

MATERIAL SUPPORTING THE AGENDA

VOLUME XXXVIIIb

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

February 14, 1991  
March 18, 1991  
April 11, 1991

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.



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

**Meeting No.:** 852

**Date:** February 14, 1991

**Location:** Austin, Texas

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BOARD OF REGENTS  
OF  
THE UNIVERSITY OF TEXAS SYSTEM

CALENDAR

Place: Lobby, Commons Building  
Balcones Research Center  
The University of Texas at Austin  
10100 Burnet Road  
Austin, Texas

Host Institution: The University of Texas at Austin

Thursday, February 14, 1991

10:30 a.m.

Convene in Open Session with  
recess to Executive Session  
as per the agenda

See Pages B of R 1 - 5,  
Items A - P

Telephone Numbers

Administrative Office, Commons Building	(512) 471-5950
Board of Regents' Office	(512) 499-4402

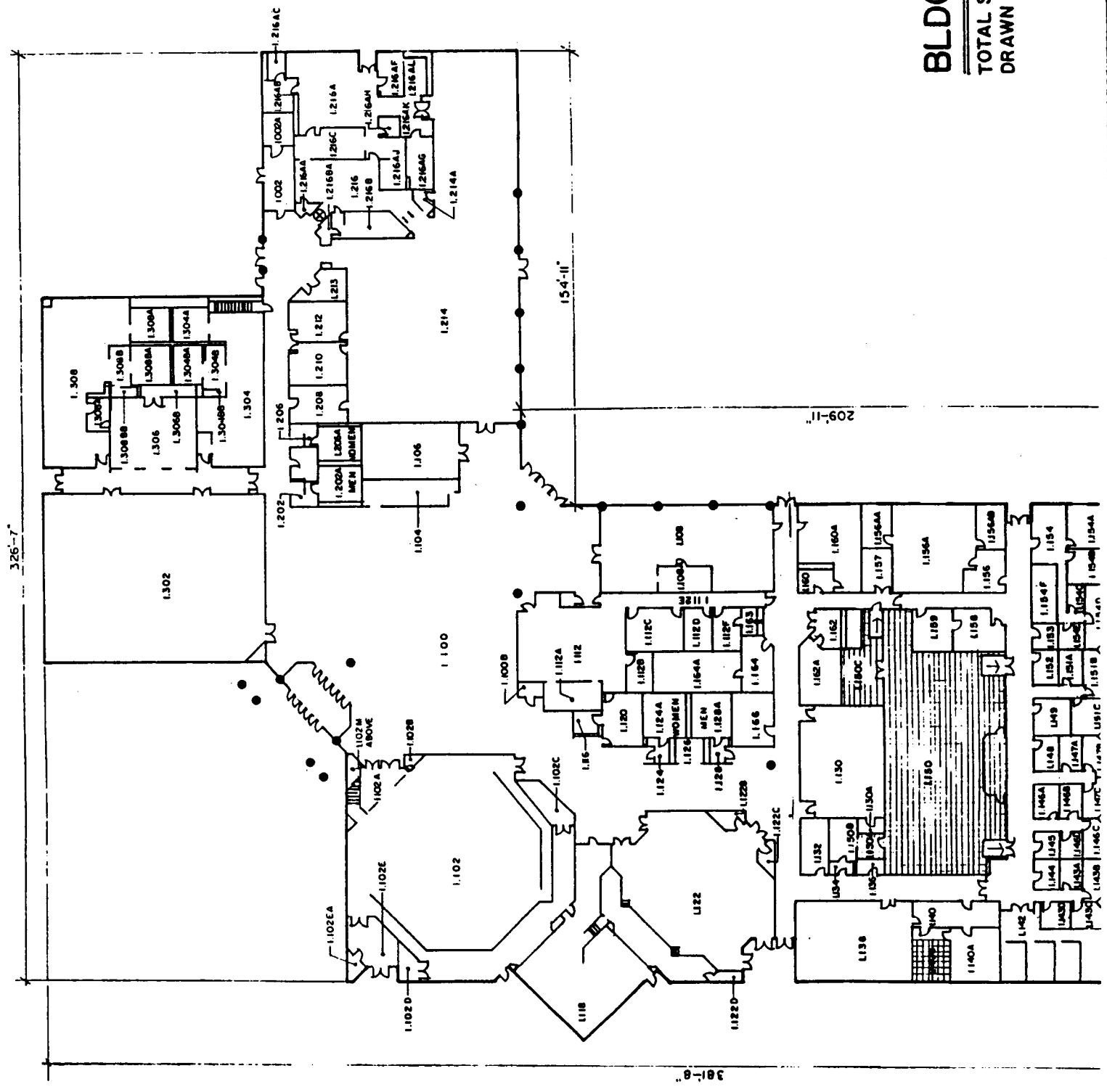


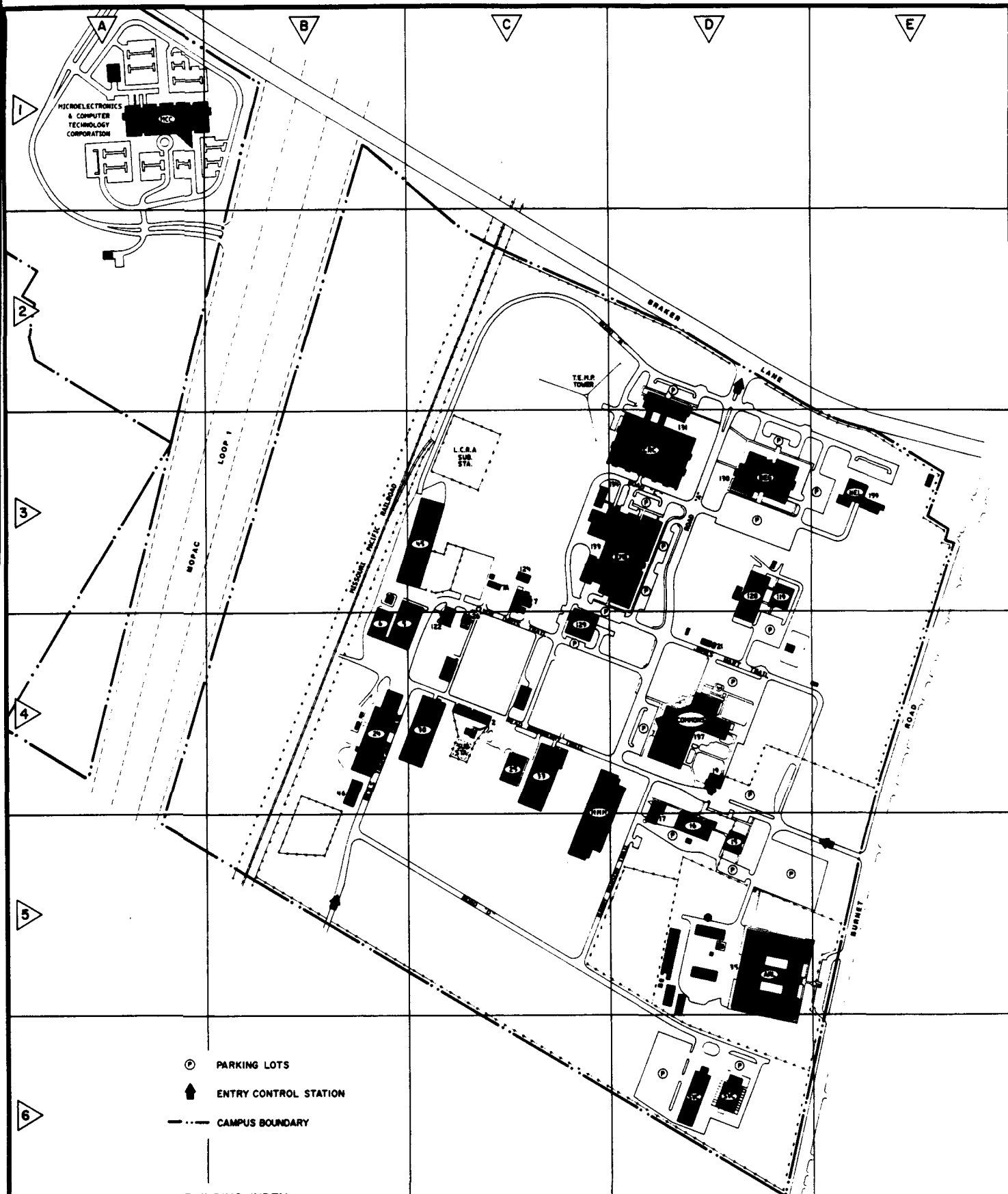
SCALE: 1"=40'-0"

- Room 1.100 Regents' Meeting Room
- Room 1.130 Executive Session
- Room 1.112C Regents' Secretarial Office
- Room 1.106 Telephones for Press

# BLDG 137, COMMONS

TOTAL SQ FT 80,289 SQ. FT.  
 DRAWN BY: *[Signature]* DATE 1-29-87





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# BALCONES RESEARCH CENTER

THE UNIVERSITY OF TEXAS AT AUSTIN

**Meeting of  
the Board**

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

Date: Thursday, February 14, 1991

Time: 10:30 a.m. Convene in Open Session with  
recess to Executive Session  
as per the agenda

Place: Lobby (Open Session) and  
Room 1.130 (Executive Session),  
Commons Building, Balcones Research Center

A. CALL TO ORDER

B. WELCOME BY PRESIDENT CUNNINGHAM

C. APPROVAL OF MINUTES OF REGULAR MEETING HELD  
DECEMBER 6, 1990

D. SPECIAL ITEMS

1. U. T. Board of Regents: Adoption of Supplemental Resolution Approving and Authorizing the Issuance of Revenue Financing System Refunding Bonds, Series 1991, in an Aggregate Principal Amount Not to Exceed \$300,000,000; Designation of the Executive Committee as a Pricing Committee to Approve the Pricing; Appointment of McCall, Parkhurst & Horton, Dallas, Texas, as Bond Counsel, and Baeza, Lannen & Moye, Dallas, Texas, as Co-Bond Counsel; Appointment of Ameritrust, Austin, Texas, as Escrow Agent; Appointment of Ernst & Young, Tucson, Arizona, as Escrow Verification Agent; Authorization for the Sale of the Bonds to Goldman, Sachs & Co., New York, New York; Authorization for Office of Finance to Advertise for Bids; and Authorization for Officers of U. T. System to Complete Transactions.--

Final documents will be presented to the Board at the meeting.



Approved: MEP

PROPOSED AGENDA ITEM

For Board of Regents' Meeting: February 14, 1991

Recommended Committee(s): Special Item

U. T. Board of Regents: Adoption of Amended and Restated Master Resolution Establishing the Revenue Financing System and the Second Supplemental Resolution Approving and Authorizing the Issuance of Revenue Financing System Refunding Bonds, Series 1991A-C, in an Aggregate Principal Amount Not To Exceed \$316,000,000; Designation of the Executive Committee as a Pricing Committee to Approve the Pricing; Appointment of McCall, Parkhurst & Horton, Dallas, Texas, as Bond Counsel, and Baeza, Lannen & Moye, Dallas, Texas, as Co-Bond Counsel; Appointment of Ameritrust Texas, National Association, Austin, Texas, and Morgan Guaranty Trust Company of New York, New York, New York, as Escrow Agents; Appointment of Ernst & Young, Tucson, Arizona, as Escrow Verification Agent; Authorization for the Sale of the Bonds to Goldman, Sachs & Co., New York, New York; Authorization for Office of Finance to Advertise for Bids; and Authorization for Officers of U. T. System to Complete Transactions.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Asset Management that the U. T. Board of Regents approve the following actions:

- a. Adopt the Amended and Restated Master Resolution which reserves additional rights for the benefit of the System
- b. Adopt the Second Supplemental Resolution authorizing the issuance of Revenue Financing System Refunding Bonds, Series 1991A-C, in the aggregate principal amount not to exceed \$316,000,000 for the purpose of advance refunding Board of Regents of The University of Texas System General Revenue Refunding Bonds, Series 1986, \$191,100,000; Board of Regents of Pan American University Auxiliary Enterprise System Revenue Bonds, Series 1968A, \$73,000; Series 1968B, \$145,000; Series 1968C, \$1,278,000; Series 1968D, \$570,000; Series 1973, \$715,000; Series 1977, \$325,000; Board of Regents of Pan American University Combined Fee Revenue Bonds, Series 1971, \$665,000; Board of Regents Pan American College Utility Plant Student Fee Revenue

Copies Supplemental Material  
Office of the Board of Regents (orig. + 1 xc)  
xcs: Chancellor Mark  
Dr. Duncan  
Dr. Mullins  
Mr. Patrick  
Mr. Binder  
Mr. Burck  
Mr. Farabee

Date: 02/05/91  
pkc/kdh

Bonds, Series 1968, \$1,035,000; and Board of Regents of Pan American College Student Fee Revenue Bonds, Series 1969, \$888,000 and for the purpose of refunding \$24,760,000 of Revenue Financing System Commercial Paper, Series A, and to provide new money of \$65,640,000 for the construction of eligible projects; Series A will refund the General Revenue Refunding Bonds, Series 1986; Series B will refund the Revenue Financing System Commercial Paper Notes and provide new money for the construction of projects at Southwestern Medical Center at Dallas, M. D. Anderson, and U. T. Austin; and Series C will refund the Pan American University Revenue Bonds (in approving the resolution, the Board will be approving an Official Statement, a Bond Purchase Contract, a Paying Agent/Registrar Agreement, Escrow Agreements, and a Depository Trust Company Letter of Representation, all substantially in the form set out in the exhibits of the resolution)

- c. Designation of the Executive Committee of the U. T. Board of Regents as a Pricing Committee to approve the pricing of the Bonds
- d. Appointment of McCall, Parkhurst & Horton, Dallas, Texas, as Bond Counsel and Baeza, Lannen & Moyé, Dallas, Texas, as Co-Bond Counsel
- e. Appointment of Ameritrust Texas, National Association, Austin, Texas, and Morgan Guaranty Trust Company of New York, New York, New York, as Escrow Agents
- f. Appointment of Ernst and Young, Tucson, Arizona, as Escrow Verification Agent
- g. Authorization for the sale of the Revenue Financing System Refunding Bonds, Series 1991, to Goldman, Sachs & Co., New York, New York
- h. Authorization for the Office of Finance to advertise for bids for Paying Agent/Registrar and printing of the Official Statement
- i. Authorization for certain officers and employees of the U. T. System to take any and all steps necessary to complete the transactions.

#### BACKGROUND INFORMATION

At the August 14, 1986 meeting, the Board adopted a resolution authorizing the issuance, sale, and delivery of the General Revenue Refunding Bonds, Series 1986. The security for the Bonds consists of a combined pledge of specific fees and auxiliary revenues from certain U. T. components. At the April 12, 1990 meeting, the Board adopted a Master Resolution establishing The University of Texas System Revenue Financing System which provides a System-wide financing structure for all non PUF revenue supported capital improvement projects. Under the Master Resolution, the revenue pledge is broader in that all revenues and fund balances now or hereafter lawfully available to the Board with which to pay debt service are pledged as security for bonds issued under this resolution.

Due to the current favorable market, there is now an opportunity to advance refund the General Revenue Refunding Bonds, Series 1986, by issuing the Series A Bonds, and to achieve two results: one, a restructuring of the debt so that all revenue debt has the same pledge of revenues, and two, a debt service savings by refunding the higher coupon debt with lower coupon debt.

The Series B Bonds to be issued would refund \$24,760,000 of Revenue Financing System Commercial Paper Notes, Series A and provide \$65,640,000 of new money. The commercial paper note program provides interim financing at short-term interest rates for the eligible projects. Since long-term interest rates are favorable, the short-term financing is being converted to long-term financing and the new money is being acquired through the issuance of fixed rate long-term debt. The new money will be used to finance \$65,640,000 of construction for projects at Southwestern Medical Center at Dallas, M. D. Anderson, and U. T. Austin.

The Series C Bonds to be issued would refund \$5,694,000 of Pan American University Revenue Bonds. By refunding the outstanding bonds, a prior lien on the revenues of the U. T. financing system due to the Pan American University bonds would be eliminated. In addition, the refunding should result in a debt service savings.

**FIRST AMENDED AND RESTATED  
MASTER RESOLUTION ESTABLISHING THE UNIVERSITY OF  
TEXAS SYSTEM REVENUE FINANCING SYSTEM**

Second Draft 2/12/91

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FIRST AMENDED AND RESTATED  
MASTER RESOLUTION ESTABLISHING THE UNIVERSITY OF  
TEXAS SYSTEM REVENUE FINANCING SYSTEM

WHEREAS, the Board of Regents of The University of Texas System, through the authorization of its Board of Regents of The University of Texas System General Revenue Refunding Bonds, Series 1986, established a System-wide financing structure combining all of its institutions and branches under one revenue financing system; and

WHEREAS, pursuant to a Master Resolution Establishing The University of Texas System Revenue Financing System adopted on April 12, 1990 (the "Original Master Resolution") the Board of Regents established a System-wide financing structure for revenue supported indebtedness to provide reduced costs and increased borrowing capacity to the components of the System, additional security to the credit markets, and greater financial flexibility to the Board of Regents; and

WHEREAS, it is now deemed necessary and desirable to amend and restate the Original Master Resolution; and

WHEREAS, the terms used in this Resolution and not otherwise defined shall have the meaning given in Exhibit A to this Resolution attached hereto and made a part hereof;

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

Section 1. AMENDMENT AND RESTATEMENT OF MASTER RESOLUTION; ESTABLISHMENT OF FINANCING SYSTEM AND ISSUANCE OF PARITY DEBT. (a) The Original Master Resolution is hereby amended and restated by this Resolution.

(b) There is hereby established The University of Texas System Revenue Financing System for the purpose of providing a financing structure for revenue supported indebtedness of components of The University of Texas System included as Members of the Financing System. This Resolution is intended to establish a master plan under which revenue supported indebtedness of the Financing System can be incurred. Each Supplement shall provide for the authorization, issuance, sale, delivery, form, characteristics, provisions of payment and redemption, and security of each issue or series of Parity Debt and any other matters related to Parity Debt not inconsistent with the Constitution and laws of the State of Texas or the provisions of this Resolution.

Section 2. SECURITY AND PLEDGE; (a) Pledge. Subject to the provisions of the resolutions authorizing Prior Encumbered Obligations, Parity Debt shall be secured by and payable from a lien on the Pledged Revenues, and the Board hereby assigns and pledges the Pledged Revenues to the payment of the principal of and interest on Parity Debt, and the Pledged Revenues are further pledged to the establishment and maintenance of any funds which may be provided to secure the repayment of Parity Debt in accordance with this Resolution and any Supplement. The Board may additionally secure Parity Debt with one or more Credit Agreements.

(b) Additional Members. As provided in Section 7 of this Resolution, institutions which are not now Members of the Financing System may hereafter become Members and such institutions may, at such time, have outstanding obligations secured by the Prior Encumbered General Fee, the Prior Encumbered Revenues, the Prior Encumbered Tuition Fee and/or the Prior Encumbered Practice Plan Funds and that, therefore, the lien on and pledge of the Pledged Revenues established pursuant to this Resolution and effective when such institutions become Members of the Financing System will be subject and subordinate only to such institutions' outstanding Prior Encumbered Obligations.

(c) Restriction on Issuance of Additional Debt on a Parity with Prior Encumbered Obligations. Except as provided in Section 4(g) and while any Parity Debt is outstanding, no additional bonds or obligations may be issued or incurred by the Board on a parity with any Prior Encumbered Obligations.

Section 3. RATE COVENANT: PLEDGED GENERAL FEE.

(a) Rate Covenant. In each Fiscal Year, the Board shall establish, charge, and use its reasonable efforts to collect at each Member the Pledged Tuition Fee, the Pledged General Fee, the Pledged Practice Plan Funds (but only to the extent that the Practice Plan Funds are pledged to secure Parity Debt) and other rates, fees, and charges for goods and services furnished by, and for the use of, properties of the Financing System which, if collected, would be sufficient to meet all financial obligations of the Board relating to the Financing System including all deposits or payments due on or with respect to Outstanding Parity Debt for such Fiscal Year.

(b) Pledged General Fee. Subject to the provisions of the resolutions authorizing Prior Encumbered Obligations and to the other provisions of this

Resolution and any Supplement, the Board covenants and agrees at all times to fix, levy, charge, and collect at each Member which has students the Pledged General Fee from each student (excepting, with respect to each series or issue of Parity Debt, any student in a category which, at the time of the adoption of the Supplement relating to such Parity Debt, is exempt by law from paying fees) enrolled at each Member, respectively, at each regular fall and spring semester and at each term of each summer session, for the use and availability of such institution or branch thereof, respectively, in such amounts, without any limitation whatsoever, as will be at least sufficient at all times, together with other legally available funds, including other Pledged Revenues, to provide the money, to make or pay the principal of, interest on, and other payments or deposits with respect to Outstanding Parity Debt when and as required. The Pledged General Fee shall be adjusted, if and when permitted or required by this Resolution or any Supplement, to provide Pledged Revenues sufficient to make when due all payments and deposits in connection with Outstanding Parity Debt. The Board may fix, levy, charge, and collect the Pledged General Fee in any manner it may determine within its discretion, and in different amounts from students enrolled in different Members, respectively, and in addition it may totally suspend the collection of the Pledged General Fee from the students enrolled in any Member, so long as total Pledged Revenues are sufficient, together with other legally available funds, to meet all financial obligations of the Board relating to the Financing System including all payments and deposits in connection with Outstanding Parity Debt. All changes in the Pledged General Fee shall be made by a resolution of the Board, but such procedure shall not constitute or be regarded as an amendment of this Resolution or any Supplement, but merely the carrying out of the provisions and requirements hereof. Notwithstanding the foregoing, it is recognized that certain Members do not and will not enroll students, and, therefore, the Board will not levy or collect the Pledged General Fee at such Member.

(c) Annual Obligation. If, in the judgment of the Board, any Member has been or will be unable to satisfy its Annual Obligation, the Board shall fix, levy, charge, and collect rates, fees, and charges for goods and services furnished by such Member and, with respect to Members with enrolled students, the Pledged General Fee at such Member effective at the next succeeding regular semester or semesters or summer term or terms, in amounts sufficient, without limit (subject to the provisions of (e) below), together with other legally available funds, including other Pledged Revenues attributable to such

Member, to enable it to make its Annual Obligation payments.

(d) Anticipated Deficit. If the Board determines, for any reason whatsoever, that there are not anticipated to be sufficient legally available funds, including Pledged Revenues, to meet all financial obligations of the Board relating to the Financing System including the deposits and payments due on or with respect to Outstanding Parity Debt as the same mature or come due, or that any Member will be unable to pay its Annual Direct Obligation in full, then the Board shall fix, levy, charge, and collect the Pledged General Fee at each Member, effective at the next succeeding regular semester or semesters or summer term or terms, in such amounts, without any limitation whatsoever (other than as provided in (e) below), as will be at least sufficient to provide, together with other legally available funds, including Pledged Revenues, the money for making when due all financial obligations of the Board relating to the Financing System including all payments and deposits due on or with respect to Outstanding Parity Debt when and as required by this Resolution or any Supplement.

(e) Economic Effect of Adjustments. Any adjustments in the rate of the Pledged General Fee at any of the Members pursuant to (c) or (d) above will be based upon a certificate and recommendation of a U.T. System Representative, delivered to the Board, as to the rates and anticipated collection of the Pledged General Fee at the various Members (after taking into account the anticipated effect the proposed adjustments in the Pledged General Fee would have on enrollment and the receipt of Pledged Revenues and other funds at each Member) which will be anticipated to result in (i) Pledged Revenues attributable to each Member being sufficient (to the extent possible) to satisfy the Annual Obligation of such Member and (ii) Pledged Revenues being sufficient, together with other legally available funds, to meet all financial obligations of the Board relating to the Financing System including all deposits and payments due on or in connection with Outstanding Parity Debt when and as required by this Resolution and any Supplement.

Section 4. GENERAL COVENANTS. The Board further represents, covenants and agrees that while Parity Debt or interest thereon is Outstanding:

(a) Payment of Parity Debt. On or before each payment date it shall make available to the Paying Agent for such Parity Debt or to such other party as required



by a Supplement, money sufficient to pay the interest on, principal of, and premium, if any, on the Parity Debt as will accrue or otherwise come due or mature, or be subject to mandatory redemption prior to maturity, on such date and the fees and expenses related to the Parity Debt, including the fees and expenses of the Paying Agent and any registrar, trustee, remarketing agent, tender agent or credit provider.

(b) Performance. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution and in each Supplement, and in each and every Parity Debt or evidence thereof.

(c) Redemption. It will duly cause to be called for redemption prior to maturity, and will cause to be redeemed prior to maturity, all Parity Debt which by its terms is mandatorily required to be redeemed prior to maturity, when and as so required.

(d) Lawful Title. It lawfully owns, has title to, or is lawfully possessed of the lands, buildings, and facilities now constituting The University of Texas System, and it will defend said title and title to any lands, buildings, and facilities which may hereafter become part of the Financing System, whether by the addition to the Financing System of a new institution or institutions, or otherwise, for the benefit of the owners of Parity Debt against the claims and demands of all persons whomsoever.

(e) Lawful Authority. It is lawfully qualified to pledge the Pledged Revenues herein pledged in the manner prescribed herein, and has lawfully exercised such right.

(f) Preservation of Lien. Subject to the conditions set forth in Sections 5, 6, and 7 of this Resolution, it will not do or suffer any act or thing whereby the Financing System might or could be impaired, and that it will at all times maintain, preserve, and keep the real and tangible property of the Financing System and every part thereof in good condition, repair, and working order and operate, maintain, preserve, and keep the facilities, buildings, structures, and equipment pertaining thereto in good condition, repair, and working order.

(g) No Additional Encumbrance. It shall not incur additional Debt secured by the Pledged Revenues in any manner, except as permitted by this Resolution in connection with Parity Debt, unless said Debt is made

junior and subordinate in all respects to the liens, pledges, covenants, and agreements of this Resolution and any Supplement. Notwithstanding anything to the contrary contained herein, and in addition to the right hereunder to refund the Prior Encumbered Obligations with Parity Debt, the Board reserves the right to issue bonds to refund any Prior Encumbered Obligations and to secure the refunding bonds with the same source or sources securing the Prior Encumbered Obligations being refunded. Upon the defeasance of the refunded Prior Encumbered Obligations, the refunding bonds will be Prior Encumbered Obligations (unless the refunding bonds are made Parity Debt in accordance with the terms of this Resolution) under this Resolution and any Supplement for all purposes.

