terms of this Agreement, either on the exercise date of the option or on the termination date of the primary term, as the case may be.

2. Rent. Lessee shall pay to Lessor as rental the following sums, payable in advance on the first day of each year of the primary term of this lease and monthly during the extension term, without demand and without set-offs, abatements or deductions whatsoever, except as provided in paragraph 12(b)(i) hereof:

3. Primary Term

- (1) Ground rent component: \$1.00 per year
- (2) Improvements rent component: \$1.00 per year

B. Extended Term

The rental shall be the lesser of:

- (1) "Fair Market Rental" as defined below, or
- (2) "Bond Related Rental" as defined below.

"Fair Market Rental" shall be defined as the ____ percentage of the value of the real estate and the improvements located thereon. The land and improvements have a current estimated value of \$_____.

"Bond Related Rental" shall be defined as follows: If the Travis County Research and Development Authority Bonds, which are used to complete improvements on the Leased Premises ("Bonds"), remain unpaid at the date of commencement of the Extended Term, the rental shall be a monthly amount equal to Ten Dollars (\$10.00) less than the minimum rental Lessor is entitled to receive and continue to avoid the classification of the Bonds as "private activity bonds" under the Internal Revenue Code of 1986.

3. Utility Charges and Expenses. Lessor agrees to incur all expenses and to pay all charges for bringing to the Leased Premises whatever gas, water, electricity, sewer, telephone, steam, chilling water, and other utility services Lessee may desire for the Leased Premises. Lessee agrees to pay all charges for the utilities services consumed whether provided by Lessor or by other providers during the term of the Lease. All services provided by Lessor will be payable monthly to Lessor by Lessee in accordance with the current cost of such services measured by appropriate metering devices to be installed at the service entrance to the Leased Premises at Lessor's expense. Lessee further agrees to indemnify and hold harmless Lessor from all expenses and charges for such services consumed from other providers.

4. Taxes. Lessee agrees to pay, at least twenty (20) days before delinquency (with proof of payment delivered to Lessor at least fifteen (15) days before delinquency), all taxes, general and special assessment surcharges, and other governmental charges general and special, ordinary and extraordinary, unforeseen as

well as foreseen, of any kind and nature whatsoever, which shall during the term hereof be assessed, levied or imposed upon or become due and payable with respect to the Leased Premises or any part thereof. In addition, if at any time during any term of this lease a tax or excise on rents, or other tax however described, is levied on Lessor by any lawful taxing authority on account of Lessor's interest in this lease or the rents or other charges which accrue hereunder, as a substitute in whole or in part, or in addition to those described in the previous sentence, Lessee agrees to pay to Lessor upon demand, and in addition to the rentals and other charges prescribed under this lease, the amount of such tax or excise. If such taxes or excises shall be levied directly against Lessee, Lessee shall be responsible for and shall pay the same at such times and in such manner as the taxing authority shall require. Taxes attributable to periods encompassing either the commencement date or the termination date of this lease shall be prorated according to the relative portion of the taxing period coinciding with the term of this lease.

5. Use and Care of Premises. Lessee may use the Leased Premises for only the basic purpose of conducting research and development in the areas of microelectronics and computer technology and such additional areas of research and development which naturally derive from the basic purpose. No retail or sales operations of any kind shall be carried on by Lessee under the terms of this lease unless prior approval for such operations is obtained from Lessor and said operations are fully detailed and provisions for the conduct of such operations are described in a fully executed addendum incorporated into this lease. Lessee shall not allow any political promotion or political fundraising activities to be conducted on the Leased Premises. Lessee shall procure at its own expense any licenses, permits, or authorities required for the legal conduct of business in the State of Texas and on the Leased Premises and otherwise comply with all applicable laws, ordinances, and governmental regulations.

Lessee shall not use the Leased Premises so as to cause, suffer or allow any contamination of soils, groundwater, surface water or natural resources on or adjacent to the Leased Premises resulting from any cause, including, but not limited to, spills or leaks of oil, gasoline, hazardous materials, hazardous wastes or other chemical compounds. Lessee is solely responsible for clean-up of any contamination resulting from violation of this lease provision and Lessee shall, at Lessee's expense, provide for the timely removal from the Leased Premises of all hazardous wastes resulting from Lessee's operations in accordance with all applicable laws and regulations. Lessee shall use all reasonable precaution to prevent waste, damage or injury to the Leased Premises, and any such repair necessitated by negligence or misuse of the premises by Lessee or its employees, agents or guests shall be paid by Lessee upon demand by Lessor after such repairs.

6. Repairs and Maintenance of Leased Premises. Lessee covenants, throughout the term hereof, at Lessee's sole cost and expense, to take good care of all improvements constructed by Lessee 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, and to make all necessary repairs thereto, interior and exterior, structural and nonstructural. Lessee shall keep and maintain all portions of the improvements constructed by Lessee upon the Leased Premises and all parking areas, sidewalks and passageways within the Leased Premises in a clean and orderly condition.

7. Right of Inspection and Access by Lessor. Lessor, through Lessor's agents or representative, shall have full right and authority to enter in and upon the Leased Premises and the building or improvements to be constructed by Lessor or Lessee thereon, at any and all reasonable times during normal business hours during the term of this lease, upon reasonable notice to Lessee and without interference with the use or business of Lessee for the purpose of inspecting the same, without the interference or hindrance by the Lessee or by Lessor's agents or representative

and the right to occupy an office on the premises to carry out the joint programs of Lessor and Lessee described hereinabove.

8. Alterations. Lessee shall, at its own expense, and upon written notice to Lessor have the right, from time to time during the primary term of this lease and the extension term, to make nonstructural alterations, additions or improvements to the building without the consent of Lessor, provided that such nonstructural alterations or improvements shall not reduce the value of or permanently alter the Leased Premises. Lessee shall also have the right, at its own expense, to make whatever structural alterations, additions or improvements may be necessary in connection with the requirements of Lessee's business, but only if:

- (a) such alterations, additions or improvements shall not reduce the value of the Leased Premises; and
- (b) such alterations, additions or improvements shall be made in accordance with plans and specifications therefor, which shall have been approved by Lessor (approval not to be withheld unreasonably); and
- (c) before commencing any such work costing more than \$_____, Lessee shall deliver to Lessor (i) a statutory payment bond (duly filed of record in Travis County) and a performance bond, both bonds covering the entire work and listing Lessee and Lessor as dual obligees, and (ii) satisfactory evidence of builders' all-risk and worker's compensation insurance with respect to such work.

9. Lessee's Fixtures. Lessee may install in the Leased Premises such fixtures and equipment as Lessee deems desirable, and all of said items shall remain Lessee's property whether or not affixed to the Leased Premises. Lessee agrees to furnish to Lessor an inventory of all such fixtures and equipment which Lessee intends to remove. At the termination of this lease, if Lessee is not then in default, Lessee may remove said items from the Leased Premises at any time within thirty (30) days following the leased termination date; however, Lessee shall repair any damage caused by removal.

10. Indemnification and Insurance. Lessee agrees to indemnify Lessor and to save Lessor harmless from any and all liability,

damage, expense, causes of action, suits, claims or judgments arising from injury to person or property on the Leased Premises or on the adjoining streets and sidewalks, except if caused by the willful or grossly negligent act of Lessor, Lessor's agents or employees. Lessee shall, at its sole cost and expense, procure and maintain in force and effect during the term hereof fire and extended coverage covering the improvements on the Leased Premises (in amounts sufficient to prevent coinsurance and including a replacement cost coverage endorsement), in a company or companies acceptable to Lessor, and with both Lessee and Lessor being listed as insureds as their interests may appear. In the event of loss or damage to the improvements, insurance proceeds shall be dedicated to the repair or rebuilding of the improvements. However, should the proceeds not be adequate to fully cover such cost, Lessor shall be under no obligation to provide additional funds for such purpose. Provided, however, such insurance proceeds need not be used to repair or rebuild if (a)(i) the loss or damage occurs during the final year of the primary term and (ii) the repair or restoration would require at least six (6) months to accomplish; or (b)(i) the loss or damage occurs during the last two (2) years of the extended term and the cost of repair would be more than fifty percent (50%) of the replacement cost of the improvements. If the proceeds attributable to improvements are not used for repairing or rebuilding as above permitted, such proceeds shall be paid over to Lessor. Likewise, Lessee shall procure liability insurance covering both bodily injury and property damage protecting Lessee and Lessor from all claims of whatsoever character that might arise out of Lessee's use of the Leased Premises and the improvements located thereon in an amount at least equal to \$_____/ \$_____ covering bodily injury and \$_____ covering property damage. Copies of Lessee's insurance policies shall be delivered to Lessor, and the insurer of each policy shall agree to give Lessor at least ten (10) days' prior written notice before any cancellation or modification of such insurance coverage. As to the insurance

required to be purchased and maintained hereunder, Lessee with the consent of Lessor may maintain a program of self-insurance covering the casualties and occurrences set out in this paragraph.

11. Assignment and Subletting. Lessee may not assign this lease or sublet the whole or any part of the Leased Premises without written notice to Lessor and written approval thereof by Lessor.

12. Default. (a) If, (i) with regard to a monetary provision of this lease Lessee remains in default more than five (5) days after Lessor's notice specifying such default or (ii) with regard to a nonmonetary provision of this lease Lessee remains in default more than thirty (30) days after Lessor's notice specifying such default, then in either of such events Lessor may declare this lease ended without further notice to Lessee and reenter the Leased Premises with or without process of law. It is understood and agreed that the right of reentry granted to Lessor in the previous sentence is cumulative with all other rights and remedies granted Lessor under the laws of this State as well as those specified elsewhere in this lease.

(b) If Lessor remains in default for more than thirty (30) days after receipt of Lessee's notice specifying such default, Lessee may either (i) incur any expense necessary to perform any obligation of Lessor specified in such notice and deduct such expense from the rents to become due or (ii) declare the term ended with notice to Lessor and vacate the Leased Premises and be relieved of all further obligations hereunder. It is understood and agreed that the rights granted to Lessee in the previous sentence are cumulative with all other rights and remedies granted Lessee under the laws of this State as well as those specified elsewhere in this lease.

(c) Lessor agrees to pay all court costs, including reasonable attorney's fees, for enforcement of any part of this lease by Lessee because of any breach by Lessor of any condition or covenant in this lease; likewise, Lessee agrees to pay all court costs, including reasonable attorney's fees, for enforcement

of any part of this lease by Lessor because of any breach by Lessee of any condition or covenant in this lease.

(d) The failure of Lessor or Lessee to insist upon prompt and strict performance of any of the terms, conditions or undertakings of this lease shall not be construed as a waiver of the same or any other term, condition or undertaking.

13. Lessor's Title. Lessor covenants that Lessor has lawful title to the Leased Premises and full right to make this lease; and provided that Lessee complies with its obligations under this lease, Lessee shall have quiet and peaceful possession of the Leased Premises during the lease term. Should Lessee desire, Lessor agrees to cooperate with Lessee in Lessee's obtaining, at Lessee's expense, a leasehold policy of title insurance from a title insurance company satisfactory to Lessee, insuring Lessee that its leasehold interest is superior to and free and clear of all matters not agreed to in writing by Lessee (it being understood that all matters referred to in paragraph 1 of this lease have been agreed to by Lessee).

14. Condemnation. (a) If a "substantial" portion of the Leased Premises shall be taken by condemnation under any right of eminent domain or any transfer in lieu thereof, Lessee may either (i) remain in possession, with this lease continuing as to the remaining portion of the Leased Premises (and without modification of the rental specified in paragraph 2 above), or (ii) cancel this lease as of the date of such condemnation by notice to Lessor within thirty (30) days after said date. In the event of such condemnation, whether or not Lessee elects to terminate this lease, Lessee shall be entitled to any and all awards or payments specifically designated in the condemnation proceedings as compensation for damage to (I) Lessee's leasehold interest, (II) any improvements constructed on the Leased Premises by Lessee and carried by it as tenant's improvements and (III) Lessee's fixtures and equipment.

(b) If less than a "substantial" portion of the Leased Premises shall be taken by condemnation under any right of eminent

domain or transfer in lieu thereof, Lessee shall remain in possession with this lease continuing as to the remaining portion of the Leased Premises. In such event Lessee may reduce the ground rent component prescribed in paragraph 2 above in the ratio in which the remaining land area in the Leased Premises bears to the total land area preceding such condemnation; however, upon electing such reduction of rentals Lessee must assign to Lessor the award or payment under 14(a)(I) to which it might otherwise have been entitled in the condemnation proceedings. If Lessee does not elect such reduction of rentals, then Lessee shall be entitled to such awards or payments as are authorized in subparagraph 14(a)(I) above.

(c) For purposes of this paragraph 14, a taking of less than twenty percent (20%) of the Leased Premises shall conclusively be deemed not to be "substantial" if none of the property taken includes area occupied by building improvements, loading dock ramp or access to said ramp.

15. Lessee's Buildings and Improvements. No additional buildings or other improvements on the Leased Premises shall be constructed without prior written consent of Lessor and unless in accordance with plans and specifications therefor which shall have been approved by Lessor, and all buildings and improvements constructed upon the Leased Premises shall become incorporated into the real property. At the expiration or earlier termination of this lease, all of such buildings and improvements shall be surrendered to Lessor in thorough repair, good order and safe condition (reasonable wear and tear excepted), without payment therefor by Lessor, but subject to the right of Lessee to remove certain fixtures as specified in paragraph 9 of this lease.

16. Ceasing Operations. If Lessee shall cease operations authorized under the terms of this lease at the Leased Premises for a period of more than ninety (90) days (not including periods of bona fide repairs, restorations and alterations), then at any time thereafter prior to the resumption of Lessee's operations authorized under the terms of this lease, Lessor at its sole

option may give Lessee ninety (90) days' written notice of Lessor's election to terminate this lease; and if Lessee has not resumed its operations authorized under the terms of this lease within the ninety (90) days following Lessor's notice, then on the ninetieth day following such notice this lease will terminate as if it were the last day of the lease term.

17. Holding Over. In the event Lessee remains in possession of the Leased Premises after the expiration of this lease and without the execution of a new lease, it shall be deemed to be occupying said premises as a tenant from month-to-month at a rental equal to the monthly fair market rental of the property at that time, plus ten percent (10%) of such amount, and otherwise subject to all the conditions, provisions and obligations of this lease insofar as the same are applicable to a month-to-month tenancy.

18. Notices. Any notice provided for herein shall be given by Registered or Certified United States Mail, Postage Prepaid, addressed to, if to Lessor:

G. Charles Franklin
Vice President for Business Affairs
The University of Texas at Austin
P. O. Box 8179, University Station
Austin, Texas 78713-8179

with a copy to: Office of General Counsel
The University of Texas System
201 West 7th Street
Austin, Texas 78701
Attention: Linward Shivers

and if to Lessee: SEMATECH CORPORATION

The person and the place to which notices are mailed may be changed by either party by written notice to the other party and the notice shall be effective upon posting for purposes of this Agreement.

19. Remedies Cumulative. No remedy herein conferred upon or reserved to Lessor or Lessee shall exclude any other remedy herein or by law provided, but each shall be cumulative and in addition

to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

20. Short Form Lease. This lease shall not be recorded, but it is agreed that, upon request by either party, the parties will execute a short form of this lease which may be recorded by either party.

21. Paragraph Headings. The paragraph headings of this lease are inserted only for reference and do not affect the terms and provisions hereof.

22. Rights of Successors. All of the rights and obligations of the parties under this lease shall bind and inure to the benefit of their respective legal representatives, successors and assigns. This provision, however, shall not be deemed to imply Lessor's consent to Lessee's assignment or subletting, such actions by Lessee to be governed by paragraph 10 of this lease.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized representatives to execute this agreement in duplicate originals.

The effective date of this Lease Agreement is _____, 1988.

SEMATECH CORPORATION

By: _____
(Printed Name)
Its _____

LESSEE

THE BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By: _____
James P. Duncan
Executive Vice Chancellor
for Academic Affairs

LESSOR

APPROVED AS TO FORM:

APPROVED AS TO CONTENT:

Linward Shivers
Senior Attorney
Office of General Counsel

G. Charles Franklin
Vice President for
Business Affairs

DRAFT

Attachment E

FUNDS MANAGEMENT AGREEMENT
RELATING TO
TRAVIS COUNTY RESEARCH AND DEVELOPMENT AUTHORITY
MULTI-MODAL INTERCHANGEABLE RATE REVENUE BONDS
(THE UNIVERSITY OF TEXAS AT AUSTIN, MONTOPOLIS
RESEARCH CENTER PROJECT), SERIES 1988

This Funds Management Agreement dated as of February _____, 1988 (the "Agreement") is made and entered into by and between the Board of Regents (the "Board") of the University of Texas System (the "System") and the State Treasurer of the State of Texas (the "Treasurer").

PREAMBLE

WHEREAS, the System is an agency of the State of Texas and the Board is the duly appointed governing body of the System; and

WHEREAS, this Agreement is authorized and executed pursuant to applicable Texas laws, including the Texas Education Code Section 55.11 and Section 65.39; and

WHEREAS, the Treasurer is empowered to hold, manage and invest funds belonging to agencies of the State of Texas pursuant to the State Treasury Act, Texas Government Code, Chapter 404 as amended (the "Treasury Act") in her capacity as trustee of funds held outside the Treasury, and

WHEREAS, the Board of Directors of the Travis County Research and Development Authority ("the Issuer") has by resolution authorized the issuance of the Bonds, hereinafter defined; and

WHEREAS, the Board plans to construct, on behalf of the Issuer, and operate an educational and research development facility known as Sematech and has requested the cooperation of the Treasurer to establish from monies contained in the Available University Fund a secure, collateralized interest-bearing account to be held outside the Treasury for the purpose of providing that money will be available in ample time to pay the principal of, redemption premium, if any, and interest on the Bonds as such principal, redemption premium, if any, and interest respectively comes due,

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements hereinafter contained, the parties hereto agree with each other as follows:

ARTICLE I. DEFINITIONS

Section 1.01. Definitions. Capitalized terms used herein, unless otherwise defined herein, shall have the meanings assigned to them in the Indenture of Trust and Security Agreement dated as of February 1, 1988 between the Issuer and MTrust Corp, N.A. (the "Indenture"). In addition to all other words and terms defined herein, and unless a different meaning or intent clearly appears from the context, the following words and terms shall have the following meanings, respectively, whenever they are used in this Agreement;

Agreement - This Funds Management Agreement together with all exhibits attached to this Agreement and all amendments and supplements to this Agreement.

Available University Fund - As provided in Article VII, Sec. 18 of the Texas Constitution, 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 the Permanent University Fund land pursuant to the applicable present and future constitutional and statutory provisions.

Board - Has the meaning stated in the preamble of this Agreement.

Board Representative - One or more of the following officers or employees of the System, to wit: the chancellor and the executive vice chancellor, the general counsel, the director of endowments and trusts, the manager of special investments and financing, and the comptroller or such other office or employee designated to act on behalf of the Board in matters relating to this Agreement evidenced by written certificate furnished to the Treasury containing the specimen signature of any such person. Such certificate shall be marked Exhibit A.

Bonds - The Travis County Research and Development Authority Multi-Modal Interchangeable Rate Revenue Bonds (the University of Texas at Austin Montopolis Research Center Project) Series 1988.

Bond Resolution - The Resolution adopted by the Board of Directors of the Issuer on February ____, 1988 authorizing the execution of the Indenture, the issuance of the Bonds and other matters relating thereto.

Business Day - Has the meaning stated in the Indenture.

Installment Sale Payment - Each payment required to amortize the Bonds authorized pursuant to the Lease and Installment Sale Agreement and as provided for in the Indenture, including the principal of, redemption premium, if any, and interest on the Bonds.

Lease and Installment Sale Agreement - The Lease and Installment Sale Agreement by and between the Board and the Issuer providing for installment sale payments.

Permanent University Fund - The Fund designated by that name created, established, implemented and administered pursuant to Article VII, Sections 10, 11, 11a, 15 and 18 of the Texas Constitution, as amended, and is and will be governed by applicable present and future constitutional and statutory provisions.

Pledged Available Funds Surplus - Under present law and after payment of expenses of administration of the Permanent University Fund, the Available University Fund is pledged and first used for the payment of principal of and interest on Permanent University Fund obligations heretofore and hereafter issued by the Texas A&M University System and by the System pursuant to Article VII Section 18 of the Texas Constitution, as amended. Article VII, Section 18 of the Texas Constitution was amended in 1984 to provide that for a ten year period, before any other allocation is made of the System's 2/3 share of the Available University Fund remaining after payment of principal and interest on its obligations, \$6 million dollars per year shall be appropriated out of that share to the Texas A&M System for its use in making appropriations to Prairie View A&M University. Traditionally, and without exception, the Texas Legislature biannually has granted and appropriated the constitutionally apportioned share of the balance

in the Available University Fund to the Texas A&M University System, and has granted and appropriated the constitutionally apportioned share of such balance to the Board for the support and maintenance of the System and its administration. The term "Pledged Available Fund Surplus" means any part of the aforesaid amount of the Available University Fund that is actually granted or appropriated by the Texas Legislature for the support and maintenance of the University System or otherwise appropriated or made available to the Board or the System from time to time, in any manner that will permit the use thereof by the Board or the System, to pay the principal of and interest on its outstanding bonds and to make the Instalment Lease Payments and additional payments.

Pledged Revenues - (a) the pledged available fund surplus, (b) any additional revenues, income, receipts or other resources whatsoever received or to be received from any public or private source, whether pursuant to an agreement or otherwise, which hereafter may be pledged by the Board to the payment of the Installment Sale Payments and the additional payments.

Treasurer's Representative - the employees of the Treasury empowered and authorized to act on behalf of the Treasurer in matters related to this Agreement evidenced by written certificate and furnished to the Board containing specimen signatures. Such certificate shall be marked Exhibit B.

Treasury Act - has the meaning stated in the Preamble.

Trustee - MCorp Trust, N.A. or its successors or assigns.

ARTICLE II CREATION OF ACCOUNT

Section 2.01. Special System Account. Concurrently with the issuance of the Bonds there is hereby established a secure, collateralized, interest-bearing account held outside the Treasury entitled "The State Treasurer - University of Texas System Special System Account-Montopolis Research Project (the "Special System Account").

ARTICLE III POWER AND DUTIES

Section 3.01 Duties. The Treasurer as the trustee of funds outside the Treasury hereby agrees to manage the Special System Account funds with the same degree of care and assuming the same duty to the System, that is applicable to the management of funds inside the Treasury.

Section 3.02. Investments. The System desires that the funds in the Special System Account be invested in the same manner and at the same rate as other funds held in the Treasury. In investing monies contained in the Special System Account the Treasurer shall have all of the obligations, duties and powers set out in the Treasury Act and in orders of the Texas State Depository Board as are from time to time in effect.

Section 3.03. Liability. Neither the Treasurer, nor any Treasury employees shall be held liable for any action or omission to act on behalf of herself, her agents, Treasury employees or other persons unless caused by gross negligence or wilful misconduct.

ARTICLE IV.
TRANSFERS FROM THE SPECIAL SYSTEM ACCOUNT

Section 4.01. Procedures. Pursuant to the provisions of the Lease and Installment Sale Agreement particularly Section 5.09 thereof, the following provisions for money to be made available at the Trustee, in ample time to pay the principal of, redemption premium, if any, and interest on the Bonds as such becomes due are created. A Board Representative acting on behalf of the System shall effect the transfer of funds into and out of the Special System Account by performing the following duties and employing the following procedures:

(a) Deposits. To make a deposit into the Special System Account, the System will cause to be issued by the Comptroller of Public Accounts a warrant made payable to "Ann W. Richards, Trustee for the University of Texas System". The Treasurer shall immediately deposit said warrant into the Special System Account.

(b) Withdrawals. To withdraw funds from the Special System Account an Authorize Board Representative shall issue instructions not later than 1 p.m. on the day funds are to be transferred specifying the amount of money to be wired in immediately available funds to the Trustee, at : _____ . Said instructions may be oral, provided however, that a written confirmation signed by a Board Representative, is to be received by the Treasury within 24 hours of the oral instruction. If the System delivers instructions to the Treasurer after 1 p.m., the Treasurer will use its best efforts to complete the transfer before the end of the Business Day. The System acknowledges that the securities wire system is in a large part beyond the Treasurer's control. Accordingly, the System hereby releases the Treasurer from any wire-related failures, delays or defaults unless the failures, delays or defaults are caused by the Treasurer's own gross negligence or willful misconduct.

(c) The Treasurer shall provide a Resolution indicating those Treasury Representatives empowered to receive and execute instructions concerning the Special System Account.

Section 4.02. Other Transfers. If there is on deposit in the Special System Account from Pledged Revenues of the Board, including the interest of the System in the Available University Fund, money sufficient to pay the principal of, redemption premium, if any, and interest on the Bonds as the same comes due and matures or as the Bonds are required to be purchased, the Board Representative shall cause a transfer from the Special System Account to the Trustee by issuing the above-described instructions to the Treasurer.

Section 4.03. Insufficient Funds. In the event that there shall not be on account in the Special System Account from the Pledged

Revenues or other monies sufficient to pay the principle of, redemption premium, if any, or the interest on the Bonds as the same are due, after receiving instructions from the Board Representative, the Treasurer shall notify the Board Representative and thereafter the Board representative shall implement procedures necessary to cause the Comptroller of Public Accounts to withdraw any available monies from the fund held by the Comptroller of Public Accounts of the appropriated University Fund to pay to the extent possible the amounts on the Bonds which will become due on the scheduled payment date and deposit said amount with the Trustee.

Section 4.04. Reliance. The Treasurer shall be entitled to rely on instructions by the Board Representative and shall not be liable for any resulting loss if the transaction is carried out in accordance with the provisions of this Agreement.

ARTICLE V. INVESTMENT AND REPORTS

Section 5.01. Investment of Monies. Any monies held as a part of the Special System Account created hereby shall be invested or reinvested by the Treasurer to the extent permitted by the Treasury Act and with the concurrence of the Board Representative in Authorized Investments [fill in with specified Authorized Investments], as evidenced by instructions issued in accordance with the procedures set forth above in Art. IV, Section 4.01 (b).

Section 5.02. Fees and Charges. Wire and other charges to transport the funds in the Special System Account will be billed to the System by the banks currently used by the Treasurer for similar services. Other than these costs, the Treasurer hereby agrees that there will be no charge for fees for the services provided hereunder.

Section 5.03. Reports. The Treasurer shall submit a report to the System of its transactions at the end of each month. Such report will indicate the balance remaining in the Special System Account, the interest earned in the Special System Account for that month, all deposits and all withdrawals occurring during each month.

Section 5.04. Records. The Treasurer shall keep a book of records in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, deposits, withdrawals and transfers in the Special System Account in accordance with generally accepted accounting principles. Such records shall be available for inspection at all reasonable hours of the Business Day and under reasonable conditions by the System.

ARTICLE VI. MISCELLANEOUS

Section 6.01. Notices. Any notice, letter of instruction,

request or demand required or permitted to be given hereunder shall be given in writing and shall be deemed duly given when mailed by registered or certified mail, postage pre-paid addressed or telefaxed as follows:

To the System: Tom Ricks, Manager of Special Investment
and Financing
The University of Texas System
210 West 6th Street
Austin, Texas 78701
Telephone: (512) 499-4337
Telefax #:

If to the Treasurer: State Treasurer of the State of Texas
Lyndon Baines Johnson State Office Bldg.
111 E. 17th Street
Austin, Texas 78701
Attn: [to be filled in]
Telephone: (512) 463-6000
Telefax #: 463-6040

Section 6.02. Severability. If any provision of this Agreement shall be held or deemed to be or in fact shall be illegal, inoperative, or unenforceable, the same shall not effect any other provision or provisions herein contained or rendered the same invalid, inoperative, or unenforceable to any extent whatsoever.

Section 6.03. Limitation of Rights. With the exception of the rights herein expressly conferred, nothing in or to be implied from this Agreement is intended or shall be construed to give any person other than the parties hereto and the bondholders any legal or equitable right, remedy or claim under or in respect of this Agreement or any of the covenants, conditions and provisions herein contained, this Agreement and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto, and the bond holders as herein provided. The Board further agrees that the Treasurer's responsibilities hereunder are limited to the management of the Special System Account as herein described and the providing of reports and information herein required; the Treasurer shall not be liable for any losses from investments made and transfers made in accordance with the procedures set forth in this Agreement.

Section 6.04. Execution of Counterparts. This Agreement may be simultaneously executed in several separate counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 6.05. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas.

Section 6.06. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions, articles, or sections of this Agreement.

Section 6.07. Amendment. The Board and the Treasurer may, without the consent of, or notice to, any of the bond holders, supplement or amend this Agreement and any such supplement or amendment shall not be inconsistent with the terms and provisions hereof if made for any one or more of the following purposes:

(a) to cure any ambiguity or formal defects or omissions in this Agreement;

(b) to provide for additional revenues, properties, or other funds to be deposited into the Special System Account described in this Agreement;

(c) in connection with the issuance of Additional Bonds as part of the Resolution and Indenture.

Section 6.08. Assignment. The Board of the System hereby consents to the assignment of this Agreement including all duties performable hereunder, to the Texas Treasury Safekeeping Trust Company (the "Trust Company") as created under the Treasury Act in the event such assignment is deemed by the Treasurer in her sole discretion to be in the best interest of the System in performing the duties and rendering the services contained in this Agreement. However, it is expressly agreed that this Agreement is not otherwise assignable, and any such assignment to the Trust Company shall be effective only when evidenced by a writing and acknowledged by a Board Representative.

Section 6.09. Termination. This Agreement shall terminate on the date on which no bonds remain outstanding. Otherwise this Agreement may be terminated by either party hereto, with or without cause, by tendering 30 days prior written notice in the manner set forth in Section 6.01 hereof.

In Witness Whereof the parties hereto have caused this Agreement to be executed in multiple counter parts as of the day and year first set out above.

THE UNIVERSITY OF TEXAS SYSTEM

TEXAS STATE TREASURER

By: _____
Board Representative

ANN W. RICHARDS

Remarketing Agreement, dated as of February 1, 1988, between the Board of Regents of The University of Texas System (the "Board") and J.P. Morgan Securities Inc., as Remarketing Agent (the "Remarketing Agent").

Recitals

A. By resolution adopted by the Board on February 11, 1988 (the "Board Resolution"), and pursuant to an Indenture of Trust and Security Agreement, dated as of February 1, 1988 (the "Indenture") between Travis County Research and Development Authority (the "Issuer") and MTrust Corp, National Association, as trustee (the "Trustee"), the Issuer has authorized the issuance and sale of its Multi-Modal Interchangeable Rate Revenue Bonds (The University of Texas at Austin Semiconductor Manufacturing Laboratory Project) Series 1988 (the "Bonds").

B. The proceeds of the Bonds shall be used to finance the construction and equipping of a semiconductor manufacturing laboratory (the "Project") on a project site recently acquired by the Board and leased to the Issuer under a Lease and Installment Sale Agreement dated as of February 1, 1988 (the "Agreement").

C. Under the Agreement the Issuer will sell the Project to the Board and in consideration therefor the Board is required to make payments in such amounts and at such times as will provide sufficient funds to pay debt service on the Bonds.

D. The Bonds are subject to both optional and mandatory tender by the holders thereof and to remarketing all as provided in the Indenture.

E. The Board desires to consent to and affirm the appointment of J. P. Morgan Securities Inc. as the Remarketing Agent under the Indenture to perform certain services as provided herein and in accordance with the Indenture, and the Remarketing Agent is willing to do so on the terms and conditions set forth herein.

Section 1. Representations and Warranties of the Board. The Board represents and warrants to the Remarketing Agent that:

(a) The Agreement has been duly authorized, executed and delivered and constitutes a valid and binding obligation of the Board in accordance with its terms and is entitled to the benefits of the Board Resolution.

(b) The Board has furnished or caused to be furnished to the Remarketing Agent for use in remarketing the Bonds the Official Statement relating to the Bonds (the "Offering Document").

Section 2. Certain Agreements of the Board. The Board agrees with the Remarketing Agent that:

(a) The Board will immediately notify the Remarketing Agent by telephone (which shall promptly be confirmed in writing) of: (i) any fact or occurrence as a result of which the Offering Document would be or become misleading or any representation or warranty of the Board would become false, (ii) any material adverse change in the financial condition or general affairs of the

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Board, (iii) any reduction, or any suggestion by Standard & Poor's Corporation or Moody's Investors Service that it is considering a possible reduction, in any existing rating of the Bonds, (iv) any adverse change, or threatened adverse change, in the federal income tax treatment of interest on the Bonds under the Internal Revenue Code of 1986, as amended (the "Code"), (v) the need for an opinion of tax counsel as to the tax status of any of the Bonds, (vi) any event of default under the Agreement or any event which, with notice or lapse of time or both, would constitute such an event of default and (vii) any change in the dates for payments required to be made by the Board under the Agreement;

(b) The Board will, at its expense, furnish the Remarketing Agent such number of copies of the Offering Document as the Remarketing Agent may from time to time reasonably request. If any event occurs as a result of which the Offering Document, as then amended or supplemented, would include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Board will promptly amend or supplement or cause such amendment or supplement to the Offering Document to correct such statement or supply such omitted fact; provided, however, that no such amendment or supplement will be made prior to allowing the Remarketing Agent a reasonable opportunity to review it. The Board will furnish the Remarketing Agent such number of copies of the Offering Document, as so amended, or such supplement as the Remarketing Agent may reasonably request; and

(c) The Board will furnish the Remarketing Agent copies of all reports and financial statements relating to the financial affairs and condition of the Board promptly after they are made available to the public by the Board, the System and the Pledged Revenues (as defined in the Offering Document and such additional information concerning the operations and financial condition of the Board, the System and the Pledged Revenues as the Remarketing Agent may from time to time reasonably request.

Section 3. Determination of Interest Rates.

(a) Pursuant to the Indenture, the Bonds initially bear interest at a variable interest rate as Multi-Modal Interchangeable Rate Securities (M-MIRSsm) and may be tendered by the holders thereof for purchase as provided therein.

(b) The Remarketing Agent shall determine the rate of interest on the Bonds and provide notice thereof in accordance with Section 5.02 and Exhibit A of the Indenture on the dates and at the times provided therein.

(c) The Remarketing Agent shall notify the Paying Agent/Registrar and the Board by telephone, promptly confirmed in writing, on the Business Day immediately preceding each Interest Payment Date of the aggregate amount of interest due on the Bonds on such date.

sm Service Mark of J. P. Morgan Securities Inc.

(d) The Remarketing Agent may at any time and from time to time seek to obtain an opinion of counsel satisfactory to it concerning the effect that any action or inaction contemplated by the Remarketing Agent may have on the inclusion of interest income on the Bonds in gross income for federal income tax purposes under the Code.

(e) If the Remarketing Agent does not obtain an opinion of counsel satisfactory to it, it may take any action or refrain from taking any action contemplated hereunder and under the Indenture that the Remarketing Agent in its sole discretion deems appropriate.

(f) In determining the interest rates that the Bonds shall bear as provided herein, the Remarketing Agent shall have no liability to the Board, the Issuer, the Trustee, the Paying Agent/Registrar, the Tender Agent, the Liquidity Issuer (as defined in the Offering Document) or any Bondholder, except for its gross negligence or willful misconduct.

(g) The Board agrees to indemnify the Remarketing Agent for, and to hold it harmless against, any loss, liability or expense (including counsel fees and disbursements) incurred on the part of the Remarketing Agent arising out of or in connection with the Remarketing Agent's performance of its obligations pursuant to this Section, except to the extent caused by its gross negligence or willful misconduct.

Section 4. Remarketing.

(a) The Board hereby consents to and affirms the appointment of the Remarketing Agent as the exclusive agent for the remarketing of the Bonds and, in reliance on the representations contained herein and subject to the terms hereof, the Remarketing Agent agrees to use its best efforts to solicit offers to purchase, at a price of 100% of the principal amount thereof plus accrued interest, if any, the Bonds that it has been advised by the Tender Agent have been tendered by the holders thereof pursuant to the Indenture and to perform the other obligations of the Remarketing Agent as set forth in the Indenture.

(b) In the event of (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange; (ii) a general moratorium on commercial banking activities in New York declared by either federal or New York State authorities; (iii) the engagement by the United States in hostilities which have resulted in the declaration of a national emergency or war, if the effect of any such declaration in the Remarketing Agent's judgment makes it impracticable or inadvisable to proceed with solicitation of offers to purchase the Bonds; or (iv) the occurrence of any of the events contemplated by Section 2(a) hereof, whether the Remarketing Agent learns thereof from the Board or otherwise, and so long as such situation continues to exist, the Remarketing Agent shall have the right to suspend its efforts to solicit offers to purchase the Bonds.

(c) As compensation for its services hereunder, the Board shall pay the Remarketing Agent ongoing compensation in the form of a fee of .125% per annum in respect of the aggregate principal amount of the Bonds outstanding from time to time. Such fee shall be payable quarterly in arrears on a calendar quarter basis. The Board also agrees to pay the reasonable out-of-pocket expenses of the

Remarketing Agent (including, without limitation, the fees and disbursements of its counsel and any costs incurred in connection with the preparation, reproduction and delivery of documents) incurred in connection with the performance of its obligations hereunder.

Section 5. The Remarketing Agent.

(a) The Remarketing Agent will be acting solely as the agent of the Trustee acting on behalf of the Issuer and the Board in the re-sale of the Bonds, and, other than as set forth herein, the Remarketing Agent's responsibility is limited to the use of its best efforts to solicit offers to purchase the Bonds.

(b) The Remarketing Agent, in its individual capacity, either as principal or agent, may buy, sell, own, hold and deal in any of the Bonds, and may join in any action which any holder of Bonds may be entitled to take, with like effect as if it did not act in any capacity hereunder. The Remarketing Agent, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Issuer or the Board and may act as depository, trustee or agent for any committee or body of holders of Bonds or other obligations of the Issuer or the Board as freely as if it did not act in any capacity hereunder.

(c) The Remarketing Agent shall incur no liability to the Issuer, the Board or any other person for its actions as Remarketing Agent pursuant to the terms of this Remarketing Agreement except for its willful misconduct or gross negligence. In setting the interest rate on the Bonds, the Remarketing Agent shall not be liable for any error made in good faith.

Section 6. Intention of Parties.

It is the express intention of the parties hereto that no purchase, sale or transfer of any Bonds, as herein provided, or the setting of interest rates in respect thereof, shall constitute or be construed to be the extinguishment of any security or the indebtedness represented thereby or the reissuance of any security or the refunding of any indebtedness represented thereby.

Section 7. Amendments.

(a) The Board agrees not to consent to any amendment of the Indenture, the Agreement or the Liquidity Facility (as defined in the Offering Document) insofar as any such document relates to this Remarketing Agreement or the rights and duties of the Remarketing Agent without the prior written consent of the Remarketing Agent.

(b) This Remarketing Agreement may not be amended except by a writing signed by each of the parties hereto.

Section 8. Term.

Unless previously terminated, this Remarketing Agreement shall remain in full force and effect until payment in full of the Bonds, until earlier conversion to a Fixed Rate as described in the Offering Document or until otherwise terminated in accordance with the Indenture. The Board may terminate this Remarketing

Agreement at any time by giving at least five business days' prior written notice to the Remarketing Agent, the Trustee and the Paying Agent/Registrar. The Remarketing Agent may terminate this Remarketing Agreement at any time by giving at least ten business days' prior written notice to the Board, the Trustee and the Paying Agent/Registrar. The representations, warranties and agreements of the Board set forth herein shall remain in full force and effect regardless of any investigation (or any statement as to the results thereof) made by or on behalf of the Remarketing Agent and shall survive the termination or expiration of this Remarketing Agreement. The Board shall promptly upon initial delivery of the Bonds pay or cause to be paid to the Remarketing Agent the initial compensation due the Remarketing Agent.

Section 9. Notices.

Unless otherwise provided herein, all notices, certificates, requests or other communications hereunder shall be deemed given when delivered in writing by hand or sent by facsimile transmission, tested telex or registered mail, postage prepaid, addressed as follows:

If to the Trustee:

**MTrust Corp, National Association
P. O. Box 2266
Austin, Texas 78780
Attention: Corporate Trust Department
Facsimile Transmission Number: _____**

If to the Board:

**The University of Texas System
210 West 6th Street
Austin, Texas 78701
Attention: Manager/Debt Administration
Facsimile Transmission Number: 512-499-4696**

If to the Paying Agent/Registrar:

**Morgan Guaranty Trust Company of New York
Corporate Trust Office
30 West Broadway, 14th Floor
New York, New York 10015
Attention: Corporate Trust Department
Facsimile Transmission Number: 212-693-0534**

If to the Remarketing Agent:

**J.P. Morgan Securities Inc.
23 Wall Street, 10th Floor
New York, New York 10015
Attention: Susan Bell, Managing Director
Facsimile Transaction Number: _____**

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Each of the above parties may, by written notice given hereunder to the others, designate any further or different addresses to which, or means by which, subsequent notices, certificates, requests or other communications shall be sent.

Section 10. Governing Law.

THIS REMARKETING AGREEMENT SHALL BE CONSTRUED UNDER AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Section 11. Counterparts.

This Remarketing Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

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

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By _____
Authorized Officer

Title

J.P. MORGAN SECURITIES INC.,
Remarketing Agent

Authorized Officer

Title

PURCHASE CONTRACT

Attachment G

RELATING TO

\$ _____

Travis County Research and Development Authority
Multi-Modal Interchangeable Rate Revenue Bonds
(The University of Texas at Austin Semiconductor
Manufacturing Laboratory Project) Series 1988

February 25, 1988

Travis County Research and
Development Authority
Courthouse Annex
1010 San Antonio
Austin, Texas 78701

The Board of Regents
The University of Texas System
210 West 6th Street
Austin, Texas 78701

Ladies and Gentlemen:

The undersigned (the "Underwriter") offers to enter into this Purchase Contract with the Travis County Research and Development Authority (the "Issuer") and with the Board of Regents of The University of Texas System (the "Board"). This offer is made subject to acceptance of this Purchase Contract by the Issuer and the Board on or before 8:00 p.m., Austin, Texas, time on February 25, 1988 (or such later time and date as agreed to by the Underwriter), and if not so accepted will be subject to withdrawal by the Underwriter upon notice delivered to the Issuer or the Board at any time prior to the acceptance hereof by the Issuer or the Board. Capitalized terms used herein that are not otherwise defined shall have the meanings assigned to them in the Official Statement relating to the captioned bonds (the "Official Statement").

1. Upon the terms and conditions and upon the basis of the representations set forth herein, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell and deliver to the Underwriter the aggregate principal amount of the Issuer's Travis County Research and Development Authority Multi-Modal Interchangeable Rate Revenue Bonds (The University of Texas at Austin Semiconductor Manufacturing Laboratory Project) Series 1988 (the "Bonds") as specified above. The Bonds shall be dated the date of initial delivery, shall be stated to mature July 1, 2009 and shall bear interest as Multi-Modal Interchangeable Rate Securities (M-MIRSSsm) as described in the Official Statement. The Bonds shall bear interest initially at the Weekly Rate and the initial Weekly Rate shall be ____%. The aggregate purchase price for the Bonds shall be

sm Service Mark of J. P. Morgan Securities Inc.

equal to the par amount thereof, less an underwriting discount equal to one-half of one percent of the aggregate principal amount of the Bonds.

2. The Bonds shall be as described in, and shall be issued and secured under the provisions of, the Indenture of Trust and Security Agreement (the "Indenture"), dated as of February 1, 1988, between the Issuer and MTrust Corp, National Association, as trustee (the "Trustee").

3. As set forth in the Official Statement, the proceeds of the Bonds, together with other funds made available to the Issuer by the Board, will be used at Closing (as hereinafter defined) to pay certain costs and expenses connected with the issuance of the Bonds. In addition, the proceeds of the Bonds will be used to finance the construction and equipping of a semiconductor manufacturing laboratory on a project site recently acquired by the Board and leased to the Issuer under a Lease and Installment Sale Agreement, dated as of February 1, 1988, between the Issuer and the Board (the "Agreement").

4. It shall be a condition of the obligation of the Issuer to sell and deliver the Bonds to the Underwriter, and of the obligation of the Underwriter to purchase and accept delivery of the Bonds, that the entire principal amount of the Bonds authorized by the Indenture shall be sold and delivered by the Issuer and accepted and paid for by the Underwriter at the Closing (as defined in paragraph 8 below). The Underwriter agrees to make a bona fide public offering of all of the Bonds at prices not in excess of the initial public offering prices as set forth on the cover page of the Official Statement.

5. The Issuer and the Board hereby authorize the Underwriter to use the Indenture, the Agreement, the Official Statement and the information contained in those documents in connection with the public offering and sale of the Bonds. The Issuer confirms its consent to the use by the Underwriter prior to the date hereof of the Preliminary Official Statement relating to the Bonds, a copy of which has been previously provided by the Underwriter to the Issuer and the Board, the receipt of which is hereby acknowledged, in connection with the public offering of the Bonds.

6. In order to induce the Underwriter to enter into this Purchase Contract, the Issuer hereby represents, warrants and agrees as follows:

(a) The Issuer is a public body corporate and politic duly created, organized and existing under the laws of the State of Texas pursuant to and in accordance with Article 5190.10, Vernon's Texas Civil Statutes (the "Act"), is a constituted authority of the County of Travis, Texas, and has full right, power and authority (i) to enter into the Indenture, the Paying Agent/Registrar Agreement and the Agreement, (ii) to issue the Bonds, (iii) to enter into this Purchase Contract, (iv) to approve the distribution and use of the Official Statement and (v) to carry out and consummate all other transactions described in such documents.

(b) (i) The Issuer has complied and will comply with all applicable provisions of law, including the Act, and applicable provisions of the Indenture and the Agreement, and has taken all necessary action required to make this Purchase Contract, the Bonds, the Indenture, the Paying Agent/Registrar Agreement and the Agreement valid obligations of the Issuer as

they purport to be by resolution of its board of directors authorizing the same (the "Issuer Resolution"); (ii) upon final execution hereof, this Purchase Contract, the Indenture, the Agreement and the Bonds will constitute valid and binding agreements of the Issuer and will be enforceable against the Issuer in accordance with their respective terms; and (iii) the Issuer has duly authorized all necessary action to be taken by it for the execution and delivery of the Official Statement.

(c) There is no action, suit, proceeding, inquiry, or investigation at law or in equity or before or by any court, governmental agency or instrumentality pending or, to the knowledge of the Issuer, threatened against or affecting the Issuer (or, to the best knowledge of the Issuer, any basis therefor) wherein an unfavorable decision, ruling or finding would adversely affect: (i) the transactions described in this Purchase Contract, the Indenture, the Paying Agent/Registrar Agreement, the Agreement or the Official Statement or the validity or enforceability of the Bonds, the Indenture, the Paying Agent/Registrar Agreement, the Agreement, this Purchase Contract or any agreement or instrument to which the Issuer is a party and that is used or contemplated for use in the consummation of the transactions described herein and by the Official Statement, (ii) the excludability of interest on the Bonds from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code") or (iii) the Issuer's existence and power as a research and development authority under the Act or the title of the Issuer's directors and officers to their respective positions.

(d) The execution, delivery and due performance of this Purchase Contract, the Bonds, the Indenture, the Paying Agent/Registrar Agreement and the Agreement and compliance with the provisions thereof, does not and will not conflict with or constitute, on the part of the Issuer, a violation or breach of or a default under any constitutional provision, existing law, court or administrative regulation, decree, order or any agreement, indenture, mortgage, lease or other instrument to which the Issuer is subject or by which it is or may be bound, or result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any property or assets of the Issuer.

(e) The Issuer will not take or omit to take any action that might adversely affect the excludability from gross income of interest on the Bonds for federal income tax purposes under the Code.

(f) The description and information relating to the Issuer, its operations and its participation in the transactions described in the Official Statement and this Purchase Contract contained in the Official Statement, as of its date and as of the date of the Closing are and will be true, correct and complete in all material respects, and such description and information do not and will not, as of such dates, contain any untrue or misleading statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) The Issuer agrees to cooperate with the Underwriter in endeavoring to qualify the Bonds for offering and sale under the securities or

"Blue Sky" laws of such jurisdictions of the United States as the Underwriter may request; provided, however, that the Issuer will not be required to execute a special or general consent to service of process or qualify as a foreign corporation in connection with any such qualification in any jurisdiction; and provided further that the Issuer's out-of-pocket costs in respect thereof shall be paid out of the proceeds of the Bonds or shall be otherwise provided for by the Board.

(h) The representations and warranties of the Issuer contained in Section 2.01 of the Agreement are true and correct as of the date hereof and will be correct as of the date of Closing.

(i) The Indenture creates a valid first lien on the Trust Estate, and the Bonds, when validly executed, authenticated, certified and delivered in accordance with the Indenture and sold to the Underwriter as provided herein, will be validly issued and outstanding obligations of the Issuer entitled to the benefits of the Indenture.

7. In order to induce the Underwriter to enter into this Purchase Contract and in order to induce the Issuer to enter into this Purchase Contract, the Indenture, the Paying Agent/Registrar Agreement and the Agreement and to issue the Bonds, and in consideration of the foregoing and the execution and delivery of this Purchase Contract, the Board represents to and agrees with the Issuer and the Underwriter as follows:

(a) The University of Texas System (the "System") is and will be at the date of Closing duly organized and existing as an agency of the State of Texas, and the Board is the duly appointed governing body of the System. The Board and the System have the powers and authority, among others, set forth in the Texas Constitution and the Texas Education Code to enter into this Purchase Contract, the Agreement, the Remarketing Agreement, the Lease Agreement with SEMATECH, Inc. (the "Lease Agreement") and the Standby Bond Purchase Agreement, dated as of February 1, 1988 (the "Liquidity Facility"), between the Board and Morgan Guaranty Trust Company of New York (the "Liquidity Issuer"), to approve the Official Statement, to perform all other acts and things as provided for in the Agreement, the Remarketing Agreement, the Lease Agreement, the Liquidity Facility and this Purchase Contract and as described in the Official Statement, and to adopt the resolution dated February 11, 1988 approving all of the foregoing (the "Board Resolution").

(b) The adoption of the Board Resolution and the execution and delivery by the Board of this Purchase Contract, the Liquidity Facility, the Remarketing Agreement, the Lease Agreement and the Agreement and the other documents described herein and in the Official Statement and compliance with the provisions of any and all of the foregoing documents do not and will not conflict with or result in the breach of any of the terms, conditions or provisions of, or constitute a default under, any law, court or administrative regulation, decree or order, or any agreement, indenture, mortgage, lease or instrument by which the Board or the System or its properties are bound.

(c) The Board has taken or will take all action necessary to be taken by it for the valid execution and delivery of this Purchase Contract, the Remarketing Agreement, the Lease Agreement, the Liquidity Facility and the Agreement and all such other agreements and documents as may be required to be executed, delivered and received by the Board in order to carry out, effectuate and consummate the transactions contemplated hereby and by the aforesaid documents and agreements, the Official Statement and the Indenture.

(d) Neither the Board nor the System is in breach of or in default under any applicable law or administrative regulation, any applicable judgment or decree or any loan agreement, note, resolution, agreement or other instrument to which the Board or the System is a party or by which they or any of their respective properties are otherwise subject, that would have a materially adverse effect upon the business or financial condition of the Board, the System or the Pledged Revenues to be used to pay the Payment Obligations under the Agreement.

(e) All approvals, consents and orders of any governmental authority or agency having jurisdiction of any matter that would constitute a condition precedent to the performance by the Board of its obligations under the Board Resolution, the Agreement, the Remarketing Agreement, the Lease Agreement, the Liquidity Facility and this Purchase Contract will be obtained prior to the Closing.

(f) The description and information relating to the Board, the System, their properties, operations, financial and other affairs, including all financial and statistical data, and the participation by the Board and the System in the transactions contemplated by this Purchase Contract that are contained in the Official Statement, are, as of its date, and will, as of the Closing, be correct in all material respects to the best knowledge of the Board, and such description and information in the Official Statement as of its date and at the date of Closing will not contain any untrue statement of a material fact, and such description and information in the Official Statement, as of its date and at the date of the Closing, do not and will not omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(g) Except as consented to by the Underwriter between the date of this Purchase Contract and the Closing, neither the Board nor the System will, without the prior written consent of the Underwriter, issue any additional bonds, notes or other obligations for borrowed money, and neither the Issuer nor the System will incur any material liabilities, direct or contingent, nor to the best knowledge of the Board will there be any material adverse change in the financial position or condition of the Board, the System or the Pledged Revenues.

(h) There is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any public board or body pending or, to the knowledge of the Board, threatened against or affecting the Board or the System or any of its properties (or, to the best knowledge of the Board, any

basis therefor), wherein an unfavorable decision, ruling or finding would adversely affect: (i) the financial condition of the Board, the System, the properties or operations of the Board or the System, or the transactions contemplated by this Purchase Contract, the Agreement, the Remarketing Agreement, the Lease Agreement, the Liquidity Facility, the Board Resolution and the Official Statement, (ii) the validity or enforceability of the Bonds, the Indenture, the Agreement, the Remarketing Agreement, the Lease Agreement, the Liquidity Facility, the Board Resolution or any agreement or instrument by which the Board or the System or its properties are or may be bound, (iii) the System's existence as a State agency, the powers of the System or the Board, or the title of the System's officers or the members of the Board to their respective positions, or (iv) the excludability of interest on the Bonds for federal income tax purposes under the Code.

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

(j) The Agreement, when executed and delivered by the Board, will create a valid lien on the Pledged Revenues, subject only to the lien of the Building Revenue Bonds.

(k) The representations and warranties of the Board contained in Section 2.02 of the Agreement and Section 4.01 of the Liquidity Facility are true and correct as of the date hereof and will be correct as of the date of Closing.

(l) The Agreement, the Remarketing Agreement, the Lease Agreement and the Liquidity Facility, when executed and delivered by the Board, and this Purchase Contract are and will be the legal, binding obligations of the Board, enforceable in accordance with their terms.

(m) The Board will not take or omit to take any action that might adversely affect the excludability from gross income of interest on the Bonds for federal income tax purposes under the Code.

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

8. At 9:00 a.m., Austin, Texas time, on or about February 26, 1988, at the offices of Fulbright & Jaworski, Austin, Texas, or at such other time, date and place as may be mutually agreed upon by the parties (the "Closing"), the Issuer will deliver fully registered Bonds in the aggregate principal amount specified on the first page hereof to the Underwriter, duly executed by the Issuer, approved by the Attorney General of Texas and registered by the Comptroller of Public Accounts of the State of Texas, together with the other documents hereinafter mentioned, and the Underwriter will accept such delivery and pay to the Issuer with immediately available funds in the amount of the purchase price of such Bonds as set forth in paragraph 1 hereof. The definitive Bonds shall be printed or lithographed on lithographed or steel engraved borders; shall be fully registered in such name or names as the Underwriter shall have specified to the Trustee or the Authenticating Agent under the Indenture, provided that such specification is made not less than five business days prior to the Closing; shall be prepared and delivered in definitive form bearing CUSIP numbers, executed by the Issuer by manual or facsimile signature and authenticated by the Authenticating Agent; and, if the Underwriter shall so request, shall be made available to the Underwriter at least one business day before the Closing for the purpose of inspection, but in any event, such definitive Bonds shall remain under the control of the Issuer pending payment therefor.

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

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

(b) At the time of the Closing, the Issuer Resolution, the Board Resolution, the Indenture, the Agreement and the Liquidity Facility shall be in full force and effect, and shall not have been amended, modified, or supplemented, and the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to by the Underwriter;

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

(d) Neither the Issuer nor the Board shall have failed to pay principal or interest when due on any of their outstanding obligations for borrowed money or otherwise be in default on any such obligation, and there does not exist any event that, with giving of notice, would constitute a default;

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

(1) The Official Statement executed on behalf of the Issuer by its President or Vice President and executed on behalf of the Board and the System by the Executive Vice Chancellor for Asset Management;

(2) Executed original copies of the Indenture, the Agreement, the Paying Agent/Registrar Agreement, the Lease Agreement, the Remarketing Agreement, the Liquidity Facility, the Issuer Resolution and the Board Resolution;

(3) A bond opinion, dated the date of Closing, of Fulbright & Jaworski, Austin, Texas, and McCall, Parkhurst & Horton, Dallas, Texas, Co-Bond Counsel, together with a letter addressed to the Underwriter stating that it may rely on such opinion as if such opinion were addressed to the Underwriter, in form and substance satisfactory to the Underwriter;

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

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

(6) An opinion, dated the date of Closing, of Hutchison Price Boyle & Brooks, Dallas, Texas, counsel to the Underwriter, in form and substance satisfactory to the Underwriter;

(7) An opinion of Vinson & Elkins, Austin, Texas, counsel to the Liquidity Issuer, addressed to the Underwriter, in form and substance satisfactory to the Underwriter;

(8) An opinion of General Counsel or Assistant General Counsel to the Board, addressed to the Underwriter, in form and substance satisfactory to the Underwriter;

(9) A certificate, dated the date of Closing, signed by the President or other authorized officer of the Issuer, to the effect that (a) the representations and warranties of the Issuer contained herein and in the Agreement are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing; and (b) no event affecting the Issuer has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purpose for which it is to be used or that is necessary to be disclosed therein in order to make the statements and information therein not misleading in any respect;

(10) A certificate, dated the date of Closing, signed by the the Executive Vice Chancellor for Asset Management of the System acting for and on behalf of the Board, to the effect that the representations and warranties of the Board contained herein and in the Agreement and the Liquidity Facility are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing; (b) no event affecting the Board, the System or the Pledged Revenues has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purpose for which it is to be used or that is necessary to be disclosed therein in order to make the statements and information therein not misleading in any respect; and (c) there has not been any material adverse change in the financial condition of the Board, the System or the Pledged Revenues from that reflected in the financial statements and other financial and statistical information contained in the Official Statement, including without limitation (i) any material adverse change in long-term debt of the System as compared with the amount shown in such financial statements, except for changes that the Official Statement discloses, or (ii) any material decrease in total assets or total fund balances of the Permanent University Fund or the Available University Fund, in each case as compared with amounts shown in such financial statements;

(11) A certificate by appropriate officials of the Issuer and the Board to the effect that, on the basis of the facts, estimates and circumstances in effect on the date of delivery of the Bonds, it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be arbitrage bonds within the meaning of Section 148 of the Code;

(12) Each certificate, opinion and any other document filed with the Office of the Attorney General in connection with its review and approval of the Bonds or otherwise required to be delivered at or prior to the Closing pursuant to the Indenture, the Agreement, the Paying Agent/Registrar Agreement, the Remarketing Agreement, the Liquidity Facility and the Lease Agreement;

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

(14) Letters from Moody's Investors Service and Standard & Poor's Corporation to the effect that the Bonds have been rated ___ and ___, respectively;

(15) A certificate of the Trustee, dated the date of Closing, executed by an appropriate officer to the effect that: (i) the Trustee is Trustee under the Indenture; (ii) the Trustee is a national banking association duly organized, validly existing and in good standing under the national banking laws of the United States of

America; (iii) the Trustee has full power and authority to execute, deliver and perform the Indenture, and the Trustee has taken all necessary action to authorize the execution, delivery and performance of the Indenture; (iv) attached as exhibits to the certificate will be the Trustee's Certificate of Authority to Act as a Fiduciary from the Comptroller of the Currency; Articles of Association; and Bylaws, and that such exhibits are true, correct and complete copies of such documents and are still in force and effect; (v) the Indenture has been duly authorized, executed and delivered by the Trustee by persons who are duly elected or appointed officers of the Trustee holding the offices set forth opposite their respective names and the signatures set forth in such certificate are true specimens of their signatures; (vi) neither the execution nor the delivery of the Indenture, nor the consummation of the transactions on the part of the Trustee contemplated in the Indenture, nor compliance with the terms, conditions and provisions of the Indenture, contravene any provision of the articles of association or bylaws of the Trustee; and (vii) the Trustee acknowledges receipt of the purchase price from the Underwriter as payment for the Bonds representing the full amount of the bonds less any Underwriter's discount or appropriate fees; and

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

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

If the Issuer or the Board shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds as set forth in this Purchase Contract, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate, and neither the Underwriter, the Issuer or the Board shall be under further obligation hereunder, except that the respective obligations of the Issuer, the Board and the Underwriter set forth in Paragraphs 11 and 13 hereof shall continue in full force and effect.

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

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

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

(c) (i) The Constitution of the State of Texas shall be amended or an amendment shall be proposed, or (ii) legislation shall be enacted, or (iii) a decision shall have been rendered as to matters of Texas law, or (iv) any order, ruling or regulation shall have been issued or proposed by or on behalf of the State of Texas by an official, agency or department thereof and published in the Texas Register, affecting the tax status of the Issuer, the Board, their respective properties or income, their respective bonds (including the Bonds) or the interest thereon or any tax exemption granted or authorized under the Act which in the judgment of the Underwriter would materially affect the market price of the Bonds.

(d) (i) A general suspension of trading in securities shall have occurred on the New York Stock Exchange, or (ii) the United States shall have become engaged in hostilities which have resulted in the declaration of a national emergency or war, the effect of which, in either case described in clause (i) and (ii), is, in the judgment of the Underwriter, so material and

adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Bonds on the terms and in the manner described in this Purchase Contract and the Official Statement.

(e) An event described in paragraph 7(n) hereof occurs which, in the opinion of the Underwriter, requires a supplement or amendment to the Official Statement.

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

11.(a) The Underwriter shall be under no obligation to pay, and the Board shall pay or cause to be paid, any expenses incident to the performance of the Issuer's and the Board's obligations hereunder, including but not limited to: (i) the fees and disbursements of Co-Bond Counsel; (ii) the fees and disbursements of any advisors, and of any other experts or consultants retained by the Issuer or the Board; (iii) the fees for bond ratings, relating to the Bonds; (iv) the initial Bond registration fees; (v) the fees and disbursements for the Paying Agent/Registrar, the Tender Agent, the Authenticating Agent, the Trustee and the Remarketing Agent, (vi) all costs associated with obtaining the Liquidity Facility, including the fees and expenses of counsel to the Liquidity Issuer; and (vii) the cost of the preparation, printing and distribution of the Preliminary Official Statement, the final Official Statement and the Bonds; and (viii) all other miscellaneous and closing costs not paid by the Underwriter as provided in subparagraph (b) of this paragraph 11.

(b) The Underwriter shall pay: (i) the cost of the preparation and printing of this Purchase Contract and the Blue Sky and Legal Investment Surveys; (ii) all advertising expenses in connection with the offering of the Bonds; and (iii) all other expenses incurred by it in connection with its offering and distribution of the Bonds, including the fees and disbursements of its counsel.

12. Any notice or other communication to be given to the Issuer or the Board under this Purchase Contract may be given by delivering the same in writing at the addresses for the Issuer and the Board set forth above, and any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to J.P. Morgan Securities Inc., 23 Wall Street - 10th Floor, New York, New York 10015, Attention: Public Finance.

13. This Purchase Contract is made solely for the benefit of the Issuer, the Board and the Underwriter, and no other person shall acquire or have any right hereunder or by virtue hereof. The Issuer's and the Board's representations, warranties and agreements contained in this Purchase Contract shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of the Underwriter and (ii) delivery of any payment for the Bonds hereunder; and the Issuer's and Board's representations and warranties contained in paragraphs 6 and 7 of this Purchase Contract shall remain operative and in full force and effect, regardless of any termination of this Purchase Contract.

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

15. This Purchase Contract shall be construed under and enforced in accordance with the laws of the State of Texas.

Very truly yours,

J.P. Morgan Securities Inc.

By: _____
Vice President

ACCEPTED:

This ____ day of February, 1988.

TRAVIS COUNTY RESEARCH AND
DEVELOPMENT AUTHORITY

By: _____
President

Attest:

Secretary

ACCEPTED:

This ____ day of February, 1988.

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By: _____
Executive Vice Chancellor
for Asset Management

Attest:

Executive Secretary

TRAVIS COUNTY RESEARCH AND DEVELOPMENT AUTHORITY

and

MTRUST CORP, NATIONAL ASSOCIATION, Trustee

*INDENTURE OF TRUST
AND
SECURITY AGREEMENT*

Dated as of February 1, 1988

MULTI-MODAL INTERCHANGEABLE RATE REVENUE BONDS
(THE UNIVERSITY OF TEXAS AT AUSTIN
SEMICONDUCTOR MANUFACTURING LABORATORY PROJECT)
SERIES 1988

This Instrument Contains
After-Acquired Property Provisions

This Instrument Contains Provisions Applying
the Law of New York Under Certain Circumstances

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THIS INDENTURE OF TRUST AND SECURITY AGREEMENT (hereinafter, as supplemented, modified, or amended in accordance with the applicable provisions hereof, referred to as this "Indenture") dated as of February 1, 1988 between the Travis County Research and Development Authority (hereinafter referred to as the "Issuer", which term includes any successor hereunder), a research and development authority created by the Commissioners Court of Travis County, Texas, and existing as a body politic and corporate exercising public and essential governmental functions pursuant to Article 5190.10, Vernon's Texas Civil Statutes, and MTrust Corp, National Association, a national banking association organized and existing under the laws of the United States of America, as trustee (hereinafter together with any successor to the trust herein granted referred to as the "Trustee"),

W I T N E S S E T H:

WHEREAS, pursuant to the Agreement (as hereinafter defined) between the Issuer and the Board (as hereinafter defined), the Issuer has agreed to issue the Bonds (as hereinafter defined) to finance the Cost (as hereinafter defined) of the purchase, construction, improvement, and reconditioning of the Project (as hereinafter defined), the purchase, construction, improvement, and reconditioning of which have been found by the board of directors of the Issuer to be required or suitable for the promotion of scientific research and development and commercialization of research within the State of Texas;

WHEREAS, in order to obtain a lower interest rate on the Bonds, the Board has agreed pursuant to the Agreement for the benefit of the Holders of the Bonds to purchase (or cause to be purchased) Bonds tendered or deemed tendered for purchase pursuant to the provisions hereof and to cause a Liquidity Facility (as hereinafter defined) to be issued on the date of delivery of the initial Bonds by the Bank (as hereinafter defined);

WHEREAS, the board of directors of the Issuer has by resolution authorized the issuance of the Bonds and, in order to provide terms for the Bonds and to secure the Bonds and to provide for their authentication and delivery by the Trustee, the Issuer has duly authorized the execution and delivery of this Indenture; and

WHEREAS, all things have been done which are necessary to make the Bonds, when executed by the Issuer and authenticated and delivered by the Trustee hereunder, the valid obligations of the Issuer, and to constitute this Indenture a valid security agreement, collateral assignment, and contract for the security of the Bonds in accordance with the terms thereof and this Indenture;

RECITALS AND GRANTING CLAUSES, PAGE 1

GRANTING CLAUSES

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that, to secure the payment of the principal of (and premium, if any) and interest on the Outstanding Secured Bonds (hereinafter defined) and the performance of the covenants therein and herein contained, and to declare the terms and conditions on which the Outstanding Secured Bonds are secured, and in consideration of the premises, of the purchase of the Bonds by the Holders thereof, and of the sum of ONE DOLLAR (\$1.00) to the Issuer in hand paid by the Trustee at or before the execution and delivery of this Indenture, the receipt and sufficiency of which are hereby acknowledged, the Issuer by these presents does grant, bargain, sell, alien, remise, release, convey, collaterally assign, transfer, mortgage, hypothecate, pledge, set over, and confirm to the Trustee, forever, all and singular the following described properties, and grants a security interest therein for the purposes herein expressed, to-wit:

GRANTING CLAUSE FIRST

All right, title, and interest of the Issuer in and to all payments received by the Trustee from the State of Texas or any agency or department of the State of Texas for the purpose of permitting the Issuer to pay the principal of, redemption premium, if any, or interest on the Bonds;

GRANTING CLAUSE SECOND

All right, title, and interest of the Issuer in and to the Agreement, including without limitation (1) the Installment Sale Payments (hereinafter defined), (2) the rights and benefits of the Issuer under the Agreement (3) any and all security heretofore or hereafter granted or held for the payment of amounts owing under the Agreement or, in respect of the Agreement, and (4) the present and continuing right to bring actions and proceedings under the Agreement and to do any and all things which the Issuer is or may become entitled to do thereunder;

GRANTING CLAUSE THIRD

All right, title, and interest of the Issuer in and to all money and investments held for the credit of the funds and accounts established by or under this Indenture as hereinafter described, excluding the Purchase Fund and the Rebate Fund (each as hereinafter defined) and all money and investments held for the credit of such funds;

GRANTING CLAUSE FOURTH

All the rents, issues, profits, revenues, and other income and proceeds of the property subjected or required to be subjected to the lien of this Indenture, and all the estate, right, title, and interest of every nature whatsoever of the Issuer in and to the same and every part thereof; and

GRANTING CLAUSE FIFTH

Any and all property that may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien and security interest hereof by the Issuer or by anyone in its behalf (and the Trustee is hereby authorized to receive the same at any time as additional security hereunder), which subjection to the lien and security interest hereof of any such property as additional security may be made subject to any reservations, limitations, or conditions which shall be set forth in a written instrument executed by the Issuer or the Person so acting in its behalf or by the Trustee respecting the use and disposition of such property or the proceeds thereof;

TO HAVE AND TO HOLD all said property of every kind and description, real, personal, or mixed, hereby and hereafter (by supplemental indenture or otherwise) granted, bargained, sold, aliened, remised, released, conveyed, collaterally assigned, transferred, mortgaged, hypothecated, pledged, set over, or confirmed as aforesaid, or intended, agreed, or covenanted so to be, together with all the appurtenances thereto appertaining (said properties, and any cash and securities hereafter deposited or required to be deposited with the Trustee (other than any such cash which is specifically stated herein not to be deemed part of the Trust Estate), being herein collectively referred to as the "Trust Estate") unto the Trustee and its successors and assigns forever;

BUT IN TRUST, NEVERTHELESS, for the equal and proportionate benefit and security of the Holders from time to time of all the Outstanding Secured Bonds, without any priority of any such obligation over any other such obligation except as herein otherwise expressly provided;

UPON CONDITION that, if the Issuer, its successors or assigns shall well and truly pay the principal of (and premium, if any) and interest on the Outstanding Secured Bonds according to the true intent and meaning thereof, or there shall be deposited with the Trustee such amounts in such form in order that none of the Bonds shall remain Outstanding as herein defined and provided, and shall pay or cause to be paid to the

Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then upon the full and final payment of all such sums and amounts secured hereby, or upon such deposit, this Indenture and the rights, titles, liens, security interests, and assignments herein granted shall cease, determine, and be void, and this Indenture shall be released by the Trustee in due form acceptable to the Issuer and the Board at the expense of the Issuer, *except* only as herein provided; *otherwise* this Indenture to be and remain in full force and effect;

AND IT IS HEREBY COVENANTED AND DECLARED that all the Bonds are to be authenticated and delivered and the Trust Estate is to be held and applied by the Trustee, *subject* to the further covenants, conditions, and trusts hereinafter set forth, and the Issuer does hereby covenant and agree to and with the Trustee, for the equal and proportionate benefit of all Holders of the Outstanding Secured Bonds except as herein otherwise expressly provided, as follows:

* * *

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS
OF GENERAL APPLICATION

SECTION 1.01. *Definitions.*

For all purposes of this Indenture, *except* as otherwise expressly provided or *unless* the context otherwise requires:

A. The terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular.

B. All accounting terms not otherwise defined herein have the meanings assigned to them, and all computations herein provided for shall be made, in accordance with generally accepted accounting principles or, to the extent it applies, the Texas Education Code.

C. All references herein to "generally accepted accounting principles" refer to such principles as they exist on the date of applicability thereof.

D. All references in this instrument to designated "Articles", "Sections", "Exhibits", and other subdivisions are to the designated Articles, Sections, Exhibits, and other subdivisions of this instrument as originally executed.

E. The words "herein", "hereof", and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section, Exhibit, or other subdivision.

"Act" when used with respect to any Bondholder or Bondholders has the meaning stated in *Section 1.02*.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities or the power to appoint and remove its directors, by contract, or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agreement" means that certain Lease and Installment Sale Agreement dated as of even date herewith between the Issuer and the Board, relating to the issuance of the Bonds and certain other matters, as originally executed or as it may from time to time be supplemented, modified, or amended by one or more instruments supplemental thereto entered into in accordance with the applicable provisions thereof.

"Alternate Daily Index" means an index which is a composite of bid-side yields of obligations (a)(i) which provide for a daily adjustment of the interest rate and (ii) which must be purchased on the demand of the owner thereof on the same day on which notice is given and (b) the interest on which is excluded from gross income for federal income tax purposes.

"Alternate Monthly Index" means an index which is a composite of bid-side yields of obligations (a)(i) which provide for a monthly adjustment of the interest rate and (ii) which either (A) must be purchased on demand of the owner thereof at any time upon notice of up to thirty days or (B) are payable in full no later than thirty days after the date of evaluation and (b) the interest on which is excluded from gross income for federal income tax purposes.

"Alternate Quarterly Index" means an index which is a composite of bid-side yields of obligations (a)(i) which provide for a quarterly adjustment of the interest rate and (ii) which (A) must be purchased on demand of the owner thereof at any time upon notice of up to three months or (B) are payable in full no later than three months after the date of evaluation and (b) the interest on which is excluded from gross income for federal income tax purposes.

"Alternate Semi-Annual Index" means an index which is a composite of bid-side yields of obligations (a)(i) which provide for a semi-annual adjustment of the interest rate and (ii) which (A) must be purchased on demand of the owner thereof at any time upon notice of up to six months or (B) are payable in full no later than six months after the date of evaluation and (b) the interest on which is excluded from gross income for federal income tax purposes.

"Alternate Weekly Index" means an index which is a composite of bid-side yields of obligations (a)(i) which provide for a weekly adjustment of the interest rate, and (ii) which (A) must be purchased on the demand of the owner thereof at any time upon notice of up to seven days or (B) are payable in full no later than seven days after the date of evaluation and (b) the interest on which is excluded from gross income for federal income tax purposes.

"*Authenticating Agent*" means the Person named as Authenticating Agent in *Section 10.13* until a successor Authenticating Agent becomes such pursuant thereto, and thereafter "Authenticating Agent" shall mean such successor.

"*Authorized Denomination*" means (a) during any Short-Term Rate Period or any Medium-Term Rate Period, \$100,000 or any integral multiple thereof, and (b) during the Fixed Rate Period, \$5,000 or any integral multiple thereof.

"*Authorized Representative*" means one or more of the following officers or employees of The University of Texas System: the Chancellor, any Executive Vice-Chancellor, the General Counsel, the Director of Endowments and Trusts, the Manager of Special Investments and Financing, and the Comptroller, or any other officer or employee designated to act on behalf of the Board in matters relating to this Indenture by written certificate furnished to the Issuer, the Bank, and the Trustee containing the specimen signature of such person. The certificate may designate an alternate or alternates.

"*Bank*" means Morgan Guaranty Trust Company of New York, a New York banking corporation, in its capacity as obligor on the initial Liquidity Facility, and its successors in such capacity and their assigns permitted by the terms thereof, until such Liquidity Facility is fully reduced or replaced pursuant to *Section 4.02B* or *4.02C*, and thereafter "Bank" shall mean the obligor on any alternate Liquidity Facility in substitution therefor pursuant to *Section 4.03* and its successors in such capacity and their assigns permitted by the terms thereof.

"*Board*" means the Person named as the "Board" in the Agreement until a successor or assign shall have become such pursuant to the applicable provisions of the Agreement, and thereafter "Board" shall mean such successor or assign.

"*Board Consent*", "*Board Order*", and "*Board Request*" mean, respectively, a written consent, direction, order, or request signed by an Authorized Representative and delivered to the Trustee.

"*Board of Directors*" of any Person means either the board of directors or trustees of such Person or any duly authorized committee of said board.

"*Board Resolution*" of the Issuer means a copy of a resolution, certified by the Secretary or an Assistant Secretary of the Issuer to have been duly adopted by the Board of Directors thereof and to be in full force and effect on the date of such certification, delivered to the Trustee.

"*Bond Fund*" means the fund so defined in *Section 7.01*.

"*Bondholder*" means a Holder of a Bond.

"*Bond Register*" and "*Bond Registrar*" have the respective meanings stated in *Section 3.06*.

"*Bonds*" means all bonds authenticated and delivered hereunder.

"*Business Day*" means any day that is not a Saturday, Sunday, or a legal holiday or a day on which banking institutions in the City of Austin, Texas or the City of New York, New York are authorized by law or executive order to close.

"*Calendar Week*" means the period of seven days from and including Wednesday to and including the following Tuesday.

"*Closing Date*" means the date of the authentication and delivery of the initial Bonds in exchange for the purchase price therefor.

"*Code*" means the Internal Revenue Code of 1986, as amended from time to time.

"*Computation Date*" means each date which is one Business Day prior to any Conversion Date relating to conversion to a Long-Term Rate, one Business Day prior to the first day of the next three-month period during which the Bonds will bear interest at a Quarterly Rate, and one Business Day prior to the first day of the next six-month period during which the Bonds will bear interest at a Semi-Annual Rate.

"*Conversion Date*" means the Fixed Rate Conversion Date and each day on which the interest rate on the Bonds shall be converted from a Short-Term Rate to a Medium-Term Rate or from a Medium-Term Rate to a Short-Term Rate, or from the rate applicable during a Short-Term Rate Period to the rate applicable during any other new Short-Term Rate Period, or from the rate applicable during a Medium-Term Rate Period to the rate applicable during any other new Medium-Term Rate Period, as the case may be, in accordance with *Section 5.01* (or, with respect to notices, time periods, and requirements in connection with the proceedings for such conversion, the day on which it is proposed that such conversion occur).

Conversion Notice shall have the meaning set forth in *Section 5.01B(1)*.

"Costs" has the meaning stated in Section 1.01 of the Agreement.

"Daily Rate" means the interest rate on the Bonds established pursuant to Section 5.01.

"Daily Rate Index" means on any Business Day the Tax-Exempt Daily Interest Rate ("TEDIR") established by J.P. Morgan Securities at its principal office as of the opening of business on such Business Day as a base rate of interest which is indicative of current bid-side yields of securities the interest on which is excluded from gross income for federal income tax purposes which are repriced and can be tendered for payment on any Business Day; *provided*, that, if J.P. Morgan Securities shall no longer be the Remarketing Agent or TEDIR shall not be established as aforesaid, the Daily Rate Index for any Business Day shall be an Alternate Daily Index selected by the Tender Agent with the advice of the Board and the Remarketing Agent or, if no such Alternate Daily Index shall have been so selected, shall be the sum of (i) the product on such Business Day of (A) the interest rate for thirty-day taxable commercial paper (prime paper placed through dealers) announced for such day by the Federal Reserve Bank of New York, converted to a coupon equivalent rate, multiplied by (B) 1 minus the maximum federal income tax rate payable by individuals at the time on interest income plus (ii) 2.00% or, if interest on the Bonds is an item of tax preference in determining alternative minimum taxable income, 2.25%.

"Daily Rate Period" means any period during which the Bonds bear interest at the Daily Rate.

"Default" means the occurrence of an Event of Default or an event which, after notice or lapse of time or both, would become an Event of Default. A Default shall "exist" if a Default shall have occurred and be continuing.

"Defaulted Interest" has the meaning stated in Section 3.08.

"Effective Date" means any day other than a Conversion Date on which the Interest Rate Determination Method shall be changed from one Rate to another Rate (or, with respect to notices, time periods, and requirements in connection with the proceedings for such change, the day on which it is proposed that such change occur).

"Eligible Investments" means the following securities or contracts to acquire the following securities:

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

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

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

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

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

directed by the Board, by the bank, trust company, or national banking association issuing such certificates of deposit;

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

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

(viii) banker's acceptances, eurodollar deposits, and certificates of deposit (in addition to the certificates of deposit provided for by clauses (v) and (vi) above) of the domestic branches of foreign banks having a capital and surplus of \$5,000,000,000 or more, or any bank or trust company organized under the laws of the United States of America or Canada, or any state or province thereof, having capital and surplus in the amount of \$500,000,000; provided that the aggregate maturity value of all such banker's acceptances and certificates of deposit held at any time as investments of funds under the Resolution with respect to any particular bank, trust company, or national association located in the State of Texas shall not exceed 10% of the amount of its capital and surplus and with respect to any particular bank, trust company, or national association located outside of the State of Texas shall not exceed 5% of its capital and surplus; and provided further that any such bank, trust company, or national association shall be rated in one of the two highest rating categories, without regard to rating sub-categories, by any nationally recognized municipal or corporate rating agency;

(ix) any reverse repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national

banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described in clauses (i), (ii), or (iii) above, and with the securities lodged with or as directed by the Board;

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

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

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

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

"Expiration Date" means, with respect to the Liquidity Facility, the date on which the Bank is no longer required to pay the Purchase Price.

"Event of Default" has the meaning stated in Article Nine. An Event of Default shall "exist" if an Event of Default shall have occurred and be continuing.

"Fixed Rate" means the Fixed Rate established in accordance with Section 5.01.

"Fixed Rate Conversion Date" means the Conversion Date on which the interest rate on the Bonds shall be converted to the Fixed Rate.

"Fixed Rate Index" means the rate of interest per annum determined by the Remarketing Agent (or, if no Remarketing Agent is serving under this Indenture, the Tender Agent) to be equal to the Fixed Rate Percentage of the weekly "Bond Buyer Revenue Bond Index" (or, if such Index is unavailable or discontinued, any comparable index selected by the Remarketing Agent or the Tender Agent, as the case may be) for the date immediately preceding the date of determination or, if such Index (or any comparable index) is unavailable or discontinued, 110% of the then current yield on United States Treasury obligations which have remaining terms equal approximately to the remaining term of the Bonds as of the Fixed Rate Conversion Date and which are publicly traded at a price closest to the principal amount thereof.

"Fixed Rate Percentage" means: (a) if interest on the Bonds is not an item of tax preference in determining alternative minimum taxable income under the Code, (i) 102%, if, on the Computation Date relating to the Fixed Rate Conversion Date, the Bonds have received or are expected to receive a rating to be applicable to the Bonds on the Fixed Rate Conversion Date in respect of the Fixed Rate Period of AA or better (or its equivalent) by a Rating Service; (ii) 105%, if, on the Computation Date relating to the Fixed Rate Conversion Date, the Bonds have received or are expected to receive a rating to be applicable to the Bonds on the Fixed Rate Conversion Date in respect of the Fixed Rate Period of A or better (or its equivalent) but less than AA (or its equivalent) by a Rating Service; and (iii) 110%, in all other cases, and (b) if interest on the Bonds is an item of tax preference in determining alternative minimum taxable income under the Code, (i) 102.5%, if, on the Computation Date relating to the Fixed Rate Conversion Date, the Bonds have received or are expected to receive a rating to be applicable to the Bonds on the Fixed Rate Conversion Date in respect of the Fixed Rate Period of AA or better (or its equivalent) by a Rating Service; (ii) 105.5%, if, on the Computation Date relating to the Fixed Rate Conversion Date, the Bonds have received or are expected to receive a rating to be applicable to the Bonds on the Fixed Rate Conversion Date in respect of the Fixed Rate Period of A or better (or its equivalent) but less than AA (or its equivalent) by a Rating Service; and (iii) 110.5%, in all other cases.

"Fixed Rate Period" means the period from and including the Fixed Rate Conversion Date to and including the date of payment in full of the Bonds.

"Governmental Obligations" has the meaning stated in Section 8.02.

"Holder" when used with respect to any Bond means the Person in whose name such Bond is registered in the Bond Register.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented, modified, or amended by one or more indentures or other instruments supplemental hereto entered into pursuant to the applicable provisions hereof.

"Independent" when used with respect to any specified Person means such a Person who (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in the Issuer, the Board, or any other obligor upon the Bonds or in any Affiliate of any such Person, and (3) is not connected with any such Person or Affiliate thereof as an officer, employee, promoter, underwriter, trustee, partner, director, or person performing similar functions. Whenever it is herein provided that any Independent Person's opinion or certificate shall be furnished to the Trustee, such Person shall be appointed by an Issuer Order or a Board Order, as the case may be, and approved by the Trustee in the exercise of reasonable care and such opinion or certificate shall state that the signer has read this definition and that the signer is Independent within the meaning hereof.

"Installment Sale Payments" means those certain payments agreed to be made by the Board pursuant to Section 5.01 of the Agreement.

"Interest Payment Date" means the Stated Maturity of an installment of interest on the Bonds: (i) during any Daily Rate Period, the first day of each calendar month, (ii) during any Weekly Rate Period, Monthly Rate Period, Quarterly Rate Period, or Money Market Rate Period, each Quarterly Interest Payment Date, (iii) with respect to each Bond, during any Variable-Term Rate Period in excess of 182 days applicable to such Bond, the 182nd day of such Variable-Term Rate Period, (iv) with respect to each Bond, the first day of each new Rate Period applicable to such Bond, (v) each Conversion Date, and (vi) during any Semi-Annual Rate Period, any Medium-Term Rate Period, or the Fixed Rate Period, each Semi-Annual Interest Payment Date, and (vii) during any Liquidity Facility Rate Period, with respect to any Bond bearing interest at the Liquidity Facility Rate, the date the Bank purchases such Bond (the "Liquidity Facility Special Interest Payment Date"), the first Business Day of each month and, the day on which any Liquidity Facility Bond is remarketed pursuant to Article Six.

"Interest Period" means a period of time beginning on the day following an Interest Payment Date through and including the next succeeding Interest Payment Date.

"Interest Rate Determination Method" means any of the methods of determining the interest rate on the Bonds described in Section 5.02.

"Issuer" means the Person named as the "Issuer" in the first paragraph of this instrument until a successor shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Issuer" shall mean such successor.

"Issuer Consent", "Issuer Order", and "Issuer Request" mean, respectively, a written consent, order, or request signed in the name of the Issuer by the President or the Vice President and by the Secretary or the Assistant Secretary of the Issuer, and delivered to the Trustee.

"J.P. Morgan Securities" means J.P. Morgan Securities Inc. and its successors and assigns.

"Liquidity Confirmation" means any instrument which confirms a Liquidity Facility, in accordance with the provisions of Section 4.03, until such Liquidity Confirmation is fully reduced or replaced pursuant to Section 4.02B or 4.02C, and thereafter "Liquidity Confirmation" shall mean any alternate obligation in substitution therefor pursuant to Section 4.03 and any amendments and extensions thereof.

"Liquidity Confirmer" means, upon the provision of a Liquidity Confirmation pursuant to Section 4.03, the obligor thereon and its successors in such capacity and their assigns permitted by the terms thereof, until such Liquidity Confirmation is fully reduced or replaced pursuant to Section 4.02B or 4.02C, and thereafter "Liquidity Confirmer" shall mean the obligor on any alternate Liquidity Confirmation in substitution therefor pursuant to Section 4.03 and its successors in such capacity and their assigns permitted by the terms thereof.

"Liquidity Facility" means the Standby Bond Purchase Agreement dated as of even date herewith to be delivered by the initial Bank to the Trustee on the Closing Date, and the comparable provisions of any amendments, supplements, and extensions thereof accepted in accordance with the provisions of Section 4.03, until such Liquidity Facility is released pursuant to Section 4.02B, 4.02E, or

4.02F, and thereafter "Liquidity Facility" shall mean the comparable provisions of any alternate obligation accepted in substitution therefor pursuant to Section 4.03 and of any amendments and extensions thereof so accepted.

"*Liquidity Facility Bonds*" means Bonds purchased by the Bank under the Liquidity Facility and registered in the name of the Bank.

"*Liquidity Facility Rate*" means, with respect to any Liquidity Facility Bond, a rate of interest per annum equal to the Prime Rate; *provided* that (i) in no event shall the "Liquidity Facility Rate" exceed the per annum rate which will produce a "net interest cost" on such Bond, determined as of the date of calculation, greater than the "net interest cost" which would have been payable on such Bond at the Maximum Interest Rate and (ii) in the event that the Liquidity Facility Rate would otherwise exceed the Maximum Interest Rate, but for the provisions of *clause (i)* above, the "Liquidity Facility Rate" means the Maximum Interest Rate until such time as the cumulative amount of interest paid to the Bank on such Liquidity Facility Bond equals the cumulative amount of interest which would have been payable on that Bond at the Liquidity Facility Rate if the Liquidity Facility Rate had not been limited by *clause (i)*. As used herein, "net interest cost" has the meaning given to that term by Article 717k-2, Vernon's Annotated Texas Civil Statutes, as amended.

"*Liquidity Facility Rate Period*" means, with respect to any Liquidity Facility Bond bearing interest at the Liquidity Facility Rate, any period during which such Liquidity Facility Bond bears interest at the Liquidity Facility Rate.

"*Liquidity Facility Purchase Date*" means, with respect to each Liquidity Facility Bond, the date on which that Bond was last purchased under the Liquidity Facility.

"*Long-Term Rate*" means either the Medium-Term Rate or the Fixed Rate.

"*Long-Term Rate Period*" means either the Medium-Term Rate Period or a Fixed Rate Period.

"*Mandatory Purchase Date*" means any date on which the Bonds are required to be purchased in accordance with Section 6.01G, H, or J.

"*Maturity*" when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated

Maturity or by call for redemption or otherwise, but does not include payment of the portion of the Purchase Price corresponding to principal of such Bond pursuant to Article Six.