(h) Investments and Security. It will invest and secure money in all accounts and funds established pursuant to this Resolution and any Supplement in the manner prescribed by law for such funds and in accordance with written policies adopted by the Board.

(i) Records. It will keep proper books of record and account in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to The University of Texas System. Each year while Parity Debt is Outstanding, the Board will cause to be prepared from such books of record and account an annual financial report of The University of Texas System and shall furnish such report to the principal municipal bond rating agencies and any owner of Parity Debt who shall request same. In addition, the Board shall submit such financial report and other information required by law for examination in connection with financial compliance and other audits required to be conducted by the office of the Auditor of the State of Texas.

(j) Inspection of Books. It will permit any owner or owners of twenty-five per centum (25%) or more of the then Outstanding Principal Amount, at all reasonable times to inspect all records, accounts, and data of the Board relating to The University of Texas System.

(k) Annual and Direct Obligations. In establishing the annual budget for each Member, it shall provide for the satisfaction by each Member of its Annual Obligation. The Direct Obligation shall represent the financial responsibility of each Member with respect to Outstanding Parity Debt. Each Member's Direct Obligation and Annual Obligation shall be evidenced by a financing agreement between the Board and each Member.

(1) Determination of Outstanding Parity Debt. For all purposes of this Resolution, the judgment of the Auditor of The University of Texas System shall be deemed final in the determination of which obligations of the Board constitute Parity Debt.

Section 5. ISSUANCE OF ADDITIONAL DEBT.

(a) Parity Debt. The Board reserves and shall have the right and power to issue or incur Parity Debt for any purpose authorized by law pursuant to the provisions of this Resolution and a Supplement to be hereafter authorized. The Board may incur, assume, guarantee, or otherwise become liable in respect of any Parity Debt if the Board shall have determined, that it will have sufficient funds to meet the financial obligations of The University of Texas System, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System.

In addition, the Board shall not issue or incur Parity Debt unless (i) the Board shall determine that the Member or Members for whom the Parity Debt is being issued or incurred possess the financial capacity to satisfy their respective Direct Obligations after taking into account the then proposed additional Parity Debt, and (ii) a U.T. System Representative shall deliver to the Board an Officer's Certificate stating that, to the best of his or her knowledge, the Board is in compliance with all covenants contained in this Resolution and any Supplement, and is not in default in the performance and observance of any of the terms, provisions, and conditions hereof or thereof.

(b) Non-Recourse Debt and Subordinated Debt. Non-Recourse Debt and Subordinated Debt may be incurred by the Board without limitation.

Section 6. DISPOSITION OF ASSETS ATTRIBUTABLE TO FINANCING SYSTEM MEMBERS.

The Board may convey, sell, or otherwise dispose of any properties of the Board attributable to a Member of the Financing System provided:

(a) Ordinary Course. Such conveyance, sale, or disposition shall be in the ordinary course of business of a Member of the Financing System which uses, operates, owns, or is otherwise responsible for such properties; or

(b) Disposition Upon Board Determination. The Board shall determine that after the conveyance, sale, or other disposition of such properties, the Board shall have sufficient funds during each Fiscal Year during which Parity Debt is to be Outstanding to meet the financial obligations of The University of Texas System, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System.

Section 7. COMBINATION, DIVISION, RELEASE, AND ADMISSION OF FINANCING SYSTEM MEMBERS. (a) Combination and Division. Notwithstanding anything to the contrary contained herein, it is recognized that certain Members or institutions which may be made Members of the Financing System may be combined or divided and that so long as such combined or divided institutions continue to be governed by the Board such action shall not be in violation of the provisions of this Resolution or require any amendments of the provisions hereof.

(b) Release. Subject to the conditions set forth below, any Member or portion thereof may be closed and abandoned by law or may be removed from the Financing System (thus deleting the revenues, income, funds, and balances attributable to said Member or portion thereof from Pledged Revenues) without violating the terms of this Resolution provided:

(1) the Board specifically finds that (based upon an Officers' Certificate) that, after the release of the Member or portion thereof, the Board will have sufficient funds during each Fiscal Year in which Parity Debt shall thereafter be Outstanding to meet the financial obligations of The University of Texas System, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System; and

(2) the Board shall have received an opinion of Counsel which shall state that such release will not affect the status for Federal Income Tax purposes of interest on any Outstanding Parity Debt and that all conditions precedent provided in this Resolution or any Supplement relating to such release have been complied with; and

(3) (A) if the Member or portion thereof to be released from the Financing System is to remain under the governance and control of the Board of The University of Texas System, the Board must either (i) provide, from lawfully available funds, including Pledged Revenues attributable to said withdrawing Member, for the payment or discharge of said Member's Direct Obligation; or (ii) pledge to the payment of Parity Debt, additional resources not then pledged in an amount sufficient to satisfy such withdrawing Member's Direct Obligation; or

(B) if the Member or portion thereof to be released from the Financing System is to no longer be under the governance and control of the Board of The University of Texas System, the Board must receive a binding obligation of the new governing body of the withdrawing institution or the portion thereof being withdrawn, obligating said governing body to make payments to the Board at the times and in the amounts equal to said Member's Annual Obligation or to pay or discharge said Member's Direct Obligation, or, in the case of a portion of a Member being withdrawn, the proportion of the Member's Annual Obligation or Direct Obligation, as the case may be, attributable to the withdrawing portion of the Member.

(c) Admission of Members. If, after the date of the adoption of this Resolution, the Board desires for a component of The University of Texas System to become a Member of the Financing System, it may include said institution in the Financing System with the effect set forth in this Resolution by the adoption of a Supplement to this Resolution.

Section 8. WAIVER OF CERTAIN COVENANTS. The Board may omit in any particular instance to comply with any covenant or condition set forth in Sections 3 through 7 hereof if before or after the time for such compliance the Holders of the same percentage in principal amount of all Parity Debt then Outstanding, the consent of which would be required to amend the provisions hereof to permit such noncompliance, shall either waive such compliance in such instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived and, until such waiver shall become effective, the obligations of the Board and the duties of the Board in respect of any such covenant or condition shall remain in full force and effect.



Section 9. INDIVIDUALS NOT LIABLE. All covenants, stipulations, obligations, and agreements of the Board contained in this Resolution and any Supplement shall be deemed to be covenants, stipulations, obligations, and agreements of the Financing System and the Board to the full extent authorized or permitted by the Constitution and laws of the State of Texas. No covenant, stipulation, obligation, or agreement herein contained shall be deemed to be a covenant, stipulation, obligation, or agreement of any member of the Board or agent or employee of the Board in his individual capacity and neither the members of the Board nor any officer thereof shall be liable personally on Parity Debt when issued, or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 10. SPECIAL OBLIGATIONS; ABSOLUTE OBLIGATION TO PAY PARITY DEBT. All Parity Debt and the interest thereon shall constitute special obligations of the Board payable from the Pledged Revenues, and the owners thereof shall never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than specified in this Resolution or any Supplement. The obligation of the Board to pay or cause to be paid the amounts payable under this Resolution and each Supplement out of the Pledged Revenues shall be absolute, irrevocable, complete, and unconditional, and the amount, manner, and time of payment of such amounts shall not be decreased, abated, rebated, setoff, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever, regardless of any right of setoff, recoupment, or counterclaim that the Board might otherwise have against any owner or any other party and regardless of any contingency, force majeure, event, or cause whatsoever and notwithstanding any circumstance or occurrence that may arise or take place before, during, or after the issuance of Parity Debt while any Parity Debt is Outstanding.

Section 11. REMEDIES. Any owner of Parity Debt in the event of default in connection with any covenant contained herein or in any Supplement, or default in the payment of said obligations, or of any interest due thereon, or other costs and expenses related thereto, may require the Board, its officials and employees, and any appropriate official of the State of Texas, to carry out, respect, or enforce the covenants and obligations of this Resolution or any Supplement, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings in any court of competent jurisdiction against the Board, its

officials and employees, or any appropriate official of the State of Texas.

Section 12. DEFEASANCE OF BONDS. (a) Deemed Paid. Any Parity Debt and the interest thereon shall be deemed to be paid, retired, and no longer Outstanding (a "Defeased Debt") within the meaning of this Resolution, except to the extent provided in subsection (d) of this Section, when the payment of all principal and interest payable with respect to such Parity Debt to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption or provision for the giving of same having been made) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent for such Parity Debt for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) noncallable Government Obligations which mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the Board with each such Paying Agent for the payment of its services until after all Defeased Debt shall have become due and payable. At such time as Parity Debt shall be deemed to be Defeased Debt hereunder, as aforesaid, such Parity Debt and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Pledged Revenues, and such principal and interest shall be payable solely from such money or Government Obligations, and shall not be regarded as Outstanding for any purposes other than payment, transfer, and exchange.

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

(c) Government Obligations. The term "Government Obligations" as used in this Section, shall mean direct obligations of the United States of America, including

obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, which may be United States Treasury obligations such as its State and Local Government Series, which may be in book-entry form.

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

Section 13. AMENDMENT OF RESOLUTION. (a) Amendment Without Consent. This Resolution and the rights and obligations of the Board and of the owners of the Outstanding Parity Debt may be modified or amended at any time without notice to or the consent of any owner of the Outstanding Parity Debt, solely for any one or more of the following purposes:

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

(ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in this 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 this Resolution;

(iii) To supplement the security for the Outstanding Parity Debt, including, but not limited to, amending the definition of Pledged Revenues to add a portion or all of the Practice Plan Funds attributable to any Member (one or more) to Pledged Revenues; provided, however, any amendment to the definition of Pledged Revenues which results in the pledge of Practice Plan Funds may limit the amount of such pledge and the manner, extent and duration of such additional pledge all as set forth in such amendment; or

(iv) To make such other changes in the provisions hereof as the Board may deem necessary or desirable and which shall not, in the judgment of the Board, materially adversely affect the

interests of the owners of Outstanding Parity Debt;  
or

(v) To make any changes or amendments requested by any bond rating agency then rating or requested to rate Parity Debt, 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 owners of the Outstanding Parity Debt.

(b) Amendments With Consent. Subject to the other provisions of this Resolution, the owners of Outstanding Parity Debt aggregating 51% in Outstanding Principal Amount shall have the right from time to time to approve any amendment, other than amendments described in subsection (a) of this Section, to this Resolution which may be deemed necessary or desirable by the Board, provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the Outstanding Parity Debt, the amendment of the terms and conditions in this Resolution so as to:

- (1) Grant to the owners of any Outstanding Parity Debt a priority over the owners of any other Outstanding Parity Debt; or
- (2) Materially adversely affect the rights of the owners of less than all Parity Debt then Outstanding; or
- (3) Change the minimum percentage of the Outstanding Principal Amount necessary for consent to such amendment.

(c) Notice. If at any time the Board shall desire to amend this Resolution pursuant to Subsection(b) of this Section, the Board shall cause notice of the proposed amendment to be 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 successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each Registrar for the Parity Debt for inspection by all owners of Parity Debt. Such publication is not required, however, if the Board gives or caused to be given such notice in writing, by certified mail, to each owner of Parity Debt.

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

(e) Effect of Amendments. Upon the adoption by the Board of any resolution to amend this Resolution pursuant to the provisions of this Section, this Resolution shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the Board and all the owners of then Outstanding Parity Debt and all future Parity Debt shall thereafter be determined, exercised, and enforced under this Resolution, as amended.

(f) Consent Irrevocable. Any consent given by any owner of Parity Debt pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication or other service of the notice provided for in this Section, and shall be conclusive and binding upon all future owners of the same Parity Debt during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the owner who gave such consent, or by a successor in title, by filing notice thereof with the Registrar for such Parity Debt and the Board, but such revocation shall not be effective if the owners of 51% in Outstanding Principal Amount, prior to the attempted revocation, consented to and approved the amendment.

(g) Ownership. For the purpose of this Section, the ownership and other matters relating to all Parity Debt shall be determined as provided in each Supplement.

(h) Amendments of Supplements. Each Supplement shall contain provisions governing the ability of the Board to amend such Supplement; provided, however, that no amendment may be made to any Supplement for the purpose of granting to the owners of Outstanding Parity Debt under such Supplement a priority over the owners of any other Outstanding Parity Debt.

Section 14. REPEAL OF CONFLICTING RESOLUTIONS;  
FIRST SUPPLEMENT. (a) This Resolution shall become effective upon the retirement or defeasance of all Parity Debt Outstanding under the Original Master Resolution. All resolutions and all parts of any resolutions which are in conflict or inconsistent with this Master Resolution, including the Original Master Resolution adopted April 12, 1990, are hereby repealed and shall be of no further force or effect to the extent of such conflict or inconsistency.

(b) The provisions of the First Supplemental Resolution Establishing An Interim Financing Program adopted by the Board on April 12, 1990, pursuant to the Original Master Resolution are hereby ratified and affirmed, such resolution is in full force and effect, and is modified by this Resolution only to the extent that all references in such resolution to the Master Resolution shall refer to this Resolution and not the Original Master Resolution.

ADOPTED AND APPROVED this 14th day of February, 1991.

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Chairman, Board of Regents of  
The University of Texas System

ATTEST:

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

(SEAL)

## EXHIBIT "A"

### DEFINITIONS

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

"Annual Debt Service Requirements" means, for any Fiscal Year, the principal of and interest on all Parity Debt coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the Board on such Debt, or be payable in respect of any required purchase of such Debt by the Board) in such Fiscal Year, and, for such purposes, any one or more of the following rules shall apply at the election of the Board:

(1) Committed Take Out. If the Board has entered into a Credit Agreement constituting a binding commitment within normal commercial practice, from any bank, savings and loan association, insurance company, or similar institution to discharge any of its Funded Debt at its Stated Maturity (or, if due on demand, at any date on which demand may be made) or to purchase any of its Funded Debt at any date on which such Debt is subject to required purchase, all under arrangements whereby the Board's obligation to repay the amounts advanced for such discharge or purchase constitutes Funded Debt, then the portion of the Funded Debt committed to be discharged or purchased shall be excluded from such calculation and the principal of and interest on the Funded Debt incurred for such discharging or purchase that would be due in the Fiscal Year for which the calculation is being made, if incurred at the Stated Maturity or purchase date of the Funded Debt to be discharged or purchased, shall be added;

(2) Balloon Debt. If the principal (including the accretion of interest resulting from original issue discount or compounding of interest) of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the Board) in any Fiscal Year either is equal to at least 25% of the total principal (including the accretion of interest resulting from original issue discount or compounding of interest) of such Funded Debt or exceeds by more than 50% the greatest amount of principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such principal due in such Fiscal Year for such series

or issue of Funded Debt being referred to herein as "Balloon Debt"), the amount of principal of such Balloon Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the original principal amount of such Balloon Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation;

(3) Consent Sinking Fund. In the case of Balloon Debt (as defined in clause (2) above), if an U. T. System Representative shall deliver to the Board an Officer's Certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such Officer's Certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other debt service charges on) such Balloon Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (3) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such Debt on or before the times required by such schedule; and provided further that this clause (3) shall not apply where the Board has elected to apply the rule set forth in clause (2) above;

(4) Prepaid Debt. Principal of and interest on Parity Debt, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including without limitation capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such Debt;

(5) Variable Rate. As to any Parity Debt that bears interest at a variable interest rate which cannot be ascertained at the time of calculation of



the Annual Debt Service Requirement then, at the option of the Board, either (1) an interest rate equal to the average rate borne by such Parity Debt (or by comparable debt in the event that such Parity Debt has not been outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, or (2) an interest rate equal to the 30-year Tax-Exempt Revenue Bond Index (as most recently published in The Bond Buyer), shall be presumed to apply for all future dates, unless such index is no longer published in The Bond Buyer, in which case an index of tax-exempt revenue bonds with maturities of at least 20 years which is published in a newspaper or journal with national circulation may be used for this purpose;

(6) Guarantees. In the case of any guarantee, as described in clause (3) of the definition of Debt, no obligation will be counted if the Board does not anticipate in its annual budget that it will make any payments on the guarantee. If, however, the Board is making payments on a guarantee or anticipates doing so in its annual budget, such obligation shall be treated as Parity Debt and calculations of annual debt service requirements with respect to such guarantee shall be made assuming that the Board will make all additional payments due under the guaranteed obligation. If the entity whose obligation is guaranteed cures all defaults and the Board no longer anticipates making payments under the guarantee, the guaranteed obligations shall not be included in the calculation of Annual Debt Service Requirements; and

(7) Commercial Paper. With respect to any Parity Debt issued in the form of commercial paper with maturities not exceeding 270 days, the interest on such Parity Debt shall be calculated in the manner provided in clause (5) of this definition and the maturity schedule shall be calculated in the manner provided in clause (2) of this definition.

"Annual Direct Obligation" means the amount budgeted each Fiscal Year by the Board with respect to each Financing System Member to satisfy the Member's proportion of debt service (calculated based on the Member's Direct Obligation) due by the Board in such Fiscal Year on Outstanding Parity Debt.

"Annual Obligation" means, with respect to each Member and for each Fiscal Year, the Member's Annual Direct Obligation plus the amount budgeted by the Board for such Fiscal Year to allow the Member to retire its obligation for intra-System advances made to it to satisfy part or all of a previous Annual Direct Obligation payment.

"Board" and "Issuer" mean the Board of Regents of The University of Texas System or any successor thereto.

"Credit Agreement" means, collectively, a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase Parity Debt, purchase or sale agreements, interest rate swap agreements, or commitments or other contracts or agreements authorized, recognized and approved by the Board as a Credit Agreement in connection with the authorization, issuance, security, or payment of Parity Debt and on a parity therewith.

"Debt" of the Board payable from Pledged Revenues means all:

(1) indebtedness incurred or assumed by the Board for borrowed money (including indebtedness arising under Credit Agreements) and all other financing obligations of the Board that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet;

(2) all other indebtedness (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction or improvement of property or capitalized lease obligations that is guaranteed, directly or indirectly, in any manner by the Board, or that is in effect guaranteed, directly or indirectly, by the Board through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such

property is delivered or such services are rendered), or otherwise; and

(3) all indebtedness secured by any mortgage, lien, charge, encumbrance, pledge or other security interest upon property owned by the Board whether or not the Board has assumed or become liable for the payment thereof.

For the purpose of determining the "Debt" of the Board, there shall be excluded any particular Debt if, upon or prior to the Maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements of The University of Texas System in prior Fiscal Years.

"Direct Obligation" means the proportionate share of Outstanding Parity Debt attributable to and the responsibility of each respective Financing System Member.

"Financing System" see "Revenue Financing System".

"Financing System Member" or "Member" means each of the institutions currently constituting components of The University of Texas System and such institutions hereafter designated by the Board to be a Member of the Financing System.

"Fiscal Year" means the fiscal year of the Board which currently ends on August 31 of each year.

"Funded Debt" of the Financing System means all Parity Debt created, assumed, or guaranteed by the Board and payable from Pledged Revenues that matures by its terms (in the absence of the exercise of any earlier right of demand), or is renewable at the option of the Board to a date, more than one year after the original creation, assumption, or guarantee of such Debt by the Board.

"Health Institutions" means 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 M.D. Anderson Cancer Center, The University of Texas Health Center at Tyler, and any other health institutions which become part of The University of Texas System and are made a part of the Financing System subsequent to the date of adoption of this Resolution by the Board.

"Holder" or "Bondholder" or "owner" means the registered owner of any Parity Debt registered as to ownership and the holder of any Parity Debt payable to bearer.

"Maturity" when used with respect to any Debt means the date on which the principal of such Debt or any installment thereof becomes due and payable as therein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption, or otherwise.

"Non-Recourse Debt" means any Debt secured by a lien (other than a lien on Pledged Revenues), liability for which is effectively limited to the property subject to such lien with no recourse, directly or indirectly, to any other property of the Board attributable to the System, provided that such Debt is being incurred in connection with the acquisition of property only, which property is not, at the time of such incurrence, owned by the Board and being used in the operations of a Member.

"Officer's Certificate" means a certificate signed by a U.T. System Representative.

"Opinion of Counsel" means a written opinion of counsel which shall be acceptable to the Board.

"Outstanding" when used with respect to Parity Debt means, as of the date of determination, all Parity Debt theretofore delivered under this Resolution or any Supplement, except:

- (1) Parity Debt theretofore cancelled and delivered to the Board or delivered to the Paying Agent or the Registrar for cancellation;

- (2) Parity Debt deemed paid pursuant to the provisions of Section 12 of this Resolution or any comparable section of any Supplement;

(3) Parity Debt upon transfer of or in exchange for and in lieu of which other Parity Debt has been authenticated and delivered pursuant to this Resolution or any Supplement; and

(4) Parity Debt under which the obligations of the Board have been released, discharged or extinguished in accordance with the terms thereof;

provided, that, unless the same is acquired for purposes of cancellation, Parity Debt owned by the Board shall be deemed to be Outstanding as though it was owned by any other owner.

"Outstanding Principal Amount" means, with respect to all Parity Debt or to a series of Parity Debt, the outstanding and unpaid principal amount of such Parity Debt paying interest on a current basis and the outstanding and unpaid principal and compounded interest on such Parity Debt paying accrued, accreted, or compounded interest only at maturity as of any record date established by a Registrar in connection with a proposed amendment of this Master Resolution or any Supplement.

"Pan American University Bonds" means the Board of Regents of Pan American College Utility Plant Student Fee Revenue Bonds, Series 1968 and Student Fee Revenue Bonds Series 1969 and the Board of Regents of Pan American University Combined Fee Revenue Bonds, Series 1971 and Auxiliary Enterprise System Revenue Bonds, Series 1968A, 1968B, 1968C, 1968D, 1973 and 1977.

"Parity Debt" means all Debt of the Board which may be issued or assumed in accordance with the terms of this Resolution and a Supplement, secured by a pledge of the Pledged Revenues subject only to the liens securing Prior Encumbered Obligations.

"Paying Agent" shall mean each entity designated in a Supplement as the place of payment of a series or issue of Parity Debt.

"Pledged General Fee" means the gross collections of a student use fee to be fixed, charged, and collected pursuant to Section 55.16, Texas Education Code from the students (excepting, with respect to each series or issue of Parity Debt, any student in a category which, at the time of the adoption of the Supplement relating to such Parity Debt, is exempt by law from paying fees) regularly enrolled at the institutions and branches thereof now or hereafter constituting a Member of the Financing System,

respectively, for the general use and availability of such institutions or branches thereof, respectively, in the manner and amounts, at the times, and to the extent provided in this Resolution, and including, subject to the provisions of the Prior Encumbered Obligations, the Prior Encumbered General Fee.

"Pledged Practice Plan Funds" means that portion of the Practice Plan Funds of the Members described in Exhibit B to this Resolution which have been pledged to the payment of Parity Debt by the Board by the adoption of an amendment to this Resolution; provided, however, that any such pledge may be limited in amount and in any manner, extent, or duration as provided in such amendment. Exhibit B shall be amended from time to time to reflect the additions or expirations of Practice Plan Funds from Pledged Revenues.

"Pledged Revenues" means, subject to the provisions of the Prior Encumbered Obligations, collectively (i) the Pledged Tuition Fee, (ii) the Pledged General Fee, (iii) the Pledged Practice Plan Funds, and (iv) any or all of the revenues, funds, and balances now or hereafter lawfully available to the Board and derived from or attributable to any Member of the Financing System which are lawfully available to the Board for payments on Parity Debt; provided, however, that the following shall not be included in Pledged Revenues unless and to the extent set forth in a Supplement: (a) the interest of The University of Texas System in the Available University Fund under Article 7, Section 18 of the Constitution of the State of Texas, including the income therefrom and any fund balances relating thereto; (b) amounts received on behalf of any Member under Article 7, Section 17 of the Constitution of the State of Texas, including the income therefrom and any fund balances relating thereto; (c) except to the extent so appropriated, general revenue funds appropriated to the Board by the Legislature of the State of Texas; and (d) Practice Plan Funds of any Member, including the income therefrom and any fund balances relating thereto not included in Pledged Practice Plan Funds.

"Pledged Tuition Fee" means, as authorized by Section 55.17, Texas Education Code, or any successor provision, the following specified amounts (or such increased amounts as hereafter authorized by law) out of the tuition charges now or hereafter required or permitted by law to be imposed on each tuition paying student enrolled at each and every institution or branch thereof now or hereafter constituting a Member of the Financing System, (excepting the Health Institutions

until and unless the Board authorizes the pledge of such tuition charges at any such institution to the payment of Parity Debt) and including, subject to the provisions of the Prior Encumbered Obligations, the Prior Encumbered Tuition Fees, respectively:

\$5.00 from each enrolled student for each regular semester and \$2.50 from each enrolled student for each summer term of each summer session.

"Practice Plan" means any agreement entered into by and between a Health Institution Member and faculty appointees of that Member that: (a) assigns to the Member patient fees collected for professional services rendered by the appointee and (b) regulates the collection and expenditure of such patient fees. Practice Plan also includes such agreements existing between an institution which becomes a Member after the date of the adoption of this Resolution and such institution's faculty.

"Practice Plan Funds" means the Practice Plan income and fund balances of a Health Institution Member.

"Prior Encumbered General Fee" means the Pledged General Fee securing Prior Encumbered Obligations and that portion of the student use fee charged and collected at an institution which becomes a Member of the Financing System after the date of adoption of this Resolution and which are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a Member of the Financing System.

"Prior Encumbered Obligations" means the Series 1986 Bonds, the M.D. Anderson Hospital and Tumor Institute at Houston Endowment and Hospital Revenue Bonds, Series 1972 and 1976, the M.D. Anderson Hospital Revenue Subordinate Lien Bonds, Series 1976, the Pan American University Bonds and those bonds or other obligations of an institution outstanding on the date it becomes a Member of the Financing System and which are secured by a lien on and pledge of the Prior Encumbered General Fee, the Prior Encumbered Revenues, the Prior Encumbered Tuition Fee and/or the Prior Encumbered Practice Plan Funds charged and collected at such institution and all existing obligations of the Board secured by a lien on a portion of the Pledged Revenues which is superior to the lien established by this Resolution on behalf of Parity Debt. In addition, the Board has outstanding \$31,385,000 in principal amount of

the University of Texas at Austin Building Revenue Refunding Bonds, Series 1986, which are secured by and payable from sources other than Pledged Revenues; provided that the Board has covenanted to collect a special student fee from all students (with certain exceptions) enrolled at The University of Texas at Austin if necessary to pay the debt service on such bonds, in which case such bonds would constitute Prior Encumbered Obligations.

"Prior Encumbered Practice Plan Funds" means the Pledged Practice Plan Funds which are pledged to the payment of bonds or other obligations of an institution which becomes a Member of the Financing System after the date of adoption of this Resolution.

"Prior Encumbered Revenues" means the revenues pledged to the payment of Prior Encumbered Obligations and the revenues of any revenue producing system or facility of an institution which hereafter becomes a Member of the Financing System and which are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a Member of the Financing System.

"Prior Encumbered Tuition Fee" means the Pledged Tuition Fee securing Prior Encumbered Obligations and that portion of the tuition charges in the maximum amount permitted in the definition of Pledged Tuition Fee charged and collected at an institution which becomes a Member of the Financing System after the date of adoption of this Resolution and which are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a Member of the Financing System.

"Registrar" shall mean the entity designated in a Supplement as the Registrar of a series or issue of Parity Debt.

"Resolution" or "Master Resolution" means this Amended and Restated Master Resolution establishing the Financing System.

"Revenue Financing System" or "Financing System" or "The University of Texas System Revenue Financing System" means The University of Texas System Revenue Financing System composed of the institutions and agencies currently constituting parts of The University of Texas System including The University of Texas System Administration, and such other institutions and agencies now or hereafter under the control or governance of the



Board, and made a Member of the Revenue Financing System by specific action of the Board.

"Series 1986 Bonds" means the Outstanding Board of Regents of The University of Texas System General Revenue Refunding Bonds, Series 1986, originally issued in the aggregate principal amount of \$222,040,000.

"Stated Maturity" when used with respect to any Debt or any installment of interest thereon means any date specified in the instrument evidencing or authorizing such Debt or such installment of interest as a fixed date on which the principal of such Debt or any installment thereof or the fixed date on which such installment of interest is due and payable.

"Subordinated Debt" means any Debt which expressly provides that all payments thereon shall be subordinated to the timely payment of all Parity Debt then Outstanding or subsequently issued.

"Supplement" or "Supplemental Resolution" means a resolution supplemental to, and authorized and executed pursuant to the terms of, this Resolution.

"Term of Issue" means with respect to any Balloon Debt a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Debt and ending on the final maturity date of such Balloon Debt or the maximum maturity date in the case of commercial paper or (ii) twenty-five years.

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

- The University of Texas at Arlington;
- The University of Texas at Austin;
- The University of Texas at Dallas;
- The University of Texas at El Paso;
- The University of Texas - Pan American;
- 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 M.D. Anderson Cancer  
Center; and  
The University of Texas Health Center at Tyler

together with every other institution or branch thereof  
now or hereafter operated by or under the jurisdiction  
of the Board pursuant to law.

"The University of Texas System Revenue Financing  
System" or "Revenue Financing System" or "Financing  
System" or "System" see "Revenue Financing System".

"U.T. System Representative" means one or more of  
the following officers or employees of The University of  
Texas System, to-wit: the Chancellor, any Executive  
Vice Chancellor, the General Counsel, the Executive  
Director--Endowment Management and Administration, the  
Executive Director of Finance, the Manager--Finance, the  
Comptroller, or such other officer or employee of The  
University of Texas System, authorized by the Board to  
act as a U.T. System Representative.

\* \* \* \* \*

EXHIBIT B

"Pledged Practice Plan Funds" as defined is hereby amended to include: The following amounts per fiscal year from the revenues and fund balances of the Medical Service, Research and Development Plan of the Member referenced shall be included commencing in the fiscal year in which Parity Debt is first issued for the project and ending when said institution's Direct Obligation relating to said project has been fully paid and satisfied.

<u>Member</u>	<u>Project</u>	<u>Amount</u>
U. T. Southwestern Medical Center - Dallas	Aston Ambulatory	\$4,500,000

**SECOND SUPPLEMENTAL RESOLUTION TO THE MASTER RESOLUTION  
AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF  
REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM REVENUE FINANCING  
SYSTEM REFUNDING BONDS, SERIES 1991A, SERIES 1991B, AND SERIES 1991C  
AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES  
RELATING THERETO**

SECOND SUPPLEMENTAL RESOLUTION TO THE MASTER  
RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND  
DELIVERY OF BOARD OF REGENTS OF THE UNIVERSITY  
OF TEXAS SYSTEM REVENUE FINANCING SYSTEM  
REFUNDING BONDS, SERIES 1991A, SERIES 1991B, AND  
SERIES 1991C AND APPROVING AND AUTHORIZING  
INSTRUMENTS AND PROCEDURES RELATING THERETO

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**SECOND SUPPLEMENTAL RESOLUTION TO THE MASTER RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM REVENUE FINANCING SYSTEM REFUNDING BONDS, SERIES 1991A, SERIES 1991B, AND SERIES 1991C, AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO**

**WHEREAS, on February 14, 1991, the Board adopted the First Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (referred to herein as the "Master Resolution"); and**

**WHEREAS, unless otherwise defined herein, terms used herein shall have the meaning given in the Master Resolution; and**

**WHEREAS, the Master Resolution establishes the Revenue Financing System comprised of each institution which is presently a component of The University of Texas System and pledges the Pledged Revenues attributable to each Member of the Revenue Financing System to the payment of Parity Debt to be outstanding under the Master Resolution; and**

**WHEREAS, the Board, simultaneously with the adoption of the Master Resolution, adopted the First Supplemental Resolution to the Master Resolution authorizing Parity Debt thereunder; and**

**WHEREAS, the Board has determined to refund the Refunded Bonds to complete the implementation of the Revenue Financing System, to restructure the debt service attributable to the Members, to release certain funds held as security for the Prior Encumbered Obligations, to relieve the Board from the provisions of certain covenants which unnecessarily burden the efficient operation of The University of Texas System, and to achieve debt service savings with respect to some issues of the Refunded Bonds; and**

**WHEREAS, for such purposes the Board deems it necessary to issue Parity Debt pursuant to this Second Supplement to the Master Resolution to refund the Refunded Bonds; and**

**WHEREAS, certain Members have requested that the Board issue Parity Debt to finance the cost of certain improvements approved by the Board and defined in Exhibit A as the U. T. System Improvements, and the Board hereby determines that such Parity Debt should be issued at this time for such purposes; and**

**WHEREAS, while the Prior Encumbered Obligations are Outstanding, the lien on the Pledged Revenues established in the Master Resolution and herein is junior and subordinate to the Prior Encumbered Obligations with respect to certain revenues pledged to their payment; and**

**WHEREAS, the bonds (the "Bonds") authorized to be issued by this Second Supplement are to be issued and delivered pursuant to Chapter 55, Texas Education Code, Vernon's Ann. Tex. Civ. St. Article 717q, and other applicable laws, including Vernon's Ann. Tex. Civ. St. Article 717k insofar as it may be required in connection with the refunding of the Refunded Bonds and the Escrow Agreements herein authorized.**



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

Section 1. **DEFINITIONS.** In addition to the definitions set forth in the preamble of this Second Supplement, the terms used in this Second Supplement (except in the Forms of Bonds) and not otherwise defined shall have the meanings given in the Master Resolution or in Exhibit "A" to this Second Supplement attached hereto and made a part hereof.

Section 2. **AMOUNT, PURPOSE, AND DESIGNATION OF THE BONDS.** (a) Series 1991A Bonds. The Issuer's "BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM REVENUE FINANCING SYSTEM REFUNDING BONDS, SERIES 1991A", are hereby authorized to be issued and delivered in the maximum aggregate principal amount of \$215,000,000 FOR THE PURPOSE OF REFUNDING THE SERIES 1991A REFUNDED BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF \$191,100,000, AND PAYING THE COSTS RELATED THERETO.

(b) Series 1991B Bonds. The Issuer's "BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM REVENUE FINANCING SYSTEM REFUNDING BONDS, SERIES 1991B", are hereby authorized to be issued and delivered in the maximum aggregate principal amount of \$95,000,000 FOR THE PURPOSE OF (i) REFUNDING THE SERIES 1991B REFUNDED BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF \$24,760,000, (ii) ACQUIRING, PURCHASING, CONSTRUCTING, IMPROVING, ENLARGING, AND EQUIPPING THE PROPERTY AND FACILITIES CONSTITUTING THE U. T. SYSTEM IMPROVEMENTS FOR THE DESIGNATED MEMBERS OF THE REVENUE FINANCING SYSTEM, AND (iii) PAYING THE COSTS RELATED THERETO.

(c) Series 1991C Bonds. The Issuer's "BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM REVENUE FINANCING SYSTEM REFUNDING BONDS, SERIES 1991C", are hereby authorized to be issued and delivered in the maximum aggregate principal amount of \$6,000,000 FOR THE PURPOSE OF REFUNDING THE SERIES 1991C REFUNDED BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF \$5,694,000, AND PAYING THE COSTS RELATED THERETO.

The Series 1991A Bonds, the Series 1991B Bonds, and the Series 1991C Bonds are hereinafter collectively referred to as the "Bonds," which may be in the form of either Current Interest Bonds or Capital Appreciation Bonds unless otherwise indicated.

Section 3. **DATE, DENOMINATIONS, NUMBERS, MATURITIES AND TERMS OF BONDS.** (a) Terms of Bonds. Initially there shall be issued, sold, and delivered hereunder fully registered bonds, without interest coupons, in the form of Current Interest Bonds or Capital Appreciation Bonds, numbered consecutively for each Series of Bonds from R-1 upward, in the case of Current Interest Bonds and CR-1 upward in the case of Capital Appreciation Bonds, payable to the respective initial registered owners thereof, or to the registered assignee or assignees of said bonds or any portion or portions thereof (in each case, the "Registered Owner"), in the denomination of \$5,000 or any integral multiple thereof with respect to Current Interest Bonds and in the denomination of \$5,000 in Maturity Amount or any integral multiple thereof with respect to Capital Appreciation Bonds (an "Authorized Denomination"), maturing not later than August 15, 2013, serially or otherwise on the

dates, in the years and in the principal amounts, respectively, and dated, all as set forth in the Bond Purchase Contract relating to each Series of Bonds.

(b) Underwriter. Goldman, Sachs & Co. is hereby designated the senior managing underwriter for the Bonds. The Board Representative shall select such additional investment banking firms as he deems appropriate to assure that the Bonds are sold on the most advantageous terms to the Financing System (such firms, together with the senior managing underwriter, are hereafter collectively referred to as the "Underwriter").

(c) Bond Purchase Contract. As authorized by Vernon's Ann. Tex. Civ. St. Article 717q, as amended, the Executive Committee of the Board (the "Executive Committee") is hereby authorized, appointed, and designated to act on behalf of the Issuer in the selling and delivering each Series of Bonds and carrying out the other procedures specified in this Second Supplement, including determining and fixing the date of each Series of Bonds, any additional designation or title by which the Bonds of a Series shall be known, the price at which the Bonds of each Series will be sold, the years in which the Bonds of each Series will mature, the principal amount to mature in each of such years, the aggregate principal amount of Current Interest Bonds and Capital Appreciation Bonds of each Series and the aggregate principal amount of the Bonds of each Series, the rate of interest to be borne by each such maturity, the interest payment periods, the dates, price, and terms upon and at which the Bonds of each Series shall be subject to redemption prior to maturity at the option of the Issuer, as well as any mandatory sinking fund redemption provisions, and all other matters relating to the issuance, sale, and delivery of the Bonds of each Series, and the refunding of the Refunded Bonds all of which shall be specified in the Bond Purchase Contract relating to each Series of Bonds. The Board Representative, acting for and on behalf of the Issuer, is authorized to enter into and carry out a Bond Purchase Contract for each Series of Bonds, or one Bond Purchase Contract for both Series of Bonds, with any purchaser, underwriter, or underwriters, at such price, with and subject to such terms as determined by the Executive Committee. Each Bond Purchase Contract shall be substantially in the form and substance submitted to the Board at the meeting at which this Second Supplement is adopted with such changes as are acceptable to the Executive Committee, provided that the price to be paid for a Series of Bonds shall not be less than 95% of the aggregate principal amount thereof plus accrued interest thereon from its date to its delivery, and none of the Bonds shall bear interest at a rate greater than 10% per annum. It is further provided, however, that, notwithstanding the foregoing provisions, a Series of Bonds shall not be delivered unless prior to delivery, the Series of Bonds have been rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for long term obligations, as required by Vernon's Ann. Tex. Civ. St. Article 717q, as amended.

(d) In General. The Bonds of each Series (i) may and shall be redeemed prior to the respective scheduled maturity dates, (ii) may be assigned and transferred, (iii) may be exchanged for other Bonds of such Series, (iv) shall have the characteristics, and (v) shall be signed and sealed, and the principal of and interest on the Bonds shall be payable, all as provided, and in the manner required or indicated, in the FORMS OF BONDS set forth in Exhibit B to this Second Supplement and as determined by the Board Representative as provided herein, with such changes and additions as are required to meet the terms of any Bond Purchase Contract with respect to a Series of Bonds.

Section 4. INTEREST. The Current Interest Bonds of each Series of Bonds shall bear interest calculated on the basis of a 360-day year composed of twelve 30-day months from the dates

specified in the FORMS OF BONDS and in the Bond Purchase Contract to their respective dates of maturity at the rates set forth in the Bond Purchase Contract.

The Capital Appreciation Bonds of each Series of Bonds shall bear interest from the Issuance Date for such Series of Bonds, calculated on the basis of a 360-day year composed of twelve 30-day months (subject to rounding to the Compounded Amounts thereof), compounded semiannually on the dates set forth in the Bond Purchase Contract (the "Compounding Dates") commencing on the date set forth in the Bond Purchase Contract, and payable, together with the principal amount thereof, in the manner provided in the FORMS OF BONDS at the rates set forth in the Bond Purchase Contract. Attached to each Bond Purchase Contract relating to a Series of Bonds which includes Capital Appreciation Bonds, shall be an Exhibit (the "Compounded Amount Table") which will set forth the rounded original principal amounts at the Issuance Date for the Capital Appreciation Bonds and the Compounded Amounts and Maturity Amounts thereof (per \$5,000 Maturity Amount) as of each Compounding Date, commencing the date set forth in the Bond Purchase Contract, and continuing until the final maturity of such Capital Appreciation Bonds. The Compounded Amount with respect to any date other than a Compounding Date is the amount set forth on the Compounded Amount Table with respect to the last preceding Compounding Date, plus the portion of the difference between such amount and the amount set forth on the Compounded Amount Table with respect to the next succeeding Compounding Date that the number of days (based on 30-day months) from such last preceding Compounding Date to the date for which such determination is being calculated bears to the total number of days (based on 30-day months) from such last preceding Compounding Date to the next succeeding Compounding Date.

**Section 5. REGISTRATION, TRANSFER, AND EXCHANGE; AUTHENTICATION; BOOK-ENTRY ONLY SYSTEM.** (a) Paying Agent/Registrar. Ameritrust Texas National Association, is hereby appointed the Paying Agent/Registrar for each Series of bonds. The Board Representative is authorized to enter into and carry out a Paying Agent/Registrar Agreement with the Paying Agent/Registrar with respect to each Series of Bonds in substantially the form submitted to the Board at the meeting at which this Second Supplement is adopted.

(b) Registration Books. The Issuer shall keep or cause to be kept at the corporate trust office of Ameritrust Texas National Association, Austin, Texas, the Paying Agent/Registrar books or records for the registration of the transfer, exchange, and replacement of each Series of Bonds (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers, exchanges, and replacements under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers, exchanges, and replacements as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Issuer shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/ Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity.

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

(d) Payment of Bonds and Interest. The Paying Agent/Registrar shall further act as the paying agent for paying the principal of and interest on the Bonds, all as provided in this Second Supplement. The Paying Agent/ Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Bonds.

(e) Authentication. The Bonds of each Series initially issued and delivered pursuant to this Second Supplement shall be authenticated by the Paying Agent/Registrar by execution of the Paying Agent/Registrar's Authentication Certificate unless they have been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas, and on each substitute Bond issued in exchange for any Bond or Bonds issued under this Second Supplement the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE. The Authentication Certificate shall be in the form set forth in the FORMS OF BONDS.

(f) Transfer, Exchange, or Replacement. Each Bond issued and delivered pursuant to this Second Supplement, to the extent of the unpaid or unredeemed principal amount or Maturity Amount thereof, may, upon surrender of such Bond at the principal corporate trust office of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, may, at the option of the registered owner or such assignee or assignees, as appropriate, be exchanged for fully registered bonds, without interest coupons, in the appropriate form prescribed in the FORMS OF BONDS set forth in this Second Supplement, in the denomination of any Authorized Denominations (subject to the requirement hereinafter stated that each substitute Bond shall be of the same series and have a single stated maturity date), as requested in writing by such registered owner or such assignee or assignees, in an aggregate principal amount equal to the unpaid or unredeemed principal amount or Maturity Amount, of any Bond or Bonds so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If a portion of any Bond shall be redeemed prior to its scheduled maturity as provided herein, a substitute Bond or Bonds having the same series designation and maturity date, bearing interest at the same rate, and payable in the same manner, in Authorized Denominations at the request of the registered owner, and in aggregate principal amount or Maturity Amount equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation. If any Bond or portion thereof is assigned and transferred, each Bond issued in exchange therefor shall have the same series designation and maturity date and bear interest at the same rate and payable in the same manner as the Bond for which it is being exchanged. Each substitute Bond of each Series shall bear a letter and/or number to distinguish it from each other Bond of such Series. The Paying Agent/Registrar shall exchange or replace Bonds as provided herein, and each fully registered bond delivered in exchange for or replacement of any Bond or portion thereof as permitted or required by any provision of this Second Supplement shall constitute one of

the Bonds for all purposes of this Second Supplement, and may again be exchanged or replaced. On each substitute Bond issued in exchange for or replacement of any Bond or Bonds issued under this Second Supplement there shall be printed an Authentication Certificate, in the form set forth in Exhibit B to this Second Supplement. An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign the Authentication Certificate, and, except as provided in (e) above, no such Bond shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all Bonds surrendered for transfer, exchange, or replacement. No additional orders or resolutions need be passed or adopted by the Issuer or any other body or person so as to accomplish the foregoing transfer, exchange, or replacement of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be in typed or printed form as determined by the Board Representative. Pursuant to Vernon's Ann. Tex. Civ. St. Art. 717k-6, and particularly Section 6 thereof, the duty of transfer, exchange, or replacement of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the above Paying Agent/Registrar's Authentication Certificate, the exchanged or replaced Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Bonds which were originally issued pursuant to this Second Supplement. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges, if any, for transferring, and exchanging any Bond or any portion thereof, but the one requesting any such transfer and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer, exchange, or replacement of Bonds or any portion thereof (i) with respect to a Current Interest Bond, during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following interest payment date, or, (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date. To the extent possible, any new Bond issued in an exchange, replacement, or transfer of a Bond will be delivered to the registered owner or assignee of the registered owner not more than three business days after the receipt of the Bonds to be cancelled and the written request as described above.

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

United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Second Supplement, and a certified copy of this Second Supplement shall be delivered to each Paying Agent/Registrar.

(h) Book-Entry Only System. The Bonds of each Series issued in exchange for the Bonds initially issued shall be issued in the form of a separate single fully registered Bond for each of the maturities thereof registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and except as provided in subsection (i) hereof, all of the Outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Board and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest on the Bonds. Without limiting the immediately preceding sentence, the Board and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Bondholder, as shown on the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a Bondholder, as shown in the Registration Books of any amount with respect to principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Second Supplement to the contrary but to the extent permitted by law, the Board and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Registration Books as the absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest, with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective owners, as shown in the Registration Books as provided in this Second Supplement, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Board's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an owner, as shown in the Registration Books, shall receive a Bond certificate evidencing the obligation of the Board to make payments of principal, premium, if any, and interest pursuant to this Second Supplement. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Second Supplement with respect to interest checks being mailed to the registered owner at the close of business on the Record Date, the word "Cede & Co." in this Second Supplement shall refer to such new nominee of DTC.

(i) Successor Securities Depository: Transfers Outside Book-Entry Only System. In the event that the Board or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the Board to DTC or DTC determines to discontinue providing its services with respect to the Bonds, the Board shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities

depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Bondholders transferring or exchanging Bonds shall designate, in accordance with the provisions of this Second Supplement.

(j) Payments to Cede & Co. Notwithstanding any other provision of this Second Supplement to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the representation letter of the Board to DTC.

(k) Notice of Redemption. (i) In addition to the Notice of Redemption set forth in the FORMS OF BONDS, the Paying Agent/Registrar shall give notice of redemption of Bonds by mail, first-class postage prepaid at least thirty (30) days prior to a redemption date to each registered securities depository and to any national information service that disseminates redemption notices. In addition, in the event of a redemption caused by an advance refunding of the Bonds, the Paying Agent/Registrar shall send a second notice of redemption to the persons specified in the immediately preceding sentence at least thirty (30) days but not more than ninety (90) days prior to the actual redemption date. Any notice sent to the registered securities depositories or such national information services shall be sent so that they are received at least two (2) days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar shall also send a notice of prepayment or redemption to the registered owner of any Bond who has not sent the Bonds in for redemption sixty (60) days after the redemption date.

(ii) Each Notice of Redemption, whether required in the FORMS OF BONDS or in this Section, shall contain a description of the Bonds to be redeemed including the complete name of the Bonds, the Series, the date of issue, the interest rate, the maturity date, the CUSIP number, the certificate numbers, the amounts called of each certificate, the publication and mailing date for the notice, the date of redemption, the redemption price, the name of the Paying Agent/Registrar and the address at which the Bonds may be redeemed, including a contact person and telephone number.

(iii) All redemption payments made by the Paying Agent/Registrar to the registered owners of the Bonds shall include a CUSIP number relating to each amount paid to such registered owner.

**Section 6. FORMS OF BONDS.** The forms of the Bonds, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas, if needed with respect to the Bonds of each Series initially issued and delivered pursuant to this Second Supplement, shall be, respectively, substantially as set forth in Exhibit B, with such appropriate variations, omissions, or insertions as are permitted or required by this Second Supplement and any Bond Purchase Contract.

**Section 7. ESTABLISHMENT OF FINANCING SYSTEM AND ISSUANCE OF PARITY OBLIGATIONS.** By adoption of the Master Resolution the Board has established The University of Texas System Revenue Financing System for the purpose of providing a financing structure for

revenue supported indebtedness of components of The University of Texas System which are from time to time included as Members of the Financing System. The Master Resolution is intended to establish a master plan under which revenue supported debt of the Financing System can be incurred. This Second Supplement provides for the authorization, issuance, sale, delivery, form, characteristics, provisions of payment and redemption, and security of the Bonds which are a series of Parity Debt. The Master Resolution is incorporated herein by reference and as such made a part hereof for all purposes, except to the extent modified and supplemented hereby, and the Bonds are hereby declared to be Parity Debt under the Master Resolution. As required by Section 5(a) of the Master Resolution, the Board hereby determines that it will have sufficient funds to meet the financial obligations of The University of Texas System, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System and that the Members on whose behalf the Bonds are to be issued possess the financial capacity to satisfy their Direct Obligations after taking the Bonds into account.

**Section 8. SECURITY AND PAYMENTS.** The Bonds are special obligations of the Board payable from and secured solely by the Pledged Revenues pursuant to the Master Resolution and this Second Supplement. The Pledged Revenues are hereby pledged, subject to the liens securing the Prior Encumbered Obligations, to the payment of the principal of, premium, if any, and interest on the Bonds as the same shall become due and payable. The Board agrees to pay the principal of, premium, if any, and the interest on the Bonds when due, whether by reason of maturity or redemption.

**Section 9. PAYMENTS.** Semiannually on or before each principal or interest payment date while any of the Bonds are outstanding and unpaid, commencing on the first interest payment date for each respective Series of Bonds as provided in the Bond Purchase Contract, the Board shall make available to the Paying Agent/Registrar, money sufficient to pay such interest on and such principal of the Bonds as will accrue or mature, or be subject to mandatory redemption prior to maturity, on such principal, redemption, or interest payment date. The Paying Agent/Registrar shall cancel all paid Bonds and shall furnish the Board with an appropriate certificate of cancellation.

**Section 10. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS.** (a) Replacement Bonds. In the event any outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same Series, principal amount, maturity, and interest rate, and in the same form, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

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



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

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

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

Section 11. AMENDMENT OF SUPPLEMENT. (a) Amendments Without Consent. This Second Supplement and the rights and obligations of the Board and of the owners of the Bonds may be modified or amended at any time without notice to or the consent of any owner of the Bonds or any other Parity Debt, solely for any one or more of the following purposes:

(i) To add to the covenants and agreements of the Board contained in this Second Supplement, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Board in this Second Supplement;

(ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in this Second Supplement, 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 this Second Supplement;

(iii) To supplement the security for the Bonds, replace or provide additional credit facilities, or change the form of the Bonds or make such other changes in the provisions hereof as the Board may deem necessary or desirable and which shall not, in the judgment of the Board, materially adversely affect the interests of the owners of the Outstanding Bonds; or

(iv) To make any changes or amendments requested by any bond rating agency then rating or requested to rate Bonds, 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 owners of the Outstanding Bonds.

(b) Amendments With Consent. Subject to the other provisions of this Second Supplement, the owners of Outstanding Bonds aggregating 51 percent in Outstanding Principal Amount shall have the right from time to time to approve any amendment, other than amendments described in Subsection (a) of this Section, to this Second Supplement which may be deemed necessary or desirable by the Board, provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the Outstanding Bonds, the amendment of the terms and conditions in this Second Supplement or in the Bonds so as to:

- (1) Make any change in the maturity of the Outstanding Bonds;
- (2) Reduce the rate of interest borne by Outstanding Bonds;
- (3) Reduce the amount of the principal payable on Outstanding Bonds;
- (4) Modify the terms of payment of principal of or interest on the Outstanding Bonds, or impose any conditions with respect to such payment;
- (5) Affect the rights of the owners of less than all Bonds then Outstanding; or
- (6) Change the minimum percentage of the Outstanding Principal Amount of Bonds necessary for consent to such amendment.

(c) Notice. If at any time the Board shall desire to amend this Second Supplement other than pursuant to (a) above, the Board shall cause notice of the proposed amendment to be 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 successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of the Registrar for inspection by all owners of Bonds. Such publication is not required, however, if the Board gives or causes to be given such notice in writing to each owner of Bonds.