"Maximum Interest Rate" means fifteen percent (15%) or, to the extent allowed by law, such greater "net effective interest rate" as may be allowed from time to time by law as may hereafter be in effect. As used herein, "net interest cost" and "net effective interest rate" have the meanings given to them, respectively, in Article 717k-2, Vernon's Annotated Texas Civil Statutes, as amended.

"Medium-Term Rate" means the interest rate on the Bonds established from time to time pursuant to Section 5.01.

"Medium-Term Rate Index" means the rate of interest per annum determined by the Remarketing Agent to be equal to 105% of the then current yield on United States Treasury obligations which have remaining terms equal approximately to the remaining term of the applicable Medium-Term Rate Period and which are publicly traded at a price closest to the principal amount of the Bonds; *provided*, that, if interest on the Bonds is an item of tax preference in determining alternative minimum taxable income under the Code, the rate of interest per annum shall equal 105.25% of the then current yield on such United States Treasury obligations.

"Medium-Term Rate Period" means any period during which the Bonds bear interest at the Medium-Term Rate. The Remarketing Agent shall select the length of each Medium-Term Rate Period at the time the Medium-Term Rate is established pursuant to Section 5.01. Each Medium-Term Rate Period shall be no less than 271 days, but in no event longer than the remaining Stated Maturity of the Bonds. If for any reason the Remarketing Agent fails to so determine any Medium-Term Rate Period, or a court holds a Medium-Term Rate Period to be invalid or unenforceable, then the Rate Period shall be the Rate Period in effect immediately preceding the Effective Date of the proposed Medium-Term Rate Period.

"Money Market Percentage" means any percentage discount or premium selected by the Remarketing Agent in accordance with Section 5.02G, which percentage shall be an integral of one percent.

"Money Market Rate" means the product of (a) the Money Market Rate Index multiplied by (b) the Money Market Percentage established from time to time pursuant to Section 5.01.

"Money Market Rate Index" means (a) the rate of interest publicly announced by Morgan Guaranty Trust Company of New York in New York City from time to time as its Prime Rate; or (b) any other index of money market instruments, including, but not limited to, the federal funds rate, certificate of deposit rates, and the London Interbank Offered Rate selected by the Remarketing Agent from time to time pursuant to Section 5.02G in its reasonable judgment as specified in a written notice to the Trustee and the Board with the objective of placing the Bonds at the lowest overall interest expense. Any such notice shall specify (i) the index selected, (ii) the manner in which rates based on such index will be determined, and (iii) the frequency of change or adjustment in rates established pursuant to such index.

"Money Market Rate Period" means any period during which the Bonds bear interest at a Money Market Rate. A Money Market Rate Period shall end on the earlier to occur of (a) the date the Interest Rate Determination Method on the Bonds is changed pursuant to Section 5.01D and (b) date the Bonds are tendered pursuant to Section 5.01.

"Money Market Rate Tender Date" means any Effective Date or Conversion Date relating to a change in the Interest Rate Determination Method to a Money Market Rate.

"Monthly Rate" means the interest rate on the Bonds established from time to time pursuant to Section 5.01.

"Monthly Rate Index" means the Tax-Exempt Monthly Interest Rate ("TEMIR") established monthly by J.P. Morgan Securities, which rate is a composite of current bid-side yields of commercial paper and other short-term securities the interest on which is excluded from gross income for federal income tax purposes and which have remaining maturities of thirty days or are repriced monthly and can be tendered for purchase not more than once each month; *provided*, that, if J.P. Morgan Securities shall no longer be the Remarketing Agent or TEMIR shall not be established as aforesaid, the Monthly Rate Index shall be the Alternate Monthly Index selected by the Tender Agent with the advice of the Board and the Remarketing Agent or, if no such Alternate Monthly Index shall have been so selected, the Monthly Rate Index shall be the sum of (i) the product of (A) the interest rate for thirty-day taxable commercial paper (prime paper placed through dealers) announced for the first day of each calendar month (or, if such day is not a Business Day, the immediately preceding Business Day) by the Federal Reserve Bank of New York, converted to a coupon equivalent rate, multiplied by (B) 1 minus the maximum federal income tax rate payable by individuals at the time on interest

income, plus (ii) 2.50% or, if interest on the Bonds is an item of tax preference in determining alternative minimum taxable income under the Code, 2.75%.

"*Monthly Rate Period*" means any period during which the Bonds bear interest at the Monthly Rate.

"*Officer's Certificate*" of any Person means a certificate signed, as to the Board, by an Authorized Representative and, as to any other Person, by the President or Secretary of the Board of Directors or any other official designated by the President or Secretary of the Board of Directors of such Person and delivered to the Trustee.

"*Opinion of Counsel*" means a written opinion of counsel who may (*except* as otherwise expressly provided in this Indenture) be counsel for one or more of the Issuer, the Board, the Bank, the Liquidity Confirmer, the Tender Agent, the Paying Agent, or the Remarketing Agent and shall be satisfactory to the Trustee and, when given with respect to the status of interest on any Bond under federal income tax law, shall be Fulbright & Jaworski, McCall, Parkhurst & Horton, or other counsel of nationally recognized standing in the field of municipal bond law designated by Board Order.

"*Optional Retention Date*" means (a) each day which is one Business Day prior to any Conversion Date; (b) each day which is one Business Day prior to any Mandatory Purchase Date; (c) the Effective Date of each change in the Interest Rate Determination Method to a Monthly Rate, a Quarterly Rate, a Semi-Annual Rate, or a Variable-Term Rate; and (d) each date on which any event specified in Section 6.01G(1)(ii) or 6.01H(1) occurs.

"*Optional Retention Notice Date*" means:

(a) in the case of a change in the Interest Rate Determination Method on a Conversion Date to a Daily Rate or a Weekly Rate, the applicable Optional Retention Date;

(b) in the case of a change in the Interest Rate Determination Method to a Monthly Rate, a Quarterly Rate, a Semi-Annual Rate, or a Long-Term Rate, the fifth Business Day prior to the applicable Effective Date or Conversion Date, as the case may be;

(c) the Business Day prior to the Effective Date or Conversion Date relating to a change in the Interest Rate Determination Method to a Variable-Term

Rate and the Business Day prior to the first day of each subsequent Variable-Term Rate Period;

(d) except with respect to mandatory tenders pursuant to Section 6.01H(1)(c), (d), or (e), the fifth Business Day prior to any Mandatory Purchase Date; and

(e) with respect to mandatory tenders pursuant to Section 6.01H(1)(c), (d), and (e), the Optional Retention Date.

"Optional Tender Date" means (i) during any Daily Rate Period, each Business Day, (ii) during any Weekly Rate Period, each Wednesday, or if such day is not a Business Day, the next succeeding Business Day, (iii) during any Monthly Rate Period, the first Business Day of each calendar month, (iv) during any Quarterly Rate Period or Semi-Annual Rate Period, each Interest Payment Date, or, if such day is not a Business Day, the next succeeding Business Day, and (v) during any Money Market Rate Period, any Business Day selected by the Bondholder by notice given pursuant to Section 6.01D not less than five Business Days prior to such Day.

"Outstanding" when used with respect to Bonds means, as of the date of determination, all Bonds theretofore authenticated and delivered under this Indenture, except, without duplication:

(1) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(2) Bonds for the payment or redemption of which money in the necessary amount is deposited with the Trustee or any Paying Agent at or after the Maturity thereof in trust for the Holders of such Bonds in accordance with Section 7.01;

(3) Bonds, including Untendered Bonds, in exchange for or in lieu of which other Bonds have been authenticated and delivered under this Indenture;

(4) Bonds alleged to have been destroyed, lost, or stolen which have been paid as provided in Section 3.07; and

(5) Bonds for the payment of the principal of (and premium, if any) and interest on which money or Governmental Obligations or both are held by the Trustee or an escrow agent with the effect specified in Section 8.02;

provided, however, that in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent, or waiver hereunder, Bonds owned by the Issuer, the Board, or any Affiliate of any such Person shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, or waiver, only Bonds which the Trustee knows to be so owned shall be so disregarded, and Bonds so owned which have been pledged in good faith may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Issuer, the Board, or any Affiliate of any such Person.

"*Outstanding Secured Bonds*" means, as of the date of determination, (1) all Bonds then Outstanding and (2) all Bonds, if any, alleged to have been destroyed, lost, or stolen which have been replaced or paid as provided in Section 3.07 but whose ownership and enforceability by the Holder thereof have been established by a court of competent jurisdiction or other competent tribunal or otherwise established to the satisfaction of the Trustee.

"*Paying Agent*" means any Person authorized by the Issuer or the Trustee with the approval of the Board to pay the principal of (and premium, if any) or interest on any Bonds on behalf of the Issuer.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or body politic or any agency or political subdivision thereof.

"*Place of Payment*" means the City and County of New York, New York.

"*Predecessor Bonds*" of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond, and, for purposes of this definition, any Bond authenticated and delivered under Section 3.07 in lieu of a lost, destroyed, or stolen Bond shall be deemed to evidence the same debt as the lost, destroyed, or stolen Bond.

"*Prime Rate*" means the rate of interest publicly announced by the Bank in New York City from time to time as its Prime Rate.

"*Proceeds Fund*" means the fund so defined in *Section 7.02*.

"*Project*" means the Project described in *Exhibit A* to the Agreement.

"*Proposed Rate*" means, with respect to any Quarterly Rate or Semi-Annual Rate, the rate of interest, determined on the applicable Proposed Rate Computation Date, which the Remarketing Agent, having due regard to prevailing market conditions for revenue bonds or other securities of the same general nature as the Bonds or securities which are competitive as to credit and stated maturity (or period for tender) with the credit and stated maturity (or period for tender) of the Bonds and taking into account interest rate trends, market trends, general economic conditions and such other factors as the Remarketing Agent deems appropriate (including the excludability of interest on such revenue bonds and other securities from gross income for federal income tax purposes), anticipates to be the lowest interest rate necessary to place the Bonds on the effective date of such Quarterly Rate or Semi-Annual Rate at a price of par.

"*Proposed Rate Computation Date*" means the eighth Business Day before each Computation Date in respect of any Quarterly Rate Period or Semi-Annual Rate Period.

"*Purchase Date*", when used with respect to any Bond, means the date upon which the Tender Agent is obligated to effect the purchase of such Bond on the terms described in *Article Six*.

"*Purchase Fund*" means the fund so defined in *Section 7.03*.

"*Purchase Price*" means an amount equal to 100% of the principal amount of any Bond tendered or deemed tendered to the Tender Agent for purchase pursuant to *Section 6.01*, plus accrued and unpaid interest thereon to the date of purchase; *provided, however*, if the date of such purchase occurs after the Record Date applicable to the interest accrued on such Bond from the last occurring Interest Payment Date, then the Purchase Price shall not include accrued and unpaid interest, which shall be paid to the Holder of record on the applicable Record Date.

"*Quarterly Interest Payment Date*" means each January 1, April 1, July 1, and October 1.

"*Quarterly Rate*" means the interest rate on the Bonds established from time to time pursuant to *Section 5.01*.

"*Quarterly Rate Index*" means the Tax-Exempt Quarterly Interest Rate ("TEQIR") established monthly by J.P. Morgan Securities, which rate is a composite of current bid-side yields of commercial paper and other securities the interest on which is excluded from gross income for federal income tax purposes and which have remaining maturities or are repriced once every three months and can be tendered for purchase not more frequently than once every three months; *provided*, that, if J.P. Morgan Securities shall no longer be the Remarketing Agent or TEQIR shall not be established as aforesaid, the Quarterly Rate Index shall be the Alternate Quarterly Index selected by the Tender Agent with the advice of the Board and the Remarketing Agent or, if no such Alternate Quarterly Index shall have been so selected, the Quarterly Rate Index shall be the sum of (i) the product of (A) the interest rate for ninety-day taxable commercial paper (prime paper placed through dealers) announced for the applicable Quarterly Interest Payment Date (or, if any such day is not a Business Day, the next succeeding Business Day), by the Federal Reserve Bank of New York converted to a coupon equivalent rate, multiplied by (B) 1 minus the maximum federal income tax rate payable by individuals at the time on interest income, plus (ii) 1.75% or, if interest on the Bonds is an item of tax preference in determining alternative minimum taxable income under the Code, 2.00%.

"*Quarterly Rate Period*" means any period during which the Bonds bear interest at the Quarterly Rate.

"*Rate*" means any Short-Term Rate or any Long-Term Rate.

"*Rate Index*" means any of the Alternate Daily Index, the Alternate Monthly Index, the Alternate Quarterly Index, the Alternate Semi-Annual Index, the Alternate Weekly Index, the Daily Rate Index, the Monthly Rate Index, the Quarterly Rate Index, the Semi-Annual Rate Index, the Weekly Rate Index, or any combination of any thereof, as the context may require.

"*Rate Period*" means any Daily Rate Period, Weekly Rate Period, Monthly Rate Period, Liquidity Facility Rate Period, Quarterly Rate Period, Semi-Annual Rate Period, Money Market Rate Period, Variable-Term Rate Period, Medium-Term Rate Period, or Fixed Rate Period.

"*Rating Service*" means each nationally recognized securities rating service which at the time has a credit rating assigned to the Bonds at the request of the Board.

"*Rebate Fund*" means the fund of the Issuer so defined in Section 7.04.

"*Redemption Date*" when used with respect to any Bond to be redeemed means the date fixed for such redemption pursuant to this Indenture.

"*Redemption Price*" when used with respect to any Bond to be redeemed means the price at which it is to be redeemed pursuant to this Indenture, *excluding* installments of interest with a Stated Maturity the Regular Record Date for which is prior to the Redemption Date.

"*Regular Record Date*" for the interest payable on the Bonds on any Interest Payment Date is the date specified as such in *Exhibit A*.

"*Remarketing Agent*" means the Person named as Remarketing Agent in *Section 10.15* until a substitute Remarketing Agent becomes such pursuant to such Section, and thereafter "Remarketing Agent" shall mean such successor.

"*Remarketing Agreement*" means that certain Remarketing Agreement dated as of even date herewith between the [Board] and the initial Remarketing Agent until the [Board] has entered into a substitute agreement pursuant to *Section 10.15* to provide for the placement of Bonds, and thereafter "Remarketing Agreement" shall mean such substitute agreement.

"*Responsible Officer*" when used with respect to the Trustee means the chairman or vice chairman of the board of directors of the Trustee, the chairman or vice chairman of the executive committee of said board, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller, any assistant controller, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer of the Trustee to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"*Semi-Annual Interest Payment Date*" means each January 1 and July 1.

"*Semi-Annual Rate*" means the interest rate on the Bonds established from time to time pursuant to *Section 5.01*.

"*Semi-Annual Rate Index*" means the Tax-Exempt Semi-Annual Interest Rate ("TESIR") established monthly by J.P.

Morgan Securities, which rate is a composite of current bid-side yields of securities the interest on which is excluded from gross income for federal income tax purposes and which have remaining maturities or are repriced once every six months and can be tendered for purchase not more frequently than once every six months; provided, that, if J.P. Morgan Securities shall no longer be the Remarketing Agent or TESIR shall not be established as aforesaid, the Semi-Annual Rate Index shall be the Alternate Semi-Annual Index selected by the Tender Agent with the advice of the Board and the Remarketing Agent or, if no such Alternate Semi-Annual Index shall have been so selected, the Semi-Annual Rate Index shall be the sum of (i) the product of (A) the interest rate for ninety-day taxable commercial paper (prime paper placed through dealers) announced for the applicable Semi-Annual Interest Payment Date (or, if any such day is not a Business Day, the next succeeding Business Day), by the Federal Reserve Bank of New York, converted to a coupon equivalent rate, multiplied by (B) 1 minus the maximum federal income tax rate payable by individuals at the time on interest income plus (ii) 2.00% or, if interest on the Bonds is an item of tax preference in determining alternative minimum taxable income under the Code, 2.25%.

"Semi-Annual Rate Period" means any period during which the Bonds bear interest at the Semi-Annual Rate.

"Short-Term Rate" means any of the Daily Rate, the Weekly Rate, the Monthly Rate, the Quarterly Rate, the Semi-Annual Rate, the Money Market Rate, the Variable-Term Rate, or the Liquidity Facility Rate.

"Short-Term Rate Period" means any period during which the Bonds bear interest at a Short-Term Rate.

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

"Tender Agent" means the Person named as Tender Agent in Section 10.14 until a successor Tender Agent becomes such pursuant to such Section, and thereafter **"Tender Agent"** shall mean such successor.

"Trustee" means the Person named as the **"Trustee"** in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter **"Trustee"** shall mean such successor.

"Trust Estate" has the meaning stated in the habendum to the Granting Clauses.

"Untendered Bonds" has the meaning stated in Section 6.05.

"Variable-Term Rate" means the interest rate on the Bonds established from time to time pursuant to Section 5.01 hereof.

"Variable-Term Rate Period" means any period during which the Bonds bear interest at a Variable-Term Rate. The Remarketing Agent shall select the Variable-Term Rate Period or Periods for each Bond on a Business Day selected by the Remarketing Agent not more than five Business Days prior to the first day of the Variable-Term Rate Period with respect to such Bond and not later than 12:30 p.m. New York City time on the first day of such Variable-Term Rate Period. Subject to the provisions of Section 5.01 regarding the determination of Variable-Term Rate Periods, each Variable Term-Rate Period for each Bond shall be a period of not less than one nor more than 270 days determined by the Remarketing Agent (a) with the intention of yielding the lowest overall interest expense on the Bonds over the next succeeding 270 days, taking into account (i) all other Variable-Term Rate Periods for all of the Bonds, (ii) general economic and market conditions relevant to the Bonds, and (iii) such other facts, circumstances, and conditions as the Remarketing Agent determines to be relevant and (b) with the expectation that each such period will not be less than thirty days (i) unless the Remarketing Agent determines that a Bond having a Variable-Term Rate Period of thirty days or more cannot easily be remarketed or (ii) if necessary to make simultaneous the expiration of several Variable-Term Rate Periods with the commencement of a different Rate Period. Notwithstanding the foregoing, if a Liquidity Facility is in effect during any period in which Bonds bear interest at a Variable-Term Rate, no Variable-Term Rate Period shall be selected with an expiration date later than the second Business Day prior to the expiration date of the Liquidity Facility then in effect. If for any reason the Remarketing Agent fails to so determine any Variable-Term Rate Period, or a court holds any Variable-Term Rate Period to be invalid or unenforceable, then the Variable-Term Rate Period for any Bond shall have the same number of days as the immediately preceding Variable-Term Rate Period for such Bond, or, if there is no such immediately preceding Variable-Term Rate Period, then thirty days. Any Variable-Term Rate Period which would otherwise end on a day which is not a Business Day shall end on the immediately succeeding Business Day.

"Vice President" when used with respect to any Person means any vice president thereof, whether or not designated by a number or a word added to the title.

"Weekly Rate" means the interest rate on the Bonds established pursuant to Section 5.01.

"Weekly Rate Index" means the Tax-Exempt Weekly Interest Rate ("TEWIR") established weekly by J.P. Morgan Securities, which rate is a composite of current bid-side yields of commercial paper and other short-term securities the interest on which is excluded from gross income for federal income tax purposes and which have remaining maturities or are repriced once every seven days and can be tendered for purchase not more frequently than once every seven days; *provided*, that, if J.P. Morgan Securities shall no longer be the Remarketing Agent or TEWIR shall not be established as aforesaid, the Weekly Rate Index shall be the Alternate Weekly Index selected by the Tender Agent with the advice of the Board and the Remarketing Agent or, if no such Alternate Weekly Index shall have been so selected, the Weekly Rate Index shall be the sum of (i) the product of (A) the interest rate for thirty-day taxable commercial paper (prime paper placed through dealers) announced for the first day of each Calendar Week (or, if such day is not a Business Day, the next succeeding Business Day) by the Federal Reserve Bank of New York, converted to a coupon equivalent rate, multiplied by (B) 1 minus the maximum federal income tax rate payable by individuals at the time on interest income plus (ii) 2.25% or, if interest on the Bonds is an item of tax preference in determining alternative minimum taxable income under the Code, 2.50%.

"Weekly Rate Period" means any period during which the Bonds bear interest at the Weekly Rate.

SECTION 1.02. *Acts of Bondholders.*

A. Any request, demand, authorization, direction, notice, consent, waiver, or other action provided by this Indenture to be given or taken by Bondholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Bondholders in person or by an agent duly appointed in writing, and, *except* as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, if hereby expressly required, to the Issuer, the Board, the Authenticating Agent, the Paying Agent, the Bank, the Liquidity Confirmer, the Tender Agent, or the Remarketing Agent, as the case may be. Such instrument or instruments (and the action embodied therein and evidenced

thereby) are herein sometimes referred to as the "Act" of the Bondholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Issuer, the Board, the Authenticating Agent, the Paying Agent, the Bank, the Liquidity Confirmer, the Tender Agent, and the Remarketing Agent, and (subject to Section 10.01) in favor of the Trustee and the Authenticating Agent, if made in the manner provided in this Section.

B. The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Whenever such execution is by an officer of a corporation or a member of a partnership on behalf of such corporation or partnership, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution by any Person of any such instrument or writing shall be conclusively established for all purposes of this Indenture if (1) the Trustee or the Bond Registrar shall have mailed or delivered to such Person (or any Bondholder for whom he purports to act as agent or proxy), at his address as shown on the Bond Register, such instrument or writing, (2) such instrument or writing shall have been returned to the Trustee or the Bond Registrar bearing a signature purporting to be that of the Bondholder or a Person purporting to be his agent or proxy, and (3) the Person receiving such executed instrument or writing shall have no actual knowledge or notice of any irregularity, or of any fact or circumstance which, if substantiated, would impair the validity of such instrument or writing. The fact and date of execution of any such instrument or writing and the authority of any Person executing the same may also be proved in any other manner which the Trustee deems sufficient. The Trustee may in any instance require further proof with respect to any of the matters referred to in this Section.

C. The ownership of Bonds shall be proved conclusively by the Bond Register, and no beneficial or legal owner of Bonds whose ownership is not so registered shall have any right hereunder to give or take any Act with respect to the Bonds.

D. Any request, demand, authorization, direction, notice, consent, waiver, or other action by the Holder of any Bond shall bind every future Holder of the same Bond and the

Holder of every Bond issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee, the Issuer, the Board, the Bank, the Liquidity Confirmer, the Tender Agent, the Authenticating Agent, the Paying Agent, or the Remarketing Agent in reliance thereon, whether or not notation of such action is made upon such Bond.

SECTION 1.03. *Notices, Etc.*

Unless otherwise specifically provided herein, any request, demand, authorization, direction, notice, consent, waiver, Act of Bondholders, or other document by or from any Person provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

A. the Trustee shall be sufficient for every purpose hereunder *if* made, given, furnished, or filed in writing to or with the Trustee at its principal corporate trust office or *if* in writing and mailed, first-class postage prepaid, to the Trustee addressed to it at P.O. Box 2266, Austin, Texas 78780 Attention: Corporate Trust Department, Tax-Exempt Division, or at such other address or to such other number furnished in writing to such Person by the Trustee, or

B. the Issuer shall be sufficient for every purpose hereunder *if* in writing and mailed, first-class postage prepaid, to the Issuer addressed to it at Travis County Courthouse Annex, 1010 San Antonio Street, Austin, Texas 78701, Attention: President, or at such other address previously furnished in writing to the Trustee by the Issuer, with a copy to the Board, or

C. the Board shall be sufficient for every purpose hereunder *if* in writing and mailed, first-class postage prepaid, to the Board addressed to it at 210 West 6th Street, Austin, Texas 78701, Attention: Manager - Special Investments and Financing, or at such other address previously furnished in writing to the Trustee by the Board, with a copy to 201 West 7th Street, Austin, Texas 78701, Attention: General Counsel, or

D. the Bank shall be sufficient for every purpose hereunder *if* in writing and mailed, first-class postage prepaid, to the Bank, addressed to it at 150 William Street, New York, New York 10038, Attention: International Trade Services, or at such other address previously furnished in writing to the Trustee by the Bank, with a copy to 23 Wall Street, New York, New York 10015, Attention: Public Finance Banking, or

E. the Liquidity Confirmer shall be sufficient for every purpose hereunder *if* in writing and mailed, first-class postage prepaid, to the Liquidity Confirmer addressed to it at any address previously furnished in writing to the Trustee by the Liquidity Confirmer, or

F. the Tender Agent shall be sufficient for every purpose hereunder *if* in writing and mailed, first-class postage prepaid, to the Tender Agent addressed to it at 23 Wall Street, New York, New York 10015, Attention: Public Finance Banking, or at such other address previously furnished in writing to the Trustee by the Tender Agent,

G. the Remarketing Agent shall be sufficient for every purpose hereunder *if* in writing and mailed, first-class postage prepaid, addressed to it at 23 Wall Street, 10th Floor, New York, New York 10015, Attention: Susan Bell, Managing Director, or at such other address previously furnished in writing to the Trustee by the Remarketing Agent, respectively, or

H. the Rating Service shall be sufficient for every purpose hereunder *if* in writing and mailed, first-class postage prepaid, addressed to it at Moody's Investors Service, 99 Church Street, New York, New York 10007, Attention: _____, and to it at Standard & Poor's Corporation, 23 Broadway, New York, New York 10004, Attention: _____.

Telephone notices to such Persons shall be given as follows:

the Trustee at (512)479-5120, Attention: Peterson Foster;

the Bank at (212)483-5004, Attention: Public Finance Banking;

the Tender Agent at (212)483-5004, Attention: Public Finance Banking; and

the Remarketing agent at (212)____-____, Attention: _____.

or at such other number as shall be provided to the Trustee in writing.

Telecopy or telex notices to such Persons shall be given as follows:

the Trustee at (512)479-5669, Attention: Corporate Trust Department, Tax-Exempt Division;

the Bank at (212)797-4474, Attention: Public Finance Banking;

the Tender Agent at (212)797-4474, Attention: Public Finance Banking; and

the Remarketing Agent at (212)____-____, Attention:
_____.

or at such other number as shall be provided to the Trustee in writing.

Where this Indenture provides for notice to Bondholders of any event, such notice shall be sufficiently given (*unless* otherwise herein expressly provided) *if* in writing and mailed, first-class postage prepaid, to each Bondholder affected by such event, at the address of such Bondholder as it appears in the Bond Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. Neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Bondholder shall affect the sufficiency of such notice with respect to other Bondholders.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Bondholders shall be filed with the Trustee, *but* such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

So long as a Liquidity Facility or Liquidity Confirmation is in effect, a copy of each request, demand, authorization, direction, notice, consent, waiver, Act of Bondholders, or other document made upon, given, or furnished to, or filed with any Person pursuant to this Indenture must also be provided in similar form to the Bank and the Liquidity Confirmer.

SECTION 1.04. *Form and Contents of Documents Delivered to Trustee.*

Whenever several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered

by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of any Person may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, *unless* such officer knows that such certificate or opinion or representations are erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of any Person stating that the information with respect to such factual matters is in the possession of such Person, *unless* such counsel knows that the certificate or opinion or representations with respect to such matters are erroneous.

Whenever any Person is required to make, give, or execute two or more applications, requests, consents, certificates, statements, opinions, or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Wherever in this Indenture, in connection with any application or certificate or report to the Trustee, it is provided that any Person shall deliver any document as a condition of the granting of such application, or as evidence of compliance by such Person with any term hereof, it is intended that the truth and accuracy, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document shall in such case be conditions precedent to the right of such Person to have such application granted or to the sufficiency of such certificate or report.

SECTION 1.05. *Effect of Headings, Table of Contents, and Exhibits.*

The Article and Section headings herein and in the Table of Contents and the summary of certain provisions of the Bonds included in *Exhibit A* are for convenience only and shall not affect the construction or terms hereof. In the event of any inconsistency between such summary and other provisions of this Indenture, such other provisions shall control.

SECTION 1.06. *Successors and Assigns.*

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

SECTION 1.07. *Severability Clause.*

In case any provision in this Indenture or in the Bonds or any application thereof shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby.

SECTION 1.08. *Benefits of Indenture.*

Nothing in this Indenture or in the Bonds, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any separate trustee or co-trustee appointed under Section 10.12, the Board, the Bank, the Liquidity Confirmer, the Tender Agent, the Authenticating Agent, the Paying Agent, the Remarketing Agent, and the Holders of Outstanding Secured Bonds, any benefit or any legal or equitable right, remedy, or claim under this Indenture.

SECTION 1.09. *Governing Law.*

THIS INDENTURE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF TEXAS (EXCEPT THE STANDARDS OF CARE OF THE REMARKETING AGENT, THE TENDER AGENT, AND THE PAYING AGENT HEREUNDER, WHICH SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, SO LONG AS SUCH PERSON HAS ITS DOMICILE IN THE STATE OF NEW YORK) AND THE FEDERAL LAWS OF THE UNITED STATES OF AMERICA.

SECTION 1.10. *Limitation on Liability of Issuer.*

No provision of this Indenture shall require the Issuer to expend or risk its own funds (other than any such funds included in the Trust Estate) or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if adequate indemnity against such risk or liability is not reasonably assured to it. Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of the Issuer shall be subject to the provisions of this Section.

SECTION 1.11 *Compliance with Requirements of Depository Trust Company.*

The Trustee shall comply with the operational and procedural requirements of the Depository Trust Company ("DTC"), New York, New York, in order for the Bonds to be accepted by DTC for ownership.

* * *

ARTICLE TWO

FORMS

SECTION 2.01. *Forms Generally.*

The Bonds, including the forms of the Certificate of Authentication and Assignment and, *unless* issued during the Fixed Rate Period, the form of Notice of Demand Privilege and Mandatory Tender and the form of Notice of Liquidity Support to be reproduced thereon, shall be substantially in the form set forth in *Exhibit A*, with such appropriate insertions, omissions, substitutions, and other variations as are required or permitted by this Indenture, and may have such letters, numbers, or other marks of identification and such legends, endorsements, reproductions of Opinions of Counsel and related certificates (including any notice of the terms of any substitute Liquidity Facility or Liquidity Confirmation accepted hereunder) placed thereon (or attached thereto) as may, consistently herewith, be determined by the officers executing the Bonds, as evidenced by their execution thereof. Any portion of the text of any Bond may be set forth on the reverse thereof or on a separate page or pages attached thereto, with an appropriate reference thereto on the face of the Bond.

The definitive Bonds shall be printed, lithographed, engraved, typewritten, or photocopied, produced by any combination of these methods, or produced in any other manner, all as determined by the officers executing such Bonds as evidenced by their execution thereof.

SECTION 2.02. *Form of Registration Certificate.*

The following certificate shall appear on the initial Bond submitted to the Attorney General of the State of Texas for approval:

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER OF PUBLIC ACCOUNTS	§ § §
REGISTER NO. _____ THE STATE OF TEXAS	§

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 duly registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS my signature and seal of office this _____.

(SEAL)

Comptroller of Public Accounts
of the State of Texas

SECTION 2.03. *Modification of Initial Bond.*

The initial Bond submitted to the Attorney General of the State of Texas for approval shall be in the form set forth in *Exhibit A* to this Indenture, except immediately under the name of the Bond paragraphs one and two shall read as follows:

REFERENCE IS HEREBY MADE TO THE PROVISIONS OF THIS BOND SET FORTH ON THE SUBSEQUENT PAGES HEREOF, WHICH PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF FULLY SET FORTH ON THE FACE OF THIS BOND.

Owner:

Principal Amount: _____ Dollars

Date of Series: _____, 1988

TRAVIS COUNTY RESEARCH AND DEVELOPMENT AUTHORITY (the "Issuer", which term includes any successor under the Indenture herein defined), a research and development authority created by the Commissioners Court of Travis County, Texas, and existing as a body politic and corporate exercising public and essential governmental functions pursuant to Article 5190.10, Vernon's Texas Civil Statutes, for value received, hereby promises to pay, solely from and to the extent of the sources specified herein, to the Owner named above, or the registered assigns thereof, the Principal Amount hereinabove stated on July 1, 2009, (or so much thereof as shall not have been paid upon prior redemption) and to pay, but solely from and to the extent of such sources, interest on the unpaid portion thereof from the date herein described until payment of such portion is made or duly provided for at the Maturity hereof, at the rate or rates of interest and to the Person hereinafter described. The principal and Redemption Price of this Bond are payable at the agency of the Issuer for such purpose (herein referred to as a "Paying Agent"), Morgan Guaranty Trust Company of New York, in the City and County of New York, New York (such place herein referred to as a "Place of Payment"), upon presentation and surrender of this Bond. All capitalized terms used herein not otherwise defined shall have the meanings assigned to such terms in the Indenture, as herein defined.

* * *

ARTICLE THREE

TERMS AND ISSUE OF THE BONDS

SECTION 3.01. *Title and Terms.*

There shall be a single series of Bonds issued and secured hereunder entitled

"MULTI-MODAL INTERCHANGEABLE RATE REVENUE BONDS
(THE UNIVERSITY OF TEXAS AT AUSTIN
SEMICONDUCTOR MANUFACTURING LABORATORY PROJECT)
SERIES 1988"

(herein referred to as the "Bonds").

The Stated Maturity of the Bonds shall be July 1, 2009 which date shall (*except* as otherwise provided in Section 14.03) be inserted under the caption "Due" immediately below the title of each Bond as indicated in *Exhibit A*. The aggregate principal amount of Bonds which may be authenticated and delivered and Outstanding is limited to \$_____.

The Bonds shall be issued in the denominations of (1) \$5,000 and any integral multiple thereof *if* issued during the Fixed Rate Period and (2) otherwise, \$100,000 and any integral multiple thereof.

The Bonds shall bear interest from the dates, at the rates, and payable on the Interest Payment Dates in the manner described in *Exhibit A*.

In lieu of *paragraphs 1(a)* through and including *1(g)* of *Exhibit A*, the following paragraph may be inserted for any Bond authenticated on or after the first day of the Fixed Rate Period:

"(a) This Bond bears interest from the later of [*first day of Fixed Rate Period*] or the most recent January 1 or July 1 to which interest has been paid or duly provided for, at the per annum Interest Rate specified above (computed on the basis of a 360-day year comprised of twelve 30-day months), payable semiannually on each January 1 and July 1, and the Regular Record Date for each such Interest Payment Date is the 15th day of the preceding calendar month."

Paragraphs 1(h) and *1(i)* of *Exhibit A* shall be designated *paragraphs 1(b)* and *1(c)*, respectively, and the Fixed Rate for such Fixed Rate Period shall be inserted under the caption "Interest Rate" immediately below the title of the Bond as indicated in *Exhibit A*.

The principal and Redemption Price of the Bonds shall be payable upon surrender of the Bonds at the agency of the Issuer for payment of the Bonds in the City and County of New York, New York. Such city is herein referred to as a Place of Payment.

SECTION 3.02. *Redemption of Bonds.*

The Bonds shall be redeemable in accordance with *Article Fourteen* as follows:

A. During any Daily Rate Period, Weekly Rate Period, Money Market Rate Period, or Liquidity Facility Rate Period, the Bonds are subject to redemption, at the option of the Issuer, at the direction of the Board, in whole on any Business Day or in part on any Interest Payment Date (or, if such day is not a Business Day, the next succeeding Business Day), at a Redemption Price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the Redemption Date. During a Monthly Rate Period, the Bonds are subject to redemption, at the option of the Issuer, at the direction of the Board, in whole or in part, on the last Business Day of any calendar month at a Redemption Price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the Redemption Date. During a Quarterly Rate Period or a Semi-Annual Rate Period, the Bonds are subject to redemption, at the option of the Issuer, at the direction of the Board, in whole or in part, on any Interest Payment Date (or, if such day is not a Business Day, the next succeeding Business Day) at a Redemption Price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the Redemption Date. During any Variable-Term Rate Period, each Bond is subject to redemption, at the option of the Issuer, at the direction of the Board, in whole only on the last day of such Rate Period in effect on the applicable redemption date, at a Redemption Price equal to the principal amount of the Bond or Bonds to be redeemed plus accrued interest thereon to the Redemption Date. During a Long-Term Rate Period, the Bonds are subject to redemption, at the option of the Issuer, at the direction of the Board on such dates and at such premiums as are determined by the Remarketing Agent on the applicable Computation Date in its best professional judgment consistent with the then current market conditions.

B. During the Fixed Rate Period, the Bonds will be subject to redemption, at the option of the Issuer, at the direction of the Board, in whole or in part, on the dates and at the prices determined by the Remarketing Agent in determining the Fixed Rate, as set forth in *Section 5.02J*.

C. (1) The Bonds are subject to redemption, at the option of the Issuer, at the direction of the Board, in whole but not in part, on the Expiration Date at a Redemption Price equal to the principal amount thereof plus accrued interest to the Redemption Date; and

(2) the Bonds tendered or deemed tendered for purchase in accordance with Section 6.01H(1) and not purchased on the Mandatory Purchase Date are subject to mandatory redemption, in whole but not in part, on such date, at a Redemption Price equal to the principal amount thereof plus accrued interest to the Redemption Date.

D. In connection with any change in the Interest Rate Determination Method for the Bonds to the Fixed Rate, if the Board has requested in its Conversion Notice that mandatory sinking fund requirements be made applicable to the Bonds, the Remarketing Agent shall, on the Conversion Date relating to the Fixed Rate Conversion Date, determine a schedule of dates and amounts of mandatory sinking fund payments in its best professional judgment consistent with then current market conditions, and the Bonds shall thereafter be subject to mandatory redemption in accordance with such schedule. To the extent Bonds have previously been redeemed pursuant to clause A of this Section or purchased by the Board and cancelled, each sinking fund payment shall be reduced in proportion to the ratio of (i) the principal amount of Bonds so redeemed or cancelled to (ii) the principal amount of Bonds outstanding, then rounding each sinking fund installment to the nearest multiple of \$5,000.

E. If less than all the Outstanding Bonds shall be called for redemption prior to the date the Bonds bear interest at the Fixed Rate, the Tender Agent shall select Bonds to be called for redemption and thereafter instruct the Trustee in writing to call such Bonds for redemption. In all events, Liquidity Facility Bonds shall be called for redemption before any other Bonds are called for redemption. If Bonds in addition to Liquidity Facility Bonds must be selected and called for redemption, the Tender Agent, on behalf of the Trustee, shall select or arrange for the selection of Bonds to be called for redemption and thereafter instruct the Trustee in writing to call such Bonds for redemption, in such manner as it shall deem fair and equitable, in \$100,000 portions thereof if during any Short-Term Rate Period or Medium-Term Rate Period and in \$5,000 portions thereof if during the Fixed Rate Period. If there shall be called for redemption less than the principal amount of a Bond, the Issuer shall execute and the Authenticating Agent shall authenticate and deliver, upon surrender of such Bond, without charge to the Holder thereof,

in exchange for the unredeemed principal amount of such Bond, at the option of such Holder, Bonds in any of the Authorized Denominations.

SECTION 3.03. *Authentication and Delivery.*

Forthwith upon the execution and delivery of this Indenture and receipt of Bonds duly executed by the Issuer, the Trustee (or pursuant to *Section 10.13*, the Authenticating Agent) shall authenticate and deliver the Bonds upon written application by the Issuer and receipt by the Trustee (or the Authenticating Agent, as the case may be) of:

A. a Board Resolution of the Issuer authorizing the execution and delivery of this Indenture and the Agreement and the authentication and delivery of the Bonds,

B. a Board Order approving the initial Rate, the initial interest rate, and the purchase price of the Bonds,

C. an executed counterpart of this Indenture and the Agreement,

D. an executed counterpart of the Liquidity Facility,

E. the money specified in such application for the authentication and delivery of the Bonds,

F. the initial Bond bearing the completed registration certificate of the Comptroller of Public Accounts of the State of Texas, with such Bond duly endorsed by the owner thereof, and

G. an Officer's Certificate of the Issuer and one or more Opinions of Counsel to the effect that all conditions precedent under the Indenture for the authentication and delivery of the Bonds have been satisfied.

Simultaneously with the delivery of the initial Bonds, the Trustee shall deposit the money described in *Clause E* of this Section to the Proceeds Fund.

SECTION 3.04. *Execution, Authentication, Delivery, and Dating.*

The Bonds shall be executed on behalf of the Issuer by its President or its Vice President under its seal reproduced thereon and attested by its Secretary or its Assistant Secretary. The signature of any of these officers on the Bonds may be manual or facsimile. Bonds bearing the manual or facsimile signatures of individuals who were at any time the

proper officers of the Issuer shall bind the Issuer, notwithstanding that such individuals or any of them shall have ceased to hold such offices prior to the authentication and delivery of such Bonds or shall not have held such offices at the date of such Bonds.

At any time and from time to time after the execution and delivery of this Indenture, the Issuer may deliver Bonds executed by the Issuer to the Trustee or the Authenticating Agent for authentication and the Trustee or the Authenticating Agent shall authenticate and deliver such Bonds as in this Indenture provided and not otherwise.

All Bonds shall be dated the date of their authentication.

No Bond shall be secured by, or be entitled to any lien, right, or benefit under, this Indenture or be valid or obligatory for any purpose, *unless* there appears on such Bond a certificate of authentication substantially in the form provided for herein, executed by the Trustee, the Authenticating Agent, or the Bond Registrar by manual signature, and such certificate upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly authenticated and delivered hereunder.

SECTION 3.05. *Temporary Bonds.*

Pending the preparation of definitive Bonds, the Issuer may execute, and upon Issuer Request the Trustee shall authenticate and deliver, temporary Bonds which are printed, lithographed, typewritten, mimeographed, or otherwise produced, in any denomination, substantially of the tenor of the definitive Bonds in lieu of which they are issued, in fully registered form, and with such appropriate insertions, omissions, substitutions, and other variations as the officers executing such Bonds may determine, as evidenced by their execution of such Bonds.

If temporary Bonds are issued, the Issuer will cause definitive Bonds to be prepared without unreasonable delay. After the preparation of definitive Bonds, the temporary Bonds shall be exchangeable for definitive Bonds upon surrender of the temporary Bonds at the agency of the Issuer in a Place of Payment without charge to the Holder. Upon surrender for cancellation of any one or more temporary Bonds the Issuer shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Bonds of the same maturity and of authorized denominations. Until so exchanged, temporary Outstanding Secured Bonds shall in all respects be entitled to the security and benefits of this Indenture.

SECTION 3.06. *Registration, Transfer, and Exchange.*

The Issuer shall cause to be kept at its agency for payment of the Bonds in a Place of Payment a register (herein sometimes referred to as the "Bond Register") in which, subject to such reasonable regulations as it or the Bond Registrar may prescribe, the Issuer shall provide for the registration of Bonds and registration of transfers of Bonds entitled to be registered or transferred as herein provided. Morgan Guaranty Trust Company of New York is hereby appointed "Bond Registrar" for the purpose of registering Bonds and transfers of Bonds as herein provided.

The Bond Registrar shall provide a copy of the current Bond Register to the Board, the Trustee, the Tender Agent, and each Paying Agent at their request and deliver the same within five Business Days of such request.

Upon surrender for transfer of any Bond at the agency of the Issuer therefor in a Place of Payment, the Issuer shall execute, and the Trustee, the Authenticating Agent, or the Bond Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of any authorized denominations and of a like aggregate principal amount.

At the option of the Holder, Bonds may be exchanged for other Bonds of any authorized denominations and of a like aggregate principal amount, upon surrender of the Bonds to be exchanged at an agency of the Issuer therefor in a Place of Payment. Whenever any Bonds are so to be surrendered for exchange, the Issuer shall execute, and the Trustee, the Authenticating Agent, or the Bond Registrar shall authenticate and deliver, the Bonds which the Bondholder making the exchange is entitled to receive.

All Bonds surrendered upon any exchange or transfer provided for in this Indenture shall be promptly cancelled by the Trustee and thereafter disposed of as specified by Board Order.

All Bonds issued upon any transfer or exchange of Bonds shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same security and benefits under this Indenture, as the Bonds surrendered upon such transfer or exchange.

Every Bond presented or surrendered for transfer or exchange shall be duly endorsed, or be accompanied by a written

instrument of transfer in form satisfactory to the Bond Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made to any Bondholder for any transfer or exchange of Bonds, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds, other than exchanges upon partial redemption not involving any transfer.

The Authenticating Agent shall not be required to issue, transfer, or exchange any Bond (i) during a period beginning at the opening of business five days before the day of the mailing of a notice of redemption of Bonds under *Section 14.04* and ending at the close of business on the day of such mailing, (ii) which is selected for redemption in whole or in part, (iii) during a period beginning with the giving of a notice of mandatory tender and ending at the close of business on the Purchase Date for such tender, or (iv) in respect of which the Tender Agent and the Remarketing Agent have received a notice of optional tender pursuant to *Section 6.02* during a period beginning at the time of notice to the Tender Agent of such receipt and ending at 12:30 p.m., New York, New York, time, on the Purchase Date for such tender.

SECTION 3.07. *Mutilated, Destroyed, Lost, and Stolen Bonds.*

If (i) any mutilated Bond is surrendered to the Trustee, or if the Trustee receives evidence to its satisfaction of the destruction, loss, or theft of any Bond, and (ii) there is delivered to the Trustee, the Board, and the Issuer such security or indemnity as may be required by each of them to save each of them harmless, then, in the absence of actual notice to the Issuer or the Trustee that such Bond has been acquired by a bona fide purchaser, the Issuer shall execute and upon its request the Trustee or Authenticating Agent shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the Issuer in its discretion may (and upon Board Order shall), instead of issuing a new Bond, pay such Bond.

Upon the issuance of any new Bond under this Section, the Issuer may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith.

Every new Bond issued pursuant to this Section in lieu of any destroyed, lost, or stolen Bond shall constitute an original additional contractual obligation of the Issuer, whether or not the destroyed, lost, or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the security and benefits of this Indenture equally and ratably with all other Outstanding Secured Bonds.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost, or stolen Bonds.

SECTION 3.08. *Payment of Interest on Bonds; Interest Rights Preserved.*

Interest on any Bond which is payable, and is punctually paid or duly provided for, on any Interest Payment Date therefor shall be paid to the Person in whose name that Bond (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest (1) by check mailed to such Person at the address specified in the Bond Register, (2) at the option of the Holder thereof (if the Holder of not less than \$1,000,000 principal amount of Bonds) exercised by written notice delivered to the Paying Agent therefor not less than 15 days prior to (or, if the Interest Period immediately preceding such Interest Payment Date is less than 16 days in duration, then not later than the last Business Day preceding) the relevant Regular Record Date therefor, by Federal Funds wire to any designated account within the United States of America, or (3) pursuant to other customary arrangements made by such Person and acceptable to the Paying Agent for such interest.

Any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date therefor (herein referred to as "*Defaulted Interest*") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such Defaulted Interest shall be paid by the Issuer, upon Board Request, as provided in this Section.

The Board may elect for payment of any Defaulted Interest on the Bonds to be made to the Persons in whose names such Bonds (or their respective Predecessor Bonds) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Board shall notify the

Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be such as will enable the Trustee to comply with the next sentence hereof), and at the same time the Board shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Subsection provided and not to be deemed part of the Trust Estate. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Issuer and the Board of such Special Record Date and, in the name of the Issuer and at the expense of the Board, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of a Bond at his address as it appears in the Bond Register not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names the Bonds (or their respective Predecessor Bonds) are registered on such Special Record Date.

Subject to the foregoing provisions of this Section, each Bond delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond and each such Bond shall bear interest from such date that neither gain nor loss in interest shall result from such transfer, exchange, or substitution.

SECTION 3.09. *Persons Deemed Owners.*

The Issuer, the Board, the Trustee, the Paying Agent, the Bond Registrar, and any of their respective agents shall treat the Person in whose name any Bond is registered as the sole legal and beneficial owner of such Bond for the purpose of receiving payment of principal of (and premium, if any) and (subject to Section 3.08) interest on such Bond and for all other purposes whatsoever whether or not such Bond is overdue, and, to the extent permitted by law, none of the Issuer, the Board, the Trustee, the Paying Agent, the Bond Registrar, and any such agent shall be affected by notice to the contrary.

SECTION 3.10. *Cancellation.*

All Bonds surrendered for payment, redemption, transfer, or exchange, and all Untendered Bonds, if surrendered to the Trustee, the Paying Agent, or the Bond Registrar, shall be promptly cancelled by it and, if surrendered to any Person other than the Trustee, shall be delivered to the Trustee and, if not already cancelled, shall be promptly cancelled by it, *unless* the Issuer shall default in any such payment or redemption. The Issuer and the Board may at any time deliver to the Trustee for cancellation any Bonds previously authenticated and delivered hereunder which the Issuer or the Board may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly cancelled by the Trustee. No Bond shall be authenticated in lieu of or in exchange for any Bond cancelled as provided in this Section, *except* as expressly provided by this Indenture. All cancelled Bonds held by the Trustee may be maintained by the Trustee pursuant to the Trustee's standard retention policies or, at its option, delivered to the Issuer.

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ARTICLE FOUR

LIQUIDITY FACILITY

SECTION 4.01. *Purchases Under Liquidity Facility and Liquidity Confirmation.*

A. *Payment of Purchase Price.* If a Liquidity Facility or a Liquidity Confirmation is in effect hereunder, the Trustee shall give or cause the Tender Agent to give such notice and do such other acts as may be required by such Liquidity Facility and Liquidity Confirmation (in the manner therein permitted and by the time required thereby) to cause the Bank or the Liquidity Confirmer, as the case may be, to purchase at the Purchase Price, on each Purchase Date, all Bonds required to be purchased pursuant to Article Six on such Purchase Date and for which the Purchase Price thereof has not been paid or deposited in immediately available funds to the Purchase Fund, from the proceeds of the remarketing of such Bonds (other than to the Issuer or the Board) or from money provided by the Board. If a Liquidity Confirmation is in effect hereunder, the Trustee shall make or cause to be made such presentment or notice, *first*, to the Liquidity Confirmer and, *second*, to the Bank in the event of any dishonor by the Liquidity Confirmer.

B. *Notice.* The Trustee shall on any Purchase Date give or cause the Tender Agent to give notice to the Board by telephone or telex, promptly confirmed in writing, specifying the amounts to be paid under the Liquidity Facility and the Liquidity Confirmation to pay the Purchase Price of Bonds, or the amount of Bonds so purchased by the Bank and the Liquidity Confirmer, on such date.

C. *Agency.* In making requests for payment under the Liquidity Facility and the Liquidity Confirmation, the Trustee and the Tender Agent shall act on behalf and for the account and benefit of the Bondholders other than the Issuer and the Board and not on behalf, for the account or benefit, or subject to the control, of the Issuer or the Board.

SECTION 4.02. *Reduction or Replacement of Liquidity Facility and Liquidity Confirmation.*

The Liquidity Facility shall be reduced or replaced.

A. *Reduction of Amount:* when the maximum aggregate amount available under the Liquidity Facility or Liquidity Confirmation, as the case may be, is reduced pursuant to the terms thereof and the Bank has entered into a new Liquidity Facility or the Liquidity Confirmer has entered into a new

Liquidity Confirmation, as applicable, with the Board in the stated amount of the maximum aggregate amount available under the Liquidity Facility or Liquidity Confirmation, as the case may be, as so reduced but otherwise identical to the Liquidity Facility or Liquidity Confirmation, as the case may be, to be reduced or replaced; or

B. Replacement: either

(1) *No Rating Loss:* when there is in effect an alternate Liquidity Facility or an alternative Liquidity Confirmation, as the case may be, in accordance with *Section 4.03*, if a credit rating of at least one Rating Service shall then be assigned to the Bonds and the Trustee shall have received written notice from each Rating Service which has assigned a credit rating to the Bonds that such replacement will not result in either a withdrawal or a reduction of its credit rating then assigned to the Bonds, or

(2) *Notice and Tender:* at the close of business on the first Business Day of (a) any month during which the Bonds bear interest at the Daily Rate or the Weekly Rate, (b) any Interest Period during which the Bonds bear interest at the Monthly Rate, the Quarterly Rate, the Money Market Rate, the Variable-Term Rate, the Semi-Annual Rate, or the Medium Term Rate, or (c) any Fixed Rate Period, if in any case there is then in effect an alternate Liquidity Facility or an alternate Liquidity Confirmation, as the case may be, issued to and accepted by the Trustee in accordance with *Section 4.03* not less than 30 days prior to such Business Day; or

C. Optional Reduction: at the close of business on the first Business Day of (1) any month during which the Bonds bear interest at the Daily Rate or the Weekly Rate, or (2) any Interest Period during which the Bonds bear interest at the Monthly Rate, the Quarterly Rate, the Money Market Rate, the Variable-Term Rate, the Semi-Annual Rate, or the the Medium Term Rate,

and not otherwise; *provided* that no replacement or reduction shall be effected by the Trustee pursuant to *Clause B(2)* or *C* until receipt by the Trustee of written confirmation of each Rating Service which has assigned a credit rating to the Bonds that it has received notice of such replacement or reduction. The Trustee shall give notice, pursuant to *Section 6.01*, of the mandatory tender of Bonds in accordance with *Section 6.01*.

SECTION 4.03. *Alternate Liquidity Facility and Liquidity Confirmation.*

Each alternate Liquidity Facility or Liquidity Confirmation provided in substitution for the Liquidity Facility or Liquidity Confirmation, as the case may be, then in effect or to confirm the Liquidity Facility then in effect, and each extension or amendment of the Liquidity Facility or the Liquidity Confirmation, as the case may be, then in effect,

A. *Stated Amount:* shall provide for payment of amounts sufficient to pay Purchase Price up to the principal of the Bonds not yet due plus interest thereon, at the per annum rate of 15% during the term of such Liquidity Facility or Liquidity Confirmation, for up to at least 185 days,

B. *Term:* shall have a term which is at least one year and not less than the shorter of the remaining term of the Liquidity Facility or the Liquidity Confirmation, as the case may be, or remaining term of the Interest Period then in effect,

C. *Form:* may be a bond purchase agreement, letter of credit, line of credit, policy of insurance, surety bond, acceptance, or guarantee or otherwise in structure and form different from, *but* shall provide rights not materially different from, the Liquidity Facility or the Liquidity Confirmation, as the case may be, then in effect with respect to the amount of Purchase Price covered thereby, the rights of the Trustee or Tender Agent to request and enforce payment of such amount, and the provisions for replacement or termination thereof.

The Trustee shall accept an alternate Liquidity Facility or Liquidity Confirmation in substitution for the Liquidity Facility or the Liquidity Confirmation, as the case may be, then in effect or to confirm the Liquidity Facility then in effect, or an extension or amendment thereof, upon receipt by the Trustee of an Opinion of Counsel stating that (1) such Liquidity Facility, Liquidity Confirmation, extension, or amendment was issued in accordance with the conditions of this Section, (2) such Liquidity Facility or Liquidity Confirmation, as extended or amended, constitutes a legal, valid, and binding obligation of the obligor thereon and is enforceable in accordance with its terms (*except* to the extent that the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, or other laws for the relief of debtors other than the Issuer or the Board and by general principles of equity which permit the exercise of judicial discretion), and (3) the substitution of such

alternate Liquidity Facility or Liquidity Confirmation for the Liquidity Facility or Liquidity Confirmation then in effect or the acceptance of such extension or amendment, as the case may be, will not adversely affect any exemption from federal income taxation of interest on any Bond. The Trustee shall not be required to accept any such alternate Liquidity Facility, Liquidity Confirmation, extension, or amendment which materially adversely affects the rights, duties, and immunities of the Trustee and its agents hereunder.

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THE STATE OF NEW YORK
COUNTY OF []
[]

ARTICLE FIVE

CONVERSION OF INTEREST RATE
DETERMINATION METHODS, INTEREST
PERIODS, AND INTEREST RATES

SECTION 5.01. *Conversion of Interest Rate Determination
Methods.*

A.(1) During any Short-Term Rate Period, the Board may request the Remarketing Agent to change the Interest Rate Determination Method from one Short-Term Rate to another by so requesting the Remarketing Agent by written notice or by telephone notice promptly confirmed by facsimile transmission or other writing (such notice to be effective on the date receipt of such notice is confirmed to the Board and the Remarketing Agent by telephone by the Tender Agent) with a copy (or by the telephone, confirmed by facsimile transmission as aforesaid) to the Trustee, the Issuer, the Tender Agent, and the Bank, received by the Tender Agent at least fourteen Business Days prior to the proposed Effective Date (which receipt shall be confirmed to the Board and the Remarketing Agent by telephone by the Tender Agent), accompanied by an Opinion of Counsel stating that such change in the Interest Rate Determination Method on the Bonds will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes under section 103(a) of the Code and that such change in the Interest Rate Determination Method on the Bonds to the other Short-Term Rate is permitted under this Indenture. If either the Interest Rate Determination Method then in effect or the new Interest Rate Determination Method to be in effect is:

(i) a Daily Rate, a Weekly Rate, a Variable-Term Rate, or a Money Market Rate with respect to which the applicable Money Market Rate Index is based on money market instruments not having a fixed maturity and the interest rate on which may change at any time, the Effective Date must be a Business Day and, if the Interest Rate Determination Method then in effect is a Variable-Term Rate, such Business Day must be the last day of a Variable-Term Rate Period for all of the Bonds;

(ii) a Monthly Rate, the Effective Date must be the first Business Day of a calendar month;

(iii) a Quarterly Rate, the Effective Date must be a Quarterly Interest Payment Date or, if such day is not a Business Day, the next succeeding Business Day; or

(iv) a Semi-Annual Rate, the Effective Date must be a Semi-Annual Interest Payment Date or, if such day is not a Business Day, the next succeeding Business Day.

If the Interest Rate Determination Method then in effect is a Money Market Rate with respect to which the applicable Money Market Rate Index is based on money market instruments with a fixed maturity or the interest on which may be changed only on a fixed reset date, the Effective Date must occur on such maturity or reset date.

The Board request must specify (A) the Effective Date, (B) the new Interest Rate Determination Method to take effect, (C) whether a Liquidity Facility will be in effect during such Short-Term Rate Period, and (D) if a Liquidity Facility will be in effect, the form and substance of such Liquidity Facility. The Trustee shall promptly notify the Remarketing Agent and the Tender Agent of receipt of the Opinion of Counsel required pursuant to this subsection (1).

(2) Upon receipt from the Board of the request set forth in subsection (1) above, the Tender Agent shall not less than ten Business Days prior to the proposed Effective Date give notice by first class mail to the Bondholders, specifying (i) the Effective Date, (ii) the new Interest Rate Determination Method to be in effect, (iii) if the proposed change in the Interest Rate Determination Method is to a Monthly Rate, a Quarterly Rate, a Semi-Annual Rate, or a Variable-Term Rate, that the Bonds shall be subject to mandatory tender on the Effective Date thereof pursuant to Section 6.01G, (iv) if the proposed change in the Interest Rate Determination Method is to a Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, Semi-Annual Rate, or Money Market Rate, that the Bonds shall be subject to tender for purchase at the option of each Bondholder as provided in Section 6.01A, B, C, or D, as the case may be, (v) if the proposed change in the Interest Rate Determination Method is to a Quarterly Rate or Semi-Annual Rate, that the Proposed Rate for the initial Rate Period will be set by the Remarketing Agent on the applicable Proposed Rate Computation Date, (vi) that such change in the Interest Rate Determination Method shall not be effective unless

the Opinion of Counsel referred to in subsection (3) below is received by the Trustee on such Effective Date, (vii) whether a Liquidity Facility will be in effect during such Short-Term Rate Period, and (viii) if a Liquidity Facility will be in effect, the form and substance of such Liquidity Facility.

(3) Any change in the Interest Rate Determination Method shall not be effective unless by 10:00 a.m., New York City time, on the Effective Date the Board delivers to the Trustee a supplemental Opinion of Counsel stating that under the laws existing on the Effective Date the conversion to the other Short-Term Rate will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes under section 103(a) of the Code.

B. During any Short-Term Rate Period or Medium-Term Rate Period, the Interest Rate Determination Method for the Bonds shall be converted, at the option of the Board, from a Short-Term Rate to a Medium-Term Rate, from any Rate to the Fixed Rate, from the Medium-Term Rate to a Short-Term Rate, or from the rate in effect during one Medium-Term Rate Period to the rate in effect during any other Medium-Term Rate Period, upon delivery by the Board to the Trustee, the Remarketing Agent, the Tender Agent, the Bank, and the Issuer:

(1) During any Short-Term Rate Period or Medium-Term Rate Period, not less than fourteen Business Days prior to the proposed Conversion Date, of (i) a notice (the "Conversion Notice"), which notice shall be deemed received upon telephone confirmation to the Board and the Remarketing Agent thereof by the Tender Agent, stating (A) that the Board has elected to convert the interest rate on the Bonds from a Short-Term Rate to a Medium-Term Rate, from any Rate to the Fixed Rate, from a Medium-Term Rate to a Short-Term Rate or, at the end of any Medium-Term Rate Period, from the rate in effect during such Medium-Term Rate Period to the rate in effect during the succeeding Medium-Term Rate Period, specifying the proposed Conversion Date, (B) if the Board has elected to convert the interest rate on the Bonds to a Fixed Rate, the redemption premiums, if any, determined by the Remarketing Agent pursuant to Section 5.02J and 3.02B and whether the Board has elected a mandatory sinking fund pursuant to Section 3.02D, and (C) if a Liquidity Facility is to be in effect during such Rate Period, the form and substance of such Liquidity Facility, and (ii) an Opinion of Counsel stating that the

proposed change of the Interest Rate Determination Method on the Bonds will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes under section 103(a) of the Code and that such change in the Interest Rate Determination Method is permitted under this Indenture; and

(2) by 10:00 a.m. New York City time, on the applicable Conversion Date, of a supplemental Opinion of Counsel stating that, under the laws existing on the applicable Conversion Date, the Rate to be in effect after such Conversion Date does not exceed the maximum rate permitted by applicable law and that the change in the Interest Rate Determination Method will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes under section 103(a) of the Code.

C. If the Conversion Notice is given during any Daily Rate Period, Weekly Rate Period, Monthly Rate Period, or Money Market Rate Period with respect to which the applicable Money Market Rate Index is based on money market instruments not having a fixed maturity and the interest rate on which may change at any time, the Conversion Date must occur on the first Business Day of the next calendar month which occurs at least fourteen Business Days after the Tender Agent receives the Conversion Notice. If the Conversion Notice is given during any Variable-Term Rate Period or Medium-Term Rate Period, the Conversion Date must occur on a Business Day no earlier than fourteen Business Days after notice thereof is received by the Tender Agent and on the expiration date of the Medium-Term Rate Period or of the last expiring Variable-Term Rate Period then in effect, as the case may be. If the Conversion Notice is given during any Quarterly Rate Period or Semi-Annual Rate Period, the Conversion Date must occur on the Interest Payment Date (or, if such date is not a Business Day, the next succeeding Business Day) occurring at least fourteen Business Days after notice thereof is received by the Tender Agent. If the Conversion Notice is given during any Money Market Rate Period during which the applicable Money Market Rate Index is based on money market instruments with a fixed maturity or the interest rate on which may be changed only on a fixed reset date, the Conversion Date must occur on the first Business Day of the calendar month following such maturity or reset date which occurs at least fourteen Business Days after the Tender Agent receives the Conversion Notice. No Conversion Date shall occur prior to the tenth Business Day following mailing by the Tender Agent of the notice referred to in subsection D below.

D. Upon receipt of a Conversion Notice from the Board, as soon as possible, but in any event not less than ten Business Days prior to the proposed Conversion Date, the Tender Agent shall give notice by first-class mail to the Bondholders, which notice shall state in substance:

(1) that the interest rate on the Bonds shall be converted to the specified Short-Term Rate, the Medium-Term Rate, or the Fixed Rate, as the case may be, on the applicable Conversion Date if the conditions specified in such notice are satisfied on or before such date;

(2) the applicable Conversion Date;

(3) that the Board has delivered to the Trustee an Opinion of Counsel and summarizing the matters covered in such Opinion;

(4) that the Interest Rate Determination Method for the Bonds shall not be converted unless the Board delivers to the Trustee on the applicable Conversion Date a supplemental Opinion of Counsel stating that under the laws existing on the Conversion Date the Rate to be in effect after the conversion does not exceed the maximum rate permitted under the Indenture and stating that the change in the Interest Rate Determination Method on the Bonds will not adversely affect the exclusion of the Interest on the Bonds from gross income for federal income tax purposes under section 103(a) of the Code; *provided, however,* that, if the Board fails to deliver such supplemental Opinion on such date, the Interest Rate Determination Method on the Bonds shall not be converted on the applicable Conversion Date, and all Bonds tendered (or deemed to have been tendered) for purchase shall not be purchased on the applicable Conversion Date as provided herein and all Bonds shall be deemed to have been tendered for purchase on the proposed Conversion Date as provided herein (whether or not Bondholders have elected to retain such Bonds in accordance with Section 6.01), and all Bonds shall be purchased on the proposed Conversion Date, and the Bonds shall continue to bear interest at the Interest Rate Determination Method in effect prior to the proposed Conversion Date;

(5) the applicable Optional Retention Notice Date and Optional Retention Date;

(6) that all Bonds (or portions thereof in Authorized Denominations) tendered (or deemed tendered) for purchase by the Holders thereof shall be purchased on the applicable Conversion Date at a purchase price equal to the Purchase Price;

(7) that, to the extent that there shall be on deposit with the Tender Agent on the applicable Conversion Date an amount of money sufficient to pay the Purchase Price thereof, all Bonds (or portions thereof in Authorized Denominations) not delivered to the Tender Agent on the applicable Optional Retention Date shall be deemed to have been properly tendered for purchase and shall cease to constitute or represent a right on behalf of the Holder thereof to the payment of principal or interest thereon and shall represent and constitute only the right to payment of the Purchase Price on deposit with the Tender Agent, without interest accruing thereon; *provided*, that Bonds (or portions thereof in Authorized Denominations) the Holder of which shall have elected to retain and not to tender in accordance with Section 6.01 of the Indenture shall not be deemed to have been tendered for purchase and shall constitute and continue to represent the right of the Holder thereof to payment of principal and interest, if any, thereon in accordance with the terms of such Bond;

(8) the new Interest Rate Determination Method to be in effect;

(9) the applicable Rate Index;

(10) that, if the new Interest Rate Determination Method is to be a Quarterly Rate or a Semi-Annual Rate, a Proposed Rate will be set by the Remarketing Agent on the applicable Proposed Rate Computation Date and the Rate set by the Remarketing Agent on the applicable Computation Date shall not be less than such Proposed Rate;

(11) that, if a Liquidity Facility is then in effect and, as a result of such conversion of the Interest Rate Determination Method on the Bonds, such Liquidity Facility will expire, the expiration date thereof, which shall not be earlier than the second Business Day following the Conversion Date related thereto;

(12) that, if the Bonds are then rated by a Rating Agency and a Liquidity Facility is then in effect and, as a result of such conversion, such Liquidity Facility will expire, the rating assigned to the Bonds by the Rating Agency then rating the Bonds may be lowered or eliminated as a result of the conversion to a new Rate;

(13) that, if the conversion is to the Fixed Rate, from and after the Conversion Date, the Bonds will no longer be subject to purchase as provided in Section 6.01, and if the conversion is to a Medium-Term Rate or a Variable-Term Rate, the Bonds will not be subject to tender at the election of a Holder until the expiration of the applicable Rate Period; and

(14) the name of the Tender Agent and the address of the principal office of the Tender Agent.

E. If the Board fails to deliver to the Trustee and the Tender Agent by 10:00 a.m. New York City time on the Effective Date or the Conversion Date, as the case may be, any supplemental Opinion of Counsel required by subsection A or B of this Section, respectively, the Interest Rate Determination Method for the Bonds shall not be converted to the other Short-Term Rate on the Effective Date or to the Short-Term Rate, Medium-Term Rate, or Fixed Rate on the Conversion Date, as the case may be, but all Bonds shall be deemed to have been tendered for purchase on the Effective Date or the Conversion Date, as the case may be (whether or not any Bondholder has elected to retain such Bonds in accordance with Section 6.01), and shall be purchased on the Effective Date or the Conversion Date, as the case may be, and the Bonds shall continue to bear interest at the Interest Rate Determination Method in effect prior to the proposed Effective Date or proposed Conversion Date; *provided, however,* that (i) the rate of interest which the Bonds will bear shall be determined on the proposed Effective Date or proposed Conversion Date, as the case may be, and (ii) if the Interest Rate Determination Method in effect prior to the proposed Effective Date or proposed Conversion Date is an Interest Rate Determination Method which requires the Remarketing Agent to set a Proposed Rate, for purposes of this Section 5.01E, such Proposed Rate shall not be applicable. In such event, the Issuer, the Board, the Trustee, and the Bondholders shall be restored (except as aforesaid) to their former positions and rights hereunder with respect to the Bonds, and all rights of the Issuer, the Trustee, and the Board hereunder shall continue as if no such

proceedings for the conversion of the interest rate on the Bonds had taken place. The Trustee shall immediately notify by telephone the Bank and the Remarketing Agent and the Tender Agent in the event the Bonds are not converted on the proposed Effective Date or proposed Conversion Date, as the case may be, as provided herein, and, upon receipt of such notice, the Tender Agent shall immediately notify the Issuer and the Bondholders by mail that the Interest Rate Determination Method on the Bonds has not been converted on the Effective Date or the Conversion Date, as the case may be, and that all Bonds are subject to mandatory purchase as provided hereunder.

F. Failure to mail the notice described in subsection A or D, or any defect therein, shall not affect the validity of any interest rate or change in the Interest Rate Determination Method on any of the Bonds or extend the period for tendering any of the Bonds for purchase, and the Tender Agent shall not be liable to any Bondholder by reason of its failure to mail such notice or any defect therein.

G. No conversion of the interest rate on the Bonds shall occur under this Section if at the time of such conversion an Event of Default shall have occurred hereunder and be continuing with respect to the Bonds.

H. If a Liquidity Facility is in effect at the beginning of a Medium-Term Rate Period, such Period must end at least two Business Days prior to stated expiration of the Liquidity Facility.

SECTION 5.02. *Determination of Interest Rates.*

The interest rate borne by the Bonds for any Rate Period shall be determined as follows:

A. *Daily Rate.* During any Daily Rate Period, the Bonds will bear interest at the Daily Rate. During the Daily Rate Period, the Daily Rate shall be determined by the Remarketing Agent by 12:30 p.m. New York City time on each Business Day and shall be the rate of interest which, if borne by the Bonds, would, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for revenue bonds or other securities the interest on which is excluded from gross income for federal income tax purposes of the same general nature as the Bonds or securities the interest on which is excluded from gross income for federal income tax purposes which are competitive as to credit and stated maturity (or period for tender) with the credit and Stated Maturity (or period for tender) of the Bonds, be the

interest rate necessary, but would not exceed the interest rate necessary, to enable the Remarketing Agent to place the Bonds at a price of par (plus accrued interest, if any) on such Business Day; *provided*, that, if for any reason the Daily Rate for any Business Day is not established as aforesaid by the Remarketing Agent, no Remarketing Agent shall be serving as such under the Indenture or the rate so established is held to be invalid or unenforceable with respect to any day, then the interest rate for such Business Day shall be 100% of the Daily Rate Index on the date such interest rate was (or would have been) determined as provided above. The Daily Rate for any non-Business Day will be the rate for the last Business Day on which a Daily Rate was set.

B. *Weekly Rate.* During any Weekly Rate Period the Bonds will bear interest at the Weekly Rate. During any Weekly Rate Period, the Remarketing Agent will set a Weekly Rate by 5:00 p.m. New York City time on each Tuesday (or the immediately preceding Business Day, if such Tuesday is not a Business Day) for the next Calendar Week; *provided*, that the Weekly Rate for the first Calendar Week (or portion thereof) following the Effective Date or Conversion Date resulting in a change in the Interest Rate Determination Method to a Weekly Rate shall be set by the Remarketing Agent on the Business Day immediately preceding such Effective Date or Conversion Date, as the case may be. Each Weekly Rate shall be the rate of interest which, if borne by the Bonds, would, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for revenue bonds or other securities the interest on which is excluded from gross income for federal income tax purposes of the same general nature as the Bonds or securities the interest on which is excluded from gross income for federal income tax purposes which are competitive as to credit and stated maturity (or period for tender) with the credit and Stated Maturity (or period for tender) of the Bonds, be the interest rate necessary, but would not exceed the interest rate necessary, to enable the Remarketing Agent to place the Bonds at a price of par (plus accrued interest, if any) on the first Business Day of such Calendar Week; *provided*, that, if for any reason the Weekly Rate for any Calendar Week is not established as aforesaid by the Remarketing Agent, no Remarketing Agent shall be serving as such under the Indenture or the rate so established is held to be invalid or unenforceable with respect to any Calendar Week, then the Weekly Rate for such Calendar Week shall be 100% of the Weekly Rate Index on the date such interest rate was (or would have been) determined as provided above.

C. *Liquidity Facility Rate.* Except as provided below, each Liquidity Facility Bond shall bear interest for each day it is a Liquidity Facility Bond at the Liquidity Facility Rate (as defined in this Indenture) for such day; provided, that except during any period when a Liquidity Facility Bond is bearing interest at the Maximum Interest Rate as a result of clause (ii) in the definition of "Liquidity Facility Rate," a Liquidity Facility Bond shall not continue to bear interest at the Liquidity Facility Rate if the Remarketing Agent has offered to remarket such Liquidity Facility Bond to another Person, and the Bank has elected to retain ownership of such Liquidity Facility Bond, where upon such Liquidity Facility Bond shall thereafter bear interest at the rate (determined in accordance with an Interest Rate Determination Method) offered to such other Person.

D. *Monthly Rate.* During any Monthly Rate Period the Bonds will bear interest at the Monthly Rate. During any Monthly Rate Period, the Remarketing Agent will set a Monthly Rate by 5:00 p.m. New York City time on the last Business Day of each calendar month for the next calendar month. Each Monthly Rate shall be the rate of interest which, if borne by the Bonds, would, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for revenue bonds or other securities the interest on which is excluded from gross income for federal income tax purposes of the same general nature as the Bonds or securities the interest on which is excluded from gross income for federal income tax purposes which are competitive as to credit and stated maturity (or period for tender) with the credit and Stated Maturity (or period for tender) of the Bonds, be the interest rate necessary, but would not exceed the interest rate necessary, to enable the Remarketing Agent to place the Bonds at a price of par (plus accrued interest, if any) on the first Business Day of such next calendar month; provided, that, if for any reason the Monthly Rate for any calendar month is not established as aforesaid by the Remarketing Agent, no Remarketing Agent shall be serving as such under the Indenture or the rate so established is held to be invalid or unenforceable with respect to any calendar month, then the Monthly Rate for such calendar month shall be 100% of the Monthly Rate Index on the date such interest rate was (or would have been) determined as provided above. In connection with any change in the Interest Rate Determination Method to a Monthly Rate, the Monthly Rate shall be determined as provided above on the last Business Day preceding the Effective Date of such change or the applicable Computation Date, as the case may be.

E. *Quarterly Rate.* During any Quarterly Rate

Period the Bonds will bear interest at the Quarterly Rate. In each Quarterly Rate Period, the Remarketing Agent will set the applicable Proposed Rate for the next three month period by 5:00 p.m. New York City time on the Proposed Rate Computation Date. Thereafter, the Remarketing Agent will set a Quarterly Rate for the next three month period by 5:00 p.m. New York City time on the applicable Computation Date; *provided, however*, that such Rate shall not be less than the Proposed Rate set by the Remarketing Agent on the preceding Proposed Rate Computation Date. Each Quarterly Rate shall be the rate of interest which, if borne by the Bonds, would, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for revenue bonds or other securities the interest on which is excluded from gross income for federal income tax purposes of the same general nature as the Bonds or securities the interest on which is excluded from gross income for federal income tax purposes which are competitive as to credit and stated maturity (or period for tender) with the credit and Stated Maturity (or period for tender) of the Bonds, be the interest rate necessary, but (subject to the foregoing proviso concerning the Proposed Rate) would not exceed the interest rate necessary, to enable the Remarketing Agent to place the Bonds at a price of par on the next succeeding Quarterly Interest Payment Date (or, if such day is not a Business Day, the next succeeding Business Day). If for any reason the Quarterly Rate or the Proposed Rate for any three-month period is not established as aforesaid by the Remarketing Agent, no Remarketing Agent shall be serving as such under the Indenture or the rate so established is held to be invalid or unenforceable with respect to any three-month period, then the Quarterly Rate for such three-month period shall be 100% of the Quarterly Rate Index on the date such interest rate was (or would have been) determined as provided above. In connection with any change in the Interest Rate Determination Method to a Quarterly Rate, the Proposed Rate shall be determined as provided above on the applicable Proposed Rate Computation Date and the initial Quarterly Rate shall be determined as provided above on the applicable Computation Date.

F. *Semi-Annual Rate.* During any Semi-Annual Rate Period, the Bonds will bear interest at the Semi-Annual Rate. In each Semi-Annual Rate Period, the Remarketing Agent will set the applicable Proposed Rate for the next six month period by 5:00 p.m. New York City time on the Proposed Rate Computation Date. Thereafter, the Remarketing Agent will set a Semi-Annual Rate for the next six month period by 5:00 p.m. New York City time on the applicable Computation Date; *provided, however*, that such Rate shall not be less than the Proposed Rate set by the Remarketing Agent on the preceding Proposed Rate

Computation Date. Each Semi-Annual Rate shall be the rate of interest which, if borne by the Bonds, would, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for revenue bonds or other securities the interest on which is excluded from gross income for federal income tax purposes of the same general nature as the Bonds or securities the interest on which is excluded from gross income for federal income tax purposes which are competitive as to credit and stated maturity (or period for tender) with the credit and Stated Maturity (or period for tender) of the Bonds, be the interest rate necessary, but (subject to the foregoing proviso concerning the Proposed Rate) would not exceed the interest rate necessary, to enable the Remarketing Agent to place the Bonds at a price of par on the next succeeding Semi-Annual Interest Payment Date (or, if such day is not a Business Day, the next succeeding Business Day). If for any reason the Semi-Annual Rate or the Proposed Rate for any six-month period is not established as aforesaid by the Remarketing Agent, no Remarketing Agent shall be serving as such under the Indenture or the rate so established is held to be invalid or unenforceable with respect to any six-month period, then the Semi-Annual Rate for such six-month period shall be 100% of the Semi-Annual Rate Index on the date such interest rate was (or would have been) determined as provided above. In connection with any change in the Interest Rate Determination Method to a Semi-Annual Rate, the Proposed Rate shall be determined as provided above and the applicable Proposed Rate Computation Date and the initial Semi-Annual Rate shall be determined as provided above on the applicable Computation Date.

G. *Money Market Rate.* During each Money Market Rate Period, the Bonds shall bear interest at the Money Market Rate. During any Money Market Rate Period, the Remarketing Agent will select the Money Market Rate Index and Money Market Percentage not later than 12:30 p.m. New York City time on the first day of each Money Market Rate Period. The Money Market Rate Index and the Money Market Percentage applicable to the Bonds will be selected by the Remarketing Agent with the intention of (i) yielding the lowest overall interest expense on the Bonds taking into account (A) general economic conditions and economic and market conditions relevant to the Bonds and (B) such other facts, circumstances and conditions as the Remarketing Agent determines to be relevant and (ii) yielding the minimum Money Market Rate which would be necessary for the Remarketing Agent to place all the Bonds with a single investor at a price of par (plus accrued interest, if any) on the first day of any Money Market Rate Period and, thereafter, on the applicable Optional Tender Date. If for any reason the Remarketing Agent fails to determine the Money Market Rate, no

Remarketing Agent shall be serving as such under the Indenture or the rate so established is held to be invalid or unenforceable, then the Money Market Rate shall be the Weekly Rate established pursuant to paragraph B above.

H. *Variable-Term Rate.* Each Bond will bear interest at the Variable-Term Rate applicable to it during the applicable Variable-Term Rate Period. The Remarketing Agent will set the Variable-Term Rate for each Bond not later than 12:30 p.m. New York City time on the first day of each Variable-Term Rate Period for such Bond. The Variable-Term Rate applicable to each Bond bearing interest at the Variable-Term Rate will be the rate determined by the Remarketing Agent to be the minimum interest rate which would be necessary for the Remarketing Agent to place such Bond on the first day of the applicable Variable-Term Rate Period at a price of par. If the Interest Rate Determination Method is being converted from a Variable-Term Rate to a new Interest Rate Determination Method, the Remarketing Agent shall determine Variable-Term Rate Periods in such manner that, as soon as possible, all Variable-Term Rate Periods shall end on the same date, not less than fourteen days following delivery to the Tender Agent of the notice required by the next succeeding sentence, which date shall be the last day of the then-current Variable-Term Rate Period having the latest termination date and, upon the establishment of such Variable-Term Rate Periods, the day next succeeding the last day of all such Variable-Term Rate Periods shall be the effective date of the new Rate Period. The Remarketing Agent, promptly upon the determination of the last day of such Variable-Term Rate Periods prior to conversion to a new Interest Rate Determination Method, shall give written notice of such last day and such Effective Date or Conversion Date, as the case may be, to the Issuer, the Board, the Tender Agent, the Trustee, and the Bank.

I. *Medium-Term Rate.* During any Medium-Term Rate Period, the Bonds shall bear interest at the Medium-Term Rate. The Medium-Term Rate shall be determined by the Remarketing Agent on the applicable Computation Date as follows:

(1) The interest rate to be borne by all of the Bonds outstanding under the Indenture from the applicable Conversion Date to the last day of the applicable Medium-Term Rate Period shall be the rate determined by the Remarketing Agent on the applicable Computation Date to be the rate which, if borne by the Bonds, would, in the judgment of the Remarketing Agent having due regard for prevailing market conditions for revenue bonds or other securities the interest on

which is excluded from gross income for federal income tax purposes and which are comparable to the Bonds, be the interest rate necessary, but would not exceed the interest rate necessary to enable the Remarketing Agent to place the Bonds tendered (or deemed to have been tendered) for purchase at a price of par on the applicable Conversion Date.

(2) If for any reason the applicable rate is not established as aforesaid by the Remarketing Agent, no Remarketing Agent shall be serving as such under the Indenture or the rate so established is held to be invalid or unenforceable, the interest rate to be borne by all Bonds outstanding under the Indenture from the applicable Conversion Date to the last day of the applicable Medium-Term Rate Period shall be equal to 100% of the Medium-Term Rate Index as of the applicable Computation Date.

J. Fixed Rate. The Bonds shall bear interest at the Fixed Rate during the Fixed Rate Period. The Fixed Rate shall be determined by the Remarketing Agent on the applicable Computation Date as follows:

(1) The interest rate to be borne by all of the Bonds outstanding under the Indenture from the Fixed Rate Conversion Date to the date of payment in full of the Bonds shall be the rate determined by the Remarketing Agent on the applicable Computation Date to be the rate which, if borne by the Bonds, would, in the judgment of the Remarketing Agent having due regard for prevailing market conditions for revenue bonds or other securities the interest on which is excluded from gross income for federal income tax purposes and which are comparable to the Bonds, be the interest rate necessary, but would not exceed the interest rate necessary to enable the Remarketing Agent to place the Bonds tendered (or deemed to have been tendered) for purchase at a price of par on the Fixed Rate Conversion Date.

(2) If for any reason the applicable rate is not established as aforesaid by the Remarketing Agent, no Remarketing Agent shall be serving as such under the Indenture or the rate so established is held to be invalid or unenforceable, the interest rate to be borne by the all Bonds outstanding under the Indenture from the Fixed Rate Conversion Date to the date of payment in full of the Bonds shall be equal to 100% of the Fixed Rate Index as of the Computation Date.

In determining the Fixed Rate, the Remarketing Agent shall also determine the Computation Date such redemption premiums for the optional redemption of the Bonds on such date during the Fixed Rate Period as are in its best professional judgment consistent with then current market conditions.

SECTION 5.03. *Notice of Interest Rates and Interest Rate Determination Method.*

The Remarketing Agent shall give notice to the Trustee, the Tender Agent, the Bank, the Liquidity Confirmer, the Issuer, and the Board of any Proposed Rate established by the Remarketing Agent with respect to any Quarterly Rate or Semi-Annual Rate and of any change in the Money Market Rate as a result of a change in the rate of interest pursuant to the Money Market Rate Index then in effect during a Money Market Rate Period, and the Remarketing Agent shall announce at its principal office such Proposed Rate on the applicable Proposed Rate Computation Date or the then applicable Money Market Rate on the date of such change, as the case may be. Any Bondholder may obtain a Proposed Rate on or after the applicable Proposed Rate Computation Date and prior to the related Computation Date and may obtain the current Money Market Rate upon request to the Tender Agent at its principal office. Promptly following the determination of any Rate, the Remarketing Agent shall give notice thereof to the Issuer, the Board, the Bank, the Liquidity Confirmer, the Trustee, and the Tender Agent. Promptly upon receipt of notice from the Remarketing Agent of any Quarterly Rate, Semi-Annual Rate, Medium-Term rate, or Fixed Rate, the Tender Agent shall give each Bondholder notice of the new Rate.

SECTION 5.04. *Effect of Determinations.*

Each determination of an Interest Rate Determination Method and an Interest Period made pursuant to *Section 5.01*, and each determination of a Rate made pursuant to *Section 5.02* shall be conclusive and binding upon the Issuer, the Trustee, the Board, the Bank, the Liquidity Confirmer, and the Bondholders, and neither the Board nor the Remarketing Agent shall have any liability to any such Person for any such determination, whether due to any error in judgment, failure to consider any information, opinion, or other resource, or otherwise.

In determining each Interest Rate Determination Method and Interest Period pursuant to *Section 5.01*, and each Rate pursuant to *Section 5.02*, the Remarketing Agent shall act as agent of the Issuer, but all such determinations shall be made in strict compliance with the provisions of such Sections,

and the Trustee shall not be liable for any negligence on the part of the Remarketing Agent in so acting as the Issuer's Agent.

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THESE TERMS AND CONDITIONS SHALL APPLY TO ALL REMARKETING AGENTS AND TO ALL REMARKETING AGENTS WHOSE TERMS AND CONDITIONS ARE INCONSISTENT WITH THESE TERMS AND CONDITIONS.

ARTICLE SIX

PURCHASE OF BONDS

SECTION 6.01. *Tender of Bonds for Purchase.*

A. During any Daily Rate Period, the Holders of the Bonds shall have the right to tender any Bond (or portion thereof in an Authorized Denomination) to the Tender Agent for purchase on any Optional Tender Date, but only upon:

(1) giving or delivery to the Remarketing Agent at its principal office by 11:00 a.m., New York City time, on such Optional Tender Date of an irrevocable telephonic, facsimile, or telegraphic notice which states (i) the aggregate principal amount of each Bond to be purchased and (ii) that such Bond (or portion thereof in an Authorized Denomination) shall be tendered for purchase on such Optional Tender Date pursuant to this Indenture; and

(2) the delivery of such Bond (with an appropriate instrument of transfer duly executed in blank) to the Tender Agent at its principal office at or prior to 1:00 p.m., New York City time, on such Optional Tender Date; *provided, however,* that no Bond (or portion thereof in an Authorized Denomination) shall be purchased unless such Bond so delivered to the Tender Agent shall conform in all respects to the description thereof in the aforesaid notice.

Any election of a Bondholder to tender a Bond (or portion thereof as aforesaid) for purchase on the Optional Tender Date in accordance with this *subsection A* shall be irrevocable and shall be binding on the Bondholder making such election and on any transferee of such Bondholder.

B. During any Weekly Rate Period, the Holders of the Bonds shall have the right to tender any Bond (or portion thereof in an Authorized Denomination) to the Tender Agent for purchase on any Optional Tender Date, but only upon:

(1) giving or delivery to the Remarketing Agent at its principal office, not earlier than the seventh calendar day prior to the Optional Tender Date, and not later than 5:00 p.m., New York City time, on the Business Day next preceding such Optional Tender Date, of an irrevocable telephonic, facsimile, or telegraphic notice which states (i) the aggregate principal amount of each Bond to be purchased and (ii) that such Bond (or

portion thereof in an Authorized Denomination) shall be tendered for purchase on such Optional Tender Date pursuant to this Indenture; and

(2) delivery of such Bond (with an appropriate instrument of transfer duly executed in blank) to the Tender Agent at its principal office at or prior to 1:00 p.m., New York City time, on such Optional Tender Date; *provided, however,* that no Bond (or portion thereof in an Authorized Denomination) shall be purchased unless the Bond so delivered to the Tender Agent shall conform in all respects to the description thereof in the aforesaid notice.

Any election of a Bondholder to tender a Bond (or portion thereof as aforesaid) for purchase on the Optional Tender Date in accordance with this subsection B shall be irrevocable and shall be binding on the Bondholder making such election and on any transferee of such Bondholder.

C. During any Monthly Rate Period, Quarterly Rate Period, or Semi-Annual Rate Period, the Holders of the Bonds shall have the right to tender any Bond (or portion thereof in an Authorized Denomination) to the Tender Agent for purchase on any Optional Tender Date, but only upon:

(1) giving or delivery to the Remarketing Agent at its principal office, not earlier than the eighth Business Day and not later than the fifth Business Day next preceding such Optional Tender Date of an irrevocable telephonic, facsimile, or telegraphic notice which states (i) the aggregate principal amount of each Bond to be purchased and (ii) that such Bond (or portion thereof in an Authorized Denomination) shall be tendered for purchase on such Optional Tender Date pursuant to this Indenture; and

(2) delivery of such Bond (with an appropriate instrument of transfer duly executed in blank) to the Tender Agent at its principal office at or prior to 1:00 p.m., New York City time, on such Optional Tender Date; *provided, however,* that no Bond (or portion thereof in an Authorized Denomination) shall be purchased unless such Bond so delivered to the Tender Agent shall conform in all respects to the description thereof in the aforesaid notice.