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

(e) Effect of Amendments. Upon the adoption by the Board of any resolution to amend this Second Supplement pursuant to the provisions of this Section, this Second Supplement shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the Board and all the owners of then Outstanding Bonds and all future Bonds shall thereafter be determined, exercised, and enforced under the Resolution and this Second Supplement, as amended.

(f) Consent Irrevocable. Any consent given by any owner of Bonds pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication or other service of the notice provided for in this Section, and shall be conclusive and binding upon all future owners of the same Bonds during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the owner who gave such consent, or by a successor in title, by filing notice thereof with the Registrar and the Board, but such revocation shall not be effective if the owners of 51 percent in Outstanding Principal Amount of Bonds, prior to the attempted revocation, consented to and approved the amendment.

(g) Ownership. For the purpose of this Section, the ownership and other matters relating to all Bonds registered as to ownership shall be determined from the registration books kept by the Registrar therefor. The Registrar may conclusively assume that such ownership continues until written notice to the contrary is served upon the Registrar.

Section 12. COVENANTS REGARDING TAX-EXEMPTION. The Issuer covenants to refrain from any action which would adversely affect, or to take such action to assure, the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

(a) to take any action to assure that no more than 10 percent of the proceeds of the Bonds (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds are so used, that amounts, whether or not received by the Issuer, with respect to such private business use, do not, under the terms of this Second Supplement or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;

(b) to take any action to assure that in the event that the "private business use" described in subsection (a) hereof exceeds 5 percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(c) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(d) to refrain from taking any action which would otherwise result in the Bonds being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(e) to refrain from taking any action that would result in the Bonds being "federally guaranteed" within the meaning of section 149(b) of the Code;

(f) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire

investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Bonds, other than investment property acquired with --

(1) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 30 days or less until such proceeds are needed for the purpose for which the bonds are issued,

(2) amounts invested in a bona fide debt service fund, within the meaning of section 1.103-13(b)(12) of the Treasury Regulations, and

(3) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Bonds;

(g) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the Code (relating to advance refundings);

(h) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the Code and to 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 as a result of Excess Earnings under section 148(f) of the Code; and

(i) to maintain such records as will enable the Issuer to fulfill its responsibilities under this section and section 148 of the Code and to retain such records for at least six years following the final payment of principal and interest on the Bonds.

For purposes of the foregoing, the term "proceeds" includes any amounts which are "transferred proceeds" resulting by virtue of the payment of principal on, interest on, or redemption premium on, the Refunded Bonds if any. It is the understanding of the Issuer that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify, or expand provisions of the Code, as applicable to the Bonds, the Issuer will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally-recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the Issuer agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs the Board Representative to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

In order to facilitate compliance with the above covenants (g), (h), and (i), a "Rebate Fund" is hereby established by the Issuer for the sole benefit of the United States of America, and such Fund shall not be subject to the claim of any other person, including without limitation the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

**Section 13. SECOND SUPPLEMENT TO CONSTITUTE A CONTRACT; EQUAL SECURITY.** In consideration of the acceptance of the Bonds, the issuance of which is authorized hereunder, by those who shall hold the same from time to time, this Second Supplement shall be deemed to be and shall constitute a contract between the Board and the Holders from time to time of the Bonds and the pledge made in this Second Supplement by the Board and the covenants and agreements set forth in this Second Supplement 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 Bonds 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 Second Supplement.

**Section 14. 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 Bonds issued hereunder.

**Section 15. PAYMENT AND PERFORMANCE ON BUSINESS DAYS.** Except as provided to the contrary in the Forms of Bonds, whenever under the terms of this Second Supplement or the Bonds, the performance date of any provision hereof or thereof, including the payment of principal of or interest on the Bonds, shall occur on a day other than a Business Day, then the performance thereof, including the payment of principal of and interest on the Bonds, 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 16. LIMITATION OF BENEFITS WITH RESPECT TO THE SECOND SUPPLEMENT.** With the exception of the rights or benefits herein expressly conferred, nothing expressed or contained herein or implied from the provisions of this Second Supplement or the Bonds is intended or should be construed to confer upon or give to any person other than the Board, the Holders, and the Paying Agent/Registrar, any legal or equitable right, remedy, or claim under or by reason of or in respect to this Second Supplement or any covenant, condition, stipulation, promise, agreement, or provision herein contained. This Second Supplement 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 Holders, and the Paying Agent/Registrar as herein and therein provided.

**Section 17. CUSTODY, APPROVAL, BOND COUNSEL'S OPINION, CUSIP NUMBERS, PREAMBLE AND INSURANCE.** The Board Representative is hereby authorized to have control of the Bonds issued hereunder and all necessary records and proceedings pertaining to the Bonds

pending their delivery and approval by the Attorney General of the State of Texas of the proceedings authorizing the Bonds in accordance with Vernon's Ann. Tex. Civ. St. Article 717q, as amended. If the Board Representative deems it to be necessary or advisable, he is also authorized, in his discretion, to request that the Attorney General approve the Bonds as permitted by Vernon's Ann. Tex. Civ. St. Article 717k-8, in which case he also is authorized to request the Comptroller of Public Accounts register the Bonds, and to cause an appropriate legend reflecting such approval and registration to appear on the Bonds and the substitute Bonds. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Bonds and on any Bonds issued and delivered in exchange or replacement of any Bond, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds. The preamble to the Second Supplement is hereby adopted and made a part of this Second Supplement for all purposes. If insurance is obtained on any of the Bonds, the Bonds shall bear, as appropriate and applicable, a legend concerning insurance as provided by the Insurer.

**Section 18. REFUNDING OF REFUNDED BONDS; ESCROW AGREEMENT.** That concurrently with the respective deliveries of the Series 1991A Bonds and the Series 1991C Bonds the Board Representative shall cause to be deposited an amount from the proceeds from the sale of the respective Series of Bonds with Ameritrust Texas National Association, in Austin, Texas as Escrow Agent, sufficient to provide for the refunding of the respective Refunded Bonds in accordance with Section 7A of Vernon's Ann. Tex. Civ. St. Article 717k, as amended. That concurrently with the delivery of the Series 1991B Bonds the Board Representative shall cause to be deposited an amount from the proceeds from the sale of the Series 1991B Bonds with Morgan Guaranty Trust Company of New York, New York, New York as Escrow Agent, sufficient to provide for the refunding of all of the Series 1991B Refunded Bonds in accordance with Section 7A of Vernon's Ann. Tex. Civ. St. Article 717k, as amended. The Board Representative is hereby authorized, for and on behalf of the Issuer, to execute appropriate Escrow Agreements to accomplish such purposes, in substantially the form and substance submitted to the Board at the meeting at which this Second Supplement is adopted.

**Section 19. REDEMPTION OF REFUNDED BONDS.** The Board hereby determines that the Series 1991A Refunded Bonds shall be called for redemption on the dates and at the redemption prices determined by the Board Representative in accordance with the provision of the resolutions authorizing their issuance. The Board Representative shall take such actions as are necessary to cause the required notice of such redemptions to be given.

**Section 20. FURTHER PROCEDURES; OFFICIAL STATEMENT.** The Executive Committee, each member of the Executive Committee, Board Representative, and all other officers, employees, and agents of the Board, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the Issuer all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Second Supplement, the Bonds, the Escrow Agreement, the redemption prior to maturity of the Refunded Bonds, the sale and delivery of the Bonds and fixing all details in connection therewith, any Bond Purchase Contract entered into in connection with the Bonds, and to approve any Official Statement, or supplements thereto, in connection with the Bonds. The draft Preliminary Official Statement relating to the Bonds submitted to the Board at the meeting at which this Second Supplement is adopted is hereby approved and the

Board Representative is authorized to approve any changes to said document and to authorize its distribution by the Underwriters to prospective purchasers of the Bonds. In case any officer whose signature shall appear on the Bonds shall cease to be such officer before the delivery of the Bonds, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

Section 21. DTC LETTER OF REPRESENTATION. The Board Representative is authorized and directed to enter into a Letter of Representation with DTC with respect to each Series of Bonds to implement the Book-Entry Only System of Bond Registration.

Section 22. REPEAL OF CONFLICTING RESOLUTIONS. All resolutions and all parts of any resolutions which are in conflict or inconsistent with this Second Supplement are hereby repealed and shall be of no further force or effect to the extent of such conflict or inconsistency.

Section 23. PUBLIC NOTICE. It is hereby found and determined that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the Meeting at which this Second Supplement was adopted; that this Second Supplement would be introduced and considered for adoption at said meeting; that said meeting was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Vernon's Ann. Civ. St. Article 6252-17.

ADOPTED AND APPROVED this the 14th day of February, 1991.

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Chairman, Board of Regents of  
The University of Texas System

ATTEST:

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

## **EXHIBIT A DEFINITIONS**

As used in this Second Supplement the following terms and expressions shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

The term "Acts" shall mean, collectively, Articles 717k and 717q, V.A.T.C.S., as amended, and Chapter 55, Texas Education Code, as amended.

The term "Authorized Denominations" shall mean Authorized Denominations as defined in Section 2 of this Second Supplement.

The terms "Board" and "Issuer" shall mean the Board of Regents of The University of Texas System or any successor thereto.

The term "Board Representative" shall mean the Executive Vice Chancellor for Asset Management or such other official of The University of Texas System appointed by the Chairman of the Board to carry out the functions of the Board specified herein.

The term "Bonds" shall mean collectively the Series 1991A Bonds, the Series 1991B Bonds, and the Series 1991C Bonds, and all substitute bonds exchanged therefor, and all other substitute and replacement bonds issued pursuant to this Second Supplement; and the term "Bond" means any of the Bonds.

The term "Bond Purchase Contract" shall mean the agreement to purchase one or more of the Series of Bonds authorized by this Second Supplement.

The term "Business Day" shall mean any day which is not a Saturday, Sunday, legal holiday, or a day on which banking institutions in The City of New York, New York or in the city where the principal corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close.

The term "Capital Appreciation Bonds" shall mean the Bonds of each Series of the Bonds on which no interest is paid prior to maturity, maturing variously in each of the years and in the aggregate principal amount as set forth in the Bond Purchase Contract.

The term "Code" means the Internal Revenue Code of 1986, as amended.

The term "Compounded Amount" shall mean, with respect to a Capital Appreciation Bond, as of any particular date of calculation, the original principal amount thereof, plus all interest accrued and compounded to the particular date of calculation, as determined in accordance with Section 4 of this Second Supplement and the Compounded Amount Table relating to such Bonds.

The term "Compounded Amount Table" shall mean, with respect to the Capital Appreciation Bonds of a Series of Bonds, the table attached as an Exhibit to the Bond Purchase Contract relating to such Series of Bonds which shows the Compounded Amounts per \$5,000 Maturity Amount on the Compounding Dates for each maturity to its Stated Maturity.



The term "Compounding Dates" shall mean Compounding Dates as defined in Section 4 of this Second Supplement.

The term "Current Interest Bonds" shall mean the Bonds of each Series of the Bonds paying current interest and maturing in each of the years and in the aggregate principal amounts set forth in the Bond Purchase Contract.

The term "DTC" shall mean The Depository Trust Company, New York, New York, or any successor securities depository.

The term "DTC Participant" shall mean securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

The term "Issuance Date" shall mean the date of delivery of each Series of Bonds to the initial purchaser or purchasers thereof against payment therefor.

The term "Master Resolution" shall mean the Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the Board on April 12, 1990, as amended and restated on February 14, 1991.

The term "Maturity" shall mean the date on which the principal of a Bond becomes due and payable as therein and herein provided, whether at Stated Maturity, by redemption, declaration of acceleration, or otherwise.

The term "Maturity Amount" shall mean the Compounded Amount of a Capital Appreciation Bond due on its Stated Maturity.

The terms "Paying Agent/Registrar," "Paying Agent" or "Registrar" shall mean the agent appointed pursuant to Section 5 of this Second Supplement, or any successor to such agent.

The term "Record Date" shall mean, with respect to the Bonds, the last calendar day of each month preceding an interest payment date.

The term "Refunded Bonds" shall mean, collectively, the Series 1991A Refunded Bonds, the Series 1991B Refunded Bonds, and the Series 1991C Refunded Bonds.

The term "Registration Books" shall mean the books or records relating to the registration, payment, and transfer or exchange of the Bonds maintained by the Paying Agent/Registrar pursuant to Section 5 of this Second Supplement.

The term "Second Supplement" shall mean this resolution authorizing the Bonds.

The term "Series 1991A Bonds" shall mean the Board of Regents of The University of Texas System Revenue Financing System Refunding Bonds, Series 1991A authorized by this Second Supplement.

The term "Series 1991B Bonds" shall mean the Board of Regents of The University of Texas System Revenue Financing System Refunding Bonds, Series 1991B authorized by this Second Supplement.

The term "Series 1991C Bonds" shall mean the Board of Regents of The University of Texas System Revenue Financing System Refunding Bonds, Series 1991C authorized by this Second Supplement.

The term "Series 1991A Refunded Bonds" shall mean the Board of Regents of The University of Texas System General Revenue Refunding Bonds, Series 1986 being refunded by the Series 1991A Bonds.

The term "Series 1991B Refunded Bonds" shall mean the Board of Regents of The University of Texas System Revenue Financing System Commercial Paper Notes, Series A currently outstanding.

The term "Series 1991C Refunded Bonds" shall mean the below listed obligations of the Board being refunded by the Series 1991C Bonds:

Board of Regents of Pan American College Utility Plant Student Fee Revenue Bonds, Series 1968;

Board of Regents of Pan American College Auxiliary Enterprise System Revenue Bond, Series A of 1968;

Board of Regents of Pan American College Auxiliary Enterprise System Revenue Bond, Series B of 1968;

Board of Regents of Pan American College Auxiliary Enterprise System Revenue Bond, Series C of 1968;

Board of Regents of Pan American College Auxiliary Enterprise System Revenue Bonds Series D of 1968;

Board of Regents of Pan American College Student Fee Revenue Bonds, Series 1969;

Board of Regents of Pan American University Combined Fee Revenue Bonds, Series 1971;

Board of Regents of Pan American University Auxiliary Enterprise System Revenue Bonds, Series 1973; and

Board of Regents of Pan American University Auxiliary Enterprise System Revenue Bonds, Series 1977.

The term "Stated Maturity", shall mean, when used with respect to the Bonds, the scheduled maturity or mandatory sinking fund redemption of the Bonds.

The term "Underwriter" shall mean Underwriter as defined in Section 3 of this Second Supplement.

The term "U.T. System Improvements" shall mean the following projects which are to be financed in whole or in part with the proceeds of the Series 1991B Bonds:

I. The University of Texas Southwestern Medical Center at Dallas

(a) Aston Ambulatory Care Center additions and renovations, \$21,500,000

(b) North Campus - Phase I, construction and equipping of building and energy plant, \$28,500,000

II. The University of Texas at Austin

(a) Student Union Building additions and renovations, \$6,000,000

III. The University of Texas M. D. Anderson Cancer Center

(a) Rotary House construction, \$9,638,000

**EXHIBIT B**

**FORMS OF BONDS**

The paragraphs and bracketed phrases designated with an asterisk denote paragraphs which are to be included in the Series 1990A Bonds and the paragraphs and bracketed phrases designated with a double asterisk denote paragraphs which are to be included in the Series 1990B Bonds.

UNITED STATES OF AMERICA  
STATE OF TEXAS  
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
REVENUE FINANCING SYSTEM REFUNDING BOND  
\*[SERIES 1991A] \*\*[SERIES 1991B] \*\*\*[SERIES 1991C]

**[FORM OF FIRST TWO PARAGRAPHS OF CURRENT INTEREST BONDS]**

NO. R-\_\_\_\_\_ PRINCIPAL AMOUNT \$ \_\_\_\_\_

INTEREST RATE \_\_\_\_\_% MATURITY DATE \_\_\_\_\_ BOND DATE \_\_\_\_\_, 1991 CUSIP NO. \_\_\_\_\_

REGISTERED OWNER:

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

ON THE MATURITY DATE specified above, the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the "Issuer"), being an agency and political subdivision of the State of Texas, hereby promises to pay to the Registered Owner specified above or the registered assignee hereof (either being hereinafter called the "registered owner") the principal amount specified above and to pay interest thereon, calculated on the basis of a 360-day year composed of twelve 30-day months, from the Bond Date specified above, to the Maturity Date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; with interest being payable on \_\_\_\_\_, 199\_, and semiannually on each \_\_\_\_\_ and \_\_\_\_\_ thereafter, except that if the date of authentication of this Bond is later than the first Record Date (hereinafter defined), such

principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges, solely from funds of the Issuer required by the resolution authorizing the issuance of the Bonds to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity, at the corporate trust office of Ameritrust Texas National Association, Dallas, Texas, which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check, dated as of such interest payment date, and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the last day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described; provided, that upon the written request of any owner of not less than \$1,000,000 in principal amount of Bonds provided to the Paying Agent/Registrar not later than the Record Date immediately preceding an interest payment date, interest due on such interest payment date shall be made by wire transfer to any designated account within the United States of America. In addition, interest may be paid by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner hereof. Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner upon presentation and surrender of this Bond for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar. The Issuer covenants with the registered owner of this Bond that on or before each principal payment date and interest payment date for this Bond it will make available to the Paying Agent/Registrar, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, payments made to the securities depository, or its nominee, shall be made in accordance with arrangements between the Issuer and the securities depository. Terms used herein and not otherwise defined have the meaning given in the Bond Resolution.

[FORM OF FIRST TWO PARAGRAPHS OF  
CAPITAL APPRECIATION BONDS]

NO. CR-\_\_

MATURITY  
AMOUNT  
\_\_\_\_\_

INTEREST RATE

MATURITY DATE

ISSUANCE DATE

CUSIP NO.  
\_\_\_\_\_

\_\_\_\_\_%

\_\_\_\_\_

\_\_\_\_\_, 1991

REGISTERED OWNER:

ORIGINAL PRINCIPAL AMOUNT:

DOLLARS

ON THE MATURITY DATE specified above, the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the "Issuer"), being an agency and political subdivision of the State of Texas, hereby promises to pay to the Registered Owner specified above or the registered assignee hereof (either being hereinafter called the "registered owner") the Maturity Amount specified above representing the original principal amount specified above and accrued and compounded interest thereon. Interest shall accrue on the original principal amount hereof from the Issuance Date at the interest rate per annum specified above (subject to rounding to the Compounded Amounts as provided in the Bond Resolution), compounded semiannually on \_\_\_\_\_ and \_\_\_\_\_ of each year, commencing \_\_\_\_\_, 199\_. For convenience of reference, a table appears on the back of this Bond showing the "Compounded Amount" of the original principal amount per \$5,000 Maturity Amount compounded semiannually at the yield shown on such table.

THE MATURITY AMOUNT OF this Bond is payable in lawful money of the United States of America, without exchange or collection charges, solely from funds of the Issuer required by the Bond Resolution to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided. The Maturity Amount or Compounded Amount of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity, as the case may be, at the corporate trust office of Ameritrust Texas National Association, Dallas, Texas, which is the "Paying Agent/Registrar" for this Bond. The Issuer covenants with the registered owner of this Bond that on or before the Maturity Date for this Bond it will make available to the Paying Agent/Registrar, the amount required to provide for the payment, in immediately available funds, of the Maturity Amount when due. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, payments made to the securities depository, or its nominee, shall be made in accordance with arrangements between the Issuer and the securities depository. Terms used herein and not otherwise defined have the meaning given in the Bond Resolution.

[FORM OF REMAINDER OF CURRENT INTEREST BONDS  
AND CAPITAL APPRECIATION BONDS]

\*This Bond is one of a Series of bonds authorized in the aggregate principal amount of \$ \_\_\_\_\_ pursuant to a Second Supplemental Resolution to the Master Resolution adopted February 14, 1991, and pursuant to the Master Resolution referred therein (collectively, the "Bond Resolution") for the purpose of refunding the Series 1991A Refunded Bonds, and paying the costs related thereto, [and comprised of (i) Bonds in the aggregate principal amount of \$ \_\_\_\_\_ that pay interest only at maturity (the "Capital Appreciation Bonds") and (ii) Bonds in the aggregate principal amount of \$ \_\_\_\_\_ that pay interest semiannually until maturity (the "Current Interest Bonds").]

\*\*This Bond is one of a Series of bonds authorized in the aggregate principal amount of \$ \_\_\_\_\_ pursuant to a Second Supplemental Resolution to the Master Resolution adopted February 14, 1991, and pursuant to the Master Resolution referred therein (collectively, the "Bond Resolution") for the purpose of (i) refunding the Series 1991B Refunded Bonds (ii) acquiring, purchasing, constructing, improving, enlarging, and equipping the U. T. System Improvements for certain Members of the Revenue Financing System, and (iii) paying the costs related thereto, [and comprised of (i) Bonds in the aggregate principal amount of \$ \_\_\_\_\_ that pay interest only at maturity (the "Capital Appreciation Bonds") and (ii) Bonds in the aggregate principal amount of \$ \_\_\_\_\_ that pay interest semiannually until maturity (the "Current Interest Bonds").]

\*\*\*This Bond is one of a Series of bonds authorized in the aggregate principal amount of \$ \_\_\_\_\_ pursuant to a Second Supplemental Resolution to the Master Resolution adopted February 14, 1991, and pursuant to the Master Resolution referred therein (collectively, the "Bond Resolution") for the purpose of refunding the Series 1991C Refunded Bonds and paying the costs related thereto, [and comprised of (i) Bonds in the aggregate principal amount of \$ \_\_\_\_\_ that pay interest only at maturity (the "Capital Appreciation Bonds") and (ii) Bonds in the aggregate principal amount of \$ \_\_\_\_\_ that pay interest semiannually until maturity (the "Current Interest Bonds").]

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

which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Issuer and the securities depository.

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

<u>Bonds Maturing</u> _____	
<u>Redemption Date</u>	<u>Principal Amount</u>

The principal amount of the Bonds required to be redeemed on each such redemption date pursuant to the foregoing operation of the mandatory sinking fund shall be reduced, at the option of the Issuer, by the principal amount of any Bonds, which, at least 45 days prior to the mandatory sinking fund redemption date, (1) shall have been acquired by the Issuer and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been acquired and cancelled by the Paying Agent/Registrar at the direction of the Issuer, in either case of (1) or (2) at a price not exceeding the par or principal amount of such Bonds, or (3) have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory sinking fund redemption. During any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate shall be selected in accordance with the arrangements between the Issuer and the securities depository.

AT LEAST 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be published once in a financial publication, journal, or report of general circulation among securities dealers in The City of New York, New York (including, but not limited to, The Bond Buyer and The



Wall Street Journal), or in the State of Texas (including, but not limited to, The Texas Bond Reporter). Such notice also shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, not less than 30 days prior to the date fixed for any such redemption, to the registered owner of each Bond to be redeemed at its address as it appeared on the 45th day prior to such redemption date; provided, however, that the failure to send, mail, or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond, and it is hereby specifically provided that the publication of such notice as required above shall be the only notice actually required in connection with or as a prerequisite to the redemption of any Bonds or portions thereof. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such written notice of redemption is published and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Bond shall be redeemed, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, payable in the same manner, in any authorized denomination at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Bond Resolution.

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

THIS BOND OR ANY PORTION OR PORTIONS HEREOF IN ANY AUTHORIZED DENOMINATION may be assigned and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any authorized denomination to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. The form of Assignment printed or endorsed on this Bond shall be executed by the registered owner or its duly authorized attorney or representative, to evidence the assignment hereof. A new

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

ALL BONDS OF THIS SERIES are issuable solely as fully registered bonds, without interest coupons, [with respect to Current Interest Bonds,] in the denomination of any integral multiple of \$5,000, [and with respect to Capital Appreciation Bonds, in the denomination of \$5,000 Maturity Amounts or any integral multiple thereof.] As provided in the Bond Resolution, this Bond, or any unredeemed portion hereof, may, at the request of the registered owner or the assignee or assignees hereof, be exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date, in the same form, and bearing interest at the same rate, in any authorized denomination as requested in writing by the appropriate registered owner, assignee, or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution.

WHENEVER the beneficial ownership of this Bond is determined by a book entry at a securities depository for the Bonds, the foregoing requirements of holding, delivering, or transferring this Bond shall be modified to require the appropriate person or entity to meet the requirements of the securities depository as to registering or transferring the book entry to produce the same effect.

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

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that the Series of Bonds of which this Bond is one constitute Parity Debt under the Master Resolution; and that the interest on and principal of this Bond, together with the other Bonds of this Series and the other outstanding Parity Debt are equally and ratably secured by and payable from a lien on and pledge of the Pledged Revenues, subject only to the provisions of the Prior Encumbered Obligations.

THE ISSUER has reserved the right, subject to the restrictions referred to in the Bond Resolution, (i) to issue additional Parity Debt which also may be secured by and made payable from a lien on and pledge of the aforesaid Pledged Revenues, in the same manner and to the same extent as this Bond, and (ii) to amend the provisions of the Bond Resolution under the conditions provided in the Bond Resolution.

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

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

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

\_\_\_\_\_  
Executive Secretary, Board of  
Regents of The University of  
System

\_\_\_\_\_  
Chairman, Board of Regents  
of The University of Texas  
System

(BOARD SEAL)

**FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE**

**PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE**

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

**AMERITRUST TEXAS NATIONAL ASSOCIATION  
Paying Agent/Registrar**

Dated

\_\_\_\_\_  
Authorized Representative

**FORM OF ASSIGNMENT:**

**ASSIGNMENT**

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

\_\_\_\_\_  
(Assignee's Social Security or Taxpayer Identification Number)

\_\_\_\_\_  
(print or typewrite Assignee's name and address, including zip code)

\_\_\_\_\_ and hereby irrevocably constitutes and appoints

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

Dated: \_\_\_\_\_

Signature Guaranteed:

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

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

**[FORM OF REGISTRATION CERTIFICATE OF  
COMPTROLLER OF PUBLIC ACCOUNTS TO BE USED IF  
THE BONDS ARE TO BE SO REGISTERED]**

**COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.**

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

Witness my signature and seal this

\_\_\_\_\_  
Comptroller of Public Accounts  
of the State of Texas

(COMPTROLLER'S SEAL)

\_\_\_\_\_  
Provisions of Bonds related to redemption are to be deleted if the Series of Bonds is not subject to redemption. Bracketed information relates to Capital Appreciation Bonds and its use will depend on whether any Bonds of a Series are Capital Appreciation Bonds.

PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_

OFFICIAL STATEMENT

**BOOK-ENTRY ONLY**

**RATINGS:** (See "RATINGS")

*Delivery of the Bonds is subject to the opinion of McCall, Parkhurst & Horton, Bond Counsel, that under statutes, regulations, published rulings and court decisions existing on the date thereof, interest on the Bonds is excludable from gross income for federal income tax purposes and the Bonds will not be private activity bonds the interest on which will be included as an alternative minimum tax preference item under Section 57(a)(3) of the Internal Revenue Code of 1986. See "TAX EXEMPTION" for a discussion of certain collateral federal tax consequences, including the alternative minimum tax on corporations.*

**\$282,550,000\***

**BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
Revenue Financing System Refunding Bonds**



\$ 187,800,000\* Series 1991A  
\$ 91,255,000\* Series 1991B  
\$ 3,495,000\* Series 1991C

Dated: \_\_\_\_\_ 1, 1991

Due: \_\_\_\_\_, as shown below

The Bonds of each Series (the "Bonds") are special obligations of the Board of Regents (the "Board") of The University of Texas System (the "University System"), payable from and secured by a lien on "Pledged Revenues" (as defined herein) of the University System's Revenue Financing System on a parity with the Board's outstanding "Parity Debt" (as defined herein). The Bonds are issued pursuant to a Master Resolution of the Board which established the Revenue Financing System and a Supplemental Resolution of the Board which provides for issuance of the Bonds. **THE BOARD HAS NO TAXING POWER, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE BONDS. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS FROM ANY SOURCE OTHER THAN PLEDGED REVENUES.** See "DESCRIPTION OF THE BONDS—Security for the Bonds."

Proceeds from the sale of the Bonds, together with other available moneys of the Board, will be used for the purposes of refunding certain outstanding obligations of the Board and of providing funds to pay the cost of improvements at certain component institutions of the University System. See "PLAN OF FINANCING."

Interest on the Bonds will accrue from \_\_\_\_\_ 1, 1991, and is payable on August 15 and February 15 of each year, commencing August 15, 1991, calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds are issuable only as fully registered bonds, without coupons, and, when issued, will be initially registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which initially will act as securities depository for all of the Bonds pursuant to a book-entry only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof. Beneficial owners of the Bonds will not receive physical delivery of bond certificates except as described herein. For so long as Cede & Co., as nominee of DTC, is the exclusive registered owner of the Bonds, principal of and redemption premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar, initially Ameritrust Texas National Association, Dallas, Texas, to DTC on each applicable payment date. DTC will be responsible for distributing the amounts so paid to the beneficial owners of the Bonds. See "DESCRIPTION OF THE BONDS—Book-Entry Only System."

The Bonds maturing in \_\_\_\_\_ through \_\_\_\_\_ are subject to optional redemption prior to maturity, in whole or in part, on \_\_\_\_\_ 15, \_\_\_\_\_, or on any date thereafter as described herein. The term Bonds maturing on \_\_\_\_\_ are also subject to mandatory sinking fund redemption in the amounts and on the dates set forth herein. See "DESCRIPTION OF THE BONDS—Redemption."

**MATURITY SCHEDULE\***

Series 1991A			Series 1991B			Series 1991C					
Maturity*	Amount	Rate	Yield or Price	Maturity*	Amount	Rate	Yield or Price	Maturity*	Amount	Rate	Yield or Price
	\$	%	%		\$	%	%		\$	%	%

**Term Bonds**

\$ \_\_\_\_\_ \* \_\_\_\_\_ % Series 1991A Bonds, due \_\_\_\_\_  
\$ \_\_\_\_\_ \* \_\_\_\_\_ % Series 1991B Bonds, due \_\_\_\_\_  
\$ \_\_\_\_\_ \* \_\_\_\_\_ % Series 1991C Bonds, due \_\_\_\_\_

*The Bonds are offered when, as and if issued, subject to approval of legality by the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton, Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Vinson & Elkins, Houston and Austin, Texas, and for the University System by Baeza, Lannon & Moyt, Dallas, Texas. The Series 1991A Bonds and Series 1991B Bonds are expected to be available for delivery on or about \_\_\_\_\_, 1991, in New York, New York. The Series 1991C Bonds are expected to be available for delivery on or about \_\_\_\_\_, 1991, in New York, New York.*

**GOLDMAN, SACHS & CO.**

[List of Co-Managers]

Dated: \_\_\_\_\_, 1991

\*preliminary, subject to change

This Preliminary Official Statement and information contained herein are subject to completion or amendment without notice. These securities may not be sold nor an offer 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.

**BOARD OF REGENTS OF  
THE UNIVERSITY OF TEXAS SYSTEM  
As of February 1, 1991**

**OFFICERS**

Louis A. Beecherl, Jr., Chairman  
Sam Barshop, Vice-Chairman  
Arthur H. Dilly, Executive Secretary

**MEMBERS**

Terms Expire February 1, 1993

Sam Barshop	. . . . .	San Antonio
Louis A. Beecherl, Jr.	. . . . .	Dallas
W.A. "Tex" Moncrief, Jr.	. . . . .	Fort Worth

Terms Expire February 1, 1995

Robert J. Cruikshank	. . . . .	Houston
Tom Loeffler	. . . . .	San Antonio
Mario E. Ramirez	. . . . .	Roma

Terms Expire February 1, 1997

Zan Wesley Holmes, Jr.	. . . . .	Dallas
Bernard Rapoport	. . . . .	Waco
Ellen Clarke Temple	. . . . .	Lufkin

**SYSTEM ADMINISTRATION**

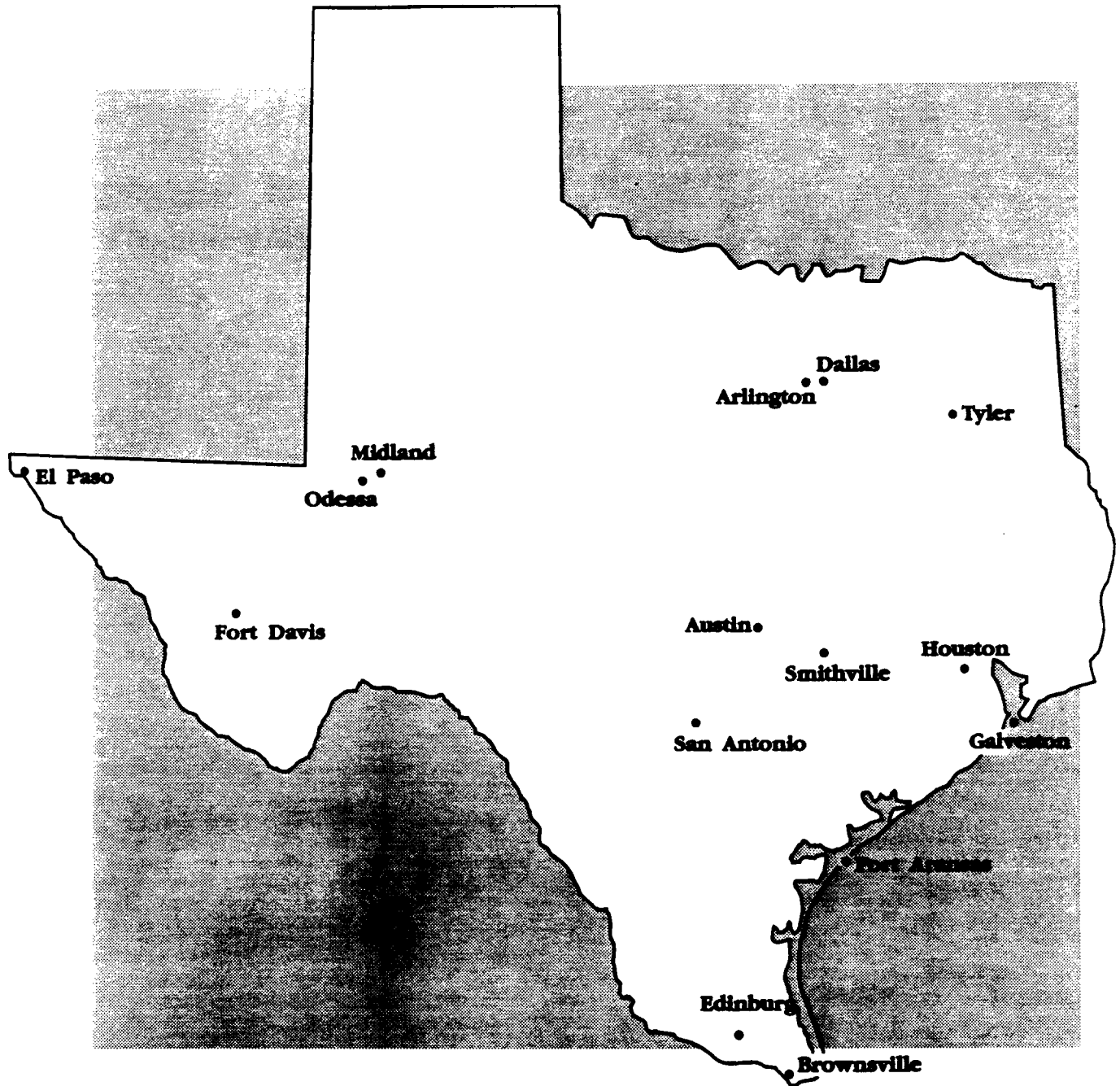
Hans Mark, Chancellor  
James P. Duncan, Executive Vice Chancellor for Academic Affairs  
Charles B. Mullins, M.D., Executive Vice Chancellor for Health Affairs  
Michael E. Patrick, Executive Vice Chancellor for Asset Management  
R. Dan Burck, Vice Chancellor for Business Affairs  
Ray Farabee, Vice Chancellor and General Counsel  
Gerald W. Hill, Vice Chancellor for Governmental Relations

**CHIEF ADMINISTRATIVE OFFICERS OF  
UNIVERSITY SYSTEM COMPONENT INSTITUTIONS**

Dr. Wendell Nedderman, President, The University of Texas at Arlington  
Dr. William H. Cunningham, President, The University of Texas at Austin  
Dr. Robert H. Rutherford, President, The University of Texas at Dallas  
Dr. Diana Natalicio, President, The University of Texas at El Paso  
Dr. Miguel A. Nevárez, President, The University of Texas-Pan American  
Dr. Homer Peña, President, The University of Texas-Pan American at Brownsville  
Dr. Duane M. Leach, President, The University of Texas of the Permian Basin  
Dr. Samuel A. Kirkpatrick, President, The University of Texas at San Antonio  
Dr. George F. Hamm, President, The University of Texas at Tyler  
Dr. Kern Wildenthal, President, The University of Texas Southwestern  
Medical Center at Dallas  
Dr. Thomas N. James, President, The University of Texas Medical  
Branch at Galveston  
Dr. M. David Low, President, The University of Texas Health  
Science Center at Houston  
Dr. John P. Howe III, President, The University of Texas Health  
Science Center at San Antonio  
Dr. Charles A. LeMaistre, President, The University of Texas  
M.D. Anderson Cancer Center  
Dr. George A. Hurst, Director, The University of Texas  
Health Center at Tyler



# *Component Institutions of The University of Texas System*



## General Academic Institutions

### The University of Texas at Arlington

School of Architecture  
College of Business Administration  
College of Engineering  
College of Liberal Arts  
School of Nursing  
College of Science  
Graduate School of Social Work  
Graduate School  
Institute of Urban Studies

### The University of Texas at Austin

School of Architecture  
College of Liberal Arts  
College of Engineering  
College of Natural Sciences  
College of Business Administration  
LBJ School of Public Affairs  
College of Communications  
College of Education  
College of Fine Arts  
School of Law  
Graduate School of Library and Information Science  
School of Nursing  
College of Pharmacy  
School of Social Work  
Graduate School  
Marine Science Institute (Port Aransas)  
McDonald Observatory at Mount Locke (Fort Davis)

### The University of Texas at Dallas

Callier Center for Communication Disorders  
School of Arts and Humanities  
Eric Jonsson School of Engineering and Computer Science  
School of General Studies  
School of Human Development  
School of Management  
School of Natural Sciences and Mathematics  
School of Social Sciences

### The University of Texas at El Paso

College of Business Administration  
College of Education

College of Engineering  
College of Liberal Arts  
College of Nursing and Allied Health  
College of Science  
Graduate School

### The University of Texas—Pan American (Edinburg)

College of Arts and Sciences  
School of Business Administration  
School of Education  
Division of Health Related Professions  
Pan American (Brownsville)  
Arts and Sciences  
Business Administration  
Education

### The University of Texas of the Permian Basin

Division of Behavioral Science and Physical Education  
Division of Business  
Division of Education  
Division of Humanities and Fine Arts  
Division of Science and Engineering

### The University of Texas at San Antonio

College of Business  
College of Fine Arts and Humanities  
College of Social and Behavioral Science  
College of Sciences and Engineering  
Institute of Texan Cultures

### The University of Texas at Tyler

School of Business Administration  
School of Education and Psychology  
School of Liberal Arts  
School of Sciences and Mathematics

## Health Institutions

### The University of Texas Southwestern Medical Center at Dallas

Southwestern Medical School  
Southwestern Graduate School of Biomedical Sciences  
School of Allied Health Sciences

### The University of Texas Medical Branch at Galveston

Medical School  
Graduate School of Biomedical Sciences  
Marine Biomedical Institute  
School of Allied Health Sciences  
Institute for the Medical Humanities  
The University of Texas Hospitals  
School of Nursing

### The University of Texas Health Science Center at Houston

Medical School  
Dental School  
Graduate School of Biomedical Sciences  
School of Allied Health Sciences  
School of Public Health  
Speech and Hearing Institute  
School of Nursing

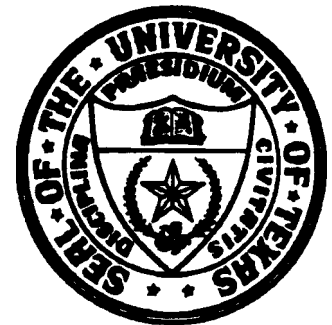
### The University of Texas Health Science Center at San Antonio

Medical School  
Dental School  
Graduate School of Biomedical Sciences  
School of Allied Health Sciences  
School of Nursing

### The University of Texas M.D. Anderson Cancer Center (Houston)

M.D. Anderson Hospital  
M.D. Anderson Tumor Institute  
M.D. Anderson Science Park

### The University of Texas Health Center at Tyler



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

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

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT 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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**\$282,550,000\***

**BOARD OF REGENTS OF  
THE UNIVERSITY OF TEXAS SYSTEM**

**Revenue Financing System Refunding Bonds**  
**\$187,800,000\* Series 1991A**  
**\$91,255,000\* Series 1991B**  
**\$3,495,000\* Series 1991C**

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**INTRODUCTION**

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 Revenue Financing System Refunding Bonds, Series 1991A (the "Series 1991A Bonds"), Series 1991B (the "Series 1991B Bonds") and Series 1991C (the "Series 1991C Bonds" and together with the Series 1991A Bonds and the Series 1991B Bonds, the "Bonds"), in the aggregate principal amounts set forth above.

The University of Texas System (the "University System") currently consists of The University of Texas at Austin and the thirteen other state-supported institutions included in the University System by operation of State law. For the 1990 Fall Semester, the University System had total enrollment of 143,340 students. See "GENERAL DESCRIPTION OF THE UNIVERSITY OF TEXAS SYSTEM." The University of Texas System Revenue Financing System (the "Revenue Financing System") was established by the Master Resolution of the Board for the purpose of providing a system-wide financing structure for revenue-supported indebtedness of University System components included as Members of the Revenue Financing System. See "APPENDIX C, SUMMARY OF THE MASTER RESOLUTION." All of the institutions currently constituting University System components have been included as Members of the Revenue Financing System. See "DESCRIPTION OF THE REVENUE FINANCING SYSTEM." Pursuant to the Master Resolution, the Board has, with certain exceptions, combined all revenues, funds and balances attributable to any Member of the Revenue Financing System that may lawfully be pledged to secure the payment of revenue-supported debt obligations and pledged those sources as Pledged Revenues to secure payment of all revenue-supported debt obligations of the Board incurred as Parity Debt under the Master Resolution. The Board has covenanted that it will not incur any additional debt secured by Pledged Revenues unless such debt constitutes Parity Debt or is junior and subordinate to Parity Debt. See "APPENDIX C, SUMMARY OF THE MASTER RESOLUTION." The Board intends to issue most of its revenue-supported debt obligations that benefit components of the University System as Parity Debt under the Master Resolution.

This Official Statement contains summaries and descriptions of the Plan of Financing, the Bonds, the Revenue Financing System, the Board, the University System, the Master Resolution and the Supplemental Resolution, among other things. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to complete copies of such documents, which may be obtained from the Office of Asset Management of The University of Texas System, 210 West 6th Street, Austin, Texas 78701. Unless otherwise defined herein, capitalized terms used in this Official Statement have the meanings assigned to such terms in "APPENDIX B, GLOSSARY OF TERMS."

**PLAN OF FINANCING**

**Authority for Issuance of the Bonds**

The Bonds are being issued in accordance with the general laws of the State of Texas, including particularly Chapter 55, Texas Education Code, and Articles 717k and 717q, Vernon's Annotated Texas Civil Statutes, as amended. The Bonds are issued as Parity Debt pursuant to the Master Resolution and the Supplemental Resolution adopted by the Board on February 14, 1991, specifically providing for issuance of the Bonds. The Board has previously authorized a commercial paper program pursuant to which Parity Debt in the form of commercial paper notes may be issued, from time to time, under the Master Resolution; provided that the aggregate principal amount of such notes at any time outstanding is limited by the Board's authorization to \$100,000,000. The currently outstanding Parity Debt under the commercial paper program will be refunded by the Series 1991B Bonds. Following delivery of all of the Bonds, additional Parity Debt in the form of commercial paper notes may be issued

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\*Preliminary, subject to change.

pursuant to the above-mentioned program to finance improvements at Members of the Revenue Financing System. Upon issuance of the Series 1991A Bonds and Series 1991B Bonds, the Board will have \$16,924,000 of outstanding Prior Encumbered Obligations and following issuance of all of the Bonds, the Board will have \$11,230,000 of outstanding Prior Encumbered Obligations. See "FINANCIAL MANAGEMENT OF THE UNIVERSITY SYSTEM OF TEXAS—Debt Management and Anticipated Financing—Financing Programs—Fee and Revenue Bonds—Prior Encumbered Obligations."

#### **Purpose for Issuance of Bonds**

Each Series of Bonds is being issued for the purpose of refunding and defeasing specific revenue-supported debt obligations previously issued by the Board which are currently outstanding in the aggregate principal amount of \$221,554,000 (the "Refunded Bonds"). The Series 1991B Bonds are also being issued to finance the cost of improvements at certain Members of the Revenue Financing System. See "APPENDIX A, SCHEDULE OF REFUNDED BONDS" for a listing of the Refunded Bonds being refunded by each Series of Bonds. The Refunded Bonds were issued prior to establishment of the Revenue Financing System and are secured by a prior lien on certain Pledged Revenues. The Refunded Bonds are being refunded in order to complete the implementation of the Revenue Financing System.

#### **Refunded Bonds**

The Refunded Bonds and interest due thereon are to be paid on the scheduled interest payment and maturity dates, or upon earlier redemption thereof, from funds to be deposited with Ameritrust Texas National Association and Morgan Guaranty Trust Company of New York, as escrow agents (the "Escrow Agents"), pursuant to separate escrow agreements (the "Escrow Agreements") between the Board and each Escrow Agent.

The Supplemental Resolution provides that, concurrently with delivery of each Series of Bonds, proceeds from the sale of such Series of Bonds, together with other available funds, will be deposited with the appropriate Escrow Agent in an escrow fund with respect to each Series of Bonds (the "Escrow Funds") to pay the principal of and any redemption premium and interest on the applicable Refunded Bonds. Proceeds from the sale of the Series 1991A Bonds and Series 1991C Bonds will be deposited in the Escrow Funds held by Ameritrust Texas National Association, as Escrow Agent, and proceeds from the sale of the Series 1991B Bonds will be deposited in the Escrow Fund held by Morgan Guaranty Trust Company of New York, as Escrow Agent. The amounts deposited into the Escrow Funds will be in the form of cash and noncallable, direct obligations of the United States of America (the "Federal Securities") and will be sufficient to provide for payment of the principal of and any redemption premium and interest on the applicable Refunded Bonds when due. Under the Escrow Agreements, the Escrow Funds are irrevocably pledged to the payment of principal of and any redemption premium and interest on the applicable Refunded Bonds. The Escrow Funds will not be available to pay principal of and interest on the Bonds.

Issuance of each Series of Bonds will be subject to delivery by Ernst & Young, independent certified public accountants, of a report of the mathematical accuracy of certain computations relating to (a) the adequacy of the maturing principal amounts of the Federal Securities held in the Escrow Funds, together with a portion of the interest income thereon and uninvested cash, if any, to pay, when due, the principal of and any redemption premium and interest on the applicable Refunded Bonds and (b) the actuarial yields relied on by Bond Counsel to support its opinion that the Bonds are not arbitrage bonds under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"). Such verification of accuracy of such mathematical computations will be based upon information and assumptions supplied by the Board, and such verification, information and assumptions will be relied on by Bond Counsel in rendering its opinion described herein.

By the deposit of the Federal Securities and cash, if any, with the Escrow Agent, the Board will have effected the defeasance of the Refunded Bonds in accordance with applicable laws and the terms of the resolutions pursuant to which the Refunded Bonds were issued. It is the opinion of Bond Counsel that, as a result of such defeasance, the Refunded Bonds will be regarded as being outstanding only for the purpose of receiving payment from proceeds of the Federal Securities and cash held for such purpose in the Escrow Fund and will no longer be payable from or secured by a lien on any portion of the Pledged Revenues.

## ESTIMATED SOURCES AND APPLICATIONS OF FUNDS

It is anticipated that the proceeds from the sale of each Series of Bonds and other available funds will be applied as follows:

	<u>Series 1991A*</u>	<u>Series 1991B*</u>	<u>Series 1991C*</u>
<b>Sources of Funds</b>			
Bond Proceeds	\$187,800,000	\$ 91,255,000	\$ 3,495,000
Original Issue Discount	0	0	0
Accrued Interest	0	0	0
Funds Provided by University System	11,132,617	0	0
Debt Service Reserves Released to Escrow	<u>3,949,436</u>	<u>0</u>	<u>1,336,683</u>
<b>Total Sources of Funds</b>	<b><u>\$202,882,052</u></b>	<b><u>\$ 91,255,000</u></b>	<b><u>\$ 4,831,477</u></b>

### Uses of Funds

Escrow Fund	\$201,100,558	\$ 24,760,000	\$ 4,792,215
Project Costs	0	65,640,000	0
Underwriters' Discount	1,526,814	751,212	28,414
Costs of Issuance	254,680	103,788	10,206
Accrued Interest	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Uses of Funds</b>	<b><u>\$202,882,052</u></b>	<b><u>\$ 91,255,000</u></b>	<b><u>\$ 4,831,477</u></b>

## DESCRIPTION OF THE BONDS

### General

The Bonds of each Series will be dated \_\_\_\_\_, 1991, and will bear interest from the later of such date or the most recent interest payment date to which interest has been paid or duly provided for at the rates shown on the cover page of this Official Statement calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Bonds is payable August 15 and February 15 of each year, commencing August 15, 1991. Principal of and any redemption premium and interest on the Bonds are payable by the Paying Agent/Registrar for the Bonds, initially Ameritrust Texas National Association, Dallas, Texas, at the times and places and in the manner specified on the cover page of this Official Statement.

The Bonds are initially issuable in book-entry only form. Initially, Cede & Co., as nominee of DTC (hereinafter defined), will be the registered owner and references herein to the Bondholders, holders, holders of the Bonds or registered owners of the Bonds shall mean Cede & Co., and not the beneficial owners of the Bonds. See "DESCRIPTION OF THE BONDS—Book-Entry Only System."

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

### Redemption

**Optional Redemption.** The Bonds of each Series scheduled to mature on and after \_\_\_\_\_ are subject to redemption prior to maturity at the option of the Board on \_\_\_\_\_ or on any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and, if in part, the particular Bonds or portions thereof to be redeemed shall be selected by the Board) at a price of par plus accrued interest to the redemption date; provided that during any period in which DTC is serving as securities depository for the Series of Bonds being redeemed, if fewer than all of such Series of Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such Series and maturity and bearing such interest rate shall be selected by

\*Preliminary, subject to change.

lot by DTC and in turn by the DTC Participants (hereinafter defined). See "DESCRIPTION OF THE BONDS—Book-Entry Only System."

**Mandatory Sinking Fund Redemption.** The term Bonds of each Series maturing on \_\_\_\_\_ are subject to mandatory sinking fund redemption prior to maturity in the following amounts, on the following dates at a price of par plus accrued interest to the redemption date:

<u>Maturing _____</u>	
<u>Redemption</u>	<u>Principal</u>
<u>Date</u>	<u>Amount</u>

The sinking fund requirements for any Series of Bonds are subject to reduction, at the option of the Board, with respect to (a) Bonds of such Series and maturity previously called for redemption, and (b) Bonds of such Series and maturity previously acquired by or at the direction of the Board, as provided in the Supplemental Resolution.

**Notice of Redemption.** Not less than 30 days prior to a redemption date, a notice of redemption will be published once in a financial publication, journal or report of general circulation among securities dealers in The City of New York, New York, or in the State, in accordance with the Supplemental Resolution. Additional notice will be sent by the Paying Agent/Registrar by United States mail, first-class, postage prepaid, to each registered owner of a Bond to be redeemed in whole or in part at the address of each such owner appearing on the registration books of the Paying Agent/Registrar on the 45th day prior to such redemption date, to each registered securities depository and to any national information service that disseminates redemption notices. Failure to mail or receive such notice will not affect the proceedings for redemption and publication of notice of redemption in the manner set forth above shall be the only notice actually required as a prerequisite for redemption. In addition, in the event of a redemption caused by an advance refunding of the Bonds, the Paying Agent/Registrar shall send a second notice of redemption to registered owners of Bonds subject to redemption at least 30 days but not more than 90 days prior to the actual redemption date. Any notice sent to registered securities depositories or national information services shall be sent so that they are received at least two days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar shall also send a notice of prepayment or redemption to the registered owner of any Bond who has not sent his Bonds in for redemption 60 days after the redemption date.

All redemption notices shall contain a description of the Bonds to be redeemed including the complete name of the Bonds, the series, the dates of issue, the interest rates, the maturity dates, the CUSIP numbers, the certificate numbers, the amounts of each certificate called, the publication and mailing dates for the notices, the dates of redemption, the redemption prices, the name of the Paying Agent/Registrar and the address at which the Bonds may be redeemed including a contact person and telephone number.