Any election of a Bondholder to tender a Bond (or portion thereof as aforesaid) for purchase on the Optional Tender Date in accordance with this subsection C shall be

irrevocable and shall be binding on the Bondholder making such election and on any transferee of such Bondholder.

D. During any Money Market Rate Period, the Holder of the Bonds shall have the right to tender all but not less than all Bonds to the Tender Agent for purchase on any Optional Tender Date, but only upon:

(1) giving or delivery to the Remarketing Agent at its principal office, not earlier than the eighth Business Day and not later than the fifth Business Day prior to the Optional Tender Date selected by the Bondholder, of an irrevocable telephonic, facsimile, or telegraphic notice which states that all Bonds shall be tendered for purchase on the Optional Tender Date designated in such notice pursuant to this Indenture; and

(2) delivery of all Bonds (with an appropriate instrument of transfer duly executed in blank) to the Tender Agent at its principal office at or prior to 1:00 p.m., New York City time, on the Optional Tender Date; *provided, however,* that no Bond shall be purchased unless all Bonds so delivered to the Tender Agent shall conform in all respects to the description thereof in the aforesaid notice.

Any election of a Bondholder to tender the Bonds for purchase on the Optional Tender Date in accordance with this *subsection D* shall be irrevocable and shall be binding on the Bondholder making such election and on any transferee of such Bondholder.

E. The Remarketing Agent shall give the Trustee, the Board, the Tender Agent, the Bank, and the Liquidity Confirmer prompt notice by telephone, confirmed in writing, of the receipt of any notice in accordance with *clause (1)* of *subsection A, B, C, or D* above.

F. During any Quarterly Rate Period or Semi-Annual Rate Period, the Tender Agent shall give notice by mail to Bondholders not more than thirty or less than fifteen days prior to each Optional Tender Date, which notice shall state in substance: (i) the next Optional Tender Date; (ii) the next Proposed Rate Computation Date related thereto; (iii) that the Proposed Rate may be obtained at the principal office of the Remarketing Agent on or after the Proposed Rate Computation Date, and (iv) that the Bonds are subject to tender at the option of the Holder thereof in the manner set forth in *subsection C* of this Section.

G. (1) Each Holder is required to tender the Bonds owned by such Holder for purchase (subject to the right of any Holder pursuant to clause (2) or (3) below) as provided in this subsection as follows:

(i) on the Effective Date of a change in the Interest Rate Determination Method to a Monthly Rate, Variable-Term Rate, Quarterly Rate, or Semi-Annual Rate;

(ii) after a change in the Interest Rate Determination Method to a Variable-Term Rate, with respect to each Bond, on the first day of each succeeding Variable-Term Rate Period applicable to such Bond; and

(iii) on each Conversion Date other than a Conversion Date relating to conversion of the Interest Rate Determination Method to a Money Market Rate.

(2) Any Holder of Bonds desiring to retain such Bonds following an event referred to in clause (i) or (ii) above must notify the Remarketing Agent and the Tender Agent at their respective principal offices by irrevocable written, facsimile, or telegraphic notice (which, in the case of facsimile or telegraphic notice, shall be promptly confirmed in writing) received no later than the close of business on the applicable Optional Retention Notice Date substantially in the Form of Exhibit A to the form of Bond, appropriately completed.

(3) Any Holder desiring to retain Bonds after any Conversion Date (other than a Conversion Date relating to conversion of the Interest Rate Determination Method to a Money Market Rate) must notify the Remarketing Agent and the Tender Agent at their respective principal offices in writing received not later than the applicable Optional Retention Notice Date substantially in the form of Exhibit B to the form of Bond, appropriately completed.

Holders of Bonds who have given notice of their desire to continue to hold Bonds after any Fixed Rate Conversion Date or Conversion Date relating to conversion to a Medium-Term Rate as provided above may deliver said Bonds to the Tender Agent, and, upon such delivery, such Bonds may be exchanged for replacement Bonds.

H. If a Liquidity Facility is in effect, each Holder is required to tender the Bonds owned by such Holder for purchase unless the Holder elects to retain the Bonds pursuant to this subsection as hereinafter provided:

(1) (a) with respect to all Bonds, in the event the Bonds are then rated by a Rating Agency, (i) the Board fails to deliver to the Trustee not more than sixty nor less than twenty-five days prior to the effective date of an alternate Liquidity Facility (including, without limitation, any Liquidity Facility issued as contemplated by *clause (c)* below) a letter from any Rating Agency then rating the Bonds, stating that such Rating Agency has reviewed the terms of the alternate Liquidity Facility and the issuer of the same and that issuance of the alternate Liquidity Facility for the benefit of the Bondholders will not result in a lowering or elimination of the rating then assigned by such Rating Agency to the Bonds, or (ii) the Board delivers such letter but prior to the effective date of the alternate Liquidity Facility such Rating Agency revokes such letter;

(b) with respect to all Bonds, in the event the Bonds are not then rated, the Board fails to deliver to the Trustee not more than sixty nor less than twenty-five days prior to the effective date of an alternate Liquidity Facility (including without limitation any alternate Liquidity Facility issued as contemplated in *clause (c)* below) written evidence that the issuer of such alternate Liquidity Facility is a commercial bank or insurance company organized and doing business in the United States of America or a branch or agency or a foreign commercial bank located and doing business in the United States of America and subject to regulation by state or federal banking regulatory authorities and which has, as of the date sixty days prior to the effective date of such alternate Liquidity Facility, (i) senior debt rated by a Rating Agency with a rating at least equivalent to the senior debt of the Bank of the Liquidity Facility then in effect or (ii) outstanding letters of credit, insurance policies, surety bonds, or other similar instruments or devices which, when supporting debt obligations, result in such debt obligations being rated by a Rating Agency with a rating at least the equivalent of the ratings assigned to debt obligations supported with letters of credit, insurance policies, surety bonds or other similar instruments or devices issued by the Bank on such date;

(c) with respect to all Bonds, if at least twenty-five days prior to the stated expiration date of the Liquidity Facility then in effect, (i) the Liquidity Facility has not been renewed or extended for a period of at least one year beyond such expiration date and commencing on or prior to such expiration date and ending at least fifteen days after a Semi-Annual Interest Payment Date or (ii) the Board has not caused to be delivered to the Trustee an alternate Liquidity Facility with a term of at least one year beyond the Liquidity Facility then in effect, commencing on or prior to such expiration date and ending at least fifteen days after a Semi-Annual Interest Payment Date;

(d) with respect to Liquidity Facility Bonds, if on the Business Day preceding the last day of the Purchase Period (as defined in the initial Liquidity Facility, but calculated without regard to clause (ii) or (iii) of the definition of that term) any Bonds are Liquidity Facility Bonds; or

(e) with respect to all Bonds, if the Trustee receives telephonic notice (which is to be promptly confirmed in writing) from the Bank that an Event of Default (as defined in the Liquidity Facility) has occurred and is continuing,

then in any such case, the Holders of the Bonds shall tender all Bonds (with appropriate instruments of transfer duly executed in blank) to the Tender Agent at its principal office on the applicable Optional Retention Notice Date for purchase on the applicable Mandatory Purchase Date at the Purchase Price due on the Mandatory Purchase Date.

(2) Upon the Bonds becoming subject to mandatory tender for purchase as provided in *clause (1)* above, the Trustee shall within five days in the case of *clause (1) (a) (i)* or *(b)* above, or as soon as possible in the case of *clause (1) (a) (ii)* above, or immediately in the case of *clause (1) (c)*, *(d)*, or *(e)* above, give telephonic notice first to the Bank, and then to the Remarketing Agent and the Tender Agent. Upon receipt of such notice from the Trustee, the Tender Agent shall immediately give notice by mail with respect to *clause (1) (a)* or *(b)* and by telephone in the case of *clause (1) (c)*, *(d)*, and *(e)* to the Bondholders, which notice shall state in substance:

(i) the name of the issuer of the alternate Liquidity Facility, if any, and the effective date thereof;

(ii) the applicable Optional Retention Notice Date and Optional Retention Date;

(iii) the Mandatory Purchase Date, which, in the case of *clause (1) (a)* or *(1) (b)* above shall be the effective date of the alternate Liquidity Facility, and, in the case of *clause (1) (c)*, *(d)*, or *(e)* above shall be 12:30 p.m. New York City time on such date;

(iv) in the case of *clause (1) (a)* above, that, in connection with the issuance of the alternate Liquidity Facility, the Trustee has not received a letter from the Rating Agency then rating the Bonds stating that such Rating Agency has reviewed the terms of the alternate Liquidity Facility, if any, and the issuer thereof and that issuance of the alternate Liquidity Facility, if any, for the benefit of the Bondholders will not result in a lowering or elimination of the rating then assigned by such Rating Agency to the Bonds or that the Trustee has received such letter but such Rating Agency has subsequently revoked such letter;

(v) in the case of *clause (1) (c)*, *(d)*, or *(e)* above, that the Purchase Price will be paid solely from remarketing proceeds or by the Board and not by the Bank pursuant to the Liquidity Facility;

(vi) if the Bonds are then rated, that the rating assigned to the Bonds by the Rating Agency rating the Bonds may be lowered or eliminated as a result of the issuance of the alternate Liquidity Facility, in the case of *clause (1) (a)* above, or as a result of the expiration or termination of the Liquidity Facility, in the case of *clause (1) (c)* above; or in the case of *clause (1) (b)* above, that the alternate Liquidity Facility will not be issued by an institution which fulfills the criteria set forth in *clause (1) (b)* above;

(vii) that all Bonds (or portions thereof in Authorized Denominations) tendered (or deemed

tendered) shall be purchased on the Mandatory Purchase Date at the applicable Purchase Price;

(viii) that, to the extent that there shall be on deposit with the Tender Agent on or before the Mandatory Purchase Date an amount of money sufficient to pay the Purchase Price thereof, all Bonds (or portions thereof in Authorized Denominations) not delivered to the Tender Agent on the Optional Retention Date shall be deemed to have been properly tendered for purchase and shall cease to constitute or represent a right of the Holder thereof to the payment of principal or interest thereon and shall represent and constitute only the right to payment of the Purchase Price on deposit with the Tender Agent, without interest accruing thereon; *provided*, that any Bond (or portion thereof in an Authorized Denomination) the Holder of which shall have elected to retain and not to tender in accordance with *clause* (4) below shall not be deemed to have been tendered for purchase and shall constitute and continue to represent the right of the owner thereof to payment of principal and interest, if any, thereon in accordance with the terms of such Bond; and

(ix) the name of the Tender Agent and the address of the principal office of the Tender Agent.

(3) Failure by the Tender Agent to mail or convey by telephone the notice described in *clause* (2) above or any defect therein, shall not extend the period for tendering any of the Bonds for purchase, and the Tender Agent shall not be liable to any Bondholder by reason of its failure to mail such notice or any defect therein.

(4) The Bonds shall be tendered for purchase as provided in this subsection *H*, except for any Bond (or portion thereof in an Authorized Denomination) the Holder of which shall deliver to the Tender Agent at its principal office not later than the applicable Optional Retention Notice Date a written notice, or telephonic notice, confirmed in writing, substantially in the form of *Exhibit C* to the form of Bond, appropriately completed.

I. Any election by a Bondholder on any Optional Retention Notice Date to retain any Bond (or portion thereof in an Authorized Denomination) and not to tender such Bond (or portion thereof in an Authorized Denomination) for purchase on any Optional Retention Date in accordance with *subsection G* or *H* hereof shall be irrevocable and shall be binding on the Bondholder making such election and on any transferee of such Bondholder. If a Bondholder fails to give notice to such an election with respect to any Bond (or portion thereof in an Authorized Denomination) on the applicable Optional Retention Notice Date and thereafter fails to deliver such Bond to the Tender Agent on or before the applicable Optional Retention Date, such Bond (or portion thereof in an Authorized Denomination) which is not delivered to the Tender Agent shall be deemed to have been properly tendered to the Tender Agent (such Bond, together with any Bond referred to in *subsection J* hereof which is not delivered on the related Money Market Rate Tender Date, proposed Effective Date, or proposed Conversion Date, being hereinafter referred to as an "Untendered Bond") and, to the extent that there shall be on deposit with the Tender Agent on the date purchase thereof is required as provided herein, an amount sufficient to pay the Purchase Price thereof, such Untendered Bond shall cease to constitute or represent a right to payment of principal or interest thereon and shall constitute and represent only the right to the payment of the Purchase Price payable on such date. The foregoing shall not limit the entitlement of any Bondholder on any Record Date to receipt of interest, if any, due on any date purchase of a Bond or Bonds is required herein. The Tender Agent will inform the Remarketing Agent by telephone on the applicable Optional Retention Notice Date of the principal amount of Bonds which will be tendered or deemed to have been tendered on the applicable Optional Retention Date.

J. (1) Each Holder is required to tender the Bonds owned by such Holder for purchase on the Money Market Rate Tender Date. If any Bondholder fails to deliver any Bond owned by it to the Tender Agent on or before the Money Market Rate Tender Date, such Untendered Bond shall be deemed to have been properly tendered and, to the extent that there shall be on deposit with the Tender Agent on the Money Market Rate Tender Date an amount sufficient to pay the Purchase Price thereof, such Untendered Bond shall cease to constitute or represent a right to payment of principal or interest thereon and shall constitute and represent only the right to payment of the Purchase Price payable on the Money Market Rate Tender Date. The foregoing shall not limit the entitlement of any Bondholder on any Record Date to receipt of interest, if any, due on such Money Market Rate Tender Date.

(2) All Bonds are subject to mandatory tender and purchase on the proposed Effective Date or proposed Conversion Date, as the case may be, under the circumstances contemplated by Section 5.01E. If a Bondholder fails to deliver any Bond owned by it to the Tender Agent on such proposed Effective Date or proposed Conversion Date, such Untendered Bond shall be deemed to have been properly tendered and, to the extent that there shall be on deposit with the Tender Agent on such proposed Effective Date or proposed Conversion Date, an amount sufficient to pay the Purchase Price thereof, such Untendered Bond shall cease to constitute or represent a right to payment of principal or interest thereon and shall constitute and represent only the right to payment of the Purchase Price payable on such proposed Effective Date or proposed Conversion Date. The foregoing shall not limit the entitlement of any Bondholder on any Record Date to receipt of interest, if any, due on such proposed Effective Date or proposed Conversion Date unless such interest is paid as part of the Purchase Price.

K. On each Optional Tender Date, Conversion Date, Mandatory Purchase Date, Optional Retention Date (other than an Optional Retention Date occurring in connection with a Conversion Date or a Mandatory Purchase Date), and the Money Market Rate Tender Date (or, under the circumstances contemplated by Section 5.01E, the proposed Effective Date or the proposed Conversion Date, as the case may be), there shall be purchased (but solely from funds received by the Tender Agent in accordance with the terms hereof) the Bonds (or portions thereof in Authorized Denominations) tendered (or deemed to have been tendered) to the Tender Agent for purchase in accordance with this Section at the applicable Purchase Price. Funds for the payment of the Purchase Price of such Bonds (or portions thereof in Authorized Denominations) shall be paid by the Tender Agent solely from the following sources and in the following order of priority:

(1) proceeds of the placement of such Bond or Bonds (or portions thereof in Authorized Denominations) pursuant to Section 6.02;

(2) money furnished by or on behalf of the Board for purchase of Bonds; and

(3) money paid under any Liquidity Facility.

Bonds (or portions thereof in Authorized Denominations) purchased as provided above shall be delivered as provided in Section 6.03.

SECTION 6.02. *Placement of Bonds.*

A. Upon receipt of any notice given pursuant to Section 5.01E or Section 6.01 that any Bonds will be or are required to be tendered for purchase in accordance with Section 6.01, the Remarketing Agent shall use its best efforts to place such Bonds (or portions thereof in Authorized Denominations) on any Optional Tender Date, Conversion Date, Reset Date, Money Market Rate Tender Date, Mandatory Purchase Date, or Optional Retention Date (other than an Optional Retention Date occurring in connection with a Conversion Date or a Mandatory Purchase Date) (or, under the circumstances contemplated by Section 5.01E, the proposed Effective Date or the proposed Conversion Date, as the case may be) at the Purchase Price. By 12:30 p.m. New York City time on each Optional Tender Date, Conversion Date (other than a Fixed Rate Conversion Date), Money Market Rate Tender Date, Mandatory Purchase Date, and Optional Retention Date (other than an Optional Retention Date occurring in connection with a Conversion Date or a Mandatory Purchase Date) (or, under the circumstances contemplated by Section 5.01E, the proposed Effective Date or the proposed Conversion Date, as the case may be), and 2:00 p.m. New York City time on the Business Day prior to the Fixed Rate Conversion Date, the Remarketing Agent shall give notice by telephone of the principal amount of such Bonds (or portions thereof in Authorized Denominations) for which it has arranged a placement (and such other particulars with respect thereto as the Trustee or the Tender Agent deem necessary), along with the principal amount of Bonds, if any, for which it has not arranged placement, to the Trustee, the Tender Agent, the Bank, if any, and the Board, and, by 2:30 p.m. New York City time on each such Date, shall transfer to the Tender Agent the proceeds of the placement of such Bonds.

B. During any Money Market Rate Period, the Remarketing Agent shall place all Bonds with only one Bondholder.

C. The Remarketing Agent shall not be required to place any Bonds pursuant to this Section if it has actual knowledge that an Event of Default (other than a Non-Payment Event of Default pursuant to the Agreement) shall have occurred and be continuing hereunder with respect to the Bonds.

SECTION 6.03. Delivery of Purchased Bonds.

Bonds (or portions thereof in Authorized Denominations) purchased pursuant to Section 6.01 shall be delivered to the Tender Agent for cancellation by the Paying Agent and issuance by the Paying Agent of replacement Bonds which shall be delivered:

A. to the purchasers thereof, with respect to the Bonds (or portions thereof in Authorized Denominations) purchased with money described in *clause (1)* of Section 6.01 K;

B. to the Board, with respect to Bonds (or portions thereof in Authorized Denominations) purchased by the Board; and

C. to the Bank, with respect to Bonds (or portions thereof in Authorized Denominations) purchased by the Bank.

SECTION 6.04. Disposition of Tendered Bonds; Notice.

A. *Purchasers of Tendered Bonds.* Bonds tendered or deemed tendered pursuant to Section 6.01, the Purchase Price for which has been paid pursuant to Section 6.01K (1), shall have been purchased

(1) by the Persons to whom Bonds have been remarketed to the extent the Purchase Price for which has been paid pursuant to Section 6.01K (1),

(2) by the Board to the extent the Purchase Price for which has been paid pursuant to Section 6.01 K (2), and

(3) by the Bank or the Liquidity Confirmer, as applicable, to the extent the Purchase Price therefor is paid from amounts paid under the Liquidity Facility or the Liquidity Confirmation pursuant to Section 6.01K (3), if either (a) the Liquidity Facility or the Liquidity Confirmation, as the case may be, obligates the Bank or the Liquidity Confirmer, as applicable, to purchase Bonds tendered pursuant to Section 6.01.

B. *Tendered Bonds to be Held in Trust.* The Tender Agent shall hold all Bonds delivered to it hereunder in trust solely for the benefit of the respective Bondholders which have so delivered such Bonds until money representing the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such Bondholders and disposed of pursuant to the instructions thereof.

C. *Agency; No Extinguishment of Debt.* In carrying out their respective responsibilities under this Article, the Trustee, by itself or through its agents, and the Tender Agent shall be acting solely as the agent of the Holders from time to time of the Bonds tendered or deemed tendered pursuant to Section 6.01 and of the Persons purchasing the same pursuant to Sections 6.02 and 6.04A, respectively. No delivery of Bonds to the Tender Agent pursuant to this Article shall constitute a redemption of Bonds or other extinguishment of the debt evidenced thereby.

SECTION 6.05 *Untendered Bonds.*

Any Bond (or portion thereof)

(1) for which notice of optional tender thereof on any Purchase Date is given in accordance with Section 6.01, but which is not tendered for purchase by 12:30 p.m., New York City time, on such Purchase Date, or

(2) which is required to be but which is not tendered for purchase upon mandatory tender by the specified time on the Purchase Date specified in Section 6.01 and for which the Trustee has not timely received the notice described in Exhibits A, B, or C of the Bond

(such Bonds or portions herein referred to as "*Untendered Bonds*") shall, upon deposit in the Purchase Fund of an amount sufficient to pay the Purchase Price of such Bond on such Purchase Date, be deemed to have been tendered and sold on such Purchase Date to the Person specified in Section 6.04, and thereafter (a) the Holder thereof shall not be entitled to any payment (including any interest accrued subsequent to such Purchase Date) in respect thereof other than the Purchase Price for such Bond, and such Untendered Bond shall no longer be entitled to the benefit of this Indenture, *except* for the purpose of payment of the Purchase Price therefor, and (b) the Issuer shall execute, and the Trustee, the Bond Registrar, or the Authenticating Agent shall authenticate and deliver, in the name of the Person specified in Section 6.04, one or more new Bonds of any Authorized Denomination of a like aggregate principal amount.

The form of Notice of Demand Privilege and Mandatory Tender appearing on each Bond as to which such provisions apply shall contain a statement to the effect that, and it is hereby provided that, in the event a Bond as to which notice of optional tender has been given is not presented and endorsed on

the Purchase Date specified in such notice at the office of the Tender Agent as described above, the Holder of such Bond shall be liable for all damages, if any, of the Issuer, the Board, the Remarketing Agent, the Tender Agent, the Trustee, and the Bank caused by the failure to so present such Bond.

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... to the benefit of ...

ARTICLE SEVEN

FUNDS

SECTION 7.01. *Bond Fund.*

A. *Creation in Trust.* There is hereby created by the Issuer and established with the Trustee the special fund of the Issuer designated its "Multi-Modal Interchangeable Rate Revenue Bonds (The University of Texas at Austin Semiconductor Manufacturing Laboratory Project) Series 1988 Bond Fund" (herein referred to as the "*Bond Fund*"). The money deposited to the Bond Fund, together with all investments thereof and investment income therefrom, shall be held in trust and applied solely as provided in this Section and *Section 9.05.*

B. *Deposits.* The Trustee shall deposit to the credit of the Bond Fund immediately upon receipt all Installment Sale Payments made by the Board to the Trustee for the account of the Issuer and any other amounts delivered to the Trustee specifically for deposit thereto.

C. *Application.* The Trustee shall, *subject* to the provisions of this Subdivision, apply the money in the Bond Fund to set aside or deposit in trust with the Paying Agents on each Interest Payment Date and on each Maturity of Bonds sufficient money

(1) to pay the interest on the Bonds then coming due, whether by reason of the Stated Maturity of such interest or call for redemption, and

(2) to pay the principal of (and premium, if any, on) the Bonds then coming due, whether by reason of the Stated Maturity thereof or call for redemption,

first, in respect of Outstanding Secured Bonds other than Bonds registered in the name of the Board or the Issuer, and, *second*, in respect of Outstanding Secured Bonds so registered.

On each Interest Payment Date and each Maturity of Bonds, any balance remaining in the Bond Fund after the requirements of *clauses C(1) and C(2)* of this Section have been satisfied shall be paid or transferred, to or on the order of the Board as a rebate of Installment Sale Payments made pursuant to the Agreement.

SECTION 7.02. *Proceeds Fund.*

A. *Creation in Trust.* There is hereby established with the Trustee, for the benefit of the Board, a special fund designated the "Travis County Research and Development Authority Multi-Modal Interchangeable Rate Revenue Bonds (The University of Texas at Austin Semiconductor Manufacturing Laboratory Project) Series 1988 Proceeds Fund" (herein referred to as the "*Proceeds Fund*") shall be held in trust and applied solely as provided in this Section and Section 9.05.

B. *Deposits.* The Trustee shall deposit to the credit of the Proceeds Fund (1) all cash received by the Trustee in respect of authentication and delivery of the initial Bonds hereunder pursuant to Section 3.03 and (2) all other amounts paid to the Trustee by the Board specifically for deposit to the credit of the Proceeds Fund.

C. *Application.* The Trustee shall, not more frequently than on a monthly basis, withdraw from the Proceeds Fund and disburse, upon Board Order and upon receipt of the Officer's Certificate described in the following paragraph, the amount specified in such Officer's Certificate to pay, or to reimburse the Board for, Costs of any Project.

Each Board Order for the withdrawal and disbursement of money from the Proceeds Fund shall be accompanied by an Officer's Certificate of the Board in the form of Exhibit B attached hereto, dated not more than 10 days prior to the date of such Board Order, stating:

(1) the amount to be withdrawn and disbursed; and

(2) that the Board has incurred Costs of a Project at least equal to the amount requested to be withdrawn and that no such Costs are the basis for any other Board Order which has previously been honored or granted or is then pending.

Upon delivery to the Trustee of a Completion Certificate pursuant to Section 3.03 of the Agreement, the Trustee shall apply all remaining amounts held for the credit of the Proceeds Fund:

(1) upon Board Order in any manner which, in the Opinion of Counsel, will not result in the interest on any Bond becoming includable in the gross income of the Holders thereof for federal income tax purposes and will not violate the provisions of applicable law, or

(2) if such Board Order and Opinion of Counsel are not received within 60 days after receipt by the Trustee of a Completion Certificate, (a) to transfer funds to the Bond Fund to pay interest on the Bonds, to the extent of income from investment of such amounts or part, or (b) to redeem (or to acquire for a price which does not exceed 100% of the principal amount of and cancel) Bonds.

The Trustee shall give notice to the Board of any purchase and cancellation of Bonds under the foregoing provisions and of the amount of accrued interest required to be paid in connection therewith not payable from the Proceeds Fund, which amount shall be provided by the Board.

After receipt by the Trustee of the Completion Certificate, the Trustee shall, upon Board Order, also transfer amounts held for the credit of the Proceeds Fund, upon Board Order, to either account of the Rebate Fund in satisfaction of the obligations of the Board pursuant to Section 5.08 of the Agreement.

SECTION 7.03. *Purchase Fund.*

A. *Creation in Trust.* The Tender Agent shall establish and maintain on behalf of the Trustee for the account of the Persons described in Section 6.01, until the commencement of the Fixed Rate Period, a special trust fund designated the "Travis County Research and Development Authority Multi-Modal Interchangeable Rate Revenue Bonds (The University of Texas at Austin Semiconductor Manufacturing Laboratory Project) Series 1988 Purchase Fund" (herein referred to as the "*Purchase Fund*"). The money deposited to the Purchase Fund shall be held in trust and applied solely as provided in this Section.

B. *Deposits.* The Tender Agent, on behalf of the Trustee, shall deposit to the credit of the Purchase Fund promptly upon receipt

(1) the Purchase Price, if received on the Purchase Date therefor, of tendered Bonds sold pursuant to the Remarketing Agreement (other than to the Board or the Issuer),

(2) all amounts paid by the Board pursuant to Section 7.01 of the Agreement, and

(3) if sufficient amounts for the payment of the Purchase Price due on any Purchase Date have not

otherwise been deposited to the Purchase Fund by 2:15 p.m., New York City time on such Purchase Date, all amounts paid by the Bank in respect of such Purchase Price pursuant to Section 4.01.

C. *Application.* The Tender Agent, on behalf of the Trustee, shall disburse amounts held for the credit of the Purchase Fund to purchase Bonds, on behalf of the Persons specified in Section 6.01, pursuant to Section 6.01. If, at the close of business New York City time, on any Purchase Date, any balance remains in the Purchase Fund in excess of any unsatisfied purchase obligation under Section 6.01, such excess shall be promptly disbursed on the following Business Day, *first*, to the Liquidity Confirmer, to the extent of any unpaid obligation under the Liquidity Confirmation, *second*, to the Bank to the extent of any unpaid obligation under the Liquidity Facility and, *third*, to the Board to the extent of any remaining balance.

SECTION 7.04. *Rebate Fund.*

A. *Creation in Trust.* The Trustee shall establish and maintain, for the benefit of all Persons who are or have at any time from and after the Closing Date been Bondholders, at all times prior to the final payment to the United States of America of the amounts described in Subsection C of this Section, a special fund designated the "Travis County Research and Development Authority Multi-Modal Interchangeable Rate Revenue Bonds (The University of Texas at Austin Semiconductor Manufacturing Laboratory Project) Series 1988 Rebate Fund" (hereinafter referred to as the "Rebate Fund") comprised of an "Excess Earnings Account" and an "Income Account". The money deposited to the Rebate Fund, together with all investments thereof and investment income therefrom, shall be held in trust and applied solely as provided in this Section, unless in the Opinion of Counsel failure to make such application will not adversely affect any exclusion from gross income of interest on any Bond under section 103 (a) of the Code.

B. *Deposits and Transfers.* The Trustee shall deposit to the credit of the Excess Earnings Account of the Rebate Fund each amount delivered to the Trustee by the Board for deposit thereto pursuant to Section 5.08 of the Agreement immediately upon receipt. The Trustee shall credit all earnings from the investment of money held for the credit of the Rebate Fund to the Income Account thereof and shall debit all losses from the investment of money held for the account of the Rebate Fund from the Income Account thereof, as accrued or received or incurred.

C. *Application.*

(1) *Annual Withdrawals.* Promptly after receiving written notification from the Issuer or the Board that the amount on deposit in the Excess Earnings Account at the end of a Bond Year is greater than the Excess Earnings calculated at the end of such Bond Year pursuant to Section 5.09 of the Agreement (such greater amount being hereinafter described as the "Withdrawal Amount", the Trustee shall withdraw from the Excess Earnings Account (to the extent of its balance) of the Rebate Fund and transfer to the Bond Fund or the Proceeds Fund on Board Order, an amount equal to the Withdrawal Amount, if any, specified in such notification.

(2) *Installment Rebate Payments.* Within 30 days after the end of every fifth Bond Year Date other than the final Calculation Date, the Trustee shall withdraw and pay to the United States of America first from the Income Account of the Rebate Fund and second from the Excess Earnings Account of the Rebate Fund the difference, if any, between (A) 90% of the Excess Earnings, if any, as of such Calculation Date, calculated as described in Section 5.09 of the Agreement and (B) all amounts, if any, previously paid to the United States of America pursuant to this Subsection from such Rebate Fund.

(3) *Final Rebate Payment.* Within 60 days after the final Maturity of the last maturing Bond, the Trustee shall withdraw from the Rebate Fund and pay to the United States of America the difference, if any, between (a) the Excess Earnings as of the final Maturity of the last maturing Bond calculated as described in Section 5.09 of the Agreement and (b) all amounts previously paid to the United States of America pursuant to this Subsection and shall disburse the balance of the Rebate Fund on Board Order to the Person designated therein.

(4) *Rebate Payments Generally.* All payments to the United States of America pursuant to this Subsection shall be made by the Trustee for the account and in the name of the Issuer, shall be sent to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255, and shall be accompanied by a copy of the calculations made by or on behalf of the Board or the Issuer pursuant to Section 5.08 of the Agreement, until the Secretary of the Treasury shall by

regulation prescribe a different place or manner for remittance of such payment, and thereafter each such payment shall be remitted in accordance with such regulations.

Capitalized terms used in this Section and not defined in this Section or otherwise in this Indenture are defined in Section 5.09 of the Agreement.

SECTION 7.05. Security for Deposits..

All money held by the Trustee hereunder in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency shall, unless the unsecured general obligations of the Trustee are rated in either of the two highest rating categories (without regard to subcategories) by each Rating Service, be continuously secured by the Trustee, for the benefit of the owners of such money and the Bondholders, either (1) by lodging with a bank or trust company as collateral security Governmental Obligations designated by the Board having a market value at all times (exclusive of accrued interest) not less than the amount of such deposit or (2) in any other manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds; *provided, however,* that it shall not be necessary for the Trustee to give such security for the deposit with it of any money to be used to pay principal, premium, if any, or interest which is at the time of such deposit due and payable with respect to any Bonds, or for the Trustee to give security for any money which shall be represented by obligations purchased under the provisions of Section 7.06 as an investment of such money.

SECTION 7.06. Investments.

Money held for the credit of the Purchase Fund shall be held by the Trustee or the Tender Agent, as applicable, without investment.

Money held for the credit of the Bond Fund, the Proceeds Fund, or the Rebate Fund shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee at the direction of the Board in Eligible Investments. Such investments shall mature, or shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when such money is expected to be required for the purpose intended.

Obligations so purchased as an investment of any money credited to any such Fund or any account thereof shall be

deemed at all times to be a part of such Fund or account. The interest accruing on obligations so purchased and any profit realized from such investment shall be credited to such Fund or account and any loss resulting from such investment shall be charged to such Fund or account, *except* in each case as otherwise provided in Section 7.04B. The Trustee shall sell at the best price obtainable or present for redemption any obligations so purchased whenever it shall be necessary so to do in order to provide money to make any payment or transfer of money from any such Fund or account. The Trustee shall not be liable for any loss resulting from any such investment made in accordance with any permitted direction by the Board, including those permitted by Section 13.07B.

The Trustee shall not (1) acquire any investment with money held for the credit of any fund or account hereunder for a price which is in excess of (or sell any such investment for a price which is less than) the fair market value thereof or (2) otherwise enter into any transaction that reduces the amount required to be paid to the United States pursuant to Section 13.07E because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the yield of the Bonds not been relevant to either party, notwithstanding any Board Order to the contrary, *unless* in the Opinion of Counsel such action will not adversely affect the exclusion from gross income of interest on any Bond under the Code. Notwithstanding the foregoing limitation, however, the Trustee may

(1) purchase directly from the United States at any price any obligation of the United States Treasury, including obligations of the State and Local Government Series,

(2) purchase or sell a certificate of deposit issued by a commercial bank for a price which either

(a) is equal to the bona fide price quoted by a dealer who maintains an active secondary market in such certificates of deposit or

(b) if there is no such active secondary market in such certificates of deposit, results in a yield which is at least equal to both

(i) the yield on comparable obligations traded on an active secondary market, as certified by a dealer who maintains such market, based on actual trades adjusted to reflect the size and term of the certificate

of deposit purchased or sold and the stability and reputation of the issuer of such certificate of deposit, and

(ii) the yield available on comparable obligations offered by the United States Treasury, and

(3) purchase or sell investments pursuant to an investment contract if

(a) such contract is with the bidder which offers the highest yield and is not the initial purchaser or otherwise has an economic interest in the Bonds of, after taking bids on such contract from at least three such bidders,

(b) the successful bidder certifies in writing to the Trustee that it reasonably expects on the date such contract is entered into that investments will not be purchased pursuant to such contract for a price in excess of, or sold pursuant to such contract for a price less than, the fair market value thereof, and

(c) the yield on such contract is at least equal to the yield offered on similar investments under similar investment contracts.

The Trustee shall retain all records of its application and investment of funds hereunder for at least six years after the final Maturity of Bonds.

ARTICLE EIGHT

DEFEASANCE

SECTION 8.01. *Payment of Indebtedness; Satisfaction and Discharge of Indenture.*

Whenever the following conditions shall exist, namely:

A. all Bonds theretofore authenticated and delivered have been cancelled by the Trustee or the Paying Agent or delivered to the Trustee or the Paying Agent for cancellation, *excluding, however:*

(1) Bonds for the payment of which money has theretofore been deposited in trust with the Trustee or a Paying Agent pursuant to *Section 7.01* and thereafter paid to the Board as provided in *Section 13.03*,

(2) Bonds alleged to have been destroyed, lost, or stolen which have been replaced or paid as provided in *Section 3.07*, *except* for any such Bond which, prior to the satisfaction and discharge of this Indenture, has been presented to the Trustee with a claim of ownership and enforceability by the Holder thereof and where enforceability has not been determined adversely against such Holder by a court of competent jurisdiction,

(3) Bonds, other than those referred to in the foregoing Clauses, for the payment or redemption of which the Issuer or the Board has deposited or caused to be deposited with the Trustee at the Maturity thereof in trust for such purpose funds in an amount sufficient to pay and discharge the entire indebtedness on such Bonds for principal (and premium, if any) and interest to such Maturity, and

(4) Bonds deemed no longer Outstanding as a result of the deposit or escrow of money or Governmental Obligations or both as described in *Section 8.02*;

B. the Issuer or the Board has paid or caused to be paid all other sums payable by the Issuer or the Board hereunder and under the Agreement (*except* the Installment Sale Payments), the Liquidity Facility, and the Liquidity Confirmation; and

C. there has been delivered to the Trustee an Opinion of Counsel stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with;

then, upon Issuer Request (which the Issuer shall make upon Board Order), this Indenture and the lien, rights, and interests created hereby shall cease, determine, and become null and void (except as to any surviving rights of transfer, exchange, or tender of Bonds herein or therein provided for) and the Trustee and each co-trustee and separate trustee, if any, then acting as such hereunder shall, at the expense of the Board, execute and deliver a termination statement and such instruments of satisfaction and discharge as may be necessary (in form and substance satisfactory to the Board) and pay, assign, transfer, and deliver to the Board or upon Board Order all cash, securities, and other property (other than the Purchase Fund or the Rebate Fund) then held by it hereunder as a part of the Trust Estate.

In the absence of an Issuer Request as aforesaid, the payment of all Outstanding Secured Bonds shall not render this Indenture inoperative.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Issuer and the Board to the Trustee under Section 10.07 shall survive unless otherwise agreed by the Trustee in writing. The release of the obligations of the Issuer under this Section shall be without prejudice to the rights of the Trustee to be paid reasonable compensation for all services rendered by it hereunder and all of its reasonable and necessary expenses, charges and other disbursements incurred on or in connection with the administration of the trust hereby created and the performance of its powers and duties hereunder.

SECTION 8.02. *Defeasance.*

Any Bond shall be deemed to be no longer Outstanding when payment of the principal of (and premium, if any on) such Bond, plus interest thereon to the Maturity thereof (whether such Maturity is by reason of the Stated Maturity thereof or call for redemption, if notice of such call has been given or waived or irrevocable arrangements therefor satisfactory to the Trustee have been made), calculated at the maximum permissible rate to such Maturity for any Interest Period for which the rate of interest on the Bonds has not yet been established, shall have been provided for by depositing for such payment under the terms provided in this Section (1) money sufficient to make such payment or (2) money and Governmental Obligations certified by an Independent accountant of national reputation to mature as to principal and interest in such amounts and at such times as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings

therefrom, be sufficient to make such payment, *provided* that all fees, compensation, and expenses of the Trustee and Paying Agents pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. Any such deposit shall be made either with the Trustee or, if notice of such deposit is given to the Trustee, with a state or nationally chartered bank with a minimum combined capital and surplus of \$_____, as escrow agent, with irrevocable instructions to transfer the amounts so deposited and investment income therefrom to the Paying Agents in the amounts and at the times required to pay the principal of (and premium, if any) and interest on the Bonds with respect to which such deposit is made on each Interest Payment Date and at the Maturity thereof. In the event such deposit is made with respect to some but not all of the Bonds then Outstanding, the Trustee shall select the Outstanding Bonds to be benefitted by such deposit in the same manner as provided in Section 14.03 for the selection of Bonds to be redeemed.

Notwithstanding anything herein to the contrary however, no such deposit shall have the effect specified in this Section (1) if made during the existence of an Event of Default, *unless* made with respect to all of the Bonds then Outstanding, and (2) unless there shall be delivered to the Trustee an Opinion of Counsel to the effect that such deposit will not adversely affect any exclusion from gross income of interest on any Bond under the Code. Any money and Governmental Obligations deposited with the Trustee for such purpose shall be held by the Trustee in a segregated account in trust for the Holders of the Bonds with respect to which such deposit is made and, together with any investment income therefrom, shall be disbursed solely to pay the principal of (and premium, if any) and interest on such Bonds when due, *provided* that any amount certified by an Independent Accountant of national reputation not to be required for such purpose shall be disbursed upon Board Order. No money or Governmental Obligations so deposited pursuant to this Section shall be invested or reinvested *unless* in Governmental Obligations and *unless* such money not invested, such Governmental Obligations not reinvested, and such new investments are together certified by an Independent accountant of national reputation to be of such amounts, maturities, and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment. At such times as a Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits of this Indenture, *except* for the purposes of any such payment from

such money or Governmental Obligations and except for the benefits of Section 4.01 and Article Six.

As used in this Section, the term "Governmental Obligations" means (1) direct obligations of, or obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by, the United States of America which may not be called for redemption prior to maturity, and (2) obligations described in section 103(a) of the Code, as amended from time to time, the timely payment of principal of and interest on which has been fully provided for by the irrevocable deposit with a trustee or escrow agent, which is a national banking association or state bank acceptable to the Trustee, for such purpose of money and obligations described in Clause (1) certified by an Independent Accountant of national reputation to mature as to principal and interest in such amounts and at such times as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, which may not be called for redemption prior to maturity, and which bear the highest rating assigned by a nationally recognized securities rating service which rates such obligations; *provided* that an obligation described in Clause (2) shall not be considered a Governmental Obligation unless there is delivered to the Trustee an Opinion of Counsel of nationally recognized standing in the field of municipal bond law to the effect that the deposit of money or obligations referred to in Clause (2) is irrevocable. Governmental Obligations issued in book entry form shall be deemed deposited with the Trustee or other escrow agent upon the perfection of a security interest therein in favor of such Person.

SECTION 8.03. Application of Deposited Money.

Money deposited with the Trustee pursuant to Section 8.01 or 8.02 shall not be a part of the Trust Estate but shall constitute a separate trust fund for the benefit of the Persons entitled thereto. Subject to the provisions of Section 13.03, such money shall be applied by the Trustee to the payment (either directly or through any Paying Agent as the Trustee may determine) to the Persons entitled thereto of the principal (and premium, if any) and interest for the payment of which such money has been deposited with the Trustee.

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ARTICLE NINE

DEFAULTS AND REMEDIES

SECTION 9.01. *Events of Default.*

"*Event of Default*", wherever used herein, means any one of the following events (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree, or order of any court or any order, rule, or regulation of any administrative or governmental body):

A. *Interest Default*: default in the payment of any interest upon (but not in respect of the Purchase Price of) any Bond when such interest becomes due and payable (other than interest due and payable on a Liquidity Facility Special Interest Payment Date); or

B. *Principal Default*: default in the payment of the principal of (or premium, if any, on), but not in respect of the Purchase Price of, any Bond at its Maturity; or

C. *Covenant Default*: default in the performance, or breach, of any covenant or warranty (other than a covenant or warranty a default in the performance or breach of which is elsewhere in this Section specifically dealt with) of the Issuer in this Indenture or of the Board in the Agreement (other than default in the payment of the Purchase Price of any Bond) and continuance of such default or breach for a period of 30 days after there has been given, by registered or certified mail, to the Issuer (with respect to covenants and warranties of the Issuer) or to the Board (with respect to covenants and warranties of the Board) by the Trustee or the Holders of at least 10% in principal amount of the Outstanding Secured Bonds with a copy to the Trustee, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "*Notice of Default*" hereunder, provided, however, that if the default or breach stated in such notice cannot be corrected within such 30-day period, but can be corrected with due diligence, it shall not constitute an Event of Default if within such 30-day period such defaulting party shall deliver to the Trustee an Officers' Certificate stating that such default or breach can be corrected and corrective action is instituted by the Issuer or the Board, as the case may be, within such 30-day period and diligently pursued until such default or breach is corrected; or

D. *Issuer Involuntary Bankruptcy*: the filing of a petition for relief against the Issuer, as debtor, under Title 11, United States Code, as now or hereafter constituted (the

"Bankruptcy Code"), or any other applicable federal or state law of similar import, or the entry of a decree or order by a court having jurisdiction in the premises appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official of or for the Issuer or the Trust Estate, or ordering the winding up or liquidation of the affairs of the Issuer, and the continuance of the case commenced by such petition or any such decree or order unstayed and in effect for a period of 90 consecutive days, *unless* such decree or order has been limited so as to remove the Trust Estate from the control, supervision, and jurisdiction of the court entering such decree or order and of such custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official by the end of such period; or

E. *Issuer Voluntary Bankruptcy*: the commencement by the Issuer of a voluntary case under the Bankruptcy Code or any other applicable federal or state law of similar import, or the consent or acquiescence by the Issuer to the commencement of such a case under the Bankruptcy Code or any such law or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official of the Issuer or the Trust Estate, or the making by the Issuer of an assignment for the benefit of creditors, or the admission by the Issuer in writing of its inability to pay its debts hereunder as they become due, or the taking of corporate action by the Issuer in furtherance of any such action and in any case a court shall not have limited such case, petition, or possession so as to remove the Trust Estate from the control, supervision, and jurisdiction of such court or custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official within 90 days after such commencement, consent, or acquiescence; or

F. *Liquidity Notice*: unless the Bonds have been defeased in accordance with the provisions of Section 8.02 hereof, receipt by the Trustee of written notice from the Bank or the Liquidity Confirmer either (1) terminating within less than 30 days its obligation to purchase, or to advance funds for the purchase of, Bonds tendered pursuant to Section 6.01 or (2) exercising any option not to reinstate the amount of funds available under the Liquidity Facility or the Liquidity Confirmation for the payment of the Purchase Price of Bonds; or

G. *Liquidity Facility Default*: the occurrence of an Event of Default under the Liquidity Facility.

The Issuer hereby grants to the Board full authority for the account of the Issuer to perform any covenant or obligation alleged in any notice given pursuant to *Subdivision C* to be in default or breached, in the name and stead of the Issuer, with full power to do any and all things and acts to the same extent that the Issuer could do and perform any such things and acts and with power of substitution, *subject to Section 1.10.*

SECTION 9.02. *Suits for Enforcement.*

In case an Event of Default shall occur and be continuing, the Trustee in its discretion, *subject* to the provisions of Section 9.12, may proceed to protect and enforce its rights and the rights of the Bondholders under this Indenture by a suit, action, or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in this Indenture or in aid of the execution of any power granted in this Indenture or for the foreclosure of this Indenture or for the enforcement of any other legal, equitable, or other remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Trustee and the Bondholders.

SECTION 9.03. *Covenant to Pay Trustee Amounts Due on Bonds and Right of Trustee to Judgment.*

The Issuer covenants that, *if*

A. default is made in the payment of any interest on any Bond when such interest becomes due and payable, or

B. default is made in the payment of the principal of (or premium, if any, on) any Bond at its Maturity,

then upon demand of the Trustee, the Issuer will pay to the Trustee for the benefit of the Holders of such Bonds for such interest, principal, and premium, *but solely* from the sources from which the principal of (and premium, if any) and interest on such Bonds are payable pursuant to the terms thereof, the whole amount then due and payable on such Bonds for principal (and premium, if any) and interest, with interest at the respective rate or rates prescribed therefor in the Bonds on overdue principal (and premium, if any) and, to the extent that payment of such interest is legally enforceable, on overdue installments of interest; and, in addition thereto, *but solely* from such sources, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements, and advances of the Trustee and its agents and counsel. If the Issuer fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled to sue for and recover judgment against the Issuer and any other obligor on the Bonds for the whole amount so due and unpaid, *but solely* from and to the extent of such sources.

The Trustee shall be entitled to sue and recover judgment as aforesaid either before, after, or during the pendency of any proceedings for the enforcement of the lien of

this Indenture, and the Trustee, in its own name and as trustee of an express trust, shall be entitled to enforce the payment of, and to receive, all amounts then remaining due and unpaid upon the Outstanding Secured Bonds, for the benefit of the Holders thereof, and shall be entitled to recover judgment for any portion of the same remaining unpaid, with interest as aforesaid. No recovery of any such judgment upon any property of the Issuer shall affect or impair the lien of this Indenture upon the Trust Estate or any rights, powers, or remedies of the Trustee hereunder, or any rights, powers, or remedies of the Holders of the Bonds.

In the event of a default in the payment of the principal of, premium, if any, or interest on the Bonds or in the performance of any agreement contained in this Indenture, such payment and performance may be enforced by the Trustee by an action of mandamus or by the appointment of a receiver in equity with power to charge and collect rents, Installment Sale Payments, and other payments and to apply the revenues from the Project in accordance with this Indenture.

SECTION 9.04. *Application of Money Collected.*

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

A. *First:* To the payment of all amounts due the Trustee, and any predecessor Trustee, under Sections 9.03B and 10.07;

B. *Second:* To the payment of the whole amount then due and unpaid upon the Outstanding Secured Bonds, for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Bonds) on overdue principal (and premium, if any) and on overdue installments of interest (to the extent that payment of such interest is legally enforceable); and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Bonds, then to the payment of such principal and interest, without any preference or priority, ratably according to the aggregate amount so due; and

C. *Third:* to the payment of the balance thereof to the Board, or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Any money in the Purchase Fund or the Rebate Fund shall be applied as provided in the applicable provisions of Article Seven.

SECTION 9.05. *Trustee May File Proofs of Claim.*

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition, or other judicial proceeding relative to the Issuer, the Board, or any other obligor upon the Bonds or the property of the Issuer, the Board, or such other obligor or their creditors, the Trustee (irrespective of whether the principal or any Purchase Price of the Bonds shall then be due and payable, as therein expressed or, in the case of principal, by declaration or otherwise, and irrespective of whether the Trustee shall have made any demand on the Issuer or the Board for the payment of overdue principal, premium, if any, or interest shall be entitled and empowered, by intervention in such proceeding or otherwise,

A. to file and prove a claim for the whole amount of principal (and premium, if any) and interest owing and unpaid in respect of the Outstanding Secured Bonds or, in the case of the Bank and the Liquidity Confirmer, the Purchase Price of all the Bonds and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements, and advances of the Trustee, its agents and counsel) and of the Bondholders allowed in such judicial proceeding, and

B. to collect and receive any money or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator, or other similar official in any such judicial proceeding is hereby authorized by each Bondholder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Bondholders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements, and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Sections 9.03B and 10.07.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Bondholder any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Bondholder in any such proceeding.

SECTION 9.06. *Trustee May Enforce Claims Without Possession of Bonds.*

All rights of action and claims under this Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as the trustee of an express trust. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements, and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Bonds in respect of which such judgment has been recovered .

SECTION 9.07. *Limitation on Suits.*

No Bondholder shall have any right to institute any proceeding, judicial or otherwise, under or with respect to this Indenture, or for the appointment of a receiver or trustee or for any other remedy hereunder, *unless*

A. such Person has previously given written notice to the Trustee of a continuing Event of Default;

B. the Holders of not less than 25% in principal amount of the Outstanding Secured Bonds shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

C. such Holders have offered to the Trustee reasonable indemnity satisfactory to the Trustee against the costs, expenses, and liabilities to be incurred in compliance with such request;

D. the Trustee for 60 days after the receipt of such notice, request, and offer of indemnity has failed to institute any such proceeding;

E. no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Bonds; and

F. such proceeding is not inconsistent with the provisions of this Indenture;

it being understood and intended that neither one or more Bondholders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb, or prejudice the lien of this Indenture or

the rights of any other Bondholder, or to obtain or to seek to obtain priority or preference over any other Bondholder or to enforce any right under this Indenture, *except* in the manner herein provided and for the equal and ratable benefit of all Outstanding Secured Bonds and provided further that no action has been directed in accordance with Section 9.12.

SECTION 9.08. *Unconditional Right of Bondholders to Receive Principal, Premium, and Interest.*

Notwithstanding any other provision in this Indenture, the Holder of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Bond on the respective Stated Maturities expressed in such Bond (or, in the case of redemption, on the Redemption Date), *but* solely from the sources from which such principal, premium, and interest are payable pursuant to the terms of such Bonds, and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder; *provided, however,* that no Bondholder shall be entitled to take any action or institute any such suit to enforce the payment of his Bonds, whether for principal, interest, or premium, *if* and to the extent that the taking of such action or the institution or prosecution of any such suit or the entry of judgment therein would under applicable law result in a surrender, impairment, waiver, or loss of the lien of this Indenture upon the Trust Estate, or any part thereof, as security for Bonds held by any other Bondholder.

SECTION 9.09. *Restoration of Positions.*

If the Trustee or any Bondholder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason (other than failure by the Trustee to comply with the terms of this Indenture) or has been determined adversely to any such Person, then and in every such case the Issuer, the Board, the Trustee, and the Bondholders shall, *subject* to any determination in such proceeding, be restored to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Bondholders shall continue as though no such proceeding had been instituted.

SECTION 9.10. *Rights and Remedies Cumulative.*

No right or remedy herein conferred upon or reserved to the Trustee or the Bondholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The

assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 9.11. *Delay or Omission Not Waiver.*

No delay or omission of the Trustee or any Bondholder to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or the Bondholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or the Bondholders, as the case may be.

SECTION 9.12. *Control by Bondholders.*

The Holders of a majority in principal amount of the Outstanding Secured Bonds shall have the right, during the continuance of an Event of Default,

A. to require the Trustee to proceed to enforce this Indenture, either by judicial proceedings for the enforcement of the payment of the Bonds or otherwise; and

B. to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee hereunder;

provided that (1) such direction shall not be in conflict with any rule of law or this Indenture, (2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, (3) the Trustee shall not determine that the action so directed would be unjustly prejudicial to the Bondholders not taking part in such direction, and (4) the Trustee shall have been provided reasonable indemnity satisfactory to the Trustee by the Holders of the Bonds so directing the action to be taken.

SECTION 9.13. *Waiver of Past Defaults.*

Before any judgment or decree for payment of money due has been obtained by the Trustee as provided in this Article, any past default hereunder and its consequences may be waived as provided in this Section, *except* a default

A. either (1) in the payment of the principal of (or premium, if any) or interest on, or Purchase Price for, any Bond or (2) described in *Section 9.01F* or *9.01G*, or

B. in respect of a covenant or provision hereof which under *Article Twelve* cannot be modified or amended without the consent of the Holder of each Outstanding Secured Bond affected.

Such waiver may be effected by the Holders of not less than a majority in principal amount of the Outstanding Secured Bonds, by Act of such Bondholders delivered to the Trustee, the Issuer, and the Board, on behalf of the Holders of all the Bonds.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 9.14. *Undertaking for Costs.*

All parties to this Indenture agree, and each Holder of any Bond by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, giving due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Trustee, any Holder or Holders of more than 10% in principal amount of the Outstanding Secured Bonds, or any Bondholder for the enforcement of the payment of the principal of (or premium, if any) or interest on any Bond on or after the Stated Maturity expressed in such Bond (or, in the case of redemption, on or after the Redemption Date), if in any case such suit is brought in good faith.

SECTION 9.15. *Waiver of Appraisalment and Other Laws.*

To the full extent that it may lawfully so agree, the Issuer will not at any time insist upon, plead, claim, or take the benefit or advantage of any appraisalment, valuation, stay, extension, or redemption law now or hereafter in force in order to prevent or hinder the enforcement of this Indenture; and the Issuer, for itself and all who may claim under it, so far as it or they now or hereafter may lawfully do so, hereby waives the benefit of all such laws.

If any law in this Section referred to and now in force, of which the Issuer or its successor or successors might take

advantage despite this Section, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to constitute any part of the contract herein contained or to preclude the application of this Section.

SECTION 9.16. *Suits to Protect the Trust Estate.*

The Trustee shall have the power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of this Indenture and to protect its interests and the interests of the Bondholders in the Trust Estate, including the power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule, or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule, or order would impair the security hereunder or be prejudicial to the interests of the Bondholders or the Trustee.

SECTION 9.17. *Remedies Subject to Applicable Law.*

All rights, remedies, and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Indenture invalid, unenforceable, or not entitled to be recorded, registered, or filed under the provisions of any applicable law.

* * *

ARTICLE TEN
THE TRUSTEE AND ITS AGENTS

SECTION 10.01. *Certain Duties and Responsibilities.*

A. Except during the continuance of an Event of Default,

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but, in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

B. In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

C. No provision of this Indenture other than Section 10.16 shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(1) this Subsection shall not be construed to limit the effect of Subsection A of this Section;

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

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good

faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Bonds relating to the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture;

(4) the Trustee shall not be liable for any action taken in accordance with *Section 9.07*; and

(5) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

D. Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section and *Section 10.16*.

SECTION 10.02. *Notice of Defaults; Other Notice Requirements.*

Within 90 days after the occurrence of any Default hereunder known to the Trustee, the Trustee shall furnish to all Holders of Bonds notice of such Default, *unless* such Default shall have been cured or waived; *provided, however,* that, *except* in the case of a Default in the payment of principal of (or premium, if any) or interest on any Bond, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Bondholders.

The Trustee shall mail, first-class postage prepaid, to each Rating Service which has assigned a credit rating to the Bonds notice of any of the following events, whenever

A. *Successor Trustee:* the Trustee, pursuant to the Indenture, has resigned or been removed and a successor Trustee has been appointed, such notice to be mailed within 10 Business Days after the appointment of such successor Trustee,

B. *Amendments:* a material amendment or supplement to the Indenture, the Agreement, the Liquidity Facility, or the

Liquidity Confirmation executed or consented to by the Trustee or of which the Trustee has received written notice is to be entered into, such notice to such Rating Agency to be mailed at least 10 Business Days prior to the effective date of such amendment or supplement and within three Business Days after the receipt of such written notice by the Trustee,

C. *Release of Liquidity Support:* the expiration or release of the Liquidity Facility or the Liquidity Confirmation pursuant to *Section 4.02B, 4.02(2), or 4.02F* is to occur, such notice to be mailed at least 10 Business Days prior to such date,

D. *Substitution of Liquidity Support:* the Liquidity Facility or the Liquidity Confirmation has been released pursuant to *Section 4.02E(1)*, such notice to be mailed immediately upon such release,

E. *Redemption:* the Trustee receives a Board Request pursuant to *Section 3.02* which directs the Trustee to redeem all the Outstanding Secured Bonds, such notice to be mailed within 10 Business Days after the receipt of such Board Request (and to specify the Redemption Date requested thereby),

F. *Change in Rate:* the Trustee, pursuant to *Section 5.01*, receives notice of a change in the Rate, such notice of the Trustee to be mailed promptly after the change is affected, or

G. *Appointment of Successor Remarketing Agent:* the Board, pursuant to *Section 10.15*, appoints a successor Remarketing Agent, such notice of the Trustee to be mailed promptly after the successor Remarketing Agent is appointed;

provided, the Trustee has been provided with sufficient notice of the events described in *subsections A through G*.

SECTION 10.03. *Certain Rights of Trustee.*

Except as otherwise provided in *Section 10.01* hereof,

A. the Trustee may rely and shall be protected in acting or refraining from acting upon

(1) any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, telex or other paper, document, or communication reasonably believed by it to be genuine and to have been signed or presented by a proper Person;

(2) failure of the Trustee to receive any such paper, document, or communication, if prior receipt thereof is required by this Indenture before the Trustee is to take or refrain from taking any action;

B. any request or direction of the Issuer or the Board mentioned herein shall be sufficiently evidenced by an Issuer Request or Issuer Order or Board Request or Board Order, respectively, and any resolution of the Board of Directors of any Person shall be sufficiently evidenced by a Board Resolution of such Person;

C. whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering, or omitting any action hereunder, the Trustee (*unless* other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

D. the Trustee may consult with legal counsel and the written advice of such legal counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered, or omitted by the Trustee hereunder in good faith and in reliance thereon;

E. the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Bondholders, the Issuer, or the Board pursuant to this Indenture, *unless* one or more such Persons shall have offered to the Trustee reasonable security or indemnity satisfactory to the Trustee against the costs, expenses, and liabilities which might be incurred by it in compliance with such request or direction;

F. the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, or other paper or document, *but* the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, *if* the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records, and premises of the Issuer or the Board, personally or by agent or attorney;

G. the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys, and may pay reasonable compensation to such agents and attorneys, and the Trustee

shall not be responsible for any misconduct or negligence on the part of any agent or attorney (unless an employee) appointed with due care by it hereunder, *but* unless otherwise herein expressly provided or agreed to by the Tender Agent, the Tender Agent shall not be obligated to perform any duty of the Trustee hereunder;

H. notwithstanding anything contained in this Indenture, the Trustee shall have the right, but shall not be required, to demand in respect of the authentication of any Bonds the withdrawal of any cash, or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals, or other information or corporate action or evidence thereof, in addition to that by the terms hereof required, as a condition of such action by the Trustee deemed desirable for the purpose of establishing the right of the Issuer to the authentication of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee; and

I. the Issuer shall indemnify and hold harmless the Trustee from any and all claims, damages, and liabilities arising under federal or state securities laws with respect to the sale or resale of the Bonds.

SECTION 10.04. *Not Responsible for Recitals or Issuance of Bonds or Application of Proceeds.*

The recitals contained herein and in the Bonds, *except* the certificate of authentication on the Bonds, shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the title of the Issuer thereto or as to the security afforded thereby or hereby, or as to the validity or genuineness of any securities at any time pledged and deposited with the Trustee hereunder, or as to the validity or sufficiency of this Indenture or of the Bonds. The Trustee shall not be accountable for the use or application by the Issuer or the Board of the Bonds or the proceeds thereof or of any money paid to the Issuer or the Board upon Issuer Order or Board Order under any provision hereof.

SECTION 10.05. *May Hold Bonds.*

The Trustee, any Paying Agent, the Bond Registrar, any Authenticating Agent, any Tender Agent, any Remarketing Agent, and any other agent appointed hereunder, in its individual or any other capacity, may become the owner or pledgee of Bonds and may otherwise deal with the Issuer, the Board, the Bank,

and the Liquidity Confirmer with the same rights it would have if it were not Trustee, Paying Agent, Bond Registrar, Authenticating Agent, Tender Agent, Remarketing Agent, or such other agent.

SECTION 10.06. *Money Held in Trust.*

Money held by the Trustee in trust hereunder need not be segregated from other funds *except* to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder *except* as otherwise agreed in writing with the Issuer or the Board.

SECTION 10.07. *Compensation and Reimbursement.*

The Issuer agrees, *but solely* from any funds received from the Board pursuant to the Agreement,

A. to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder, including compensation for defaulted administration (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust); and

B. to reimburse the Trustee upon its request for all reasonable expenses, disbursements, and advances incurred or made by the Trustee in accordance with any provisions of this Indenture, including compensation for defaulted administration (including the reasonable compensation, expenses, and disbursements of its agents and counsel), *except* any such expense, disbursement, or advance as may be attributable to the negligence or bad faith of the Trustee.

As security for the performance of the obligations of the Issuer under this Section the Trustee shall be secured under this Indenture by a lien *subject* and *subordinate* to the Bonds, in the case of money held for the credit of the Purchase Fund, and otherwise prior to the Bonds, and for the payment of the expenses, reimbursements, and indemnity due hereunder the Trustee shall have the right to use and apply any trust funds held by it hereunder, *unless* held or required to be held in the Purchase Fund.

SECTION 10.08. *Corporate Trustee Required; Eligibility.*

There shall at all times be a Trustee hereunder which shall be a bank or trust company organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise corporate trust powers,

having a combined capital and surplus of at least \$ _____, subject to supervision or examination by federal or state authority, and having its principal office in the State of Texas or the State of New York. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Notwithstanding the foregoing, the separate eligibility requirements set forth in this Section 10.08 with respect to the capital and surplus of the Trustee shall be deemed to have been satisfied if the parent corporation or the affiliated group of corporations (as defined in section 1504 of the Code) of which the Trustee is a member has filed an undertaking, pursuant to the Texas Substitute Fiduciary Act of May 25, 1987, CH. 207, 1987, Texas Laws (the "Fiduciary Act"), with the Banking Commissioner of the State of Texas evidencing its irrevocable undertaking to be fully responsible for the acts and omissions of the Trustee, and such parent company and its subsidiaries satisfy such capital and surplus requirements on a consolidated basis.

SECTION 10.09. Resignation and Removal; Appointment of Successor.

A. **Conditions to Resignation or Removal.** No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 10.10 and, if a Liquidity Facility or a Liquidity Confirmation is then in effect hereunder, either effective transfer to the successor Trustee of the existing Liquidity Facility and Liquidity Confirmation, as the case may be, or delivery to the successor Trustee of a substitute Liquidity Facility and Liquidity Confirmation, as the case may be, naming such successor Trustee as beneficiary but otherwise containing the same terms as the Liquidity Facility and Liquidity Confirmation, respectively, then in effect.

B. **Resignation.** The Trustee may resign at any time by giving written notice thereof to the Issuer, the Bank, the Liquidity Confirmer, and the Board. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

C. *Removal by Bondholders or Board.* The Trustee may be removed at any time (1) by Act of the Holders of a majority in principal amount of the Outstanding Secured Bonds, delivered to the Trustee, the Issuer, the Bank, the Liquidity Confirmer, and the Board or (2) by Board Order.

D. *Removal by Issuer or Petition.* If at any time

(1) the Trustee shall cease to be eligible under Section 10.08 and shall fail to resign after written request therefor by the Issuer, the Bank, the Liquidity Confirmer, the Board, or any such Bondholder, or

(2) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation, or liquidation, or

(3) the successor Trustee proposed to be appointed has agreed to perform the duties of Trustee hereunder for compensation materially less than the compensation charged by the Trustee hereunder,

then, in any such case, (a) the Issuer by a Board Resolution may remove the Trustee, or (b) subject to Section 9.13, any Bondholder who has been a bona fide Holder of a Bond for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

E. *Appointment of Successor.* If the Trustee shall resign, be removed, or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Issuer, by a Board Resolution (subject to the approval of the Board, unless the Board is then in default under the Agreement), shall promptly appoint a successor Trustee. In case all or substantially all of the Trust Estate shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a successor to fill such vacancy until a new Trustee shall be appointed by the Bondholders. If, within one year after such resignation, removal, or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Bonds and delivered to the Issuer,

the Bank, the Liquidity Confirmer, the Board, and the retiring Trustee, then the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Issuer or by such receiver or trustee. If no successor Trustee shall have been so appointed by the Issuer or the Bondholders and accepted appointment in the manner hereinafter provided, *subject to Section 9.13*, any Bondholder who has been a bona fide Holder of a Bond for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

F. Notice of Resignation, Removal, and Appointment. The retiring Trustee shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee, *but solely to the extent of funds advanced by the Board pursuant to the Agreement, to the Bank, the Liquidity Confirmer, and the Bondholders.* Each notice shall include the name of the successor Trustee and the address of its principal corporate trust office.

SECTION 10.10. *Acceptance of Appointment by Successor.*

Every successor Trustee appointed hereunder shall execute, acknowledge, and deliver to the Issuer, the Board, and the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall, *subject to Section 10.09A*, become effective and such successor Trustee, without any further act, deed, or conveyance, shall become vested with all the estates, properties, rights, powers, trusts, and duties of the retiring Trustee; *but, on request of the Issuer, the Board, or the successor Trustee, such retiring Trustee shall, upon payment of its charges and expenses in accordance with Section 10.07, execute and deliver an instrument conveying and transferring to such successor Trustee upon the trusts herein expressed all the estates, properties, rights, powers, and trusts of the retiring Trustee, and shall duly assign, transfer, and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder, subject nevertheless to its lien, if any, provided for in Section 10.07.* Upon request of any such successor Trustee, the Issuer shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such estates, properties, rights, powers, and trusts.

No successor Trustee shall accept its appointment *unless* at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 10.11. Merger, Conversion, Consolidation, or Succession to Business.

Any entity into which the Trustee may be merged or converted or with which it may be consolidated, or any entity resulting from any merger, conversion, or consolidation to which the Trustee shall be a party, or any entity succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, *provided* such entity shall be otherwise qualified and eligible under this Article, to the extent operative, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Bonds shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion, or consolidation to such authenticating Trustee may adopt such authentication and deliver the Bonds so authenticated with the same effect as if such successor Trustee had itself authenticated such Bonds.

SECTION 10.12. Co-trustees and Separate Trustees.

At any time or times, for the purpose of meeting the legal requirements of any jurisdiction in which any of the Trust Estate may at the time be located, the Issuer and the Trustee (with the approval of the Board, if the Board is not then in default under the Agreement) shall have the power to appoint, and, upon the written request of the Trustee, the Bank, the Liquidity Confirmer, or the Holders of at least 25% in principal amount of the Bonds Outstanding, the Issuer shall for such purpose join with the Trustee in the execution, delivery, and performance of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Trustee either to act as co-trustee, jointly with the Trustee, of all or any part of the Trust Estate, or to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or Persons in the capacity aforesaid any property, title, right, or power deemed necessary or desirable, *subject* to the other provisions of this Section. If the Issuer does not join in such appointment within 15 days after the receipt by it of a request so to do, or in case an Event of Default has occurred and is continuing, the Trustee alone shall have the power to make such appointment.

Should any written instrument from the Issuer be required by any co-trustee or separate trustee so appointed for more fully confirming to such co-trustee or separate trustee such property, title, right, or power, any and all such

instruments shall, upon request, be executed, acknowledged, and delivered by the Issuer.

Every co-trustee or separate trustee shall, to the extent permitted by law, be appointed subject to the following terms, namely:

A. The Bonds shall be authenticated and delivered, and all rights, powers, duties, and obligations hereunder in respect of the custody of securities, cash, and other personal property held by, or required to be deposited or pledged with, the Trustee hereunder, shall be exercised, solely by the Trustee.

B. The rights, powers, duties, and obligations hereby conferred or imposed upon the Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed by the Trustee or by the Trustee and such co-trustee or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties, and obligations shall be exercised and performed by such co-trustee or separate trustee.

C. The Trustee at any time, by an instrument in writing executed by it (with the concurrence of the Issuer and the Board evidenced by a Board Resolution and a Board Order, respectively) may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section, and, in case an Event of Default has occurred and is continuing, the Trustee shall have the power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Issuer or the Board. Upon the written request of the Trustee, the Issuer shall join with the Trustee in the execution, delivery, and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee having so resigned or having been so removed may be appointed in the manner provided in this Section.

D. No co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of the Trustee, or any other such trustee hereunder nor shall the Trustee be liable by reason of any act or omission of such co-trustee or separate trustee.

E. Any Act of Bondholders delivered to the Trustee shall be deemed to have been delivered to each such co-trustee and separate trustee.

SECTION 10.13. *Authenticating Agent.*

There may (and whenever the Trustee shall not maintain an office in each Place of Payment there shall) be an Authenticating Agent appointed by the Trustee with power to act on its behalf and subject to its direction in the authentication and delivery of the Bonds in connection with delivery of Bonds pursuant to Section 3.03 and transfers and exchanges under Sections 3.06, 3.07, and 14.07, as fully to all intents and purposes as though the Authenticating Agent had been expressly authorized by those Sections to authenticate and deliver Bonds of such series. For all purposes of this Indenture, the authentication and delivery of Bonds by the Authenticating Agent pursuant to this Section shall be deemed to be the authentication and delivery of Bonds "by the Trustee."

Morgan Guaranty Trust Company of New York is hereby appointed Authenticating Agent in the City and County of New York, New York.

Each Authenticating Agent shall be subject to the approval of the Board, the Bank, the Liquidity Confirmer, and the Issuer and at all times be a bank or trust company having an office in a Place of Payment, and shall at all times be a corporation organized and doing business under the laws of the United States or of any state with a combined capital and surplus of at least \$1,000,000,000 and authorized under such laws to exercise corporate trust powers and subject to supervision or examination by federal or state authority. If such corporation publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of this Section the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Any corporation into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation, or conversion to which any Authenticating Agent shall be a party, or any corporation succeeding to the corporate trust business of any Authenticating Agent, shall be the successor of the Authenticating Agent hereunder, if such successor corporation is otherwise eligible under this Section, without the execution or filing of any further act on the part of the parties hereto or the Authenticating Agent or such successor corporation.

Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee, the Issuer, the Bank, the Liquidity Confirmer, and the Board. The Trustee may at any time terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent and to the Issuer, the Bank, the Liquidity Confirmer, and the Board. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible under this Section, the Trustee shall promptly appoint a successor Authenticating Agent with written consent of the Board.

The Trustee shall be entitled to be reimbursed for any reasonable compensation paid by the Trustee to the Authenticating Agent for its services *subject to Section 10.07*. The provisions of *Sections 3.09, 10.04, and 10.05* shall be applicable to any Authenticating Agent.

SECTION 10.14. *Tender Agent.*

There shall be a Tender Agent appointed by the Trustee, at the direction of the Board, with the consent of the Bank and the Liquidity Confirmer (if such Person is not then in default under the Liquidity Facility or the Liquidity Confirmation, as applicable), with power to act on behalf of the Trustee and subject to direction of the Trustee in the purchase of Bonds pursuant to *Article Six* and payment of the Purchase Price therefor. Such Tender Agent shall at all times be a bank or trust company having an office in the City and County of New York, New York, organized and doing business under the laws of the United States or of any state with a combined capital and surplus of at least \$1,000,000,000 and authorized under such laws to exercise corporate trust powers and subject to supervision or examination by federal or state authority. If such corporation publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of this Section the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Morgan Guaranty Trust Company of New York is hereby appointed Tender Agent.

Any corporation into which any Tender Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation, or conversion to which any Tender Agent shall be a party, or any

corporation succeeding to the corporate trust business of any Tender Agent, shall be the successor of the Tender Agent hereunder, if such successor corporation is otherwise eligible under this Section, without the execution or filing of any further document on the part of the parties hereto or the Tender Agent or such successor corporation.

Any Tender Agent may resign by giving written notice of such resignation to the Trustee, the Bank, the Liquidity Confirmer, and the Board. The Trustee, upon Board Request, shall terminate the agency of any Tender Agent by giving written notice of such termination to such Tender Agent and the Bank, the Liquidity Confirmer, and the Board. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Tender Agent shall cease to be eligible under this Section, the Trustee shall promptly appoint a successor Tender Agent at the direction of the Board, with the consent of the Bank and the Liquidity Confirmer (unless such Person is then in default under the Liquidity Facility or the Liquidity Confirmation, as applicable), and shall give written notice of such appointment to the Bondholders, but solely to the extent of funds advanced by the Board pursuant to the Agreement.

No such resignation or removal shall take effect until a successor Tender Agent shall have been appointed. If no successor Tender Agent has accepted appointment within 30 days after the Tender Agent has given notice of its resignation as provided above, the Tender Agent may petition any court of competent jurisdiction for the appointment of a temporary successor Tender Agent, provided that any Tender Agent so appointed shall immediately and without further act be superseded by any Tender Agent appointed by the Trustee as provided above.

The Trustee will cause each Tender Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Tender Agent shall agree with the Trustee, subject to the provisions of this Section, that such Tender Agent will

A. hold all sums held by it for the payment of the Purchase Price of Bonds in a separate account in trust for the benefit of the Holders of such Bonds until such sums shall be paid to the Holders or otherwise disposed of as herein provided;

B. at any time, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Tender Agent; and

C. observe and perform the obligations of the Tender Agent hereunder.

Subject to the provisions of any agreement between the Issuer and the Tender Agent, the Tender Agent shall be paid reasonable compensation for its services hereunder, *but solely* from and to the extent of funds advanced by the Board for such purpose pursuant to the Agreement. The Trustee shall be entitled to be reimbursed for any reasonable compensation paid by the Trustee to the Tender Agent for its services, subject to *Section 10.07*.

The Trustee may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, direct the Tender Agent to pay to the Trustee all money held in trust by such Tender Agent, such money to be held by the Trustee upon the same trusts as those upon which such money was held by such Tender Agent; and, upon such payment by the Tender Agent to the Trustee, the Tender Agent shall be released from all further liability with respect to such money.

The provisions of *Sections 3.09, 10.04, and 10.05* shall be applicable to any Tender Agent.

SECTION 10.15. Remarketing Agent.

There shall be a Remarketing Agent appointed by the Board, with the consent of the Bank and the Liquidity Confirmer (if such Person is not then in default under the Liquidity Facility or the Liquidity Confirmer, as applicable), with power to act on behalf of the Trustee and the Tender Agent and subject to their direction in the receipt of notice of the tender of Bonds pursuant to *Section 6.02* and of the waiver of Bonds required to be tendered pursuant to *Section 6.03C*. Such Remarketing Agent shall at all times be a bank or trust company or a member of the New York Stock Exchange or the National Association of Securities Dealers having a minimum capitalization of \$250,000,000 authorized by law to perform all the duties imposed by this Indenture on the Remarketing Agent.

J.P. Morgan Securities Inc. is hereby appointed Remarketing Agent.

Any corporation into which any Remarketing Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation, or conversion to which any Remarketing Agent shall be a party, or any corporation succeeding to the corporate trust business of any Remarketing Agent, shall be the successor of the Remarketing Agent hereunder, if such successor corporation is otherwise eligible under this Section, without the execution or

filing of any further act on the part of the parties hereto or the Remarketing Agent or such successor.

Any Remarketing Agent may at any time resign by giving written notice of such resignation to the Trustee, the Bank, the Liquidity Confirmer, the Tender Agent, and the Board. Upon Board Request, the Trustee shall terminate the agency of any Remarketing Agent by giving written notice of such termination to such Remarketing Agent, the Tender Agent, the Bank, the Liquidity Confirmer, and the Board. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Remarketing Agent shall cease to be eligible under this Section, the Trustee shall promptly appoint a successor Remarketing Agent at the direction of the Board, with the consent of the Bank and the Liquidity Confirmer (if such Person is not then in default under the Liquidity Facility or the Liquidity Confirmation, as the case may be) and shall give written notice of such appointment to the Tender Agent, the Bank, the Liquidity Confirmer, and the Board.

The Trustee will cause each Remarketing Agent to execute and deliver to the Trustee an agreement in which such Remarketing Agent shall agree with the Trustee and the Issuer, *subject* to the provisions of this Section, that such Remarketing Agent will observe and perform the obligations of the Remarketing Agent hereunder. Subject to the provisions of any such agreement, the Remarketing Agent shall be paid reasonable compensation for its services hereunder, *but solely* from and to the extent of funds advanced by the Board for such purpose pursuant to the Agreement. The Trustee shall be entitled to be reimbursed for any reasonable compensation paid by the Trustee to the Remarketing Agent for its services, *subject to Section 10.07.*

The provisions of Sections 3.09, 10.04 and 10.05 shall be applicable to any Remarketing Agent.

SECTION 10.16. *Trustee Not Liable for Authenticating Agent, Tender Agent, and Remarketing Agent.*

Notwithstanding anything contained herein to the contrary, the Trustee shall not be liable for any failure of the Authenticating Agent, the Tender Agent, or the Remarketing Agent to perform in accordance with the Indenture any duty required or authorized herein to be performed by such Person or for any other acts or omissions of such Person.

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ARTICLE ELEVEN

CONSOLIDATION, MERGER, CONVEYANCE, OR
TRANSFER

SECTION 11.01. *Consolidation, Merger, Conveyance, or Transfer
Only on Certain Terms.*

The Issuer shall not consolidate with or merge into any other entity or convey or transfer the Trust Estate substantially as an entirety to any Person, *unless*:

A. such consolidation, merger, conveyance, or transfer shall be on such terms as shall fully preserve the lien and security hereof and the rights and powers of the Trustee and the Bondholders, hereunder;

B. the entity formed by such consolidation or into which the Issuer is merged or the Person which acquires by conveyance or transfer the Trust Estate substantially as an entirety shall be an entity organized and existing under the laws of the United States of America or any State or the District of Columbia and shall execute and deliver to the Trustee an indenture supplemental hereto in form recordable and satisfactory to the Trustee, meeting the requirements of *Section 11.02* and containing:

(1) an assumption by such successor entity of the due and punctual payment of the principal of (and premium, if any) and interest on all the Bonds and the performance and observance of every covenant and condition of this Indenture to be performed or observed by the Issuer, *subject, however,* to the same limitations and conditions as are herein or in the Bonds provided, and

(2) a grant, conveyance, transfer, and mortgage complying with *Section 11.02*;

C. *immediately* after giving effect to such transaction, no Default hereunder shall have occurred and be continuing;

D. the Trustee shall have received an Opinion of Counsel to the effect that such consolidation, merger, conveyance, or transfer will not adversely affect any exclusion of interest on any Bond from the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes; and

E. the Issuer shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each of which shall state that such consolidation, merger, conveyance, or transfer and such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

SECTION 11.02. *Successor Issuer Substituted.*

Upon any consolidation or merger or any conveyance or transfer of the Trust Estate substantially as an entirety in accordance with *Section 11.01*, the successor entity formed by such consolidation or into which the Issuer is merged or to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under this Indenture with the same effect as if such successor entity had been named as the Issuer herein, if the supplemental indenture required by *Section 11.01* shall contain a grant, conveyance, transfer, and mortgage in terms sufficient to include and subject to the lien of this Indenture all and singular the properties described in the Granting Clauses hereof, whereupon such successor entity may cause to be executed, in its own name or in the name of the Issuer prior to such succession, and delivered to the Trustee for authentication, any Bonds issuable hereunder; and upon the request of such successor entity, and subject to all the terms of this Indenture, the Trustee shall authenticate and deliver any Bonds which shall have been previously executed and delivered by the Issuer to the Trustee for authentication, and any Bonds which such successor entity shall thereafter, in accordance with this Indenture, cause to be executed and delivered to the Trustee for such purpose. Such changes in phraseology and form (but not in substance) may be made in such Bonds as may be appropriate in view of such consolidation, merger, conveyance, or transfer.

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ARTICLE TWELVE

SUPPLEMENTAL INDENTURES

SECTION 12.01. *Supplemental Indentures Without Consent of Bondholders.*

Without the consent of the Holders of any Bonds, the Issuer, when authorized by a Board Resolution of such Person, and the Trustee may from time to time, upon receipt of Board Consent and the consent of the Bank and the Liquidity Confirmer (if a Liquidity Facility and a Liquidity Confirmation is in effect and such Person is not then in default under the Liquidity Facility or the Liquidity Confirmation, as applicable), enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

A. to correct or amplify the description of any property at any time subject to the lien of this Indenture, or better to assure, convey, and confirm unto the Trustee any property subject or required to be subjected to the lien of this Indenture, or to subject to the lien of this Indenture additional property; or

B. to add to the conditions, limitations, and restrictions on the authorized amount, terms, or purposes of issue, authentication, and delivery of Bonds, as herein set forth, additional conditions, limitations, and restrictions thereafter to be observed; or

C. to evidence the succession of another entity to the Issuer and the assumption by any such successor of the covenants of the Issuer herein and in the Bonds contained; or

D. to add to the covenants of the Issuer for the benefit of the Holders of all of the Bonds or to surrender any right or power herein conferred upon the Issuer; or

E. to provide for uncertificated Bonds or a modified book entry system therefor; or

F. to modify, eliminate, or add to any of the terms hereof; *provided, however,* that such supplemental indenture shall expressly provide that any modification, elimination, or addition shall become effective only after a Purchase Date described in Section 6.01C which occurs thereafter and that notice of such modification, elimination, or addition shall be mailed to each Bondholder, first-class postage prepaid, not more than 60 nor less than 20 days prior to such Purchase Date; or

G. to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture, *provided* such action shall not adversely affect the interests of the Bondholders; or

H. to modify, eliminate, or add to the provisions of this Indenture in any manner for which the consent of the Holder of each Outstanding Bond affected thereby would not be required by Section 12.02, if all principal of and interest on the Bonds then Outstanding is (or, if in default, would be) payable through the Maturity (or the date of any required purchase) thereof from amounts which may be drawn or demanded under an irrevocable policy of insurance, letter of credit, acceptance, guarantee, purchase agreement, or similar undertaking issued or made by any Person the long-term senior unsecured obligations of which are rated by a Rating Service in one of the two highest long-term rating categories (regardless of subcategories) of such Rating Service and each such Person has consented to the execution of such supplement; or

I. to add, delete, or modify any provision as required by Moody's Investors Service or Standard & Poor's Corporation in order for either such agency to assign a rating to the Bonds based upon the ratings assigned to the obligations of the Bank.

The Issuer, at the direction of the Board by Board Order, may in its discretion determine whether or not any Bonds would be affected by any supplemental indenture and any such determination shall be conclusive upon every Bondholder, whether theretofore or thereafter authenticated and delivered hereunder.

SECTION 12.02. *Supplemental Indentures With Consent of Bondholders.*

With the consent of the Holders of not less than a majority in principal amount of the Outstanding Secured Bonds affected by such supplemental indenture (by Act of such Holders delivered to the Issuer, the Board, the Trustee, the Bank, and the Liquidity Confirmer), and the Bank and the Liquidity Confirmer (if such Person is not then in default under the Liquidity Facility or the Liquidity Confirmation, as applicable), the Issuer (when authorized by a Board Resolution of such Person) and the Trustee may, upon receipt of Board Consent, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the

Holders of the Bonds under this Indenture; *provided, however,* that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Bond affected thereby,

A. change the Stated Maturity of the principal of, or any installment of interest on, any Bond, or reduce the principal amount thereof or the interest thereon, or change any Place of Payment where, or the coin or currency in which, any Bond or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or make any of the foregoing changes to the obligation of the Borrower to make Installment Sale Payments; or

B. reduce the percentage in principal amount of the Outstanding Secured Bonds the consent of the Holders of which is required for any such supplemental indenture, or the consent of Holders of which is required for any waiver provided for in this Indenture of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences; or

C. modify or alter the provisions of the proviso to the definition of the term "Outstanding"; or

D. modify any of the provisions of this Section or Section 9.13, *except* to increase any percentage provided thereby or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Bond affected thereby; or

E. permit the creation of any lien ranking prior to or on a parity with the lien of this Indenture with respect to any of the Trust Estate or terminate the lien of this Indenture on any property at any time subject hereto or deprive any Bondholder of the security afforded by the lien of this Indenture or of the benefits of any Liquidity Facility or Liquidity Confirmation; or

F. modify any of the provisions of this Indenture in such manner as to affect the rights of the Bondholders to the benefits of the mandatory redemption provided in Section 3.02D or the provisions hereof for optional or mandatory tender of Bonds for purchase.

The Issuer, at the direction of the Board by Board Order, may in its discretion determine whether or not any Bonds would be affected by any supplemental indenture and any such determination shall be conclusive upon every Bondholder,

whether theretofore or thereafter authenticated and delivered hereunder. The Trustee shall not be liable for any such determination made in good faith.

It shall not be necessary for any Act of Bondholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 12.03. *Execution of Supplemental Indentures.*

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modification thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive and, *subject to Section 10.01*, shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the rights, duties, or immunities of the Trustee itself or its agents under this Indenture or otherwise. The Trustee shall not enter into any supplemental indenture which affects the rights, duties, or immunities of the Authenticating Agent, the Tender Agent, the Remarketing Agent, or any other agent under this Indenture without the prior written consent of such Person so affected.

SECTION 12.04. *Effect of Supplemental Indentures.*

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Bonds theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 12.05. *Reference in Bonds to Supplemental Indentures.*

Bonds authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and if required by the Trustee shall, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Issuer shall so determine, new Bonds so modified as to conform, in the opinion of the Trustee and the Board of Directors of the Issuer, to any such supplemental indenture may be prepared and executed by the Issuer and authenticated and delivered by the Trustee in exchange for Outstanding Secured Bonds.

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ARTICLE THIRTEEN

COVENANTS

SECTION 13.01. *Payment of Principal and Interest.*

The Issuer will duly and punctually pay the principal of (and premium, if any) and interest on the Bonds in accordance with the terms of (but solely from the sources described in) the Bonds and this Indenture.

If the specified date for any such payment shall be a Saturday, Sunday, or legal holiday or the equivalent (other than a moratorium) for banking institutions generally at a Place of Payment or in the city in which is located the principal corporate trust office of the Trustee or, except during a Fixed Rate Period, shall otherwise be a day other than a Business Day, then such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

SECTION 13.02. *Maintenance of Agency.*

The Issuer will maintain an agency acceptable to the Trustee in each Place of Payment where Bonds may be presented or surrendered for payment, where Bonds entitled to be registered, transferred, exchanged, or converted may be presented or surrendered for registration, transfer, exchange, or conversion, and where notices and demands to or upon the Issuer in respect of the Bonds and this Indenture may be served. The Trustee is hereby appointed an agency of the Issuer for such purpose in the City of Austin, Texas, and Morgan Guaranty Trust Company of New York is hereby appointed as agency of the Issuer for such purpose in the City and County of New York, New York.

The Trustee will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will

A. hold all sums held by it for the payment of principal of (and premium, if any) or interest on Bonds in trust for the benefit of the Holders of such Bonds until such sums shall be paid to the Holders or otherwise disposed of as herein provided and

B. at any time, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Issuer will give prompt written notice to the Trustee of the location, and of any change in the location, of any such agency. If at any time the Issuer shall fail to maintain such an agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices, and demands may be made or served at the principal corporate trust office of the Trustee, and the Issuer hereby appoints the Trustee its agent to receive all such presentations, surrenders, notices, and demands.

SECTION 13.03. Money for Bond Payments to be Held in Trust; Repayment of Unclaimed Money.

The sums which are segregated by the Trustee or deposited with any other Paying Agent to pay the principal of (and premium, if any) or interest on any Bonds becoming due on any due date shall be held in trust for the benefit of the Holders of such Bonds. Money so segregated or deposited and held in trust shall not be a part of the Trust Estate but shall constitute a separate trust fund for the benefit of the Persons entitled to such principal or interest. Money held in trust by the Trustee or any other Paying Agent for the payment of the principal of (and premium, if any) or interest on the Bonds need not be segregated from other funds, except to the extent required by law. All such funds shall be held uninvested.

The Issuer may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, by Issuer Order direct any Paying Agent to pay to the Trustee all money held in trust by such Paying Agent, such money to be held by the Trustee upon the same trusts as those upon which such money was held by such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent in trust for the payment of the principal of (and premium, if any) or interest on any Bond and remaining unclaimed for three years after such principal (and premium, if any) or interest has become due and payable shall be paid to the State of Texas unless the Board on Board Request directs the Trustee otherwise and agrees to hold the Trustee harmless therefor; and the Holder of such Bond shall thereafter, as an unsecured general creditor, look only to the Board for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money shall thereupon cease; *provided, however,* that the Trustee or such Paying Agent, before being required to make any such payment to the Board, may at the expense of the Board cause to be published once, in a newspaper of general circulation, printed in the English language and customarily

published on each business day, in each Place of Payment of such Bond, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be paid to the Board.

SECTION 13.04. *Warranty of Title.*

The Issuer lawfully owns the personal property described in the Granting Clauses, subject to no other assignment, pledge, mortgage, lien, charge, encumbrance, or security interest and has full power and lawful authority to mortgage, assign, transfer, deliver, and pledge said personal property in the manner and form aforesaid. The Issuer hereby does and will forever warrant and defend the title to such property against the claims and demands of all Persons whomsoever.

SECTION 13.05. *Further Assurances; Recording.*

The Issuer will do, execute, acknowledge, and deliver all and every such further acts, conveyances, mortgages, financing statements, and assurances as the Trustee shall reasonably require for accomplishing the purposes of this Indenture.

Upon Board Request, and subject to the Trustee's right to be reimbursed for expenses pursuant to Section 10.07, the Trustee shall cause this instrument and all supplemental indentures and other instruments of further assurance, including financing statements and continuation statements covering security interests in personal property, to be promptly recorded, registered, and filed, all in such manner and in such place as may be required by law fully to preserve and protect the rights of the Bondholders and the Trustee hereunder to all the property comprising the Trust Estate. The Issuer will execute all such instruments and statements when requested by the Trustee.

SECTION 13.06. *Limitations on Liens; Payment of Taxes.*

The Issuer will not create or incur or suffer or permit to be created or incurred or to exist any mortgage, lien, charge, or encumbrance on or pledge of any of the Trust Estate, except the lien of this Indenture.

The Issuer will pay or cause to be paid as they become due and payable all taxes, assessments, and other governmental charges lawfully levied or assessed or imposed upon the Trust Estate or any part thereof or upon any income therefrom, and also (to the extent that such payment will not be contrary to

any applicable laws) all taxes, assessments, and other governmental charges lawfully levied, assessed, or imposed upon the lien or interest of the Trustee or the Bondholders in the Trust Estate, so that (to the extent aforesaid) the lien of this Indenture shall at all times be wholly preserved at the cost of the Issuer and without expense to the Trustee or the Bondholders; *provided, however*, that the undertaking of the Issuer in this paragraph is limited to the extent of amounts advanced for such purpose by the Board pursuant to the Agreement; and *provided further, however*, that the Issuer shall not be required to pay and discharge or cause to be paid and discharged any such tax, assessment, or governmental charge to the extent that (1) the amount, applicability, or validity thereof shall currently be contested in good faith by appropriate proceedings and (2) the Board shall have established and shall maintain adequate reserves on its books or other adequate security for the payment of the same.

SECTION 13.07. Covenant as to Arbitrage and Other Tax Matters.

A. *General.* The Issuer shall not knowingly take any action, or omit to take any action within its control, which, if taken or omitted, respectively, would cause the interest on the Bonds to become includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, and, without limiting the generality of the foregoing, the Issuer will observe and perform each provision of this Section, *unless and until* an Opinion of Counsel shall have been delivered to the effect that failure to comply with such provision will not adversely affect such exclusion from gross income.

B. *Not to Invest at Higher Yield.* The Issuer shall not direct or itself make any investment of the proceeds of the Bonds or any other funds of the Issuer in a manner which would result in constituting the Bonds of such series "*arbitrage bonds*" within the meaning of section 148 of the Code.

In the event the Issuer or the Board is of the opinion that it is necessary to restrict or limit the yield on the investment of any money paid to or held by the Trustee hereunder in order to avoid classification of the Bonds as "*arbitrage bonds*" within the meaning of section 148 of the Code, the Issuer or the Board may issue to the Trustee a written instrument to such effect (along with appropriate written instructions), in which event the Trustee will take such action as is necessary so to restrict or limit the yield on such investment in accordance with such instrument and instructions, irrespective of whether the Trustee shares such

opinion. The Trustee may conclusively rely upon any such instructions and shall be responsible for no loss resulting from investment of any money held hereunder in accordance with such instructions.

C. *Not Federally Guaranteed.* The Issuer shall not direct or itself take any action, or omit to take any action within its control, which, if taken or omitted, respectively, would cause the Bonds to be "*federally guaranteed*" within the meaning of section 149(b) of the Code.

D. *Information Report.* The Issuer shall timely file with the Secretary of the Treasury the information required by section 149(e) of the Code with respect to the Bonds in such form and at such place as such Secretary may prescribe.

E. *Rebate of Arbitrage Profits.* The Issuer shall pay to the United States of America, *but solely* from and to the extent of funds advanced by the Board for such purpose pursuant to Section 5.08 of the Agreement, the amounts and at the times described in such Section, in such manner and accompanied by such forms or other information as is or may be required by section 148(f) of the Code and the regulations and rulings thereunder. The Issuer shall not, at any time prior to the Maturity of the Bonds, direct or itself enter into any transaction that reduces the amounts so required to be paid to the United States of America pursuant to this Subsection because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the yield of Bonds not been relevant to either party.

SECTION 13.08. *Existence.*

Subject to *Article Eleven*, the Issuer will do or cause to be done all things necessary to preserve and keep in full force and effect its existence, rights (charter and statutory), and franchises; *provided, however*, that the Issuer shall not be required to preserve any right or franchise if the Board of Directors of the Issuer shall determine that the preservation thereof is no longer desirable in the conduct of the affairs of the Issuer and that the loss thereof is not disadvantageous in any material respect to the Bondholders.

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ARTICLE FOURTEEN
REDEMPTION OF BONDS

SECTION 14.01. *General Applicability of Article.*

The Bonds shall be redeemable in accordance with Section 3.02 and this Article.

SECTION 14.02. *Election to Redeem; Notice to Trustee.*

The exercise by the Board of its option to redeem any Bonds shall be evidenced by a Board Order. In case of any redemption at the election of the Board of less than all the Outstanding Bonds, the Board shall, except with respect to a redemption pursuant to Section 3.02C, at least 30 days prior to the Redemption Date fixed by the Board, notify the Trustee of such Redemption Date and of the principal amount of Bonds to be redeemed. With respect to a redemption pursuant to Section 3.02C, the Board shall give such notice to the Trustee by telephone confirmed by a Board Order on the Redemption Date.

SECTION 14.03. *Selection by Trustee of Bonds to be Redeemed.*

Subject to the provisions of Section 3.02E, if less than all the Bonds are to be redeemed, the particular Bonds to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, by such method as the Trustee shall deem fair and appropriate (which may provide for the selection for redemption of portions (leaving unredeemed authorized denominations) of the principal of Bonds of a denomination larger than the smallest denomination authorized on the Redemption Date), from the Bonds which have not previously been called for redemption (and *except* in the case of redemption pursuant to Section 3.02D, which were Outstanding on the date of the election described in Section 14.02); *provided* that, if so provided in the Board Order designating any Rate or in any other Board Order delivered to the Trustee on or before the interest rate determination date for such Rate, the Trustee shall select the Bonds to be redeemed on any Redemption Dates which are specified in such Board Order (and occur during the first Interest Period in such Rate) by not later than the interest rate determination date for such Interest Period, and each such Redemption Date shall be inserted under the caption "Due" immediately below the title of any Bond so selected for redemption on such Redemption Date which is authenticated and delivered on or after the Rate Adjustment Date for such Interest Period.

The Trustee shall promptly notify the Board, the Issuer, the Bank, the Liquidity Confirmer, and the Tender Agent in writing of the Bonds selected for redemption, the Redemption Date therefor, and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bond redeemed or to be redeemed only in part, to the portion of the principal of such Bond which has been or is to be redeemed.

SECTION 14.04. *Notice of Redemption.*

Except with respect to a redemption pursuant to Section 3.02C, the Trustee shall give notice of redemption of Bonds by mail, first-class postage prepaid, mailed not less than 15 nor more than 60 days prior to the Redemption Date, to each Holder of Bonds to be redeemed, at his address appearing in the Bond Register. With respect to a redemption pursuant to Section 3.02, the Trustee shall give such notice by telephone on the Redemption Date. The Trustee shall also give a copy of such notice to the Tender Agent.

All notices of redemption, written or telephonic, shall include the following information:

- A. the Redemption Date,
- B. a description of the Redemption Price of the Bonds to be redeemed which are owned by such Holder specifying the principal amount of such Bonds, the accrued interest on such Bonds for which the interest rate has been determined, and the number of days of accrued interest to the Redemption Date for which the interest rate on the Bonds has not been determined included therein,
- C. the principal amount of Bonds to be redeemed, and, if less than all Outstanding Bonds are to be redeemed, the identification (by Bond and CUSIP number, Stated Maturity, and date of issue) and, in the case of partial redemption, the respective principal amounts of the Bonds to be redeemed,
- D. the fact that on the Redemption Date the Redemption Price of each of the Bonds to be redeemed will become due and payable and that the interest thereon shall cease to accrue from and after said date, and

E. the place or places where the Bonds to be redeemed are to be surrendered for payment of the Redemption Price, which shall be the agency of the Issuer in any Place of Payment for payment of principal of the Bonds.

If any Bond selected for redemption is transferred after the foregoing notice of redemption, the Trustee shall deliver a copy of such notice to the designated transferee together with each Bond authenticated and delivered to such Person pursuant to *Section 3.06*.

Notice of redemption of Bonds to be redeemed shall be given by the Trustee in the name of the Issuer and at the expense of the Board. The Trustee shall also give written notice of redemption, by registered mail, overnight delivery, or other comparable secure means, not less than 25 days prior to the Redemption Date, or by telephone on the Redemption Date in the case of a redemption pursuant to *Section 3.02C*, in either case, at the expense of the Board, to each registered securities depository (and to any national information service that disseminates redemption notices) known to the Trustee, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to Bondholders as hereinabove stated.

SECTION 14.05. *Deposit of Redemption Price.*

On each Redemption Date, the Trustee shall segregate or deposit in trust with the Paying Agents money from the Bond Fund which is available for such purpose pursuant to *Section 7.01* in an amount sufficient to pay the Redemption Price of all the Bonds then to be redeemed. Such money and amounts shall be segregated and shall be held in trust for the benefit of the Persons entitled to such Redemption Price and shall not be deemed to be part of the Trust Estate. All such funds shall be held uninvested.

SECTION 14.06. *Bonds Payable on Redemption Date.*

Notice of redemption having been given as aforesaid, the Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (*unless* the Issuer shall default in the payment of the Redemption Price) such Bonds shall cease to bear interest. Upon surrender of any such Bond for redemption in accordance with said notice, such Bond shall be paid by the Issuer at the Redemption Price, *but solely* from the sources therein provided. Installments of interest with a Stated Maturity the Regular Record Date for which is prior to the

Redemption Date shall be payable to the Holders of the Bonds registered as such on such Record Date according to the terms of such Bonds and the provisions of Section 3.08.

If any Bond called for redemption shall not be so paid upon surrender thereof for redemption or as otherwise provided under Section 14.07 in lieu of surrender, the principal shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in such Bond.

SECTION 14.07. Bonds Redeemed in Part.

Any Bond which is to be redeemed only in part shall be surrendered to the Paying Agent at a Place of Payment (with due endorsement by, or a written instrument of transfer in form satisfactory to the Issuer, the Board, and the Trustee duly executed by the Holder thereof or his attorney duly authorized in writing), and the Issuer shall execute and the Trustee shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds of the same maturity of any authorized denomination or denominations requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

In lieu of surrender under the preceding paragraph, payment of the Redemption Price of a portion of any Bond may be made directly to the Holder thereof without surrender thereof, if there shall have been filed with the Trustee either (i) a written agreement among the Issuer, the Board, and such Holder and, if such Holder is a nominee, the Person for whom such Holder is a nominee, that payment shall be so made and that such Holder will not sell, transfer, or otherwise dispose of such Bond unless prior to delivery thereof such Holder shall present such Bond to the Trustee for notation thereon of the portion of the principal thereof redeemed or shall surrender such Bond in exchange for a new Bond or Bonds for the unredeemed balance of the principal of the surrendered Bond or (ii) a certificate of the Issuer and the Board that such an agreement has been entered into and remains in force.

* * *

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture of Trust and Security Agreement to be duly executed as of the day and year first above written.

TRAVIS COUNTY RESEARCH AND
DEVELOPMENT AUTHORITY

By: _____
President

(SEAL)

ATTEST:

Secretary

MTRUST CORP, NATIONAL ASSOCIATION,
as Trustee

By: _____
Title: _____

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EXHIBIT A

FORM OF INITIAL BOND

REGISTERED
No.

REGISTERED
\$.....

TRAVIS COUNTY RESEARCH AND DEVELOPMENT AUTHORITY
MULTI-MODAL INTERCHANGEABLE RATE REVENUE BOND
(THE UNIVERSITY OF TEXAS AT AUSTIN
SEMICONDUCTOR MANUFACTURING LABORATORY PROJECT)
SERIES 1988

Interest Rate: Due: Date of Series: CUSIP No.:
[Adjustable]* July 1, 2009 [_____, 1988]* _____

TRAVIS COUNTY RESEARCH AND DEVELOPMENT AUTHORITY
(hereinafter referred to as the "Issuer", which term includes
any successor under the Indenture hereinafter referred to), a
research and development authority created by the Commissioners
Court of Travis County, Texas, and existing as a body politic
and corporate exercising public and essential governmental
functions pursuant to Article 5190.10, Vernon's Texas Civil
Statutes, for value received, hereby promises to pay, but
solely from and to the extent of the sources hereinafter
described, to

.....
.....
.....
.....

or registered assigns, on the due date specified above, the
principal sum of

..... DOLLARS

(or so much thereof as shall not have been paid upon prior
redemption) and to pay, but solely from and to the extent of
such sources, interest on the unpaid portion thereof from the
date herein described, and, to the extent permitted by law,
interest on unpaid interest which shall have become due for
payment which has not been paid at the rate then borne by this
Bond, until payment of such portion is made or duly provided
for at the Maturity hereof at the rate or rates of interest
and to the Person hereinafter described. The principal and

*Bracketed phrase may be omitted from any Bond authenticated
on or after the Fixed Rate Period.

Redemption Price of this Bond are payable at the agency of the Issuer for such purpose (herein referred to as a "Paying Agent"), Morgan Guaranty Trust Company of New York, in the City and County of New York, New York (such place herein referred to as a "Place of Payment"), upon presentation and surrender of this Bond. All capitalized terms used herein not otherwise defined shall have the meanings assigned to such terms in the Indenture, as herein defined.

If the specified date for any payment hereon shall be a Saturday, Sunday, or legal holiday or the equivalent (other than a moratorium) on which banking institutions generally are authorized or required to close in a Place of Payment or in the city in which is located the principal corporate trust office of the Trustee [or shall otherwise be a day other than a Business Day, as herein defined]*, then such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment. All such payments shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

1. *Interest.* The interest payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture herein referred to, be paid to the Person in whose name this Bond (or one or more Predecessor Bonds representing the same debt) is registered at the end of the day on the Regular Record Date for such interest specified herein. Any such interest otherwise so payable to the Holder on such Regular Record Date which is not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date, and may be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice thereof being given to Bondholders not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner, all as more fully provided in the Indenture. All such interest shall be payable in the City and County of New York, New York, and shall be paid by check mailed to the address of such Person specified in the Bond Register or pursuant to customary arrangements made by such Person and acceptable to the Paying Agent, except that upon the written request of any Holder of not less than \$1,000,000 principal amount of Bonds provided to such Paying Agent not less than 15 days prior to [(or, if the Interest Period (hereinafter defined) immediately preceding such

**Bracketed phrase may be omitted from any Bond authenticated on or after the Fixed Rate Period.*

Interest Payment Date is less than 16 days in duration, then not later than the last Business Day preceding)]* the relevant Interest Payment Date therefor, interest due on any Interest Payment Date shall be made by wire transfer to any designated account within the United States of America.

(a) *Interest Generally.* During the period from and including the first day of each Daily Rate Period, Weekly Rate Period, Monthly Rate Period, Liquidity Facility Rate Period, Quarterly Rate Period, Semi-Annual Rate Period, Money Market Rate Period, Variable-Term Rate Period, Medium-Term Rate Period, or Fixed Rate Period (each herein referred to as an "Interest Period") described below to and excluding the first day of the next Interest Period designated by the Board or otherwise established in accordance with the provisions of the Indenture described below and, for Interest Periods other than the Fixed Rate Period, pursuant to the terms of a Remarketing Agreement between the Issuer and J.P. Morgan Securities Inc., or any successor thereto (the "Remarketing Agent"), this Bond shall, subject to the provisions of paragraph (i) below, bear interest at the corresponding Daily Rate, Weekly Rate, Monthly Rate, Liquidity Facility Rate, Quarterly Rate, Semi-Annual Rate, Money Market Rate, Variable-Term Rate, Medium-Term Rate, or Fixed Rate respectively (each, a "Rate"), established as described in the Indenture and by the Remarketing Agent. Interest payable at a Daily Rate, Weekly Rate, Monthly Rate, Liquidity Facility Rate, Quarterly Rate, or Variable-Term Rate shall be computed on the basis of a 365- or 366-day year, as the case may be, for actual days elapsed, and at a Semi-Annual Rate, Money Market Rate, Medium-Term Rate, or the Fixed Rate shall be computed on the basis of a 360-day year comprised of twelve 30-day months. The interest hereon shall accrue from and including the later of the Date of Series specified above or the most recent Interest Payment Date to which interest has been paid or duly provided for. The Bonds shall initially bear interest at a Semi-Annual Rate set by the Remarketing Agent on the Closing Date.

(b) *Establishment of Interest Period.* The Indenture provides that the Board may request the Remarketing Agent to convert the Interest Rate Determination Method for the Bonds, subject to the terms and conditions set forth in the Indenture, including notice to Bondholders and an opportunity for any Bondholder to tender any Bond for purchase on an Optional Tender Date or Optional Retention Date prior thereto; provided that the Bond will be subject to mandatory tender, with no option on the part of the Bondholder to retain any Bond, on the Effective Date or the Conversion Date, as the case may be, of a conversion in the Interest Rate Determination Method to a Money Market Rate.

*Bracketed phrase may be omitted from any Bond authenticated on or after the Fixed Rate Period.

(c) *Initial Rate.* The Bonds shall initially bear interest at the Weekly Rate. During any Weekly Rate Period, the Remarketing Agent will set a Weekly Rate by 5:00 p.m. New York City time on each Tuesday (or the immediately preceding Business Day, if such Tuesday is not a Business Day) for the next Calendar Week; *provided*, that the Weekly Rate for the first Calendar Week (or portion thereof) following the Effective Date or Conversion Date resulting in a change in the Interest Rate Determination Method to a Weekly Rate shall be set by the Remarketing Agent on the Business Day immediately preceding such Effective Date or Conversion Date, as the case may be. Each Weekly Rate shall be the rate of interest which, if borne by the Bonds, would, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for revenue bonds or other securities the interest on which is excluded from gross income for federal income tax purposes of the same general nature as the Bonds or securities the interest on which is excluded from gross income for federal income tax purposes which are competitive as to credit and stated maturity (or period for tender) with the credit and Stated Maturity (or period for tender) of the Bonds, be the interest rate necessary, but would not exceed the interest rate necessary, to enable the Remarketing Agent to place the Bonds at a price of par (plus accrued interest, if any) on the first Business Day of such Calendar Week; *provided*, that, if for any reason the Weekly Rate for any Calendar Week is not established as aforesaid by the Remarketing Agent, no Remarketing Agent shall be serving as such under the Indenture or the rate so established is held to be invalid or unenforceable with respect to any Calendar Week, then the Weekly Rate for such Calendar Week shall be 100% of the Weekly Rate Index on the date such interest rate was (or would have been) determined as provided above.

(d) *Notices of Rates.* The Remarketing Agent shall give notice to the Trustee, the Tender Agent, and the Board of any Proposed Rate established by the Remarketing Agent with respect to any Quarterly Rate or Semi-Annual Rate and of any change in the Money Market Rate as a result of a change in the rate of interest pursuant to the Money Market Rate Index then in effect during a Money Market Rate Period and the Remarketing Agent shall announce at its principal office such Proposed Rate on the applicable Proposed Rate Computation Date or the then applicable Money Market Rate on the date of such change, as the case may be. Any Bondholder may obtain a Proposed Rate on or after the applicable Proposed Rate Computation Date and prior to the related Computation Date and may obtain the current Money Market Rate upon request of the Remarketing Agent at its principal office. Promptly following the determination of any Rate, the Remarketing Agent shall give notice thereof to the

Tender Agent. Promptly upon receipt of notice from the Remarketing Agent of any Quarterly Rate, Semi-Annual Rate, Medium-Term Rate, or Fixed Rate, the Tender Agent shall give each Bondholder notice of the new Rate.

(e) *Deemed Tendered.* For purposes of determining the applicable Rate following an Optional Retention Date or Reset Date, any Untendered Bond shall be deemed to have been tendered for purchase on such Optional Retention Date or Reset Date, as the case may be.

(f) *Absence of Remarketing Agent.* If no Remarketing Agent shall be serving under the Indenture, the determination of the applicable Rate (and Proposed Rate, if applicable) shall be made by the Tender Agent. The determination of any Rate (and Proposed Rate, if applicable) by the Remarketing Agent or, as aforesaid, the Tender Agent shall be conclusive and binding upon the Issuer, the Board, the Trustee, the Tender Agent, the Remarketing Agent, and the Bondholders.

(g) *No Liability.* In determining the interest rate that the Bonds shall bear as provided in this Section, the Remarketing Agent and, as aforesaid, the Tender Agent shall have no liability to the Issuer, the Board, the Tender Agent, the Trustee, or any Bondholder except for its willful misconduct.

(h) *Business Day.* As used herein, the term "Business Day" means any day that is not a Saturday, Sunday, or a legal holiday or a day on which banking institutions in the City of Austin, Texas or the City of New York, New York are authorized by law or executive order to close.

(i) *Usury Savings Clause.* Notwithstanding anything herein or in the Indenture to the contrary, however, in no event shall the aggregate of the interest on the Bonds plus any other amounts paid in connection therewith which are deemed "interest" under the laws of the State of Texas and the United States of America in effect on the Date of Series specified above permitting the charging and collecting of the highest non-usurious interest rate on the Bonds (hereinafter referred to as "Applicable Law") ever exceed the lesser of the net effective rate of 15% per annum or the maximum amount of interest which could be lawfully charged and paid on the Bonds under Applicable Law, and if any amount of interest taken or received by the Holder thereof shall be in excess of the maximum amount of interest which, under Applicable Law, could lawfully have been collected and paid hereon, then the excess shall be deemed to have been the result of a mathematical error by the Issuer, the Trustee, and such Holder and shall be

refunded promptly to the Trustee for the account of the Issuer. All amounts paid or agreed to be paid in connection with the indebtedness evidenced by the Bonds which under Applicable Law would be deemed "interest" shall, to the extent permitted by Applicable Law, be amortized, prorated, allocated, and spread throughout the full term of the Bonds.

2. *Title; Limited Obligations.* This Bond is one of a duly authorized issue of Bonds of the Issuer designated as its "MULTI-MODAL INTERCHANGEABLE RATE REVENUE BONDS (THE UNIVERSITY OF TEXAS AT AUSTIN SEMICONDUCTOR MANUFACTURING LABORATORY PROJECT) SERIES 1988" (herein referred to as the "Bonds"), issued and to be issued under, and all equally and ratably secured by, an Indenture of Trust and Security Agreement dated as of February 1, 1988 (herein, together with all indentures supplemental thereto, referred to as the "Indenture") between the Issuer and MTrust Corp, National Association, as trustee (herein in such capacity referred to as the "Trustee", which term includes any successor Trustee under the Indenture), to which Indenture reference is hereby made for a description of the properties thereby pledged and assigned, the nature and extent of the security, the respective rights thereunder of the Holders of the Bonds, the Trustee, and the Issuer, and the terms upon which the Bonds are, and are to be, authenticated and delivered.

[For purposes of providing liquidity, and not as additional credit, the Board has entered into a Standby Bond Purchase Agreement dated as of February 1, 1988 (the initial "Liquidity Facility") with Morgan Guaranty Trust Company of New York (the "Bank"), which Liquidity Facility, unless earlier terminated or previously extended by the Bank in accordance with its terms, will expire on February 1, 1991. Upon compliance with the conditions set forth therein, the Trustee is entitled under the Liquidity Facility to require the Bank to purchase Bonds which have been tendered for purchase and not remarketed or purchased with money made available by the Board. The Tender Agent will be required to deliver to the Bank the Bonds to be purchased by the Tender Agent with the proceeds derived under the Liquidity Facility. Upon an Event of Default under the Liquidity Facility, the Bank may terminate its obligation to purchase Bonds. The Board may, under certain circumstances as described under the Indenture, provide for an alternate Liquidity Facility.]*

The Bonds are limited obligations of the Issuer payable solely from and to the extent of payments which may be received from the State of Texas and installment sale payments required to be made by Board of Regents of the University of Texas System (the "Board") pursuant to a Lease and Installment Sale

*Bracketed phrase may be omitted from any Bond authenticated on or after the Fixed Rate Period.

Agreement with the Issuer dated as of even date with the Indenture (herein, together with all amendments and supplements thereto, referred to as the "Agreement").

3. *Redemption[, Mandatory Tender,]** and Acceleration. The Bonds are subject to optional and mandatory redemption in whole or in part as provided in the Indenture.

[The Indenture requires this Bond to be tendered by the Holder for purchase upon each Purchase Date described under "Mandatory Tender" in the "Notice of Demand Privilege and Mandatory Tender" appearing hereon or on a separate page or pages attached hereto, unless such tender is waived as therein described. By accepting this Bond, the Holder agrees to all such provisions.]*

It is provided in the Indenture that Bonds may be redeemed in part and that upon any partial redemption of any such Bond the same shall, *except* as otherwise permitted by the Indenture, be surrendered in exchange for one or more new Bonds in authorized form for the unredeemed portion of principal. Bonds (or portions thereof) for whose redemption and payment provision is made in accordance with the Indenture shall thereupon cease to be entitled to the lien of the Indenture and shall cease to bear interest from and after the date fixed for redemption.

4. *Amendments; Waivers; Limited Enforcement Rights.* The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the Board and the rights of the Holders of the Bonds under the Indenture at any time by the Issuer with the consent of the Holders of a majority in aggregate principal amount of the Bonds at the time Outstanding (as defined in the Indenture) affected by such modification and certain other Persons. The Indenture also contains provisions permitting the Holders of a majority in principal amount of the Bonds at the time Outstanding, on behalf of the Holders of all the Bonds, together with the consent of one or more other Persons specified in the Indenture, to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond or any Predecessor Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Bond issued upon the transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

**Bracketed phrase may be omitted from any Bond authenticated on or after the Fixed Rate Period.*

The Holder of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture, or to institute, appear in, or defend any suit or other proceeding with respect thereto, *except* as provided in the Indenture.

5. *Denominations; Transfer and Exchange.* The Bonds are issuable as fully registered bonds only, without coupons, in the denominations of \$5,000 and any integral multiple thereof [*if issued during the Fixed Rate Period and otherwise shall be issuable in the denominations of \$100,000 and any integral multiple thereof*]*.

As provided in the Indenture and subject to certain limitations therein set forth, this Bond is transferable on the Bond Register of the Issuer, upon surrender of this Bond for transfer to a Paying Agent at a Place of Payment duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Bond Registrar duly executed by, the registered Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Bonds of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees.

As provided in the Indenture and subject to certain limitations therein set forth, Bonds are exchangeable for a like aggregate principal amount of Bonds of different authorized denominations, as requested by the Holder, upon surrender of the Bonds to be exchanged to a Paying Agent at a Place of Payment.

No service charge shall be made for any such transfer or exchange, *but* the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

6. *Persons Deemed Owners.* The Issuer, the Trustee, and their agents shall treat the Person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Bond be overdue, and none of the Issuer, the Trustee, or any such agent shall be affected by notice to the contrary.

**Bracketed phrase may be omitted from any Bond authenticated on or after the Fixed Rate Period.*

7. *Severability; Governing Law.* In case any provision in this Bond or any application thereof shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby. This Bond shall be construed in accordance with and governed by the laws of the State of Texas.

NEITHER THE STATE OF TEXAS NOR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF TEXAS, INCLUDING TRAVIS COUNTY, TEXAS, SHALL BE OBLIGATED TO PAY THE BONDS OR THE INTEREST THEREON. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, TRAVIS COUNTY, TEXAS, OR ANY OTHER POLITICAL SUBDIVISION OR AGENCY THEREOF IS PLEDGED, GIVEN, OR LOANED TO THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE BONDS.

Unless the certificate of authentication hereon has been executed by the Trustee, the Authenticating Agent, or the Bond Registrar, by manual signature, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be duly executed under its seal.

Date of Authentication: TRAVIS COUNTY RESEARCH AND
DEVELOPMENT AUTHORITY

By _____
Title _____

(SEAL)

ATTEST: _____

Title: _____

(SEAL)

CERTIFICATE OF AUTHENTICATION*

This is one of the Bonds referred to in the within-mentioned Indenture, the Bonds originally delivered having been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas, as shown by the records of the Authenticating Agent or Bond Registrar.

MORGAN GUARANTY TRUST
COMPANY OF NEW YORK,
as Bond Registrar

MTRUST CORP, NATIONAL
ASSOCIATION, as Trustee

By.....
Authorized Signature

By.....
Authorized Signature

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 identifying number:
.....) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Signature(s) guaranteed:

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

*The initial Bond of this series submitted to the Attorney General of the State of Texas for approval shall bear the Comptroller's Registration Certificate set forth in Section 2.02 in place of the Certificate of Authentication.

NOTICE OF DEMAND PRIVILEGE
AND MANDATORY TENDER*

Optional Tender. So long as a Liquidity Facility referred to in the Notice of Liquidity Support appearing on the within Bond is in effect under the Indenture and except as provided under "*Mandatory Tender*" below, Morgan Guaranty Trust Company of New York, or any successor Tender Agent, is required by the Indenture to purchase, solely from and to the extent of available funds as provided herein, for the account of one or more purchasers specified in the Indenture, at the Purchase Price hereinafter described, any Bond (or portion thereof which in principal amount is equal to, and leaves untendered, a Bond of an authorized denomination), other than a Bond registered in the name of the Board, the Bank, or the Issuer tendered for purchase by the Holder thereof upon

[*Insert optional tender provisions; conform to Section 6.01.*]

IN THE EVENT SUCH BOND IS NOT SO PRESENTED AND ENDORSED ON THE PURCHASE DATE SPECIFIED IN SUCH NOTICE AT THE OFFICE OF THE TENDER AGENT, AS DESCRIBED ABOVE, THE HOLDER OF SUCH BOND SHALL BE LIABLE FOR ALL DAMAGES, IF ANY, OF THE ISSUER, THE BOARD, THE REMARKETING AGENT, THE TENDER AGENT, THE TRUSTEE, AND THE BANK CAUSED BY THE FAILURE TO SO PRESENT SUCH BOND.

Mandatory Tender. The within Bond is required to be tendered to the Tender Agent in the City and County of New York, New York, for purchase for the account of the Persons and at the Purchase Price, from and to the extent of the sources described above under "*Optional Tender*", or in certain cases by the Board, upon

[*Insert mandatory tender provisions; conform to Section 6.01.*]

Untendered Bonds. BONDS FOR WHICH NOTICE OF TENDER IS DULY GIVEN IN ACCORDANCE WITH THE PROVISIONS DESCRIBED UNDER "OPTIONAL TENDER" ABOVE FOR ANY PURCHASE DATE, OR WHICH ARE REQUIRED TO BE TENDERED PURSUANT TO THE PROVISIONS DESCRIBED UNDER "MANDATORY TENDER" ABOVE ON ANY PURCHASE DATE AND FOR WHICH PAYMENT OF THE PURCHASE PRICE THEREFOR IS DULY PROVIDED FOR ON SUCH PURCHASE DATE WILL BE DEEMED TO BE SOLD ON SUCH PURCHASE DATE, AND THE HOLDER THEREOF SHALL NOT THEREAFTER BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST ACCRUED SUBSEQUENT TO SUCH PURCHASE DATE) IN RESPECT THEREOF OTHER THAN SUCH PURCHASE PRICE OR OTHERWISE BE SECURED BY OR ENTITLED TO ANY BENEFIT UNDER THE INDENTURE.

*This Notice and all succeeding provisions of this form of Bond may be omitted from any Bond authenticated on or after the first day of the Fixed Rate Period.

Notices and Tender. The Remarketing Agent is J.P. Morgan Securities Inc., whose present address for purposes of such notices and delivery is 23 Wall Street, 10th Floor, New York, New York 10015, Attention: _____; the Trustee is MTrust Corp, National Association, whose present address for purposes of such notices and delivery is P. O. Box 2266, Austin, Texas 78780, Attention: Corporate Trust Department, Tax-Exempt Division; and the Tender Agent is Morgan Guaranty Trust Company of New York, whose present address for purposes of such notices and delivery is 23 Wall Street, New York, New York 10015, Attention: Public Finance Banking, each of which is subject to replacement and change upon written notice to the Bondholders.

Definitions. All terms in the above notice have the meanings ascribed to such terms in the within Bond.

NOTICE OF LIQUIDITY SUPPORT

Payment of the Purchase Price of Bonds tendered in accordance with the provisions of the Indenture described in the Notice of Demand Privilege and Mandatory Tender appearing on the within Bond is to be provided for by the Board or in certain circumstances by the Bank, *unless* such Bonds are sooner purchased pursuant to remarketing in accordance with a Remarketing Agreement dated as of even date with the Indenture between the Issuer and J. P. Morgan Securities Inc., or one or more substitute agreements.

Definitions. All terms used in the above notice have the meanings ascribed to such terms in the within Bond.

EXHIBIT A

FORM OF NOTICE OF ELECTION TO RETAIN BOND
FOLLOWING CERTAIN OPTIONAL RETENTION DATES

Morgan Guaranty Trust Company
of New York, as Tender Agent
30 West Broadway, 14th Floor
New York, New York 10015

Attention: Corporate Trust Administration

Gentlemen:

This notice is being sent to you in your capacity as Tender Agent under the Indenture of Trust and Security Agreement dated as of February 1, 1988 (the "Indenture") between the Travis County Research and Development Authority (the "Issuer") and MTrust Corp, National Association, as trustee (the "Trustee"), relating to the Issuer's \$ _____ aggregate principal amount Multi-Modal Interchangeable Rate Revenue Bonds (The University of Texas at Austin Montopolis Research Center Project) Series 1988 (the "Bonds"). You are hereby notified that:

1. The undersigned is the owner of Bond No.(s) _____ outstanding under the Indenture in the principal amount(s) of \$ _____.

2. The undersigned's address is _____.

3. The undersigned has received a notice from the Tender Agent that the Interest Rate Determination Method shall be converted to the Rate specified in such notice on the related Effective Date or that the date specified in such notice is the last day of a Rate Period with respect to the Bonds referred to in paragraph (1) immediately preceding a Variable-Term Rate Period, as the case may be.

4. The undersigned elects to retain Bond Nos(s) _____ in the principal amount(s) of \$ _____ (or any portion thereof in an Authorized Denomination) and will not tender such Bond(s) (or portion thereof) on the date specified in the Indenture (or prior thereto for purchase pursuant to the Indenture).

5. The undersigned acknowledges that, if the undersigned has elected to retain only a portion of the Bonds

referred to in paragraph 4 above (in Authorized Denominations), the undersigned must surrender the Bonds referred to in paragraph 4 above in exchange for Bonds in Authorized Denominations in the principal amount which the undersigned wishes to retain.

6. All capitalized terms not otherwise defined herein shall have the meaning given to such terms in the Indenture.

Very truly yours,

EXHIBIT B
FORM OF NOTICE OF ELECTION TO RETAIN BOND
FOLLOWING A CONVERSION DATE

Morgan Guaranty Trust Company
of New York, as Tender Agent
30 West Broadway, 14th Floor
New York, New York 10015

Attention: Corporate Trust Administration

Gentlemen:

This notice is being sent to you in your capacity as Tender Agent under the Indenture of Trust and Security Agreement dated as of February 1, 1988 (the "Indenture") between the Travis County Research and Development Authority (the "Issuer") and MTrust Corp, National Association, as trustee (the "Trustee"), relating to the Issuer's \$_____ aggregate principal amount Multi-Modal Interchangeable Rate Revenue Bonds (The University of Texas at Austin Montopolis Research Center Project) Series 1988 (the "Bonds"). You are hereby notified that:

1. The undersigned is the owner of Bond Nos.(s) _____ outstanding under the Indenture in the principal amount(s) of \$_____.

2. The undersigned's address is _____.

3. The undersigned has received a notice from the Tender Agent that _____, _____ is the last day of a Rate Period immediately preceding a Conversion Date (other than a Conversion Date relating to conversion of the Interest Rate Determination Method to a Money Market Rate).

4. The undersigned elects to retain Bond No.(s) _____ in the principal amount(s) of \$_____ (or any portion thereof in an Authorized Denomination) and will not tender such Bond(s) (or portion thereof) on the applicable Optional Retention Date for purchase on the applicable Conversion Date (or prior thereto for purchase pursuant to the Indenture).

5. The undersigned acknowledges that, if the undersigned has elected to retain only a portion of the Bonds referred to in paragraph 4 above (in Authorized Denominations),

the undersigned must surrender the Bonds referred to in paragraph 4 above in exchange for Bonds in Authorized Denominations in the principal amount which the undersigned wishes to retain.

6. The undersigned acknowledges that this notice of election is irrevocable and that the events specified in the notice from the Tender Agent referred to in paragraph 3 above, including without limitation expiration of the Liquidity Facility, if applicable, and termination of the Bonds being subject to purchase, as provided in the Indenture, if applicable, are to occur.

7. The undersigned acknowledges that the current rating assigned to the Bonds, if any, may be lowered or eliminated as a result of the conversion of the interest rate on the Bonds to the new Rate.

8. All capitalized terms not otherwise defined herein shall have the meaning given to such terms in the Indenture.

Very truly yours,

EXHIBIT C

FORM OF NOTICE OF ELECTION TO RETAIN BOND
FOLLOWING THE MANDATORY PURCHASE DATE

Morgan Guaranty Trust Company
of New York, as Tender Agent
30 West Broadway, 14th Floor
New York, New York 10015

Attention: Corporate Trust Administration

Gentlemen:

This notice is being sent to you in your capacity as Tender Agent under the Indenture of Trust and Security Agreement dated as of February 1, 1988 (the "Indenture") between the Travis County Research and Development Authority (the "Issuer") and MTrust Corp, National Association, as trustee (the "Trustee"), relating to the Issuer's \$_____ aggregate principal amount Multi-Modal Interchangeable Rate Revenue Bonds (The University of Texas at Austin Montopolis Research Center Project) Series 1988 (the "Bonds"). You are hereby notified that:

1. The undersigned is the owner of Bond No.(s) _____ outstanding under the Indenture in the principal amount(s) of \$_____.

2. The undersigned's address is _____.

3. The undersigned has received a notice from the Tender Agent that the Bonds are required to be tendered on the applicable Optional Retention Date for purchase on the Mandatory Purchase Date for the reasons set forth in such notice.

4. The undersigned elects to retain Bond Nos.(s) _____ in the principal amount(s) of \$_____ (or any portion thereof in an Authorized Denomination) and will not tender such Bond(s) or (or portion thereof) on the applicable Optional Retention Date for purchase on the Mandatory Purchase Date (or prior thereto for purchase pursuant to the Indenture).

5. The undersigned acknowledges that, if the undersigned has elected to retain only a portion of the Bonds referred to in paragraph 4 above (in Authorized Denominations),

the undersigned must surrender the Bonds referred to in paragraph 4 above in exchange for Bonds in Authorized Denominations in the principal amount which the undersigned wishes to retain.

6. The undersigned acknowledges that this notice of election is irrevocable and that the events specified in the notice from the Tender Agent referred to in paragraph 3 above, including, if so specified, expiration of the Liquidity Facility, are to occur.

7. The undersigned acknowledges that the current rating assigned to the Bonds, if any, may be lowered or eliminated as a result of the matters specified in the Tender Agent's notice referred to in paragraph 3 above.

8. All capitalized terms not otherwise defined herein shall have the maning given to such terms in the Indenture.

Very truly yours,

EXHIBIT B

FORM OF OFFICER'S CERTIFICATE

Date: _____

MTrust Corp, National Association,
as Trustee
P. O. Box 2266
Austin, Texas 78780

ATTN: Corporate Trust Department, Tax-Exempt Division

REQUISITION CERTIFICATE

This certificate is provided pursuant to Section 7.02 of the Indenture of Trust and Security Agreement dated as of February 1, 1988 (the "Indenture") from Travis County Research and Development Authority (the "Issuer") to MTrust Corp, National Association, as trustee (the "Trustee"), in connection with the Issuer's Multi-Modal Interchangeable Rate Revenue Bonds (The University of Texas at Austin Montopolis Research Center Project) Series 1988 (the "Bonds") requesting payment from the Proceeds Fund established pursuant to Section 3.02 of the Lease and Installment Sale Agreement dated as of February 1, 1988 (the "Agreement") between the Issuer and the Board of Regents of the University of Texas System (the "Board"), and, in connection therewith, the Board states as follows:

- (a) this is Requisition Certificate No. _____;
- (b) the aggregate amount of Proceeds Fund money (including the amount in (c) below) requested through the date hereof is \$ _____; and
- (c) the amount of this request is \$ _____ (the purpose or purposes to which such payment will be applied and the amount to be applied to each purpose are set forth on Schedule A attached hereto).

The Board certifies as follows:

- (1) the costs set forth in (c) above have been made or incurred and were necessary in connection with Costs of the Project (as defined in the Agreement);

(2) the Board has incurred Costs of the Project at least equal to the amount requested to be withdrawn and as set forth in (c) above; and

(3) no part of the costs set forth in (c) above, (i) would result in a violation of any of the covenants of the Board contained in the Agreement, or (ii) has been included in any Requisition Certificate previously filed with the Trustee under the provisions of the Indenture.

Authorized Representative

Schedule A

Payee

Amount

Purpose*

*Attach copies of invoices

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PAYING AGENT/REGISTRAR AGREEMENT

THIS PAYING AGENT/REGISTRAR AGREEMENT (the "Agreement"), is dated as of February 1, 1988, by and between the Travis County Research and Development Authority (the "Issuer"), and Morgan Guaranty Trust Company of New York, New York, New York (the "Bank").

RECITALS OF THE ISSUER

Pursuant to an Indenture of Trust and Security Agreement dated as of February 1, 1988 by and between the Issuer and MTrust Corp, National Association, as Trustee thereunder (the "Indenture"), the Issuer has duly provided for the issuance of its bonds, entitled Travis County Research and Development Authority Multi-Modal Interchangeable Rate Revenue Bonds (The University of Texas at Austin Semiconductor Manufacturing Laboratory Project) Series 1988 (the "Bonds");

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

The Issuer and the Bank wish to provide the terms under which the Bank will act as Paying Agent to pay the principal and interest on the Bonds and Tender Agent to pay the Purchase Price (as defined in the Indenture) of tendered Bonds, all in accordance with the terms of the Indenture and hereof, and under which the Bank will act as Bond Registrar (as defined in the Indenture) for the Bonds;

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

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE ONE

APPOINTMENT OF BANK AS
PAYING AGENT, REGISTRAR AND TENDER AGENT

Section 1.01. Appointment.

The Issuer hereby appoints the Bank to act as Paying Agent with respect to the Bonds, to pay to the Holders (as

defined in the Indenture) of the Bonds the principal of, redemption premium, if any, and interest on all or any of the Bonds including the Purchase Price of any Bonds tendered for purchase by said Holders, all in accordance with the terms and provisions of this Agreement and the Indenture.

The Issuer hereby appoints the Bank as Bond Registrar and Authenticating Agent (as defined in the Indenture) with respect to the Bonds, to authenticate the Bonds and to register the transfer, exchange or assignment of Bonds, all in accordance with the terms and provisions of this Agreement and the Indenture.

The Issuer hereby appoints the Bank as Tender Agent with respect to the Bonds, to accept the tender of the Bonds from the Holders and to pay the Purchase Price thereof, all in accordance with the terms and provisions of this Agreement and the Indenture.

The Bank hereby accepts its appointment, and agrees to act as Paying Agent, Bond Registrar, Authenticating Agent and Tender Agent, and to perform all obligations imposed upon it as Paying Agent, Registrar and Tender Agent under the Indenture and this Agreement.

Section 1.02. Compensation, Payment of Legal Expenses.

As compensation for the Bank's services as Paying Agent, Bond Registrar, Authenticating Agent and Tender Agent, the Issuer hereby agrees to pay the Bank its customary and reasonable fees in accordance with the fee schedule attached hereto as Exhibit A, or as otherwise agreed by the parties hereto but solely from the Pledged Revenues (as defined in the Indenture). The Issuer also agrees to reimburse the Bank for the reasonable fees and expenses paid by the Bank for legal services rendered to it in connection with the discharge of its duties hereunder.

ARTICLE TWO

DEFINITIONS

Section 2.01. Definitions.

All capitalized terms used in this Agreement not defined herein shall have the same meaning as provided in the Indenture. For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

"Bank" means the party identified as such on the first page of this Agreement.

"Issuer" means the party identified as such on the first page of this Indenture.

"Bonds" has the meaning set forth in the recitals to this Agreement.

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

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

ARTICLE THREE

REGISTRAR

Section 3.01. Unauthenticated Bonds.

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

Section 3.02. Form of Bond Register.

The Bank as Registrar will maintain the records of the Bond Register (as defined in the Indenture) in accordance with the Bank's general practices and procedures in effect from time to time.

Section 3.03. Reports.

The Bank will provide the Issuer reports not less often than once each three months, which reports will describe in reasonable detail all transactions pertaining to the Bonds and the Bond Register. The Bank will also provide the Issuer with copies of any changes to the Bond Register within two Business Days (as defined in the Indenture) of the date such changes are recorded in the Bond Register.

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

Section 3.04. Cancelled Bonds.

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

ARTICLE FOUR

THE BANK

Section 4.01. Duties of Bank.

The Bank undertakes to perform the duties of Paying Agent, Bond Registrar, Authenticating Agent and Tender Agent as set forth herein and in accordance with the Indenture and agrees to use reasonable care in the performance thereof.

Section 4.02. Reliance on Documents, Etc.

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

(b) The Bank shall not be liable to the Issuer for actions taken under this Agreement so long as it acts in good faith and exercises due diligence with regard to its duties hereunder.

(c) This Agreement is not intended to require the Bank to expend its own funds for performance of any of its duties hereunder.

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

Section 4.03. Recitals of Issuer.

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

Section 4.04. May Own Bonds.

The Bank, in its individual or any other capacity, may become the owner or pledgee of Bonds with the same rights it would have if it were not the Paying Agent, Bond Registrar, Authenticating Agent and Tender Agent for the Bonds.

Section 4.05. Money Held by Bank.

Money held by the Bank hereunder shall be held in trust for the benefit of the Holders of the Bonds.

The Bank shall be under no obligation to pay interest on any money received by it hereunder.

Any money deposited with the Bank for the payment of the principal, redemption premium, if any, or interest on or Purchase Price of any Bond and remaining unclaimed for two years after the Stated Maturity of the Bonds will be paid by the Bank to the Board of Regents of The University of Texas System, upon receipt of a written request signed by an authorized representative of the Board of Regents of The University of Texas System, and the Issuer and the Bank agree that the Holder of such Bond shall thereafter look only to the Board of Regents of The University of Texas System for payment thereof, and that all liability of the Bank with respect to such moneys shall thereupon cease.

ARTICLE FIVE

MISCELLANEOUS PROVISIONS

Section 5.01. Amendment.

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

Section 5.02. Assignment.

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

Section 5.03. Notices.

Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or delivered to the Issuer or the Bank, and a copy sent to the Board of Regents of The University of Texas System, at the addresses shown hereon, or such other address as may have been given by one party or addressee to the others by 15 days written notice.

Section 5.04. Effect of Headings.

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

Section 5.05. Successors and Assigns.

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

Section 5.06. Severability.

If any provision of this Agreement shall be invalid or unenforceable, the validity and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

Section 5.07. Benefits of Agreement.

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

Section 5.08. Receipt of Indenture; Conflicts.

Each party hereto by execution hereof acknowledges receipt of a copy of the Indenture and agrees to be bound thereby. This Agreement and the Indenture constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent, Bond Registrar, Authenticating Agent and Tender Agent and if any conflict exists between this Agreement and the Indenture, the Indenture shall govern.

Section 5.09. Counterparts.

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

Section 5.10. Term and Termination.

The provisions of this Agreement relating to the duties of the Bank as Paying Agent, Registrar and Authenticating Agent shall be effective from and after its execution for a term ending on the Stated Maturity date or Redemption Date of the last Bond to mature or be redeemed, whichever first occurs. The provisions of this Agreement regarding the duties of the Bank as Tender Agent shall be effective from and after its execution and shall terminate on the earlier of the date provided in the immediately preceding sentence or on the Fixed Rate Conversion Date (as defined in the

Indenture). The Issuer may terminate this Agreement upon 60 days' written notice to the Bank. In the event of early termination regardless of circumstances, the Bank shall deliver to the Issuer or its designee all books and records pertaining to the Bank's role as Paying Agent, Bond Registrar, Authenticating Agent and Tender Agent with respect to the Bonds, including, but not limited to, the Bond Register.

Section 5.11. Governing Law.

THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

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

TRAVIS COUNTY RESEARCH
AND DEVELOPMENT AUTHORITY

By _____
President,
Board of Directors

ADDRESS:
Travis County Research
and Development Authority
1010 San Antonio Street
Austin, Texas 78701
Attention: President

ATTEST:

Executive Secretary

(SEAL)

MORGAN GUARANTY TRUST
COMPANY OF NEW YORK

By _____
Title _____

ADDRESS:
Morgan Guaranty Trust
Company of New York
23 Wall Street
New York, New York 10015

ATTEST:

Title _____

(SEAL)

cc: Board of Regents of The University of Texas System
Office of Asset Management
210 West Sixth Street
Austin, Texas 78701
Attn: Manager of Special Investments and Financing

NEW ISSUE

RATINGS: see "Ratings" herein

In the opinion of Co-Bond Counsel, interest on the Bonds is, except as set forth under "Tax Exemption" herein, excludable from gross income for federal income tax purposes under existing laws, regulations, published rulings and judicial decisions. See "Tax Exemption" herein.

\$ _____

TRAVIS COUNTY RESEARCH AND DEVELOPMENT AUTHORITY
Multi-Modal Interchangeable Rate Revenue Bonds (The University of Texas
at Austin Semiconductor Manufacturing Laboratory Project)
Series 1988

Price: 100%

Dated: February 1, 1988

Due: July 1, 2009

The Bonds are special obligations of the Travis County Research and Development Authority (the "Issuer") acting for the County of Travis, Texas (the "County"), and in cooperation with the Board of Regents (the "Board") of The University of Texas System (the "System") and The University of Texas at Austin (the "University"). The Bonds will be payable solely from (a) grants received by the Issuer, if any, from the State of Texas, including any agencies or departments of the State of Texas, and (b) payments required to be made under a Lease and Installment Sale Agreement (the "Agreement") between the Issuer and the

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

The payments required to be made by the Board under the Agreement (the "Payment Obligations") will be payable solely from "Pledged Revenues" which consist primarily of "Pledged Available University Fund Surplus" (as such terms are defined herein).

NEITHER THE STATE OF TEXAS NOR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF TEXAS, INCLUDING THE COUNTY OF TRAVIS, SHALL BE OBLIGATED TO PAY THE BONDS OR THE INTEREST THEREON EXCEPT TO THE EXTENT OF THE BOARD'S LIMITED OBLIGATIONS UNDER THE AGREEMENT. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE COUNTY OF TRAVIS OR ANY OTHER POLITICAL SUBDIVISION OR AGENCY THEREOF IS PLEDGED, GIVEN OR LOANED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS OR THE PAYMENT OBLIGATIONS.

The proceeds from the sale of the Bonds will be used by the Issuer to finance the construction and equipping of a semiconductor manufacturing laboratory on a project site recently acquired by the Board and leased to the Issuer under the Agreement. Upon completion, the facility will be known as The University of Texas at Austin Semiconductor Manufacturing Laboratory Center and will be made available for use by the members of SEMATECH, Inc., a non-profit Delaware corporation, which members include the companies named on the reverse side hereof. The University is an associate member of SEMATECH. Proceeds from the sale of the Bonds will also be used for paying the costs of issuing the Bonds. See "Plan of Financing."

The Bonds are issued as Multi-Modal Interchangeable Rate Securities (M-MIRS)SM. The Bonds shall initially bear interest at the Weekly Rate. The initial Weekly Rate, which shall be the rate of interest borne by the Bonds from the date of their initial issuance to March _____, 1988, shall be determined by J.P. Morgan Securities Inc., as Remarketing Agent, on the date of their initial issuance. The Interest Rate Determination Method for the Bonds may be changed from time to time to a Daily, Weekly, Monthly, Quarterly, Semi-Annual, Money Market, Variable-Term, Medium-Term or Fixed Rate, as described herein. Prior to any such change, notice shall be given to Bondholders, and Bondholders shall have the option of tendering or retaining their Bonds. Under each Interest Rate Determination Method, the Remarketing Agent is required to determine the applicable rate, which rate would in the judgment of the Remarketing Agent be the interest rate necessary, but would not exceed the interest rate necessary, to enable the Remarketing Agent to remarket the Bonds at a price of par (plus accrued interest, if any), having due regard for the prevailing financial market conditions for revenue bonds or other securities of the same general nature as the Bonds that are competitive as to credit and stated maturity (or period for tender) with the credit and stated maturity (or period for tender) of the Bonds. The Bonds are subject to redemption prior to stated maturity. See "Description of the Bonds" herein. In order to assure timely payment of the purchase price of any Bonds tendered for purchase, (a) the Board has entered into a Standby Bond Purchase Agreement, dated as of February 1, 1988 (the "Liquidity Facility"), with Morgan Guaranty Trust Company of New York (the "Liquidity Issuer") pursuant to which the Liquidity Issuer agrees to purchase tendered Bonds that are not promptly remarketed; and (b) the Board has agreed to purchase any such tendered Bonds in the event the Liquidity Facility has terminated

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for any reason. THE LIQUIDITY FACILITY DOES NOT CONSTITUTE SECURITY OR CREDIT ENHANCEMENT FOR THE BONDS OR THE PAYMENT OBLIGATIONS BUT MERELY SERVES AS A SOURCE OF LIQUIDITY TO PAY THE PURCHASE PRICE OF TENDERED BONDS. See "Description of the Bonds - Liquidity Facility."

The Bonds are offered when, as and if issued, subject to approval of legality by the Attorney General of the State of Texas and by Fulbright & Jaworski, Austin, Texas, and McCall, Parkhurst & Horton, Austin, Texas, Co-Bond Counsel. Certain legal matters will be passed upon for the Underwriter by Hutchison Price Boyle & Brooks, Dallas, Texas. Certain legal matters will be passed upon for the Liquidity Issuer by Vinson & Elkins, Austin, Texas. The Bonds are expected to be available for delivery on or about February 26, 1988, in New York, New York.

J. P. MORGAN SECURITIES INC.

Dated: February _____, 1988

smService Mark of J.P. Morgan Securities Inc.

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Board of Directors and Officers
of Travis County Research and Development Authority

[INSERT LATER]

Board of Regents of The University of Texas System

	<u>Residence</u>	<u>Term Expires</u>
Mr. Jack S. Blanton, Chairman	Houston	1991
Mr. Shannon H. Ratliff, Vice Chairman	Austin	1991
Mr. Bill Roden, Vice Chairman	Midland	1991
Mr. Robert B. Baldwin, III	Austin	1989
Mr. Sam Barshop	San Antonio	1993
Mr. Louis A. Beecherl, Jr.	Dallas	1993
Mr. Jess Hay	Dallas	1989
Mr. W. A. "Tex" Moncrief, Jr.	Fort Worth	1993
Mr. Mario Yzaguirre	Brownsville	1989

Mr. Arthur H. Dilly, Executive Secretary

Principal Administrative Officers and Staff of The University of Texas System

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

SEMATECH Members

Advanced Micro Devices	IBM Corporation
AT&T Technologies, Inc.	LSI Logic
Digital Equipment Corp.	Micron Technology, Inc.
Harris Corp.	Motorola
Hewlett-Packard Co.	National Semiconductor
Intel Corp.	Rockwell International
IBM Corporation	Texas Instruments

The University of Texas at Austin, Associate Member

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

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

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

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OFFICIAL STATEMENT

relating to

\$ _____*

TRAVIS COUNTY RESEARCH AND DEVELOPMENT AUTHORITY
Multi-Modal Interchangeable Rate Revenue Bonds (The University of Texas
at Austin Semiconductor Manufacturing Laboratory Project)
Series 1988

INTRODUCTION

This Official Statement provides certain information regarding the issuance by Travis County Research and Development Authority (the "Issuer") of its bonds entitled "Travis County Research and Development Authority Multi-Modal Interchangeable Rate Revenue Bonds (The University of Texas at Austin Semiconductor Manufacturing Laboratory Project), Series 1988" (the "Bonds"). Unless otherwise defined, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Indenture of Trust and Security Agreement, dated as of February 1, 1988 (the "Indenture"), between the Issuer and MTrust Corp. National Association, Dallas, Texas, as trustee (the "Trustee"), pursuant to which the Bonds are authorized, issued and secured, and in the Lease and Installment Sale Agreement, dated as of February 1, 1988 (the "Agreement"), between the Issuer and the Board of Regents (the "Board") of The University of Texas System (the "System"). Such defined terms and a summary of other selected provisions of the Indenture and the Agreement are contained under the caption "Summary of Selected Provisions of Certain Documents."

The Issuer

The Issuer is a research and development authority established on October 21, 1987 by Travis County, Texas (the "County"), in cooperation with The University of Texas at Austin (the "University"), pursuant to Article 5190.10, Vernon's Texas Civil Statutes (the "Act"). Under the Act, the Issuer constitutes a public body corporate and politic for the purpose of exercising public and essential governmental functions and having all the powers necessary or convenient to carry out and effectuate the purposes and provisions of the Act. The primary purpose of the Act is to promote scientific research and development and the commercialization of research in affiliation with public and private institutions of research, higher education or health science centers. The Issuer is governed by a three-member board of directors, two of whom were appointed by the governing body of the County and one of whom is the President of the University.

The System and the University

The System was established pursuant to the provisions of the Constitution and the laws of the State of Texas (the "State") as an agency of the State. The System presently consists of 14 State-supported institutions, including the University. For a general description of the System and each of its component institutions, see Appendix B. The Board is the governing body of the System, and its members are officers of the State, appointed by the Governor with the advice and consent of the State Senate.

The University was established in 1883 pursuant to provisions of the State Constitution. The University is organized as follows: College of Business Administration, College of Communication, College of Education, College of Engineering, College of Fine Arts, College of Liberal Arts, College of Natural Sciences, College of Pharmacy, School of Architecture, School of Law, Graduate School, Graduate School of Library and Information Science, School of Nursing, Lyndon B. Johnson School of Public Affairs, School of Social Work, Bureau of Business Research and various other organized research bureaus, divisions and laboratories. The University of Texas McDonald Observatory, located in Fort Davis, Texas, and The University of Texas Marine Science Institute at Port Aransas are administered by the University. The University is a member of the Association of American Universities and each of its professional schools is a member of the national accrediting agency in its particular field.

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

*Subject to change.

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SEMATECH and the Project

SEMATECH, Inc. ("SEMATECH") is a non-profit Delaware corporation incorporated on September 7, 1987. SEMATECH was created by its member companies, including the companies named on the reverse side of the cover page, for the purpose of establishing a semiconductor manufacturing laboratory facility (the "Project"). The University is an associate member of SEMATECH. The Issuer and the County, with the cooperation of the Board, the University and the City of Austin, encouraged the location of the Project in Austin.

The site selected for the Project (the "Site") is located in southeast Austin and comprises approximately 35 acres of a tract of land recently acquired by the Board, together with an existing building and other facilities (the "Facilities") located thereon (collectively, the "Premises"). The Premises will be leased by the Board to the Issuer under the Agreement, pursuant to which the Issuer will finance the Project through the issuance of the Bonds. Upon completion, the Project will be known as The University of Texas at Austin Semiconductor Manufacturing Laboratory and will be used by SEMATECH for education, research and development concerning advanced semiconductor manufacturing techniques and the development of techniques to adapt manufacturing expertise to a variety of semiconductor products.

The University of Texas at Austin Semiconductor Manufacturing Laboratory is expected to result in (a) further development of the Austin area's research infrastructure, (b) the employment of approximately 800 persons and (c) the creation of additional jobs in the Austin area. The University of Texas at Austin Semiconductor Manufacturing Laboratory will be a substantial addition to the University's research efforts in the area of microelectronics, which include the Microelectronic Research Center, the Microelectronic and Computer Technology Corporation and the Center for Technology Development.

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

PLAN OF FINANCING

Authority for the Bonds and the Lease and Installment Sale Agreement

The Bonds are authorized and will be issued pursuant to the general laws of the State, including particularly the Act, and pursuant to the Indenture. The Agreement is authorized and will be executed pursuant to the Act, the Texas Education Code (including particularly Sections 55.11 and 65.39) and a resolution of the Board (the "Issuer Resolution") adopted on February ____, 1988.

Overview of Financing

The Board recently purchased the Site and will lease it, together with existing Facilities thereon, to the Issuer pursuant to the Agreement. The Issuer will issue the Bonds to finance the Project which includes renovations to and equipping the existing Facilities located on the Site. Pursuant to the Agreement, the Board will acquire the Project in consideration of its payments to the Issuer at the times and in amounts necessary to pay debt service on the Bonds to the extent the Issuer is unable to do so from funds otherwise made available to it by the State. The Board's payments under the Agreement will be made from Pledged Revenues, including primarily Pledged Available University Fund Surplus. See "Security for the Bonds" and Appendix A, Permanent University Fund.

The Board has agreed to lease the Project to SEMATECH pursuant to a lease agreement (the "Lease") entered into simultaneously with the Agreement. The Lease will provide for the operation of the Project by SEMATECH. The Lease will include provisions for a nominal annual rental fee and a term of 10 years. At the end of such term, SEMATECH's rights and interests will terminate unless SEMATECH and the Board enter into another agreement, provided that the provisions of any such future agreement do not adversely affect the tax-exempt status of the Bonds.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds and the use of such funds are anticipated to be as follows:

Sources of Funds:	
Principal Amount of the Bonds	\$ _____
Total Available Funds	
Uses of Funds:	
Proceeds Fund	\$ _____
Underwriter's Discount	_____
Costs of Issuance ⁽¹⁾	_____
Total Uses of Funds	
	\$ _____

(1) To be paid out of a portion of the funds deposited to the Proceeds Fund.

DESCRIPTION OF THE BONDS

General

Reference is made to "Summary of Selected Provisions of Certain Documents - The Indenture" for definitions of all capitalized terms used herein.

The Bonds will be deliverable as registered Bonds without coupons in denominations of \$100,000 (\$5,000 from and after the Fixed Rate Conversion Date) or any integral multiple thereof. The Bonds shall initially be dated as of the date of first authentication and delivery. Bonds issued in exchange for or upon the registration of transfer of Bonds will be dated as provided in the Indenture. Each Bond will bear interest from its respective date. The Bonds will be stated to mature on July 1, 2009.

The principal and Purchase Price of the Bonds shall be payable in lawful money of the United States of America at the principal corporate trust office of the Paying Agent/ Registrar or, at final maturity only, at the principal corporate trust office of the Trustee. Payment of interest on any Bond shall be made on each Interest Payment Date to the registered holder thereof as of the relevant Record Date and shall be paid by check mailed to the registered holder at his address as it appears on the registration books of Issuer or at such other address as is furnished to Paying Agent/Registrar in writing by such holder, or, prior to the Fixed Rate Conversion Date, in the case of a registered holder of not less than \$1,000,000 aggregate principal amount of Bonds, by wire transfer or other means acceptable to the Paying Agent/Registrar as such holder may direct by prior written instructions filed with the Paying Agent/Registrar (which instructions shall remain in effect until revoked by subsequent written instructions).

The person or persons in whose name a Bond shall be registered on the books of the Issuer kept for that purpose in accordance with the provisions of the Indenture shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of either principal or interest on any Bond shall be made only to or upon the written order of the registered holder thereof or his legal representative. All such payments shall be valid and effective to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

Morgan Guaranty Trust Company of New York has been appointed as initial Paying Agent/Registrar under the Indenture. The principal corporate trust office of Morgan Guaranty Trust Company of New York is located in New York, New York. MTrust Corp, National Association, as Trustee, is located in Austin, Texas. The Paying Agent/Registrar may resign at any time and may be removed by the Board and may be replaced by the Issuer with the approval of the Board and the Liquidity Issuer.

J.P. Morgan Securities Inc. has been appointed by the Issuer and the remarketing agent (the "Remarketing Agent") under the Indenture for the purpose of establishing the interest rate to be borne by the Bonds as described below and in connection with the subsequent remarketing of any Bonds tendered or deemed tendered for purchase under the Indenture. The Remarketing Agent may resign at any time

and may be removed or replaced by the Board, in which event the Board may designate a successor Remarketing Agent. In determining the interest rates that the Bonds shall bear, the Remarketing Agent shall have no liability to the Issuer, the Board, the Trustee or any Bondholder except for its gross negligence or willful misconduct.

Initial Rate

The Bonds shall initially bear interest at the Weekly Rate. The initial Weekly Rate shall be determined by the Remarketing Agent on the date of the initial issuance of the Bonds. Thereafter, during any Weekly Rate Period, the Remarketing Agent will set the applicable Rate for the next seven-day period commencing each Wednesday by 5:00 p.m. New York City time on the immediate preceding Tuesday (or the immediately preceding Business Day if such Tuesday is not a Business Day).

Rate Mode Changes: Determination of Interest Rates

After the initial Weekly Rate Period described above, the Bonds may bear interest at any of the Short-Term Rates, at a Medium-Term Rate or at a Fixed Rate effective for the period ("Short-Term Rate Period," "Medium-Term Rate Period" or "Fixed Rate Period," as the case may be) selected or approved by the Board. Any such change in the Interest Rate Computation Method will be conditioned on delivery of an Opinion of Counsel to the effect that such change is in compliance with the Indenture and will not adversely affect the tax-exempt status of the Bonds.

Each Rate shall generally be the rate of interest that, if borne by the Bonds, would, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for revenue bonds or other securities the interest on which is excluded from gross income for federal income tax purposes of the same general nature as the Bonds or securities the interest on which is excluded from gross income for federal income tax purposes that are competitive as to credit and maturity (or period for tender) with the credit rating and maturity (or period for tender) of the Bonds, be the interest rate necessary, but would not exceed the interest rate necessary, to enable the Remarketing Agent to remarket the Bonds at a price of par; provided that, if for any reason the Rate for any Rate Period is not established as aforesaid by the Remarketing Agent, no Remarketing Agent shall be serving as such or the rate so established is held to be invalid or unenforceable with respect to any day, then the interest rate for such Rate Period shall be as described in Summary of Selected Provisions of Certain Documents - The Indenture - _____."

Interest on the Bonds will be calculated on the basis of 365 or 366-day year, as the case may be, for the actual number of days elapsed, while the Bonds bear interest at a Daily, Weekly, Monthly, Quarterly or Variable-Term Rate. Interest will be calculated on the basis of a 360-day year of twelve 30-day months while the Bonds bear interest at a Semi-Annual, Money Market, Medium-Term or Fixed Rate. The Bonds are generally subject to a maximum interest rate of 15% per annum.

The Bonds may bear interest at (a) a Short-Term Rate computed on a Daily, Weekly, Monthly, Quarterly, Semi-Annual, Money Market or Variable-Term basis, (b) a Medium-Term Rate, or (c) a Fixed Rate.

Daily Rate. While the Bonds bear interest at a Daily Rate, the interest rate established for the Bonds will be effective from day to day until changed by the Remarketing Agent in accordance with the Indenture.

Weekly Rate. While the Bonds bear interest at a Weekly Rate, the interest rate on the Bonds will be determined weekly by the Remarketing Agent in accordance with the Indenture to be effective for a seven-day period.

Monthly Rate. While the Bonds bear interest at a Monthly Rate, the interest rate will be determined monthly by the Remarketing Agent in accordance with the Indenture to be effective for a one-month period.

Quarterly Rate. While the Bonds bear interest at a Quarterly Rate, the interest rate will be determined quarterly by the Remarketing Agent in accordance with the Indenture to remain in effect for a three-month period.

Semi-Annual Rate. While the Bonds bear interest at a Semi-Annual Rate, the interest rate will be determined semiannually by the Remarketing Agent in accordance with the Indenture to remain in effect for a six-month period.

Money Market Rate. While the Bonds bear interest at a Money Market Rate, the interest rate will be determined by the Remarketing Agent in accordance with the Indenture with the intention of placing all of the Bonds with a single investor.

Variable-Term Rate. While the Bonds bear interest at a Variable-Term Rate, the interest rate will be determined by the Remarketing Agent in accordance with the Indenture to remain in effect for a term of not less than one nor more than 270 days.

Medium-Term Rate. While the Bonds bear interest at a Medium-Term Rate, the interest rate will be determined by the Remarketing Agent in accordance with the Indenture to remain in effect for a term of not less than 271 days and not more than the remaining time to stated maturity of the Bonds.

Fixed Rate. The Indenture provides that the Board has the right to convert the interest rate on the Bonds to a Fixed Rate. The Fixed Rate shall be determined by the Remarketing Agent in accordance with the Indenture and shall remain in effect from the Fixed Rate Conversion Date to stated maturity of the Bonds. After the Fixed Rate Conversion Date, the registered owners of the Bonds shall have no right to tender their Bonds for purchase.

Interest Payment Dates

Interest on the Bonds shall be payable on each of the following Interest Payment Dates: (a) during any Daily Rate Period, the first day of each calendar month, (b) during any Weekly Rate Period, Monthly Rate Period, Quarterly Rate Period, or Money Market Rate Period, each Quarterly Interest Payment Date, (c) with respect to each Bond, during any Variable-Term Rate Period in excess of 182 days applicable to such Bond, the 182nd date of such Variable-Term Rate Period, (d) with respect to each Bond, the first day of each new Rate Period applicable to such Bond, (e) each Conversion Date, and (f) during any Semi-Annual Rate Period, any Medium-Term Rate Period, or the Fixed Rate Period, each Semi-Annual Interest Payment Date.

Tender Provisions

Optional Tender. During any Rate Period, other than a Fixed Rate Period, the holders of the Bonds shall have the right to tender any Bond (or portion thereof in an Authorized Denomination) to the Paying Agent/Registrar, acting as Tender Agent, for purchase on any of the following Optional Tender Dates: (a) during any Daily Rate Period, each Business Day, (b) during any Weekly Rate Period, each Wednesday, or if such day is not a Business Day, the next succeeding Business Day, (c) during any Monthly Rate Period, the first Business Day of each calendar month, (d) during any Quarterly Rate Period or Semi-Annual Rate Period, each Interest Payment Date, or, if such day is not a Business Day, the next succeeding Business Day, and (e) during any Money Market Rate Period, any Business Day selected by the Bondholder by notice given pursuant to the Indenture not less than five Business Days prior to such Day, provided that the tendering Bondholder:

(1) gives or delivers to the Remarketing Agent at its principal office within the requisite time period preceding such Optional Tender Date of an irrevocable telephonic or telegraphic notice that states (a) the aggregate principal amount of each Bond to be purchased and (b) that such Bond (or portion thereof in an Authorized Denomination) shall be tendered for purchase on such Optional Tender Date pursuant to the Indenture; and

(2) delivers such Bond (with an appropriate instrument of transfer duly executed in blank) to the Paying Agent/Registrar at its principal corporate trust office at or prior to 1:00 p.m., New York City time, on such Optional Tender Date; provided, however, that no Bond (or portion thereof in an Authorized Denomination) shall be purchased unless such Bond so delivered to the Paying Agent/Registrar shall conform in all respects to the description thereof in the aforesaid notice.

Any election of Bondholder to tender a Bond (or portion thereof as aforesaid) for purchase on the relevant Optional Tender Date as described herein shall be irrevocable and shall be binding on the Bondholder making such election and on any transferee of such Bondholder. See "Summary of Selected Provisions of Certain Documents - The Indenture - _____."

Mandatory Tender. (Insert Later)

Remarketing and Purchase

In the event that notice is received of any optional tender, or if the Bonds become subject to mandatory tender as described in "Summary of Selected Provisions of Certain Documents - The Indenture - _____," the Remarketing Agent shall use its best efforts to sell such Bonds

at a price of 100% of the principal amount thereof plus accrued interest, if any, on the forthcoming optional or mandatory tender date. Bonds tendered for purchase shall be paid by the Tender Agent first from moneys derived from the remarketing of such Bonds by the Remarketing Agent, second from moneys made available by the Liquidity Issuer, and third from advances made by the Board under the Agreement.

Liquidity Facility

Commitment to Purchase Bonds. Pursuant to a Standby Bond Purchase Agreement dated as of February 1, 1988 (the "Liquidity Facility"), between the Board and Morgan Guaranty Trust Company of New York (the "Liquidity Issuer"), the Liquidity Issuer has agreed to purchase Bonds tendered for purchase from time to time during the period (the "Purchase Period") from the date the Bonds are delivered to the initial purchasers thereof to and including the earlier of (a) February 1, 1991 (or such later date as may be agreed to by the Liquidity Issuer and the Board) and (b) the date on which no Bonds are outstanding, provided that, if the last day of the Purchase Period is not a Business Day, the Purchase Period shall be extended to the next succeeding Business Day. The "Purchase Price" required to be paid for any tendered for purchase Bonds shall be the principal amount thereof, plus accrued and unpaid interest thereon to the Purchase Date; provided, however, if the date of such purchase occurs after the Record Date applicable to the interest accrued on such Bond from the last occurring Interest Payment Date, then the Purchase Price shall not include accrued and unpaid interest, which shall be paid to the holder of record on the applicable Record Date.

The aggregate principal amount (or portion thereof) of any Bond purchased on any Purchase Date shall be \$100,000 or any larger multiple of \$100,000 and shall not exceed the Available Principal Commitment on such date, which initially means \$_____, and thereafter means such initial amount adjusted from time to time as follows: (a) downward by the amount of any reduction of the Available Principal Commitment by an amount equal to the principal amount of Bonds redeemed, repaid, otherwise paid or converted to a Fixed Rate; (b) downward by the principal amount of any Bonds purchased by the Liquidity Issuer pursuant to the Liquidity Facility; and (c) upward by the principal amount of any Bonds, theretofore purchased by the Liquidity Issuer pursuant to the Liquidity Facility, which are sold by the Liquidity Issuer or which the Liquidity Issuer declines to sell (regardless of the purchase price received for such Bonds). The aggregate amount of the Purchase Price comprising interest on any Purchase Date shall not exceed the lesser of (i) the Available Interest Commitment on such date and (ii) the actual amount of interest accrued on such Bonds to but excluding such date. "Available Interest Commitment" initially means \$_____ and thereafter means such initial amount adjusted from time to time as follows: (i) downward by an amount that bears the same proportion to such initial amount as the amount of any reduction in the Available Principal Commitment (as described in the preceding sentence) bears to the initial Available Principal Commitment and (ii) upward by an amount that bears the same proportion to such initial amount as the amount of any increase in the Available Principal Commitment pursuant to clause (c) of the preceding sentence bears to the initial Available Principal Commitment. The Available Principal Commitment and the Available Interest Commitment are collectively referred to as "Available Commitment."

Method of Purchasing. Pursuant to the Indenture, the Tender Agent will give notice to the Liquidity Issuer as provided below if, on any Purchase Date, Bonds are to be purchased by the Liquidity Issuer due to the inability of the Remarketing Agent to remarket such Bonds on such Purchase Date. If on any Purchase Date the Liquidity Issuer receives not later than 12:30 p.m. (New York City time), a notice from the Tender Agent (such notice to be referred to as a "Notice of Bank Purchase"), specifying (a) that Bonds are to be purchased by the Liquidity Issuer on such Purchase Date pursuant to the Liquidity Facility, (b) the aggregate Purchase Price of such Bonds and (c) the amount of such aggregate Purchase Price comprising principal and interest, respectively, the Liquidity Issuer will, unless it determines that any of the applicable conditions specified below under "Conditions to Each Purchase" are not satisfied, transfer not later than 2:15 p.m. (New York City time) on such Purchase Date to the Tender Agent, in immediately available funds, an amount equal to the aggregate Purchase Price of such Bonds for deposit into the Purchase Fund established pursuant to the Indenture. The Liquidity Issuer (in its capacity as purchaser of Bonds pursuant to the Liquidity Facility) shall have no responsibility for, or incur any liability in respect of, any act, or any failure to act, by the Tender Agent that results in the failure of the Tender Agent to credit the Purchase Fund with funds made available to the Tender Agent by the Liquidity Issuer pursuant to Liquidity Facility or to effect the purchase for the account of the Liquidity Issuer of Bonds with such funds.

Termination of Available Commitment. Upon (a) any redemption, repayment or other payment of all or any portion of the principal amount of the Bonds and (b) the conversion of any Bonds to a Fixed Rate, the aggregate Available Principal Commitment shall automatically be reduced by the principal amount of the Bonds so redeemed, repaid or otherwise paid or so converted, as the case may be. Any Bonds deemed to have been paid for purposes of the Indenture shall not be deemed to have been paid for purposes of the preceding sentence. If at any time an event of default under the Liquidity Facility (see "Events of Default" under this subheading, "Liquidity Facility") shall have occurred and be continuing, the Liquidity Issuer may deliver a notice (a "Termination Notice") to that effect to the Board, the Issuer,

the Trustee and the Remarketing Agent, and the Available Commitment shall therefor terminate immediately, and the Liquidity Issuer shall have no further obligation to purchase any Bonds. In addition, the Available Commitment shall terminate on the date on which the Trustee notifies the Liquidity Issuer that an alternate Liquidity Facility has been deposited with the Trustee and is effective. If the Available Commitment is terminated in its entirety, all accrued facility fees shall be payable on the effective date of such termination.

Request by Board for Extension of Purchase Period. No earlier than two years and no later than 90 days prior to the last day of the Purchase Period, the Board may by notice to the Liquidity Issuer request that the Purchase Period be extended by a one-year period upon terms and conditions to be agreed upon by the Board and the Liquidity Issuer in the Liquidity Issuer's sole and absolute discretion. The Liquidity Issuer shall notify the Board of its decision within 60 days of receipt of notice from the Board, it being understood and agreed that the failure of the Liquidity Issuer to notify the Board of any decision within such 60-day period shall be deemed to be a rejection of such request and that the Liquidity Issuer shall not incur any liability or responsibility whatsoever by reason of its failure to notify the Board of its decision within such 60-day period. If the Purchase Period is so extended, the Board may request further one-year extensions on the terms provided above.

Condition to Each Purchase. The obligation of the Liquidity Issuer to purchase Bonds on any Purchase Date is subject to satisfaction of each of the following conditions:

- (a) receipt by the Liquidity Issuer of a Notice of Bank Purchase as described under "Method of Purchasing" above; and
- (b) no Event of Default shall have occurred and be continuing.

Each purchase under the Liquidity Facility shall be deemed to be a representation and warranty by the Board on the date of such purchase that no event of default under the Liquidity Facility has occurred and is continuing.

Events of Default. If one or more of the following events shall have occurred and be continuing

- (i) the Board shall fail to pay when due any amounts of Installment Sale Payments and Purchase Price payments payable under the Liquidity Facility or under any Related Document (as defined in the Liquidity Facility); or
- (ii) the Board shall fail to pay when due any fees or additional payments (other than those covered by clause (i) above) payable under the Liquidity Facility or under any Related Document and such failure to pay such fees or additional payments shall continue for three days; or
- (iii) the Board shall fail to observe or perform certain of its covenants contained in the Liquidity Facility (relating to amendments of certain contracts, priority obligations and Board liabilities); or
- (iv) the Board shall fail to observe or perform any covenant or agreement contained in the Liquidity Facility (other than those covered by clauses (i), (ii) or (iii) above) for 45 days after written notice thereof has been given to it; or
- (v) any representation, warranty, certification or statement made by the Board in the Liquidity Facility or any Related Document in any certificate, financial statement or other document delivered pursuant to the Standby Agreement shall have been incorrect in any material respect when made, and the Liquidity Issuer shall have given the Board five days' written notice thereof; or
- (vi) an event of default shall have occurred under the Indenture; or
- (vii) the Board shall commence a voluntary case or other proceeding seeking (A) liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or (B) the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Board or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing; or

(viii) a receiver, liquidator, custodian or other official, appointed in an involuntary case or proceeding commenced against the Board, appointed without consent or acquiescence of the Board, takes charge of a substantial part of its property and such action as to its property is not promptly stayed, discharged or vacated; or

(ix) an involuntary case or other proceeding shall be commenced against the Board seeking (A) liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, or (B) the appointment of a custodian, receiver or trustee or similar official of the System, or any substantial part thereof, and such proceeding or case shall not be dismissed or stayed within 90 days after the filing thereof or an order of relief shall be entered against the Board under the Federal Liquidity Bankruptcy Laws as now or hereafter in effect; or

(x) any material provision of the Liquidity Facility or any Related Document to which the Board is a party shall at any time for any reason cease to be valid and binding on the Board, or shall be declared by any court having jurisdiction over the Board to be null and void or the validity or enforceability thereof shall be contested by the Board, and the Liquidity Issuer shall have given five days' written notice thereof to the Board, as the case may be;

then, and in every such event, the Liquidity Issuer may (a) terminate its obligation to purchase Bonds pursuant to the Liquidity Facility as described above under "Termination of Available Commitment" under this subheading, "Liquidity Facility;" (b) give notice thereof to the Trustee for the purpose of causing mandatory redemption of the Bonds under the Indenture to occur; and (c) take any other actions permitted by applicable law.

Liquidity Facility Rate Period. Special interest accrual and payment provisions apply to any Bond during any period in which the Liquidity Issuer has purchased and holds such Bonds.

Alternate Liquidity Facility. The Indenture provides for the substitution of an Alternate Liquidity Facility. See "Summary of Selected Provisions of Certain Documents - The Indenture - Alternate Liquidity Facility and Liquidity Confirmation."

Redemption

The Bonds are subject to both optional and mandatory redemption as provided for in the Indenture. See "Summary of Selected Provisions of Certain Documents - The Indenture - Redemption of Bonds."

Registration, Transfer and Exchange

The Bonds are subject to registration, transfer and exchange requirements as set forth under "Summary of Selected Provisions of Certain Documents - The Indenture - Terms and Issue of the Bonds."

SECURITY FOR THE BONDS

General

Pursuant to the Indenture, the Bonds are secured by and payable solely from a pledge of and first lien on the following (collectively, the "Trust Estate"): (a) all amounts received by the Issuer, if any, from the State of Texas, including any agencies or departments of the State of Texas, for the purpose of permitting the Issuer to pay the debt service on the Bonds, (b) payments made by the Board pursuant to the Agreement (the "Payment Obligations"), (c) all moneys and investments held for the credit of the funds and accounts established under the Indenture (except the Rebate Fund), (d) all interest, income and earnings derived from the deposit and investment of the accounts and funds established pursuant to the Indenture (excluding the Rebate Fund and Purchase Fund) and (e) any and all property that may, from time to time hereafter, be subjected to the lien and security interest of the Indenture as security for the Bonds. For a description of the funds created under the Indenture, see "Summary of Selected Provisions of Certain Documents - The Indenture - _____."

Under the Agreement, the Payment Obligations are required to be made at such times and in such amounts that, together with amounts received as described in clauses (a), (c) and (d) of the preceding paragraph, are sufficient to timely pay the debt service on the Bonds. Under the Agreement, the Board covenants to pay the Payment Obligations out of Pledged Revenues, which include: (a) the Pledged Available University Fund Surplus, and (b) any additional revenues, income, receipts or other resources whatsoever received or to be received from any public or private source, whether pursuant to an

agreement or otherwise, which hereafter may be pledged by the Board to the payment of the Payment Obligations.

Pledged Revenues

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

Available University Fund. Two-thirds of the Available University Fund, after deducting administrative expenses, is constitutionally appropriated to the System, to be used for constitutionally prescribed purposes. Moneys credited to the Available University Fund are administered by the State Treasurer and are, together with other funds of the State, invested in secured, interest-bearing investments. Earnings on that portion of the Available University Fund appropriated to the System accrue to and become a part of the System's share of the Available University Fund. From its share of the Available University Fund, the System first pays: (a) debt service on all System bonds ("PUF Bonds") and notes ("Notes") secured by the Permanent University Fund; and (b) \$6,000,000 per year to The Texas A&M University System for use by Prairie View A&M University for a period of 10 years, commencing November 1, 1984.

Residual AUF. The remainder of the System's share of the Available University Fund after payment of the items described in the preceding paragraph (the "Residual Available University Fund" or "Residual AUF") is constitutionally appropriated for the support and maintenance of the University and the System administration.

Pledged AUF Surplus. Pledged Revenues consist of (a) any "Pledged Available University Fund Surplus" or "Pledged AUF Surplus" (as described in the next paragraph), and (b) any additional revenues, income, receipts or other resources whatsoever received or to be received from any public or private source, whether pursuant to an agreement or otherwise, that may be pledged to the payment of the Payment Obligations.

The Pledged AUF Surplus is that portion of the Residual AUF that is biennially appropriated by the State Legislature for the support and maintenance of the University or otherwise appropriated or made available to the Board or the System from time to time in a manner that will permit use thereof by the Board or the System to pay the Payment Obligations. The State Legislature has historically appropriated Residual AUF for the support and maintenance of the University or otherwise appropriated such funds for use by the Board and the System in a manner that permits payment of obligations such as the Payment Obligations.

Subordinate Obligations. The Board's requirement to pay the Payment Obligations out of Pledged Revenues, including the Pledged AUF Surplus, is subordinate to its obligation to pay its outstanding bonds designated as the "Board of Regents of The University of Texas System The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986" (the "Building Revenue Bonds"), having a principal balance of \$35,555,000 as of August 13, 1987. Under the Agreement, the Board reserves the right to issue Additional Building Revenue Bonds that, when issued, shall be secured by and payable from a lien on and pledge of the Pledged AUF Surplus equally and ratably with the Building Revenue Bonds; provided, however, that no such Additional Building Revenue Bonds shall be issued so long as the Board is required to provide a Liquidity Facility under the Indenture.

In addition to the foregoing, the Board has reserved the right to issue additional PUF Bonds and Notes at any time while the Bonds are outstanding. The effect of any such issuance will be to reduce the amount of Residual AUF and therefore the amount of Pledged AUF Surplus available to satisfy the Payment Obligations.

The following table is a summary of (a) the System's share of income from the Available University Fund, (b) the projected debt service requirements on the Board's outstanding PUF Bonds and Notes and the Building Revenue Bonds, and (c) that portion of the Available University Fund that was constitutionally appropriated in prior fiscal years for the support and maintenance of the University and the System administration and that is anticipated for future fiscal years to be available for appropriation by the State Legislature for the support and maintenance of the University and the System administration in a manner that would permit its use by the Board to pay the Payment Obligations.

Historical and Projected Available University Fund (1)
(000 Omitted)

Fiscal Year Ending August 31	Total AUF (after Admin. Expenses) ²	Two-Thirds Interest of the System in AUF	Other Income ³	Debt Service on PUF Bonds and Notes ⁴	Other Expenses ⁵	Debt Service on Bldg. Rev. Bonds	Pledged AUF Surplus ⁶
1983	\$156,486	\$104,324	\$6,323	(\$28,693)	(\$0)	(\$4,220)	\$77,734
1984	171,437	114,291	7,632	(33,638)	(0)	(4,218)	84,067
1985	187,927	125,285	6,635	(40,239)	(4,750)	(4,222)	82,709
1986	209,700	139,800	5,111	(59,309)	(6,000)	(4,219)	79,602
1987	209,182	139,455	4,152	(45,503)	(6,000)	(3,833)	88,271
1988	218,300	145,533	4,000	(42,721)	(6,000)	(3,832)	96,980
1989	215,700	143,800	4,000	(53,503)	(6,000)	(3,828)	84,469
1990	218,100	145,400	4,000	(50,265)	(6,000)	(3,832)	89,303
1991	220,400	146,933	4,000	(50,246)	(6,000)	(3,833)	90,854
1992	223,300	148,867	4,000	(50,222)	(6,000)	(3,830)	92,815

1 The amounts stated in the fiscal years ending August 31, 1983 through 1986 are audited actual amounts. The amounts stated for the fiscal year ended August 31, 1987 are the unaudited amounts reflected on the books of the System and are subject to change. The amounts stated in the fiscal years ending August 31, 1988 through 1992 represent estimates prepared by the System based on investment forecasts and assumptions that the System believes are reasonable. However, no assurance can be or is given that the estimates will not materially differ from the actual results in the future.