#### **Paying Agent/Registrar**

In the Supplemental Resolution, the Board reserves the right to replace the Paying Agent/Registrar. The Board covenants to maintain and provide a Paying Agent/Registrar at all times while the Bonds are outstanding, and any successor Paying Agent/Registrar shall be a competent and legally qualified bank, trust company, financial institution or other agency. In the event that the entity at any time acting as Paying Agent/Registrar should resign or otherwise cease to act as such, the Board covenants promptly to appoint a competent and legally qualified bank, trust company, financial institution or other agency to act as Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Bonds, the Board agrees promptly to cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

#### **Bonds Available in Book-Entry Form**

**Book-Entry Only System.** The Bonds will be available in book-entry form only. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased.

The Bonds will be held by The Depository Trust Company, New York, New York ("DTC"), as securities depository. The ownership of one fully registered Bond for each maturity is registered in the name of Cede & Co., as nominee for DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities

Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly.

Ownership interests in the Bonds may be purchased by or through DTC Participants. Such DTC Participants and the persons for whom they acquire interests in the Bonds as nominees will not receive certificated Bonds, but each DTC Participant is to receive a credit balance on the records of DTC in the amount of such DTC Participant's interest in the Bonds, which is to be confirmed in accordance with DTC's standard procedures. Each such person for whom a DTC Participant acquires an interest in the Bonds, as nominee, should make arrangements with such DTC Participant to receive a credit balance in the records of such DTC Participant, and should make arrangements with such DTC Participant to have all notices of redemption or other communications to DTC, which may affect such persons, forwarded in writing by such DTC Participant and to have notification made of all interest payments. Neither the Board nor the Trustee will have any responsibility or obligation to such DTC Participants or the persons for whom they act as nominees with respect to the Bonds in respect of the accuracy of any records maintained by DTC or any DTC Participant; the payment by DTC or any DTC Participant of any amount in respect of the principal or redemption price of or interest on the Bonds; any notice that is permitted or required to be given to Bondholders under the Resolution; the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the Bonds; or any consent given or other action taken by DTC as Bondholder. In this Official Statement, the term "Beneficial Owner" includes the person for whom the DTC Participant acquired an interest in the Bonds.

**SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCE HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS MEANS CEDE & CO., NOT THE BENEFICIAL OWNERS OF THE BONDS.**

DTC is to receive payments from the Paying Agent/Registrar to be remitted to the DTC Participants for subsequent disbursement to the Beneficial Owners. The ownership interest of each Beneficial Owner in the Bonds is to be recorded on the records of the DTC Participants, whose ownership interests are to be recorded on a computerized book-entry system operated by DTC.

When reference is made to any action that is required or permitted to be taken by the Beneficial Owner, such reference only relates to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they are to be sent by the Paying Agent/Registrar to DTC only. DTC is responsible for notifying DTC Participants, and DTC Participants are responsible for notifying the Beneficial Owners. Neither the Paying Agent/Registrar nor the Board is responsible for sending notices to Beneficial Owners.

Beneficial Owners are to receive a written confirmation of their purchase detailing the terms of the Bonds acquired. Transfers of ownership interests in the Bonds are to be accomplished by book entries made by DTC and by the DTC Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except as specifically provided in the Supplemental Resolution. Interest and principal are to be paid by the Paying Agent/Registrar to DTC, then paid by DTC to the DTC Participants and thereafter paid by the DTC Participants to the Beneficial Owners when due.

For every transfer and exchange of the Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

**Termination of Book-Entry Only System.** DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the Board and the Paying Agent/Registrar and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is not a successor securities depository), certificated Bonds are required to be delivered as described in the Supplemental Resolution.

If the Board or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities, the Board shall (i) appoint a successor securities depository or (ii) deliver certificated Bonds, each as described in the Supplemental Resolution.

**Effect of Termination of Book-Entry Only System.** In the event that the Book-Entry Only System is discontinued by DTC or the Board, the following provisions will be applicable to the Bonds: Bonds of a series may be exchanged for an equal aggregate principal amount of Bonds of the same series in authorized denominations and of the same



maturity upon surrender thereof at the principal corporate trust office of the Paying Agent/Registrar with a duly executed assignment in form satisfactory to the Paying Agent/Registrar. The transfer of any Bond may be registered on the books maintained by the Paying Agent/Registrar for such purpose only upon the surrender of such Bond to the Paying Agent/Registrar with a duly executed assignment in form satisfactory to the Paying Agent/Registrar. For every exchange or transfer of registration of Bonds, the Board and the Paying Agent/Registrar may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. The Board shall pay the fee, if any, charged by the Paying Agent/Registrar for the transfer or exchange. The Paying Agent/Registrar will not be required to transfer or exchange any Bond after its selection for redemption. The Board and the Paying Agent/Registrar may treat the person in whose name a Bond is registered as the absolute owner thereof for all purposes, whether such Bond is overdue or not, including for the purpose of receiving payment of, or on account of, the principal of, and interest on, such Bond. If any Bond is not presented for payment when the principal or the redemption price therefor becomes due, or any check representing payment of interest on Bonds is not presented for payment, and if money sufficient to pay such Bond (or the portion thereof called for redemption) or such interest, as is applicable, have been deposited under the Supplemental Resolution, all liability of the Board to the owner thereof for the payment of such Bonds (or portion thereof) or such interest, as applicable, will be completely discharged, and thereupon it shall be the duty of the Paying Agent/Registrar to hold such money, without liability for interest thereupon, for the benefit of the owner of the applicable Bond, who will thereafter be restricted exclusively to such money, for any claim on his part under the Supplemental Resolution or on or with respect to, such principal, redemption price and/or interest. Money not claimed within two years will, upon request of the Board, be repaid to the Board.

#### Security for the Bonds

The Bonds are Parity Debt under the Master Resolution and constitute special obligations of the Board payable from and secured by a lien on and pledge of Pledged Revenues. The Master Resolution provides that the obligation of the Board to pay or cause to be paid the amounts payable under the Master Resolution and any supplement thereto is absolute, irrevocable, complete and unconditional, and the amount, manner and time of payment shall not be modified in any way regardless of any contingency. **THE BOARD HAS NO TAXING POWER, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE BONDS. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS FROM ANY SOURCE OTHER THAN PLEDGED REVENUES.** See "APPENDIX C, SUMMARY OF THE MASTER RESOLUTION."

#### Supplemental Resolution

The Supplemental Resolution specifically provides for the issuance, sale and delivery of the Bonds. The Supplemental Resolution contains a written determination by the Board that it will have sufficient funds to meet the financial obligations of the University System, including sufficient Pledged Revenues to satisfy the annual debt service requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System and that the Members on whose behalf the Bonds are issued possess the financial capacity to satisfy their Direct Obligations after taking the Bonds into account.

The Supplemental Resolution permits amendment, without the consent of the Bondholders, for the same purposes for which amendment may be made to the Master Resolution without the consent of the owners of outstanding Parity Debt. See "APPENDIX C, SUMMARY OF THE MASTER RESOLUTION—Amendments of Master Resolution." The Supplemental Resolution also permits amendment, with the consent of the owners of 51% in aggregate principal amount of the outstanding Bonds, other than amendments which: change the maturity of the outstanding Bonds; reduce the interest rates borne by the Bonds; reduce the principal payable on the Bonds; modify the payment terms or impose any conditions to payment; affect the rights of the owners of less than all of the outstanding Bonds; or change the minimum ownership percentage of outstanding Bonds necessary for consent to an amendment.

#### **DESCRIPTION OF THE REVENUE FINANCING SYSTEM**

On April 12, 1990, the Board adopted the Master Resolution for the purpose of assembling the University System's revenue-supported debt capacity into a single financing program in order to provide a cost-effective debt program to component institutions of the University System and to maximize the financing options available to the Board. The Master Resolution provides for the establishment of the Revenue Financing System and permits the Board to make additions to or deletions from the membership of the Revenue Financing System subject to the satisfaction of certain conditions specified therein. See "APPENDIX C, SUMMARY OF THE MASTER RESOLUTION—Changes in Membership of the Revenue Financing System."

Under the Master Resolution, the Board has, with certain exceptions, combined all of the revenues, funds and balances attributable to Members of the Revenue Financing System and lawfully available to secure revenue-supported indebtedness into a system-wide pledge to secure payment of Parity Debt from time to time issued under the Master Resolution. Pledged Revenues do not include (a) the interest of the University System in the Available University Fund (see "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM—Fund Balances—Available University Fund"); (b) amounts appropriated to any Member from the Higher Education Assistance Fund (see "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM—Debt Management and Anticipated Financings—Financing Programs—Higher Education Assistance Fund (H.E.A.F.) Bonds"); (c) except to the extent so appropriated, general revenue funds appropriated to the Board by the State (see "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM—Current Funds—Unrestricted Current Funds Revenues—State Appropriations"); and (d) Practice Plan Funds of any Member, including the income therefrom and any fund balances related thereto not included in Pledged Practice Plan Funds.

As shown on the Combined Statement of Current Funds Revenues and Expenditures, included in "APPENDIX D, FINANCIAL STATEMENTS OF THE UNIVERSITY OF TEXAS SYSTEM," the total unrestricted current funds revenues of the University System for the fiscal year ended August 31, 1990, were \$2,387.2 million. Of that amount, the University System has calculated that during the preceding fiscal year at least \$723.7 million of unrestricted current funds revenues constituted Pledged Revenues. See "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM—Current Funds—Unrestricted Current Funds Revenues." Accumulated fund balances available to the Board and attributable to any Member of the Revenue Financing System also constitute Pledged Revenues to the extent such fund balances are lawfully available to the Board for payments on Parity Debt. The Board has not attempted to calculate the amount of fund balances included in Pledged Revenues.

Pledged Revenues not required to pay debt service on Parity Debt are available to pay other costs of operating the University System. Continued operation of the University System at current levels is substantially dependent upon general revenue appropriations. See "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM—Current Funds—Unrestricted Current Funds Revenues—State Appropriations."

The Board has covenanted in the Master Resolution that in each fiscal year it will use its reasonable efforts to collect revenues sufficient to meet all financial obligations of the Board relating to the Revenue Financing System including all deposits or payments due on or with respect to outstanding Parity Debt for such fiscal year. The Board has also covenanted in the Master Resolution that it will not incur any debt secured by Pledged Revenues unless such debt constitutes Parity Debt or is junior and subordinate to Parity Debt. The Board intends to issue most of its revenue-supported debt obligations which benefit components of the University System as Parity Debt under the Master Resolution.

#### DEBT SERVICE REQUIREMENTS

The following schedule shows the combined debt service requirements on all Parity Debt outstanding following issuance of the Bonds.

<u>Combined Debt Service Requirements<sup>(1)</sup></u>						
<u>Series 1991A</u>		<u>Series 1991B</u>		<u>Series 1991C</u>		<u>Total</u>
<u>Bonds</u>		<u>Bonds</u>		<u>Bonds</u>		<u>Debt Service</u>
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	

(1) Does not include debt service on the M. D. Anderson Bonds or on The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986. See "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM—Debt Management and Anticipated Financing—Financing Programs—Fee and Revenue Bonds—Prior Encumbered Obligations."

## GENERAL DESCRIPTION OF THE UNIVERSITY OF TEXAS SYSTEM

### **Background and History**

The University of Texas System was established pursuant to the Texas Constitution of 1876. In 1881, Austin was designated the site of the main academic campus and Galveston as the location of the medical branch. The University of Texas at Austin first opened in 1883, and eight years later, John Sealy Hospital in Galveston (now a part of the University System's Medical Branch at Galveston) established a program for university-trained medical professionals.

In addition to the original academic campus located in Austin, the University System now includes additional academic campuses in El Paso, Dallas, Arlington, San Antonio, the Permian Basin (Odessa), Tyler and the Rio Grande Valley (Brownsville and Edinburg). Health Institutions for medical education and research have expanded beyond the original Galveston medical campus to include the University System's M.D. Anderson Cancer Center (Houston), Southwestern Medical Center at Dallas, Health Science Centers at Houston and San Antonio, and Health Center at Tyler. The fourteen component institutions of the University System have emerged among the nation's premier educational enterprises.

The University System faculty includes six Nobel Prize Laureates, as well as over 50 members of the National Academy of Sciences and the National Academy of Engineering. During fiscal year 1989, the faculty, staff and students of the University System conducted research programs valued at approximately \$474 million. Many of the University System programs in science, engineering, liberal arts and humanities rank among the very best in the country. Library facilities on The University of Texas at Austin campus, long considered among the finest libraries in the world, are available to other component institutions through a sophisticated statewide computerized telecommunications network.

### **Coordinating Board**

The University System is subject to the supervisory powers of the Texas Higher Education Coordinating Board (the "Coordinating Board"). The Coordinating Board is an agency of the State established to promote the efficient use of State resources by providing coordination and leadership for the State's higher education systems, institutions and governing boards. The Coordinating Board is the highest authority in the State in matters of public higher education and prescribes the scope and role of each institution of higher education. The Coordinating Board periodically reviews all degree and certificate programs offered by the State's institutions of higher education and annually reviews the academic courses offered by such institutions. The Coordinating Board also determines space utilization formulas designed to promote the efficient use of construction funds and the development of physical plants to meet projected growth estimates. These space utilization formulas directly impact the allocation of appropriated funds among the State's institutions of higher education. The Coordinating Board must approve all new construction projects for components of the University System, other than construction projects at The University of Texas at Austin financed with the proceeds of Permanent University Fund bonds. See "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM—Debt Management and Anticipated Financing—Financing Programs—Permanent University Fund Bonds."

### **Board of Regents**

The Board is the governing body of the University System, and its members are officers of the State, appointed by the Governor with the advice and consent of the State Senate. The nine regents constituting the Board serve without pay and are appointed to staggered six-year terms. The Board members, their cities of residence, and term expirations are listed on the inside cover page of this Official Statement.

### **Administration**

The University System is managed through administrative officers in the System Administration Office, including the Chancellor, the Executive Vice Chancellors for Academic Affairs, Health Affairs and Asset Management, and other officers concerned with business, legal, governmental relations and public affairs. The chief administrative officers at all of the component institutions report to either the Executive Vice Chancellor for Academic Affairs or Health Affairs and meet with their representative Executive Vice Chancellor on a bi-monthly basis in Austin. The Vice Chancellor for Business Affairs and the chief business officers at each component also meet bi-monthly to consider topics of mutual concern.

At each component institution a president serves as the chief administrative officer. The president prepares biennial budgets for submission to the State Legislature, capital expenditure budgets, reports and requests to the Coordinating Board and conducts the ongoing affairs of his or her institution.

The principal administrative officers of the University System are listed below. All of such officers reside in Austin, the headquarters for the University 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
Michael E. Patrick	Executive Vice Chancellor for Asset Management

Summary biographical information relating to each of the principal administrative officers identified above is set forth as follows:

Dr. Hans Mark was named Chancellor of the University System on May 30, 1984, after serving as Deputy Administrator of the National Aeronautics and Space Administration, and before that, as Secretary of the United States Air Force. Chancellor Mark, whose academic and scientific career has spanned more than three decades, is a Fellow of the American Physical Society, the American Institute of Aeronautics and Astronautics and the American Association for the Advancement of Science. Among many other scientific accomplishments, Chancellor Mark played a pioneering role in the study of X-rays from stars and conducted early research in the subject area later identified as black holes. Additionally, he is author or co-author of more than 100 scholarly articles in his field.

Dr. James P. Duncan was named Executive Vice Chancellor for Academic Affairs of the University System in June 1983. Dr. Duncan has received a Bachelor of Arts, a Master of Science, and a Doctorate of Education, all from Indiana University. Dr. Duncan is also a professor of educational administration on the faculty of The University of Texas at Austin. As Executive Vice Chancellor for Academic Affairs, Dr. Duncan is responsible for academic planning, programs, personnel, facilities planning and construction, and budgeting for the academic components of the University System.

Dr. Charles B. Mullins was named Executive Vice Chancellor for Health Affairs of the University System on September 1, 1981. Dr. Mullins received an M.D. in 1958 from The University of Texas Southwestern Medical Center at Dallas. Since that time, Dr. Mullins has held the positions of flight surgeon for the United States Air Force, professor of medicine at The University of Texas Southwestern Medical Center at Dallas, Director of Medical Affairs at Parkland Memorial Hospital in Dallas and Chief Executive Officer for Dallas County Hospital District, among others. Dr. Mullins has written numerous published medical and administrative reviews, editorials and books.

Michael E. Patrick joined the University System in September 1984 as Executive Vice Chancellor for Asset Management of the University System. He is responsible for managing the assets of the Permanent University Fund and educational endowments having a total value in excess of \$4.2 billion. His duties also include the management of: endowment real estate and oil and gas interests; business arrangements involving technology transfer and patent affairs; and debt administration. Prior to joining the University System, Michael Patrick was the Treasurer of the Superior Oil Company. He received an M.B.A. from Harvard Business School in 1971.

### Component Institutions

A summary description of the University System's component institutions, which includes eight general academic institutions and six Health Institutions, each of which is a Member of the Revenue Financing System, is set forth as follows:

#### General Academic Institutions

The University of Texas at Arlington, which has the sixth largest enrollment of all institutions of higher education in the State, is located in Arlington, between Dallas and Fort Worth. Serving both a resident and commuter student body, the institution offers 119 degree programs at the baccalaureate, magisterial and doctoral levels. Degree programs are offered through the Colleges of Liberal Arts, Science, and Business Administration; Graduate School of Social Work; Institute of Urban Studies; School of Architecture; School of Nursing; and Center for Professional Teacher Education.

The University of Texas at Austin, established in 1881, is the oldest and largest component of the University System. A major public research university, its programs are nationally ranked in quality and its

research facilities are among the most extensive in the nation. The University of Texas at Austin library resources rank sixth among academic libraries in the United States. Serving approximately 50,000 students, the institution offers 271 degree programs in all major academic areas other than agriculture. An outstanding faculty lists among its ranks winners of the Nobel Prize and Pulitzer Prize, as well as more than 1,000 endowed positions.

The University of Texas at Dallas was established in 1969 as an upper-level (above the sophomore level) academic institution. In 1989, the State Legislature authorized the admission of freshmen and sophomore students beginning the first Summer session of 1990. The institution offers curricula leading to more than 80 degrees at the baccalaureate, magisterial and doctoral levels. The University of Texas at Dallas has a strong faculty that consistently ranks among the State's top 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 State Legislature in 1914 as the Texas School of Mines and Metallurgy. It was renamed the College of Mines after becoming a branch of the University System in 1919, redesignated as Texas Western College in 1949 and, since 1967, has been named The University of Texas at El Paso. Degrees are offered at the baccalaureate and magisterial levels through six colleges: Business Administration; Education; Engineering; Liberal Arts; Nursing and Allied Health; and Science. Doctorates are offered in Geological Sciences and Electrical Engineering. Its location near the Texas-Mexico border results in the attendance of many students from Mexico.

The University of Texas-Pan American is the newest member of the University System, joining other component institutions as of September 1, 1989. As a source of strength for higher education in the Rio Grande Valley, this institution offers baccalaureate degrees in some 50 fields including Business, the Arts and Sciences and Education, as well as master's degrees in 20 fields. The University of Texas-Pan American at Brownsville is an upper-level (above the sophomore level) center of The University of Texas-Pan American and is committed to a multidisciplinary and multicultural philosophy through courses offered in the Departments of Arts and Sciences, Business Administration and Education. For several years, The University of Texas-Pan American has had a Cooperative Doctoral Program in Educational Administration with the University of Houston.

The University of Texas of the Permian Basin in Odessa was created by the State Legislature in 1969. The University of Texas of the Permian Basin admits only upper-level students (above the sophomore level), and offers programs in the Arts and Sciences, Business Administration and Education. It also offers a Master of Arts in Psychology. Innovative classroom and laboratory techniques are emphasized, especially self-paced instruction, experimental learning and open laboratory and art areas. Students also benefit from work-study programs in media, education, research laboratories and field work for major oil companies.

The University of Texas at San Antonio was authorized by the State Legislature in 1969. The institution is committed to a multidisciplinary philosophy to encourage interchange among the disciplines as demonstrated by its organization into 14 divisions, rather than departments, in the Colleges of Business, Fine Arts and Humanities, Social and Behavioral Sciences and Engineering. 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 and 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 with design, photography and exhibit fabrication.

The University of Texas at Tyler became a part of the University System in 1979 by action of the State Legislature. Created in 1971 as Tyler State College, the institution became Texas Eastern University in 1976. The upper-level (above the sophomore level) and graduate institution is located in the heart of East Texas, midway between Dallas and Shreveport, Louisiana. The four schools within the institution's organization are: Business Administration; Education and Psychology; Liberal Arts and Sciences; and Mathematics. It is the only public degree-granting university in the fourteen-county East Texas Planning Region, an area with a population of over 700,000.

## Health Institutions

The University of Texas Southwestern Medical Center at Dallas enrolls approximately 2,500 students, residents and postdoctoral fellows. It is by many measures among the top ten medical schools in the United States. Its students consistently rank among the top five percent of all medical school graduates on competitive examinations. Three Nobel Prize Laureates are currently active on its faculty. The University of Texas Southwestern Medical Center at Dallas is active in biomedical research from life-savings organ transplantation, nutritional biochemistry and magnetic resonance imaging to the basic discoveries of molecular and genetic principles underlying health and disease.

The University of Texas Medical Branch at Galveston was founded in 1891 as the Medical Department of The University of Texas and, as such, is the second oldest component of the University System. Educational programs are offered through the Medical School, Graduate School of Biomedical Sciences, School of Nursing, School of Allied Health Sciences, Marine Biomedical Institute and Institute for the Medical Humanities. Some 2,000 students are enrolled in degree programs and graduate medical training. The hospital complex draws patients from throughout the State and from national and international referrals. In fiscal year 1990, the hospital complex had 714 hospital beds in operation and averaged 1,224 outpatient visits per day.

The University of Texas Health Science Center at Houston was established in 1972 within the Texas Medical Center to coordinate and administer activities of several University System health education units in Houston. Today, slightly over 3,000 students attend the six schools: the Dental Branch; the Graduate School of Biomedical Sciences; the School of Public Health; the Medical School; the School of Nursing; and the School of Allied Health Sciences. Each year more than 2,000 health professionals participate in continuing education programs coordinated by the its Division of Continuing Education. The Speech and Hearing Institute helps individuals with communication disorders.

The University of Texas Health Science Center at San Antonio includes the Medical School, Dental School, Graduate School of Biomedical Sciences, School of Nursing, and the School of Allied Health Sciences. Authorized by the State Legislature in 1959, the Medical School opened in 1968. Annual enrollment in academic programs of The University of Texas Health Science Center at San Antonio is approximately 2,300. The center also provides continuing education for about 12,000 health professionals annually.

The University of Texas M.D. Anderson Cancer Center is internationally renowned as one of the world's premier centers for cancer patient care, research, education and prevention. The University of Texas M.D. Anderson Cancer Center is composed of The University of Texas M.D. Anderson Hospital and The University of Texas M.D. Anderson Tumor Institute, both located in Houston, and The University of Texas M.D. Anderson Science Park in Bastrop County, Texas. Since The University of Texas M.D. Anderson Cancer Center first opened in 1944, more than 230,000 cancer patients have received the highest caliber care from the institution's team of health professionals. In fiscal year 1990, the cancer center had 490 hospital beds in operation and averaged 1,847 outpatient visits per day.

The University of Texas Health Center at Tyler is a teaching hospital and a referral and research center for the diagnosis and treatment of cardiopulmonary diseases. The institution became associated with the University System in 1977 after operating as a state hospital since 1947. Physicians throughout the State send patients with heart and lung diseases to The University of Texas Health Center at Tyler for further diagnosis and treatment. Services are provided by the Divisions of Family Medicine, Pathology, Pediatric Allergy and Pulmonary, Radiology and Surgery, and a Department of Medicine which includes cardiology, infectious diseases, occupational medicine, oncology and adult pulmonary. In fiscal year 1990, the Tyler health center had 198 hospital beds in operation and averaged 184 outpatient visits per day.

**Enrollment**

The following are the historical headcount enrollment figures at the teaching institutions of the University System during the past five Fall Semesters:

	<b>Fall Enrollment <sup>(1)</sup></b>				
	<b><u>1986</u></b>	<b><u>1987</u></b>	<b><u>1988</u></b>	<b><u>1989</u></b>	<b><u>1990</u></b>
The University of Texas at Arlington	23,245	22,769	23,381	23,868	24,776
The University of Texas at Austin	46,140	47,743	50,107	50,245	49,618
The University of Texas at Dallas	7,324	7,735	7,670	8,105	8,690
The University of Texas at El Paso	13,753	13,756	14,999	15,710	16,521
The University of Texas-Pan American <sup>(2)</sup>	—	—	—	13,566	13,682
The University of Texas of the Permian Basin	1,822	1,955	2,133	2,111	2,047
The University of Texas at San Antonio	12,413	12,879	13,134	14,031	15,489
The University of Texas at Tyler	3,565	3,679	3,859	4,096	3,722
The University of Texas Southwestern Medical Center at Dallas	1,521	1,407	1,423	1,479	1,519
The University of Texas Medical Branch at Galveston	1,684	1,692	1,712	1,678	1,798
The University of Texas Health Science Center at Houston	2,661	2,667	2,837	2,894	3,016
The University of Texas Health Science Center at San Antonio	<u>2,138</u>	<u>2,197</u>	<u>2,227</u>	<u>2,362</u>	<u>2,462</u>
Total	<u>116,266</u>	<u>118,479</u>	<u>123,482</u>	<u>140,145</u>	<u>143,340</u>

(1) The University of Texas M.D. Anderson Cancer Center and The University of Texas Health Center at Tyler do not have enrolled students.

(2) The University of Texas-Pan American joined the University System as of September 1, 1989.

## Degrees Awarded

Set forth below is a listing of the degrees awarded at the degree granting components of the University System during the past five years.