2 The expenses of administering the Permanent University Fund constitute a first claim on the income therefrom and are deducted prior to dividing the Available University Fund between the System and The Texas A&M University System. The Board's resolutions authorizing the PUF Bonds and Notes contain covenants restricting administrative expenses of the PUF to a minimum consistent with prudent business judgment.

3 Amounts stated through the fiscal year ending August 31, 1985 represent certain income from the Permanent University Fund that, under constitutional provisions, was appropriated solely to the System, plus earnings on the System's share of the Available University Fund. From the fiscal year ending August 31, 1986 forward, amounts stated represent estimated earnings on the System's share of the Available University Fund.

4 As of December 31, 1987, the Board had outstanding \$327,420,000 of PUF Bonds and \$100,000,000 of PUF Notes. As of such date, the Board was limited under the State Constitution (which imposes a limit on the amount of PUF Bonds and Notes that may be outstanding at the time of issue to 20% of the book value of the Permanent University Fund) to \$168,671,178 of additional PUF Bonds and Notes. The Board has authorized the issuance of \$100,000,000 of PUF Bonds the proceeds of which would be used to refund \$100,000,000 of PUF Notes. The Board also expects to issue PUF Notes of approximately \$100,000,000 during the Fiscal years ending August 31, 1988 and 1989. The Board reserves the right to issue PUF Bonds and Notes over and above these amounts should it elect to do so. The projected annual PUF Bond and Note debt service assumes the issuance of the contemplated \$100,000,000 of PUF Notes described above. See Appendix A, Permanent University Fund - Additional PUF Bonds and Notes.

5 Represents \$6,000,000 payable annually for 10 years, beginning November 1, 1984, to The Texas A&M University System for use at Prairie View A&M University.

6 Represents Residual AUF, after payment of debt service on the Building Revenue Bonds, that is available for appropriation by the State Legislature for the support and maintenance of the University and the System administration in a manner that would permit its use by the Board to pay the Payment Obligations.

Special Obligations

NEITHER THE STATE OF TEXAS NOR ANY POLITICAL SUBDIVISIONS OR AGENCY OF THE STATE OF TEXAS, INCLUDING THE COUNTY OF TRAVIS, SHALL BE OBLIGATED TO PAY THE BONDS OR THE INTEREST THEREON EXCEPT TO THE EXTENT OF THE BOARD'S LIMITED

OBLIGATIONS UNDER THE AGREEMENT. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE COUNTY OF TRAVIS OR ANY OTHER POLITICAL SUBDIVISION OR AGENCY THEREOF IS PLEDGED, GIVEN OR LOANED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS OR THE PAYMENT OBLIGATIONS.

Additional Bonds and Other Obligations

The Issuer has reserved the right to issue additional bonds up to an aggregate principal amount of \$ _____, which additional bonds shall be on a parity, as to payment and security, with the Bonds. The Board has the authority to issue additional PUF Bonds and Notes, as described in note (5) to the preceding table, and Additional Building Revenue Bonds after a Liquidity Facility is no longer required under the Agreement, any of which obligations will have the effect of reducing the amount of Residual AUF available to pay the Payment Obligations. See "Summary of Selected Provisions of Certain Documents - The Agreement - _____."

DEBT SERVICE REQUIREMENTS AND ANTICIPATED COVERAGE

The following table is a summary of the debt service requirements of the Bonds and the projected coverage thereof by Pledged AUF Surplus remaining after payment of debt service on the Building Revenue Bonds, assuming that the State Legislature continues to appropriate such surplus in such a manner as would permit use thereof by the Board to pay the Payment Obligations:

Debt Service Requirements and Anticipated Coverage

Fiscal Year Ending August 31	Pledged AUF Surplus (1)	Total Annual Debt Service(2)	Anticipated Coverage (3)
1988			
1989			
1990			
1991			
1992			
1993			
1994			
1995			
1996			
1997			
1998			
1999			
2000			
2001			
2002			
2003			
2004			
2005			
2006			
2007			
2008			

- (1) Represents estimate of total Residual AUF that would be available for appropriation by the State Legislature to the System administration, after payment of debt service on the Building Revenue Bonds, in a manner that would permit the use by the Board to pay the Payment Obligations. The State Legislature has historically approved the System's request for an appropriation of Residual AUF to pay debt service on its obligations such as the Payment Obligations.
- (2) Assumes that no other funds are received by the Issuer from the State of Texas and that the amount of Payment Obligations due under the Agreement is therefore equal to debt service on the Bonds.
- (3) Assumes that the State Legislature will appropriate the full amount of the Residual AUF remaining after payment of debt service on the Building Revenue Bonds in such a manner as would permit its use by the Board to pay the Payment Obligations. Anticipated coverage is equal to total Residual AUF available for appropriation, after payment of debt service on the Building Revenue Bonds, divided by Total Annual Debt Service.

Although the Board presently anticipates that the total Residual AUF will be available for its use at all times when necessary in amounts sufficient to first pay all debt service on all Building Revenue Bonds and then pay all Payment Obligations, the Board cannot and does not make any covenant or representation with respect to any present or future grants or appropriations by the State Legislature or the actual availability of any Pledged Revenues.

SUMMARY OF SELECTED PROVISIONS OF CERTAIN DOCUMENTS

The following is a summary of selected provisions of the Indenture and the Agreement. The article and section numbers in this summary correspond with article and section numbers in the documents summarized. This summary does not purport to be a complete recitation of the Indenture and the Agreement to which reference is hereby made for a full and complete statement of the provisions contained therein.

[INSERT EXCERPTS LATER]

ABSENCE OF LITIGATION

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

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds and the execution and delivery of the Agreement are subject to approval of legality by the Attorney General of the State of Texas and by Fulbright & Jaworski and McCall, Parkhurst & Horton, Co-Bond Counsel, whose approving opinion will be printed on the Bonds in the form attached hereto as Appendix D. Co-Bond Counsel were not requested to participate, and did not take part, in the preparation of this Official Statement except as hereinafter noted, and such firms have not assumed any responsibility with respect thereto or undertaken to verify any of the information contained herein, except that, in their capacity as Co-Bond Counsel, such firms have reviewed the information contained under the captions "Plan of Financing," "Description of the Bonds," "Security for the Bonds" (except for financial and statistical data contained under such caption), "Summary of Selected Provisions of Certain Documents," "Tax Exemption," "Legal Investments in Texas" and Appendix A, Permanent University Fund, in this Official Statement, and such firms are of the opinion that the information contained under such captions is a fair and accurate summary of the information purported to be shown. The payment of legal fees to Co-Bond Counsel in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriter by Hutchison Price Boyle & Brooks. Certain legal matters will be passed upon for the Liquidity Issuer by Vinson & Elkins. Certain legal matters will be passed on for the Trustee by Fulbright & Jaworski.

TAX EXEMPTION

The delivery of the Bonds is subject to the receipt of the opinion of Fulbright & Jaworski and McCall, Parkhurst & Horton, Co-Bond Counsel to the Issuer ("Co-Bond Counsel"), to the effect that interest on the Bonds at the Weekly Rate during the initial Weekly Rate Period (1) is excludable from gross income, as defined in Section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof for federal income tax purposes, pursuant to Section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of individuals or, except as hereinafter described, corporations. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change.

Interest on all tax-exempt obligations, including the Bonds, owned by a corporation will be included in such corporation's adjusted net book income, for tax years beginning in 1987, 1988, and 1989, or adjusted current earnings, for tax years beginning after 1989, for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust (REIT), or a real estate mortgage investment conduit (REMIC). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Tax Reform Act of 1986 and the environmental tax imposed by the Superfund Revenue Act of 1986 will be computed for tax years beginning after December 31, 1986.

In rendering the foregoing opinions, Co-Bond Counsel has relied upon representations and certifications of the Issuer and the Board made in certificates of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds and has assumed continuing compliance with the provisions of the Indenture and the Agreement by the Issuer and the Board subsequent to the issuance of the Bonds. The Indenture and the Agreement contain covenants by the Issuer and the Board with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic "rebate" of arbitrage profits from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of issuance of the Bonds.

Except as described above, Co-Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have incurred expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

LEGAL INVESTMENTS IN TEXAS

Pursuant to Article 5190.10, Vernon's Texas Civil Statutes, the Bonds are legal and authorized investments for banks, savings banks, trust companies, building and loan associations and insurance companies. The Bonds are eligible to secure deposits of public funds of the State and any and all public funds of cities, towns, villages, counties, school districts or other political subdivisions of the State, and are legal and sufficient security for those deposits to the extent of their principal amount or market value, whichever is less. No investigation has been made of other laws, regulations or investment criteria that might limit the ability of such institutions or entities to invest in the Bonds, or that might limit the suitability of the Bonds to secure the funds of such entities. No review by the Issuer has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

RATINGS

Ratings applications have been made to Moody's Investors Service and to Standard & Poor's Corporation for ratings on the Bonds. An explanation of the significance of each such rating, when given, may be obtained from the company furnishing the rating. The ratings will reflect only the views of such organizations at the time such ratings are given, and neither the Issuer nor the Board makes any representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies if, in the judgment of such rating companies, circumstances so warrant. Any such downward revision or withdrawal of either rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Underwriter has agreed, subject to certain customary conditions to delivery, to purchase the Bonds from the Issuer at an aggregate underwriting discount of \$_____ from the initial public offering prices of the Bonds, which shall be the par amount thereof. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain

dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriter.

OTHER MATTERS

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

TRAVIS COUNTY RESEARCH AND DEVELOPMENT AUTHORITY

Travis County Research
and Development Authority
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1010 San Antonio
Austin, Texas 78701
(512) 413-9555

_____, President
of Travis County Research and
Development Authority

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

The University of Texas System
210 West 6th Street
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APPENDIX A

PERMANENT UNIVERSITY FUND

Introduction

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

UNIVERSITY LANDS
(2,100,000 acres)

<u>Oil, Gas & Minerals</u>	<u>Surface Interests</u>
--------------------------------	--------------------------

Income

Permanent University Fund

\$_____ billion current cost value (\$_____ billion market value) of all assets invested in governments, corporate bonds and equities:

1. cannot own more than 5% of one company;
2. cannot invest more than 1% of PUF in one company; and
3. domestic corporations only.

Grazing and
Surface Income

Other provisions apply

Proceeds from sales remain as part of corpus

Investment Income

Available University Fund

Administration
Expenses

2/3 to UT System

1/3 to Texas A&M System

UT Board authorized to issue additional PUF

Bonds subject to:

1. Can only issue PUF Bonds up to 20% of cost value of PUF (excluding real property).
2. PUF Bonds payable from first lien on share of UT System.
3. Parity PUF Bond Test - income available to UT System during last fiscal year must equal 1.5x average debt service.

After payment of UT PUF Bonds: AUF used to pay \$6,000,000 annually for 10 years, beginning November 1, 1984, to Prairie View A&M University and Non-Divisible Expenses.

A&M System authorized to issue bonds payable solely from its share of Available University Fund, except that its power to issue bonds is limited to 10% of cost value of PUF.

Residual AUF

All Residual AUF constitutionally appropriated to UT System administration and University.

Residual Income:
Residual Income Available constitutionally appropriated to Texas A&M System.

Pledged Available University Fund Surplus: Residual AUF appropriated by State Legislature for support and maintenance of University and the System administration in a manner that will permit the use by the Board to pay the Payment Obligations, after payment of debt service on Building Revenue Bonds. Residual AUF cannot be appropriated for any use other than use by the System administration and the University.

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

The following table contains a statement of the annual growth in the Permanent University Fund (additions from income and gains required to become a part of the corpus) through the fiscal year ending August 31, 1987.

PERMANENT UNIVERSITY FUND
(Annual Fund Growth - 000 omitted)

<u>Fiscal Year Ending August 31</u>	<u>Oil, Gas & Sulphur Royalties</u>	<u>Mineral Lease Bonuses</u>	<u>Other Sources</u>	<u>Total Additions</u>
Prior to September 1, 1975	\$ 481,887	\$ 247,253	\$ 52,632	\$ 781,772
1976	70,123	15,379	(12,676)	72,826
1977	76,598	13,862	1,012	91,472
1978	76,845	18,573	1,832	97,250
1979	76,637	10,818	3,043	90,498
1980	119,356	253	3,041	122,650
1981	160,285	98,282	4,316	262,883
1982	178,286	20,221	7,886	206,393
1983	154,702	742	21,431	176,875
1984	145,186	7,254	27,462	179,902
1985	135,422	244	98,687	234,353
1986	109,510	6,172	172,970	288,652
1987	73,148	6,985	233,881	314,014
Totals	<u>\$1,857,985</u>	<u>\$446,038</u>	<u>\$615,517</u>	<u>\$2,919,540</u>

(1) Includes net realized gains (losses) on sale of Fund properties.

Assets

The Permanent University Fund is a public endowment contributing to the support of institutions of The University of Texas System and The Texas A&M University System. The Constitution of 1876 established the Permanent University Fund through the appropriation of land grants previously given to The University of Texas plus one million acres. The land grants to the Permanent University Fund were completed in 1883 with the contribution of another one million acres. Today the Permanent University Fund contains 2,109,109.87 acres located in 19 West Texas counties.

The following table lists, as of December 31, 1987, the distribution and book value of the assets of the Permanent University Fund, with land being carried at nominal value.

ASSETS OF THE PERMANENT UNIVERSITY FUND
(As of December 31, 1987)

	<u>Book Value</u>
Cash (Interest Bearing)	\$44,669,955
Commercial Paper	476,000,000
U.S. Treasury and Agency Securities	842,707,485
FHA Real Estate Mortgages	4,014,369
Corporate Bonds	676,948,123
Common Stocks	928,436,013
Convertible Preferred Stock	1,777,364
Preferred Stock	5,902,581
Land	<u>10,027,384</u>
Total	<u>\$2,990,483,274</u>

Investment Responsibility

The fiduciary responsibility for managing and investing the Permanent University Fund is constitutionally assigned to the Board. The Board currently employs an investment and administrative staff as well as unaffiliated investment managers in optimizing investment performance while complying with legal limitations and policy guidelines. The Board for Lease of University Land, comprised of representatives of the System, The Texas A&M University System and the State Land Commissioner, is responsible for developing and approving oil, gas and other mineral leases. The Board additionally appoints an Investment Advisory Committee of six citizen members whose particular qualifications and experience qualify them, in the opinion of the Board, to advise the Board and the Administration of the System with respect to investment policy, planning and performance evaluations. The principal administrative officer responsible for the management of the Permanent University Fund is the Executive Vice Chancellor for Asset Management. He is supported by a staff of more than 100 employees, consisting of securities analysts, accountants, geologists and other personnel. His duties and powers include the power to make and execute daily investment decisions consistent with legal limitations and policy guidelines. The Texas Education Code additionally requires the Board to employ a well recognized performance measurement service to evaluate and analyze the investment results of the Permanent University Fund with other public and private funds having similar objectives.

Eligible Investments and Standards

Under current provisions of the State Constitution, the Board is authorized to invest the Permanent University Fund in securities, bonds or other obligations issued, insured or guaranteed in any manner by the United States Government or any of its agencies, and in such bonds, debentures or obligations, and preferred and common stocks issued by corporations, associations or other institutions as the Board deems to be proper investments; provided, however, that no more than one percent of the cost value of the Permanent University Fund, at the time of purchase, may be invested in the securities of any one corporation, nor shall more than five percent of the voting stock of any one corporation be owned; provided further that stocks eligible for purchase shall be restricted to stocks of companies incorporated within the United States which have paid dividends for five consecutive years or longer immediately prior to the date of purchase and which, except for bank stocks and insurance stocks, are listed upon an exchange registered with the Securities and Exchange Commission or its successors.

The Resolution requires the Board to maintain and invest and keep invested the Permanent University Fund in a prudent manner and as required by law. In making each and all investments, the State Constitution requires the Board to exercise the judgment and care under the circumstances then prevailing which men of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital.

In addition to constitutional restrictions, Board investment policies provide that (a) corporate bonds and preferred stocks must be rated by "Baa," "BBB," or higher, or if not rated, must in the opinion of the Board's investment staff be of at least equal quality to such ratings; and (b) commercial paper must be rated in the top two quality classes by Moody's Investors Service or Standard & Poor's Corporation.

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

During the second called session of the 70th Legislature, joint resolution HJR 5 was passed proposing, among other things, a constitutional amendment allowing the Board to use the "prudent person" investment rule as the sole investment standard in the management of the Fund.

The proposed amendment will be submitted to the voters at an election to be held November 8, 1988. In the event of passage of the amendment, the Board will review and consider revision of its Fund investment policies to incorporate the adoption of the expended investment authority provided by the amendment. In so doing, however, the Board will continue to maintain as a primary investment objective the generation of more than sufficient income to service interest and principal payments of Fund Priority Obligations and Notes heretofore issued and which may be hereafter issued, as well as to provide a dependable and growing stream of income for the support and maintenance of The University of Texas at Austin and The University of Texas System administration.

Financial Information

Beginning with the fiscal year ended August 31, 1987, the State of Texas will issue audited financial statements, prepared in accordance with generally accepted accounting principles, for the state

government as a whole. The statements will be prepared by the Comptroller of Public Accounts and will be audited by the State Auditor's Office. The State Auditor will express an opinion on the financial statements of the State of Texas but will not express an opinion on the financial statements of individual component units including those of The University of Texas System.

The scope of the State Auditor's audit will include tests for compliance with the covenants of general obligation and revenue bond issues of the state or its component agencies and institutions. In addition, supplementary schedules will be included in the state financial statements, providing for each bond issue, information related to pledged revenues and expenditures, coverage of debt service requirements, restricted account balances and/or other relevant information which may feasibly be incorporated. The State Auditor will express an opinion on such schedules in relation to the basic financial statements taken as a whole. Any material compliance exceptions related to bond covenants will be disclosed in the notes to the financial statements and all compliance exceptions related to bond covenants will be addressed in the overall management letter for the state audit.

The table under "Security for the Bonds - Pledged Revenues" provides a summary of historical and projected earnings of the Permanent University Fund that were and, if realized, will be deposited to the Available University Fund.

Additional PUF Bonds and Notes

The Board has authority to issue additional PUF Bonds and Notes, subject to certain constitutional limitations, and other limitations hereafter discussed, which would be payable from the System's two-thirds share of the Available University Fund. The Board has authorized the issuance of \$100,000,000 of PUF Bonds the proceeds of which would be used to refund \$100,000,000 of PUF Notes. The Board also expects to issue PUF Notes of approximately \$100,000,000 during the Fiscal years ending August 31, 1988 and 1989. The Board reserves the right to issue PUF Bonds and Notes over and above these amounts should it elect to do so. The projected annual PUF Bond and Note debt service assumes the issuance of the contemplated \$100,000,000 of PUF Notes described above. See Appendix A, Permanent University Fund - Additional PUF Bonds and Notes.

Constitutional Debt Power. Debt Limitations of the Available University Fund

The discretion to direct the use of the two-thirds share of the System in the Available University Fund, after expenses, for constitutionally authorized purposes is vested in the Board. The discretion to direct the use of the one-third interest of The Texas A&M University System in the Available University Fund, after expenses, is vested in the Board of Regents of The Texas A&M University System.

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

The State Constitution limits the aggregate amount of bonds and notes (payable from the System's share of the Available University Fund) that may be issued by the Board to amounts not exceeding, at the time of issuance, 20% of the cost value of investments and other assets of the Permanent University Fund, exclusive of real estate. As of December 31, 1987, the cost value of the Permanent University Fund, exclusive of real estate, was \$2,980,455,890. For the purpose of making these calculations, "cost value" and "book value" are treated as equivalent terms.

In addition to the State Constitution limitations the Board cannot issue additional PUF Bonds on a parity with the outstanding PUF Bonds unless during the fiscal year immediately preceding the date of issuance the amount of the interest of the System in the Available University Fund was at least 1 1/2 times the average annual principal and interest requirements and all then outstanding PUF Bonds and additional parity PUF Bonds that will be outstanding after the issuance and delivery of the additional PUF Bonds. Under this test and the Constitutional limitation the Board has authority to issue \$168,671,178 of additional PUF Bonds and Notes.

APPENDIX B

DESCRIPTION OF THE SYSTEM

History, Administration, Sources of Funding

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

The Board consists of nine regents who serve without pay. Members are appointed to staggered six-year terms. Administration of the University conforms to that of leading American universities. The System is headquartered in Austin, Texas, and is supported by State appropriations, private gifts and endowments, Federal appropriations and grants, student tuitions and fees, its Interest in the Available University Fund, and miscellaneous sources. The percentage division of these fund sources for the fiscal year ended August 31, 1987 is as follows:

State Appropriations	39.7%
Federal Funds	14.0
Sales and Service of Hospitals	18.3
Private Gifts	6.6
Student Tuition and Fees	6.0
Sales and Services of Auxiliary Enterprises	5.4
Endowment Income (Including Allocations from Available University Fund)	4.5
Sales and Service of Education Activities and Other	<u>5.5</u>
Total	<u>100.0%</u>

Institutional Enrollment

The 1987 fall student enrollments of the teaching institutions of the System are as shown below:

U.T. Arlington	22,760
U.T. Austin	47,743
U.T. Dallas	7,735
U.T. El Paso	14,056
U.T. Permian Basin	1,954
U.T. San Antonio	12,879
U.T. Tyler	3,681
U.T. Health Science Center at Dallas	1,415
U.T. Health Science Center at Houston	1,619
U.T. Health Science Center at Houston	2,667
U.T. Health Science Center at San Antonio	2,177
Total	<u>118,752</u>

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

General Academic Institutions

The University of Texas at Arlington. The University of Texas at Arlington, which has the fifth largest university enrollment in the State, is located in Arlington, between Dallas and Fort Worth. Serving both a resident and commuter student body, the institution offers 120 degree programs at the baccalaureate, master and doctoral levels. Degree programs are offered through the Colleges of Liberal Arts, Science, Engineering, and Business Administration; Graduate School of Social Work; Institute of Urban Studies, which is a statutory unit; School of Architecture and Environmental Design; School of Nursing; and Center for Professional Teacher Education.

The University of Texas at Austin. The University of Texas at Austin is a major research university with many nationally ranked academic programs at the graduate level. Its library collections and research resources are ranked among the finest in the world. The present site has expanded into more than 300 acres since classes began on the original 40 acres near downtown Austin. Additionally

University-owned property located in other areas of Austin includes the Balcones Research Center and the Brackenridge Tract, partially used for married student housing. The McDonald Observatory on Mount Locke in West Texas, the Marine Science Institute at Port Aransas and the Institute for Geophysics (Galveston) on the Gulf Coast operate as specialized research units of The University of Texas at Austin.

The University of Texas at Dallas. The University of Texas at Dallas was established in 1969 as an upper-level institution and offers curricula leading to more than 85 degrees at the baccalaureate, master and doctoral levels. The University has a strong faculty that consistently ranks among the top three in the State among academic institutions in the amount of research dollars generated per full-time equivalent faculty. The Callier Center for Communication Disorders, located near downtown, is an internationally recognized teaching, research and treatment center for research and rehabilitation in speech and hearing disorders.

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

The University of Texas of the Permian Basin. The University of Texas of the Permian Basin in Odessa was authorized by the Texas Legislature in 1969 and opened for classes in September 1973. U.T. Permian Basin admits only upper-level students, and offers baccalaureate degrees in 27 fields and master's degrees in 9 fields. Innovative classroom and laboratory techniques are emphasized, especially self-paced instruction, experimental learning and open laboratory and art areas.

The University of Texas at San Antonio. The University of Texas at San Antonio was authorized by the Texas Legislature in 1969. The University is comprised of four colleges. Business, Fine Arts and Humanities, Social and Behavioral Sciences and Engineering. U.T., San Antonio offers 36 baccalaureate degrees and 19 master's degrees.

The University of Texas at Tyler. The University of Texas at Tyler became a part of the System in 1979 by action of the Texas Legislature. Created in 1971 as Tyler State College, the institution became Texas Eastern University in 1976. The upper-division (junior and senior) and graduate institution is located in the heart of East Texas midway between Dallas and Shreveport. The four schools within the university organization are: Business Administration, Education and Psychology, Liberal Arts, and Sciences and Mathematics. Current degree programs include 45 bachelor degrees and 23 master's degrees in nine fields.

The University of Texas Institute of Texas Cultures at San Antonio, founded as a world's fair exhibit for HemisFair '68, has grown into a statewide resource and information center concerned with the people and history of Texas. Visitors numbered nearly 400,000 last year. The Institute is the learning and communication center for the history, culture and folklore of Texas. The exhibit floor containing displays, artifacts, historic photographs and vignettes on Texas history has been expanded to a teaching laboratory with trained volunteers and staff members providing living history demonstrations of folk customs and crafts. The production staff serves museums across the state design, photography and exhibit fabrication.

Health Related Institutions

The University of Texas Health Science Center at Dallas. The University of Texas Health Science Center at Dallas was established in the fall of 1972 as a component institution consisting of Southwestern Medical School, the Southwestern Graduate School of Biomedical Sciences and the School of Allied Health Sciences. Southwestern Medical School was founded as Southwestern Medical College in 1943 by the Southwestern Medical Foundation and was added to the System in 1949. With more than 1,000 research projects totalling \$50 million a year, the Southwestern Medical School has been rated as one of the top 15 Medical Schools in the nation. Southwestern Medical School now graduates over 200 physicians each year while the Graduate School of Biomedical Sciences and the School of Allied Health Sciences graduate a total of more than 150 health scientists and professionals.

The University of Texas Health Science Center at Galveston. The University of Texas Health Science Center at Galveston is an internationally recognized health science center providing diverse programs of biomedical education, research, and patient care. The Medical Branch includes the oldest

medical school in Texas, founded in 1891, and now has the 10th largest medical school in the United States. In addition, UTMB consists of the School of Nursing, School of Allied Health Sciences, Graduate School of Biomedical Sciences, Marine Biomedical Institute and Institute for the Medical Humanities. UTMB has undergone rapid expansion in the past two decades and now includes some of the most sophisticated health care facilities in the nation. The Medical Branch employs approximately 8,000 people, making it the largest single employer in Galveston County.

The University of Texas Health Science Center at Houston. The University of Texas Health Science Center at Houston, the largest of the health science universities in the System, consists of eight components, six of which are schools – the Dental Branch (established in 1905 as the Texas Dental College); the Graduate School of Biomedical Sciences (1963); the School of Public Health in Texas (1967); the Medical School (1970); the School of Nursing (1972); and the School of Allied Health Sciences (1973). The Division of Continuing Education and the Speech and Hearing Institute complete the eight components. With its 717 full-time and 2,700 students in eight teaching and research buildings, the Houston Health Science Center also is the largest institutional member of the Texas Medical Center.

The University of Texas Health Science Center at San Antonio. The University of Texas Health Science Center at San Antonio was established by the Board of Regents in the fall of 1972. The operational units of the Health Science Center include schools of Medicine, Dentistry, Nursing, Allied Health Sciences and Graduate Biomedical Sciences. The campus occupies 100 acres within the South Texas Medical Center in Northwest San Antonio. The Health Science Center at San Antonio has earned a reputation as a first-class research institution and enjoys an excellent reputation as an educator of health professionals.

The University of Texas System Cancer Center. The University of Texas System Cancer Center is the official State agency for the care of Texans with cancer, for training and research in cancer, and for activities related to prevention of the disease. With M. D. Anderson Hospital and Tumor Institute at Houston as its hub, the Cancer Center also includes a 110-bed Rehabilitation Center for recovering cancer patients, the Anderson Mayfair patient and family hotel and the 1,100-acre Science Park in Bastrop County. Since the hospital opened in 1944, more than 220,000 persons with cancer have been treated there. At least 19,500 health professionals and scientists have received training at M. D. Anderson Hospital. The basic and clinical research program includes approximately 500 projects supported by more than \$65 million in grants, contracts and other funds.

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

THE UNIVERSITY OF TEXAS SYSTEM
CONDENSED STATEMENT OF ASSETS AND NET WORTH⁽¹⁾

	Fiscal Year Ended August 31.				
	1983	1984	1985	1986	1987
ASSETS:					
Current Funds:					
General	\$ 227,027,921	\$ 247,981,349	\$ 342,135,901	\$385,044,412	\$391,440,225
Auxiliary Enterprises and Activities	54,386,358	69,045,826	288,045,846	362,498,872	388,353,750
Designated	268,112,875	258,443,462	67,661,072	67,539,561	76,835,553
Restricted	<u>254,457,856</u>	<u>295,377,193</u>	<u>334,433,976</u>	<u>384,477,065</u>	<u>448,371,257</u>
Total Current Funds	<u>803,985,010</u>	<u>870,847,830</u>	<u>1,032,276,795</u>	<u>1,199,559,910</u>	<u>1,305,000,785</u>
Loan Funds	<u>44,900,251</u>	<u>49,506,865</u>	<u>53,482,648</u>	<u>58,199,565</u>	<u>63,643,064</u>
Endowment and Similar Funds:					
State (Permanent University Fund)	1,912,646,657	2,092,548,880	2,326,902,088	2,615,553,884	2,929,567,882
Other than State	<u>245,694,952</u>	<u>319,456,771</u>	<u>381,433,462</u>	<u>476,376,623</u>	<u>546,486,695</u>
Total Endowment and Similar Funds	<u>2,158,341,609</u>	<u>2,412,005,651</u>	<u>2,708,335,550</u>	<u>3,091,930,507</u>	<u>3,476,054,577</u>
Annuity and Life Income					
Available University Fund	<u>4,386,988</u>	<u>4,226,482</u>	<u>4,427,271</u>	<u>4,745,766</u>	<u>4,961,928</u>
Available University Fund	<u>59,206,856</u>	<u>72,965,475</u>	<u>69,866,535</u>	<u>61,806,739</u>	<u>74,904,171</u>
Plant Funds:					
Unexpended Renewals and Replacements	267,487,890	297,931,609	248,595,573	311,322,021	232,469,510
Fund for Retirement of Indebtedness	7,120,412	7,709,931	10,435,057	11,730,184	12,471,589
Invested in Plant	95,856,259	110,710,094	111,867,596	45,872,852	43,525,970
Total Plant Funds	<u>2,294,183,734</u>	<u>2,507,801,796</u>	<u>2,749,592,679</u>	<u>3,032,884,582</u>	<u>3,262,746,381</u>
Agency Funds	<u>2,664,648,295</u>	<u>2,924,153,430</u>	<u>3,120,490,905</u>	<u>3,401,809,639</u>	<u>3,551,213,450</u>
Agency Funds	<u>37,333,713</u>	<u>44,697,696</u>	<u>46,401,399</u>	<u>47,725,209</u>	<u>48,039,959</u>
DEDUCT: Interfund Group Accounts					
Group Accounts	<u>(68,935,844)</u>	<u>(82,075,062)</u>	<u>(65,221,084)</u>	<u>(65,156,078)</u>	<u>(57,261,046)</u>
GRAND TOTAL ASSETS					
ASSETS	5,703,866,878	6,296,328,367	6,970,060,019	7,800,621,257	8,446,556,888
Less: Total Liabilities	<u>825,706,649</u>	<u>971,939,797</u>	<u>1,034,768,557</u>	<u>(1,081,132,608)</u>	<u>(1,153,932,142)</u>
FUND BALANCES (i.e. Net Worth)					
FUND BALANCES (i.e. Net Worth)	<u>\$4,878,160,229</u>	<u>\$5,324,388,570</u>	<u>\$5,935,291,462</u>	<u>\$6,719,488,649</u>	<u>\$7,312,624,746</u>

(1) The University of Texas System used the modified accrual method accounting prescribed for Colleges and Universities as set forth in Colleges and University Business Administration, Fourth Edition, 1982. Prepared by the office of Comptroller of the System from audited financial statements with the exception of 1987 which are preliminary and unaudited.

THE UNIVERSITY OF TEXAS SYSTEM
CURRENT REVENUES, EXPENDITURES AND MANDATORY TRANSFERS (1)

	Fiscal Year Ended August 31.				
	1983	1984	1985	1986	1987
CURRENT INCOME:					
Tuition and Fees	\$ 61,934,707	\$ 64,924,284	\$ 68,739,972	\$ 119,615,343	\$ 130,850,558
Federal Funds	179,785,974	188,382,504	217,238,697	248,803,913	273,055,105
State Appropriations	921,708,827	943,976,556	1,022,981,019	964,910,274	858,811,124
Private Gifts	80,689,465	90,114,683	95,086,926	117,807,279	125,765,868
Endowment Income (Includes Transfers from Available University Fund)	52,391,655	68,204,235	67,346,232	87,779,855	96,443,086
Sales and Services of Auxiliary Enterprises	92,082,396	102,697,168	115,765,775	115,988,799	117,849,282
Sales and Services of Hospitals and Clinics; Professional Fees	278,501,338	285,632,549	313,447,998	334,702,775	397,038,267
Sales and Services of Educational Departments and Other Services	74,960,624	89,629,200	98,851,925	103,507,065	103,971,086
Total Current Revenues	<u>1,742,054,986</u>	<u>1,833,561,179</u>	<u>1,999,458,544</u>	<u>2,093,115,303</u>	<u>2,103,784,376</u>
<u>CURRENT EXPENDITURES AND MANDATORY TRANSFERS</u>					
Educational	1,498,598,949	1,625,843,582	1,729,620,907	1,870,394,013	1,932,785,987
Auxiliary Enterprises	104,758,914	116,490,743	128,544,283	134,875,390	134,257,610
Mandatory Transfers	<u>38,760,677</u>	<u>54,047,509</u>	<u>49,803,013</u>	<u>42,190,473</u>	<u>35,430,467</u>
Total Current Expenditures and Mandatory Transfers	<u>1,642,118,540</u>	<u>1,796,381,834</u>	<u>1,907,968,203</u>	<u>2,047,459,876</u>	<u>2,102,474,064</u>
EXCESS REVENUES OVER EXPENDITURES AND MANDATORY TRANSFERS	<u>\$ 99,936,446</u>	<u>\$ 37,179,345</u>	<u>\$ 91,490,341</u>	<u>\$ 45,655,427</u>	<u>\$ 1,310,312</u>

(1) The University of Texas System uses the modified accrual method of accounting prescribed for Colleges and Universities as set forth in Colleges and University Business Administration, Fourth Edition, 1982. Prepared by the Office of Comptroller of the System from audited financial statements with the exception of 1987 which are preliminary and unaudited.

APPENDIX C

FINANCIAL STATEMENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM
FOR THE FISCAL YEARS ENDING
AUGUST 31, 1986 AND AUGUST 31, 1987

0251m/10

APPENDIX D
FORM OF OPINION OF CO-BOND COUNSEL

0251m/11

D-1

APPENDIX E

DESCRIPTION OF M-MIRSSSM

0251m/12

E-1

The project involves the conversion of an existing single story light manufacturing type building with an attached five-story office building and related site and utility improvements at The University of Texas at Austin Montopolis Research Center, Austin, Travis County, Texas. The conversion work will primarily involve the construction of clean room and related special support system facilities to sustain advanced products research and development operations by the SEMATECH CONSORTIUM concerning the United States semiconductor industry's manufacturing techniques and processes. The scope and character of the remodeling and retrofit type construction work will involve the following major considerations:

Maximum sub-micron tolerances of structural vibration transmission and control.

Ultra quality systems for production, distribution and control of large volumes of particulate-free air.

Ultra quality systems for production, distribution and control of process gases and liquids.

Ultra quality systems for collection, containment and treatment of process production materials exhaust and waste removal.

High quality distribution, control and emergency generation of electrical power systems and supply.

Systems for monitoring and controlling security, life safety requirements and operational protocols.

General improvements and support facilities to accommodate the mission and intent of the clean room research and development activities.

G. RECESS FOR MEETINGS OF THE STANDING COMMITTEES AND COMMITTEE REPORTS TO THE BOARD

The Standing Committees of the Board of Regents of The University of Texas System will meet as set forth below to consider recommendations on those matters on the agenda for each Committee listed in the Material Supporting the Agenda. At the conclusion of each Standing Committee meeting, the report of that Committee will be formally presented to the Board for consideration and action.

Executive Committee: Chairman Blanton
Vice-Chairman Ratliff, Vice-Chairman Roden
MSA Page Ex.C - 1

Finance and Audit Committee: Chairman Roden
Regent Barshop, Regent Beecherl
MSA Page F&A - 1

Academic Affairs Committee: Chairman Baldwin
Regent Beecherl, Regent Moncrief
MSA Page AAC - 1

Health Affairs Committee: Chairman Yzaguirre
Regent Barshop, Regent Blanton, Regent Moncrief
MSA Page HAC - 1

Buildings and Grounds Committee: Chairman Hay
Regent Baldwin, Regent Ratliff, Regent Yzaguirre
MSA Page B&G - 1

Land and Investment Committee: Chairman Ratliff
Regent Barshop, Regent Hay, Regent Roden
MSA Page L&I - 1

H. RECONVENE AS COMMITTEE OF THE WHOLE

I. ITEMS FOR THE RECORD

1. U. T. Dallas: Acceptance of Membership to the Development Board.--

At the December 1987 U. T. Board of Regents' meeting, Mr. E. L. Langley, Irving, Texas, and Mr. William P. Weber, Dallas, Texas, were approved for membership on the U. T. Dallas Development Board for terms to expire August 31, 1990. Their acceptances of membership are herewith reported for the record.

2. U. T. Health Science Center - Houston: Acceptance of Membership to the Development Board.--

At the December 1987 U. T. Board of Regents' meeting, the following were approved for membership to the U. T. Health Science Center - Houston Development Board:

	<u>Term Expires</u>
Mr. Robert S. Craig, Missouri City	1989
The Honorable Mark W. White, Houston	1990

Their acceptances of membership are herewith reported for the record.

J. CONSIDERATION OF ACTION ON ANY ITEMS DISCUSSED IN THE EXECUTIVE SESSION OF THE BOARD OF REGENTS PURSUANT TO V.T.C.S., ARTICLE 6252-17, SECTIONS 2(e), (f) and (g)

1. Pending and/or Contemplated Litigation - Section 2(e)

U. T. Health Science Center - San Antonio:
Proposed Settlement of Medical Malpractice
Litigation

2. Land Acquisition, Purchase, Exchange, Lease or Value of Real Property and Negotiated Contracts for Prospective Gifts or Donations - Section 2(f)

a. U. T. Health Science Center - San Antonio:
Negotiated Agreement with the Texas
Research Foundation and Other Parties
for the Acquisition of Real Property in
Bexar and Medina Counties, Texas

b. U. T. Cancer Center: Request to Negotiate
for Exchange of Certain Parcels of Real
Property in Harris County, Texas

3. Personnel Matters [Section 2(g)] Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees

a. U. T. System: Consideration of the Appointment of an Administrative Officer of the System Related to the Regents' Rules and Regulations, Part One, Chapter II, Section 7.2

b. U. T. El Paso: Consideration of Personnel Matters Related to the Possible Election and Employment of a President

K. REPORT OF BOARD FOR LEASE OF UNIVERSITY LANDS

L. REPORT OF SPECIAL COMMITTEES

M. OTHER MATTERS

Certificate of Appreciation

N. SCHEDULED MEETINGS AND EVENTS

Board of Regents' Meetings

<u>Dates</u>	<u>Locations/Hosts</u>
April 14, 1988	U. T. Medical Branch - Galveston
June 9, 1988	U. T. Austin
August 11, 1988	Austin (no host)
October 7, 1988	U. T. Arlington
December 1, 1988	Undetermined

REPORT OF SPECIAL COMMITTEE

ADDITIONAL ITEM

FEBRUARY 11, 1988

L. U. T. Dallas: Report of the Special Committee on Endowment Lands in Collin and Dallas Counties, Texas.--

REPORT

The Special Committee on Endowment Lands in Collin and Dallas Counties, Texas, met in the John Peace Library Building, Room 4.03.10 at The University of Texas at San Antonio, at 11:45 a.m. on February 11, 1988, to consider the extension of three options to Radnor Corporation to purchase three tracts of land out of the U. T. Dallas Synergy Park. The Committee recommends that:

1. An extension be granted on Option A per the following schedule:

<u>Years After 13 Feb., 1988</u>	<u>Price of Option Per Sq. Foot Per Year</u>	<u>Purchase Price Per Sq. Ft.</u>
1	\$ 0.00	\$ 12.00
2	0.50	12.00
3	0.50	13.00
4	0.50	14.00
5	0.50	15.00

All option payments to be credited against purchase price if option is exercised.

2. An extension be granted on Option B per the following schedule:

<u>Years After 13 Feb., 1988</u>	<u>Price of Option Per Sq. Foot Per Year</u>	<u>Purchase Price Per Sq. Ft.</u>
1	\$ 0.00	\$ 15.00
2	0.50	15.00
3	0.50	16.00
4	0.50	17.00
5	0.50	18.00

All option payments to be credited against purchase price if option is exercised.

3. No extension be granted for Option C.
4. These options may be exercised by Radnor Corporation only to provide office and/or research space for Sun Oil Company on either or both of the option tracts.
5. All other terms of the Sale and Purchase Agreement with Radnor Corporation dated December 19, 1984, shall remain in effect throughout the term of the extended option period.

Commencement - 1988

May 6 *U. T. Tyler
May 7 *U. T. Permian Basin
U. T. Nursing School - Galveston
May 13 U. T. Public Health School - Houston
U. T. Nursing School - Houston
May 14 *U. T. El Paso
U. T. G.S.B.S. - Galveston
U. T. G.S.B.S. - Houston
U. T. Allied Health Sciences School - Houston
*U. T. Allied Health Sciences School -
San Antonio
May 15 *U. T. San Antonio
U. T. Nursing School - San Antonio
May 20 U. T. G.S.B.S. - San Antonio
May 21 *U. T. Arlington
*U. T. Austin
*U. T. Dallas
*U. T. Medical School - Galveston
May 28 U. T. Medical School - Houston
*U. T. Dental Branch - Houston
U. T. Medical School - San Antonio
U. T. Dental School - San Antonio
June 4 *U. T. Southwestern Medical School - Dallas
and U. T. Southwestern G.S.B.S. - Dallas
August 5 U. T. Tyler
August 13 U. T. Allied Health Sciences School -
Galveston
August 14 U. T. Southwestern A.H.S.S. - Dallas
August 27 U. T. Dallas
December 4 *U. T. Austin
December 9 U. T. Tyler
December 16 U. T. El Paso
December 17 U. T. Arlington

*Official commencement for Regental attendance

O. OTHER BUSINESS

P. ADJOURNMENT

1988

JANUARY

S	M	T	W	T	F	S
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31						

JULY

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FEBRUARY

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AUGUST

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MARCH

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SEPTEMBER

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APRIL

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OCTOBER

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30	31					

MAY

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NOVEMBER

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JUNE

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DECEMBER

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31						

Executive Committee

EXECUTIVE COMMITTEE
Committee Chairman Blanton

Date: February 11, 1988
Time: Following the 2:00 p.m. Session of the Board of Regents
Place: John Peace Library Building, Room 4.03.12
U. T. San Antonio

	<u>Page</u> <u>Ex.C</u>
1. Permanent University Fund: Recommendation to Appoint a New Member to the Investment Advisory Committee (Exec. Com. Letter 88-11)	3
2. U. T. Austin: Request for Authority to Accept Bowl Bids (Exec. Com. Letter 88-9)	3
3. U. T. Austin: Request for Approval of Option Agreement Related to the SEMATECH Proposal and Authorization to Purchase Approximately 94.36 Acres of Land and Improvements in Southeast Austin (Data General Corporation Site) (Exec. Com. Letter 88-13)	4
4. U. T. Austin: Request for Authorization to Enter Into Agreements Relating to the SEMATECH Proposal and Improvements in South Austin (Data General Corporation Site), Delegations of Authority to the Executive Committee, Authorization to U. T. Austin to Provide Logistical Support and Appropriation of a Contingency Fund (Exec. Com. Letter 88-13)	34
5. U. T. Southwestern Medical Center - Dallas: Land for Campus Expansion - Recommended Appointment of Master Planning Consultant (Exec. Com. Letter 88-10)	35
6. U. T. Southwestern Medical Center - Dallas - Charles C. Sprague Clinical Science Building (Project No. 303-598): Recommended Award of Construction Contract to Spaw-Glass Construction Inc., Dallas, Texas (Exec. Com. Letter 88-12)	36
7. U. T. Medical Branch - Galveston - Expansion of Thermal Energy Plant - Phase I Distribution System (Project No. 601-657): Recommended Award of Construction Contract to R.E.C. Industries, Inc., Bryan, Texas (Exec. Com. Letter 88-11)	38

8. U. T. Health Science Center - San Antonio - Basic Science Building Fifth Level Completion (Project No. 402-608): Recommended Award of Contracts for Furniture and Furnishings to Commercial Furniture Services, Inc., Houston, Texas; Southwest Office Interiors, Inc., Austin, Texas; Office Furniture, Inc., Houston, Texas; CDM Contract Furnishings, Austin, Texas; Architectural Interior Services, Houston, Texas; Disco Print Company, Houston, Texas; Marshall Clegg Associates, San Antonio, Texas; and HiTech Companies, Plano, Texas; and Request for Authorization for the Chancellor to Sign the Contracts (Exec. Com. Letter 88-12) 39
9. U. T. Health Science Center - San Antonio - Expansion of Clinical Science Teaching Space (Project No. 402-609): Recommended Award of Construction Contract to Turner Construction Company of Texas, Houston, Texas (Exec. Com. Letter 88-9) 42
10. U. T. Cancer Center: Recommendation to Withdraw the Appointment of Mr. Michael E. Patrick as a Member of the Board of Directors of The Macrophage Company, Inc., The Woodlands, Texas, and to Appoint Mr. Steven C. Schultz, Executive Vice President for Administration, as Regental Representative on the Board of Directors (Exec. Com. Letter 88-11) 47

1. Permanent University Fund: Recommendation to Appoint a New Member to the Investment Advisory Committee (Exec. Com. Letter 88-11).--

RECOMMENDATION

The Executive Committee concurs in the recommendation of the Office of the Chancellor that the U. T. Board of Regents appoint Mr. E. L. "Pete" Wehner of Houston, Texas, to replace Mr. Dee S. Osborne of Houston, Texas, to the Investment Advisory Committee for the Permanent University Fund. This appointment is for a three-year term through August 31, 1990.

BACKGROUND INFORMATION

Mr. Dee S. Osborne served on the Investment Advisory Committee since 1971, and under the Regents' Rules and Regulations, he was ineligible for reappointment when his term expired on August 31, 1987. His wise counsel and years of service are greatly appreciated.

Mr. Wehner, now a self-employed financial consultant, is the retired Vice Chairman and Chief Administrative Officer of Blocher Energy Corporation. Previously he was managing partner of the Houston office of Arthur Andersen & Company and Regional Co-Managing Partner of the Southwest Region. A distinguished alumnus of Texas A&M University, he presently serves as trustee of The Robert A. Welch Foundation and is a member of the Board of Directors of Keystone International, Inc., Vista Chemical Company, Commonwealth Financial Group and Stewart & Stevenson Services, Inc.

With approval of this recommended appointment, the Investment Advisory Committee members and terms would be as follows:

	<u>Term Expires</u>
Andrew Delaney	8/31/88
John T. Trotter	8/31/88
Edward Randall III	8/31/89
John T. Stuart III	8/31/89
E. L. "Pete" Wehner	8/31/90

One position remains open and available for Regental appointment.

2. U. T. Austin: Request for Authority to Accept Bowl Bids (Exec. Com. Letter 88-9).--

RECOMMENDATION

The Executive Committee concurs in the recommendation of President Cunningham and the Office of the Chancellor that the U. T. Board of Regents authorize President Cunningham to accept a football bowl participation bid for U. T. Austin at the end of the 1987 football season, subject to win/loss conditions as outlined on Page Ex.C - 4.

- a. If U. T. Austin defeats Texas A&M University - Cotton Bowl*

*automatically eligible and obligated under Southwest Conference rules

- b. If U. T. Austin defeats Baylor University and loses to Texas A&M University - Bluebonnet Bowl
- c. If U. T. Austin loses to both Baylor University and Texas A&M University - no bowl participation.

It is understood that:

- a. Board approved guidelines on bowl participation will prevail
- b. Expenses will not exceed those already estimated for "Special Events" in the approved budget, and
- c. A final fiscal report will be submitted via the U. T. Austin Docket as soon as accounting records are complete.

BACKGROUND INFORMATION

To permit maximum opportunity for U. T. Board of Regents' input into a football bowl participation decision and to assure President Cunningham sufficient authority to respond to invitations in accordance with bowl requirements, it was necessary to seek this approval via Executive Committee Letter.

3. U. T. Austin: Request for Approval of Option Agreement Related to the SEMATECH Proposal and Authorization to Purchase Approximately 94.36 Acres of Land and Improvements in Southeast Austin (Data General Corporation Site) (Exec. Com. Letter 88-13).--

RECOMMENDATION

The Executive Committee concurs in the recommendation of President Cunningham and the Office of the Chancellor that the U. T. Board of Regents approve the option agreement set out on Pages Ex.C 6 - 33 related to the SEMATECH proposal for the purchase of approximately 94.36 acres of land plus 294,367 square feet of improvements in Southeast Austin (commonly known as the Data General Corporation Site) on behalf of U. T. Austin at a price of \$12.3 million from Permanent University Fund Bond proceeds, and authorize the Executive Vice Chancellor for Asset Management to execute all documents pertaining to the purchase following the approval of the Office of General Counsel. In 1987 the property was valued at \$14,313,742 by the Travis County Appraisal District.

BACKGROUND INFORMATION

The agreement provides for a 90-day no cost option to purchase the Data General Corporation Site dating from November 1, 1987. The agreement may be extended after the initial 90-day period for up to three months on a month-to-month basis by the payment of \$25,000 per month. This option agreement is part of the State's incentive package for attracting the SEMATECH Consortium to Texas and is the option agreement on which the staff briefed the Board on December 3, 1987, in the context of the general briefing on the status of the State's effort to attract SEMATECH to Texas. Given SEMATECH'S decision to locate its facilities in Austin, the option to purchase will be exercised in a timely fashion and no payments or additional option periods beyond the initial 90-day option period will be required. Upon approval of this transaction, appropriate adjustments to the Capital Improvement Program will be made.

OPTION AGREEMENT

THE STATE OF TEXAS §
 §
 COUNTY OF TRAVIS §

This OPTION AGREEMENT dated as of the 29th day of DECEMBER, 1987, from DATA GENERAL CORPORATION, a Delaware corporation (hereinafter called the "Seller") to the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, for and on behalf of THE UNIVERSITY OF TEXAS AT AUSTIN (hereinafter called the "Purchaser"),

W I T N E S S E T H:

ARTICLE I

1.1 The Seller and Purchaser agree that when used in this Option Agreement the terms set forth below shall have the respective meanings set forth after them, unless context otherwise requires:

- (a) The "Subject Land" shall refer to the property described on Exhibit A attached hereto and incorporated herein, together with all easements, rights-of-way and all right, title and interest of the Seller in and to all lands in the easements, rights-of-way, streets, roads and alleys adjacent to or abutting to the above described land, and all other rights and appurtenances thereunto in anywise belonging.
- (b) The "Improvements" shall refer to all those certain buildings, structures, fixtures, paving, utility poles, lines and conduits, and other improvements of every kind and nature presently situated on, in or under, or hereafter (but prior to the "Closing Date", defined below) erected or installed, or used in, on or about, or in connection with the operation of the Subject Land. Any improvements that Southwestern Bell has placed in any easement which is part of the Subject Land shall not be included in the definition of "Improvements" hereunder.
- (c) The "Improved Property" shall refer collectively to the Subject Land and Improvements.
- (d) The "Personal Properties" shall refer to all apparatus, materials, engines and machinery, utility service devices, connections and meters, pumps, motors, window screens, window shades, venetian blinds, awnings, floor coverings, window coverings, wall coverings, appliances, air conditioning equipment, heating equipment, air handling equipment and apparatus, shrubbery, and all other personal property of every kind and nature now or hereafter installed or attached to the Improved Property, and all renewals, replacements and substitutions therefor and additions thereto. Without limitation, Seller's movable furniture, trade fixtures and other

equipment and personal property not directly related to the operation of the Improved Property and Data General's exterior sign shall not be included in the definition "Personal Property" hereunder.

- (e) The "Incidental Rights" shall refer to the Seller's assignable rights under all contracts, service and maintenance agreements, permits, licenses, equipment warranties, utility contracts or other agreements relating to the use, operation or maintenance of any and all of the Improved Property or the Personal Properties.
- (f) The "Subject Properties" shall refer collectively to the Subject Land, the Improvements, the Personal Properties and the Incidental Rights.
- (g) The "Seller's Deed" shall refer to a general warranty deed dated as of the "Closing Date" (defined below), executed and acknowledged by the Seller, in favor of the Purchasers conveying the Subject Properties to the Purchaser free of all encumbrances except the "Subject Encumbrances" (defined below), and any "Waived Objections" (defined below), and providing for ad valorem taxes for the year in which the Closing Date occurs to be prorated as of the Closing Date.
- (h) The "Agreed Consideration" shall refer to the total sales price of the Subject Properties which is the sum of Twelve Million Three Hundred Thousand Dollars (12,300,000.00).
- (i) The "Earnest Money" shall refer to the amount of \$25,000.00.
- (j) The "Title Company" shall refer to Gracy Title Company, whose principal business office is located at 220 West 7th, Austin, Texas 78701, as agent for the "Title Insurer," as such term is hereinafter described and defined.
- (k) The "Title Insurer" shall refer to Chicago Title Insurance Company.
- (l) The "Title Insurance Commitment" shall refer to a written commitment for an owner's title policy describing the Improved Property, and committing the Title Insurer to issue such title policy at closing and upon satisfaction of normal closing conditions, subject only to exceptions relating to (1) the Permitted Encumbrances, (2) taxes for the current year of closing and subsequent years, (3) restrictive covenants of record, provided that such exception concerning restrictive covenants shall be modified by adding "None of Record" thereafter, and (4) "Shortages in Area".
- (m) The "Conforming Title Policy" shall refer to a Texas standard form owner's policy of title insurance issued by the Title Insurer to the Purchaser, as "insured," in a face amount equal to the Agreed Consideration, describing the Improved Property with the following modifications: (i) the printed form exception relating to taxes shall be modified to read "taxes for the current year and subsequent years"; (ii) the printed form survey exception

shall be modified to read: "shortages in area"; (iii) the printed form exception for restrictive covenants of record shall be modified to show "none of record"; and (iv) the printed form may be modified by adding exceptions relating to the Permitted Encumbrances and the Waived Objections.

- (n) The "Waived Objections" shall refer to those matters (1) which may be contained in any title report or title insurance commitment furnished to the Purchaser or which constitute "Survey Objections" (defined below) not contemplated to be contained in the Title Insurance Commitment and Survey Work, respectively, and (2) which the Seller, after using all reasonable efforts (not including, however, the filing or prosecution of any title clearing suit, or expenditures or undertaking of liability in excess of \$10,000.00 relative to this transaction in the aggregate) cannot have deleted from such title report by the Title Company and in the case of Survey Objections, are not cured and satisfied, and (3) which the Purchaser elects to waive as objections to title and to take title subject to the existence of which.
- (o) The "Permitted Encumbrances" shall refer collectively to the items, if any, set out and described on Exhibit C attached hereto and made a part hereof for all purposes, to the extent and only to the extent the same may be valid and subsisting and affect the portions of the Subject Properties described in the instruments evidencing the same.
- (p) The "Surveyor" shall refer to S.A. Garza Engineers, Inc. and upon whose work the Title Company indicates that it will rely in deleting the survey exception (other than shortages in area) from the Conforming Title Policy, to perform the "Survey Work" as hereinafter provided.
- (q) The "Survey Work" shall refer to a current Category 1A, Urban, Condition II land survey (as defined by the Manual of Practice for Land Surveying in Texas published by the Texas Surveyors Association) conducted by the Surveyor of the Improved Property, including therein, without limitation, the Surveyor preparing under this seal and certificate (1) a survey plat of the Improved Property on which he certifies the number of acres (calculated to the nearest one hundredth of an acre) contained in the Subject Land, and (2) the metes-and-bound description of the Subject Land and (3) a certification that the Improved Property neither is subject to nor has been designated as being subject to any special flood hazards, or is flood prone, or requires the maintenance of flood insurance before a national banking association can lend on the security thereon.
- (r) The "Survey Objections" shall be as defined in Article IV hereinafter.
- (s) The "Option Expiration Date" shall refer to the date ninety (90) days after the "effective date" (as defined in subparagraph 1.1(w) below) of this Agreement, as the same may be extended as set forth in Section 2.4.

- (t) The "Closing Date" shall refer to the date sixty (60) days after the "Exercise Date" (as hereinafter defined) unless Purchaser, in its sole discretion, elects an earlier date by notifying Seller in writing at least thirty (30) days prior to such earlier date.
- (u) The "Option" shall refer to the option granted in Section 2.1 below.
- (v) The "Exercise Date" shall refer to the date described in Section 2.3.
- (w) The "effective date" shall refer to November 1, 1987.
- (x) The "Option Extension Consideration" shall refer to the amount of (i) \$25,000.00 if the Option Expiration Date is extended to the date one hundred twenty (120) days after the effective date of this Agreement as set forth in Section 2.4; (ii) \$50,000.00 if the Option Expiration Date is extended to the date one hundred fifty (150) days after the effective date of this Agreement as set forth in Section 2.4; and (iii) \$75,000.00 if the Option Expiration Date is extended to the date one hundred eighty (180) days after the effective date of this Agreement as set forth in Section 2.4.
- (y) The "Initial Consideration" shall refer to the amount of \$100.00.
- (z) The "Option Consideration" shall refer to the sum of the Option Extension Consideration plus the Initial Consideration.

ARTICLE II

2.1 For and in consideration of the Initial Consideration paid in cash or its equivalent by the Purchaser to the Seller, the receipt of which is hereby confessed and acknowledged by it, the Seller does hereby grant to the Purchaser the exclusive option and right, exercisable during the term of the Option, to purchase the Subject Properties from the Seller for the Agreed Consideration and upon and subject to the terms and provisions of this Option Agreement.

2.2 In order to exercise the Option, the Purchaser must give to the Seller written notice of Purchaser's exercise of the Option at or prior to midnight of the Option Expiration Date. In the event the Purchaser fails to timely give such notice of its exercise of the Option, then the Option shall automatically expire and this Option Agreement shall be of no further force or effect.

2.3 If the Purchaser shall timely give written notice of its election of the Option and Purchaser is not in default hereunder, then effective on the date such written notice is so timely given (which date shall be the "Exercise Date" for purposes of this Agreement), this Option Agreement shall become a binding agreement for the purchase and sale of the Subject Properties upon the terms and provisions hereinafter set forth.

2.4 Purchaser shall have the right to extend the Option granted under this Agreement for three (3) additional, consecutive thirty (30) day periods upon Purchaser's compliance with the procedure described in this Section 2.4 and provided Purchaser is not then in default hereunder. If Purchaser wants to extend the Option Expiration Date to the date (the "First Extension Date") one hundred twenty (120) days after the effective date of this Agreement, Purchaser shall so notify Seller in writing in accordance with this Agreement no later than sixty (60) days after the effective date of this Agreement and Purchaser shall deliver cash in the amount of Twenty-five Thousand Dollars (\$25,000) to Seller on or before the date ninety (90) days after the effective date of this Agreement. After Purchaser extends the Option Expiration Date to the First Extension Date, if Purchaser wants to extend the Option Expiration Date to the date (the "Second Extension Date") one hundred fifty (150) days after the effective date of this Agreement, Purchaser shall so notify Seller in writing no later than ninety (90) days after the effective date of this Agreement and Purchaser shall deliver an additional amount of cash in the amount of Twenty-five Thousand Dollars (\$25,000.00) to Seller on or before the date one hundred twenty (120) days after the effective date of this Agreement. After Purchaser extends the Option Expiration Date to the Second Extension Date, if Purchaser wants to extend the Option Expiration Date to the date one hundred eighty (180) days after the effective date of this Agreement, Purchaser shall so notify Seller in writing no later than one hundred twenty (120) days after the

effective date of this Agreement and Purchaser shall deliver an additional amount of cash in the amount of Twenty-five Thousand Dollars (\$25,000.00) to Seller on or before the date one hundred fifty (150) days after the effective date of this Agreement. Any failure of Purchaser to deliver the cash consideration described in this Section 2.4 to extend this Agreement after Purchaser has notified Seller in accordance with this Section 2.4 that Purchaser intends to extend the Option Expiration Date shall not be a default by Purchaser under this Agreement and Purchaser shall not be obligated hereunder to make any such payments even if such notice has been given. If Purchaser does fail to deliver the cash consideration as described above, then Purchaser shall be deemed to have waived all its rights under this Agreement even if notice was given in a timely fashion.

ARTICLE III

3.1 If the Option is timely and properly exercised, and the deposit described in Section 3.2 (a) made in a timely manner, the Seller agrees to sell to the Purchaser and the Purchaser agrees to purchase from the Seller all of the Subject Properties for the Agreed Consideration, payable as hereinafter set forth.

3.2 The Agreed Consideration for all the Subject Properties shall be paid and payable as follows:

(a) At the time the option is exercised, the Earnest Money shall be deposited with the Title Company, as escrow agent, together with a fully executed counterpart hereof within ten (10) days after the Exercise Date and at the time of the closing of the sale, if consummated, the Earnest Money will be applied toward payment of the Agreed Consideration.

(b) The balance of the Agreed Consideration, equal to the amount derived by subtracting the Earnest Money from the Agreed Consideration, will be paid to the Seller at the consummation of the sale, if consummated, upon delivery by the Seller of the Seller's Deed to the Purchaser.

ARTICLE IV

The Seller agrees to order the Survey Work from the Surveyor on or before the later to occur of (1) ten (10) days after the Exercise Date, (2) receipt of the Earnest Money and

(3) payment of all Option Consideration due hereunder, and the Seller agrees to direct the Surveyor to use reasonable efforts to complete the Survey Work ^{within} ~~on or before~~ thirty (30) days ~~after~~ ^{the Exercise Date}. The Survey Work shall be done at the cost and expense of the Seller. Upon completion of the Survey Work two (2) sets of each of the plat, description and certification constituting the parts of such Survey Work shall be furnished to both the Purchaser and to the Title Company by the Seller. In the event any material encroachments by the Improvements are found to exist upon any other lands or upon any easements or building lines or in the event any ~~material~~ fence or other improvement ^{materially} encroaches upon the Improved Property, or in the event the Purchaser has any other ^{material} objection to the conditions disclosed by the Survey Work, then the Purchaser may give the Seller written notice of such matters to which it objects (herein called the "Survey Objections") and the Seller shall thereafter have thirty (30) days in which to cure and satisfy all such objections of the Purchaser. In the event the Seller fails to cure and satisfy all the Survey Objections within said 30-day period of time, then the Purchaser shall have the option and right within ten (10) business days after the expiration of said 30-day period of time, to (a) grant the Seller such additional time not to exceed thirty (30) days in which to cure and satisfy all the Survey Objections, or (b) waive the Survey Objections which remain uncured and unsatisfied and close the purchase of the Subject Properties without adjustment of the Agreed Consideration upon the other terms and provisions hereof, or (c) terminate this Option Agreement whereupon the Seller shall be obligated to return to Purchaser all Earnest Money together with any Option Extension Consideration paid to Seller as of the date of such termination, after which both parties hereto shall be released and relieved from all further obligations hereunder. The Seller shall have the right to order the survey earlier than herein above provided.

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ARTICLE V

The Seller agrees to order the Title Insurance Commitment from the Title Company on or before the later to occur of (1) five (5) days after the Exercise Date, (2) receipt of the Earnest Money and (3) payment of all Option Consideration due hereunder. In the event the Seller is unable to furnish both the Title Insurance Commitment and complete, legible copies of all documents listed thereon within the time herein stated, the Purchaser may elect within ten (10) days to (a) terminate this Option Agreement, whereupon Seller shall deliver to Purchaser all Earnest Money together with any Option Extension Consideration paid to Seller as of the date of termination, after which both parties shall be released from all further obligations contained in this Option Agreement, or (b) proceed with the closing, without adjustment of the Agreed Consideration either without the Conforming Title Policy or with such title insurance commitment and owner's policy of title insurance as the Title Company and the Title Insurer, respectively, may be willing to issue upon the Subject Properties, or (c) grant to Seller such additional time, not to exceed thirty (30) days, in which to obtain and deliver the Title Insurance Commitment and copies of all documents listed thereon to Purchaser. The Seller shall be responsible for and pay all premiums for the Conforming Title Policy, or any other owner's title policy or commitment obtained for and accepted by the Purchaser hereunder.

ARTICLE VI

6.1 The Seller represents that it has good, merchantable title to the Subject Properties (except as to the Permitted Encumbrances) *and the Seller shall be obligated to deliver to the Purchaser at closing, a general warranty deed which shall convey all the Subject Properties free of all encumbrances except the Permitted Encumbrances and the subject matter of any Waived Objections. Notwithstanding anything to the contrary contained in this Agreement, in the event that *provided such title can be delivered without cost or expense to Seller to clear title in excess of \$10,000,

Seller breaches the representation contained in this Section 6.1, the Purchaser's sole remedy for such breach shall be the return of the Earnest Money and the Option Extension Consideration. The representation contained in this Section 6.1 shall not survive closing and nothing in this Section 6.1 shall be deemed or construed to limit, diminish or impair Seller's liability on its warranty of title to be contained in said general warranty deed.

6.2 In the event any title report furnished to the Purchaser shall reflect any liens encumbering the Subject Properties, then the Seller, at or prior to the Closing Date, shall furnish proof of payment of all indebtednesses secured by such liens and shall have all such liens fully released of record prior to the Closing Date, or prior to the Closing Date, shall furnish to the Title Company all documents, in recordable form, necessary for the full release and discharge of all such liens fully executed by the holder or holders of the indebtedness concerned and directing the Title Company to deliver such releases at the closing of this sale, subject to no conditions or other matters which may be inconsistent with the transaction contemplated hereunder,* and without the Purchaser being required to take any action other than to pay, in the manner herein provided, the Agreed Consideration on the Closing Date. The Seller agrees that effective upon closing the Seller will be responsible for payment of all sums and the taking of all actions necessary to release of record any lien upon all or any part of the Subject Properties. If the Seller defaults under the preceding provisions of Section 6.2, the Purchaser may, but shall not be obligated to, cause all sums remitted at closing to be paid over to the holder or holders of said indebtedness involved to the full extent necessary to secure full releases of all such liens upon all or any portion of the Subject Properties, and to deduct all sums so paid from the proceeds of the Agreed Consideration payable to the Seller hereunder.

*see page 15

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*provided, however, that if notwithstanding the representations herein stated, if a title matter (other than liens) shall ^b find the property, not otherwise excused by being a Permitted Encumbrance, Seller's sole liability hereunder shall be to seek to remove, cure or discharge the same so long as the expense of such effort(s) does not exceed \$10,000 in the aggregate. If Seller is not able to deliver clear title expending not more than \$10,000, Purchaser shall have the rights and elections set forth in Article V.

*John
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6.3 The Seller, at the time of closing, shall further furnish to the Purchaser in recordable form (a) a bill of sale conveying to the Purchaser all the Personal Properties with covenants of general warranty,* and (b) an assignment of all the Incidental Rights.

6.4 The Purchaser, at its option, may prepare itemized schedules of the Personal Properties based upon current inventories of such properties. The Seller shall permit the Purchaser to enter upon the Subject Properties and each part thereof for the purposes of preparing such schedules and the Seller shall cooperate with the Purchaser in delivering any information to Purchaser reasonably required by Purchaser in connection with its preparation of such schedules. Such schedule prepared as of the Closing Date shall be attached to the bill of sale described under Section 6.3 as a portion of the properties covered thereby.

6.5 The Purchaser may obtain, at the Seller's expense not to exceed \$200.00, prior to the closing (a) a current certificate from the Secretary of State of Texas and from the Title Company reflecting that no financing statements (UCC-1's) or other filings pursuant to the Texas Business and Commerce Code, are then on file in the office of the Secretary of State or in the office of the County Clerk of Travis County, Texas, naming the Seller as the debtor and describing or possibly covering some portion or all of the Subject Properties as the collateral covered thereby, (b) a current certificate of good standing from the Secretary of State of the state of incorporation of Seller, (c) a current certificate of good standing from the Comptroller of Public Accounts of the State of Texas, and (d) a current certificate of qualification to do business in the State of Texas issued by the Secretary of State of Texas.

ARTICLE VII

7.1 In addition to the representations contained in other sections hereof, the Seller represents and warrants to *of title but otherwise expressly excluding all warranties, express or implied,

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the Purchaser that to the knowledge of Seller's Real Estate Manager:

(a) All documents, inventories and other information provided to the Purchaser hereunder and all information contained in the brochure attached hereto as Exhibit B and made a part hereof are and will be materially true and accurate as of the respective dates the same are provided to the Purchaser except that the zoning of the Subject Properties under Chapter 13-2A of the Code of Ordinances of the City of Austin is incorrectly stated in said brochure. Seller covenants that there will be no material adverse changes with respect to the matters covered by or stated in such items during the period from the respective dates the same are provided to the Purchaser, down to the Closing Date.

(b) There are no unpaid bills, charges, costs, expenses, taxes, assessments or claims for labor, material, or both, in connection with the construction or any repair of the Improvements, or which could give rise to any tax, mechanic's or materialman's, or other statutory or constitutional or other lien on the Subject Properties.

(c) There exists no material violation of any statutes, laws, ordinances, rules, regulations or restrictive covenants with respect to the Improvements or the ownership, operation or maintenance thereof.

(d) There are no known material defects in the structure of the Improvements.

(e) There are no and shall be no parties in possession of or occupying any portion of the Subject Properties as tenants, lessees, trespassers or otherwise.

(f) There is no pending condemnation nor has Seller received a formal written notice from a condemning authority of its intent to commence condemnation or similar proceeding affecting the Subject Properties, or any part thereof.

(g) There is no pending governmental proceeding nor has Seller received a formal written notice from any governmental agency of an intent to commence any governmental proceeding which would limit or result in the termination of, full and free access between the Subject Land and the adjoining public streets and roads.

(h) There is no pending litigation by, nor has Seller received a formal written notice from any potential claimant of an intent to commence litigation against, Seller which could adversely affect title to the Subject Land or any part thereof or the ability of Seller to perform any of its obligations hereunder.

(i) Except for the approval described in Section 14.9, the consent or approval of all persons, entities and governmental bodies and agencies which may be required with respect to the authorization, execution and performance of this Option Agreement by Seller and the closing of the transaction evidenced herein have been obtained by Seller.

(j) There is no pending application by the Seller or any predecessor in title to Seller for a change in the zoning or in the planned development area agreement, any application to resubdivide the Subject Land, obtain any waterway development permits or any site development permits with respect to the Subject Land.

7.2 The Seller covenants and agrees that the representations and warranties contained in Section 7.1 and in other sections of this Option Agreement shall be materially true and correct to its knowledge as of the Closing Date, and the Seller agrees upon reasonable notice to make available all information and to permit all inspections by the Purchaser, and its representatives, as may be reasonably requested by the Purchaser in order to establish such facts so represented as subsisting at or prior to the Closing Date.

ARTICLE VIII

8.1 The Seller agrees to make available to the Purchaser and its representatives, at the offices of the Seller access to its material and pertinent books and records and construction drawings and specifications relating to the Improved Properties, land and the operation and maintenance thereof. Such books and records and construction drawings and specifications may be examined and copied at all reasonable times by Purchaser. All copies of books, records, prints, plans and specifications shall, however, be returned to the Seller in the event the contemplated transaction hereunder is not closed. Seller makes no representations or warranties about the accuracy of any of the records supplied except as stated in Section 7.1(a).

8.2 The Seller agrees that from time to time after the date hereof provided reasonable prior notice has been given to Seller, the Purchaser and those persons authorized by the Purchaser shall have the right to enter upon the Subject Properties and each part thereof for the purpose of inspecting the same, making tests with respect to the Improvements and the Personal Properties, and preparing plans of further improvement of the Subject Properties provided such entry is at Purchaser's

own risk. Purchaser shall hold Seller harmless from any and all loss, cost, damage, expense and liability, including, without limitation, reasonable attorney's fees and costs of defense, for personal injury, death or damage to tangible property resulting from such entry insofar as Seller is authorized to do so under the laws of the State of Texas.

8.3. The Seller further agrees that from time to time after the date hereof, provided reasonable prior notice has been provided to Seller, the Purchaser and those persons authorized by the Purchaser shall have the right* to enter upon the Subject Properties and each part thereof for the purposes of determining that the following matters are true and correct with respect to the Subject Properties as of the Closing Date:

(a) That ^{no} underground tank (as that term is used in the Resource Conservation and Recovery Act, 42 U.S.C. §6991(1)), either presently or previously in service on the Subject Properties owned or operated by the Seller or any of its predecessor owners or operators (the Seller and all said predecessor owners or operators of the Subject Properties being herein collectively called "Potentially Responsible Parties"), has leaked or otherwise released any petroleum product or hazardous or toxic waste, substance, or constituent into the environment.

~~(b) That operations of each of the Potentially Responsible Parties on the Subject Properties complied in all material respects with all applicable federal, state, or local environmental statutes and regulations, including but not limited to the Resource Conservation and Recovery Act, 42 U.S.C. 6901 et seq.; the Clean Air Act, 42 U.S.C. 7401 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. 1251 et seq.; the Toxic Substances Control Act, 15 U.S.C. 2601 et seq.; the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. 9601 et seq.; the Occupational Safety and Health Act, 29 U.S.C. 651 et seq.; the Texas Solid Waste Disposal Act, Tex. Rev. Civ. Stat. Ann. art. 4477-7; the Texas Water Code Chapters 26 and 27; and the Texas Clean Air Act, Tex. Rev. Civ. Stat. Ann. art. 4477-5 and (a) none of the operations of any of the Potentially Responsible Parties on the Subject Properties is subject to any judicial or administrative proceedings alleging the violation of the above listed statutes,~~

(1) none of the operations of any of the Potentially Responsible Parties on the Subject Properties is the subject of federal, state or local investigation evaluating whether any remedial action is needed to respond to a release of any hazardous or toxic waste, substance or constituent of any other substance into the environment, (2) none of the Potentially Responsible Parties has filed nor has been required to file any notice with respect to the Subject Properties under federal, state or local law indicating past or present treatment, storage or disposal of a hazardous waste or reporting a spill or release of a hazardous

*during the term of this Agreement

or toxic waste, substance or constituent, or any other substance into the environment; ~~(d) each of the~~ Potentially Responsible Parties has maintained all chemicals stored or used on the Subject Properties including waste chemicals, petroleum products, hazardous or toxic substances, and polychlorinated biphenils (PCB's), in compliance with all applicable federal, state, and local environmental statutes and ~~regulations~~; and ~~(e)~~(3) none of the Potentially Responsible Parties has disposed of or otherwise released any waste chemicals, petroleum products, or hazardous or toxic substances on, in, or under the Subject Properties including any surface waters or groundwater located on such properties.

jon
EBS

The Seller shall cooperate with the Purchaser in delivering ^{to Purchaser in confidence} any information possessed by Seller to Purchaser required by Purchaser in connection with Purchaser's investigations under this Section 8.3. If the Purchaser determines at any time on or prior to the Closing Date that any of the matters specified in subparagraphs (a) and (b) above are not true or that the environmental condition of the Subject Properties is* otherwise unacceptable to Purchaser, then Purchaser shall have the right to terminate this Agreement immediately by giving written notice thereof to Seller. In the event of such termination, the Earnest Money and the Option Extension Consideration paid to Seller as of the date of such termination shall be returned to Purchaser by Seller, after which both parties hereto shall be released and relieved from all further obligations hereunder.

EBS
jon

8.4 While this Option Agreement remains in force and effect, the Seller agrees that it will not enter into any new contracts or agreements, or renewals or extensions of any present contracts or agreements, relating to the use, operation or maintenance of the Improvements or Personal Properties which would or could survive the closing of sale thereof to Purchaser unless the Purchaser approves the same in writing.

ARTICLE IX

9.1 Conditioned upon valid exercise of the Option, the Seller agrees to deliver possession of the Subject Properties on the Closing Date.

jon
EBS

9.2 At the closing of any purchase of the Subject Properties by the Purchaser hereunder, the Seller agrees to either comply with the exemption requirements of, or permit the *in violation of any environmental law or regulation or

jon
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Purchaser's withholding of the taxes prescribed by, Section 1445 of the Internal Revenue Code of 1986.

9.3 The Seller shall be obligated to deliver at Closing all tangible items constituting the Subject Properties in substantially the same condition as they now exist, reasonable wear and tear excepted. In the event loss or destruction occurs with respect to any item or items of the Subject Properties by reason of a casualty whether insured or uninsured prior to closing, the Purchaser shall be entitled either to receive all insurance proceeds payable on account thereof and close the purchase of the Subject Properties in accordance with the other terms and provisions hereof, or to terminate this Option Agreement and receive back all Earnest Money, whereupon both parties shall be released from all further obligations hereunder; provided, however, if the Purchaser elects to receive the insurance proceeds and close the purchase of the Subject Properties, then the Seller shall pay to Purchaser in cash ^{or as an adjustment at closing} ~~upon Purchaser's election to close~~ the amount of any deductible applied by the insurance company in determining the amount payable for the loss sustained.

OW
EBS

ARTICLE X

10.1 In the event there exists any federal or state revenue or stamp tax incident to the sale and purchase hereunder as of the date of closing, the Seller, at its expense, shall obtain and furnish such stamps. The Seller warrants and represents that all ad valorem taxes upon the Subject Properties are paid down to and including the year 1986 and the Seller shall be responsible for all such ad valorem taxes accrued down to and including the calendar year immediately preceding the calendar year during which the sale and purchase hereunder are consummated. Ad valorem taxes for the year during which the sale and purchase are consummated hereunder shall be prorated as of Closing Date. The Seller shall be charged at the closing with the pro rata part of such current year's ad valorem taxes accrued down to the Closing

Date, and the Purchaser shall assume and agree to pay said ad valorem taxes in full prior to delinquency and receive a credit against the cash payable by the Purchaser at closing equal to the Seller's pro rata share. Such proration shall be based upon the actual taxes for the current year of closing, if such taxes can be determined at closing. In the event such taxes cannot be determined at the time of closing, such taxes shall be prorated on the basis of the actual ad valorem taxes for the year preceding the year during which the sale and purchase are consummated; however, as an agreement which shall survive closing, the Seller and the Purchaser agree to adjust such proration made at closing at such time as the actual ad valorem taxes for the current year of closing are determined, if such actual taxes differ from the figure on which the proration at closing was made subject to further adjustment in the case of any abatement obtained by either party.

10.2 Final meter readings for all utility services provided to the Subject Properties on or before the Closing Date shall be made as of the Closing Date and the Seller shall arrange for and pay at closing final billings on all such utilities down to and including the Closing Date.


10.3 All other accrued and unpaid costs, expenses and charges incurred by the Seller in respect of the Subject Properties and their ownership, maintenance and operation down to and including the Date of Closing shall be paid in cash by the Seller on or before the Closing Date.

ARTICLE XI

11.1 If all conditions of this Option Agreement have been satisfied and all the Seller's representations and warranties herein are true and correct at such date, the parties agree to close this sale at the offices of the Title Company at 220 West 7th, in Austin, Travis County, Texas, at 2:00 p.m. prevailing local time, on the Closing Date.

11.2 In the event all conditions of this Option Agreement are satisfied, all the Seller's representations and

warranties herein are true and correct on the Closing Date and full performance of this Agreement is tendered by the Seller but the sale is not consummated through default on the part of the Purchaser which occurs after the Exercise Date and has not been cured on or before the Closing Date, then the Seller, as the Seller's sole remedy hereunder for a breach hereof by the Purchaser, shall be entitled either (a) to receive the Earnest Money from the Title Company and retain any Option Extension Consideration as full, agreed, liquidated damages for breach of this Agreement on the part of the Purchaser, thereby waiving and releasing any and all other remedies which it may have or hereafter acquire against Purchaser on account thereof or (b) to sue for its actual damages resulting from such breach by Purchaser. If Seller does elect to sue for its actual damages, Seller shall be obligated to apply all Earnest Money obtained by Seller upon any judgment rendered against the Purchaser. The Seller agrees to make such election within six (6) months after the Closing Date.

11.3 Except as set forth in Article IV, Article V and Section 6.2, Section 8.3, Section 9.3 
Section 6.1 hereof (the provisions of which shall control over the provisions of this Section 11.3), in the event the sale is not consummated through default on the part of the Seller, the Purchaser shall be entitled to the return of the Earnest Money and the Option Extension Consideration or the Purchaser may elect to seek to enforce specifically this Option Agreement or Purchaser may seek such other remedies provided by law or in equity.

ARTICLE XII

In the event this sale and purchase is closed, the Seller agrees to pay to Commercial Industrial Properties Co. on the Closing Date the commission specified in a separate written agreement between them. The parties represent that neither has contracted to pay a real estate or sales commission to any party (other than Commercial Industrial Properties Co.) in connection with this sale and each party (an "Indemnifying

Party") agrees to indemnify, save and hold harmless the other party hereto (an "Indemnified Party") against all claims for a real estate commission which are alleged to arise by, through or under the Indemnifying Party, provided the Indemnified Party hereto shall give the Indemnifying Party notice of any such claim and control of the defense and reasonable cooperation with respect thereto.

ARTICLE XIII

13.1 Any notice or other communication provided for or permitted herein shall be in writing and the delivery thereof shall be effected in the manner described in Section 13.2. Any notice must be prepaid and properly addressed. Any notice or communication intended for the Seller shall be addressed and may be delivered to the Seller ~~at e/e~~ Data General Corporation, 4400 Computer Drive, Westboro, MA 01580, Attention: Corporate Real Estate Manager, ^{Mail Stop} ~~mail stop~~ C213, with ^{copies} ~~a copy~~ to Data General Corporation, 4400 Computer Drive, Westboro, MA 01580, Attention: Senior Real Estate Counsel, Law Department, ^{Mail} ~~mail~~ Stop ~~stop~~ A212 and ^{to} Commercial Industrial Properties Company, 7320 Mopac, Suite 101, Austin, Texas 78731. Any notice or other communication intended for the Purchaser shall be addressed and may be delivered to the Purchaser at 201 West 7th Street, Austin, Texas 78701, Attention Arthur H. Dilly, with copies to James S. Wilson, University of Texas System, 210 West 6th Street, Austin, Texas 78701 and to R. G. Converse, Fulbright & Jaworski, 600 Congress, 24th Floor, Austin, Texas 78701.

13.2 Any such notice or other communication may be effected for purposes of this Agreement by personal delivery (if receipted by the person to whose attention directed) or by means of Federal Express, or other courier service providing return receipt, or by means of the United States mail, return receipt requested. If such notice is given by personal delivery, the date and hour of actual delivery* shall fix the time such notice is deemed hereunder to have been given and received. If such notice is given by means of Federal Express, *to the person to whose attention such communication is directed

or other courier service, or registered or certified mail, the date and hour of delivery shown on the return receipt (unless clearly erroneous) shall fix the time such notice is deemed hereunder to have been given and received.

ARTICLE XIV

14.1 This Option Agreement shall be binding upon and inure to the benefit of the Seller and the Purchaser, and their respective successors, legal representatives and assigns.

14.2 This Option Agreement contains the entire agreement of the parties hereto and supercedes all prior written and oral agreements with regard to those matters. This Option Agreement can be modified or amended only by a written instrument executed by all of the parties hereto.

14.3 Time is of the essence of this Option Agreement.

14.4 This Option Agreement shall be construed and interpreted under the laws of the State of Texas, and the parties expressly agree that venue for any legal actions brought by them under or by virtue of this Option Agreement shall lie in the State courts of Texas or the Federal Courts of the United States.

14.5 In accordance with the terms of the Real Estate License Act of Texas, Purchaser acknowledges that the real estate broker identified Article XII has advised Purchaser that PURCHASER SHOULD BE FURNISHED WITH OR OBTAIN A POLICY OF TITLE INSURANCE COVERING THE SUBJECT PROPERTIES OR HAVE AN ABSTRACT COVERING THE SUBJECT PROPERTIES EXAMINED BY AN ATTORNEY OF PURCHASER'S SELECTION.

14.6 The Purchaser acknowledges that the Purchaser has not been influenced to enter into this transaction nor has he relied upon any warranties or representations not set forth or incorporated in this agreement.

14.7 Seller and Buyer agree that neither this Agreement nor any memorandum or notice hereof shall be recorded. This agreement shall, at the option of Seller, become void if any such document is filed.

14.8 This Option Agreement shall not be binding upon the Purchaser unless and until at least two counterparts hereof which have been executed by the Purchaser have been fully executed by the Seller and have been returned to the Purchaser all prior to December _____, 1987. If this Option Agreement is not so executed and delivered by the Seller on or before said date, this Option Agreement shall be of no force or effect and shall be null and void.

14.9 Seller's obligations hereunder shall be conditioned upon the approval of this Agreement and the transaction contemplated hereby by Seller's Board of Directors within twenty (20) business days after the date of execution of this Agreement by the last of the parties hereto to execute same.


14.10 Except as set forth in the immediately succeeding sentence, Purchaser represents and warrants that the consent or approval of all persons, entities and governmental bodies with respect to the authorization, execution and performance of this Option Agreement by Purchaser and the closing of the transaction evidenced hereby have been obtained by Purchaser. Purchaser's obligations hereunder shall be conditioned upon the approval of the Agreement and the transaction contemplated hereby by The Board of Regents of the University of Texas System within twenty (20) business days after the date of execution of this Agreement by the last of the parties hereto to execute same.

Except as otherwise provided herein, Seller and Buyer each warrants that it is authorized to enter into this Agreement and consummate the transaction herein described.

EXECUTED as of the date first hereinabove written in multiple counterparts, each of which shall be deemed an


original for all purposes, but all of which shall constitute but one and the same agreement.

DATA GENERAL CORPORATION

By: 
Name: Robert D. Bradley
Title: ROBERT D. BRADLEY
"SELLER"

ATTEST:

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

By: 
James S. Wilson,
Manager, Endowment Real Estate,
University of Texas System
"PURCHASER"

0998L

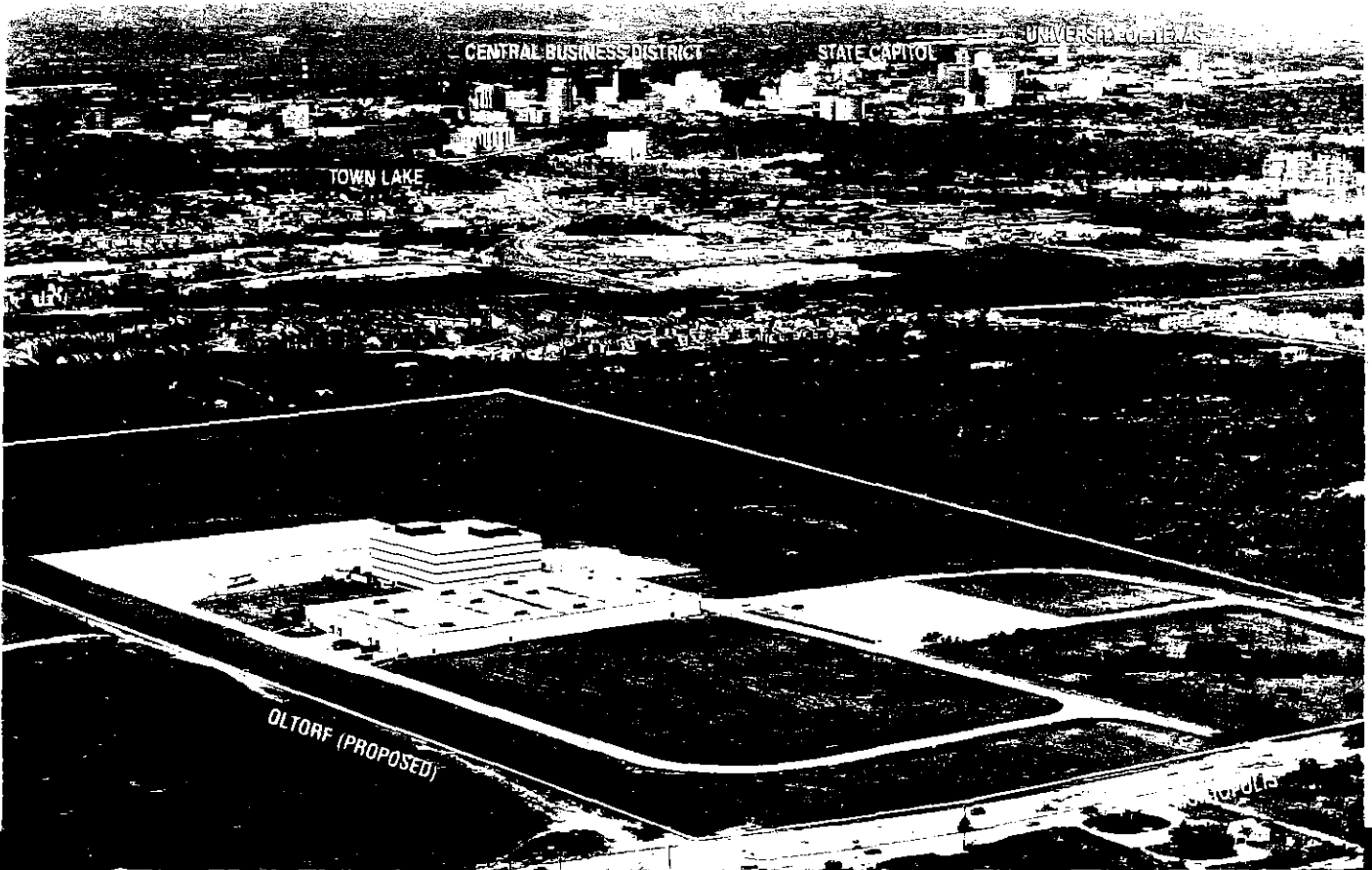
EXHIBIT A

Lot 2, Block C, MARSHALL HILLS, SECTION TWO,
an addition in Travis County, Texas,
according to the map or plat thereof
recorded in Book 76, Page 279, of the Plat
Records of Travis County, Texas.

DN
DAS

4299A

AVAILABLE



AUSTIN, TEXAS

294,367± SQUARE FOOT FACILITY

ON 94.36± ACRES

**For Further Information Contact:
Frank S. Niendorff, S.I.O.R.
or Royce O. Lacey
512/346-5180**

Exhibit B

LOCATION:

This facility is located in southeast Austin on Montopolis Drive between Ben White Boulevard and Riverside Drive.

This is in an area of Austin that has a significant amount of high tech industry including Lockheed Missiles and Space and Advanced Micro Devices.

Located on a high point of the surrounding area, excellent views of the Town Lake area and downtown Austin may be enjoyed from this facility.

SIZE:

Total Buildings: 294,367± square foot

Manufacturing Building:

Production and Stockroom	112,595± s.f.
Office and Labs	22,772± s.f.
	135,367± s.f.

Tower (Engineering) Building:

(offices, labs and cafeteria)	
5 Floors at 31,057± s.f.	155,285± s.f.
Lobby and Equipment room.	3,715± s.f.
	159,000± s.f.

Land: 94.36± acres

ZONING:

Limited Industrial ("LI") under the City of Austin. Developed under a Planned Development Area Agreement (PDA) with the City of Austin (Copy of this agreement is available upon request).

OFFICE BUILDING FINISH-OUT:

Finished drop ceiling throughout is 9 feet. Floors 2 and 3 of the Tower building are not finished-out. However, air conditioning capacity, electrical power capacity, etc. are available for this to be done. This situation will allow a buyer to finish these two floors to meet its specific needs.

ELECTRICAL SERVICE:

Site Service — 430 amps, 15,000 volts through high voltage switch to each building.

Manufacturing Building: 2,500 amp, 277/480 volts, 1500 kva

Tower Building: 4,000 amp, 277/480 volts, 2,500 kva

Emergency Power — diesel generator: 100 kw, 277/480 volts with 285 gallon underground tank

WATER:

City of Austin. Served by a fire demand meter that has an 8 inch fire flow and a 4 inch compound water supply meter.

WASTEWATER:

City of Austin. Served with 6 inch sewer tap.

LIGHTING:

Manufacturing Building:

- Production area — 269 metal halide, 400 watts, 277 volts
- Stockroom — 150 high pressure sodium, 400 watts, 277 volts

Tower Building:

2.5 watts per square foot, 2' x 4" recessed fluorescent

AIR CONDITIONING:

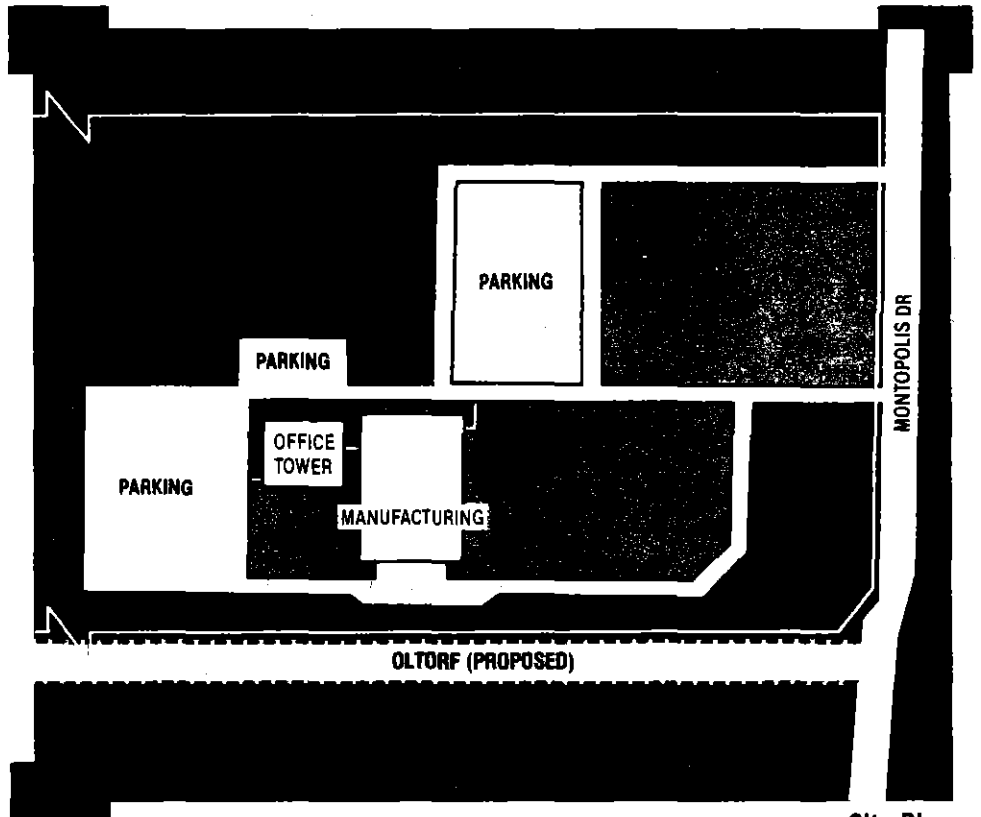
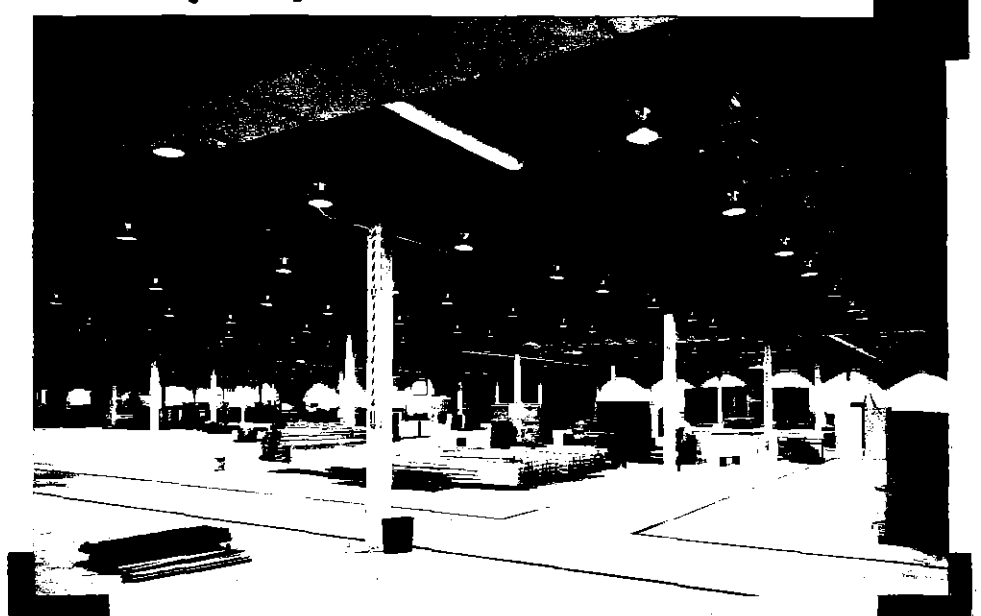
Manufacturing Building:

- 9 — 40 ton direct expansion units
- 2 — 10 ton direct expansion heat pumps
- 4 — 7.5 ton direct expansion units
- Total 410 tons direct expansion

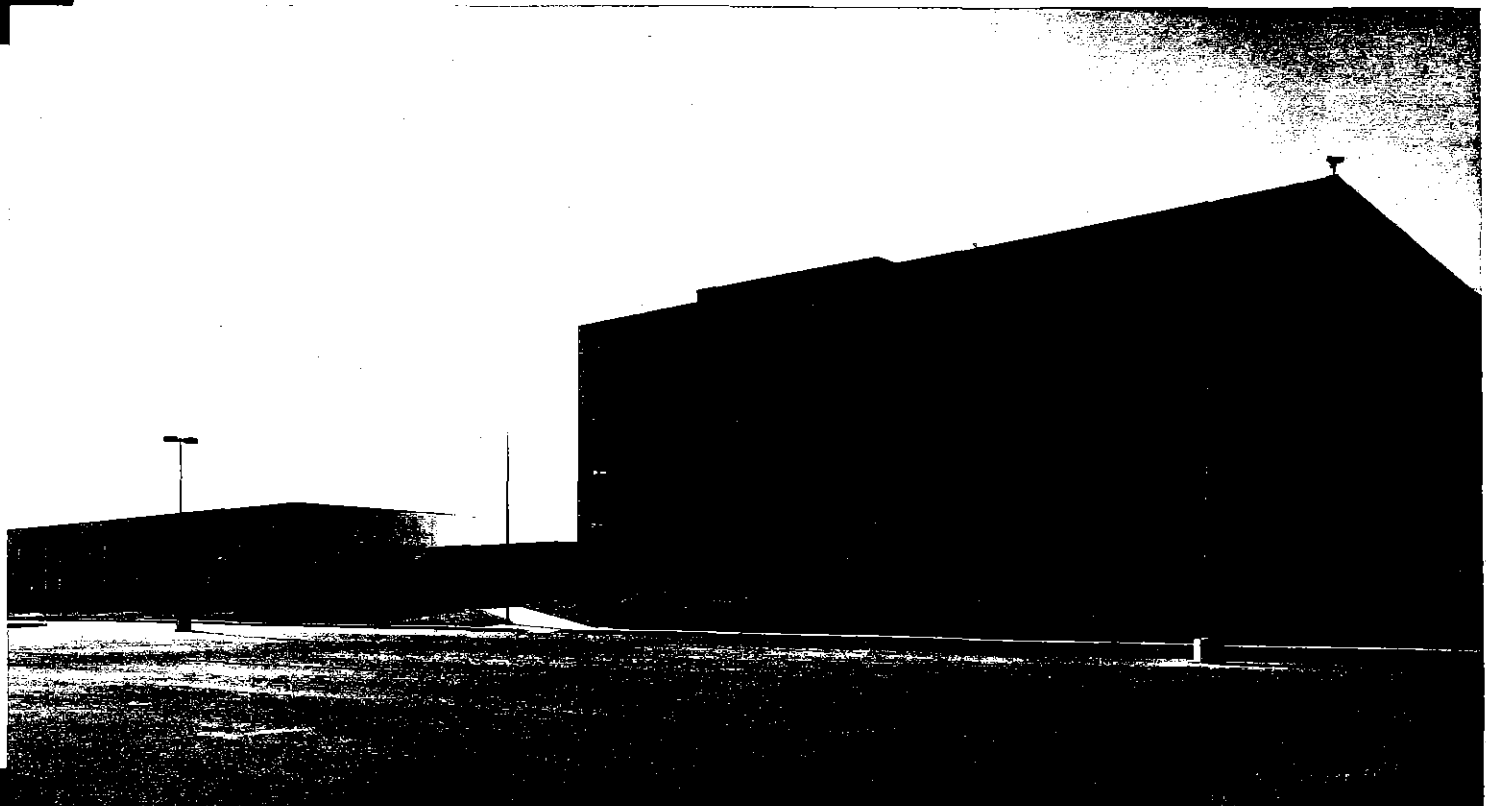
Tower Building:

2 — 290 tons centrifugal chillers

Manufacturing Building



Site Plan

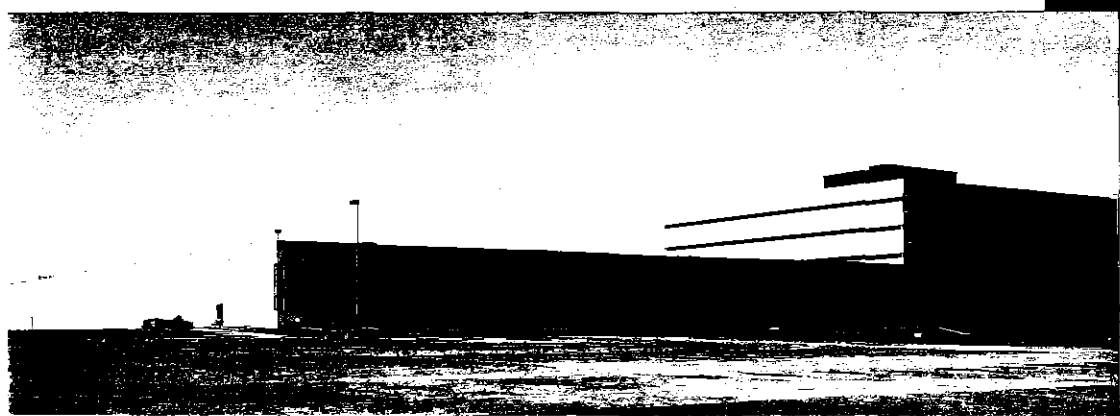


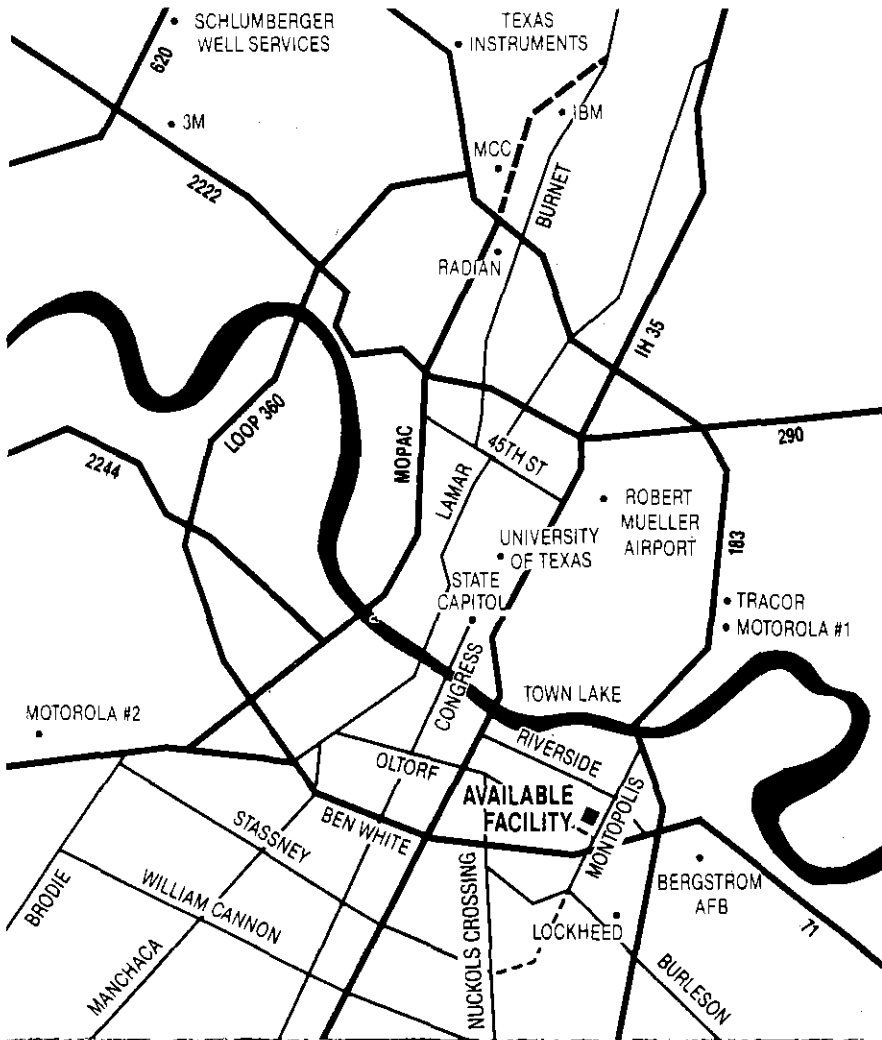
**Office Tower and
Manufacturing Building**



Manufacturing Dock Area

**Manufacturing Building
and Office Tower**





SPRINKLERS:

Buildings are fully sprinklered

PARKING:

1,184 spaces

MANUFACTURING BUILDING:

Loading:

4 overhead dock high 8' w x 9' h doors with Kelly loadlevelers.

1 overhead dock high 5' w x 7' h door.

Bay Size:

40'± x 40' ±

Clear Height:

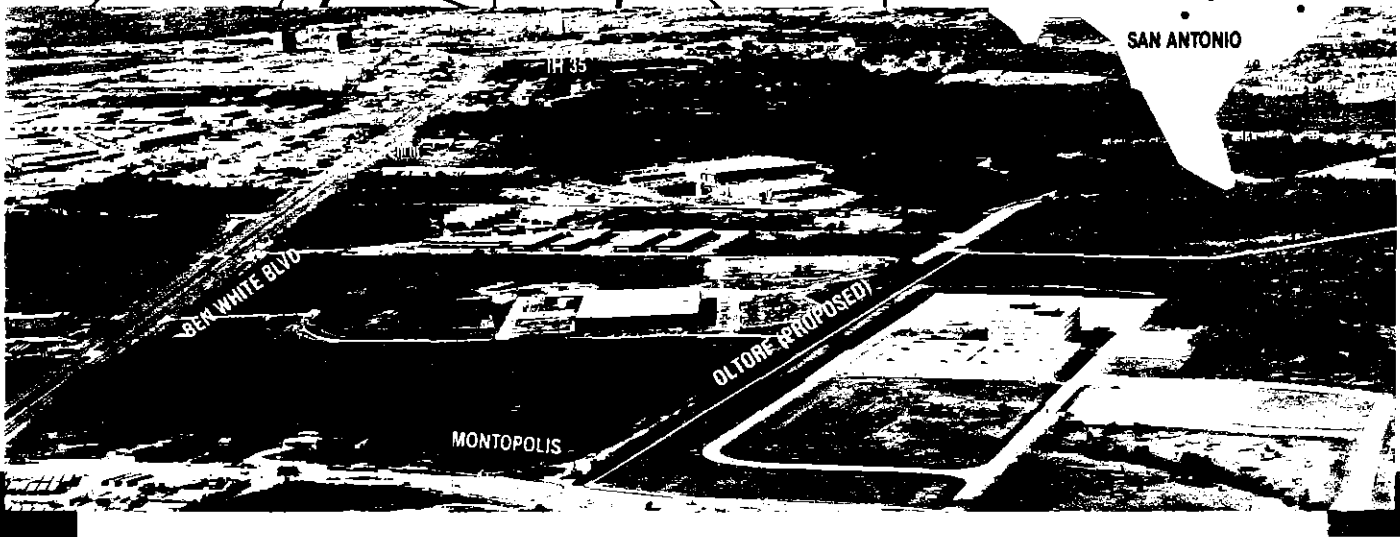
20'± minimum

EXPANSION CAPABILITY:

As can be seen from the enclosed site plan, significant building expansion is possible on this site. The PDA site plan showed two additional building footprints equal in size to the current manufacturing building.

ADDITIONAL LAND:

Contiguous to this 94.36± acre site but with different ownership, is a 25± acre parcel and an 86.4± acre parcel that are available. Therefore, it is possible to expand this site to a total size of approximately 200 acres.



7320 MoPac Expressway North, Suite 101
 Austin, Texas 78731
 512/346-5180 Telex: 76-7170



Society of Industrial and Office Realtors®
 Individual Membership

All information furnished regarding this property is from sources deemed reliable. However, Commercial Industrial Properties Company has not made an independent investigation of these sources and no warranty or representation is made by Commercial Industrial Properties Company as to the accuracy thereof and same is submitted subject to errors, omissions, change of price, rental, or other conditions, prior sale, lease or withdrawal from market without notice.

EXHIBIT C

1. Restrictive Covenants of record in Volume 6162, Page 166, of the Deed Records of Travis County, Texas and set forth on the plat of record in Book 76, Page 279, of the Plat Records of Travis County, Texas.
2. A fifty foot (50') gas pipeline easement along the south and east property lines of the property, to United Gas Pipeline Co., recorded in Volume 961, Page 267, of the Deed Records of Travis County, Texas.
3. A thirty foot (30') natural gas pipeline easement along the south property line of the property, to Lo-Vaca Gathering Co., recorded in Volume 2725, Page 24, of the Deed Records of Travis County, Texas.
4. An electric/telephone easement five feet (5') wide and one thousand feet (1000') long across the northeast area of the property, to City of Austin, recorded in Volume 2128, Page 170, of the Deed Records of Travis County, Texas.
5. Area dedicated for street purposes along the east property line of the property, as shown on plat of record in Book 76, Page 279, of the Plat Records of Travis County, Texas.
6. A twenty-five foot (25') drainage easement, along the southwest property line of the property, as shown on plat in Book 76, Page 279, Plat Records of Travis County, Texas.
7. Agreement for driveway access to and from the future location of Oltorf Street, subject to the terms and provisions contained therein, recorded in Volume 6158, Page 468, of the Deed Records of Travis County, Texas.
8. Public utility easement set out in Volume 6162, Page 166, of the Deed Records of Travis County, Texas.
9. A seven and one-half foot (7.5') electric/telephone easement to City of Austin, recorded in Volume 6576, Page 2226, of the Deed Records of Travis County, Texas.
10. A surface pipeline easement containing 0.1516 of an acre of land to Valero Transmission Company, recorded in Volume 8019, Page 127, of the Real Property Records of Travis County, Texas.
11. An easement to Southwestern Bell Telephone Co., recorded in Volume 9794, Page 578, of the Real Property Records of Travis County, Texas.
12. A Lateral Support Easement granted to the City of Austin, recorded in Volume 9852, Page 320, of the Real Property Records of Travis County, Texas.

8/21/15
DPS

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4. U. T. Austin: Request for Authorization to Enter Into Agreements Relating to the SEMATECH Proposal and Improvements in South Austin (Data General Corporation Site), Delegations of Authority to the Executive Committee, Authorization to U. T. Austin to Provide Logistical Support and Appropriation of a Contingency Fund (Exec. Com. Letter 88-13).--

RECOMMENDATION

The Executive Committee concurs in the recommendation of President Cunningham and the Office of the Chancellor that the U. T. Board of Regents authorize the Office of Facilities Planning and Construction on behalf of U. T. Austin to enter into an agreement with the Travis County Research and Development Authority under which the architectural firm of Graeber, Simmons and Cowan, AIA Architects, Inc., Austin, Texas, will be the Project Architect and the U. T. System Office of Facilities Planning and Construction will be the Project Manager for the purpose of converting the Data General Corporation Site to provide a manufacturing facility and office space for the SEMATECH Consortium, subject to approval of the Office of General Counsel. The estimated project cost is \$37.7 million, the funds for which will be provided through the Travis County Research and Development Authority or other appropriate sources.

The Executive Committee also concurs in the recommendation of the Office of the Chancellor that the U. T. Board of Regents appoint the Executive Committee of the U. T. Board of Regents to review progress of the project at periodic intervals, with authority to approve such actions as may be necessary to expedite the work including, but not limited to, advertisement for bids, award of contracts, hiring of temporary staff and consultants, and purchase and rental of equipment.

The Executive Committee further recommends that the U. T. Board of Regents authorize U. T. Austin to provide logistical support to the SEMATECH project on a reimbursable basis and that the U. T. Board of Regents appropriate \$2.7 million from Available University Funds as a contingency fund to cover fees, administrative costs, project mobilization and early construction contracts and advance equipment purchases, with the understanding that these funds will be reimbursed through the Travis County Research and Development Authority or other appropriate sources.

BACKGROUND INFORMATION

The State's commitment to SEMATECH calls for an accelerated conversion of the Data General Corporation Site for use by SEMATECH. The timetable for this project contemplates that this will be a fast track project with multiple package contracts developed by the architectural firm of Graeber, Simmons and Cowan, AIA Architects, Inc., Austin, Texas, with the Office of Facilities Planning and Construction acting as the Project Manager. The timetable further contemplates that the Board of Regents will make appropriate delegations of authority as may be necessary to manage this unique project. Initial

mobilization will require additional logistical support from U. T. Austin. Consistent with the understandings regarding reimbursement from other sources, the cost for construction mobilization and any improvements made to the property will be recovered through the Travis County Research and Development Authority, as provided in the financing plan for the project.

5. U. T. Southwestern Medical Center - Dallas: Land for Campus Expansion - Recommended Appointment of Master Planning Consultant (Exec. Com. Letter 88-10).--

RECOMMENDATION

The Executive Committee concurs in the recommendation of President Wildenthal and the Office of the Chancellor that the U. T. Board of Regents appoint the firm of F & S Partners Incorporated, Dallas, Texas, as Master Planning Consultant for the land granted by the John D. and Catherine T. MacArthur Foundation, Chicago, Illinois, for expansion of the campus of the U. T. Southwestern Medical Center - Dallas.

BACKGROUND INFORMATION

The U. T. Board of Regents at its October 1987 meeting approved a Letter of Understanding by and between The University of Texas Southwestern Medical Center at Dallas and the John D. and Catherine T. MacArthur Foundation, Chicago, Illinois, wherein the Foundation granted approximately 29 acres of land for the future expansion of the U. T. Southwestern Medical Center - Dallas. In addition, the U. T. Board of Regents authorized the Executive Committee to appoint a consultant to prepare the Master Plan for the land granted by the MacArthur Foundation and to do so within a given time limit. Consequently, it is extremely important that a consultant be appointed in order to fulfill the requirements of the Letter of Understanding.

The U. T. Southwestern Medical Center - Dallas Administration, in consultation with the Office of Facilities Planning and Construction, has reviewed the qualification and experience records of a number of Architect/Engineer/Urban Planning Consultant firms. It is recommended that the Executive Committee appoint the firm of F & S Partners Incorporated, Dallas, Texas, as Planning Consultants to prepare the Master Plan for the land granted by the MacArthur Foundation. Their proposal includes the professional services of a team consisting of Architects, Landscape Architects, Civil Engineers, Mechanical-Electrical Engineers, and Transit and Traffic Engineers at an estimated cost of \$250,000.

The U. T. Board of Regents previously appropriated \$470,000 from the U. T. Southwestern Medical Center - Dallas Institutional Interest Income Account for total funding of the Master Plan project. This amount will cover professional fees, topographic surveys, geotechnical investigation and administrative expenses associated with the Master Plan.

6. U. T. Southwestern Medical Center - Dallas - Charles C. Sprague Clinical Science Building (Project No. 303-598): Recommended Award of Construction Contract to Spaw-Glass Construction Inc., Dallas, Texas (Exec. Com. Letter 88-12).--

RECOMMENDATION

The Executive Committee concurs in the recommendation of President Wildenthal and the Office of the Chancellor that the U. T. Board of Regents award a construction contract for the Charles C. Sprague Clinical Science Building at the U. T. Southwestern Medical Center - Dallas to the lowest responsible bidder, Spaw-Glass Construction Inc., Dallas, Texas, for the Base Bid and Alternate No. 1 in the amount of \$11,300,000.

BACKGROUND INFORMATION

In accordance with authorization of the U. T. Board of Regents in October 1987, bids for the Charles C. Sprague Clinical Science Building at the U. T. Southwestern Medical Center - Dallas were received and opened on December 8, 1987, as shown on Page Ex.C - 37.

The contract award to Spaw-Glass Construction Inc., Dallas, Texas, in the amount of \$11,300,000 can be made within the project cost of \$14,708,000.

The total project cost is composed of the following cost elements:

Construction Cost	\$11,300,000
Fees and Administration	1,016,840
Future work (Air Balancing, Utilities and FCMS)	456,000
Equipment	1,515,160
Miscellaneous Expenses	60,000
Project Contingency	<u>360,000</u>
Authorized Total Project Cost	\$14,708,000

Funds for this project have been previously appropriated from the following sources:

Permanent University Fund Bond Proceeds	\$ 8,000,000
Medical Service Research and Development Plan	3,000,000
Institutional Interest Income Account	<u>3,708,000</u>
Total Project Funding	\$14,708,000

This project was approved by the Texas Higher Education Coordinating Board in October 1986 and December 1987.

CHARLES C. SPRAGUE CLINICAL SCIENCE BUILDING
 THE UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL CENTER AT DALLAS
 Bids Received December 8, 1987, at
 U. T. Southwestern Medical Center - Dallas

<u>Bidder</u>	<u>Base Bid</u>	<u>Alt. No. 1 Complete 3 Shell Floors</u>	<u>Total</u>
Spaw-Glass Construction Inc. Dallas, Texas	\$10,473,000	\$ 827,000	\$11,300,000
Lawson-Avila Construction, Inc. Houston, Texas	10,519,000	802,000	11,321,000
HCB Contractors Dallas, Texas	10,336,000	1,043,000	11,379,000
Sverdrup Corporation Dallas, Texas	10,540,000	853,000	11,393,000
Leetex/Turner Joint Venture Dallas, Texas	10,730,000	920,000	11,650,000
Clark-Morris Company, Inc. Dallas, Texas	11,095,000	775,000	11,870,000
J. W. Bateson Company, Inc. Dallas, Texas	11,017,000	897,000	11,914,000
BFW Construction Company, Inc. Temple, Texas	11,131,000	913,000	12,044,000
Robert E. McKee, Inc. Dallas, Texas	11,499,000	919,000	12,418,000
Rome Corporation Dallas, Texas	11,520,000	979,000	12,499,000

7. U. T. Medical Branch - Galveston - Expansion of Thermal Energy Plant - Phase I Distribution System (Project No. 601-657): Recommended Award of Construction Contract to R.E.C. Industries, Inc., Bryan, Texas (Exec. Com. Letter 88-11).--

RECOMMENDATION

The Executive Committee concurs in the recommendation of President James and the Office of the Chancellor that the U. T. Board of Regents award a construction contract for the Expansion of Thermal Energy Plant - Phase I Distribution System at the U. T. Medical Branch - Galveston to the lowest responsible bidder, R.E.C. Industries, Inc., Bryan, Texas, for the Base Bid and Alternate Bid No. 1, Thermal Energy Piping for the Future Medical Science and Education Building, in the amount of \$1,171,000.

BACKGROUND INFORMATION

In accordance with authorization of the U. T. Board of Regents in June 1987, and the Texas Higher Education Coordinating Board in July 1987, bids for Phase I of this project were received and opened on November 24, 1987, as shown below.

<u>Bidder</u>	<u>Base Bid</u>	<u>Alt. No. 1</u>
R.E.C. Industries, Inc. Bryan, TX	\$1,096,000	\$ 75,000
Jalco, Inc., Houston, TX	1,151,000	72,000
Peltier Brothers Construction, Inc. Houston, TX	1,168,500	85,500
BRH-Garver, Inc. Houston, TX	1,695,000	100,000

The recommended contract award to R.E.C. Industries, Inc., Bryan, Texas, in the amount of \$1,171,000 can be made within the authorized total project cost of \$9,250,000.

8. U. T. Health Science Center - San Antonio - Basic Science Building Fifth Level Completion (Project No. 402-608): Recommended Award of Contracts for Furniture and Furnishings to Commercial Furniture Services, Inc., Houston, Texas; Southwest Office Interiors, Inc., Austin, Texas; Office Furniture, Inc., Houston, Texas; CDM Contract Furnishings, Austin, Texas; Architectural Interior Services, Houston, Texas; Disco Print Company, Houston, Texas; Marshall Clegg Associates, San Antonio, Texas; and HiTech Companies, Plano, Texas; and Request for Authorization for the Chancellor to Sign the Contracts (Exec. Com. Letter 88-12).--

RECOMMENDATION

The Executive Committee concurs in the recommendation of President Howe and the Office of the Chancellor that the U. T. Board of Regents award contracts for furniture and furnishings for the Basic Science Building Fifth Level Completion at the U. T. Health Science Center - San Antonio to the following lowest responsible bidders:

Commercial Furniture Services, Inc. Houston, Texas		
Base Proposal "A" (Steel Office Chairs)		\$20,418.00
Southwest Office Interiors, Inc. Austin, Texas		
Base Proposal "B" (Secretarial Chairs)	\$2,439.50	
Base Proposal "I" (Laboratory Stools)	<u>8,667.20</u>	
Total Contract Award to Southwest Office Interiors, Inc.		11,106.70
Office Furniture, Inc. Houston, Texas		
Base Proposal "C" (Faculty Office Furniture)	5,200.00	
Base Proposal "E" (Bookcases and Conference Tables)	<u>9,794.51</u>	
Total Contract Award to Office Furniture, Inc.		14,994.51
CDM Contract Furnishings Austin, Texas		
Base Proposal "D" (Chairman's Office Furniture)		3,022.76
Architectural Interior Services Houston, Texas		
Base Proposal "F" (Conference Room Seating)		6,084.00

Disco Print Company
Houston, Texas

Base Proposal "G"
(Steel Files) \$ 11,756.94

Marshall Clegg Associates
San Antonio, Texas

Base Proposal "H"
(Wall Cabinets) 1,954.13

HiTech Companies
Plano, Texas

Base Proposal "J"
(Laboratory Carts) 11,470.00

GRAND TOTAL RECOMMENDED CONTRACT AWARDS \$80,807.04

It is further recommended that the Chancellor be authorized to sign the contracts awarding these bids based on the results of the Executive Committee circularization.

BACKGROUND INFORMATION

In accordance with authorization of the U. T. Board of Regents in December 1986, bids were called for and were received, opened, and tabulated on December 15, 1987, as shown on Pages Ex.C 40 - 41, for furniture and furnishings for the Basic Science Building Fifth Level Completion at the U. T. Health Science Center - San Antonio. Funds for the contract awards are available in the Furniture and Equipment Account.

With respect to Base Proposal "A", the lowest bid submitted by Finger Office Furniture, Austin, Texas, was a conditional bid in that it was coupled with a bid on Base Proposal "G" as an all-or-none bid. The sum of the bids by Finger Office Furniture for Base Proposals "A" and "G" (Steel Files) is \$32,671.21, which sum is greater than the sum of the separate bids submitted by Commercial Furniture Services, Inc., \$20,418.00 for Base Proposal "A", and by Disco Print Company, \$11,756.94 for Base Proposal "G", a total amount of \$32,174.94. The second lowest bid submitted by CDM Contract Furnishings also was conditional in that it, too, was coupled with a bid on Base Proposal "G" as an all-or-none bid. The sum of those two bids was \$33,641.09, which was also greater than the separate bids submitted by Commercial Furniture Services, Inc., and Disco Print Company. Therefore, award to Commercial Furniture Services, Inc., is recommended.

Base Proposal "A" - Steel Office Chairs

Finger Office Furniture (coupled with Proposal "G", an all-or-none bid)	\$19,598.40
CDM Contract Furnishings (coupled with Proposal "G", an all-or-none bid)	20,194.84
Commercial Furniture Services, Inc.	20,418.00
LOPC Division of Joyce International	20,469.42
Rockford Business Interiors	20,959.51

Base Proposal "B" - Secretarial Chairs

Southwest Office Interiors, Inc.	\$ 2,439.50
Dallas Furniture & Systems, Inc. dba Office Furniture of Dallas	3,052.00

Base Proposal "C" - Faculty Office Furniture

Office Furniture, Inc.	\$ 5,200.00
Southwest Office Interiors, Inc.	5,460.00
Architectural Interior Services	5,465.40
Finger Office Furniture	5,653.64
Commercial Furniture Services, Inc.	6,196.00
Marshall Clegg Associates	6,817.40

Base Proposal "D" - Chairman's Office Furniture

CDM Contract Furnishings	\$ 3,022.76
Wittigs Office Interiors	3,123.00

Base Proposal "E" - Bookcases and Conference Tables

Office Furniture, Inc.	\$ 9,794.51
Rockford Business Interiors	11,619.86
Marshall Clegg Associates	12,615.25
CDM Contract Furnishings	12,941.50

Base Proposal "F" - Conference Room Seating

Architectural Interior Services	\$ 6,084.00
Finger Office Furniture	6,151.67
Wittigs Office Interiors	6,955.38
Commercial Furniture Services, Inc.	7,582.00
Disco Print Company	8,042.15
Dallas Furniture & Systems, Inc. dba Office Furniture of Dallas	8,166.31

Base Proposal "G" - Steel Files

Disco Print Company	\$11,756.94
Marshall Clegg Associates	12,011.41
Finger Office Furniture (coupled with Proposal "A", an all-or-none bid)	13,072.81
Office Furniture, Inc.	13,441.00
CDM Contract Furnishings (coupled with Proposal "A", an all-or-none bid)	13,446.25
LOPC Division of Joyce International	13,785.15
Commercial Furniture Services, Inc.	13,885.00
Rockford Business Interiors	14,202.53

Base Proposal "H" - Wall Cabinets

Marshall Clegg Associates	\$ 1,954.13
Commercial Furniture Services, Inc.	2,276.00

Base Proposal "I" - Laboratory Stools

Southwest Office Interiors	\$ 8,667.20
Disco Print Company	10,483.56
Architectural Interior Services	10,799.12
Rockford Business Interiors	10,977.32
Wittigs Office Interiors	11,201.96
Office Furniture, Inc.	11,259.00
CDM Contract Furnishings	11,609.12
Marshall Clegg Associates	15,833.00

Base Proposal "J" - Laboratory Carts

HiTech Companies	\$11,470.00
CDM Contract Furnishings	11,497.00

9. U. T. Health Science Center - San Antonio - Expansion of Clinical Science Teaching Space (Project No. 402-609): Recommended Award of Construction Contract to Turner Construction Company of Texas, Houston, Texas (Exec. Com. Letter 88-9).--

RECOMMENDATION

The Executive Committee concurs in the recommendation of President Howe and the Office of the Chancellor that the U. T. Board of Regents award a construction contract for the expansion of Clinical Science Teaching Space at the U. T. Health Science Center - San Antonio to the lowest responsible bidder, Turner Construction Company of Texas, Houston, Texas, for the Base Bid and Alternate Bid Item Nos. 2, 6, 7, 8, 9, 10 and 13, in the amount of \$13,862,500.

BACKGROUND INFORMATION

In accordance with authorization of the U. T. Board of Regents in August 1987, and the Texas Higher Education Coordinating Board in January 1987, bids for this project were received and opened on October 6, 1987, as shown on Pages Ex.C 43 - 46.

The recommended contract award to Turner Construction Company of Texas, Houston, Texas, in the amount of \$13,862,500 can be made within the authorized total project cost of \$15,500,000.

The total project cost is composed of the following elements:

Construction Cost	\$13,862,500
Furniture and Equipment	40,105
Fees and Administrative Expenses	1,192,395
Future Work (Air Balancing)	80,000
Miscellaneous Expenses	25,000
Project Contingency	<u>300,000</u>
Total Project Cost	\$15,500,000

EXPANSION OF CLINICAL SCIENCE TEACHING SPACE
 THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT SAN ANTONIO
 Bids Received October 6, 1987, at
 The University of Texas Health Science Center at San Antonio

<u>CONTRACTOR</u>	<u>Turner Construction Company of Texas Houston, TX</u>	<u>Spaw-Glass Construction Inc. San Antonio, TX</u>	<u>Lawson-Avila Construction, Inc. Houston, TX</u>
BASE BID	\$13,395,000	\$13,560,000	\$13,985,000
Alt. No. 1 - New Elevators 5 & 6	375,000	395,000	389,500
Alt. No. 2 - Elevators 7 & 8 (at Escalators)	327,000	250,000	302,500
Alt. No. 3 - Constant Speed Pumps	(6,000)	(13,114)	24,100
Alt. No. 4 - Tapered Roof Insulation	175,000	190,280	132,300
Alt. No. 5 - Level Roof Insulation	75,000	81,000	75,850
Alt. No. 6 - Intake Plenums/Louvers	51,000	144,798	75,600
Alt. No. 7 - Alternate Control System	96,000	98,280	(210,000)
Alt. No. 8 - Modified Bitumen Roof	(197,000)	(192,292)	(241,500)
Alt. No. 9 - Biohazard Hoods	141,000	162,922	157,750
Alt. No. 10 - Isotope Hoods	21,000	26,317	25,800
Alt. No. 11 - Glass Acid Waste System	114,000	238,079	183,600
Alt. No. 12A - Stainless Exhaust Ducts	52,000	75,600	54,750
Alt. No. 12B - Stainless Exhaust Ducts Extended	77,000	129,600	81,300
Alt. No. 13 - Lightning Protection	<u>28,500</u>	<u>30,290</u>	<u>29,000</u>
 TOTAL - Base Bid plus Add & Deduct Alternate Nos. 2, 6, 7, 8, 9, 10, 13	 <u>\$13,862,500</u>	 <u>\$14,080,315</u>	 <u>\$14,124,150</u>

EXPANSION OF CLINICAL SCIENCE TEACHING SPACE
 THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT SAN ANTONIO
 (Construction Bids Continued)

<u>CONTRACTOR</u>	<u>H. B. Zachry Company San Antonio, TX</u>	<u>Cahaba Construction Company Houston, TX</u>	<u>Austin Commercial, Inc. Austin, TX</u>
BASE BID	\$13,750,000	\$13,600,000	\$13,850,000
Alt. No. 1 - New Elevators 5 & 6	380,000	345,000	400,000
Alt. No. 2 - Elevators 7 & 8 (at Escalators)	300,000	220,000	330,000
Alt. No. 3 - Constant Speed Pumps	12,000	5,000	(13,000)
Alt. No. 4 - Tapered Roof Insulation	175,000	180,000	No Bid
Alt. No. 5 - Level Roof Insulation	75,000	79,000	35,000
Alt. No. 6 - Intake Plenums/Louvers	47,000	64,000	95,000
Alt. No. 7 - Alternate Control System	95,000	100,000	110,000
Alt. No. 8 - Modified Bitumen Roof	(160,000)	360,000	No Bid
Alt. No. 9 - Biohazard Hoods	150,000	160,000	190,000
Alt. No. 10 - Isotope Hoods	25,000	25,000	No Bid
Alt. No. 11 - Glass Acid Waste System	190,000	185,000	180,000
Alt. No. 12A - Stainless Exhaust Ducts	150,000	55,000	60,000
Alt. No. 12B - Stainless Exhaust Ducts Extended	194,000	82,000	85,000
Alt. No. 13 - Lightning Protection	<u>30,000</u>	<u>29,000</u>	<u>25,000</u>
TOTAL - Base Bid plus Add & Deduct Alternate Nos. 2, 6, 7, 8, 9, 10, 13	\$14,237,000	\$14,558,000	\$14,600,000

EXPANSION OF CLINICAL SCIENCE TEACHING SPACE
 THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT SAN ANTONIO
 (Construction Bids Continued)

<u>CONTRACTOR</u>	<u>Kunz Construction Company, Inc. San Antonio, TX</u>	<u>Browning Construction Co. San Antonio, TX</u>	<u>Clearwater Constructors, Inc. Austin, TX</u>
BASE BID	\$14,549,000	\$14,500,000	\$14,394,000
Alt. No. 1 - New Elevators 5 & 6	420,774	448,000	420,000
Alt. No. 2 - Elevators 7 & 8 (at Escalators)	350,103	340,000	327,000
Alt. No. 3 - Constant Speed Pumps	12,489	16,000	15,000
Alt. No. 4 - Tapered Roof Insulation	164,552	219,000	140,000
Alt. No. 5 - Level Roof Insulation	72,663	81,000	80,000
Alt. No. 6 - Intake Plenums/Louvers	86,882	110,000	125,000
Alt. No. 7 - Alternate Control System	(210,000)	(210,000)	100,000
Alt. No. 8 - Modified Bitumen Roof	(61,702)	No Bid	(200,000)
Alt. No. 9 - Biohazard Hoods	159,846	147,000	170,000
Alt. No. 10 - Isotope Hoods	25,820	22,000	30,000
Alt. No. 11 - Glass Acid Waste System	124,300	120,000	230,000
Alt. No. 12A - Stainless Exhaust Ducts	163,900	153,000	150,000
Alt. No. 12B - Stainless Exhaust Ducts Extended	213,400	204,000	150,000
Alt. No. 13 - Lightning Protection	<u>29,448</u>	<u>26,000</u>	<u>30,000</u>
 TOTAL - Base Bid plus Add & Deduct Alternate Nos. 2, 6, 7, 8, 9, 10, 13	 \$14,929,397	 \$14,935,000	 \$14,976,000

EXPANSION OF CLINICAL SCIENCE TEACHING SPACE
 THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT SAN ANTONIO
 (Construction Bids Continued)

<u>CONTRACTOR</u>	<u>Lyda, Inc. San Antonio, TX</u>	<u>Bartlett Cocke Jr. Construction Company San Antonio, TX</u>
BASE BID	\$14,240,000	\$14,692,000
Alt. No. 1 - New Elevators 5 & 6	392,000	410,000
Alt. No. 2 - Elevators 7 & 8 (at Escalators)	330,000	315,000
Alt. No. 3 - Constant Speed Pumps	12,200	(6,000)
Alt. No. 4 - Tapered Roof Insulation	195,000	170,000
Alt. No. 5 - Level Roof Insulation	78,000	70,000
Alt. No. 6 - Intake Plenums/Louvers	87,000	60,000
Alt. No. 7 - Alternate Control System	218,500	105,000
Alt. No. 8 - Modified Bitumen Roof	(62,000)	(59,500)
Alt. No. 9 - Biohazard Hoods	150,000	165,000
Alt. No. 10 - Isotope Hoods	22,000	30,000
Alt. No. 11 - Glass Acid Waste System	197,000	210,000
Alt. No. 12A - Stainless Exhaust Ducts	155,000	54,000
Alt. No. 12B - Stainless Exhaust Ducts Extended	202,000	79,000
Alt. No. 13 - Lightning Protection	<u>29,200</u>	<u>30,000</u>
 TOTAL - Base Bid plus Add & Deduct Alternate Nos. 2, 6, 7, 8, 9, 10, 13	 <u>\$15,014,700</u>	 <u>\$15,337,500</u>

10. U. T. Cancer Center: Recommendation to Withdraw the Appointment of Mr. Michael E. Patrick as a Member of the Board of Directors of The Macrophage Company, Inc., The Woodlands, Texas, and to Appoint Mr. Steven C. Schultz, Executive Vice President for Administration, as Regental Representative on the Board of Directors (Exec. Com. Letter 88-11).--

RECOMMENDATION

The Executive Committee concurs in the recommendation of President LeMaistre and the Office of the Chancellor that the U. T. Board of Regents withdraw its designation of Executive Vice Chancellor for Asset Management Michael E. Patrick as the U. T. Board of Regents' representative on the Board of Directors of The Macrophage Company, Inc., The Woodlands, Texas, and substitute Mr. Steven C. Schultz, Executive Vice President for Administration at the U. T. Cancer Center, as its representative on this Board of Directors.

BACKGROUND INFORMATION

At its February 1987 meeting the U. T. Board of Regents approved an exclusive license agreement with The Macrophage Company, Inc., wherein it licensed certain patents in exchange for an equity interest in the company and a seat on its Board of Directors. Pursuant to this agreement, the U. T. Board of Regents designated Mr. Michael E. Patrick, Executive Vice Chancellor for Asset Management, as its representative on the Board of the Company. Since time constraints prevent Mr. Patrick from attending the board meetings of The Macrophage Company, Inc. on a regular basis, Mr. Patrick recommends that the U. T. Board of Regents designate Mr. Schultz as the Board's representative.

Finance and Audit Committee

FINANCE AND AUDIT COMMITTEE
Committee Chairman Roden

Date: February 11, 1988
Time: Following the meeting of the Executive Committee
Place: John Peace Library Building, Room 4.03.12
U. T. San Antonio

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2. U. T. Board of Regents: Proposed Amendments to Regents' <u>Rules and Regulations</u> , Part Two, Chapter III, Section 10, Subsection 10.442, Concerning Reimbursement of Travel Expenses Paid from Gifts, Grants, Designated and Auxiliary Enterprise Funds	2
3. U. T. System: 1988-89 Budget Policies and Limitations for General Operating Budgets, Auxiliary Enterprises, Contracts and Grants, Restricted Current Funds, Designated Funds, and Service and Revolving Funds Activities	3
4. U. T. System: Request to Approve Transfer of Funds Between Legislative Appropriation Items During the Biennium Beginning September 1, 1987	6

1. U. T. System: Docket No. 38 of the Office of the Chancellor.--

RECOMMENDATION

It is recommended that Docket No. 38 of the Office of the Chancellor be approved.

It is requested that the Committee confirm that authority to execute contracts, documents, or instruments approved therein has been delegated to the officer or official executing same.

2. U. T. Board of Regents: Proposed Amendments to Regents' Rules and Regulations, Part Two, Chapter III, Section 10, Subsection 10.442, Concerning Reimbursement of Travel Expenses Paid from Gifts, Grants, Designated and Auxiliary Enterprise Funds.--

RECOMMENDATION

The Office of the Chancellor recommends that the Regents' Rules and Regulations, Part Two, Chapter III, Section 10, Subsection 10.442, concerning reimbursement of travel expenses paid from gifts, grants, designated and auxiliary funds, be amended as indicated below in congressional style:

10.442 Gifts, Grants, Designated and Auxiliary Enterprise Funds.--Reimbursement of travel expenses paid from Gifts, Grants, Designated and Auxiliary Enterprise Funds will be as follows:

- (a) For grants from or derived from Federal or State agencies, travel allowances shall be paid as specified in the foregoing provisions.
- (b) For other gifts, grants, designated, or auxiliary enterprise funds, travel allowances may be for actual expenses for meals and lodging not to exceed \$180 [~~\$120~~] per day. The transportation allowances will be as specified in the foregoing provisions.

The provisions of both (a) and (b) above are subject to the terms, provisions and conditions of the particular gifts, grants, or funds involved. Further exceptions of these provisions may be in accordance with specific authorization by the Board with certain designated funds. Likewise, when anticipated living costs are unusually low for those engaged in travel, the person authorizing the travel may reduce the allowance for all or any part of the travel, provided that the employee shall be notified of such reduced allowance before being allowed to incur any expense. When not otherwise prohibited by the terms

of the gift or grant, employees may also be reimbursed for required registration fees or similar expenses incurred in attending meetings of organizations or associations. Receipts for lodging, registration fees, or similar expenses shall be obtained and attached to the expense voucher. Project Directors, Principal Investigators, Departmental Chairpersons [~~Chairmen~~], or other authorized personnel under a gift or grant who travel in their personally owned airplanes on necessary official business may be reimbursed therefor as provided in the current appropriations act.

It is further recommended that the Executive Secretary to the U. T. Board of Regents, in consultation with the Office of General Counsel, be authorized to make such editorial changes in the remainder of the Regents' Rules and Regulations as may be necessary in order to conform to the foregoing changes related to travel reimbursement and such other editorial changes as are necessary to ensure that Chapter III is not gender specific.

BACKGROUND INFORMATION

Increases in the cost of meals and lodging, especially for out-of-state travel, have indicated the need to increase the maximum reimbursement of travel expenses permitted by the Regents' Rules and Regulations to be paid from Gifts, Grants, Designated Funds, and Auxiliary Enterprise Funds. At present, the maximum reimbursement is \$120 per day for meals and lodging. At its December 1987 meeting, the Business Management Council considered this reimbursement limit for travel expenses to be paid out of these special accounts and has recommended that the maximum reimbursement be increased to cover actual expenses for meals and lodging not to exceed \$180 per day.

3. U. T. System: 1988-89 Budget Policies and Limitations for General Operating Budgets, Auxiliary Enterprises, Contracts and Grants, Restricted Current Funds, Designated Funds, and Service and Revolving Funds Activities.--

RECOMMENDATION

The Office of the Chancellor recommends that the U. T. Board of Regents adopt the Budget Policies and Limitations for preparation of the 1988-89 U. T. System Operating Budgets as set forth on Pages F&A 4 - 6.

1988-89 Budget Policies and Limitations

for General Operating Budgets,
Auxiliary Enterprises, Contracts
and Grants, Restricted Current Funds,
Designated Funds, and Service and
Revolving Funds Activities.

In preparing the draft of the Fiscal 1988 operating budget, the Chief Administrative Officer of each component institution should adhere to the following guidelines and policies. Overall budget totals, including reasonable reserves, must be limited to the funds available for the year from:

- ° General Revenue Appropriations
 - ° Estimates of Local Income
 - ° Limited Use of Institutional Unappropriated Balances.
1. The recommendations for salary increases for personnel are subject to the current regulations and directives included in the General Appropriations Bill. This Bill states in part:

"Article III, Sec. 22. SALARY PROVISIONS. c. It is expressly provided that institutional administrators may grant merit salary increases to employees whose job performance and productivity is consistently above that normally expected or required.

d. Salary Increases for faculty in the general academic universities and technical institutes; professional positions in the Texas A&M University Services; and faculty and professional positions in the health science centers and other medical education programs shall be awarded on the basis of merit and performance in accepted activities including teaching, research, and service.

"Article V, Sec. 68. SALARIES TO BE PROPORTIONAL BY FUND. It is the intent of the Legislature that unless otherwise restricted payment for salaries, wages, and benefits paid from appropriated funds shall be proportional to the source of funds.

"Article V, Sec. 102. This section is contingent upon a finding of fact by the Comptroller of Public Accounts at the time of certification that sufficient revenue is estimated to be available to certify the appropriations contained in this Act (excluding this Section) in accordance with Article 3, Section 49.a. of the Texas Constitution. From unappropriated balances remaining in the General Revenue Fund and the special funds there is hereby appropriated to the Comptroller such amounts as may be available for the purpose of providing not more than a 2% salary increase for state employees and officials effective September 1, 1988. The salaries of faculty employed by institutions of higher education shall be determined by appropriations made elsewhere in this Act, and faculty shall be excluded from the salary increase authorized by this section.

The Comptroller shall promulgate rules and regulations which may be necessary to administer this provision."

2. General Salary Policy -

In addition to the salary provisions mandated in the appropriations bill, selective merit salary increases may be provided for the faculty, administrative/professional staff and classified staff subject to available resources. This policy applies to all fund sources.

(a) Faculty Salary Policy - Merit increases or advances in rank are to be on the basis of teaching effectiveness, research, and public service. Recognizing the expectations of the legislative leadership and the intent of the faculty compensation policies enacted in H.B. 2181, the institutions must sustain faculty salary levels reached in 1987-88 and should provide average merit faculty salary increases for 1988-89 of a minimum of 5%, with the goal being to accomplish merit increases in the range of 8-10%, for filled and continuing positions of the tenure or tenure-track ranks. As with the 1987-88 fiscal year, faculty salary increases are the highest priority and the U. T. System goal is to equal the average of that provided by institutions nationwide having a similar role and mission.

(b) Administrative and Professional Salary Policy - Merit salary increases over and above the 2% salary adjustments provided in the appropriations bill may be granted to administrative and professional staff and are to be based on evaluation of performance in areas appropriate to work assignments. Merit increases for administrative and professional staff should approximate average increases available for classified personnel but not exceed those available for faculty.

(c) Classified Personnel Salary Policy - Merit salary increases over and above the 2% salary adjustments provided in the appropriations bill may be granted to classified personnel. Merit salary increases for classified staff are to be based on evaluation of performance in areas appropriate to work assignments. Merit increases may be given only to individuals who will have been employed by the institution for at least six months as of August 31, 1988, and should be given in full step increments in accordance with the institutional pay plan.

3. New faculty positions are to be based on conservative estimates of enrollment increases. Total faculty staffing should be reviewed in terms of planned increases in work load.
4. New Administrative/Professional positions are to be requested only when justified by increased work loads and from funds available after merit salary increases are granted.
5. New classified positions are to be requested only when justified by increased work loads.
6. Maintenance, Operation, and Equipment items can be increased only as justified by expanded work loads, inflation, or newly developing programs.
7. Travel funds are to be shown as separate line items.

1988-89 OPERATING BUDGET CALENDAR

February 11, 1988	U. T. Board of Regents' Approval of Budget Policies and Limitations
April 1, 1988	<u>Seven</u> draft copies (bound) of Budgets due to System Administration (including 5 copies of supplemental data)
April 18-29, 1988	Budget Hearings with System Administration
May 9, 1988	<u>Ten</u> copies of Budgets (bound) due to System Administration (with 5 copies of adjusted supplemental data as applicable)
May 27, 1988	Budgets mailed to the U. T. Board of Regents
June 9, 1988	U. T. Board of Regents' Budget Meeting
June 24, 1988	<u>Fifty</u> copies of Budgets (unbound) due to System Administration for binding

BACKGROUND INFORMATION

The 1988-89 Budget Policies and Limitations track the provisions stated in the Appropriations Bill and are substantially the same as those used in preparing the 1987-88 budgets with the exception of the item Faculty Salaries and the 2% legislative mandate for non-faculty salaries. The details of the material regarding the Faculty Salary item were discussed in detail at the briefing session with the U. T. Board of Regents on January 11, 1988.

4. U. T. System: Request to Approve Transfer of Funds Between Legislative Appropriation Items During the Biennium Beginning September 1, 1987.--

RECOMMENDATION

The Office of the Chancellor recommends that the U. T. Board of Regents adopt the resolution which follows in order to provide for the most effective utilization of the General Revenue Appropriations during the 1987-1989 biennium:

Pursuant to the appropriate transfer provisions of Article III, S.B. 1, 70th Legislature, Second Called Session, 1987, it is hereby resolved that the State

Comptroller be requested to make necessary transfers within the Legislative Appropriations from the General Revenue Fund for each of the following components as authorized by the Chief Financial Officers of The University of Texas System institution concerned:

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 Southwestern Medical
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

BACKGROUND INFORMATION

The above resolution is a standard action by the U. T. Board of Regents at the beginning of each biennium and is pursuant to provisions of the General Appropriations Bill by the 70th Legislature.

Academic Affairs Committee

ACADEMIC AFFAIRS COMMITTEE
Committee Chairman Baldwin

Date: February 11, 1988
Time: Following the meeting of the Finance and Audit Committee
Place: John Peace Library Building, Room 4.03.12
U. T. San Antonio

	<u>Page</u> <u>AAC</u>
1. U. T. Arlington: Recommendation to Approve Changes in Parking Fees and Parking and Traffic Enforcement Fees Effective with the Fall Semester 1988 (Catalog Change)	3
2. U. T. Austin: Request for Authorization to Establish a Ph.D. in Nutritional Sciences and to Submit the Proposed Program to the Coordinating Board for Approval (Catalog Change)	4
3. U. T. Austin: Request for Permission for Individual to Serve as a Member of the United States Institute of Peace [<u>Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)</u>]	7
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1. U. T. Arlington: Recommendation to Approve Changes in Parking Fees and Parking and Traffic Enforcement Fees Effective with the Fall Semester 1988 (Catalog Change).--

RECOMMENDATION

The Office of the Chancellor concurs with President Nedderman's recommendation that the U. T. Board of Regents approve increases in the U. T. Arlington parking fees and parking and traffic enforcement fees as shown below effective with the Fall Semester 1988:

	<u>1987-88 Current Fees</u>	<u>1988-89 Proposed Fees</u>
<u>Faculty/Staff Decals</u>		
Annual Permit	\$36.00	\$48.00
Annual Permit (motorcycle)	15.00	24.00
<u>Student (Full-time) Decals</u>		
Annual Permit	27.00	36.00
Annual Permit (motorcycle)	15.00	24.00
<u>Parking and Traffic Enforcement Fees</u>		
Violators with properly displayed decals	5.00	10.00
Violators with improperly displayed decals	15.00	15.00
No current decal displayed	24.00	24.00
Unauthorized parking in handicap parking	50.00	50.00
*No current decal dis- played on second family-owned vehicle	5.00	10.00

* Upon proof of registration of a first vehicle, this enforcement fee of \$24 is reduced as shown.

Annual parking permit fees are prorated if purchased for only one semester or summer session and each individual is afforded the opportunity of parking at a remote location, such as Maverick Stadium or the Arlington Athletic Complex, at one-half of the basic fee.

Upon Regental approval, the Minute Order will reflect that the next appropriate catalog published at U. T. Arlington will be amended to conform to this action.

BACKGROUND INFORMATION

The University Parking Committee at U. T. Arlington, a university-wide committee composed of five faculty members, two staff members, and five students, has approved these increases for student parking privileges. These fees are authorized by Sections 54.505(a) and 54.505(b) of the Texas Education Code.

Proposed changes in U. T. Arlington's parking and traffic regulations to be effective Fall Semester 1988 were recently reviewed and approved by the Office of General Counsel and are included in the February institutional docket.

2. U. T. Austin: Request for Authorization to Establish a Ph.D. in Nutritional Sciences and to Submit the Proposed Program to the Coordinating Board for Approval (Catalog Change).--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's request for authorization to establish a Ph.D. program in Nutritional Sciences at U. T. Austin. Upon Regental approval, the proposal will be submitted to the Coordinating Board for approval. If approved by the Coordinating Board, implementation will be in Fall 1988. Description of the proposed Ph.D. in Nutritional Sciences follows.

Program Description

The proposed Doctor of Philosophy in Nutritional Sciences would be administered by the Division of Nutrition and Foods, Department of Home Economics, College of Natural Sciences, and would be an extension of the already established master's level program in nutrition. This program would allow U. T. Austin to fill a state and national need for trained nutritionists. The program would have a strong molecular biology emphasis.

The division has adequate space and facilities to support the program, and the General Libraries of U. T. Austin have available more than the minimum volumes needed in nutritional sciences and allied fields. No additional faculty positions would be required to implement the program. The added teaching load would be accommodated by reassigning courses among the eleven current faculty and the one to be hired to fill a vacant endowed chair. No new state funding would be required to implement the program.

The addition of a Ph.D. program in Nutritional Sciences at The University of Texas at Austin would allow the currently strong department to develop into one of national excellence.

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

BACKGROUND INFORMATION

The emergence of nutrition as a science is a phenomenon of the last 65 years. The dramatic increase in the study of nutrition illustrates its universal importance in the health sciences as well as its practical appeal and application to the individual. The importance of nutrition to physical and mental growth and development has been documented, and it is

apparent that diet ranks as one of the most important controllable factors relating to man's overall health. Any proposed new program in the field should, of course, be reviewed for 1) need for the program, 2) quality of the program and 3) adequacy of funding for the program.

Need

U. T. Austin's proposed Ph.D. in Nutritional Sciences is needed in Texas and in the Southwest, because there is no college or university in the state currently providing a Ph.D. program with a comparable biological science basis. Texas A&M University, Texas Tech University, and Texas Woman's University offer Ph.D. programs in nutrition, but none of these programs emphasizes experimental and applied human nutrition with a strong biochemical and molecular biology orientation as would the proposed Ph.D.

Currently, master's level students in the nutritional sciences program who wish to continue working for a Ph.D. must either transfer to another university or enroll in the biological sciences Ph.D. program. There are currently nine such students enrolled in the biological sciences program who will do their dissertation research under the supervision of the nutritional sciences faculty. In order to obtain the Ph.D. in biological sciences rather than the more narrowly focused nutritional sciences, these students must take several extra courses. The Ph.D. in Nutritional Sciences would allow these students to complete the degree more rapidly and at lower cost, and would allow additional master's level students to remain in Texas.

Demand for Nutritional Sciences Ph.D.'s with the biochemistry/biological science orientation of this program is expected to grow rapidly in the foreseeable future. Nutritional sciences is an important applications area within the broad and growing field of biotechnology. An update of a study by the National Academy of Sciences originally reported in the early 1980's confirms that the demand for graduates trained in nutrition has been increasing during the last ten years. The job market is one of "scarce speciality." The percent of Ph.D's trained in the field of nutrition and food science who are working outside the field is near zero, while the ratio of individuals working in the field to the number who are trained in the field is two to one. Scientists in other fields are being drawn to fill the available positions. Graduates with the doctorate in nutrition are in particularly strong demand for leadership positions in colleges and universities, government, and industry.

The need for more research in the science of nutrition represents another dimension in the need for the program. Medical schools, government, and industry need nutritionists to handle high quality research for products demanded by today's nutrition conscious society. Each year, there are 30 to 40 graduate majors in nutrition at U. T. Austin. Most are capable of and interested in doctoral level work. Much of the research can only be accomplished by faculty who collaborate with doctoral level students. Master's level students do not have the time nor experience to make the research progress expected by many industries and governmental agencies which fund such research. Graduate research has played a major role in U. T. Austin's present master's program, and building on this strong base, graduate research would be strengthened by the proposed doctoral program.

Quality

The quality of U. T. Austin's proposed Ph.D. program was reviewed by an outside consultant team in early December 1987. The team found the eleven graduate faculty well qualified to offer the program. U. T. Austin faculty in nutritional sciences have distinguished themselves by scholarly work in teaching and research and have received national and international recognition for their accomplishments. The consultant team also noted that there are a number of very strong faculty in the related Departments of Microbiology, Botany, Zoology, and Chemistry (Biochemistry) who collaborate with the nutritional science faculty in supervising student research and otherwise supporting the program. The faculty also collaborate with faculty in the College of Pharmacy, at the U. T. Cancer Center Science Park in Smithville and the U. T. Health Science Center - San Antonio. The consultant team found that laboratories and other resources are adequate to maintain a high quality program. They identified no barriers to obtaining or maintaining a quality program.

Adequacy of Funding

The resources currently committed to the Division of Nutritional Sciences, including one unfilled endowed chair, are adequate to support the proposed Ph.D. program. Two additional courses would be added to the course inventory and the added teaching work would be absorbed by filling the currently vacant chair. No new funding would be required, although additional contract and grant support for research would be sought. During the last five years, U. T. Austin's nationally recognized faculty's research programs have received support of more than \$5 million from local, state and federal agencies, as well as private companies and foundations. The proposed new Ph.D. program would bring in even more research dollars. The division director anticipates external funding would increase by at least \$500,000 per year within two to three years of approval of this program. Federal aid to research and teaching in the area of nutrition has generally been maintained, while federal aid in most other areas of research and teaching has been reduced.

Summary

In summary, nutritional concerns of the nation are strong. There is a demand for nutrition graduates and for the research which would be generated by the proposed Ph.D. program in Nutritional Sciences. There are students with a need to substitute a Ph.D. in Nutritional Sciences for the Ph.D. in Biological Sciences to expedite their entrance into the workforce. Outside consultants have verified that the division can support a quality program. U. T. Austin has an excellent program upon which to base the proposed Ph.D. program. Current levels of funding and other resources are adequate to maintain the program.

Authorization of this needed program would allow U. T. Austin to grow stronger as a research university and to fill a need of the nation and the State of Texas for qualified nutritionists.

3. U. T. Austin: Request for Permission for Individual to Serve as a Member of the United States Institute of Peace [Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)].--

RECOMMENDATION

The Office of the Chancellor recommends that approval be given to President Ronald Reagan's appointment, with the consent of the U. S. Senate, of Professor Elspeth Rostow, Stiles Professor in American Studies in the Lyndon B. Johnson School of Public Affairs at U. T. Austin, as a member of the United States Institute of Peace.

It is further recommended that the U. T. Board of Regents find that: (1) the holding of this office by Professor Rostow is of benefit to the State of Texas, and (2) there is no conflict between Professor Rostow's position at U. T. Austin and her membership in this Institute.

BACKGROUND INFORMATION

The United States Institute of Peace is an independent national corporation established by Congress in 1984 to develop and disseminate knowledge about the peaceful resolution of international conflict. It also promotes multidisciplinary scholarship, education, and training in the field of peace by using both traditional and innovative approaches. The group's agenda is nonpartisan and noninterventionist. The Institute consists of a fifteen-member board of directors with members serving six-year terms.

This recommendation 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.

4. U. T. Austin: Recommendation to Name Room in Goldsmith Hall in the School of Architecture (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings).--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to name Room 4-5 in Goldsmith Hall in the School of Architecture at U. T. Austin the Hal Box Reading Room. This recommendation 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.

BACKGROUND INFORMATION

The proposed room name is in recognition of a gift from the J. M. West Texas Corporation, Houston, Texas, to establish an endowed fellowship in the School of Architecture and is designated to honor Dean Hal Box. Establishment of a permanent endowment account is provided for in Item 23 on Page L&I - 32.

At its meeting in June 1982, the U. T. Board of Regents approved the naming of facilities other than buildings as part of a special private fund development campaign for the School of Architecture, in accordance with Part One, Chapter VII, Section 2, Subsection 2.44 of the Regents' Rules and Regulations.

5. U. T. Austin: Recommendation to Name Room in the New Chemical and Petroleum Engineering Building in the College of Engineering (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings) (No Publicity).--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to name Room 1.440 in the new Chemical and Petroleum Engineering Building in the College of Engineering at U. T. Austin the Chemical Engineering Class of 1943 Undergraduate Unit-Operations Laboratory. This recommendation 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.

BACKGROUND INFORMATION

The proposed laboratory name is in recognition of gifts from graduates of the Department of Chemical Engineering Class of 1943 for the College of Engineering endowment program for the new Chemical and Petroleum Engineering Building. The income from the endowment will be used to maintain the laboratory and the equipment in the room. Acceptance of these gifts and establishment of a permanent endowment account is provided for in Item 11 on Page L&I - 24.

At its December 1981 meeting, the U. T. Board of Regents approved the naming of facilities other than buildings as part of a special private fund development campaign for the College of Engineering, in accordance with Part One, Chapter VII, Section 2, Subsection 2.44 of the Regents' Rules and Regulations.

NO PUBLICITY

6. U. T. Austin: Recommendation to Name Room in Sid Richardson Hall (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings).--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to name Room 1.313 in Sid Richardson Hall at U. T. Austin the Charles W. Hackett Room. This recommendation 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.

BACKGROUND INFORMATION

The proposed room name is in memory of Dr. Charles W. Hackett, the founder and first Director of the Institute of Latin American Studies and a member of the College of Liberal Arts faculty from 1918 until his death in 1951. The conference room is used by the Institute of Latin American Studies.

7. U. T. Austin: Request to Approve Private Fund Development Campaign for the College of Natural Sciences McDonald Observatory (Regents' Rules and Regulations, Part One, Chapter VII, Section 2, Subsection 2.44).--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's request for approval of a private fund development campaign on behalf of the College of Natural Sciences, Department of Astronomy, McDonald Observatory at U. T. Austin pursuant to the Regents' Rules and Regulations, Part One, Chapter VII, Section 2, Subsection 2.44.

The object of this campaign is to raise \$1,500,000 in private gifts by January 1, 1989, to be utilized in conjunction with funds in an equal amount to be budgeted from institutional Available University Fund resources over a period of three years to meet a U. T. Austin \$3,000,000 pledge to fund one-half of a proposed project to construct and operate, in cooperation with Pennsylvania State University, a major facility for astronomical research. The project, called the Spectroscopic Survey Telescope (SST), will be located at the U. T. Austin McDonald Observatory at Mount Locke. This requested approval is for the fund campaign only. When funds are in hand, specific project proposals and operating plans will be submitted to the U. T. Board of Regents for review and approval.

BACKGROUND INFORMATION

President Cunningham and President Bryce Jordan of Penn State University recently joined in a Memorandum of Understanding on behalf of their respective institutions to cooperate in the development of financial and technical plans for a proposed project to construct and operate at McDonald Observatory a major research telescope based largely on a Penn State University design. The Memorandum of Understanding is a commitment to pursue the project and to raise the necessary funds to proceed with the telescope project.

If funding sufficient for the total capital cost of the research telescope project cannot be guaranteed by January 1, 1989, either U. T. Austin or Pennsylvania State University may terminate the fund-raising effort and planning activities. Funds raised from the private sector will be held in escrow accounts and refunded to donors should the project be terminated.

8. U. T. Austin: Recommendation for Approval to Increase the Rates for University Housing Effective Fall Semester 1988 (Catalog Change).--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation that the U. T. Board of Regents approve changes in the rental rates for University housing at U. T. Austin to be effective with the Fall Semester 1988 as set out below:

The University of Texas at Austin
RATE SCHEDULE EFFECTIVE 1988-89
University Apartments - Married Student Housing

	<u>Monthly Rate</u>	
	<u>1987-88</u>	<u>1988-89 Proposed</u>
Mobile Home Lot	\$ 59	\$ 70
Colorado and Gateway Apartments		
Unfurnished		
1 bedroom	231	241
2 bedroom	254	269
Furnished		
1 bedroom	271	283
2 bedroom	298	316
Brackenridge Apartments		
1 bedroom	269	264
2 bedroom	333	313
3 bedroom	408	398

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

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

The University of Texas at Austin
 RATE SCHEDULE EFFECTIVE 1988-89
 Student Housing Units - Women's Cooperative

Monthly Rental Per Co-op Paid to the University

	Number of residents per Co-op	1987-88 Present Monthly rent paid to University	1988-89 Proposed Monthly rent paid to University
Air-conditioned	17	\$1,313.25	\$1,313.25
Double Rooms	19	1,467.75	1,467.75
Non air-conditioned			
Double Rooms	15	772.25	772.25

The University of Texas at Austin
 RATE SCHEDULE EFFECTIVE 1988-89
 University Residence Halls

	1987-88			1988-89 Proposed		
	Long Session Rate			Long Session Rate		
	Room	Meals	Total	Room	Meals	Total
<u>Air-conditioned</u>						
<u>Double Rooms</u>						
Jester, Kinsolving, Blanton, Moore-Hill, Simkins						
community bath	\$1,484	\$1,682	\$3,166	\$1,484	\$1,682	\$3,166
connecting bath	1,700	1,682	3,382	1,484	1,682	3,166
<u>Non-air conditioned</u>						
<u>Double Rooms</u>						
Andrews, Carothers, Littlefield, Brackenridge- Roberts-Prather						
community bath	1,180	1,682	2,862	1,180	1,682	2,862

- a. The above rates include twenty meals per week. Meal contract options of thirteen meals per week (\$1,608 for the Long Session) and ten meals per week (\$1,452 for the Long Session) are also available.
- b. Meals are required as a part of the contract for all residence halls, with only those individuals currently on a room only plan eligible to renew a room only contract.

Other University Residence Hall Rates

- a. Rates for single rooms and double rooms as singles are 1.667 times the double rate.

- b. Summer Session rates are based on the long session per diem rate and the number of days in the summer session adjusted to meet market demand.
- c. Short-term, Orientation, and Summer Conference Program rates vary based on the length of stay, number of participants, and the services provided. Base rates are recommended as follows:

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

Upon Regental approval, the Minute Order will reflect that the next appropriate catalog published will conform to this action.

BACKGROUND INFORMATION

In all cases, the proposed rates are the result of an evaluation of the current state of the economy in Texas, and the financial effect it is having on residents and their families; anticipated costs of utilities, supplies, and services; the current status of U. T. Austin's physical facilities, operating accounts, and reserve accounts; and projected occupancy status. Justification summaries by category of housing follow.

a. University Apartments - Family Student Housing

It is recommended that rates be leveled in the University Apartments over the next three fiscal years. This leveling is directed toward improving the attractiveness of the Brackenridge Apartments and increasing overall occupancy. The increase in Mobile Home Park is necessary to cover the increasing maintenance costs caused by the age of this facility. The recommended rates for 1988-89 will ensure that all facilities are reasonably priced for students and below the Austin market.

b. Women's Cooperatives

The same management techniques employed in the Residence Halls will allow U. T. Austin to proceed with necessary renovations and routine maintenance items in the Women's Cooperatives without an increase in the 1988-89 rates.

c. Residence Halls

The leveling of residence hall community and connecting bath space rates should improve retention of upperclass residents and improve the opportunities for financially disadvantaged residents to experience the currently more expensive connecting bath space living option. The implementation of a number of innovative management techniques will allow U. T. Austin to proceed with necessary renovations and routine maintenance items without an increase in the University Residence Hall rates.

For 1987-88, a no meals contract option was available for students with residence hall contracts in Moore-Hill, Simkins, Brackenridge-Roberts-Prather, and Carothers Halls. These proposals for residence hall rates for 1988-89 include meals as a required part of the contract for all residence halls except for individuals currently holding room only contracts and wishing to renew these contracts.

d. Other Rates

It is recommended that the rates for single rooms and double rooms rented as singles remain at 1.667 times the double room rate. The summer session rates are recommended to remain at the per diem rate for the long session multiplied by the number of days in the summer session, with possible adjustments to meet market demand. Based on current market conditions, the base rate for Short-term, Orientation, and Summer Conference Program housing is recommended to remain the same.

9. U. T. Austin: Recommendation to Approve Changes in (a) Certain Voluntary Student Services Fees and (b) Parking Fees Effective with the Fall Semester 1988 (Catalog Change).--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation that the U. T. Board of Regents approve changes in (a) certain Voluntary Student Services Fees and (b) parking fees at U. T. Austin to be effective with the Fall Semester 1988 as set out below:

a. Voluntary Student Services Fees

	<u>1987-88</u>		<u>1988-89</u>	
	<u>Actual Fee</u>		<u>Proposed Fee</u>	
	<u>Academic Year</u>	<u>Spring Semester</u>	<u>Academic Year</u>	<u>Spring Semester</u>
<u>Cactus (Yearbook)</u>	\$27.50	\$27.50	\$27.50	\$27.50
<u>UtMost</u>	8.50	4.25	8.50	4.30*
<u>Directory</u>	1.50	1.50	1.50	1.50
<u>TSP Package**</u>	32.50	28.25	32.50	28.25
<u>Analecta</u>	00.00	00.00	3.50	3.50
<u>Drama Department Fee</u>	12.00	6.00	12.00	6.00
<u>Intercollegiate Athletics</u>	52.00	26.00	52.00	26.00
<u>Intercollegiate Athletics Dependent Fee</u>	64.00	32.00	64.00	32.00
<u>Locker/Basket and Shower</u>	4.00	2.00	4.00	2.00
<u>Peregrinus (Law School Yearbook)</u>	14.00	14.00	14.00	14.00
<u>Performing Arts Center</u>	00.00	00.00	30.00	15.00
<u>Polis</u>	00.00	00.00	4.00	2.00

* Increase is due to new sales tax rate.

** TSP package includes Cactus, UtMost, and the Directory at a reduced rate.

Voluntary Student Health Insurance* \$285/single student/12 mos.**

* Available for the first time under the optional (voluntary) fee check-off at registration.

** Single student policy, without major medical option, is for \$25,000 maximum coverage and includes a \$100.00 policy deductible. Dependent care and major medical options are available on special arrangement. Prorated policies are also available for less than a calendar year.

b. Parking Fees

	<u>1987-88</u> Current Fees	<u>1988-89</u> Proposed Fees
<u>Faculty/Staff Decals</u>		
Class A (unreserved)	\$24.00	\$26.00
Class D (disabled)	58.00	64.00
Class F (reserved)	58.00	64.00
Class M (motorcycle)	8.00	9.00
Class O (administrators)	87.00	96.00
<u>Student Decals</u>		
Class A (health)	12.00	13.00
Class C (students)	12.00	13.00
Class D (disabled)	12.00	13.00
Class G (graduate students)	20.00	22.00
Class M (motorcycle)	8.00	9.00

Annual parking permit fees are prorated if purchased for only one semester or summer session.

Upon Regental approval, the Minute Order will reflect that the next catalog published will conform to this action.

BACKGROUND INFORMATION

In accordance with Sections 67.211 and 67.212 of the Texas Education Code, the proposed Voluntary Student Services Fees have been reviewed and endorsed by the Student Services Fees Committee of U. T. Austin. Fees for the Analecta, a literary journal published by the College of Liberal Arts and the Liberal Arts Council, and the Polis, a social and political science journal published by the Students' Association, are new. The Performing Arts Center fee replaces the Cultural Entertainment fee which was discontinued effective with the Fall Semester 1987.

The Parking and Traffic Policies Committee at U. T. Austin has recommended an approximate 10 percent increase in parking permit prices for fiscal year 1988-89. Parking fees were last increased Fall Semester 1985. These parking fees are authorized by Sections 54.505(a) and 54.505(b) of the Texas Education Code.

Parking and traffic regulations for 1987-88 at U. T. Austin were reviewed and approved by the Office of General Counsel and included in the August 1987 institutional docket. Complete descriptions of permit types and a current listing of parking and traffic enforcement fees are contained in these regulations.

10. U. T. Dallas: Request for Authorization to Establish a Doctor of Science Degree in Electrical Engineering and to Submit the Proposed Degree to the Coordinating Board for Approval (Catalog Change).--

RECOMMENDATION

The Office of the Chancellor concurs with President Rutford's request to proceed with implementation of a Doctor of Science Degree in Electrical Engineering at U. T. Dallas. U. T. Board of Regents' authorization to proceed with development of this proposed degree was granted in February 1984. Upon Regental approval, the proposal for the degree program will be submitted to the Coordinating Board for approval.

BACKGROUND INFORMATION

At the February 1984 meeting of the U. T. Board of Regents, authorization was given to establish five degree programs in engineering (Bachelor of Science in Electrical Engineering with a major in Microelectronics; Bachelor of Science in Electrical Engineering with a major in Communications; Master of Science in Electrical Engineering; Bachelor of Science in Engineering Science; and Master of Science in Engineering Science) and to create a School of Engineering and Computer Science at U. T. Dallas. Authorization was also given to proceed with the development of a Doctor of Science Degree in Electrical Engineering with implementation to occur when an adequate research base was established and sufficient faculty and other resources of appropriate quality were acquired. These conditions have now been met and the institution seeks final approval by the U. T. Board of Regents before proceeding with Coordinating Board approval requirements. The School of Engineering and Computer Science initiated master's level courses in the Fall of 1986 and baccalaureate courses in the Fall of 1987.

Need

Need for the doctoral program was established in 1984, based upon the work of a team of consultants from the National Center for Higher Education Management Systems and a report by the U. T. Dallas Industrial Advisory Council. In February 1984, the U. T. Board of Regents recognized the need for an electrical engineering doctoral program at U. T. Dallas and demonstrated their desire for a high quality program by requiring U. T. Dallas to verify resources and faculty adequate to carry out a quality program prior to final program approval. These conditions have been met as described below.

The program authorized in 1984 was to be designed to emphasize the specific research required to solve problems faced by industries involved in communications and microelectronics. The research required of doctoral students in the program will be integrated into the needs of local industries and will often be conducted in shared facilities. In 1984, enrollment in the doctoral program was projected to grow to 146 students within five years. Actual enrollments in baccalaureate and master's programs have exceeded the 1984 projections. It, therefore, seems likely that the potential for doctoral enrollment may also exceed initial projections.

Program Quality

The principal factor determining the quality of the doctoral program is the strength of the faculty. U. T. Dallas has now recruited a small number of outstanding research-oriented faculty of the type needed to implement this program. Additional faculty will be recruited in the spring of 1988. The formal establishment of the Erik Jonsson School of Engineering and Computer Science in January 1987, the construction of the Engineering Start-up Building, and the design of the permanent engineering building have enhanced U. T. Dallas' ability to recruit research-oriented faculty needed to implement this program at the scale anticipated. The faculty already employed can implement the program on a modest scale, beginning as early as September 1988.

Adequacy of Resources

U. T. Dallas has raised more than \$24,000,000 from private sources to support the School of Engineering and Computer Science. With these resources in place and the high quality faculty capable of generating significant contract and grant research support, it will be possible, if necessary, to operate the doctoral program for several years without placing a burden on state taxpayers. It is, however, expected that the state funding formula and appropriations process will generate an adequate base level of funding such that the funds available from non-state sources can be used to enrich and strengthen the quality of the program. Private resources have also been used to equip key laboratories to provide the research environment necessary to initiate this doctoral program.

Summary

Action by the U. T. Board of Regents in February 1984 acknowledged the need for the doctoral program in electrical engineering at U. T. Dallas. U. T. Dallas has demonstrated its ability to obtain adequate resources to support the program and has employed a core faculty of sufficient quality to initiate the program. Additional faculty will be recruited between the time the program is approved and the time it admits its first students.

Upon Regental and Coordinating Board approval, the next appropriate institutional catalog published will be amended to reflect this action.

11. U. T. El Paso: Request for Authorization to Establish a Ph.D. in Psychology and to Submit the Proposed Program to the Coordinating Board for Approval (Catalog Change).--

RECOMMENDATION

The Office of the Chancellor concurs with Interim President Natalicio's request for authorization to establish a Ph.D. program in Psychology at U. T. El Paso. Upon Regental approval, the proposed Ph.D. in Psychology will be submitted to the Coordinating Board for approval. If approved by the Coordinating Board, implementation will be in Fall 1988. A description of the proposed Ph.D. in Psychology follows.

Program Description

This Ph.D. program was first proposed by the Department of Psychology in 1984. It will build upon a strong master's degree program and an externally funded research program to train psychologists to serve bicultural and bilingual populations. Training will focus upon applications of psychology in such practical settings as schools, industry, criminal justice systems, and health related services. All graduates will be required to demonstrate the skills necessary to work effectively with Hispanic populations.

Although the department wishes to add, over the first five years of operation, four additional faculty members to provide additional depth in selected areas, the program can be offered, if necessary, by the twelve existing faculty members. The department has over \$350,000 in externally funded research currently underway and anticipates being able to attract significantly more external funding if the doctoral program is approved. This additional external funding will permit the department to provide more financial aid to doctoral students and to bring visiting and adjunct faculty into the department. Space and library resources are adequate to support the proposed program.

Both the quality of the program and the need for it have been verified by outside evaluators. In 1985, the proposal was reviewed by Dr. Bruce Extrand, Dean of the Graduate School and Professor of Psychology, University of Colorado, and Dr. Manuel Ramirez, III, Professor of Psychology, U. T. Austin. In September 1987, Dr. Lawrence Wrightsman, Chairman of the Psychology Department, University of Kansas, and Dr. Amado M. Padilla, Professor and Director of the Spanish Speaking Mental Health Center, University of California, Los Angeles, reviewed the program.

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

BACKGROUND INFORMATION

Role and Scope

The only doctoral program at U. T. El Paso is a Doctor of Geological Sciences. Consequently, the Texas Higher Education Coordinating Board will regard this request for approval of a new doctoral program as a major change of the role and scope of the institution. Although the Coordinating Board does not recognize additional doctoral programs within the role and scope of the institution, the role and scope table approved by the U. T. Board of Regents in 1984 includes doctoral programs in education, engineering, the physical sciences and psychology. Incorporation of doctoral programs in these fields into the institution's role and scope was based upon an analysis of the number of Ph.D.'s awarded in relationship to the size of the population. The population of the El Paso region is large enough to support doctoral programs in each of these areas. It is interesting to note that in the entire region south and west of a line running through Lubbock and Austin, the only Ph.D. programs offered are the Doctor of Geological Sciences at U. T. El Paso, the Doctor of Bilingual Education at Texas A & I University and the Ph.D. in some of the basic biological sciences at the U. T. Health Science Center - San Antonio. Development of additional doctoral programs at U. T. El Paso would serve this entire region.

Need

One of the strongest indicators of the need for Ph.D.'s in psychology is that fewer than ten percent of the applicants to Texas institutions for doctoral training in Psychology can be admitted. Only 217 applicants (9.13%) of the 2,378 applicants to Texas institutions were enrolled in 1982-83. In the field of psychology, the State of Texas produces Ph.D.'s at only 81.5% of the U. S. average rate. To reach the U. S. average would require producing approximately 32 more Ph.D.'s per year. Since all existing programs are at capacity, additional Ph.D. production can only be achieved by initiating new programs. The U. T. El Paso program, when fully developed, will produce 12 Ph.D.'s per year.

To be licensed as a psychologist in the State of Texas, an individual must have the Ph.D. degree. Individuals with only a master's degree in psychology may be licensed as counselors, not as psychologists. Although many Ph.D. psychologists will work as problem solvers in industrial and institutional settings which do not require licensure, all who wish to engage in private practice and many of those in institutional settings will wish to be licensed.

The need for psychologists who can work with Hispanic populations is even greater than the general need. There are no U. S. doctoral programs specifically designed to prepare students to work in Hispanic or bilingual/bicultural settings. In the State of Texas, approximately eighteen percent of the labor force is of Hispanic origin, and in El Paso, more than half of the labor force is of Hispanic origin. Industrial psychology problems, school psychology problems and institutionally-based psychology problems cannot be effectively addressed except by psychologists who are appropriately trained to work in such bilingual/bicultural communities. According to a 1985 report published by the National Research Council, only 1.6% of the Ph.D. psychologists in the United States were Hispanic. While there are no data available on the percentage of Ph.D. psychologists who are bilingual, it is reasonable to assume that it is a very small percentage.