### Degrees Awarded

	<u>1986<sup>(1)</sup></u>	<u>1987<sup>(1)</sup></u>	<u>1988<sup>(1)</sup></u>	<u>1989<sup>(1)</sup></u>	<u>1990</u>
<b><u>General Academic Institutions</u></b>					
Associate	—	—	—	88	73
Baccalaureate	14,060	13,862	13,708	14,612	16,062
Master's	2,623	3,637	3,875	4,155	4,463
Doctoral	666	678	706	748	805
Special Professional	<u>518</u>	<u>532</u>	<u>517</u>	<u>890</u>	<u>550</u>
Total	<u>18,867</u>	<u>18,709</u>	<u>18,806</u>	<u>20,493</u>	<u>21,953</u>
<b><u>Health Institutions</u></b>					
Certificate	156	175	117	184	123
Baccalaureate	745	787	744	779	787
Master's	237	303	296	224	310
Doctoral					
Ph.D.	114	131	144	102	156
M.D.	730	777	755	753	749
D.D.S.	<u>220</u>	<u>203</u>	<u>191</u>	<u>172</u>	<u>178</u>
Total	<u>2,202</u>	<u>2,376</u>	<u>2,247</u>	<u>2,214</u>	<u>2,303</u>

(1) Does not include degrees awarded at Pan American University, which joined the University System as of September 1989.

## Faculty and Employees

The numbers of full-time equivalent faculty and employees employed by the component institutions of the University System as of April 1990, the most recent period for which such information is available, are set forth in the following table:

### Full-Time Equivalent Faculty and Employees

	<u>April 1990</u>	<u>Percent of Total</u>
<b><u>General Academic Institutions</u></b>		
Faculty	5,934	12.2%
All Other Employees	<u>15,344</u>	<u>31.7</u>
Subtotal	21,278	43.9%
<b><u>Health Institutions</u></b>		
Faculty	4,421	9.2
Patient Care	8,878	18.3
All Other Employees	<u>13,461</u>	<u>27.8</u>
Subtotal	26,760	55.3%
University System Administration	<u>385</u>	<u>.8</u>
Total	<u>48,423</u>	<u>100.0%</u>



The quality of the faculty in the University System is evidenced by a wide range of honors, awards and grants. Currently, the faculty of the component institutions within the University System includes: six Nobel Prize Laureates; two Pulitzer Prize Winners; 26 Members of the National Academy of Sciences; 28 Members of the National Academy of Engineering; 17 Members of the American Academy of Arts and Sciences; and 18 Members of the American Law Institute.

Each year, faculty members throughout the University System conduct research funded by competitive grants from agencies such as the National Science Foundation, the National Institutes of Health, the American Cancer Society, the National Endowment for the Humanities, the National Endowment for the Arts and the Coordinating Board. Research expenditures from these and other grants have doubled during the fiscal years 1984 through 1989 from \$235 million to \$474 million.

University System faculty members received such prestigious awards as the Field Medal in mathematics, Presidential Young Investigator Awards, and numerous fellowships from such organizations as the McArthur, Guggenheim, Mellon, Rockefeller, Ford, Sid Richardson, Welch and Meadows Foundations.

#### **FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM**

Financial management of the University System is the responsibility of the Executive Vice Chancellor for Asset Management and the Vice Chancellor for Business Affairs. The Office of Asset Management includes the Office of Finance, with debt administration responsibility, as well as offices which are responsible for investment management of University System real estate and endowment funds. The Office of Business Affairs coordinates the operational activities of the University System including budget matters. The Director of the Office of Budget and Fiscal Policy of the University System, reporting to the Vice Chancellor for Business Affairs, prepares an annual budget for the University System, monthly financial reports and an annual unaudited financial report for the Board.

#### **Financial Statements**

Annually, not later than December 31st, an unaudited financial report dated as of August 31st, prepared from the books of the University System, must be delivered to the Governor and the State Comptroller of Public Accounts. Each year, the State Auditor must certify the financial statements of the State as a whole, inclusive of the University System, and in so doing examines the financial records at each of the University System's component institutions. No outside audit in support of this detailed review is required or obtained by the University System.

The University System's combined financial statements include the System Administration and all component institutions of the University System. Amounts due between component institutions in the same fund category, amounts held for component institutions by the System Administration and other duplications in reporting are eliminated in combining the individual financial statements.

The financial statements of the University System are prepared on a modified accrual basis consistent with principles recommended in College and University Business Administration, Fourth Edition (1982).

Attached to this Official Statement as "APPENDIX D, FINANCIAL STATEMENTS OF THE UNIVERSITY OF TEXAS SYSTEM," is a copy of the most recent unaudited Primary Financial Statements of The University of Texas System Combined (with the relevant portion of the Summary of Significant Accounting Policies and Notes to Financial Statements), for the University System's fiscal year ended August 31, 1990, excerpted from the 1990 Annual Report of The University of Texas System. The University System's Primary Financial Statements set forth at APPENDIX D consist of the Combined Balance Sheet at August 31, 1990, the Combined Statement of Current Funds Revenues and Expenditures for the Year Ended August 31, 1990 and the Combined Statement of Method of Financing and Current Funds Expenditures for the Year Ended August 31, 1990.

Following is a summary of the revenues, expenditures and fund balances derived from the unaudited financial reports of the University System for each of the most recent five fiscal years, except that the reports for fiscal years 1986 through 1989 have been restated to include revenues, expenditures and fund balances attributable to Pan American University which joined the University System as of September 1, 1989.

#### **Current Funds**

Current funds are funds expendable for current operating purposes. Within the current funds group, funds are segregated between unrestricted and restricted. The current funds revenues and expenditures described below are derived from the Combined Statement of Current Funds Revenues and Expenditures included in the University System's unaudited financial report for each of the fiscal years indicated. This statement, prepared under the

principles of fund accounting, presents the financial activities of current funds related to the applicable reporting period and does not purport to present the results of operations or the net income or loss for the period. See "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM—Financial Statements."

**Unrestricted Current Funds Revenues.** Unrestricted funds are funds over which the Board retains full control in achieving institutional purposes. The unrestricted current funds revenues described below are derived from the unaudited annual financial report of the University System for each of the fiscal years in the five year period ended August 31, 1990. See "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM—Financial Statements." Unrestricted current funds revenues are categorized by source. Each category of unrestricted current funds revenues presented below as a percent of total sources of such revenues is as follows:

	<u>Percent of Total Sources of Unrestricted Current Funds Revenues in Fiscal Years</u>				
	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
<b><u>Sources of Revenues</u></b>					
Tuition and Fees . . . .	7.60%	8.35%	7.70%	7.86%	7.36%
State Appropriations . .	50.23	45.13	48.50	45.69	47.15
Gifts, Grants and Contracts . . . . .	4.84	5.28	5.43	5.21	4.88
Available University Fund Income . . . .	3.99	4.46	3.76	3.64	3.35
Endowment Income . . .	0.28	0.28	0.24	0.14	0.00
Sales and Services . . .	21.53	22.99	21.72	3.22	22.61
Professional Fees . . . .	8.02	10.10	9.24	10.15	10.84
Other Interest Income	2.68	2.40	2.25	2.75	2.49
Other Sources . . . . .	<u>0.83</u>	<u>1.01</u>	<u>1.16</u>	<u>1.34</u>	<u>1.32</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

**Tuition and Fees.** Each component institution granting degrees charges tuition and fees as set by the State Legislature and the Board under Chapters 54 and 55 of the Texas Education Code. Pursuant to legislation passed in 1985, the undergraduate tuition charged to State residents increased over a six-year period from \$4 per semester credit hour in 1986 to the current level of \$18. State law provides for future increases in undergraduate tuition applicable to State residents to the following levels: \$20 per semester credit hour for the 1991-93 school years and \$22 for the 1993-95 school years. Undergraduate tuition for non-State residents also increased pursuant to the 1985 legislation from \$40 per semester credit hour in 1984 to the current level of \$122 per semester credit hour. Even with such tuition increases, the cost of attending University System institutions remains extremely competitive with the cost of attending public universities in other states.

This category covers all tuition and fees assessed against students (net of refunds) for educational purposes. The following table sets forth the total of tuition and fees collected during each of the five most recent fiscal years:

<u>Tuition and Fees (in Millions)</u>				
<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$126.1	\$138.4	\$145.6	\$160.8	\$175.6

**State Appropriations.** The University System receives support annually from the State through annual general revenue fund appropriations made by the State Legislature. For the most recent year ended August 31, 1990, 47.15% of unrestricted current funds revenues were from State general revenue fund appropriations.

Levels of continued State support to the University System are dependent on results of biennial legislative sessions. Currently the State Legislature is in session and will adopt a budget for the State for the biennium beginning September 1, 1991. On January 4, 1991, the State Comptroller of Public Accounts estimated that during the next biennium, the State will receive a total of \$30.7 billion in general revenue funds available for appropriation by the State Legislature. This amount is up by \$1.9 billion, or 6.8%, over the current biennium; however, the State Comptroller of Public Accounts has estimated that the \$30.7 billion in available general revenue funds is approximately \$4 billion less than that necessary to pay for the State Legislature's "current services" budget. The State Constitution prohibits the enactment of an appropriations bill unless the State Comptroller of Public Accounts certifies that the amounts appropriated are within the amounts estimated to be available.

The University System has no assurance that the State Legislature will continue to appropriate to it the general revenue funds of the State at the same levels as in previous years. Future levels of State support are dependent upon the ability and willingness of the State Legislature to make appropriations to the University System taking into consideration the availability of financial resources and other potential uses of such resources.

The table below sets forth the State general revenue fund appropriations included in unrestricted current funds revenues during each of the five most recent fiscal years:

<u>State Appropriations</u> (in Millions)				
<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$833.5	\$747.3	\$916.5	\$933.7	\$1,125.5

**Gifts, Grants and Contracts.** The University System receives federal, state and local grants and contracts for research which incorporate an overhead component for use in defraying operating expenses. This overhead component is treated as unrestricted current funds revenues while the balance of the grant or contract is treated as restricted current funds revenues. Indirect cost recovery rates used in calculating the overhead component are negotiated annually with the appropriate governmental agency for each component institution. In addition, unrestricted gifts are received by each institution. The following table sets forth the total of the overhead component received on governmental research grants and contracts, the portion of restricted gifts or grants from nongovernmental sources expended for current operations and the amount of unrestricted gifts received during each of the five most recent fiscal years:

<u>Gifts, Grants and Contracts</u> (in Millions)				
<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$80.3	\$87.5	\$102.5	\$106.6	\$116.5

**Available University Fund Income.** The balance of the University System's two-thirds share of the Available University Fund, net of payments on outstanding Permanent University Fund bonds and appropriations for Prairie View A&M, is appropriated for the support and maintenance of The University of Texas at Austin and System Administration. See "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM—Fund Balances—Available University Fund." The following table sets forth the amounts so appropriated for The University of Texas at Austin and System Administration during each of the five most recent fiscal years:

<u>Available University Fund Income</u> (in Millions)				
<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$66.1	\$73.8	\$71.0	\$74.4	\$79.9

**Endowment Income.** Endowment Income is received on both a restricted and unrestricted basis. The University System now reports virtually all endowment income as restricted in response to a re-evaluation of its practices relating to accounting for this source of revenue. The following table sets forth the amount of unrestricted endowment income received during each of the five most recent fiscal years:

<u>Endowment Income</u> <u>(in Millions)</u>				
<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$4.6	\$4.8	\$4.6	\$2.9	\$0.1

**Sales and Services.** The University System operates hospitals in Galveston, Houston and Tyler. Revenue generated at the hospitals from private, public and third-party payers represents a significant form of income to the University System. Other educational activities and auxiliary enterprises also generate revenue which is unrestricted. The following table sets forth the amount of such revenue received during each of the five most recent fiscal years:

<u>Sales and Services</u> <u>(in Millions)</u>				
<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$357.2	\$380.6	\$410.4	\$474.8	\$539.8

**Professional Fees.** At each Health Institution of the University System, a medical Practice Plan has been adopted by the Board covering professional income generated by the faculty. Practice Plan revenues are spent for the operational costs of clinical services, including salaries of the medical staff and constitutes Practice Plan Funds. The following table sets forth the Practice Plan income received from professional fees during each of the five most recent fiscal years:

<u>Professional Fees</u> <u>(in Millions)</u>				
<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$133.0	\$167.3	\$174.6	\$207.5	\$258.8

**Other Interest Income.** Each University System component institution generates interest from the investment of cash under an investment policy adopted by the Board in accordance with State law. Board policy and the authority granted each institution have resulted in a portfolio of bank time deposits secured by eligible collateral, United States Government securities, commercial paper, and money market mutual funds investing in United States Government securities. The following table sets forth such interest income received during each of the five most recent fiscal years:

<u>Other Interest Income</u> <u>(in Millions)</u>				
<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$44.5	\$39.8	\$42.6	\$56.2	\$59.6

**Other Sources.** All miscellaneous revenues including rents, fees, fines, sales and other receipts not categorized above have been grouped together as "other sources." The following table sets forth the amount of such miscellaneous revenues received during each of the five most recent fiscal years:

<b>Other Sources (in Millions)</b>				
<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$13.7	\$16.7	\$22.0	\$27.5	\$31.4

**Total Unrestricted Current Funds Revenues.** The following table sets forth the total of all unrestricted current funds revenues received during each of the five most recent fiscal years:

<b>Total Unrestricted Current Funds Revenues (in Millions)</b>				
<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$1,659.1	\$1,656.3	\$1,890.0	\$2,044.3	\$2,387.2

**Unrestricted Current Funds Expenditures.** Unrestricted current funds expenditures represent the cost incurred for goods and services used in the conduct of the University System's operations. They also include the acquisition cost of capital assets, such as equipment and library books, to the extent unrestricted current funds are budgeted for and used by operating departments for such purposes. The unrestricted current funds expenditures are derived from the unaudited financial report of the University System for each of the fiscal years in the five-year period ended August 31, 1990. See "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM—Financial Statements." Unrestricted current fund expenditures are categorized by function. Each category of unrestricted current funds expenditures and mandatory transfers presented below as a percent of total expenditures by function and mandatory transfers is as follows:

	<b>Percent of Total Unrestricted Current Funds Expenditures and Mandatory Transfers</b>				
	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
<b>Expenditures</b>					
<b>Educational and General</b>					
Instruction . . . . .	33.51%	34.21%	34.49%	34.90%	35.65%
Research . . . . .	4.60	4.68	4.50	5.09	4.92
Public Service . . . .	1.19	1.20	1.16	1.18	1.08
Academic Support . . .	4.72	4.56	4.67	4.61	4.88
Student Services . . . .	1.50	1.31	1.28	1.25	1.29
Institutional Support .	7.86	8.03	8.55	8.43	8.74
<b>Operations and Maintenance</b>					
of Plant . . . . .	11.44	10.91	11.24	10.37	10.51
<b>Scholarships and</b>					
Fellowships . . . . .	1.92	2.04	1.92	1.93	1.83
Hospitals . . . . .	22.10	22.60	22.19	22.40	21.99
Auxiliary Enterprises .	8.44	8.19	7.94	7.86	7.39
Mandatory Transfers .	<u>2.72</u>	<u>2.27</u>	<u>2.06</u>	<u>1.98</u>	<u>1.72</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

**Instruction.** This category includes expenditures for all activities that are part of the University System's instructional programs. Expenditures for credit and non-credit courses, for academic, vocational and technical instruction, for remedial and tutorial instruction and for regular, special and extension sessions are included. The following table presents a history of these expenditures for each of the five most recent fiscal years:

**Instruction**  
**(in Millions)**

<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$540.3	\$564.8	\$643.2	\$700.7	\$803.5

**Research.** This category includes all expenditures for activities specifically organized to produce research. Expenditures may be either internally or externally sponsored. The following table presents a history of these expenditures for each of the five most recent fiscal years:

**Research**  
**(in Millions)**

<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$74.2	\$77.3	\$83.9	\$102.3	\$110.9

**Public Service.** This category includes funds expended for activities that are established primarily to provide non-instructional services beneficial to individuals and groups external to the University System. The following table presents a history of these expenditures for each of the five most recent fiscal years:

**Public Service**  
**(in Millions)**

<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$19.2	\$19.8	\$21.7	\$23.6	\$24.3

**Academic Support.** This category includes funds expended primarily to provide support services for instruction, research and public service. Expenditures in this category are those supporting the operation of libraries, museums and galleries are included, as well as those for academic administration, technical support and curriculum development. The following table presents a history these expenditures for each of the five most recent fiscal years:

**Academic Support**  
**(in Millions)**

<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$76.1	\$75.3	\$87.1	\$92.6	\$110.1

**Student Services.** This category includes funds expended for the offices of admissions and registrar and for those activities whose primary purpose is to contribute to the student's emotional and physical well-being and intellectual, cultural and social development outside the context of the formal instructional program. The following table presents a history of these expenditures for each of the five most recent fiscal years:

**Student Services**  
**(in Millions)**

<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$24.3	\$21.7	\$23.8	\$25.0	\$29.2

**Institutional Support.** This category includes expenditures for administration, planning, fiscal operations, data processing, employee personnel and records and logistical activities. The following table presents a history of these expenditures for each of the five most recent fiscal years:

**Institutional Support**  
**(in Millions)**

<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$126.7	\$132.6	\$159.5	\$169.3	\$197.0

***Operations and Maintenance of Plant.*** This category includes all expenditures of unrestricted current funds for the operation and maintenance of physical plant, net of amounts charged to auxiliary enterprises, hospitals and independent operations. The following table presents a history of these expenditures for each of the five most recent fiscal years:

**Operations and Maintenance of Plant**  
**(in Millions)**

<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$184.4	\$180.2	\$209.6	\$208.3	\$236.9

***Scholarships and Fellowships.*** This category includes expenditures for scholarships and fellowships, including tuition remissions and exemptions in the forms of grants to students resulting either from selection by component institutions of the University System or from an entitlement program. The following table presents a history of these expenditures for each of the five most recent fiscal years:

**Scholarships and Fellowships**  
**(in Millions)**

<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$31.0	\$33.7	\$35.7	\$38.7	\$41.2

***Hospitals.*** This category includes all expenditures associated with patient care operations of the University System's hospitals as well as expenditures for health clinics that are part of the hospitals, including nursing and other professional services, fiscal services, physical plant operations and institutional support, both direct and indirect. The following table presents a history of these expenditures for each of five most recent fiscal years:

**Hospitals**  
**(in Millions)**

<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$356.3	\$373.2	\$413.9	\$449.8	\$495.7

***Auxiliary Enterprises.*** This category includes all expenditures relating to the operation of auxiliary enterprises, including expenditures for operation and maintenance of plant and institutional support. The following table presents a history of these expenditures for each of the five most recent fiscal years:

**Auxiliary Enterprises**  
**(in Millions)**

<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$136.0	\$135.0	\$148.4	\$157.9	\$166.5

**Mandatory Transfers.** This category includes transfers from the unrestricted current funds group to other fund groups arising out of binding legal agreements for debt retirement and required provisions for renewals and replacements of plant. The following table presents a history of these transfers for each of the five most recent fiscal years:

<b>Mandatory Transfers</b> <b>(in Millions)</b>				
<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$43.9	\$37.5	\$38.3	\$39.7	\$38.9

**Total Unrestricted Current Funds Expenditures and Mandatory Transfers.** The following table presents a history of the total of all categories of unrestricted current funds expenditures and mandatory transfers for each of the five most recent fiscal years:

<b>Total Unrestricted Current Funds</b> <b>Expenditures and Mandatory Transfers</b> <b>(in Millions)</b>				
<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$1,612.3	\$1,651.2	\$1,865.2	\$2,007.9	\$2,254.1

**Restricted Current Funds Revenues and Expenditures.** Restricted current funds revenues refer to resources that have been externally restricted and may only be utilized in accordance with the purposes stipulated by the source of such funds. Such revenues include, among others, grants and contracts from governmental and private sources (other than the overhead component which is treated as unrestricted current funds revenue), restricted gifts and income on restricted endowment funds. Receipts from these resources are reported as revenues only when expended. The following table presents a history of total restricted current funds revenues and expenditures for each of the five most recent fiscal years:

<b>Total Restricted Current Funds</b> <b>Revenues and Expenditures</b> <b>(in Millions)</b>				
<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$476.3	\$492.1	\$488.1	\$534.2	\$508.2

### **Fund Balances**

Fund balances represent the difference between total assets and total liabilities and are reported by fund group. The fund balances described below are derived from the Combined Balance Sheet included in the University System's unaudited financial report for each of the fiscal years indicated. See "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM—Financial Statements." The Combined Statement of Changes in Fund Balances for the fiscal year ended August 31, 1990, included in "APPENDIX D, FINANCIAL STATEMENTS OF THE UNIVERSITY OF TEXAS SYSTEM," is essentially a statement of changes in financial position between reporting dates and is presented for all fund groups.

**Unrestricted Current Funds.** Unrestricted current funds balances represent the accumulation of the excess of unrestricted current funds revenues over unrestricted current funds expenditures and transfers. This amount is available for future operating purposes or other use as determined by the Board to the extent that such amount exceeds the amount reported as Unrestricted-Reserves. See the Combined Balance Sheet included in "APPENDIX D, FINANCIAL STATEMENTS OF THE UNIVERSITY OF TEXAS SYSTEM" for details for the year ended August 31, 1990. The total fund balance of all categories of unrestricted current funds (which relates to the revenues and expenditures presented above) as of the end of each of the five most recent fiscal years was as follows:



**Unrestricted Current Funds Balances**  
(in Millions)

<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$647.8	\$630.4	\$632.6	\$668.3	\$736.2

**Restricted Current Funds.** Restricted current funds represent unexpended balances of funds externally restricted to specific operating purposes. Such funds originate from income on restricted endowment funds, gifts whose donors have placed limitations on their use and grants and contracts from private or governmental sources for research, training and other sponsored programs (other than the overhead component which is treated as unrestricted current funds). The total fund balance of restricted current funds (which relates to the revenues and expenditures presented above) as of the end of each of the five most recent fiscal years was as follows:

**Restricted Current Funds Balances**  
(in Millions)

<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$384.3	\$433.8	\$464.8	\$531.5	\$591.7

**Loan Funds.** Loan funds balances represent student loans or funds available for loans to students administered by the University System pursuant to federal and private programs. The majority of such loans are federally funded primarily through the Perkins Loan Program which succeeded the National Direct Student Loan Program. The balance of such loans is funded by the University System either through private sources or from student tuition as authorized by State law. The loan funds balance as of the end of each of the five most recent fiscal years was as follows:

**Loan Funds**  
(in Millions)

<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$61.8	\$68.2	\$74.1	\$80.2	\$83.6

**Endowment and Similar Funds (State—Permanent University Fund).** State endowment funds represent the Permanent University Fund. The Permanent University Fund is the public endowment contributing to the support of the University System (other than The University of Texas-Pan American) and The Texas A&M University System. The State Constitution of 1876 established the Permanent University Fund through the appropriation of land grants previously given to The University of Texas plus an additional one million acres. The land grants to the Permanent University Fund were completed in 1883. As of August 31, 1990, the Permanent University Fund contained 2,109,109.87 acres located in 19 West Texas counties.

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 realized gains on investments, rentals on mineral leases, lease bonuses and all amounts received from the sale of land must be added to the corpus of the Permanent University Fund. All other dividends, interest and other income of the Permanent University Fund (net of fund administration expenses) is deposited as received into the Available University Fund. See "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM—Fund Balances—Available University Fund."

The Permanent University Fund's balance as of the end of each of the five most recent fiscal years was as follows:

**Endowment and Similar Funds  
State (Permanent University Fund)  
(in Millions)**

<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$2,615.6	\$2,929.6	\$3,092.1	\$3,304.4	\$3,445.1

**Endowment and Similar Funds (Other than State).** Other than State endowment funds consist primarily of the Common Trust Fund and other private endowments. The Common Trust Fund is a pooled fund for the investment of private endowments donated to benefit various programs and purposes at the fourteen institutions comprising the University System. The fund was established by the Board in 1948 and provides for diversification of security holdings and enhancement of investment management. It encompasses the investment of approximately 90% of the University System's private endowment.

Other private endowments consist primarily of (a) approximately 290 separately invested accounts where the endowment asset donated is unique, such as a real estate interest, or where the donor has placed investment restrictions on the asset so as to preclude its inclusion in the Common Trust Fund, and (b) the Special Fund for John Sealy Hospital which has been jointly controlled by the Board and the Sealy and Smith Foundation since 1927. The endowment and similar funds (other than State) balances as of the end of each of the five most recent fiscal years was as follows:

**Endowment and Similar Funds  
Other than State  
(in Millions)**

<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$474.9	\$545.2	\$591.8	\$668.0	\$779.6

**Annuity and Life Income Funds.** Annuity funds and life income funds are separate fund groups which are combined for reporting purposes. Annuity funds are those funds donated to the University System on the condition that the University System pay certain amounts periodically to the donor or other designated individuals for a specific period of time. At the end of the payment period, the principal amount of the annuity fund is transferred to the fund group specified by the donor or, in the absence of restrictions, to unrestricted funds. Life income funds consist mainly of charitable remainder trusts where the University System is trustee and/or remainderman and pays distributions in agreed upon amounts to beneficiaries. Annuity and life income balances as of the end of each of the five most recent fiscal years was as follows:

**Annuity and Life Income Funds  
(in Millions)**

<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$4.7	\$5.0	\$5.8	\$8.3	\$7.9

**Available University Fund.** The Available University Fund is established by the State Constitution and consists of all dividends, interest and other income of the Permanent University Fund (less Permanent University Fund administrative expenses) including the net income attributable to the surface of Permanent University Fund lands. Two-thirds of the total amounts paid into the Available University Fund (after administrative expenses) are constitutionally appropriated to the University System first, for the payment of annual debt service on Permanent University Fund bonds issued by the Board, and second, for the support and maintenance of The University of Texas at Austin and System Administration; provided that until November 1994, before any other allocation is made of the University System's two-thirds share of the Available University Fund, remaining after payment of debt service on Permanent University Fund bonds of the University System, \$6 million annually is constitutionally appropriated out of that share to the Board of Regents of The Texas A&M University System for Prairie View A&M.

The Available University Fund's balance as of the end of each of the five most recent fiscal years was as follows:

<u>Available University Fund</u> (in Millions)				
<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$16.5	\$27.3	\$56.0	\$121.2	\$60.1

During fiscal year 1990, the University System used almost \$90.0 million of its share of Available University Fund balance to effect a cash defeasance of a portion of its outstanding Permanent University Fund bonds. Of the \$60.1 million balance of the Available University Fund funds at August 31, 1990, approximately \$11.8 million represented income of The Texas A&M University System.

**Plant Funds.** The University System reports its Plant Funds in the following four categories: Unexpended Plant Funds; Renewals and Replacements Funds; Retirement of Indebtedness Funds; and Investment in Plant Funds.