U. T. El Paso is working vigorously to expand its sponsored research program. The Department of Psychology currently has approximately \$350,000 in external support for sponsored research. The department believes this number could be more than doubled if a doctoral program were in existence. Many granting agencies are unwilling to fund additional research unless that research is done by doctoral students. Work which can be done using only master's level students lacks the continuity and depth required by many funding agencies.

Program Quality

The quality of the program has been examined by outside consultants on two occasions. In both cases, the consultants, while making suggestions for improvements, endorsed the proposal and attested to the quality of the proposed program and the faculty. The strength of the faculty is also indicated by the fact that they have attracted substantial external research funding and by the fact that 100% of their recent master's level graduates who have applied for admission to Ph.D. programs have been admitted. Both the department's undergraduate and master's level students are vigorously recruited by out-of-state doctoral programs.

Program Cost

The department is prepared, if necessary, to deliver the doctoral program with the 12 existing faculty members, using current facilities. However, if state funding formulas remain unchanged, the formula will generate resources sufficient to employ four additional faculty members, beginning in the fifth year after implementation of the program. The department has plans to use those additional faculty resources if they become available. Additional contract and grant research funding will be obtained by the existing faculty and will be used in part to support graduate students in the research part of their programs.

12. U. T. El Paso: Recommendation to Approve Changes in Parking Fees and Parking and Traffic Enforcement Fees Effective with the Fall Semester 1988 (Catalog Change).--

RECOMMENDATION

The Office of the Chancellor concurs with Interim President Natalicio's recommendation that the U. T. Board of Regents approve increases in the U. T. El Paso parking fees and parking and traffic enforcement fees as shown on Page AAC - 20 effective with the Fall Semester 1988.

	<u>1987-88</u> Current Fees	<u>1988-89*</u> Proposed Fees
<u>Faculty/Staff Decals</u>		
Class O (reserved)	\$35.00	\$45.00
Class F (faculty)	20.00	30.00
Class S (staff)	20.00	30.00
Class H (disabled)**	No charge	No charge
<u>Student Decals</u>		
Class A (all students)	10.00	10.00
Class M (motorcycles)	10.00	10.00
Class D (occupants of residence halls)	No charge	No charge
Class V (residents of UTEP Village)	No charge	No charge
Class R (Share-A-Ride)	1.00	1.00
<u>Parking and Traffic Enforcement Fees***</u>		
	2.00	5.00
	5.00	10.00
	20.00	25.00

* Annual parking permit fees are prorated if purchased for only one semester or summer session.

** If vehicle is not in compliance with the provisions of Vernon's Annotated Texas Civil Statutes, Articles 6675a-5e and 6675a-5e.1, the annual fee is \$20.00.

*** Descriptions and specific charges for traffic enforcement fees are described and explained in full in U. T. El Paso's official parking and traffic regulations. If the traffic enforcement fees for parking and driving offenses are not paid within 12 calendar days after issuance of the citation, a \$5.00 late charge will be assessed.

Upon Regental approval, the Minute Order will reflect that the next appropriate catalog published at U. T. El Paso will be amended to conform to this action.

BACKGROUND INFORMATION

Parking and Traffic Control (along with commuter vehicle security) represents one of the most significant demands upon the U. T. El Paso University Security department. The proposed increases will supplement General Revenue resources to support this service. No increase is recommended in student vehicle registration fees.

The Parking and Traffic Committee at U. T. El Paso, a university-wide committee composed of faculty, staff, and students, has approved these increases. These fees are authorized by Sections 54.505(a) and 54.505(b) of the Texas Education Code.

Proposed changes in U. T. El Paso's parking and traffic regulations to be effective Fall Semester 1988 were recently reviewed and approved by the Office of General Counsel for inclusion in the institutional docket.

13. U. T. El Paso: Recommendation for Approval to Establish a Student Union Fee Effective Fall Semester 1988 (Catalog Change).--

RECOMMENDATION

The Office of the Chancellor concurs with Interim President Natalicio's recommendation that the U. T. Board of Regents approve implementation of a Student Union Fee in the amount of \$15.00 per student for each regular term and \$7.50 per student for each summer session at U. T. El Paso effective with the Fall Semester 1988.

Upon Regental approval, the Minute Order will reflect that the next appropriate catalog published at U. T. El Paso will be amended to conform to this action.

BACKGROUND INFORMATION

The 70th Legislature authorized U. T. El Paso to establish a Student Union Fee not to exceed \$30.00 per semester in the long term and \$15.00 during each summer session. As passed, H. B. 629 provides that further approval by the student body is not required if the fee assessed does not exceed \$15.00 per student for each long term and \$7.50 per student for each summer session.

Revenue generated by this fee will be used to fund increased utility costs, to improve annual routine maintenance, to fund deferred maintenance and minor alterations, and to fund some student program costs for the operation of the Student Union.

14. U. T. El Paso: Recommendation to Name Room in New Library Building (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings).--

RECOMMENDATION

The Office of the Chancellor concurs with Interim President Natalicio's recommendation to name the central atrium of the new Library Building at U. T. El Paso the Pillow Atrium. This recommendation 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.

BACKGROUND INFORMATION

The proposed designation of the atrium is in memory of Mrs. Lucille B. Pillow, a former faculty member at U. T. El Paso, who died May 6, 1986. Her bequest, which was accepted at the December 1987 U. T. Board of Regents' meeting, is the largest ever received for the Library and the second largest single bequest received by U. T. El Paso.

15. U. T. El Paso: Recommendation to Name Room in the Union Building (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings).--

RECOMMENDATION

The Office of the Chancellor concurs with Interim President Natalicio's recommendation to name Room 203 in the east wing of the Union Building at U. T. El Paso the Haskell Monroe Suite. This recommendation 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.

BACKGROUND INFORMATION

Dr. Haskell Monroe served as President of U. T. El Paso from 1980 to 1987. Each former president of U. T. El Paso has been honored by the naming of a meeting room in the Union Building in recognition of their contributions to the growth of the institution. To continue this tradition, the Union student leadership has recommended this room naming to honor Dr. Monroe.

16. U. T. El Paso: Proposed Affiliation Agreement with the El Paso County Community College District, El Paso, Texas.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of Interim President Natalicio that approval be given to the affiliation agreement set out on Pages AAC 23 - 29 by and between U. T. El Paso and the El Paso County Community College District, El Paso, Texas.

The affiliation agreement will enable students enrolled in the Health Occupation Education Programs/Courses at El Paso Community College to use the College of Nursing and Allied Health facilities at U. T. El Paso for practical experience in clinical service and procedures.

BACKGROUND INFORMATION

This facility does not accept the standard affiliation agreement used by the U. T. System. This agreement has been reviewed and approved by the Office of General Counsel.

STATE OF TEXAS:
COUNTY OF EL PASO:
EL PASO COUNTY COMMUNITY COLLEGE DISTRICT:

AFFILIATION AGREEMENT

HEALTH OCCUPATIONS DIVISION PROGRAMS/COURSES

AGREEMENT made this 18th day of March, 19 87,
between the board of Trustees of the El Paso County Community
College District, a political subdivision of the State of Texas,
Post Office Box 20500, El Paso, Texas 79998, hereinafter referred
to as "District" and University of Texas at El Paso, College of
Nursing & Allied Health, 1101 N. Campbell, El Paso, TX 79902,
hereinafter referred to as "Affiliate".

RECITALS

It is the desire of both parties that students enrolled in
the Health Occupation Education Programs/Courses at El Paso
Community College be provided the benefit of educational
facilities at the University of Texas at El Paso, College of
Nursing & Allied Health for practical experience in clinical
service and procedures.

It is recognized that the District is authorized to enter
into this agreement as a function of its governmental and edu-
cational powers granted and proscribed by the State of Texas.

It is mutually beneficial to both the District and the
Affiliate that students be afforded opportunities for clinical
education as outlined in this agreement.

A G R E E M E N T

Term

1.01 The respective duties and obligations of the parties hereto shall commence upon the date of execution of this agreement and shall continue for a period of one year.

1.02 The term of this agreement shall be automatically renewed for an additional one year unless cancelled by either party according to the termination provisions hereinafter stated or unless either party gives notice to the other of its intention not to renew this agreement at least thirty (30) days prior to the termination of this agreement.

Responsibilities of District

2.01 It shall be the responsibility of the District to plan and conduct a cooperative and coordinated educational program for the clinical instruction of its Health Occupation Education Programs/Courses students with the Affiliate.

2.02 The District will provide qualified, registered instructors for all general and or supporting course work as prescribed in the Health Occupation Education Programs/Courses curricula.

2.03 The District will provide administrative services to include student admissions, scheduling, attendance, and maintenance of achievement records for all students.

2.04 The District agrees that all of its instructors and students will abide by the policies and regulations of the Affiliate while using its facilities.

2.05 The Faculty of the District will supervise the students and provide suitable clinical experience situations in patients care as prescribed by the adopted curricula. It is understood that at no time will students in the Health Occupation Education Programs/Courses be engaged in the provision of direct patient care without said instructors or affiliate preceptors being physically present in Affiliate's hospital for supervision of the students. It is further understood that students may be present in the Affiliate for purposes of observation without direct supervision by District instructors. During such observation students will at no time perform direct patient care services.

2.06 In cooperation with the Affiliate's designated representative, the District will familiarize the students and instructors with the Affiliate's facilities, procedures, personnel policies, standards and code of ethics.

2.07 The District will furnish each semester to the Affiliate's designated representative a rotation plan of students setting forth the number of participating students, the dates and hours, the assigned areas that the students will be participating. Any changes in the plan will be immediately brought to the attention of the same.

2.08 The District will provide to the Affiliate evidence of tuberculin testing for Health Occupation Education Programs/Courses students and instructors.

2.09 Malpractice liability insurance shall be carried by District students and instructors for the entire period of this

agreement, and a certificate of insurance will be provided to the Affiliate indicating effective date, limits of coverage and other pertinent data. The Affiliate shall be notified of any change or termination in coverage. The District hereby agrees to maintain said malpractice insurance the limits of which shall be not less than one million dollars (\$1,000,000.00) for any one medical incident and one million dollars (\$1,000,000.00) aggregate.

Responsibilities of Affiliate

3.01 Affiliate will accept Health Occupation Education Programs/Courses students from El Paso Community College for clinical experience during agreed upon time as outlined in 2.07 and 4.01.

3.02 Affiliate shall make available to the District such use of classrooms, libraries and teaching aids as may be necessary for the implementation, training, and education of the students during the clinical phase of the program/course at no cost to the District.

3.03 The Affiliate shall make available patient care facilities, charts, medical records, equipment and supplies normally used in the Affiliate as may be necessary for clinical instruction at the Affiliate.

3.04 The Affiliate shall provide suitable clinical experience insofar as possible based on the availability of patients, sufficient number of personnel and clinical materials recognizing the possible necessity of the District transferring students to other agencies which can provide experience in

specific clinical services in the event of the unavailability of above.

3.05 The Affiliate shall provide qualified licensed/registered health care professionals directly supervising each clinical area utilized for educational purposes at no cost to the District.

3.06 Affiliate will observe the District's calendar of vacations and holidays for the students.

3.07 The parties agree that the Affiliate is responsible for the care of patients at the Affiliate.

3.08 Affiliate shall provide Medical Emergency Care up to the limit of Affiliate's ability to provide emergency care for accidents and illnesses which occur while the student is at the Affiliate; however, it is understood that the Affiliate assumes no financial responsibility for the provision of such care which remains the obligation of the student. It is expressly understood that students are not covered under the Affiliate's Worker's Compensation or other insurance coverage normally applicable to employees. Students will be subject to the normal admissions procedures common to all patients of the Affiliate.

Students

4.01 Assignment and scheduling of students will be by mutual agreement between both parties hereto at least thirty (30) days in advance of the beginning of each new semester.

4.02 A student in the Health Occupation Education Programs/Courses may be dismissed from Affiliate participation by the

administrator of the Affiliate for cause that is reasonable and has been documented in writing.

Indemnity Against Loss

5.01 To the extent that the District is legally capable, the District shall indemnify and hold the Affiliate harmless for losses suffered by the Affiliate due to injuries proximately caused a third party by the negligent acts of students during their training at Affiliate. Such indemnification shall not extend to losses suffered by the Affiliate due to injuries proximately caused a third party by the negligent acts of Affiliate personnel or other non-district personnel. It is expressly understood that it is not the intention or purpose of this Agreement to create any liability against the District and its Board unless such liability is imposed by law.

5.02 The Affiliate shall instruct its personnel that only duly authorized persons may instruct, order, or direct District students or instructors, and that unless so authorized such personnel shall not instruct, order or direct students or instructors. Personnel receiving such authorization shall be instructed that the students are undergoing a learning experience and shall not be expected, instructed, ordered or directed to perform functions beyond the level of training previously received.

Law Governing Contract

6.01 This agreement shall be construed under and in accordance with the law of the State of Texas, and all

obligations of the parties created hereunder are performable in El Paso County, Texas.

Termination

7.01 This agreement may be terminated in whole or in part by either party giving a full thirty (30) days notice in writing to the other party. Such notice shall be sent by certified mail, return receipt requested to the address of the respective parties listed above. However, such termination shall not take affect with regard to students already enrolled, until such time as those students have completed their respective course.

EXECUTED at El Paso, Texas on the day and year above mentioned.

DISTRICT

ATTEST:

Ruth Kern
Secretary

EL PASO COUNTY COMMUNITY COLLEGE DISTRICT

By: Arturo Lightbourn
Arturo Lightbourn, President,
Board of Trustees

AFFILIATE:

ATTEST:

Secretary
UNIVERSITY OF TEXAS AT EL PASO

UNIVERSITY OF TEXAS AT EL PASO,
COLLEGE OF NURSING & ALLIED HEALTH

By: Lynne S. Welch R.N.E.D.
Dr. Lynne Welch
Dean, College of Nursing &
Allied Health

BY: Diana S. Natalicio
Diana S. Natalicio, Interim President

UNIVERSITY OF TEXAS SYSTEM
BY: James P. Deane
Executive Vice Chancellor for
Academic Affairs

Approved as to Form:
John Hancock

17. U. T. San Antonio: Recommendation to Approve Changes in Parking Fees Effective with the Fall Semester 1988 (Catalog Change).--

RECOMMENDATION

The Office of the Chancellor concurs with President Wagener's recommendation that the U. T. Board of Regents approve increases in the U. T. San Antonio parking fees as shown below effective with the Fall Semester 1988:

	<u>1987-88</u> Current Fees	<u>1988-89</u> Proposed Fees
<u>Executive Officers Decals</u>		
Class O (Reserved)	\$60.00	\$90.00
<u>Faculty/Staff Decals</u>		
Class A (general)	24.00	36.00
Class B (bicycles)	2.00	3.00
Class C (motorcycles)	8.00	12.00
Class E (dual parking)	24.00	36.00
Class H (handicapped)*	24.00	36.00
Class K (mini-car)	18.00	27.00
Class P (carpool)	24.00	36.00
Class R (reserved)	48.00	72.00
<u>Student Decals</u>		
Class B (bicycles)	2.00	3.00
Class C (motorcycles)	8.00	12.00
Class D (student resident)	15.00	22.00
Class F (dual parking)	15.00	22.00
Class G (general)	15.00	22.00
Class H (handicapped)*	15.00	22.00
Class M (mini-car)	10.00	15.00
Class S (carpool)	15.00	22.00
<u>Other</u>		
Class T (vendors, sales- persons, technical representatives, other servicing personnel, and persons regularly using campus facilities)	5.00	10.00

* No parking fee is charged for permanently disabled persons or disabled veterans with 60% or more disability.

Annual parking permit fees are prorated if purchased for the spring semester or summer session only. Parking and traffic enforcement fees will not be changed.

Upon Regental approval, the Minute Order will reflect that the next appropriate catalog published at U. T. San Antonio will be amended to conform to this action.

BACKGROUND INFORMATION

These fee increases are necessary to partially offset expenses which cannot be covered from other fund sources, including campus security personnel and debt service to cover construction of a proposed new parking lot as set out in Item 8 on Page B&G - 10. These fees are authorized by Sections 54.505(a) and 54.505(b) of the Texas Education Code.

Proposed changes in U. T. San Antonio's parking and traffic regulations to be effective Fall Semester 1988 were reviewed and approved by the Office of General Counsel and were included in the August 1987 institutional docket.

Health Affairs Committee

HEALTH AFFAIRS COMMITTEE
Committee Chairman Yzaguirre

Date: February 11, 1988
Time: Following the meeting of the Academic Affairs Committee
Place: John Peace Library Building, Room 4.03.12
U. T. San Antonio

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1. U. T. System: Proposal to Increase Premium Rates for The University of Texas System Professional Medical Malpractice Self-Insurance Plan Effective September 1, 1988.--

RECOMMENDATION

The Office of the Chancellor and the Office of General Counsel recommend that the premium rates for The University of Texas System Professional Medical Malpractice Self-Insurance Plan be increased effective September 1, 1988, as follows:

Risk Class	Current	Current	Recommended Premium Rates	
	Rate Staff	Rate Resident	Staff	Resident
1	\$ 1,080	\$ 720	\$ 2,112	\$ 1,428
2	1,770	1,170	3,528	2,340
3	3,030	2,010	6,024	4,008
4	4,920	3,270	9,792	6,516
5	8,160	5,430	16,224	10,812

BACKGROUND INFORMATION

The U. T. Board of Regents authorized the creation of The University of Texas System Professional Medical Malpractice Self-Insurance Plan at the April 1977 meeting.

The U. T. Board of Regents authorized initial premium rates for the Self-Insurance Plan at one-half of the rate being charged by the Hartford Insurance Company (the then current carrier of malpractice insurance for U. T. System physicians) for the year ending March 31, 1977. These rates were not increased during the following nine years, although the total number covered by the Self-Insurance Plan increased from approximately 2,700 to 3,700 full-time staff and resident physicians and the basic liability limits were raised from \$200,000 to \$400,000 per claim for staff physicians and from \$25,000 per claim to \$100,000 for interns, residents and fellows.

On September 10, 1985, actuaries retained by the Self-Insurance Plan concluded that a 37.5% increase in premiums was necessary, and the U. T. Board of Regents authorized the increase effective September 1, 1986.

On January 9, 1986, the actuaries reviewed the plan and recommended a 150% increase effective September 1, 1987. The U. T. Board of Regents authorized a 150% increase effective September 1, 1987.

The actuaries have again reviewed the plan and on November 3, 1987, recommended a 99% increase in premium rates effective September 1, 1988. Commercial medical malpractice premiums currently available are approximately three times higher than the Self-Insurance Plan's present premiums. A 99% increase in premiums will still leave the Self-Insurance

Plan's premiums far below those charged by commercial carriers. A comparison of premiums for a basic \$500,000/\$1,000,000 occurrence policy is set forth below:

	<u>Insurance Corporation of America</u>	<u>Current UT Staff</u>	<u>Recommended U. T. Staff</u>
General Practice, no surgery	\$ 3,251	\$1,080	\$ 2,112
General Practice, minor surgery	5,526	1,770	3,528
Special Procedures	10,402	3,030	6,024
Urology	12,135	4,920	9,792
General Surgery	16,469	4,920	9,792
Orthopedic	23,404	8,160	16,224
OB/GYN	36,406	8,160	16,224

The State Board of Insurance recently approved a rate increase by the Insurance Corporation of America (ICA), the only medical malpractice insurer able to obtain an approved rate increase. Other carriers have increased their rates beyond those authorized by the State Board of Insurance by writing policies under a "consent to rate approach," whereby a company is free to charge any rate it chooses, provided the insured consents to the rate. Hence, comparative data from commercial carriers other than ICA is unobtainable. St. Paul Fire and Casualty Company no longer underwrites new medical malpractice insurance policies. The premium rates recommended for the Self-Insurance Plan are reasonable and necessary to maintain the integrity of the Plan.

2. U. T. Southwestern Medical Center - Dallas: Request for Permission for Individual to Serve on the Governing Board of the Texas School for the Deaf, Austin, Texas [Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)].--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Wildenthal that approval be given for Kenneth Z. Altshuler, M.D., Chairman of the Department of Psychology at the U. T. Southwestern Medical Center - Dallas, to serve on the Governing Board of the Texas School for the Deaf, Austin, Texas, for a term to expire January 31, 1993.

It is further recommended that the U. T. Board of Regents find that: (1) the holding of this position by Dr. Altshuler is of benefit to the State of Texas and (2) there is no conflict between the position this individual holds at the U. T. Southwestern Medical Center - Dallas and his appointment to this Board.

BACKGROUND INFORMATION

Dr. Altshuler has been invited to serve as a member of the Governing Board of the Texas School for the Deaf. The Governing Board meets approximately six times a year and is charged with the operation and supervision of the Texas School for the Deaf. Members serve for a term of six years with terms of three members expiring on January 31 of each odd-numbered year. Members of the Board serve without salary but are entitled to reimbursement for actual and necessary expenses incurred in carrying out official duties.

This recommendation 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.

3. U. T. Southwestern Medical Center - Dallas: Request for Permission for Individual to Serve as a Member of the Radiation Advisory Board [Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)].--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Wildenthal that approval be given for Vernie A. Stembridge, M.D., Chairman and Professor in the Department of Pathology at the U. T. Southwestern Medical Center - Dallas, to serve as a member of the Radiation Advisory Board for a term to expire April 16, 1993.

It is further recommended that the U. T. Board of Regents find that: (1) the holding of this position by Dr. Stembridge is of benefit to the State of Texas and (2) there is no conflict between the position this individual holds at the U. T. Southwestern Medical Center - Dallas and his appointment on this Board.

BACKGROUND INFORMATION

Dr. Stembridge has been invited to serve as a member of the Radiation Advisory Board which advises the Texas State Board of Health in matters concerning radiation. The members representing those enterprises that use radiation, radiation procedures, or devices of radioactive materials serve without salary but are entitled to reimbursement for actual and necessary expenses incurred in carrying out official duties.

This recommendation 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.

4. U. T. Southwestern Medical Center - Dallas: Proposed Appointment to The Senator Betty and Dr. Andy Andujar Chair in Pathology Effective February 11, 1988.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Wildenthal to appoint Vernie A. Stembridge, M.D., as initial holder of The Senator Betty and Dr. Andy Andujar Chair in Pathology at the U. T. Southwestern Medical Center - Dallas effective February 11, 1988. This appointment is contingent upon the redesignation of this Chair as proposed in Item 29 on Page L&I - 36.

BACKGROUND INFORMATION

Dr. Stembridge, Professor and Chairman, Department of Pathology at the U. T. Southwestern Medical Center - Dallas, has been a member of the faculty since 1959. He received the 1987 Distinguished Service Award of the American Society of Clinical Pathologists and the College of American Pathologists. He is widely recognized for his leadership and eminently qualified to receive this distinguished appointment.

5. U. T. Southwestern Medical Center - Dallas: Proposed Appointment to The Dr. Paul Peters Chair in Urology in Memory of Rumsey and Louis Strickland Effective February 11, 1988.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Wildenthal to appoint Paul C. Peters, M.D., as initial holder of The Dr. Paul Peters Chair in Urology in memory of Rumsey and Louis Strickland at the U. T. Southwestern Medical Center - Dallas effective February 11, 1988, contingent upon the establishment of the Chair as proposed in Item 34 on Page L&I - 39.

BACKGROUND INFORMATION

Dr. Peters, Professor of Surgery and Chief of Urology, has been a member of the faculty of the U. T. Southwestern Medical Center - Dallas since 1963. He has gained international recognition as an outstanding academic urologist and has authored over 60 publications. While pursuing his research, he has been able to develop one of the finest clinical and teaching services in academic medicine. His development of the first and largest renal transplant service in the State has provided an enviable model for the entire country.

6. U. T. Southwestern Medical Center - Dallas: Proposed Appointment to The Robert A. Welch Chair in Chemistry Effective February 11, 1988.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation by President Wildenthal to appoint Lila M. Gierasch, Ph.D., as initial holder of The Robert A. Welch Chair in Chemistry at the U. T. Southwestern Medical Center - Dallas effective February 11, 1988.

BACKGROUND INFORMATION

Dr. Gierasch joined the staff of the U. T. Southwestern Medical Center - Dallas in January 1988 as Professor of Pharmacology and Biochemistry.

Dr. Gierasch is one of the most insightful and productive investigators of peptide structure and its relationship to molecular function. Her background and training in physical chemistry and her mastery of nuclear magnetic resonance analytical methods and automated peptide sequencing and synthesis enable her to employ the newest technologies in her research on molecules of biological and medical significance. She will bring major new strength to the structural biology effort, an initiative begun with the Hughes Institute's investment in x-ray crystallography at the U. T. Southwestern Medical Center - Dallas.

7. U. T. Medical Branch - Galveston: Proposed Appointment to the Annie Laurie Howard Distinguished Professorship in Burn Surgery Effective February 11, 1988.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President James to appoint David N. Herndon, M.D., Professor in the Department of Surgery at the U. T. Medical Branch - Galveston, as initial holder of the Annie Laurie Howard Distinguished Professorship in Burn Surgery effective February 11, 1988.

BACKGROUND INFORMATION

Dr. Herndon has been a member of the U. T. Medical Branch - Galveston faculty since 1981 when he was appointed Chief of Staff at the Shriners Burns Institute. He is internationally recognized for his outstanding leadership in the treatment of burns and related research.

The Annie Laurie Howard Distinguished Professorship in Burn Surgery was established by the U. T. Board of Regents at its October 1987 meeting.

8. U. T. Health Science Center - Houston: Proposed Appointment to the James W. Rockwell Professorship in Public Health (Preventive Medicine and Epidemiology) Effective February 11, 1988.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation by Interim President Ribble to appoint Darwin R. Labarthe, M.D., Professor, Department of Epidemiology, to the James W. Rockwell Professorship in Public Health (Preventive Medicine and Epidemiology) at the U. T. Health Science Center - Houston effective February 11, 1988.

BACKGROUND INFORMATION

The James W. Rockwell Professorship in Public Health (Preventive Medicine and Epidemiology) was established at the November 1977 U. T. Board of Regents' meeting and has been vacant since the death of Dr. Reuel A. Stallones, the only holder of the Professorship.

Dr. Labarthe has been a member of the faculty of the U. T. Public Health School - Houston since 1977. He also holds an appointment as Adjunct Professor of Medicine and Director of the Design and Analysis Unit of the Department of Medicine at Baylor College of Medicine, Houston, Texas. He earned his A.B. degree at Princeton University, Princeton, New Jersey, in 1961 and his M.D. degree at Columbia University's College of Physicians and Surgeons, New York, New York, in 1965. He took his M.P.H. and Ph.D. degrees at the University of California's School of Public Health in 1967 and 1974 respectively.

Dr. Labarthe is certified by the National Board of Medical Examiners and is a Diplomate of the American Board of Preventive Medicine. The recipient of numerous honors and awards, he serves as a consultant to many academic, governmental, and professional organizations, and is active in a number of speciality societies such as the American Heart Association, American Public Health Association, and the Society of Epidemiological Research. He is the author or co-author of nearly 100 scientific publications.

9. U. T. Health Center - Tyler: Development Board - Proposed Nominees Thereto (NO PUBLICITY UNTIL ACCEPTANCES ARE RECEIVED).--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of Director Hurst for approval of the nominations of Mr. Frank M. Burke, Jr., Managing Partner, Burke-Mayborn Co., LTD., Dallas, Texas, for a three-year term ending in 1990; Mrs. Jack B. (Rose) Strong, Civic Leader, Longview, Texas, for a two-year term ending in 1989; and Mr. Jack L. Phillips, Independent Oil Producer, Gladewater, Texas, for a one-year term ending in 1988, to the U. T. Health Center - Tyler Development Board.

BACKGROUND INFORMATION

This development board was established and initial nominees were approved at the February 1982 U. T. Board of Regents' meeting. The nominations of Mr. Burke, Mrs. Strong and Mr. Phillips are to unfilled vacancies.

In accordance with usual procedures, no publicity will be given to these nominations until acceptances are received and reported for the record at a subsequent meeting of the U. T. Board of Regents.

10. U. T. Health Center - Tyler: Proposed Establishment of the Director's Associates for Private Fund Development Purposes.--

RECOMMENDATION

The Office of the Chancellor concurs with Director Hurst's recommendation for approval to establish the Director's Associates of The University of Texas Health Center at Tyler to recognize and show appreciation to those who have participated in the private fund development programs of the U. T. Health Center - Tyler.

The plan is set forth below in its entirety.

Director's Associates of The University of Texas Health Center at Tyler

- I. Name: Director's Associates
- II. Purposes:
- a. To encourage annual contributions to the U. T. Health Center - Tyler with special emphasis upon the development of new, unrestricted gifts
 - b. To recognize and show appreciation to those who demonstrate their loyalty and devotion to the U. T. Health Center - Tyler through their membership
 - c. To create an organization whose members will be active in promoting the welfare of the U. T. Health Center - Tyler.
- III. Qualifications for Membership:
- a. Memberships are renewable each year through an annual gift to the U. T. Health Center - Tyler of \$500 or more
 - b. Membership may be held by an individual, jointly by husband and wife, or by a corporation, organization or foundation (an individual will be selected as a representative)

- c. A corporation gift matching an individual's gift will count toward qualifying the individual for membership
- d. The matching gift does not qualify a corporation for membership
- e. Specified prepayments (i.e., \$1,000 for two years or \$5,000 for ten years) will be accepted only if donor specifies the gift as "prepayments"
- f. Gifts made prior to the beginning of the program will not qualify the donor for membership.

BACKGROUND INFORMATION

In summary, the Director's Associates program requires an annual contribution of \$500 for membership. The funds received through the program are unrestricted for the use of the Director of the U. T. Health Center - Tyler.

Buildings and Grounds Committee

BUILDINGS AND GROUNDS COMMITTEE
Committee Chairman Hay

Date: February 11, 1988
Time: Following the meeting of the Health Affairs Committee
Place: John Peace Library Building, Room 4.03.12
U. T. San Antonio

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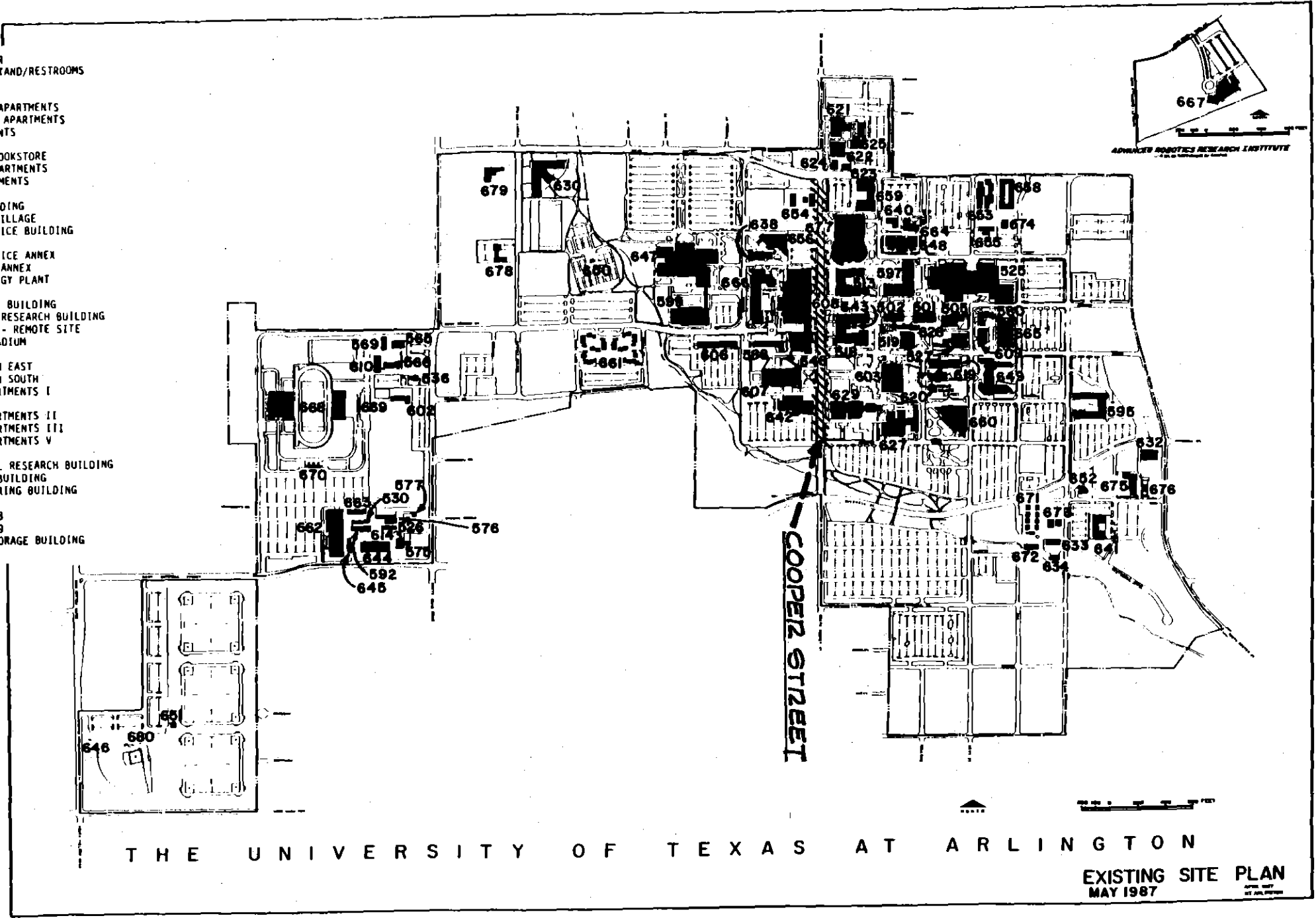
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THE UNIVERSITY OF TEXAS AT ARLINGTON

EXISTING SITE PLAN
MAY 1987

1. U. T. Arlington - Partial Depression of Cooper Street (Project No. 301-592): Request for Authorization to Increase Total Project Cost; Approval of Final Plans; Authorization for Entering Into an Agreement with the Texas Department of Highways and Public Transportation; and Additional Appropriation Therefor.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Nedderman that the U. T. Board of Regents:

- a. Authorize an increase in the estimated total project cost for the Partial Depression of Cooper Street at U. T. Arlington from \$6,157,830 to \$6,425,691
- b. Approve final plans and specifications for the construction of the Partial Depression of Cooper Street at U. T. Arlington
- c. Authorize the Office of the Chancellor to enter into an agreement with the Texas Department of Highways and Public Transportation for the construction and management of the project
- d. Appropriate from Permanent University Fund Bond Proceeds \$2,300,000 (Unappropriated Balance in the Capital Improvement Program for this project) and \$558,859 from Ad Valorem tax fund balances for total funding of U. T. Arlington's portion of this estimated total project cost. Previous appropriations have been \$300,000 from Permanent University Fund Bond Proceeds and \$75,000 from Unappropriated Plant Funds - Interest on Local Funds. The balance of the total project cost will be provided by the Texas Department of Highways and Public Transportation and the City of Arlington.

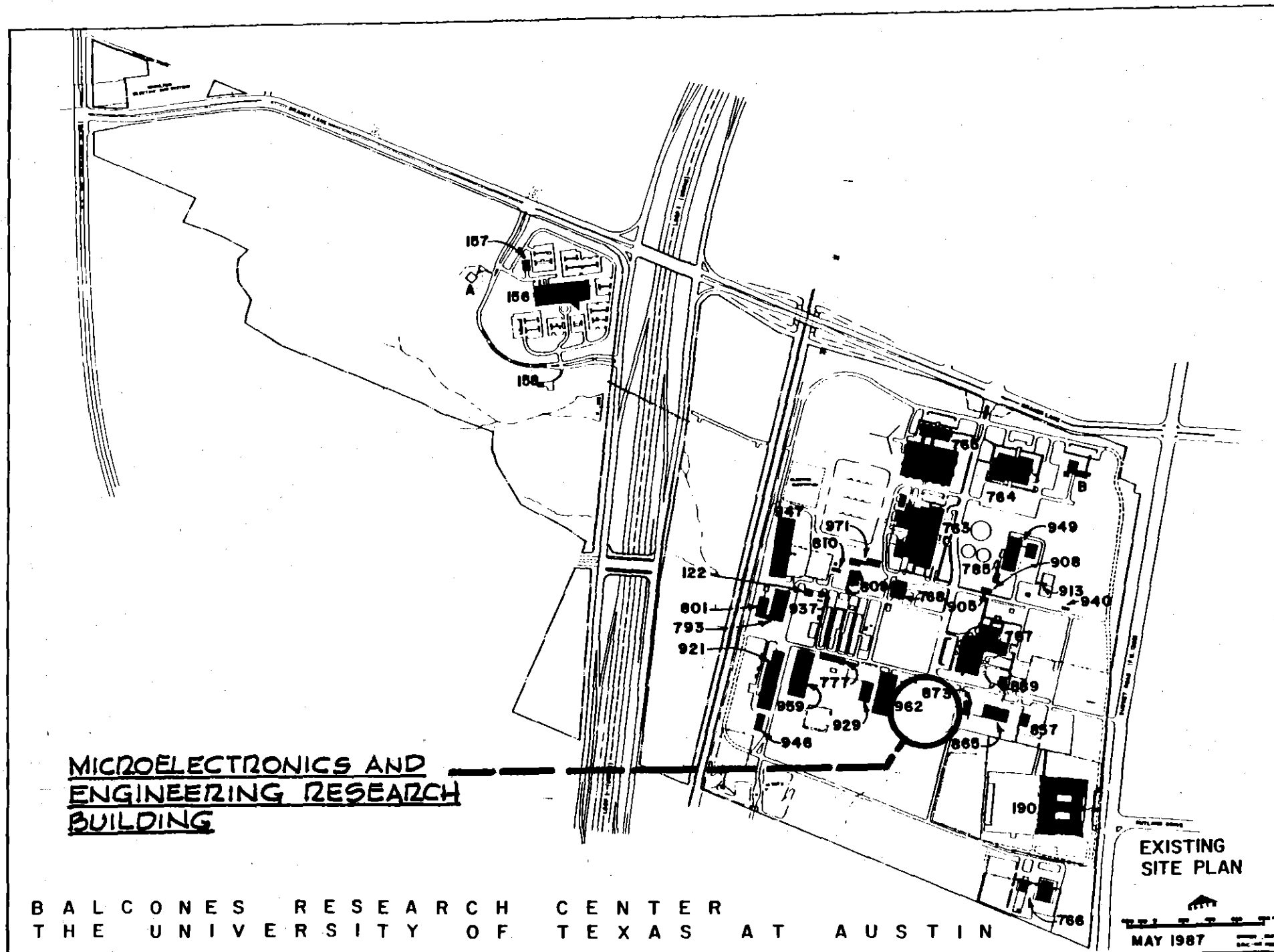
This item requires the concurrence of the Finance and Audit Committee.

BACKGROUND INFORMATION

In accordance with authorization of the U. T. Board of Regents at its June 1986 meeting, final plans and specifications for the construction of the Partial Depression of Cooper Street at U. T. Arlington have been prepared by the Project Engineer, Carter and Burgess, Inc., Fort Worth, Texas.

The project includes the widening of Cooper Street to six lanes through the campus, the partial depression of the street through the central portion of the campus, and the construction of three elevated pedestrian bridges.

Prior to initiating a project analysis in June 1985, the rough estimate of the project cost was \$4,600,000 with \$2,600,000 to be funded from Permanent University Fund Bond Proceeds and \$2,000,000 to be funded by the City of Arlington and the Texas



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MICROELECTRONICS AND ENGINEERING RESEARCH BUILDING

EXISTING SITE PLAN

BALCONES RESEARCH CENTER
THE UNIVERSITY OF TEXAS AT AUSTIN

MAY 1987

Department of Highways and Public Transportation. The initial estimated U. T. Arlington contribution (\$2,600,000) was approved as part of the Capital Improvement Program in October 1985. Upon completion of the project analysis and preliminary plans in June 1986, the Board of Regents of the U. T. System approved an estimated total project cost of \$6,157,830. The latest estimate and projected funding is:

Permanent University Fund Bond Proceeds	\$2,600,000
Plant Funds (for project analysis)	75,000
Ad Valorem Balances	558,859
City and Highway Department	<u>3,191,832</u>
Total	\$6,425,691

The increase in the estimated project cost is primarily due to the need to provide elevators in the project to serve the handicapped and to increased requirements for the asphaltic base. The increased cost for the asphaltic base will be borne by the Texas Department of Highways and Public Transportation and the cost of the elevators is included in U. T. Arlington's portion (\$3,233,859) of the estimated total project cost of \$6,425,691.

Certain legal issues prevent the Texas Department of Highways and Public Transportation from granting authority for the construction of this project to another agency. This issue has been discussed by the U. T. System Office of General Counsel and the General Counsel of the Texas Department of Highways and Public Transportation as well as representatives from the Attorney General's Office; thus, the decision for the Texas Department of Highways and Public Transportation to manage the bidding, award of a construction contract, and supervision of the construction related to the road work. The Office of Facilities Planning and Construction will supervise the general construction work.

Upon approval by the U. T. Board of Regents, the final plans and specifications will be provided to the Texas Department of Highways and Public Transportation for approval and ultimate bidding of the project, which possibly will take place in August 1988.

2. U. T. Austin - Balcones Research Center - Microelectronics and Engineering Research Building (Project No. 102-660): Presentation of Preliminary Plans; Authorization to Prepare Final Plans; and Additional Appropriation Therefor.--

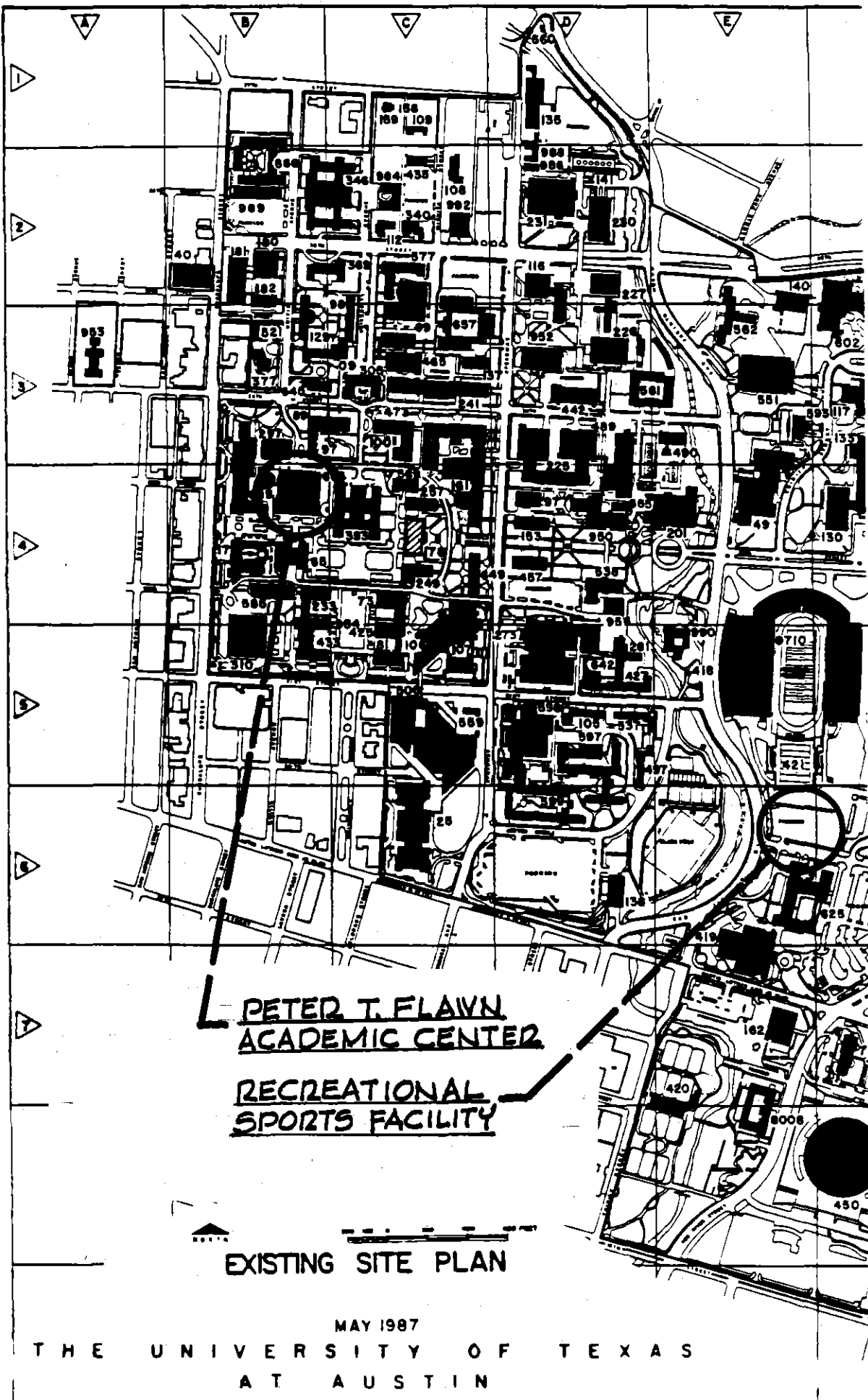
RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Cunningham that the U. T. Board of Regents:

- a. Approve preliminary plans for the construction of the Microelectronics and Engineering Research Building at the Balcones Research Center at U. T. Austin at an estimated total project cost of \$20,000,000
- b. Authorize the Project Architect to prepare final plans and specifications to be presented to the U. T. Board of Regents for consideration at a future meeting

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- 569 DOROTHY BEAUMER STUDENT SERVICES BUILDING
- 577 STUDENT HEALTH CENTER
- 585 SUTTON HALL
- 593 TEXAS MEMORIAL MUSEUM
- 597 LONGHORN DINING FACILITY
- 598 BEAUFORD H. JESTER CENTER
- 599 JESTER DORMITORY
- 601 TOMES HALL
- 602 JESSE H. JONES HALL
- 605 PETER T. FLAVN ACADEMIC CENTER
- 609 UNION BUILDING
- 625 EDUCATION ANNEX
- 634 2201 EAST CAMPUS DRIVE
- 637 PRINTING AND PRESS BUILDING
- 642 YAMASITY CAFETERIA
- 646 GEMMOPHY BUILDING
- 649 WAGNER HALL
- 652 WEST HALL OFFICE BUILDING
- 657 AMB. HISS GYMNASIUM
- 665 LABORATORY THEATER BUILDING
- 666 WOMEN'S CO-OP BUILDINGS
- 722 ALICE HENNOTY BUILDING
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- 990 GEORGEY BUILDING
- 991 J. T. PATTERSON LABORATORIES
- 993 WOODLORDE HALL
- 954 CALHOUN HALL
- 956 R. G. T.C. RIFLE RANGE BUILDING
- 977 CENTRAL COOLING STATION NO. 2
- 984 SOCIAL WORK BUILDING
- 986 200 EAST 26 1/2 STREET
- 988 2817 SPEEDWAY
- 989 2808 WHITIS
- 990 LILA H. COTTER ALBERT HOUSE
- 992 100 EAST 26TH - (ACADEMIC) (CHILDRENS RESEARCH LAB)
- 8008 SCHOOL OF NURSING BUILDING
- 8712 MEMORIAL STADIUM
- 8822 DISCH-PALM FIELD
- 881 PHYSICAL PLANT FACILITIES



**PETER T. FLAVN
ACADEMIC CENTER**

**RECREATIONAL
SPORTS FACILITY**

EXISTING SITE PLAN

MAY 1987

THE UNIVERSITY OF TEXAS
AT AUSTIN

- c. Appropriate \$500,000 from U. T. Austin General Fee balances for fees and administrative expenses through completion of final plans. Previous appropriations have been \$485,000 from the same source.

This item requires the concurrence of the Academic Affairs and Finance and Audit Committees.

BACKGROUND INFORMATION

In accordance with authorization of the U. T. Board of Regents in April 1987, preliminary plans and a detailed cost estimate for the construction of the Microelectronics and Engineering Research Building at the Balcones Research Center at U. T. Austin have been prepared by the Project Architect, Graeber, Simmons & Cowan, Austin, Texas (in consultation with Anderson DeBartolo Pan, Inc., Tucson, Arizona).

This proposed two-level building will provide approximately 134,000 gross square feet of research facilities for the College of Engineering. It will include office, laboratory, and support spaces for the interdisciplinary fields of microelectronics, materials, and manufacturing technology. The project will also include service yards, driveways, parking areas, and the extension of underground utilities to the building site. The estimated construction cost is \$16,150,000 resulting in a unit cost of \$120.52 per gross square foot. The estimated total project cost is \$20,000,000, not including departmental equipment.

This project is within the scope of the Capital Improvement Program approved by the U. T. Board of Regents in January 1987, to be funded with \$10,000,000 from Permanent University Fund Bond Proceeds and \$10,000,000 from U. T. Austin General Fee Balances. Approximately \$17,800,000 will be needed in addition for departmental equipment to make this facility a workable first-class research entity.

3. U. T. Austin - Peter T. Flawn Academic Center: Request for Project Authorization for an Energy Conservation Project; Appointment of Project Engineer to Prepare Final Plans; Submission to Coordinating Board; Authorization to Advertise for Bids and Award Construction Contract by U. T. Austin Administration; and Appropriation Therefor.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Cunningham that the U. T. Board of Regents:

- a. Authorize a project for energy conservation construction in the Peter T. Flawn Academic Center at U. T. Austin at an estimated total project cost of \$414,212
- b. Appoint the firm of Energy Engineering Associates, Inc., Austin, Texas, as Project Engineer to prepare final plans and specifications

- c. Authorize submission of the project to the Texas Higher Education Coordinating Board
- d. Subject to approval by the Coordinating Board, authorize advertisement for bids, award of a construction contract and completion of the project by U. T. Austin Administration with its own forces or through contract services, as required, in consultation with the Office of Facilities Planning and Construction
- e. Appropriate \$175,736 from a U. S. Department of Energy Grant and \$238,476 from the U. T. Austin Power Plant operating budget for total project funding.

BACKGROUND INFORMATION

This proposed project is for conversion of the existing heating, ventilation and air conditioning system in the Peter T. Flawn Academic Center at U. T. Austin to a more economical and energy efficient variable air volume system and for installation of two-way chilled water valves and controls.

The technical report used by U. T. Austin to prepare and submit the application for the U. S. Department of Energy Grant was prepared by Energy Engineering Associates, Inc., Austin, Texas. Consequently, they are already familiar with the work to be done and the design requirements. U. T. Austin Administration has reviewed the firm's qualifications, in consultation with the Office of Facilities Planning and Construction, and recommends the appointment of Energy Engineering Associates, Inc., Austin, Texas, as Project Engineer.

- 4. U. T. Austin - Recreational Sports Facilities - Phase I (Project No. 102-596): Request for Approval of Final Plans; Authorization to Advertise for Bids and Executive Committee to Award Contracts; and Additional Appropriation Therefor.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Cunningham that the U. T. Board of Regents:

- a. Approve final plans and specifications for the construction of the Recreational Sports Facilities - Phase I at U. T. Austin at an estimated total project cost of \$12,460,000 (not including cost of Project Analysis)
- b. Authorize the Office of Facilities Planning and Construction to advertise for bids upon completion of final review
- c. Authorize the Executive Committee to award all contracts associated with this project within the authorized total project cost

- d. Appropriate \$12,460,000 from U. T. Austin General Revenue Subordinate Lien Notes for total project funding. Previous appropriations have been \$530,000 from Auxiliary Enterprise Balances which will be refunded when funds from the General Revenue Subordinate Lien Notes become available. See Item 2 on Page B of R - 9.

BACKGROUND INFORMATION

In accordance with authorization of the U. T. Board of Regents in August 1987, final plans and specifications for the construction of the Recreational Sports Facilities - Phase I at U. T. Austin have been prepared by the Project Architect, F & S Partners, Inc., Dallas, Texas.

This two-level, 120,000 gross square foot facility will provide recreational sports facilities such as basketball, handball, free and stationary weights, and aerobics for the needs of the students at U. T. Austin and facilities for Intercollegiate Women's Volleyball games. The estimated construction cost is \$10,410,000 resulting in a unit cost of \$86.75 per gross square foot. The estimated total project cost is \$12,460,000.

To equip the facility for Intercollegiate Women's Volleyball games, it was necessary to add locker rooms and related areas, additional lighting for one volleyball court, ticket and concession areas, and additional emergency exits. The total estimated cost of these additional facilities is \$305,000. In order not to increase the total project cost, funds will be transferred from the existing Institutional Furniture and Equipment budget for the project. These funds will be replaced from Intercollegiate Athletic sources at a later date.

5. U. T. Austin: Report of the Purchase of Land and Improvements Located in Austin, Travis County, Texas, from Villa Capri Partners, Ltd., Austin, Texas.--

REPORT

The Office of the Chancellor reports the purchase of land and improvements known as the Villa Capri Motor Hotel located in Austin, Travis County, Texas, from Villa Capri Partners, Ltd., Austin, Texas, for \$6,000,000. The property consists of approximately 6.57 acres being four tracts of land out of the Christian and Fellman Addition to the City of Austin, being a subdivision of Outlots 1, 2, 3, 24, 25 and 26, Division C of the Government Outlots adjoining the original City of Austin, Travis County, Texas.

BACKGROUND INFORMATION

The U. T. Board of Regents authorized the Office of Asset Management to purchase the property at its October 1987 meeting.

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- 00AS FINE ARTS BUILDING
- 00BE LLOYD V BERKNER HALL

- 00CA CALLIER CENTER BUILDING A
- 00CB CALLIER CENTER BUILDING B
- 00CC CALLIER CENTER BUILDING C

- 00CD CALLIER CENTER BUILDING D
- 00CE CALLIER CENTER BUILDING E
- 00CF CALLIER CENTER BUILDING F

- 00CG CALLIER CENTER BUILDING G
- 00CH CALLIER CENTER BUILDING H
- 00CN CONFERENCE CENTER

- 00EP THERMAL ENERGY PLANT
- 00FA FOUNDERS ANNEX
- 00FN FOUNDERS NORTH BUILDING

- 00FO FOUNDERS BUILDING
- 00GH GREENHOUSE
- 00GR CECIL H. GREEN ACADEMIC CENTER

- 00JO J. ERIK JONSSON ACADEMIC CENTER
- 00LF KARL HOBLITZELLE BUILDING
- 00MC EUGENE MCDERMOTT LIBRARY

- 00NB NORTH OFFICE BUILDING

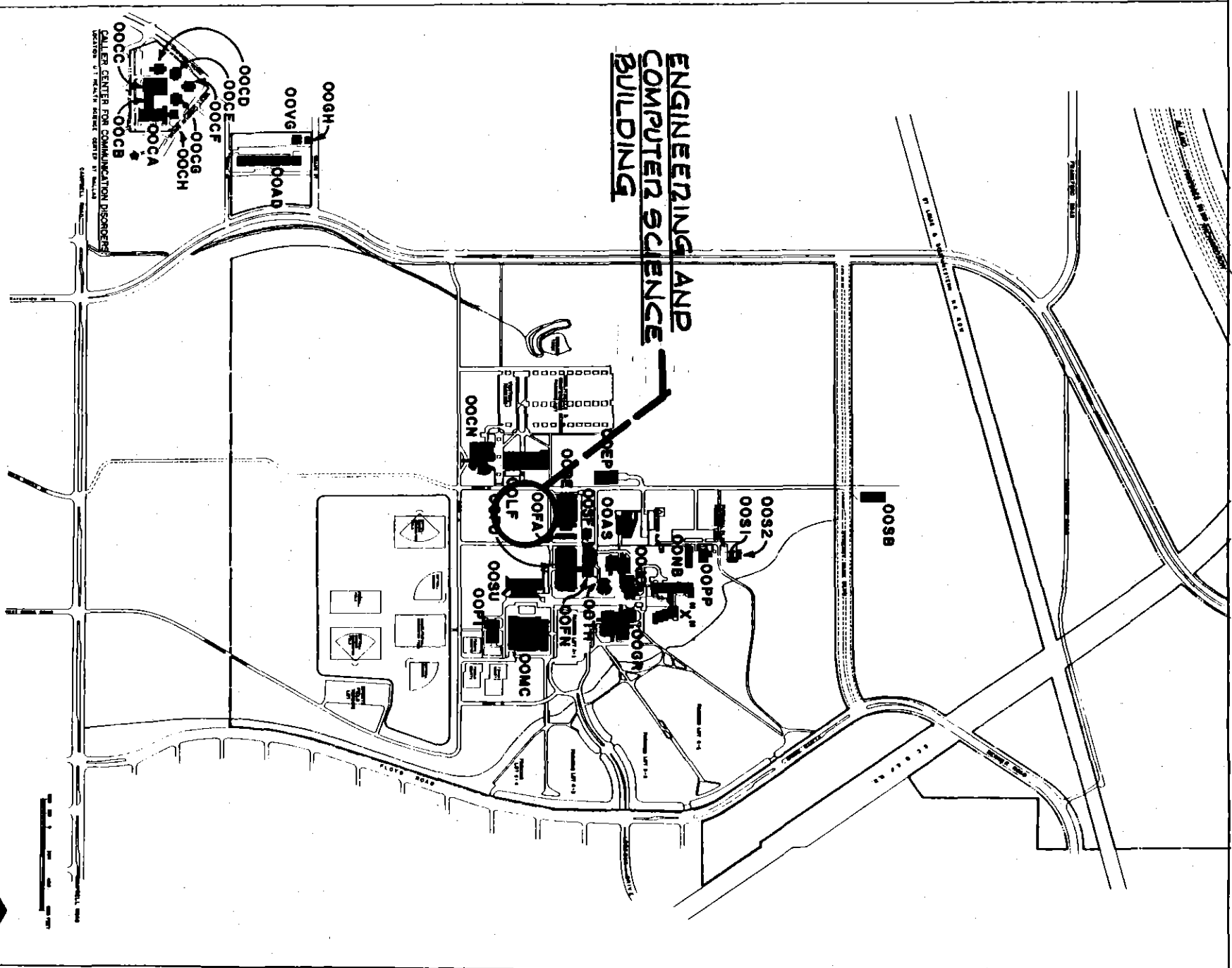
- 00PI PHYSICAL INSTRUCTIONS BUILDING
- 00PP PHYSICAL PLANT BUILDING
- 00SI STORAGE BUILDING 35

- 00S2 STORAGE BUILDING 37
- 00SB SERVICE BUILDING
- 00SF FOUNDERS SHOP BUILDING

- 00SU STUDENT UNION
- 00TH UNIVERSITY THEATRE
- 00UA UNIVERSITY APARTMENTS

- 00UR UNIVERSITY RESIDENCE
- 00VG VEHICLE & GROUNDS MAINTENANCE SHOP

- "X" MULTIPURPOSE & ENGINEERING START-UP FACILITY



THE UNIVERSITY OF TEXAS
AT DALLAS

EXISTING SITE PLAN
MAY 1987

6. U. T. Dallas - Engineering and Computer Science Building (Project No. 302-570): Request for Approval of Final Plans; Authorization to Advertise for Bids and for Executive Committee to Award Contracts, and Additional Appropriation Therefor.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Rutford that the U. T. Board of Regents:

- a. Approve final plans and specifications for the construction of the Engineering and Computer Science Building at U. T. Dallas at an estimated total project cost of \$20,000,000 (excluding scientific and engineering equipment)
- b. Subject to approval of the project as may be required by the Texas Higher Education Coordinating Board, authorize the Office of Facilities Planning and Construction to advertise for bids upon completion of final review
- c. Authorize the Executive Committee to award all contracts associated with this project within the authorized total project cost
- d. Appropriate \$16,765,000 from Permanent University Fund Bond Proceeds and \$2,200,000 from private gifts and U. T. Dallas endowment funds for total project funding. Previous appropriations have been \$735,000 from Permanent University Fund Bond Proceeds and \$300,000 from private gifts and U. T. Dallas endowment income.

BACKGROUND INFORMATION

In accordance with authorization of the U. T. Board of Regents in April 1987, final plans and specifications for the construction of the Engineering and Computer Science Building at U. T. Dallas have been prepared by the Project Architect, Omniplan Architects, Inc., Dallas, Texas.

This new 150,000 gross square foot facility will provide permanent teaching and research laboratories, classrooms, faculty offices, and support facilities for the School of Engineering and Computer Science at U. T. Dallas. The estimated construction cost is \$16,320,000, resulting in an average unit cost of \$108.80 per gross square foot. The estimated total project cost, excluding scientific and engineering equipment, is \$20,000,000. The estimated total project cost includes the advance purchase and installation of a new 525-ton chiller in the central energy plant at U. T. Dallas to serve this new facility. This advance purchase was authorized by the U. T. Board of Regents in December 1987.

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

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0501 CERAMICS LABORATORY
0514 SERVICE BUILDING

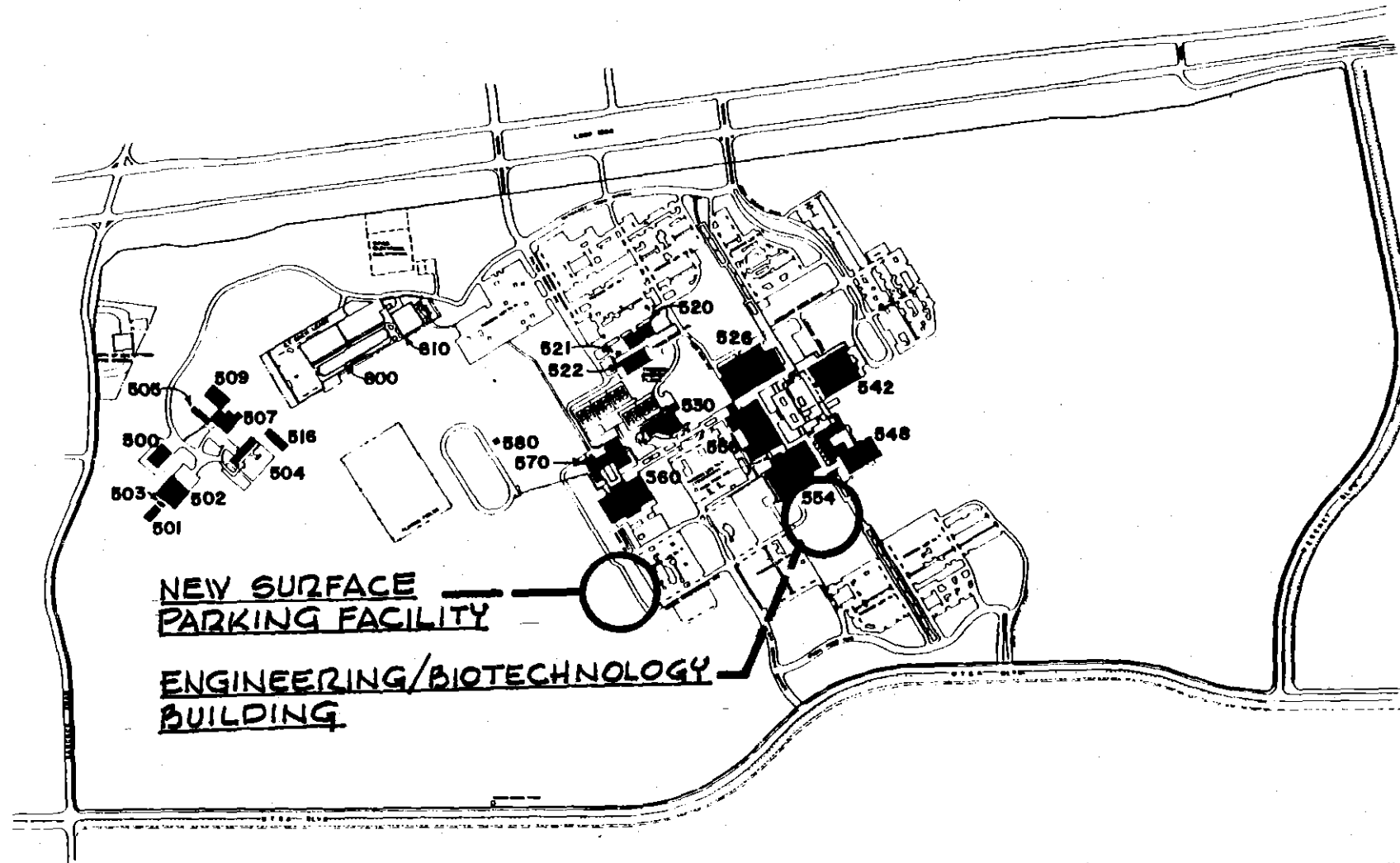
0515 FOUNDERS BUILDING
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THE UNIVERSITY OF TEXAS AT SAN ANTONIO

EXISTING SITE PLAN
MAY 1987

7. U. T. San Antonio - Engineering/Biotechnology Building (Project No. 401-616): Presentation of Preliminary Plans for Phases I and II; Submission of Phase I to Coordinating Board; Authorization to Complete Final Plans for Phase I Building and Site Development; and Additional Appropriation Therefor.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Wagener that the U. T. Board of Regents:

- a. Approve preliminary plans for construction of Phase I of the Engineering/Biotechnology Building at U. T. San Antonio at an estimated total project cost of \$12,900,000 and receive for information preliminary plans for Phase II. (Phase I and Phase II combined total project cost estimated at \$27,900,000.)
- b. Authorize submission of the Phase I project to the Texas Higher Education Coordinating Board
- c. Authorize the Project Architect to complete final plans and specifications for the Phase I building and related site development to be presented to the U. T. Board of Regents for consideration at a future meeting
- d. Appropriate \$380,000 from Permanent University Fund Bond Proceeds for fees and administrative expenses through completion of final plans for Phase I. Previous appropriations have been \$150,000 from U. T. San Antonio Local Funds and \$50,000 from Permanent University Fund Bond Proceeds.

This item requires the concurrence of the Academic Affairs and Finance and Audit Committees.

BACKGROUND INFORMATION

In accordance with authorization of the U. T. Board of Regents in June 1986, preliminary plans and a detailed cost estimate for the construction of the Engineering/Biotechnology Building at U. T. San Antonio have been prepared by the Project Architect, JonesKell Architects, San Antonio, Texas.

In January 1987, within the Capital Improvement Program, the U. T. Board of Regents approved funding only for a first phase of this project. Consequently, the Project Architect has designed the project to be constructed in two phases.

The Phase I project involves a proposed three-level building of approximately 70,800 gross square feet for primary use by the Division of Engineering. It will provide general lecture and classrooms, instructional laboratories, seminar and conference rooms, faculty and divisional offices, and support spaces. Extension of central campus utilities to the building site and related campus development site improvements including service and access roadways are included in the Phase I project. The estimated construction cost is \$7,287,000, resulting in an average unit cost of \$102.92 per gross square foot. The estimated

total project cost for the Phase I building and related site development work is \$12,900,000.

The future Phase II project involves a proposed three-level building of approximately 58,000 gross square feet for primary use by the Division of Life Sciences and the Division of Earth and Physical Sciences. It will provide general purpose lecture and classrooms, instructional laboratories, animal holding facilities, faculty offices, exhibition and study areas, and support spaces. The estimated construction cost is \$5,902,000, resulting in an average unit cost of \$101.76 per gross square foot.

The Phase II project will also include remodeling of approximately 23,500 net assignable square feet of existing, randomly located spaces in the Science and Multidisciplinary Studies Buildings. These spaces will be remodeled following relocation of present functions to the new Phase I and Phase II buildings. The estimated construction cost for the remodeling is \$840,000. The estimated total project cost for the Phase II project is \$15,000,000.

U. T. San Antonio started its engineering programs in the Fall of 1982 and now has an engineering enrollment of over 800 students. There are no facilities on the campus designed specifically for engineering teaching or research.

With a Fall 1987 headcount enrollment of 12,879 students, U. T. San Antonio is now one of the most crowded institutions in the State. The University has approximately 65 assignable square feet of educational and general space per student compared to a Coordinating Board standard of 100 square feet per student. With no further enrollment increases, completion of Phase I of this building will result in approximately 70 square feet per student. With the enrollment projected by the Coordinating Board for year 2000, the completion of this Phase I building will yield 60 square feet per student or over 350,000 square feet less than the Coordinating Board standard. It is important to note that the Coordinating Board projections have traditionally underestimated U. T. San Antonio's enrollment.

The Phase I project is within the scope of the Capital Improvement Program approved by the U. T. Board of Regents in January 1987.

8. U. T. San Antonio - New Surface Parking Facility: Request for Project Authorization; Submission to Coordinating Board; Completion of Final Plans; Authorization to Advertise for Bids and Executive Committee to Award Contract; and Appropriation Therefor.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Wagener that the U. T. Board of Regents:

- a. Authorize a project for the construction of a new surface parking facility at U. T. San Antonio at an estimated total project cost of \$600,000
- b. Authorize submission of the project to the Texas Higher Education Coordinating Board

- c. Authorize completion of final plans and specifications by U. T. San Antonio Administration with its own forces or through contract services as required, in consultation with the Office of Facilities Planning and Construction
- d. Subject to Coordinating Board approval and final review of bidding documents, authorize the Office of Facilities Planning and Construction to advertise for bids
- e. Authorize the Executive Committee to award a construction contract within the authorized total project cost
- f. Appropriate \$600,000 from The University of Texas System General Revenue Subordinate Lien Notes for total project funding.

This item requires the concurrence of the Academic Affairs and Finance and Audit Committees.

BACKGROUND INFORMATION

During the past fall semester, U. T. San Antonio experienced serious parking problems. U. T. San Antonio currently has 5,001 parking spaces available for students, faculty and staff and more than 14,000 parking permits have been purchased for this school year.

Students were required to park on unimproved dirt or grassy areas, and there have been many letters and telephone calls complaining about the lack of parking spaces available for students who purchased parking permits. A shuttle service to remote parking lots helped alleviate the problem, but more spaces are needed.

Preliminary analysis of the proposed project indicates that construction of an additional parking lot containing 595 spaces should solve the parking problems for at least three (3) years, assuming 2-3% enrollment increases each year. The estimated total project cost for completion of additional surface parking facilities for 595 cars, including necessary drainage, paving, curbing and lighting, is \$600,000.

- 9. U. T. Southwestern Medical Center - Dallas - Magnetic Resonance Imaging Center (Project No. 303-674): Recommendation to Waive the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.1 (Naming of Buildings and Other Facilities) and to Name the Magnetic Resonance Imaging Center.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Wildenthal for an exception to the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.1, which requires that persons in whose honor a building is to be named "shall have been deceased at least five years," and to name

the new Magnetic Resonance Imaging Center at the U. T. Southwestern Medical Center - Dallas as "The Mary Nell and Ralph B. Rogers Magnetic Resonance Center."

BACKGROUND INFORMATION

In October 1987, the U. T. Board of Regents authorized a project for construction of a new Magnetic Resonance Imaging Center at the U. T. Southwestern Medical Center - Dallas. This will be the first building to be constructed on the site recently acquired from the John D. and Catherine T. MacArthur Foundation.

Mr. and Mrs. Ralph Rogers have contributed immeasurably to U. T. Southwestern Medical Center - Dallas for many years. Their major focus in recent years has been in the field of magnetic resonance. Beginning in 1981, Mr. Rogers undertook to generate support to establish a magnetic resonance center. In addition to the Rogers family's generous financial contribution, Mr. Rogers raised over \$3,000,000 from local philanthropic sources to purchase state-of-the-art magnetic resonance equipment. He also negotiated successfully a large, favorable industrial research contract on behalf of the U. T. Southwestern Medical Center - Dallas.

Largely through his efforts, support, and guidance, one of the nation's leading magnetic resonance programs was built and as a result the U. T. Southwestern Medical Center - Dallas was chosen by the National Institutes of Health as one of the nine American institutions to serve as a federally funded "Magnetic Resonance Regional Center." It would be highly appropriate to recognize the many contributions of Mr. and Mrs. Rogers by naming the new magnetic resonance building in their honor.

10. U. T. Southwestern Medical Center - Dallas - McDermott Academic Administration Building and McDermott Plaza Waterproofing (Project No. 303-639.1): Request for Authorization to Increase Project Scope and Total Project Cost; Submission to Coordinating Board; and Additional Appropriation Therefor.--

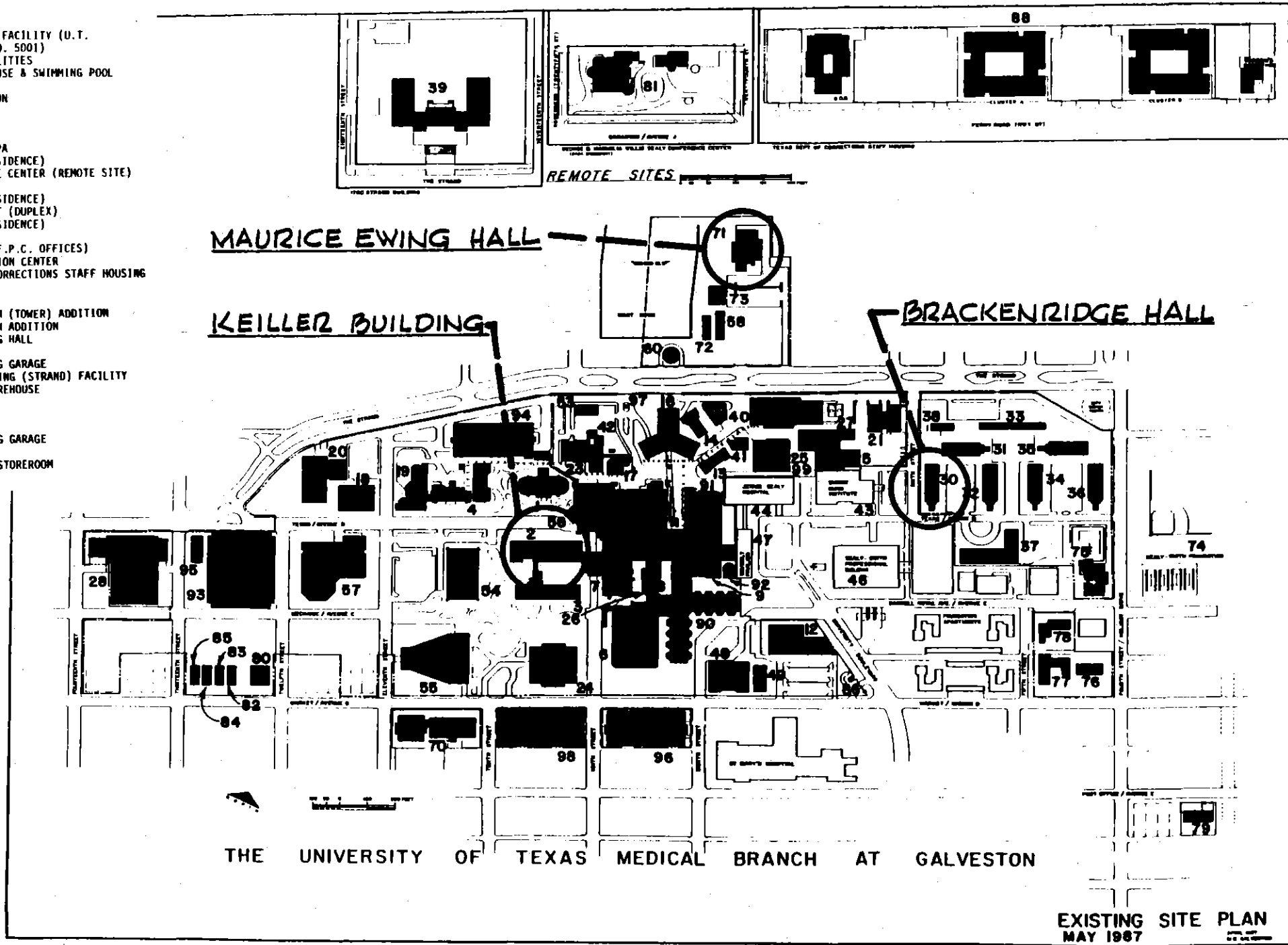
RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Wildenthal that the U. T. Board of Regents:

- a. Authorize an increase in the scope of the project for waterproofing of the McDermott Academic Administration Building and McDermott Plaza at the U. T. Southwestern Medical Center - Dallas to include removal, reconstruction and waterproofing of plaza planters and approve an increase in total project cost from \$1,550,000 to \$2,103,000
- b. Authorize submission of the increased project scope to the Texas Higher Education Coordinating Board

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| 58 | LIFE FLIGHT MAINTENANCE BLDG. | | |
| 60 | HELIPORT | | |
| 70 | PHARMACOLOGY BUILDING | | |
| 71 | MAURICE EWING HALL (U.T. AUSTIN BLDG. NO. 9010) | | |
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THE UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON

EXISTING SITE PLAN
MAY 1987

- c. Appropriate \$50,000 from gift funds previously received from the McDermott Foundation and \$503,000 from institutional interest income funds for total project funding. Previous appropriations have been \$775,000 from Permanent University Fund Bond Proceeds as part of the Capital Improvement Program Repair and Rehabilitation Projects in June 1986, and \$775,000 from institutional interest income funds.

This item requires the concurrence of the Finance and Audit Committee.

BACKGROUND INFORMATION

In December 1986, the U. T. Board of Regents approved renovation and repair work to provide much-needed waterproofing of the McDermott Academic Administration Building and McDermott Plaza at the U. T. Southwestern Medical Center - Dallas. The total approved project cost was \$1,550,000 (\$775,000 from Permanent University Fund Bond Proceeds and \$775,000 from institutional interest income funds). The Coordinating Board subsequently approved the project, and preliminary site preparation work began in Autumn 1987. In the course of the preliminary work, it has become apparent that the problem is more widespread than had been anticipated. Specifically, it will be necessary to waterproof under the Plaza planters as well as under the general pavements. This will entail removal of the planters and their subsequent reconstruction. The extra expense associated with the necessary work will bring the total project cost to \$2,103,000.

The previously authorized project scope was approved by the Coordinating Board in January 1987.

11. U. T. Medical Branch - Galveston - Renovation of Brackenridge Hall: Request for Project Authorization and Appointment of Project Architect to Prepare Preliminary Plans.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President James that the U. T. Board of Regents:

- a. Authorize a project for the renovation of Brackenridge Hall for the Department of Internal Medicine at the U. T. Medical Branch - Galveston at an estimated total project cost of \$2,500,000
- b. Appoint a Project Architect from the list set forth on Page B&G - 14 to prepare preliminary plans and a detailed cost estimate to be presented to the U. T. Board of Regents for consideration at a future meeting
- c. Appropriate \$2,500,000 from Educational and General Funds.

This item requires the concurrence of the Health Affairs and Finance and Audit Committees.

BACKGROUND INFORMATION

This proposed project consists of remodeling the first and second floors of Brackenridge Hall (approximately 14,500 gross square feet). This newly created research space will be used to consolidate investigators from the Division of Cardiology within the Internal Medicine Department with a common programmatic theme. This will have the advantage of creating an environment which will foster collaboration and the sharing of resources. To facilitate this type of collaboration, the building will be designed with relatively few but large laboratories and will contain office areas for the investigators and support personnel.

Funds for this project were transferred by the U. T. Board of Regents in December 1984 from Unappropriated Educational and General Funds Balance.

List of Firms for Consideration

<u>Project Architect</u>	<u>Representative Projects</u>
Hightower-Alexander, Inc. Bellaire, Texas	St. Joseph Hospital, Houston St. Mary's Hospital, Galveston Dresser Industries, Houston UTMB-Galveston: Maurice Ewing Hall
The White Budd VanNess Partnership, Houston, Beaumont, Austin, Texas	U. T. Austin: Pharmacy Bldg. Texas Tech: Chemistry Bldg. Texas A&M: Biological Sciences Building Univ. of Houston: Business Administration Building
Watkins Carter Hamilton Bellaire, Texas	Baylor College of Medicine: Biotechnical Research Center The Woodlands, Texas Institute of Immunological Disorders, Houston, Texas Orange Memorial Hospital, Orange Texas

12. U. T. Medical Branch - Galveston - Maurice Ewing Hall - Renovation (Project No. 601-673): Presentation of Preliminary Plans; Submission to Coordinating Board; Authorization for Preparation of Final Plans, to Advertise for Bids and for Executive Committee to Award Contracts; and Additional Appropriation Therefor.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President James that the U. T. Board of Regents:

- a. Approve preliminary plans for the renovation of Maurice Ewing Hall at the U. T. Medical Branch - Galveston at an estimated total project cost of \$4,767,000

- b. Authorize submission of the project to the Texas Higher Education Coordinating Board
- c. Subject to approval of the Coordinating Board, authorize the Project Architect to prepare final plans and specifications and authorize the Office of Facilities Planning and Construction to advertise for bids upon completion of final review
- d. Authorize the Executive Committee to award all contracts associated with this project within the authorized total project cost
- e. Appropriate \$3,717,000 from the U. T. Medical Branch - Galveston Plant Funds - Renewals and Replacements for total project funding. Previous appropriations have been \$1,050,000 from Permanent University Fund Bond Proceeds.

This item requires the concurrence of the Finance and Audit Committee.

BACKGROUND INFORMATION

In accordance with authorization of the U. T. Board of Regents in October 1987, preliminary plans and a detailed cost estimate for the renovation of Maurice Ewing Hall at the U. T. Medical Branch - Galveston have been prepared by the Project Architect, Hightower-Alexander, Bellaire, Texas.

The project involves renovation of this 49,327 gross square foot building formerly occupied by the U. T. Austin Marine Science Institute and originally designed primarily as an office building. In order to provide the proper laboratory facilities required by the U. T. Medical Branch - Galveston, the building will have to be completely renovated, and new laboratory casework, fume hoods, deionized water system, acid waste system and proper electrical wiring will be installed. Also special heating, ventilation and air conditioning systems will be required for laboratories classified as being hazardous or requiring clean room conditions. New cooling load will require 90 tons additional capacity and a new 4" chilled water supply and return installed parallel to the existing 4" system from the Central Chilling Plant across The Strand Boulevard. The construction cost for the remodeling of Maurice Ewing Hall is estimated at \$3,863,000, resulting in an average unit cost of \$78.30 per gross square foot. The estimated total project cost is \$4,767,000.

As part of the Capital Improvement Program, this project was funded from Permanent University Fund Bond Proceeds with \$750,000 in August 1986, and \$300,000 in October 1987, for repair and rehabilitation projects. The remaining \$3,717,000 is from U. T. Medical Branch - Galveston Plant Funds - Renewals and Replacements for the total project funding.

13. U. T. Medical Branch - Galveston - Keiller Building Renovation and Reroofing (Project No. 601-664): Authorize Preparation of Final Plans for Phase I - Reroofing and Advertisement for Bids by U. T. Medical Branch - Galveston Administration; Submission to Coordinating Board; and Authorization for Executive Committee to Award Reroofing Contract.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President James that the U. T. Board of Regents:

- a. Authorize the U. T. Medical Branch - Galveston Administration to prepare final plans and specifications for the first phase, replacement of roof, of the Keiller Building Renovation and Reroofing project at the U. T. Medical Branch - Galveston, in consultation with the Office of Facilities Planning and Construction, at an estimated Phase I - Reroofing project cost of \$750,000
- b. Authorize submission of the Phase I - Reroofing project to the Texas Higher Education Coordinating Board
- c. Subject to approval by the Coordinating Board, authorize the U. T. Medical Branch - Galveston Administration to advertise for bids
- d. Authorize the Executive Committee to award construction contract for the Phase I - Reroofing project within the authorized total project cost.

BACKGROUND INFORMATION

In February 1987, the U. T. Board of Regents authorized a project for the Renovation and Reroofing of the Keiller Building. Phase I of the renovation will encompass the complete replacement of the roof at an estimated project cost of \$750,000. Funds totaling \$1,150,000 have previously been appropriated from Educational and General Funds Unappropriated Balances for the Keiller Building Renovation and Reroofing project. These funds are adequate for the reroofing phase of the project and for fees and administrative expenses through completion of preliminary plans for the renovation phase.

Due to the many leaks, it is imperative that the Keiller Building roof be replaced before renovation of the building begins. In addition to the total replacement of the clay tile roof, the patio area on the south side of the building (which actually forms a portion of the fourth floor) must be enclosed and have a copper roof installed. This area is very vulnerable to hurricane damage. There also is an area of flat roof which presently has a built-up roof with tar and gravel. This would be replaced with a single ply roof with laminated concrete and insulation for ballast. The guttering will be replaced with new copper material (the existing downspouts will be reused.)

14. U. T. Health Science Center - San Antonio - Expansion of Central Energy Plant: Request for Authorization to Prepare Project Analysis; Appointment of Consulting Engineer; and Appropriation Therefor.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Howe that the U. T. Board of Regents:

- a. Authorize the preparation of a project analysis to study the system capacity of the central energy plant at the U. T. Health Science Center - San Antonio and make recommendations concerning the feasibility/advisability of plant expansion
- b. Appoint the firm of Wm. E. Wallis & Associates, San Antonio, Texas, as Consulting Engineer to prepare the project analysis to be presented to the U. T. Board of Regents for consideration at a future meeting
- c. Appropriate \$35,000 from U. T. Health Science Center - San Antonio unexpended plant funds for fees and administrative expenses through completion of the project analysis.

BACKGROUND INFORMATION

A recent analysis of chilled water utilization on the campus of the U. T. Health Science Center - San Antonio indicates a need for a feasibility study to determine the need to add a chilling unit to the central energy plant serving the campus.

The energy plant on the U. T. Health Science Center - San Antonio campus serves not only the Health Science Center but the Medical Center Hospital and the Audie Murphy Veterans' Hospital. In addition to the U. T. Health Science Center - San Antonio expansion, both hospitals have major expansion programs underway which need to be considered, but it appears that the reserve capacity under the present contract for both the Bexar County Hospital District and the Veterans' Administration Hospital will be adequate to cover their needs for the next several years. The U. T. Health Science Center - San Antonio has exceeded its contracted demand capacity on at least one occasion in recent months, and it is, therefore, necessary that we begin this review.

Wm. E. Wallis & Associates, San Antonio, Texas, is the engineer on the original plant and U. T. San Antonio Administration recommends this firm be appointed to conduct the necessary engineering studies of system capacity and recommendations for expansion of the central energy plant.

15. U. T. Cancer Center - M. D. Anderson Hospital - Upgrading of Mechanical Systems - Phase II: Request for Project Authorization; Appointment of Project Engineer to Prepare Preliminary Plans; and Appropriation Therefor.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President LeMaistre that the U. T. Board of Regents:

- a. Authorize a project for the upgrading of the mechanical systems in the original clinic areas of M. D. Anderson Hospital of the U. T. Cancer Center
- b. Appoint the firm of Burns DeLatte and McCoy, Inc., Houston, Texas, as Project Engineer to conduct a study to determine the most efficient mechanical system and prepare preliminary plans and a detailed cost estimate to be presented to the U. T. Board of Regents for consideration at a future meeting
- c. Appropriate \$150,000 from U. T. Cancer Center Account No. 101717 Provision for Remodeling and Upgrading of Facilities for fees and related expenses through completion of preliminary plans.

BACKGROUND INFORMATION

This project involves the upgrading of the mechanical and engineering systems in the original clinic area of M. D. Anderson Hospital. These areas contain the mechanical systems installed when the building was constructed in 1954.

The mechanical systems upgrade is essential prior to remodeling of these areas in order to bring the facility into compliance with regulatory codes and the requirements of the Joint Commission on Accreditation of Hospitals. With the recent completion of the Clark Clinic Addition, services and clinics which had been housed in the old clinic have now been relocated. An excellent opportunity exists to do the upgrade while the space is vacant.

Several options exist to upgrade the HVAC and other mechanical systems, ranging from fairly high installation costs with low maintenance and operational costs to low installation costs with higher maintenance and operational expenses. The engineer would be charged with recommending the best and most cost efficient system.

The firm of Burns DeLatte and McCoy, Inc., Houston, Texas, has been the engineer on all M. D. Anderson remodeling projects and has designed and supervised the installation of the mechanical upgrade for the Bates-Freeman Wing and the main boiler room. It is important to have continuity of design to ensure complete integration of all systems in the various wings and buildings comprising the main hospital complex.

Land and Investment Committee

LAND AND INVESTMENT COMMITTEE
Committee Chairman Ratliff

Date: February 11, 1988
Time: Following the meeting of the Buildings and
Grounds Committee
Place: John Peace Library Building, Room 4.03.12
U. T. San Antonio

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I. PERMANENT UNIVERSITY FUND

A. Investment Matters

Report on Clearance of Monies to Permanent University Fund for November and December 1987 and Report on Oil and Gas Development as of December 31, 1987.--The following reports with respect to (a) certain monies cleared to the Permanent University Fund for November and December 1987, and (b) Oil and Gas Development as of December 31, 1987, are submitted by the Executive Vice Chancellor for Asset Management:

	<u>November 1987</u>	<u>December 1987</u>	<u>Cumulative Through December of this Fiscal Year (1987-1988)</u>	<u>Cumulative Through December of Preceding Fiscal Year (1986-1987)</u>	<u>Per Cent Change</u>
Permanent University Fund					
Royalty					
Oil	\$4,505,284.47	\$5,197,708.57	\$19,758,044.01	\$15,414,531.50	28.18%
Gas	1,659,937.00	2,071,183.15	7,877,672.24	7,994,610.53	-1.46%
Sulphur	10,000.00	10,000.00	40,091.65	40,000.00	
Water	34,156.37	38,365.53	239,365.62	199,933.58	
Brine	3,335.88	5,057.26	17,226.07	12,223.89	
Trace Minerals	0.00	0.00	0.00	0.00	
Rental					
Oil and Gas Leases	23,745.99	62,181.75	360,498.58	375,012.51	
Other	400.00	300.00	500.00	3,163.64	
Sale of Sand, Gravel, Etc.	2,182.50	0.00	2,787.30	0.00	
Gain or (Loss) on Sale of Securities	<u>(8,532,047.44)</u>	<u>(235,360.66)</u>	<u>31,094,209.67</u>	<u>37,944,372.43</u>	
Sub-Total	<u>(2,293,005.23)</u>	<u>7,149,435.60</u>	<u>59,390,395.14</u>	<u>61,983,848.08</u>	<u>-4.18%</u>
Bonuses					
Oil and Gas Lease Sales	0.00	0.00	1,524,896.64	0.00	
Amendments and Extensions to Mineral Leases	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(9,013.56)</u>	
Total Bonuses	<u>0.00</u>	<u>0.00</u>	<u>1,524,896.64</u>	<u>(9,013.56)</u>	
TOTAL CLEARANCES	<u>(\$2,293,005.23)</u>	<u>\$7,149,435.60</u>	<u>\$60,915,291.78</u>	<u>\$61,974,834.52</u>	<u>-1.71%</u>

Oil and Gas Development - December 31, 1987

Acreage Under Lease - 682,787

Number of Producing Acres - 551,715

Number of Producing Leases - 2,400

B. LAND MATTERS

1. Permanent University Fund: Recommendation to Set Aside 44 Sections of Land in Pecos County, Texas, for Exclusive Use by U. T. Austin for Research Purposes.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Cunningham that the U. T. Board of Regents:

- a. Permit U. T. Austin to have exclusive use of that portion of the Permanent University Fund Lands described below and located in Pecos County, Texas, for the purpose of a testing range for the development of an electromagnetic gun in collaboration with the Department of Defense
- b. Authorize annual payments by U. T. Austin to the Available University Fund from Federal grants at an annual rate of \$2.00 per acre for the first five years to offset the income that would have been realized from the surface leasing of these sections with such annual rate to be renegotiated at the end of the first five years and each five years thereafter
- c. Advise the Board for Lease of University Lands that, except as set forth in the Background Information below, the 28,160 acres located in Sections 14-17 and 19-36 of Block 24, Sections 7 and 8 of Block 25, and Sections 2-15 and 18-23 of Block 26, Pecos County, Texas, are not available to oil and gas development so long as U. T. Austin has need for these lands for the electromagnetic gun research program.

BACKGROUND INFORMATION

The U. T. Board of Regents has authority to set aside this acreage by virtue of Section 66.41, Texas Education Code, which gives the Board the sole and exclusive management and control of the land set aside and appropriated to, or acquired by, the Permanent University Fund. The available geological data shows that this acreage is an area of minimum leasing and exploration drilling activities. At least twenty exploratory wells have been drilled in the designated area and none have been productive. At the current time, Section 21 and the North one-half of Section 22, Block 26, are under lease for oil and gas, and Sections 11, 12, 22 and 23, Block 26, are covered by a sulphur lease. The acreage covered by oil and gas leases is on the outer boundary for the testing range and could be excluded in the event there is production from this acreage. These oil and gas leases will terminate in October 1989, if there is no oil or gas production. The sulphur lease covering four sections will be modified to accommodate the testing range activities.

A companion agenda item recommending modification of Sulphur Mining Lease No. 16 is set out in Item 2 on Page L&I - 11. Sections 8, 9, 10, 23 and the Northwest one-quarter of Section 7 in Block 26 were nominated and are included in the tracts being offered in the 77th Oil and Gas Lease Sale scheduled for February 18, 1988. This acreage is not critical for the testing range and could be excluded if leased for oil and gas.

To date, U. T. Austin has received \$21.9 million under contracts from the Department of Defense for development of an electromagnetic gun. It is anticipated that an additional \$20 million will be available to U. T. Austin from the Department of Defense for this purpose. It is projected that this program could continue for approximately twenty years.

2. Permanent University Fund: Recommendation for Authority to Amend Sulphur Mining Lease No. 16 for Permanent University Fund Lands Located in Pecos County, Texas.--

RECOMMENDATION

The Office of the Chancellor recommends that the U. T. Board of Regents approve the amendment of Sulphur Mining Lease No. 16 (Pages L&I 13 - 18) covering Sections 11, 12, 22 and 23 in Block 26, Pecos County, Texas. The basic amendments to the lease are summarized as follows:

- a. Effective January 1, 1988, Texasgulf Inc., Raleigh, North Carolina, will have a ten-year option to pay the Permanent University Fund an annual \$25,000 shut-in payment in lieu of actual production
- b. Texasgulf Inc. will forfeit its right to recoup all previous shut-in payments tendered under the 1983 Shut-in Amendment which now totals \$510,000
- c. Texasgulf Inc. will continue to pay the Permanent University Fund a 1/6th royalty on all sulphur produced from University Lands and an overriding royalty of 1.13% on all sulphur produced from private lands and processed through the plant located on the leased premises. This royalty shall not be less than \$1.00 per ton on all such production.
- d. Texasgulf Inc. agrees that its mining operations will be conducted in a manner which is compatible with the activities of U. T. Austin at the testing range of the electromagnetic gun.

BACKGROUND INFORMATION

The existing sulphur lease covering Sections 11, 12, 22 and 23 in Block 26 in Pecos County, Texas, has been shut-in because of low sulphur prices since November 1, 1983. Texasgulf Inc. has made monthly payments of \$10,000 per month to continue this lease in force and effect pursuant to a lease amendment that terminates on November 1, 1988.

Under the terms of that lease amendment, all shut-in payments may be recouped from royalty payments on future production. To date, the Permanent University Fund has received \$510,000 in shut-in payments. Under the proposed amendment, the right of Texasgulf Inc. to recoup these payments will be waived.

The proposed amendment will also ensure that the Permanent University Fund continues to receive royalty payments during a period of depressed sulphur prices and will give Texasgulf Inc. an opportunity to evaluate its mining operations on its Comanche Creek Mine located on Permanent University Fund lands and which has been shut down since November 1983, to determine whether future operations are economical. The Permanent University Fund has received approximately \$22,000,000 in bonuses, rentals and royalties from Sulphur Lease No. 16 since 1975. Preliminary reserve studies show one and one-half million long tons of sulphur are still in place on this lease, and based on present prices, the University would receive an additional \$15,000,000 as royalty. The overriding royalty interest provided for under the proposed amendment could pay the University an additional \$300,000 per year.

The remaining sulphur reserves on this lease are marginal production, and Texasgulf Inc. is the best lessee to mine such reserves. A companion agenda item recommending that the four sections covered by Sulphur Mining Lease No. 16 be included within the area set aside for the electromagnetic gun testing range is set out in Item 1 on Page L&I - 10; however, the proposed amendment will require Texasgulf Inc. to conduct any mining operation in a manner compatible with the testing range activities of U. T. Austin.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

Shut-Down Amendment No. 2 to Sulphur Mining Lease No. 16

STATE OF TEXAS)
) KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF PECOS)

This Lease Amendment made and entered into as of the 1st day of January, 1988, by and between the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, acting pursuant to Section 66.44 of the Texas Education Code, herein called "Lessor", and TEXASGULF INC., a Delaware corporation, whose address is 3101 Glenwood Avenue, Raleigh, North Carolina 27612, hereinafter called "Lessee",

WITNESSETH:

WHEREAS on the 12th day of December, 1973, Lessor entered into Sulphur Mining Lease No. 16 with Texasgulf Inc., a Texas corporation, Lessee's predecessor-in-interest by way of merger, covering 7,680 acres of land, more or less, situated in Pecos County, Texas, which Lease is recorded in Volume 444 at Pages 222 et seq. of the Lease Records of Pecos County, Texas, reference to which Lease and the record thereof is here made for all purposes; and

WHEREAS, said Sulphur Mining Lease was amended as of the 1st day of January, 1983; and said Sulphur Mining Lease was further amended as of the 1st day of October, 1983, which Lease, so amended, is sometimes hereinafter referred to as "the Lease" and is presently in full force and effect; and

WHEREAS, poor market conditions for the sale of sulphur from the Leased Premises is continuing to preclude the recommencement of sulphur producing operations; and

WHEREAS, it is the desire of the Parties to further amend the Lease so as to facilitate the continued maintenance of the Lease and Lessee's plant and facilities located thereon, to allow the continued suspension of sulphur operations on the Leased Premises for a period of no more than ten (10) years, and to accommodate the operation of an electromagnetic gun in the vicinity of the Leased Premises, all subject to the terms and conditions hereinafter stated.

NOW, THEREFORE, for and in consideration of the premises and of the mutual benefits which will accrue to the Lessor and to the Lessee hereunder, it is agreed that the Lease shall be and the same is hereby further amended so that new Paragraphs 18. and 19. shall be added thereto immediately after the present Paragraph 17., reading as follows:

"18.A. Effective as of January 1, 1988 Lessee shall be relieved of the obligation, which is described in the Shut-Down Amendment to Lease, to tender to Lessor monthly payments of \$10,000 in order to maintain the Lease in the absence of production. The monthly payments tendered to Lessor by Lessee for January and February, 1988 shall be credited toward the satisfaction of the 1988 annual payment described in Subparagraph B. below.

"B. The Lease may be maintained by Lessee in the absence of production on a year-to-year basis from January 1, 1988 through December 31, 1997 by Lessee's tendering annually to Lessor on or before January 15th of each year a single lump sum payment of \$25,000; provided, however, Lessee's annual payment for 1988 shall be tendered to Lessor on or before March 1, 1988 (less the amount of the credits described in Section 1. above). The production of sulphur from time to time from the Leased Premises during any such annual period shall not terminate Lessee's rights to maintain the Lease pursuant to this Paragraph 18, subject to the payment of royalties (but not the minimum advance royalty) to Lessor on production from the Leased Premises.

"C. In the event Lessee is conducting mining, development, producing or reworking operations on the Leased Premises on or within sixty (60) days prior to December 31, 1997, this Lease shall remain in full force and effect so long as such operations continue in good faith and in a workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation; and if such operations result in the production of sulphur, this Lease shall remain in full force and effect so long as sulphur is produced from the Leased Premises in paying quantities without a cessation of more than sixty (60) consecutive days.

"D. In the event Lessee produces sulphur from and after the date hereof from wells or properties located off

the Leased Premises through the sulphur production facilities which are located on the Leased Premises, Lessee shall pay Lessor an overriding royalty on all such sulphur production of 1.13% calculated and paid in the same manner reflected in Paragraph 4 (b) of the Lease, as recited in the Amendment to Sulphur Mining Lease No. 16, dated as of the 1st day of January, 1983. In no event, however, shall the amount payable to Lessor on such production be less than \$1.00 per ton.

"E. Lessee hereby surrenders all rights to recoup or recover the Shut-In Royalty payments made to Lessor pursuant to the Shut-Down Amendment to Sulphur Mining Lease No. 16, dated as of the 1st day of October, 1983.

"F. In the event of a conflict between the terms of this Paragraph 18. and the other terms and provisions of the Lease (including the previous Amendments thereto), the terms of this Paragraph 18. shall govern".

19. Lessee shall conduct its mining operations in such a manner as is compatible with the test range of an electromagnetic gun. In connection with the above, the parties shall use all reasonable efforts to accommodate both the mining operations of Lessee and the test range operations of Lessor or its third party grantee or designee. This paragraph shall not be deemed to constitute a waiver by Lessee of any rights it may have to claim or recover damages

or losses arising from the operations of Lessor or third parties.

Except as hereinabove set forth, the Lease (including the previous Amendments thereto) shall remain in full force and effect as presently written.

EXECUTED by the parties in triplicate originals as of the effective date first written above.

LESSOR:

ATTEST:

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By: _____

Arthur H. Dilly
Executive Secretary

Michael E. Patrick
Executive Vice Chancellor
for Asset Management

LESSEE:

ATTEST:

TEXASGULF INC.

By: _____

William H. Strait
Assistant Secretary

Kenneth J. Kutz
Vice President

Approved as to Form:

Approved as to Content:

Linward Shivers
University Attorney

Wallie Gravitt, Manager
University Lands-Oil, Gas & Mineral Int.

THE STATE OF TEXAS)
) SS
COUNTY OF TRAVIS)

This instrument was acknowledged before me on _____, 1988, by _____ of the Board of Regents of the University of Texas System, on behalf of said Board.

Notary Public, State of Texas

My commission expires: _____

THE STATE OF COLORADO)
) SS
COUNTY OF JEFFERSON)

This instrument was acknowledged before me on _____, 1988, by _____ Vice President of Texasgulf Inc.

Notary Public for Jefferson
County, State of Colorado

My commission expires: _____

II. TRUST AND SPECIAL FUNDS

A. GIFTS, BEQUESTS AND ESTATES

1. U. T. Arlington: Recommendation to Accept Gift of a 15 Acre Tract of Land Located in Baylor County, Texas, from Mr. Ted B. Court, Arlington, Texas.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Nedderman to accept a gift of land being 15 undivided acres out of a 181.185 acre tract in Baylor County, Texas, from Mr. Ted B. Court, Arlington, Texas. Mr. Court has placed a value of \$500 per acre or \$7,500 on this gift. Proceeds from the sale of the property are for the unrestricted use of the President of U. T. Arlington.

BACKGROUND INFORMATION

Mr. Court has indicated that he intends to donate a portion of his interest in the 181.185 acre tract of land to U. T. Arlington each year over a period of 10 years. The U. T. Board of Regents accepted an undivided 15 acres at its April 1986 meeting and another undivided 20 acres at its February 1987 meeting.

2. U. T. Arlington: Recommendation to Accept Transfer of Funds to Establish The Hazel M. Jay Research Endowment in the School of Nursing.--

RECOMMENDATION

The Office of the Chancellor concurs with President Nedderman's recommendation to accept a \$32,000 transfer of previously reported gifts from current restricted funds to establish The Hazel M. Jay Research Endowment in the School of Nursing at U. T. Arlington.

Income from The Hazel M. Jay Research Endowment will be used for general research purposes including an annual award of \$350 to a student, faculty, or community member to support travel to present research findings with potential application to clinical practice and education. The recipient, to be chosen by a Research Committee, will be honored at graduation ceremonies in May.

BACKGROUND INFORMATION

This endowment is being funded in honor of Mrs. Hazel Jay, the first Associate Dean of the Graduate Program in Nursing at U. T. Arlington. Mrs. Jay has personally contributed \$10,000, with friends and alumni contributing the remaining amount. The endowment is intended to perpetuate the philosophy that practice, education, and research are the cornerstones of a sound nursing profession.

3. U. T. Arlington, U. T. Austin, and U. T. El Paso: Recommendation to Accept Trust Allocations.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Nedderman, President Cunningham, and Interim President Natalicio to accept Trust allocations from the James H. and Minnie M. Edmonds Educational Foundation, Houston, Texas, to be distributed on July 25, 1990, with an anticipated value of \$1,500,000 for U. T. Austin and \$250,000 each for U. T. Arlington and U. T. El Paso to be used for scholarship endowments. A final report of the distributions and endowment title designations will be made at a later date.

BACKGROUND INFORMATION

The James H. and Minnie M. Edmonds Education Foundation is dedicated to supporting students in need of financial aid. The Foundation's current total assets amount to \$12,000,000 that will be distributed to no less than thirteen academic institutions chosen by the Foundation.

4. U. T. Austin: Recommendation to Accept Gift and Pledge to Establish the William H. Arlitt Professorship in the College of Business Administration and the Graduate School of Business and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program to Establish the William H. Arlitt Lectureship in Economics in the College of Liberal Arts.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a \$10,000 gift and \$90,000 pledge, payable in nine annual installments prior to August 31, 1996, for a total of \$100,000 from Mrs. William H. Arlitt, San Antonio, Texas, to establish the William H. Arlitt Professorship in the College of Business Administration and the Graduate School of Business at U. T. Austin.

It is further recommended that \$25,000 of the gift and pledges as received prior to August 31, 1991, be eligible for matching under The Regents' Endowed Teachers and Scholars Program and used to establish the William H. Arlitt Lectureship in Economics in the Department of Economics, College of Liberal Arts, at U. T. Austin.

BACKGROUND INFORMATION

Mr. William H. Arlitt, deceased 1987, received his B.B.A. in 1937 from U. T. Austin. He was chairman of the Texas Trunk Company, San Antonio, Texas, and a rancher for the Arlitt Charolais Ranch. His wife, Margie V. Arlitt, is funding this endowment in memory of her husband.

5. U. T. Austin: Recommendation to Accept Gift, Pledge, and Transfer of Funds to Establish the Tom Arnold Endowed Presidential Scholarship in Law in the School of Law and Eligibility for Matching Funds Under The Regents' Endowed Student Fellowship and Scholarship Program.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept an \$8,333.33 gift and \$16,666.67 pledge, payable prior to August 31, 1989, from Arnold, White & Durkee, Houston, Texas, and a \$12,500 transfer of previously reported gifts from current restricted funds to establish the Tom Arnold Endowed Presidential Scholarship in Law in the School of Law at U. T. Austin.

Income earned from the endowment will be used to award student scholarships with preference given to those with engineering, physics or chemistry undergraduate degrees. Awards will be based on need or merit and allocated so that one-third of the income is awarded to an entering student each year. That student will be eligible for continued support during their remaining years in the School of Law.

It is further recommended that \$12,500 in matching funds be allocated as received under The Regents' Endowed Student Fellowship and Scholarship Program and used to increase the endowment for a total of \$50,000.

BACKGROUND INFORMATION

The law firm of Arnold, White & Durkee, Houston, Texas, is funding this endowment to honor their senior partner, Mr. Tom Arnold. Mr. Arnold received his B.S.E.E. in 1944 and his J.D. in 1949 from U. T. Austin.

6. U. T. Austin: Gordon Clark Bennett Endowed Scholarship in Home Economics in the College of Natural Sciences - Recommendation to Accept Additional Gift and Eligibility for Matching Funds Under The Regents' Endowed Student Fellowship and Scholarship Program.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a \$10,000 gift from Mr. O. V. Bennett, Jr., Austin, Texas, for addition to the Gordon Clark Bennett Endowed Scholarship in Home Economics in the Department of Home Economics, College of Natural Sciences, at U. T. Austin.

It is further recommended that \$5,000 in matching funds be allocated under The Regents' Endowed Student Fellowship and Scholarship Program and used to increase the endowment for a total of \$25,000.

BACKGROUND INFORMATION

The Gordon Clark Bennett Endowed Scholarship in Home Economics was established at the April 1987 meeting of the U. T. Board of Regents with a \$10,000 gift from Mr. O. V. Bennett, Jr., Austin, Texas. Mr. Bennett is funding this endowment in memory of his wife, Gordon Clark Bennett, who received her B.S. in Home Economics from U. T. Austin in 1937. Mr. Bennett, who received his B.B.A. from U. T. Austin in 1935, is a management consultant.

7. U. T. Austin: Recommendation to Accept Gifts to Establish the L. Joe Berry Memorial Fund in the College of Natural Sciences.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept \$10,227 in gifts from various donors to establish the L. Joe Berry Memorial Fund in the Department of Microbiology, College of Natural Sciences, at U. T. Austin.

Income earned from the endowment will be used to provide scholarships for students in the Department of Microbiology.

BACKGROUND INFORMATION

Dr. L. Joe Berry, deceased February 1987, received his Ph.D. in microbiology from U. T. Austin in 1939. As a Professor in the Department of Microbiology from 1970 to 1987, he served as chairman from 1970 to 1975. During his career, Dr. Berry received international recognition as an authority on the interactions of infectious microorganisms and their hosts.

8. U. T. Austin: Recommendation to Accept Gift and Transfer of Funds to Establish the Jack Binion Scholarship in the School of Law and Eligibility for Matching Funds Under The Regents' Endowed Student Fellowship and Scholarship Program.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a \$25,000 gift from Mr. and Mrs. Tom Alexander, Houston, Texas, and a \$12,500 transfer of previously reported gifts from current restricted funds to establish the Jack Binion Scholarship in the School of Law at U. T. Austin.

Income earned from the endowment will be used to award scholarships based on need and merit to students in the School of Law.

It is further recommended that \$12,500 in matching funds be allocated under The Regents' Endowed Student Fellowship and Scholarship Program and used to increase the endowment for a total of \$50,000.

BACKGROUND INFORMATION

Mr. Tom Alexander is a partner in the law firm of Butler, Binion, Rice, Cook and Knapp, Houston, Texas. He and his wife are funding this endowment in memory of a founding partner in the firm, Mr. Jack Binion, who received his LL.B. in 1928 from U. T. Austin.

9. U. T. Austin: Recommendation to Accept Gifts to Establish the David Bruton, Jr. Graduate Fellowships in Mathematics in the College of Natural Sciences and Eligibility for Matching Funds Under The Regents' Endowed Student Fellowship and Scholarship Program.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a \$300,000 gift from an anonymous donor and a \$100,000 gift from the David Bruton, Jr. Charitable Trust, Dallas, Texas, for a total of \$400,000 to establish the David Bruton, Jr. Graduate Fellowships in Mathematics in the Department of Mathematics, College of Natural Sciences, at U. T. Austin.

Income earned from the endowment will be used to award ten graduate student fellowships and any unexpended income will be added to the endowment.

It is further recommended that \$200,000 in matching funds be allocated under The Regents' Endowed Student Fellowship and Scholarship Program and used to increase the endowment for a total of \$600,000 with ten fellowships represented at \$60,000 each.

BACKGROUND INFORMATION

Mr. David Bruton, Jr., deceased December 30, 1979, established in his Will The David Bruton, Jr. Charitable Trust funded with assets from his residuary estate. A full report regarding the Trust with supporting details was presented at the May 1980 meeting of the U. T. Board of Regents.

10. U. T. Austin: Recommendation to Accept Gifts to Establish the Earl Campbell Endowed Presidential Scholarship in the College of Communication and Eligibility for Matching Funds Under The Regents' Endowed Student Fellowship and Scholarship Program.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept gifts totaling \$25,000 from Mr. and Mrs. Joseph D. Jamail, Jr., Houston, Texas, and Mr. and Mrs. Darrell Royal, Spicewood, Texas, to establish the Earl Campbell Endowed Presidential Scholarship in the College of Communication at U. T. Austin.

Income earned from the endowment will be used to award scholarships to undergraduate minority students in the College of Communication.

It is further recommended that \$12,500 in matching funds be allocated under The Regents' Endowed Student Fellowship and Scholarship Program and used to increase the endowment to \$37,500.

BACKGROUND INFORMATION

Mr. Joseph D. Jamail, Jr., received his B.A. in Arts and Sciences in 1950 and his J.D. in 1953 from U. T. Austin. He is a partner in the law firm of Jamail and Kolius, Houston, Texas. Mr. Royal is the ex-head football coach at U. T. Austin. Together with their wives they are funding this endowment in honor of Mr. Earl Campbell in appreciation of his continued support for U. T. Austin.

11. U. T. Austin: Recommendation to Accept Gifts to Establish the Chemical Engineering Class of 1943 Undergraduate Unit-Operations Laboratory Endowment in the College of Engineering (NO PUBLICITY).--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept gifts in excess of \$25,000 from the graduates of the Department of Chemical Engineering Class of 1943 at U. T. Austin to establish the Chemical Engineering Class of 1943 Undergraduate Unit-Operations Laboratory Endowment in the College of Engineering at U. T. Austin.

Income earned from the endowment will be used to maintain the laboratory and equipment in the room.

BACKGROUND INFORMATION

This gift is part of a special private fund development campaign for the College of Engineering in accordance with Part One, Chapter VII, Section 2, Subsection 2.44 of the Regents' Rules and Regulations.

See Item 5 on Page AAC - 8 related to naming a room in the new Chemical and Petroleum Engineering Building at U. T. Austin.

NO PUBLICITY

12. U. T. Austin: Recommendation to Accept Gifts and Corporate Matching Funds to Establish the George L. Clark Scholarship Fund and Eligibility for Matching Funds Under The Regents' Endowed Student Fellowship and Scholarship Program.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept gifts of \$200,825 from various donors and dollar for dollar corporate matching funds from MCorp, Dallas, Texas, for a total of \$401,650 to establish the George L. Clark Scholarship Fund at U. T. Austin. Additional gifts and matching funds are anticipated which will fund the endowment at a level of \$500,000.

Income earned from the endowment will be used to award scholarships to Texas residents demonstrating academic success, leadership, character and community service. Selection of recipients will be made by a committee consisting of two members of the faculty or staff of U. T. Austin and two representatives appointed by MCorp or its successor corporation.

It is further recommended that \$100,412.50 in matching funds be allocated under The Regents' Endowed Student Fellowship and Scholarship Program and used to increase the endowment.

BACKGROUND INFORMATION

Mr. George L. Clark, deceased, received his B.A. from U. T. Austin in 1960. He was a respected member of the Texas financial and banking community.

13. U. T. Austin: Ernest and Virginia Cockrell, Jr. Scholarship Fund in Engineering in the College of Engineering - Recommendation to Accept Additional Gift and Eligibility for Matching Funds Under The Regents' Endowed Student Fellowship and Scholarship Program.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a \$333,000 gift from the Cockrell Foundation, Houston, Texas, for addition to the Ernest and Virginia Cockrell, Jr. Scholarship Fund in Engineering in the College of Engineering at U. T. Austin.

It is further recommended that \$166,500 in matching funds be allocated under The Regents' Endowed Student Fellowship and Scholarship Program and used to increase the endowment to a total of \$2,633,561.45.

BACKGROUND INFORMATION

The Ernest and Virginia Cockrell, Jr. Scholarship Fund in Engineering was established at the December 1974 meeting of the U. T. Board of Regents with a gift from the Cockrell Foundation. The Foundation is a charitable and educational trust created on June 28, 1957, by Ernest Cockrell, Jr. and later named beneficiary in his Will. Provisions of the Will state that one-half of the net income from his gift to the Foundation is payable to the College of Engineering at U. T. Austin.

14. U. T. Austin: Dow Chemical U.S.A. Centennial Endowed Presidential Scholarship in the College of Natural Sciences - Recommendation to Accept Additional Gift and Eligibility for Matching Funds Under The Regents' Endowed Student Fellowship and Scholarship Program.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a \$10,000 gift from the Dow Chemical Company Foundation, Midland, Michigan, for addition to the Dow Chemical U.S.A. Centennial Endowed Presidential Scholarship in the Department of Chemistry, College of Natural Sciences, at U. T. Austin.

It is further recommended that \$5,000 in matching funds be allocated under The Regents' Endowed Student Fellowship and Scholarship Program and used to increase the endowment to a total of \$40,000.

BACKGROUND INFORMATION

The Dow Chemical U.S.A. Centennial Endowed Presidential Scholarship was accepted at the December 1982 meeting of the U. T. Board of Regents with gifts and pledges totaling \$25,000 from The Dow Chemical Company Foundation, Midland, Michigan.

15. U. T. Austin: Recommendation to Establish the Harry Dow Memorial Scholarship in the School of Law.--

RECOMMENDATION

The Office of the Chancellor reports that The University of Texas Law School Foundation (an external foundation) has expressed the desire that the Harry Dow Memorial Scholarship be established in the School of Law at U. T. Austin. The Office of the Chancellor concurs with President Cunningham's recommendation that the endowment, to be funded by The University of Texas Law School Foundation, be established in accordance with the Regents' Rules and Regulations. The funds for the endowment will be held and administered by The University of Texas Law School Foundation and income earned will be awarded to a student who has earned all or a part of their law school expenses and has otherwise met the criteria for financial aid in the School of Law.

BACKGROUND INFORMATION

The University of Texas Law School Foundation has received a \$10,000 gift from Dow, Cogburn & Friedman, Houston, Texas, to establish an endowment in memory of Mr. Harry Dow, founding member of the law firm. Mr. Dow, deceased 1985, attended U. T. Austin School of Law from 1918 to 1921 and was a member of the Chancellors Honorary Law Fraternity.

16. U. T. Austin: Mary and J. Q. Edwards Centennial Lectureship in Liberal Arts in the College of Liberal Arts - Recommendation to Redesignate as the Mary and J. Q. Edwards Centennial Lectureship in British Studies.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to redesignate the Mary and J. Q. Edwards Centennial Lectureship in Liberal Arts in the College of Liberal Arts as the Mary and J. Q. Edwards Centennial Lectureship in British Studies at U. T. Austin.

This recommendation is being made in accordance with an agreement among the donor and honoree of the endowment and the dean of the College of Liberal Arts.

BACKGROUND INFORMATION

The Lamar Savings Centennial Professorship in Finance in the College of Business Administration and Graduate School of Business was established at the August 1983 meeting of the U. T. Board of Regents with a \$200,000 gift from the Lamar Financial Corporation, Austin, Texas. The gift was matched under The Centennial Teachers and Scholars Program and \$20,000 of the matching funds were used to establish the Mary and J. Q. Edwards Centennial Lectureship in Liberal Arts in the College of Liberal Arts.

17. U. T. Austin: Recommendation to Accept Gift to Establish the Engineering Doctoral Fellowship Endowment in the College of Engineering and Eligibility for Matching Funds Under The Regents' Endowed Student Fellowship and Scholarship Program.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a \$1,200,000 gift from an anonymous donor to establish the Engineering Doctoral Fellowship Endowment in the College of Engineering at U. T. Austin.

Income earned from the endowment will be used to award twenty-four fellowships to doctoral students in the areas of micro-electronics, computer engineering, materials science and engineering, and manufacturing systems engineering with any unexpended income added to the endowment each year.

It is further recommended that \$600,000 in matching funds be allocated under The Regents' Endowed Student Fellowship and Scholarship Program and used to increase the endowment to \$1,800,000.

18. U. T. Austin: Recommendation to Accept Gift to Establish the Engineering Foundation Library Collection in the College of Engineering.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a \$100,000 gift from an anonymous donor to establish the Engineering Foundation Library Collection in the College of Engineering at U. T. Austin.

Income earned from the endowment will be used to acquire intellectual materials for the library and any unexpended income will be added to the endowment each year.

19. U. T. Austin: Marie Betzner Morrow Centennial Chair in the College of Natural Sciences - Recommendation to Establish an Advisory Committee; Appoint Nominees; and Provide for Filling Vacancies on the Advisory Committee.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation that the U. T. Board of Regents:

- a. Establish an Advisory Committee to the U. T. Board of Regents for the Marie Betzner Morrow Centennial Chair in the Department of Microbiology, College of Natural Sciences, at U. T. Austin in accordance with the terms of Mrs. Lorene Morrow Kelley's gift
- b. Appoint members of the Advisory Committee for the Marie Betzner Morrow Centennial Chair as set forth below
- c. Authorize the President of U. T. Austin to appoint members to fill vacancies on the Advisory Committee as necessary to comply with the terms of the donor's gift.

THE UNIVERSITY OF TEXAS AT AUSTIN

Recommended Appointments to Membership

Advisory Committee for Marie Betzner Morrow Centennial Chair

a. Membership

Authorized	None	Recommended	5
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b. Reappointments

None

c. New Appointments

For indefinite terms

Mr. Ralph Alexander (Independent Executor, Kelley Estate)
*Dr. Henry R. Bose, Jr. (U. T. Austin, Department of Microbiology)
*Dr. Dennis T. Brown (U. T. Austin, Department of Microbiology)
Mr. C. A. Liljestrang (Independent Executor, Kelley Estate)
*Dr. James R. Walker (U. T. Austin, Department of Microbiology)

*These nominees are appointed by the U. T. Board of Regents; the remaining nominees have been designated by the donor and are acknowledged by the U. T. Board of Regents.

BACKGROUND INFORMATION

At its October 1982 meeting, the U. T. Board of Regents accepted a gift and pledge from Mrs. Lorene Morrow Kelley of Edinburg, Texas, to establish the Marie Betzner Morrow Centennial Chair in the Department of Microbiology, College of Natural Sciences, at U. T. Austin and agreed to match Mrs. Kelley's donation with funds from The Centennial Teachers and Scholars Program. Matching funds were used to establish the Mary M. Betzner Morrow Centennial Chair in Microbiology at the December 1982 meeting.

The terms of Mrs. Kelley's gift, as approved by the U. T. Board of Regents, specify that there shall be an Advisory Committee to the U. T. Board of Regents for the Marie Betzner Morrow Centennial Chair consisting of three members appointed by the U. T. Board of Regents and two members named by Mrs. Kelley. The members to be selected by the U. T. Board of Regents have not heretofore been appointed.

Mrs. Kelley died in March 1987 and her Will left her entire estate, valued at approximately \$2.1 million, to the U. T. Board of Regents for the benefit of the Marie Betzner Morrow Centennial Chair. The estate is presently being settled by her independent executors. The persons who serve as executors were named as members of the Advisory Committee under the terms of the original gift. The terms of Mrs. Kelley's 1982 gift allow considerable flexibility in use of the Chair funds. It is considered advisable for the U. T. Board of Regents to appoint the other three members of the Advisory Committee to expedite planning for use of the funds received from Mrs. Kelley's original gift as well as the funds that are to be received from her estate. A recommendation for acceptance of Mrs. Kelley's bequest will be submitted for consideration by the U. T. Board of Regents at a later date.

20. U. T. Austin: Jewel Popham Raschke Memorial Scholarship for Mathematics Education in the College of Education - Recommendation to Accept Additional Gift and Corporate Matching Funds and Eligibility for Matching Funds Under The Regents' Endowed Student Fellowship and Scholarship Program.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a \$4,950 gift from Mr. and Mrs. Kerry Hawkins, Baton Rouge, Louisiana, and \$14,850 in corporate matching funds from Exxon Education Foundation, Florham Park, New Jersey, for addition to the Jewel Popham Raschke Memorial Scholarship for Mathematics Education in the Department of Curriculum and Instruction, College of Education, at U. T. Austin.

It is further recommended that \$9,900 in matching funds be allocated under The Regents' Endowed Student Fellowship and Scholarship Program and used to increase the endowment to a total of \$55,410.

BACKGROUND INFORMATION

The Jewel Popham Raschke Memorial Scholarship for Mathematics Education was established at the February 1986 meeting of the U. T. Board of Regents with \$25,710 in gifts from various donors in memory of Mrs. Jewel P. Raschke who received her B.A. in 1939 and M.A. in 1942 from U. T. Austin. She was an assistant professor of mathematics education for 22 years at U. T. Austin.

21. U. T. Austin: Recommendation to Accept Gifts and Transfer of Funds to Establish the George Rice Scholarship in the School of Law and Eligibility for Matching Funds Under The Regents' Endowed Student Fellowship and Scholarship Program.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a \$25,000 gift from Mr. and Mrs. Tom Alexander, Houston, Texas, \$4,480 from various donors, and a \$14,740 transfer of previously reported gifts from current restricted funds to establish the George Rice Scholarship in the School of Law at U. T. Austin.

Income earned from the endowment will be used to award scholarships based on need and merit to students in the School of Law.

It is further recommended that \$14,740 in matching funds be allocated under The Regents' Endowed Student Fellowship and Scholarship Program and used to increase the endowment for a total of \$58,960.

BACKGROUND INFORMATION

Mr. Tom Alexander is a partner in the law firm of Butler, Binion, Rice, Cook and Knapp, Houston, Texas. He and his wife are funding this endowment in memory of a founding partner in the firm, Mr. George Rice, Sr., who received his B.A. in 1927 and his LL.B. in 1928 from U. T. Austin.

22. U. T. Austin: Louis Nicolas Vauquelin Regents Professorship in Inorganic Chemistry in the College of Natural Sciences - Recommendation for Extension of Pledge Deadline and to Carry Forward Reserved Funds from The Regents' Endowed Teachers and Scholars Program (NO PUBLICITY).--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to extend the pledge deadline to August 31, 1989, on \$40,000 due for the Louis Nicolas Vauquelin Regents Professorship in Inorganic Chemistry in the College of Natural Sciences at U. T. Austin.

It is further recommended that \$40,000 of funds reserved for the biennium ending August 31, 1987, under The Regents' Endowed Teachers and Scholars Program, be carried forward to the biennium ending August 31, 1989, and reserved for the original purpose of establishing the Johann Friedrich Miescher Regents Professorship in Molecular Biology.

BACKGROUND INFORMATION

The Louis Nicolas Vauquelin Centennial Lectureship in Inorganic Chemistry was established at the February 1983 meeting of the U. T. Board of Regents with gifts and pledges totaling \$20,000 from anonymous donors and additional gifts of \$20,000 were accepted at the August 1983 meeting. The gifts from both meetings qualified for matching under The Centennial Teachers and Scholars Program and were used to establish the Johann Friedrich Miescher Centennial Lectureship in Molecular Biology. At the August 1985 meeting, an additional \$60,000 anonymous pledge was accepted for a total endowment of \$100,000 and redesignated the lectureship as the Louis Nicolas Vauquelin Regents Professorship in Inorganic Chemistry. The pledge qualified for matching under The Regents' Endowed Teachers and Scholars Program and redesignation of the matching lectureship was approved as the Johann Friedrich Miescher Regents Professorship in Molecular Biology. Due to prevailing economic conditions, one anonymous donor has been unable to fulfill \$40,000 of the pledge.

NO PUBLICITY

23. U. T. Austin: Recommendation to Accept Gift to Establish the J. M. West Texas Corporation Fellowship in Architecture in the School of Architecture and Eligibility for Matching Funds Under The Regents' Endowed Student Fellowship and Scholarship Program.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a \$25,000 gift from the J. M. West Texas Corporation, Houston, Texas, to establish the J. M. West Texas Corporation Fellowship in Architecture in the School of Architecture at U. T. Austin.

Income earned from the endowment will be used for the recruitment and retention of outstanding graduate students in the School of Architecture in first professional and postprofessional degree programs.

It is further recommended that \$12,500 in matching funds be allocated under The Regents' Endowed Student Fellowship and Scholarship Program and used to increase the endowment.

BACKGROUND INFORMATION

The J. M. West Texas Corporation, incorporated in 1957, supports higher education, medical research, youth agencies, and cultural programs. The Corporation previously funded the J. Marion West Chair for Constructive Capitalism at U. T. Austin accepted at the February 1977 meeting of the U. T. Board of Regents.

See Item 4 on Page AAC - 7 related to the naming of a room in Goldsmith Hall in the School of Architecture.

24. U. T. Austin and U. T. Tyler: Recommendation to Accept Bequest to Establish the Mastin Gentry White Professorship in Southern History in the College of Liberal Arts (U. T. Austin) and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program, Establish the Marjorie Perry White Scholarship Fund and the Mastin Gentry White Scholarship Fund (U. T. Tyler), Authorize the Office of Asset Management to Negotiate the Sale of the Property, and Authorize the Executive Vice Chancellor for Asset Management to Execute All Documents Pertaining to the Sale.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of Presidents Cunningham and Hamm to accept a bequest of the residual estate of Judge Mastin G. White, Washington, D. C., comprised mainly of Judge White's home in Washington, D. C., being Square 2630, Lot 806, otherwise known as 3920 Argyle Terrace N.W. District of Columbia, valued at approximately \$400,000 which is to be sold, to establish the Mastin Gentry White Professorship in Southern History in the Department of History, College of Liberal Arts, at U. T. Austin with \$200,000. The remainder of the residual estate, estimated at \$200,000, is to establish the Marjorie Perry White Scholarship Fund and the Mastin Gentry White Scholarship Fund both at U. T. Tyler. Items of personal property taken in kind include a collection of Robert E. Lee photographs as well as an original manuscript signed by General Lee donated to the Barker Texas History Center.

It is further recommended that \$200,000 of the bequest be matched under The Regents' Endowed Teachers and Scholars Program and used to increase the Mastin Gentry White Professorship in Southern History to \$400,000.

It is also recommended that the Office of Asset Management be authorized to negotiate the sale of the property at fair market value and that the Executive Vice Chancellor for Asset Management be authorized to execute all documents pertaining to the sale of same.

BACKGROUND INFORMATION

Judge Mastin G. White, deceased July 25, 1987, received his L.L.B. from U. T. Austin in 1927 and taught as associate professor in law at the University from 1930 to 1932. Judge White served as judge of the U. S. Claims Court from 1955 to 1987. He served in the Army during World War II and

achieved the rank of colonel. Among his earlier career positions were solicitor in the Department of Interior, special assistant to the U. S. Attorney General, assistant county attorney in Smith County, Texas, and law clerk in the Texas Court of Criminal Appeals.

25. U. T. Dallas: Recommendation to Accept Gift to Establish the Ethel Ward-McLemore Award for Meritorious Library Service.--

RECOMMENDATION

The Office of the Chancellor concurs with President Rutford's recommendation to accept a \$25,000 gift from Mrs. Ethel Ward-McLemore, Dallas, Texas, to establish the Ethel Ward-McLemore Award for Meritorious Library Service at U. T. Dallas.

Income earned from the endowment will be used to provide annual merit awards to members of the library staff.

BACKGROUND INFORMATION

Mrs. Ethel Ward-McLemore has been an active supporter of U. T. Dallas for many years and was instrumental in the affiliation of the Geological Information Library of Dallas with U. T. Dallas. As author of numerous publications, Mrs. Ward-McLemore has been associated with many innovative discoveries in the field of geophysics. She is funding this endowment to express her gratitude to the many staff members of university libraries throughout the country who have helped her during more than sixty years of study and research in geophysics, mathematics, and chemistry.

26. U. T. El Paso: Recommendation to Accept a Gift of Land Located in El Paso County, Texas, from Mr. David G. Love and Ms. Linda J. Love, Clackamas, Oregon; Authorize the Office of Asset Management to Negotiate the Sale of the Property; and Authorize the Executive Vice Chancellor for Asset Management to Execute All Documents Pertaining to the Sale.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of Interim President Natalicio to accept a gift of land being all of Lot 20, Block 4, Horizon City Estates, Unit #59, El Paso County, Texas, from Mr. David G. Love and Ms. Linda J. Love, Clackamas, Oregon. The 1987 tax assessed value was \$106. Proceeds from the sale of the property will be for the unrestricted use of U. T. El Paso.

It is further recommended that the Office of Asset Management be authorized to negotiate the sale of the property at fair market value and that the Executive Vice Chancellor for Asset Management be authorized to execute all documents pertaining to the sale.

BACKGROUND INFORMATION

Mr. David G. Love and Ms. Linda J. Love have no known affiliation with U. T. El Paso.

27. U. T. El Paso: Recommendation to Accept Bequest to Establish the Bulah Liles Patterson Memorial Scholarship Fund.--

RECOMMENDATION

The Office of the Chancellor concurs with Interim President Natalicio's recommendation to accept a bequest from the Estate of Bulah Liles Patterson, El Paso, Texas, in the amount of \$300,342.62, and real property consisting of Lots 1, 8, 9, and 16, Block 41, Sun City Unit 11, Sierra Blanca, Hudspeth County, Texas, valued at \$800 for a total bequest of \$301,142.62, to establish the Bulah Liles Patterson Memorial Scholarship Fund at U. T. El Paso.

Income earned from the endowment will be used to award scholarships to students in need of financial assistance majoring in the College of Science, preferably mathematics, the College of Engineering, or the College of Nursing and Allied Health, who meet the qualifications for Presidential Scholarships at U. T. El Paso.

BACKGROUND INFORMATION

Mrs. Bulah Liles Patterson, deceased October 2, 1986, received her B. A. in mathematics from U. T. Austin in 1921. She began her career at the College of Mines and Metallurgy and Texas Western College as Assistant Professor of Mathematics in 1927 and taught until her retirement from U. T. El Paso in 1967.

28. U. T. Tyler: Recommendation to Accept Gift to Establish the Mr. and Mrs. Bob L. Herd Endowed Presidential Scholarship.--

RECOMMENDATION

The Office of the Chancellor concurs with President Hamm's recommendation to accept a \$25,000 gift from Mr. and Mrs. Bob L. Herd, Tyler, Texas, to establish the Mr. and Mrs. Bob L. Herd Endowed Presidential Scholarship at U. T. Tyler.

Income earned from the endowment will be used to award scholarships in accordance with the Endowed Presidential Scholarship guidelines.

BACKGROUND INFORMATION

Mr. Herd is the chief executive officer of the Herd Producing Company, Inc., a highly successful independent oil and gas producer. He is a past president of Willow Brook Country Club and a noted philanthropist and community leader. Mrs. Herd is a former vice president in charge of women's activities for the Rose Festival.

29. U. T. Southwestern Medical Center - Dallas: Senator Betty and Dr. Andy Andujar Chair Fund - Recommendation to Redesignate as The Senator Betty and Dr. Andy Andujar Chair in Pathology.--

RECOMMENDATION

The Office of the Chancellor concurs with President Wildenthal's recommendation to redesignate the Senator Betty and Dr. Andy Andujar Chair Fund as The Senator Betty and Dr. Andy Andujar Chair in Pathology at the U. T. Southwestern Medical Center - Dallas.

This recommendation is being made in accordance with the donor's request.

BACKGROUND INFORMATION

The Senator Betty and Dr. Andy Andujar Chair Fund was established at the June 1987 meeting of the U. T. Board of Regents with a \$100,000 gift from Dr. John J. Andujar, Arlington, Texas, as a tribute to retired Senator Betty Andujar, who served in the Senate of Texas from 1973 to 1983. Funds have been raised by colleagues and friends to bring the endowment to \$500,000.

See Item 4 on Page HAC - 5 related to a proposed appointment to this Chair.

30. U. T. Southwestern Medical Center - Dallas: Recommendation to Accept Gift to Establish the Clinical Nutrition Research Fellowships and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--

RECOMMENDATION

The Office of the Chancellor concurs with President Wildenthal's recommendation to accept a \$1,000,000 gift from an anonymous donor to establish the Clinical Nutrition Research Fellowships at the U. T. Southwestern Medical Center - Dallas.

It is further recommended that the actual income which will be earned on the \$1,000,000 gift be certified to the appropriate State authorities for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I of the Texas Education Code, when matching funds are made available under that act.

BACKGROUND INFORMATION

This fellowship program will provide enhanced opportunities for outstanding young physicians to study clinical nutrition and will provide for advances in the scientific foundation of human nutrition.

31. U. T. Southwestern Medical Center - Dallas: Betty Jo Hay Professorship in Mental Health - Recommendation to Accept Additional Gifts, Pledges, and Corporate Matching Funds and to Redesignate as the Betty Jo Hay Chair in Mental Health.--

RECOMMENDATION

The Office of the Chancellor concurs with President Wildenthal's recommendation to accept a \$100,000 gift and \$5,000 pledge from Mr. Jess Hay, Dallas, Texas, and corporate matching funds consisting of \$10,000 from the Lomas and Nettleton Financial Corporation, Dallas, Texas, \$5,000 from Southwestern Bell Corporation, St. Louis, Missouri, and \$15,000 in matching funds and a pledge of \$15,000 from the Exxon Corporation, New York, New York, for a total addition of \$150,000 to the Betty Jo Hay Professorship in Mental Health at the U. T. Southwestern Medical Center - Dallas and to redesignate as the Betty Jo Hay Chair in Mental Health.

Income earned from the endowment will be used to support the Chair.

BACKGROUND INFORMATION

The Betty Jo Hay Professorship in Mental Health was established at the February 1983 meeting of the U. T. Board of Regents. The current balance of \$350,000 plus the additional gifts and pledges of \$150,000 will bring the endowment to a level of \$500,000 required for a chair. Mr. Jess Hay, former Chairman of the U. T. Board of Regents, initiated the funding of this Professorship in honor of his wife Betty Jo, whose major public service interests are in governmental policy as it pertains to mental health matters and in the development of mental health knowledge and service.

32. U. T. Southwestern Medical Center - Dallas: Recommendation to Accept Gift to Establish the Mineral Metabolism Endowed Chair Fund.--

RECOMMENDATION

The Office of the Chancellor concurs with President Wildenthal's recommendation to accept a \$50,000 gift from Hunt Oil Company, Dallas, Texas, to establish the Mineral Metabolism Endowed Chair Fund at the U. T. Southwestern Medical Center - Dallas.

BACKGROUND INFORMATION

Mr. Ray L. Hunt, Chairman of Hunt Oil Company, is a member of the Southwestern Medical Foundation. This is an initial gift to a fund raising effort at the U. T. Southwestern Medical Center - Dallas to establish a chair in honor of Dr. Charles Pak, Professor in Internal Medicine and Chief of the Mineral Metabolism Program.

33. U. T. Southwestern Medical Center - Dallas: Recommendation to Accept Gift to Establish the Professorship in Pediatric Genetics and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--

RECOMMENDATION

The Office of the Chancellor concurs with President Wildenthal's recommendation to accept a \$200,000 gift from an anonymous donor with \$100,000 to be used for the establishment of the Professorship in Pediatric Genetics and the balance of \$100,000 to be set up as discretionary funds to be used to support teaching and research activities in the genetics division at the U. T. Southwestern Medical Center - Dallas.

It is further recommended that the actual income which will be earned on \$100,000 be certified to the appropriate State authorities for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I of the Texas Education Code, when matching funds are made available under that act.

34. U. T. Southwestern Medical Center - Dallas: The Louis R. Strickland, Jr. Memorial Professorship in Urology - Recommendation to Accept Additional Gift and Redesignate as The Dr. Paul Peters Chair in Urology in Memory of Rumsey and Louis Strickland and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--

RECOMMENDATION

The Office of the Chancellor concurs with President Wildenthal's recommendation to accept a \$132,900 gift from Mrs. L. R. Strickland, Dallas, Texas, for addition to The Louis R. Strickland, Jr. Memorial Professorship in Urology for a total endowment of \$505,920.15 and redesignate as The Dr. Paul Peters Chair in Urology in memory of Rumsey and Louis Strickland at the U. T. Southwestern Medical Center - Dallas.

This recommendation is being made in accordance with the donor's request.

It is further recommended that the actual income which will be earned on the \$132,900 gift be certified to the appropriate State authorities for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I of the Texas Education Code, when matching funds are made available under that act.

BACKGROUND INFORMATION

The Louis R. Strickland, Jr. Memorial Professorship in Urology was established at the February 1983 meeting of the U. T. Board of Regents with a transfer of funds from a previously reported gift of \$100,287.24 from Mr. and Mrs. L. R. Strickland. They funded this endowment in memory of their son, Louis R. Strickland, Jr., who had been under Dr. Peters' care.

See Item 5 on Page HAC - 5 related to a proposed appointment to this Chair.

35. U. T. Southwestern Medical Center - Dallas: Recommendation to Accept a Gift of 11.023 Acres of Undeveloped Land Located in Dallas County, Texas, from Mrs. Betty Reed Woodward, Dallas, Texas, to Establish The Betty Reed Woodward Charitable Remainder Unitrust.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Wildenthal to accept a gift of 11.023 acres of undeveloped land located near Lancaster, Dallas County, Texas, from Mrs. Betty Reed Woodward, Dallas, Texas, to establish the Betty Reed Woodward Charitable Remainder Unitrust at U. T. Southwestern Medical Center - Dallas. Based on an appraisal provided by the donor, the estimated value of the property is \$576,000.

The trust agreement provides for the payment of 6% of the annual net fair market value of the trust assets or the actual income, whichever is less, to be paid quarterly to Mrs. Betty Reed Woodward during her lifetime and upon her demise, to Mr. Warren G. Woodward or their survivors for 20 years. In any year when the income is more than 6% of market value, excess income will be paid to Mrs. Woodward up to the amount of any accumulated deficiencies from prior years.

Upon the termination of the unitrust, the corpus and any accumulated or undistributed income of the trust will be used for the purpose of establishing an endowment to be called the Betty Reed Woodward Endowment with income to be used for the benefit of U. T. Southwestern Medical School - Dallas in a program of research and treatment of abused women and children.

BACKGROUND INFORMATION

Mrs. Woodward is a friend of the U. T. Southwestern Medical Center - Dallas.

36. U. T. Medical Branch - Galveston: Recommendation to Accept a Gift of Land Located in Galveston County, Texas, from Mr. and Mrs. Donald Farmer, Sr., Galveston, Texas; Authorize the Office of Asset Management to Negotiate the Sale of the Property; and Authorize the Executive Vice Chancellor for Asset Management to Execute All Documents Pertaining to the Sale.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President James to accept a gift of land consisting of two and one-half acres being the N 1/2 of Tract C, and being a part of Lot 5, I.G.N. R.R. Company Survey, A-621, Section 29, Galveston County, Texas, from Mr. and Mrs. Donald Farmer, Sr., Galveston, Texas. Based on the donor's 1987 appraisal, the property has an estimated value of \$15,000. Proceeds from the sale of the property will be used for the benefit of the Department of Family Medicine at the U. T. Medical Branch - Galveston.

It is further recommended that the Office of Asset Management be authorized to negotiate the sale of the property at fair market value and that the Executive Vice Chancellor for Asset Management be authorized to execute all documents pertaining to the sale.

BACKGROUND INFORMATION

Mr. and Mrs. Donald Farmer, Sr., are prominent members of the Galveston community and friends of the U. T. Medical Branch - Galveston. Mr. Farmer is President of Great Western Metal, Houston, Texas.

37. U. T. Medical Branch - Galveston: Recommendation to Accept Gift to Establish the Marcel Patterson Prize in Gastroenterology.--

RECOMMENDATION

The Office of the Chancellor concurs with President James' recommendation to accept a gift of \$10,000 from Mrs. Marcel Patterson, Galveston, Texas, to establish the Marcel Patterson Prize in Gastroenterology at the U. T. Medical Branch - Galveston.

Income earned from the endowment will be used to award an annual prize for student research in gastroenterology, to be based on the strength of research accomplished, not to fund proposed research.

BACKGROUND INFORMATION

Mrs. Patterson is funding this endowment in memory of her late husband, Dr. Marcel Patterson, who was the first chief for the Division of Gastroenterology, Department of Internal Medicine, at the U. T. Medical Branch - Galveston.

38. U. T. Health Science Center - Houston: Recommendation to Accept Transfer of Funds to Establish the Roger J. Bulger Professorship in Health Sciences.--

RECOMMENDATION

The Office of the Chancellor concurs with Interim President Ribble's recommendation to accept a \$100,000 transfer of previously reported gifts from current restricted funds to establish the Roger J. Bulger Professorship in Health Sciences at the U. T. Health Science Center - Houston.

Income earned from the endowment will be used to support the Professorship.

BACKGROUND INFORMATION

Roger J. Bulger, M.D., has been President of the U. T. Health Science Center - Houston since 1978, and recently resigned to become the President and Chief Executive Officer of the Association of Academic Health Centers, Washington, D. C. He is also an internationally recognized physician, author, educator, and humanist.

39. U. T. Health Science Center - San Antonio: Recommendation to Accept Gift to Establish the Texas Research Park Professorship and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--

RECOMMENDATION

The Office of the Chancellor concurs with President Howe's recommendation to accept a \$100,000 gift from the United Services Automobile Association, San Antonio, Texas, to establish the Texas Research Park Professorship at the U. T. Health Science Center - San Antonio.

It is further recommended that the actual income which will be earned on the \$100,000 gift be certified to the appropriate State authorities for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I of the Texas Education Code, when matching funds are made available under that act.

BACKGROUND INFORMATION

At the October 1984 meeting of the U. T. Board of Regents a Letter of Understanding was entered into to establish a biotechnology institute in San Antonio. Part of the agreement was that a \$3,000,000 community funded endowment would be established at the U. T. Health Science Center - San Antonio. The United Services Automobile Association gift is to be credited toward this endowment.

40. U. T. Health Science Center - San Antonio: Recommendation to Accept Gifts to Establish the Greg Treibs Memorial Scholarship.--

RECOMMENDATION

The Office of the Chancellor concurs with President Howe's recommendation to accept a \$5,500 gift from Mr. and Mrs. Harvey O. Treibs, Fredericksburg, Texas, and \$4,500 from various donors for a total of \$10,000 to establish the Greg Treibs Memorial Scholarship at the U. T. Health Science Center - San Antonio.

Income earned from the endowment will be used to provide scholarships to students at the U. T. Health Science Center - San Antonio.

BACKGROUND INFORMATION

This endowment is being funded in memory of Mr. Greg Treibs, who died in an automobile accident shortly after being accepted as a medical student at the U. T. Health Science Center - San Antonio for 1987.

41. U. T. Cancer Center: Recommendation to Accept Bequest.--

RECOMMENDATION

The Office of the Chancellor concurs with President LeMaistre's recommendation to accept a bequest of approximately \$500,000 from the Estate of R. Carson Allan, Houston, Texas, to be used for cancer research at the U. T. Cancer Center. A final report and a designated use for the funds will be made at a later date.

BACKGROUND INFORMATION

The U. T. Cancer Center was named as the sole beneficiary in the Last Will and Testament of Mr. R. Carson Allan. The Will indicated that the funds be used for cancer research.

42. U. T. Cancer Center: Recommendation to Accept Bequest for Cancer Research.--

RECOMMENDATION

The Office of the Chancellor concurs with President LeMaistre's recommendation to accept a bequest of \$9,945.55 from the Estate of William H. Childers, Jr., Odessa, Texas, for cancer research at the U. T. Cancer Center.

BACKGROUND INFORMATION

Mr. William H. Childers, Jr., deceased in October 1984, was a former patient at the U. T. Cancer Center. The U. T. Cancer Center was named as a twenty-five percent beneficiary of his Estate.

43. U. T. Cancer Center: Recommendation to Accept Transfer of Funds from Sale of Previously Reported Gift of Securities to Establish the Roy M. and Phyllis Gough Huffington Chair in Laser Sciences.--

RECOMMENDATION

The Office of the Chancellor concurs with President LeMaistre's recommendation to accept the \$1,000,000 transfer of funds representing the proceeds of the sale of a previously reported gift of 1,000 shares of Huffington Corporation convertible preferred stock valued at \$1,000,000 from Mr. and Mrs. Roy M. Huffington, Houston, Texas, to establish the Roy M. and Phyllis Gough Huffington Chair in Laser Sciences at the U. T. Cancer Center.

Income earned from the endowment will be used to support the Chair in laser technology.

BACKGROUND INFORMATION

Mr. Roy M. Huffington is a member of the Board of Visitors of the University Cancer Foundation and is Chairman of the Board of Roy M. Huffington, Inc., Houston, Texas, an international petroleum corporation. He gave the gift of securities valued at \$1,000,000 in December 1985 and repurchased the stock for that amount in December 1987.

44. U. T. Cancer Center: Recommendation to Accept Bequest to Establish the Irl F. Kennerly Fund for Cancer Research and Authorize the Office of Asset Management to Negotiate the Sale of the Property and Authorize the Executive Vice Chancellor for Asset Management to Execute All Documents Pertaining to the Sale.--

RECOMMENDATION

The Office of the Chancellor concurs with President LeMaistre's recommendation to accept a bequest estimated at \$672,500 with distributions received to date of \$283,000 plus title to real property valued at \$165,000 from the Estate of Billie Wyrick Kennerly, Houston, Texas, to establish the Irl F. Kennerly Fund for Cancer Research at the U. T. Cancer Center.

It is further requested that the Office of Asset Management be authorized to negotiate the sale of the property being 27.55 feet of Lot 1, Block 2, Westlawn Terrace Subdivision, Harris County, Texas, commonly known as 2103 Sul Ross, Houston, Texas, and that the Executive Vice Chancellor for Asset Management be authorized to execute all documents pertaining to the sale. A final report will be made at a future date.

Additional property owned by Mrs. Kennerly will go to the U. T. Cancer Center upon the death of Jeannette Wyrick, Mrs. Kennerly's niece, who was given a life estate interest in the property being Lot 26, Block 3, Renesu Court, commonly known as 2621-2623 Greenbriar, Houston, Texas.

BACKGROUND INFORMATION

Mrs. Kennerly, deceased December 27, 1983, has no known affiliation with the U. T. System. The U. T. Cancer Center was named as a fifty percent charitable remainderman, along with the American Heart Association, in her Estate.

45. U. T. Cancer Center: Report on Establishment of Trust.--

REPORT

The Office of the Chancellor and President LeMaistre report the establishment of a trust valued at \$840,000 as prescribed by the Will of Robert Williamson McClendon of Texarkana, Texas. Mr. McClendon's sister, Sarah McClendon of Washington, D. C., retains a life estate in the trust with the U. T. Cancer Center

to receive 9.26 percent of the residual upon her demise. The proceeds are to be used for cancer research. A report will be submitted when the trust distribution is received along with a recommendation for specific use.

BACKGROUND INFORMATION

Mr. Robert Williamson McClendon, deceased April 18, 1983, has no known affiliation with the U. T. System.

46. U. T. Cancer Center: Recommendation to Accept Bequest.--

RECOMMENDATION

The Office of the Chancellor concurs with President LeMaistre's recommendation to accept a bequest from the Estate of Mary Lou Edmondson McConnell, Sherman, Texas, estimated at \$100,000 to be used for lung and cancer research at the U. T. Cancer Center. A final report of the estate will be made at a later date.

BACKGROUND INFORMATION

Mrs. Mary Lou Edmondson McConnell, deceased February 21, 1987, stated in her Will that the U. T. Cancer Center was to receive the residuary of her estate with one-half designated for lung research and one-half for cancer research.

47. U. T. Cancer Center: Recommendation to Accept Gift and Transfer of Funds to Establish the Robert D. Moreton Chair in Diagnostic Radiology, Given by W. A. "Tex" and Deborah Moncrief, Jr. and the Charles A. LeMaistre Chair in Thoracic Oncology, Given by W. A. "Tex" and Deborah Moncrief, Jr.--

RECOMMENDATION

The Office of the Chancellor concurs with President LeMaistre's recommendation to accept a \$1,000,000 gift from Mr. and Mrs. W. A. "Tex" Moncrief, Jr., Fort Worth, Texas, and authorize a \$1,000,000 transfer from University Cancer Foundation funds for a total of \$2,000,000 to establish the Robert D. Moreton Chair in Diagnostic Radiology, given by W. A. "Tex" and Deborah Moncrief, Jr. and the Charles A. LeMaistre Chair in Thoracic Oncology, given by W. A. "Tex" and Deborah Moncrief, Jr. at \$1,000,000 each at the U. T. Cancer Center.

Income earned from each endowment will be used to advance knowledge and clinical excellence in the field of diagnostic radiology and lung cancer.

BACKGROUND INFORMATION

Mr. W. A. "Tex" Moncrief, Jr., a member of the U. T. Board of Regents, graduated from U. T. Austin in 1942 with a B.S. in petroleum engineering and is a well-known oil and gas producer. He has been a member of The University Cancer Foundation Board of Visitors since 1982, and has offered frequent support to U. T. component institutions.

48. U. T. Cancer Center: Recommendation to Accept Bequest.--

RECOMMENDATION

The Office of the Chancellor concurs with President LeMaistre's recommendation to accept a bequest of approximately \$100,000 from the Estate of William Travis Snipes, Fort Worth, Texas, to be used for cancer research at the U. T. Cancer Center. A final report and designated use of the funds will be made at a later date.

BACKGROUND INFORMATION

Mr. William Travis Snipes named the U. T. Cancer Center as a fifty percent remainderman in his Last Will and Testament. Mr. Snipes, a victim of cancer, specified that the funds be used "in some phase of cancer research or the work of preventing and curing cancer."

49. U. T. Cancer Center: Recommendation to Accept Bequests.--

RECOMMENDATION

The Office of the Chancellor concurs with President LeMaistre's recommendation to accept bequests of approximately \$1,654,000 from the Estates of William G. and Dorothy Kuhlman Theisinger, Houston, Texas, for the benefit of the U. T. Cancer Center with a designation of funds and final report to be made at a later date.

BACKGROUND INFORMATION

The U. T. Cancer Center has been named to receive one-third of the residual Estates of Mr. William G. and Dorothy Kuhlman Theisinger. Mr. Theisinger, who died on January 24, 1985, bequeathed his residuary estate to the Dorothy Kuhlman Theisinger Marital Trust, which terminated upon her death January 9, 1986.

B. REAL ESTATE MATTERS

1. U. T. Arlington: Robert Leroy Endowed Scholarship Fund - Recommendation for Oil and Gas Lease Covering 2.2775 Acres in Andrews and Gaines Counties, Texas, to Fina Oil and Chemical Company, Midland, Texas.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Nedderman that the U. T. Board of Regents authorize an oil and gas lease on 2.2775 acres out of an undivided 1/6 of 3/96 mineral interest in 477.28 acres (less 40 acres dedicated to the Davis #1 well being the NW/4 NE/4) being the W 3/4 of Section 10, Block A-31, PSL, Andrews and Gaines Counties, Texas, to Fina Oil and Chemical Company, Midland, Texas. This mineral interest is held in trust for the Robert Leroy Endowed Scholarship Fund at U. T. Arlington. The proposed six-month lease with a continuous development period of 120 days provides for a 1/4th royalty with no bonus. Proceeds from this lease will be added to the Robert Leroy Endowed Scholarship Fund at U. T. Arlington.

BACKGROUND INFORMATION

The Robert Leroy Endowed Scholarship Fund was established by a gift of cash, securities and mineral/royalty interests from the Robert Leroy Foundation, Arlington, Texas, and accepted by the U. T. Board of Regents at its June 1986 meeting.

2. U. T. Austin: Texas Centennial Lectureship in Astronomy and Astrophysics in the College of Natural Sciences - Recommendation for a Sealed Bid Sale of Real Property Located in Brewster County, Texas, and Authorization for the Executive Vice Chancellor for Asset Management to Execute All Documents Pertaining to the Sale.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Cunningham to approve a sealed bid sale of real property described as 160 acres being Block 9, SW/4 Section 92, H. & T.C. Survey, Brewster County, Texas. The terms of the sealed bid sale will include a minimum cash bid of \$17,000 with a bid deposit of \$1,700. A 3% commission will be paid to any procuring broker. All mineral rights will be reserved by U. T. Austin. Proceeds from the sale will be added to the Texas Centennial Lectureship in Astronomy and Astrophysics in the College of Natural Sciences at U. T. Austin.

It is further requested that the Executive Vice Chancellor for Asset Management be authorized to execute all documents pertaining to the sale.

BACKGROUND INFORMATION

A gift of land and improvements from Dr. and Mrs. Gerard de Vaucouleurs was accepted by the U. T. Board of Regents at its June 1983 meeting to establish the Texas Centennial Lectureship in Astronomy and Astrophysics in the College of Natural Sciences at U. T. Austin. Matching funds from The Centennial Teachers and Scholars Program were reserved and designated to double the endowment. The reservation of matching funds was carried forward to August 31, 1989, at the August 1987 meeting of the Board.

3. U. T. El Paso: Josephine Clardy Fox Fund - Recommendation to Approve the Sale of Real Estate Located at 5000 East Paisano, El Paso, Texas, to Mr. Alfredo De Avila, El Paso, Texas, and Authorization for the Executive Vice Chancellor for Asset Management to Execute All Documents Pertaining to the Sale.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of Interim President Natalicio to approve the sale of real estate located at 5000 East Paisano, El Paso, Texas, to Mr. Alfredo De Avila, El Paso, Texas, for \$106,000. This property is held in trust as part of the Josephine Clardy Fox Fund for U. T. El Paso. The contract for the sale provides for the property to be sold in as is condition. Net proceeds are expected to be approximately \$99,500 after payment of closing costs including a five percent sales commission to Rogers and Belding, El Paso, Texas. The net proceeds from the sale of this property will be added to the Josephine Clardy Fox Fund for the benefit of U. T. El Paso.

BACKGROUND INFORMATION

Mr. Alfredo De Avila currently leases the property for use as a used car lot. During the past year, four of the five parcels of land in the 5000 block of East Paisano in El Paso, Texas, have been sold by the U. T. System. This decision to sell the property was based on an evaluation by the Office of Asset Management which indicates a high potential for increased vacancies, lower rents and declining land values. An appraisal performed on the tract in May 1987 by Ralph Sellers, El Paso, Texas, indicated a value of \$98,000.

4. U. T. Cancer Center: Blanche Bender Fund - Recommendation for Oil and Gas Lease Covering 41.25 Acres in Montgomery County, Texas, to Shell Western E&P Inc., Houston, Texas.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President LeMaistre that the U. T. Board of Regents authorize an oil and gas lease on 41.25 acres covering an undivided one-fourth interest in 189 acres out of the Montgomery County School Lands, Abstract 351, Montgomery County, Texas, to Shell Western E&P Inc., Houston, Texas. This mineral interest was received through the Estate of Blanche Bender and is held in trust for the Blanche Bender Fund for the U. T. Cancer Center. The proposed three-year lease provides for a one-fourth royalty, a \$150 per net acre bonus, and a \$25 per acre delay rental. Proceeds from this lease will be added to the Blanche Bender Fund for the U. T. Cancer Center.

BACKGROUND INFORMATION

This mineral interest was among several acquired through a bequest of Blanche Bender, which was accepted by the U. T. Board of Regents at its February 1952 meeting.

III. INTELLECTUAL PROPERTY

U. T. Health Science Center - Houston and U. T. Cancer Center: Recommendation for Approval of an Agreement with University Ventures, Inc., a Texas Corporation, Houston, Texas.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of Interim President Ribble and President LeMaistre that the U. T. Board of Regents approve an agreement among The University of Texas Health Science Center at Houston, The University of Texas System Cancer Center and University Ventures, Inc., a Texas Corporation, Houston, Texas, providing for cooperation in developing and commercializing health care technology and delivering health care services. The agreement is set out on Pages L&I 51 - 66.

BACKGROUND INFORMATION

In an effort to maximize potential benefits, economic and otherwise, that may be derived from health care technology and services, U. T. Health Science Center - Houston and the U. T. Cancer Center have cooperated with Mr. Allan C. King, a resident of Houston, Texas, in forming University Ventures, Inc. (UVI) for the purposes of encouraging the development of health care technology,

offering health care technology for commercial applications, and assisting U. T. System health components in identifying and analyzing potential institutional support services, educational services, and health care service functions that may benefit the components and the public. UVI, with the cooperation and assistance of U. T. Health Science Center - Houston and U. T. Cancer Center will: seek to determine which technologies have commercial market potential; encourage the formation of entities (that may be at least partly owned by UVI and/or the U. T. System) for marketing; encourage private investments in or other financial support of entities so formed; accelerate the commercial application of new and valuable research for the direct benefit of patient and health care professionals; increase and maximize financial returns on research funded to date so as to enable additional research to be undertaken; and establish a strong and positive working relationship among UVI, U. T. Health Science Center - Houston and U. T. Cancer Center to take advantage of existing financial markets and business expertise.

UVI is a new Texas corporation located in Houston, Texas, incorporated with Mr. King as the sole shareholder and director. However, under the proposed agreement the principal shareholders (and their respective equity ownership interests) will be Allan C. King (61.5%), U. T. Health Science Center - Houston (10%) and U. T. Cancer Center (10%). Eighteen and one-half percent (18½%) of the original equity will be reserved for yet-to-be determined management personnel. U. T. Health Science Center - Houston and U. T. Cancer Center will subscribe for and be issued their respective stock interests for \$540.54 each. Mr. King has capitalized UVI with the statutory minimum of \$1,000.00 in return for issuance of shares, and he will receive the balance of his equity interest for \$49,864.80. He also will procure and/or provide other initial financing or funding of up to \$450,000.00.

Rights to any technologies or service functions that U. T. Health Science Center - Houston or U. T. Cancer Center may choose to market through UVI will be governed by subsequent agreements between the parties with approval by the U. T. Board of Regents where appropriate. All property developed by U. T. Health Science Center - Houston or U. T. Cancer Center in the course of cooperative activities with UVI will remain the property of U. T. Health Science Center - Houston and U. T. Cancer Center respectively, but may be licensed to UVI pursuant to future negotiations and in compliance with the Rules and Regulations of the Board of Regents of the U. T. System.

AGREEMENT

This Agreement is made this first day of January 1988 by and between The University of Texas Health Science Center at Houston (hereinafter referred to as "HSC") and The University of Texas System Cancer Center (hereinafter referred to as "SCC"), both of which are component institutions of The University of Texas System and are located in Houston, Texas; and University Ventures, Inc. (hereinafter referred to as "UVI"), a corporation organized and existing under the laws of the State of Texas.

WITNESSETH

WHEREAS, HSC and SCC, both individually and collectively have current programs which include elements of education, research and patient care in the general field of health care; and

WHEREAS, HSC and SCC, both individually and collectively, have had an on-going interest to assure that the content of their various programs is available to a wide population of persons within Texas and the nation, and in that regard have sought ways to enhance the development and transfer of their services, expertise and technology so that each reaches the marketplace in an expeditious and proper manner, and further have sought ways to improve the efficiency of their operations so that available resources yield maximum health care services; and

WHEREAS, UVI has available to it certain expertise and resources in the general areas of business operations, financing, marketing, product/process development and others which have significant potential to assist HSC and SCC in the achievements of its objectives described herein; and

WHEREAS there is an increasing awareness within the State of Texas of the value gained when private sector and public sector efforts may be combined in a cooperative fashion toward common objectives, and an increasing number of successful such cooperatives in the State; and

WHEREAS, the parties have earlier undertaken certain preliminary feasibility analyses to determine the merits of a cooperative effort between them and have determined the same to be desirable and in the best interests of their respective programs.

NOW, THEREFORE, HSC, SCC AND UVI agree as follows:

I.

CORPORATE ORGANIZATION AND OBJECTIVES

A. Organization

In order to carry out the full scope of activities referenced herein and for the benefit of all the parties, UVI will be structured so as to assist HSC and SCC in the development and growth of their respective technology and services programs. With that in mind, the primary business purpose of UVI is to engage in those activities which are compatible to the goals and objectives of HSC and SCC, and which generate additional income and cash flow. It is generally agreed that the intent of this cooperative effort is to expand the benefit of HSC's and SCC's technology and services, and to enhance the

opportunity for HSC and SCC to derive maximum economic return in new cooperative ventures which may result from these initiatives. Further, it is specifically agreed that these efforts shall be completed in such a manner as not to interfere with or distort the mission and programs of HSC and SCC.

B. Initial Capitalization

UVI has, prior to the effective date of this Agreement, been incorporated with Mr. Allan C. King as the sole shareholder and director, and has been capitalized with the statutory minimum of \$1,000.00 via the subscription and issuance of 100,000 shares of Common Stock (par value \$0.01) to Mr. King.

Upon the execution and ratification of this Agreement by all the parties, the capitalization of UVI will be restructured as follows:

1. The 100,000 shares of Common Stock now held by Mr. King will be made available and offered for purchase by the selected President and chief Executive Officer of UVI. Such purchase will be made for the consideration of \$1,000.00 and thus at the initial acquisition price by Mr. King.
2. HSC shall subscribe for, purchase and have issued to it 54,054 shares of Non Voting Common Stock (par value \$0.01) of UVI for the consideration of Five-Hundred Forty and 54/00 Dollars (\$540.54). Consistent with the terms of issuance of such Non Voting Common Stock, HSC may convert the same to voting shares of Common Stock at a 1-for-1 basis at their discretion.

3. SCC shall subscribe for, purchase and have issued to it 54,054 shares of Non Voting Common Stock (par value \$0.01) of UVI for the consideration of Five-Hundred Forty and 54/100 Dollars (\$540.54). Consistent with the terms of issuance of such Non Voting Common Stock, SCC may convert the same to voting shares of Common Stock at a 1-for-1 basis at their discretion.

4. Mr. Allan C. King shall subscribe for, purchase and have issued to him or to his designee 332,432 shares of Series A Convertible Preferred Stock (par value \$0.01) of UVI for the consideration of \$0.15 per share, that being Forty-Nine Thousand Eight-Hundred Sixty Four and 80/100 Dollars (\$49,864.80). The preferences and relative and other rights, and the qualifications, limitations or restrictions of such Preferred Stock are set forth in UVI's Certificate of Incorporation and in the Corporate documents setting forth the creation of such Series A Convertible Preferred Stock.

At the time such stock transactions are completed, the equity ownership of UVI shall be distributed as follows:

Mr. Allan C. King	61.5%
Management	18.5%
HSC	10.0%
SCC	10.0%

C. Initial Financing

In order to conduct the general operations of UVI with respect to business assistance, project evaluation and other activities described elsewhere herein, and where appropriate to make the investment in start-up operations of selected opportunities, it will be necessary that UVI secure guaranteed funding for a period of approximately 18 to 24 months. Although the specific amount of such funding cannot be determined due to a number of variables affecting both revenues and expenses, it is estimated that the initial amount of financing necessary should not exceed \$500,000.00. Giving consideration to the funds which will be raised by UVI via the various stock issues above, and in order to guarantee the necessary funding as may be needed, Mr. King shall make arrangements on behalf of and for the benefit of UVI to provide such funds directly, or to secure and guarantee an irrevocable line of credit, a bank loan guaranteed by his personal assets, or such other financing instrument as may be necessary and available up to an amount not to exceed Four-Hundred Fifty-Thousand Dollars (\$450,000.00).

D. Management of the Corporation

The management of UVI shall be directed by a Board of Directors and with appropriate working Committees of that Board as may be necessary in the circumstances. The Board of Directors will initially be chaired by Mr. Allan C. King, and will include individuals who bring the requisite expertise, interest and influence to assist UVI in the successful completion of its activities. One representative each from HSC and SCC will be invited to sit

on that Board, occupying either an advisory role or active voting status as may be consistent with the selection by HSC and SCC as to the choice between Non Voting Common Stock and Voting Common Stock as expressed in B.2 and B.3 above; if HSC and SCC retain Non Voting Common Stock then their Board seats shall be as advisory members, and if they elect to convert such stock into Voting Common Stock, then their Board seats shall be as full voting members.

The President and Chief Executive Officer of UVI shall be responsible for the day-to-day management of the Company, and shall report directly to the Board of Directors.

E. Anti-Dilution Provisions

Both HSC and SCC are assured by execution of this Agreement that their equity ownership in UVI shall not be diluted to an amount less than 10.0% each for the initial \$500,000.00 of financing as described herein. At such time as UVI is required to obtain additional financing above that amount, then each of the then-current equity participants shall have an identical option to purchase stock in UVI in order to provide the necessary additional funding and the same shall be done in such a ratio as to retain the then-current equity distribution as between the parties. Such options, if and when granted, shall be available for a period not to exceed forty-five (45) days, and thereafter UVI shall be free to obtain financing in whatever manner it deems most appropriate, and the equity of each shareholder will be diluted accordingly.

II.

MANAGEMENT RECRUITMENT

UVI contemplates that the services of Steven C. Schultz, an executive officer currently employed by SCC, will be critical to the implementation and successful operation of its activities, and to that end intends to offer an opportunity for Mr. Schultz to participate in the new organization. By signature of the Agreement, SCC authorizes UVI to extend and negotiate such an offer to Mr. Schultz, and if such offer is presented to and accepted by Mr. Schultz, all the parties shall undertake to make the transition of his current duties with SCC harmonious and in no way damaging to the SCC programs, and the undertaking of his new duties with UVI compatible with its needs in accord with applicable rules and policies of the University.

III.

UVI RESPONSIBILITIES

UVI shall undertake a number of responsibilities under this Agreement, all generally aimed at assisting HSC and SCC in the identification, analysis and presentation of technology which may be effectively transferred to the marketplace, and in the identification and organization of service functions which may be carried out with greater efficiency and economy in a private sector environment. The activities to be completed in this regard by UVI shall include, but not be limited to,

1. Providing all funds necessary to establish an office within the Texas Medical Center area which shall have available resources in market analysis for various health care sectors, business planning models, liaison services with investment banking and other financial centers, research program scheduling and reporting methods, and other related matters. This office shall be available to HSC and SCC as a supplementary business referral and assistance center, and shall work to identify and screen potential projects for further development in coordination with similar activities now in progress at HSC and SCC.

2. In cooperation with HSC and SCC, conducting executive briefings for corporate executives and financial houses to provide them with periodic information concerning the programs and projects of HSC and SCC and the opportunity for cooperative development therewith.

3. Organizing and conducting seminars and presentations in HSC and SCC, and with HSC and SCC in the community, to keep the issue of biotechnology and biomedical matters at the forefront of area economic development planning and institutional strategic planning.

4. Fostering relations with investors, financial houses and others in order to optimize the opportunity for HSC and SCC to have diverse and significant resource potential to conduct its technology and service advancement.

As plans or proposals arise from these activities and are judged by the parties to be worthy of pursuit as independent entities, UVI shall be

responsible for organizing the preliminary business plan documents and work schedules or activity lists preliminary to such undertakings. In this regard, UVI shall be generally responsible for guiding the organization and implementation of these new ventures, and shall generally participate in them as further described in Article V, though it is understood and agreed that such undertakings shall not be finalized in the UVI structure unless accepted by HSC and/or SCC.

IV.

PARTICIPATION IN DEVELOPMENTS

It is envisioned that UVI and HSC and SCC will identify various business proposals pursuant to this Agreement and, if mutually desired, that they will then seek to find investors and management personnel to implement the same in the form of individual corporate or other legal entities. These newly developed entities will have a carried equity interest by UVI and HSC and SCC and/or will include financial terms by which each of the parties can gain economic return, the specific particulars of which will be negotiated between the parties on an individual case basis. Such financial interests by HSC and SCC will be granted and administered in accord with the Rules and Regulations of The University of Texas System, and will be intended to generate income for the furtherance of HSC and SCC programs. The equity and other income interests by UVI will be utilized to develop further programs of UVI, thereby indirectly serving to benefit HSC and SCC, and to provide a return to its investors.

V.

NON-EXCLUSIVITY

This Agreement establishes a cooperative association between HSC, SCC and UVI for the purposes of developing and offering health care technology for commercial applications and assisting U.T. System health components in identifying and analyzing potential institutional support services, educational services, and health care service functions that may benefit the components and the public. UVI understands and acknowledges that the opportunities available by this association are non-exclusive, and HSC and SCC are free to negotiate and deal directly with third parties and/or sponsors of its technology and services or with other entities similar in organization to UVI.

VI.

PUBLICITY

UVI shall not use directly or by implication the name of HSC or SCC, or the names of its staff in any publicity or advertising material unless a copy is submitted to and approved in writing by the President at each organization or his/her designee.

VII.

PROPERTY RIGHTS

As the services of UVI shall be administrative and financial in nature, it is not envisioned that UVI will discover or conceive any patentable material. For patentable material which is discovered by HSC or SCC in the conduct of cooperative activities with UVI, or for such material which is previously owned by HSC or SCC and shall be made available to UVI for its considered development, all of such material and the rights thereto shall remain the property of HSC and SCC. This provision shall not prohibit HSC

and SCC from licensing such material to UVI for a negotiated fee should it be mutually desirable to do so, provided further that such license(s) shall be granted and administered in accord with the Rules and Regulations of The University of Texas System.

VIII.

CONFIDENTIALITY

As the parties hereto shall have need to share information freely in order to maximize the value of their cooperative effort, and as certain of that information shall be secret and confidential, the parties agree to retain in confidence and to take reasonable precautions to hold in confidence any and all confidential and proprietary information disclosed to the other, whether obtained directly or indirectly, and further agree not to disclose the confidential information of the disclosing party to third parties or to use same for any purpose other than those purposes contemplated by this Agreement. The obligation to hold such information in confidence shall apply to all such information except that which:

- a.) can be proven to be part of the public domain or of public knowledge or to have become part to the public domain,
- b.) was in the possession of the receiving party before receipt from the disclosing party, such possession being documented prior to the date of disclosure,
- c.) was lawfully and properly received from a third party under no obligation of confidentiality to the disclosing party, or

d.) is disclosed to any banking or other financial entity or potential or existing investors for valid financial reasons in order to obtain funds; provided such entities or investors agree to maintain such information in confidence as provided by this section, and the party whose information is disclosed agrees to such disclosure.

This section shall survive termination of this Agreement for any reason.

IX.

ANNUAL REPORTS

During the term of this Agreement, UVI shall provide HSC and SCC with interim reports not less than three (3) times per year and with annual reports in reasonable detail showing the activities of UVI and benefit thereof to HSC and SCC. The annual reports shall be filed in writing and within sixty (60) days of the end of each calendar year period.

X.

NOTICES

Any notice, communication, request, instruction or other document required or permitted hereunder shall be deemed delivered upon mailing by certified mail, return receipt requested, postage prepaid, or by prepaid telegram, or upon personal delivery, to the parties at the following addresses:

If to UVI: Mr. Allan C. King
University Ventures, Inc.
1200 Smith Street
2680 Citicorp Center
Houston, Texas 77002

If to SCC: Charles A. LeMaistre, M.D.
President
The University of Texas System Cancer Center
1515 Holcombe Blvd.
Houston, Texas 77030

If to HSC: John C. Ribble, M.D.
Interim President
The University of Texas Health Science Center at Houston
Post Office Box 20036
Houston, Texas 77225

XI.

INDEMNIFICATION

UVI agrees to indemnify and hold harmless HSC, SCC, The University of Texas System, The University of Texas Board of Regents, and their officers, agents and employees ("Indemnified Person") from any liability, loss or damage they may suffer as a result of claims, demands, costs or judgments against them out of the activities conducted pursuant to this Agreement, provided however, that any such liability, loss or damage resulting from, arising out of, or incident to, directly or indirectly, the following subsections a. or b. is excluded from this indemnification:

- a.) Any negligent or willful failure of an Indemnified Person to comply with any State regulation or other governmental requirements; or
- b.) The negligence or willful malfeasance of an Indemnified Person.

HSC and SCC agree to endeavor to provide UVI with a copy of any notice of claim or action which is a matter subject to indemnification in accordance

with the terms hereof in order for UVI to defend such claim or action, and to advise their officers, agents and employees to do likewise. UVI shall have the right, subject only to a demonstration of available resources, to control the defense of any such claim or action, at its own expense, and the Indemnified Person or Persons agree to cooperate with UVI in the defense of such claim or actions. Failure of HSC or SCC to notify UVI as required above or to cooperate with UVI, which failure materially adversely affects UVI's ability to defend such claim or action or directly results in UVI incurring liability hereunder, shall relieve UVI from any obligation of indemnification hereunder.

XII.

GENERAL

12.1 For the purposes of this Agreement and for all services to be provided hereunder, the parties shall be, and shall be deemed to be, independent contractors and not agents, employees, partners or joint venturers of the other party. No party shall have authority to make any statements, representations or commitments of any kind, or to take any action which shall be binding on the other party, except as may be explicitly provided for herein or authorized in writing.

12.2 This Agreement may be terminated at any time by the mutual agreement of the parties, or at any time by any of the parties upon ninety (90) days written notice to the other parties. Termination of this Agreement shall not affect the rights and obligations of the parties accrued prior to termination.

12.3 This Agreement may not be assigned by any party without the prior written consent of the other parties; provided, however, that UVI may assign this Agreement to any purchaser or transferee of all or substantially all of UVI's business upon prior written notice to HSC or SCC if such purchaser or the transferee agrees in writing to be bound to the terms and conditions hereof to the same extent as UVI.

12.4 This Agreement constitutes the entire and only agreement among the parties relating to the formation of UVI, and all prior negotiations, representations, agreements and understandings are superseded hereby. No agreements altering or supplementing the terms hereof may be made except by means of a written document signed by the duly authorized representatives of the parties.

12.5 This Agreement shall be construed and enforced in accordance with the laws of the State of Texas.

12.6 If one or more provisions of this Agreement are held to be void or unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives.

THE UNIVERSITY OF TEXAS HEALTH
SCIENCE CENTER AT HOUSTON

By John C. Reble

THE UNIVERSITY OF TEXAS SYSTEM
CANCER CENTER

By Charles A. LeMaistre MD

Approved as to form,
OFFICE OF GENERAL COUNSEL

By _____

THE UNIVERSITY OF TEXAS SYSTEM

By _____
Charles B. Mullins M.D.
Executive Vice Chancellor
for Health Affairs

UNIVERSITY VENTURES, INC.

Allan C. King
Allan C..King

Executive Session of the Board

BOARD OF REGENTS
EXECUTIVE SESSION
Pursuant to Vernon's Texas Civil Statutes
Article 6252-17, Sections 2(e), (f) and (g)

Date: February 11, 1988

Time: 10:30 a.m. The Board will convene in Open Session and immediately recess to Executive Session, which should conclude about Noon. The Open Session will reconvene about 2:00 p.m. and continue through adjournment.

Place: John Peace Library Building, Room 4.02.12
U. T. San Antonio

1. Pending and/or Contemplated Litigation - Section 2(e)
U. T. Health Science Center - San Antonio:
Proposed Settlement of Medical Malpractice
Litigation
2. Land Acquisition, Purchase, Exchange, Lease or Value of
Real Property and Negotiated Contracts for Prospective
Gifts or Donations - Section 2(f)
 - a. U. T. Health Science Center - San Antonio:
Negotiated Agreement with the Texas
Research Foundation and Other Parties
for the Acquisition of Real Property in
Bexar and Medina Counties, Texas
 - b. U. T. Cancer Center: Request to Negotiate
for Exchange of Certain Parcels of Real
Property in Harris County, Texas
3. Personnel Matters [Section 2(g)] Relating to Appointment,
Employment, Evaluation, Assignment, Duties, Discipline,
or Dismissal of Officers or Employees
 - a. U. T. System: Consideration of the Appoint-
ment of an Administrative Officer of the
System Related to the Regents' Rules and
Regulations, Part One, Chapter II, Sec-
tion 7.2
 - b. U. T. El Paso: Consideration of Personnel
Matters Related to the Possible Election
and Employment of a President