**Unexpended Plant Funds.** Unexpended plant funds are unexpended funds derived from various sources to finance the acquisition of long-term plant assets and the associated liabilities (primarily unexpended Permanent University Fund bond proceeds). This fund does not include construction in progress which is included under "Plant Funds—Investment in Plant Funds" below. The unexpended plant fund balance as of the end of each of the five most recent fiscal years was as follows:

<u>Unexpended Plant Funds</u> (in Millions)				
<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$147.8	\$144.9	\$152.2	\$136.8	\$119.0

**Renewals and Replacements Funds.** These funds provide for the renewal and replacement of plant fund assets and their associated liabilities as distinguished from additions and improvements to plant. The renewals and replacements fund balance as of the end of each of the five most recent fiscal years was as follows:

<u>Renewals and Replacements Funds</u> (in Millions)				
<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$12.1	\$12.9	\$9.0	\$9.1	\$10.4

Deferred maintenance requirements at the University System are currently estimated to be \$45.9 million or approximately 1.3% of the replacement cost of plant assets.

**Retirement of Indebtedness Funds.** Funds for the retirement of indebtedness represent those funds held by the University System in interest and sinking funds and reserve funds for other than Permanent University Fund bonds. The retirement of indebtedness fund balance as of the end of each of the five most recent fiscal years was as follows:

<u>Retirement of Indebtedness Funds</u> (in Millions)				
<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$47.9	\$45.8	\$47.9	\$47.7	\$47.7

**Investment in Plant Funds.** Investment in plant represents the long-term plant and equipment assets of the University System and their associated liabilities. The investment in plant fund balance as of the end of each of the five most recent fiscal years was as follows:

**Investment in Plant Funds**  
**(in Millions)**

<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$2,428.8	\$2,598.6	\$2,695.3	\$2,859.4	\$3,135.4

At August 31, 1990, gross plant assets totalled \$3,933.5 million. Of this total, 50.7% was in the form of buildings, 28.2% in equipment, 6.0% in library books, 5.6% in construction in progress and 9.2% in land and other. Outstanding University System bonds and lease purchases payable issued to fund these assets totalled \$798 million at the same date.

**Agency Funds.** Agency funds represent funds held by the University System as custodian or agent for individual students, faculty, staff members and organizations. These funds primarily consist of the University System Medical Liability Self-Insurance Fund which provides malpractice insurance coverage for staff physicians, students, residents and fellows at Health Institutions. The total agency funds assets as of the end of each of the five most recent fiscal years was as follows:

<b>Agency Funds</b> <b>(in Millions)</b>				
<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$47.5	\$48.0	\$97.5	\$113.3	\$123.5

As of August 31, 1990, the Medical Liability Self-Insurance Fund's assets totalled \$91.5 million. Agency fund assets are offset by liabilities (recognizing that funds are held in custody for others) and miscellaneous payables, with the result that agency funds balances are zero in any given fiscal year.

**Funds Management**

The Texas Education Code requires that the University System deposit into the State Treasury all funds except those derived from auxiliary enterprises and noninstructional services, agency funds, designated and restricted funds, endowment and other gift funds, and student loan funds. All such funds held in the State Treasury, including the Available University Fund, are administered by the State Treasurer and are invested, along with other funds of the State, in accordance with State law.

Fiduciary responsibility for the management and investment of University System funds held outside the State Treasury rests with the Board. Funds are managed by investment and administrative staffs at component institutions and at System Administration, as well as by unaffiliated investment managers to optimize investment performance while complying with Board policies and procedures.

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 System Administration with respect to endowment investment policy, planning and performance evaluations. Investment Advisory Committee members are appointed for a three-year term and may be reappointed for one additional term. The Investment Advisory Committee meets on a quarterly basis.

The Board also employs a nationally recognized performance measurement service to evaluate and analyze the investment results of the endowment funds with other public and private funds having similar objectives.

The principal administrative officer responsible for the management and investment of University System funds is the Executive Vice Chancellor for Asset Management of the University System. He is supported by a staff of more than 60 employees consisting of securities analysts, portfolio managers, accountants and other staff.

**Management of Endowment, Annuity and Life Income, and Certain Agency Funds.** The investment responsibility for endowment, annuity and life income, and certain agency assets is centralized with the Office of Asset Management which is authorized to make and execute daily investment decisions. The Board's investment policies require adherence to the prudent person standard when making investment decisions.

In addition, the Board's policies currently provide, among other investment restrictions, that (a) corporate bonds and preferred stocks must be rated "Baa3" by Moody's Investors Service or "BBB-" by Standard & Poor's Corporation or higher, or if not rated, must in the opinion of the investment staff be at least equal in quality to such ratings; (b) commercial paper must be rated in the top two quality classes by Moody's Investors Service or

Standard & Poor's Corporation; (c) less than five percent of the voting securities of a corporation may be owned, unless additional ownership is specifically authorized by the Executive Vice Chancellor for Asset Management of the University System; (d) no securities may be purchased on margin or leverage; (e) no transactions in short sales are permitted; and (f) transactions in financial futures and options may only occur as part of an authorized hedging program.

**Management of Funds Other Than Endowment, Annuity and Life Income, and Certain Agency Funds.**

Institutional funds other than trusts and endowments are required to be invested in compliance with the Public Funds Investment Act of 1987 and the Board's Institutional Funds Investment Policy. Cash management functions are performed at the component institution level, including System Administration, where staff has discretion with respect to the investment of funds in collateralized demand and time deposits and a United States Treasury obligations money market mutual fund. Investment of funds directly in United States Treasury obligations, commercial paper and other money market securities is centralized through the Fixed Income Desk within the Office of Asset Management which purchases said securities at the request of component institutions.

As of December 31, 1990, approximately 80% of institutional funds were invested in direct money market securities and 15% in the money market mutual fund.

**Cash and Short Term Investments.** The University System maintains liquid assets in cash and short-term investments in its Unrestricted Current Funds for working capital needs. Cash management practices and investment policies serve to maximize safety, availability and return. The following table presents cash and short-term investments for each of the five most recent fiscal years from the assets listed in the Combined Balance Sheet of the University System:

<b>Cash and Short Term Investments</b>				
<b>(in Millions)</b>				
<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
\$534.8	\$554.8	\$505.2	\$640.3	\$682.0

**Capital Improvements Planning and Authorization**

Planning and authorization of University System capital improvements is governed by a six-year capital improvements plan and a one-year capital budget approved by the Board and administered by System Administration. The plan approves in principle the expenditure of funds from all sources for capital projects at all component institutions for construction, repair and rehabilitation, land acquisition, equipment and library materials. The plan is based on requests for capital projects identified in component institution strategic plans which are reviewed by System Administration. In selecting proposed projects for approval under the plan, first priority is given to projects correcting major deficiencies in physical assets supporting on-going programs or correcting deficiencies anticipated to exist as a result of estimated growth in student enrollment, patient care or research activity. Selection of projects for new programs is guided by each component institution's strategic plan and is further based upon a demonstration of overall institutional need for additional space as well as the need for the specific project proposed.

The capital improvement plan is revised biennially by the Board. It was last revised in June 1989 to apply through fiscal year 1994, although interim special adjustments to the plan have been made in response to unanticipated needs and opportunities. It is expected that System Administration will recommend that the Board take action in June 1991 to revise and extend the plan through fiscal year 1996.

New construction projects in excess of \$300,000 and all major repair and rehabilitation projects in excess of \$600,000 approved in principle under the plan require further approval during project development. Board approval is required for preliminary and final design plans, as well as total project costs. In addition, approval from the Coordinating Board is also required (except for projects for The University of Texas at Austin that are predominantly funded with Permanent University Fund bond proceeds) prior to the award of any contracts. See "GENERAL DESCRIPTION OF THE UNIVERSITY OF TEXAS SYSTEM—Coordinating Board." Construction is monitored by the Office of Facilities Planning and Construction at System Administration together with building committees at component institutions to insure completion of the project as approved.

## **Debt Management and Anticipated Financing**

Responsibility for the management of University System debt obligations is centralized in the Office of Finance within the Office of Asset Management. Debt is issued pursuant to University System debt capacity analyses and annual funding requirements in accordance with the capital budget. Issuance of debt requires approval of the Board and (except for Permanent University Fund bonds) approval by the Texas Bond Review Board. As a general rule, the University System issues debt in large increments to finance system-wide capital improvement cash flow requirements in aggregate as opposed to financing on a project-by-project basis. In addition, the University System generally finances capital improvements initially with short-term debt to minimize debt service costs during construction periods. Such short-term debt is refinanced with long-term fixed rate debt when short-term facilities are fully utilized or during periods of low interest rates.

The University System anticipates that it will have additional borrowing needs to supplement funding for its capital budget. During the balance of calendar year 1991, the University System anticipates borrowing approximately \$50,000,000 under the Permanent University Fund bond program for capital expenditures in fiscal year 1992. In addition, the University System intends to refund \$250,000,000 of outstanding variable rate Permanent University Fund bonds. See "Financing Programs—Permanent University Fund Bonds" below. Currently, the University System does not have any projects to be financed with Parity Debt that have received final approval from the Board or the Coordinating Board. Consequently, the University System does not anticipate issuing additional Parity Debt over the next twelve months in an amount greater than \$15,000,000. See "Financing Programs—Fee and Revenue Bonds—Revenue Financing System" below. No bonds have been approved for projects under the Higher Education Assistance Fund bond program. See "Financing Programs—Higher Education Assistance Fund (H.E.A.F.) Bonds" below.

**Financing Programs.** Article VII, Section 18 of the State Constitution provides that, except for cases of demonstrated need and upon a vote of two-thirds of each house of the State Legislature, and except in cases of fire or natural disaster, component institutions of the University System (except The University of Texas-Pan American) may not receive any funds from the general revenues of the State for acquiring, constructing or equipping permanent improvements, or for major repairs or rehabilitations of permanent improvements. The Board, pursuant to constitutional and statutory provisions, is authorized to issue debt in a number of distinct forms with which to finance capital improvements.

**Permanent University Fund Bonds.** Article VII, Section 18 of the State Constitution authorizes the Board to issue bonds and notes, payable from all or part of its interest in the Available University Fund in an aggregate amount not exceeding, at the time of issuance, 20% of the cost value of Permanent University Fund assets, excluding real estate. Proceeds may be used for the purpose of (i) acquiring land with or without permanent improvements, (ii) constructing and equipping buildings or other permanent improvements, (iii) making major repairs and rehabilitations and other permanent improvements, (iv) acquiring capital equipment, library books and library materials, and (v) refunding bonds or notes issued under said section or prior law, at or for System Administration and the component institutions of the University System (except The University of Texas-Pan American). Proceeds may not be used to finance permanent improvements of auxiliary enterprises.

As of December 31, 1990, the Board's constitutionally authorized Permanent University Fund bond capacity was \$683,571,172 and bonds and notes issued and outstanding under this limit were \$552,155,000.

**Higher Education Assistance Fund (H.E.A.F.) Bonds.** The University of Texas-Pan American is ineligible to receive proceeds from Permanent University Fund bonds until such time as the State Constitution is amended to provide otherwise. Pursuant to the Higher Education Assistance Fund Program, The University of Texas-Pan American is qualified to receive an annual allocation from amounts constitutionally appropriated to institutions of higher education that are not entitled to participate in Permanent University Fund bond financing in order to fund permanent improvements (except those for auxiliary enterprises). Under this constitutional provision, the Board is authorized to issue bonds and notes to finance permanent improvements at The University of Texas-Pan American and to pledge up to 50% of its allocation to secure the payment of principal of and interest on the bonds and notes. As of December 31, 1990, the University System had no bonds or notes issued or outstanding under this program.

**General Tuition Bonds.** In 1971, the Board was authorized pursuant to the Texas Education Code to issue, and did issue, \$150 million of bonds secured by all or any part of the aggregate amount of student tuition charged at University System component institutions. Expenditure of proceeds was authorized to

acquire, enlarge and or equip facilities for new University System component institutions, specifically The University of Texas at Dallas, The University of Texas of the Permian Basin, The University of Texas at San Antonio, The University of Texas Health Science Center at Houston and The University of Texas Health Science Center at San Antonio. At that time, Pan American University was similarly authorized to issue, and did issue, tuition bonds to finance facilities in an amount not to exceed \$10 million. As of December 31, 1990, total University System (including The University of Texas-Pan American) tuition bonds outstanding were \$78,645,000. The tuition charges pledged to secure the outstanding tuition bonds do not include the Pledged Tuition Fee and are not included in Pledged Revenues.

As interpreted by the State Attorney General, the Board may not issue additional tuition bonds.

***Fee and Revenue Bonds.*** Chapter 55 of the Texas Education Code authorizes the Board to issue bonds to acquire or equip facilities (including auxiliary enterprise facilities) for or on behalf of University System component institutions and to pledge all or any part of its revenues, income, fees or other resources to the payment of the bonds. Historically, the Board issued bonds under this authority on an institution-by-institution basis secured exclusively by an individual fee or revenue source or combination thereof. In 1986, the Board issued its General Revenue Refunding Bonds, Series 1986 to advance refund its outstanding fee and revenue bonds (except certain bonds issued on behalf of The University of Texas M.D. Anderson Cancer Center) and cross pledged the previously pledged fees and revenues to the payment of such bonds.

In May, 1986, the Board issued The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986, currently outstanding in the aggregate principal amount of \$31,385,000. These bonds refunded a prior issue whose proceeds were used to finance construction on The University of Texas at Austin campus. The bonds are secured by a pledge of The University of Texas at Austin's annual appropriation from the Available University Fund. The bonds are further secured by a pledge of a special fee on the students of The University of Texas at Austin. This fee is not charged at this time. See "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM—Debt Management and Anticipated Financings—Financing Programs—Fee and Revenue Bonds—Prior Encumbered Obligations."

***Revenue Financing System.*** In April 1990, the Board further restructured its debt program by establishing the Revenue Financing System pursuant to the Master Resolution. See "APPENDIX C, SUMMARY OF THE MASTER RESOLUTION." The purpose of the Revenue Financing System is to assemble University System revenue bond debt capacity into a single financing program, to provide a cost-effective debt program to the Members and to maximize the financing options available to the Board. Under the Master Resolution, the Board has, with certain exceptions, combined all of the revenues, funds and balances attributable to Members of the Revenue Financing System and lawfully available to secure revenue bonds and pledged the combined revenues, funds and balances as Pledged Revenue to secure payment of Parity Debt issued under the Master Resolution. The revenues, funds and balances excluded from Pledged Revenues are described within the definition of "Pledged Revenues" contained in "APPENDIX B, GLOSSARY OF TERMS."

All of the institutions currently constituting components of the University System have been included as Members of the Revenue Financing System. The Master Resolution permits the Board to make additions to or deletions from the membership of the Revenue Financing System subject to the satisfaction of certain conditions specified therein.

Under Board regulations, administration of the Revenue Financing System is the shared responsibility of the Office of Asset Management, the Office of Business Affairs and each Member of the Revenue Financing System. The guiding principle underlying the administration of the Revenue Financing System is that allocations of Parity Debt proceeds for capital improvements at a Member shall be contingent upon a Board determination that the Member can prudently satisfy its proportionate share of the outstanding Parity Debt attributable to such Member with such Member's financial resources. All capital improvement projects proposed to be funded in part or in whole with Parity Debt must receive a recommendation for allocation of Parity Debt from the Office of Asset Management prior to being approved by the Board for inclusion in the capital budget. Such recommendations are given upon the completion of a financing evaluation concluding that such Member can prudently satisfy its Direct Obligation.

In establishing the annual budget of each Member of the Revenue Financing System, the Board includes as the Annual Obligation of the Member the amount necessary to provide for the satisfaction by the Member of its proportionate share of debt service due by the Board in such budget year on outstanding Parity Debt plus the amount budgeted by the Board for such fiscal year to allow the Member to retire its obligation for any intra-system advances made to it to satisfy part or all of a previous Annual Direct

Obligation payment. Each Member's proportionate share of outstanding Parity Debt and its Annual Obligation is evidenced by a financing agreement between the Board and each Member.

Currently, the University System has in place a \$100,000,000 commercial paper program under the Master Resolution. Pursuant to a First Supplemental Resolution (the "First Supplement") adopted by the Board on April 12, 1990 under the authority of the Master Resolution, the Board authorized the first Parity Debt to be issued under the Revenue Financing System in the form of commercial paper notes. The First Supplement authorized the Board to issue commercial paper notes in an aggregate principal amount outstanding at any one time of \$100,000,000 and approved delivery of a promissory note evidencing the Board's obligation to repay borrowings of up to \$108,000,000 under a liquidity facility to support the commercial paper notes. The commercial paper notes must mature on or before April 1, 2020 and have a term of 270 days or less. The commercial paper notes are supported by a liquidity facility in the form of a Credit Agreement between the Board and Morgan Guaranty Trust Company of New York, permitting the Board to borrow up to \$62,300,000 for the purpose of refunding the commercial paper notes, including interest thereon, until July 2, 1993 or a later date if the Credit Agreement is extended. The Board may not have more than \$60,000,000 in principal amount of commercial paper notes outstanding at any one time until the commitment under the Credit Agreement is increased. All of the commercial paper notes currently outstanding (aggregate principal amount of \$24,760,000) is being refunded by the Series 1991B Bonds. See "DESCRIPTION OF THE REVENUE FINANCING SYSTEM."

Prior Encumbered Obligations. Following the issuance of all the Bonds, the Board will have outstanding Prior Encumbered Obligations totaling \$11,230,000 secured by certain revenues of The University of Texas M.D. Anderson Cancer Center. Reserve funds, which further secure these bonds, are substantially in excess of the outstanding principal amount of such bonds. In addition, the Board has outstanding \$31,385,000 in principal amount of The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986, which are secured by and payable from sources other than Pledged Revenues; provided that the Board has covenanted to collect a special student fee from all students (with certain exceptions) enrolled at The University of Texas at Austin if necessary to pay the debt service on such bonds. The Board has never collected the pledged fee and does not presently anticipate doing so. If the fee were ever collected, the collections would constitute Pledged Revenues; however, the bonds would have a lien on the collections that is prior to the lien of the Master Resolution. In that event, such bonds would become Prior Encumbered Obligations. The University System is not providing for the refunding of any of the above-mentioned bonds by this financing.

The University of Texas-Pan American has outstanding Prior Encumbered Obligations as of August 31, 1990 totaling \$5,967,000 secured by auxiliary enterprise revenues and various student fees. The bonds are being refunded and defeased by the Series 1991C Bonds.



**Outstanding Indebtedness.** Following the issuance of the Bonds, the Board will have the following outstanding indebtedness under all of its financing programs:

**Permanent University Fund Bonds:**

Refunding Bonds, Series 1985	\$214,155,000
Refunding Bonds, Series 1988	88,000,000
Variable Rate Bonds, Series A	<u>250,000,000</u>
Subtotal	\$552,155,000

**Tuition Bonds:**

General Tuition Revenue Refunding Bonds, Series 1986	\$ 71,675,000
University of Texas-Pan American - Tuition Revenue Refunding Bonds	<u>6,880,000</u>
Subtotal	\$ 78,555,000

**Building Revenue Bonds:<sup>(1)</sup>**

The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986	<u>\$ 31,385,000</u>
Subtotal	\$ 31,385,000

**Prior Encumbered Obligations:<sup>(1)</sup>**

M.D. Anderson Hospital and Tumor Institute at Houston Series 1972	\$ 7,590,000
Series 1976	690,000
M.D. Anderson Hospital Revenue Bonds, Series 1976	<u>2,950,000</u>
Subtotal	\$ 11,230,000

**Revenue Financing System Parity Debt**

Series 1991A Bonds	\$187,800,000*
Series 1991B Bonds	91,255,000*
Series 1991C Bonds	<u>3,495,000*</u>
Subtotal	\$282,550,000
Total	<u>\$955,875,000*</u>

(1) See "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM—Debt Management and Anticipated Financing—Financing Programs—Fee and Revenue Bonds—Prior Encumbered Obligations."

\*Preliminary, subject to change.

## **Insurance**

Since September 1, 1971, it has been the policy of the State and the Board that property insurance coverage will not be obtained for any buildings or contents under the control of the Board unless such building produces revenues which are pledged to secure bonds and coverage is required by the applicable bond documents.

It is the stated policy of the State and the Board not to acquire commercial general liability insurance for torts committed by employees of the State who are acting within the scope of their employment. One exception to this policy authorizes the Board to acquire commercial automobile insurance for the use and benefit of its employees who operate state-owned motorized vehicles and special equipment. The Board has established a Medical Liability Self-Insurance Fund to provide malpractice insurance coverage for staff physicians, students, residents and fellows at Health Institutions. See "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM—Fund Balances—Agency Funds."

Employees of the University System are provided Worker's Compensation coverage under a self-insuring, self-managed program as authorized by State law.

## **Retirement Plans**

The University System participates in the State's joint contributory retirement plans which are established for substantially all State employees. The contributory percentages currently provided by the State and by each participant are 7.65% and 6.4%, respectively, of annual compensation.

The Teacher Retirement System of Texas, one of the primary plans, does not separately account for each of its component governmental agencies, since the retirement system bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. According to an independent actuarial evaluation as of February 6, 1990, the present value of the retirement system's actual and projected liabilities, including projected benefits payable to its retired and active members and their beneficiaries, was in excess of the assets of the retirement system. However, the actuary projected that such assets, augmented by projected future contributions and earnings, would be sufficient to amortize the unfunded difference over a period of 20.9 years. Further information regarding actuarial assumptions and conclusions, together with audited financial statements, is included in the retirement system's annual financial report.

The State has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program is in lieu of participation in the Teacher Retirement System. The contributory percentages currently provided by the State and by each participant are 8.5% and 6.65%, respectively, of annual compensation. The optional retirement program provides for the purchase of annuity contracts. Since these are individual annuity contracts, the State has no additional or unfunded liability for this program.

The retirement expenses to the State for the University System was \$72,708,767 for the fiscal year ended August 31, 1990. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the University System.

## **ABSENCE OF LITIGATION**

Neither the Board nor the University System is a party to any litigation, investigation, inquiry or proceeding (whether or not purportedly on behalf of the Board) pending or threatened, in any court, governmental agency, public board or body or before any arbitrator or before any governmental body which, if decided adversely to such parties, would have a material adverse effect on the Pledged Revenues or on the business, properties or assets or the condition, financial or otherwise, of the University System, and no litigation of any nature has been filed or threatened which seeks to restrain or enjoin the establishment of the Revenue Financing System, the issuance or delivery of the Bonds or the collection or application of Pledged Revenues to pay the principal of and interest on the Bonds, or in any manner questioning the validity of the Bonds.

## **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of each series of Bonds are subject to approval of legality by the Attorney General of the State and of certain legal matters by McCall, Parkhurst & Horton, Dallas, Texas, Bond Counsel to the Board, whose opinion will be printed on the Bonds. Attached hereto as APPENDIX E is the form of opinion that Bond Counsel will render in connection with each series of Bonds, with such alterations as may be required as a result of changes in or actions on pending legislation that occur following the date of this Official Statement and prior to initial delivery of the applicable series of 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 in the Official Statement under the captions "INTRODUCTION," "PLAN OF FINANCING," "ESTIMATED SOURCES AND APPLICATIONS OF FUNDS," "DESCRIPTION OF THE BONDS," "DESCRIPTION OF THE REVENUE FINANCING SYSTEM" (except for financial and statistical data under such caption), "LEGAL MATTERS," "TAX EXEMPTION," "TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT," "LEGAL INVESTMENTS IN TEXAS," and APPENDICES A, B and C, and such firm is of the opinion that the information contained under such captions and in such appendices 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 Bonds is contingent on the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by Vinson & Elkins, Austin and Houston, Texas, and for the University System by Baeza, Lannen & Moyé, Dallas, Texas.

#### **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 Bonds is (1) excludable from the gross income of the owners of the Bonds for federal income tax purposes, and (2) the Bonds will not be treated as "private activity bonds" the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the foregoing opinions, Bond Counsel will rely on the Board's no-arbitrage certificate and the verification report prepared by Ernst & Young 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 Bonds. Failure by the Board to comply with these covenants may cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

Interest on the Bonds 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 Code, and for purposes of the environmental tax imposed on corporations by Section 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 Bonds. Furthermore, in the case of an S corporation, interest on the Bonds is treated as "passive investment income" which is subject to the tax imposed by Section 1375 of the Code.

Except as stated above with respect to the exclusion of the interest on the Bonds from gross income, Bond Counsel expresses no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds.

The law upon which Bond Counsel has based its 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 matter which would adversely affect the tax treatment of ownership of the Bonds.

Prospective purchasers of the Bonds 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, life 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.

#### **TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT**

The Underwriters have represented that the initial public offering price to be paid for the Bonds, as stated on the cover page of the Official Statement (the "Original Issue Discount Bonds") is less than the principal amount thereof. The difference between (i) the amount payable at the maturity of each Original Issue Discount Bond and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Under existing law, such initial owners is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. See "TAX EXEMPTION" herein for a discussion of certain collateral federal tax consequences.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price plus the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

#### **LEGAL INVESTMENTS IN TEXAS**

Pursuant to Article 717k, Vernon's Texas Civil Statutes, as amended, the Bonds are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, trustees and guardians, and for the interest and sinking funds and other public funds of counties, municipal corporations, taxing districts, and other political subdivisions or agencies or instrumentalities of the State. The Bonds are eligible to secure deposits of public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. The Texas Public Funds Investment Act, Article 842a-2, Vernon's Texas Civil Statutes, as amended, provides that a city, county or school district may invest in the Bonds, provided the Bonds have received a rating of not less than "A" from a nationally recognized investment rating firm. No investigation has been made of other laws, regulations or investment criteria which might limit the ability of such institutions or entities to invest in the Bonds, or which might limit the suitability of the Bonds to secure the funds of such entities. No review by the Board has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

#### **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Issuance of the Bonds will be subject to delivery by Ernst & Young, independent certified public accountants, of a report of the mathematical accuracy of certain computations relating to (a) the adequacy of the maturing principal amounts of the Federal Securities held in the Escrow Fund, together with a portion of the interest income thereon and uninvested cash, if any, to pay, when due, the principal of and any redemption premium and interest on the Refunded Bonds and (b) the actuarial yields relied on by Bond Counsel to support its opinion that the Bonds are not arbitrage bonds under Section 148 of the Code. Such verification of accuracy of such mathematical computations will be based upon information and assumptions supplied by the Board, and such verification, information and assumptions will be relied on by Bond Counsel in rendering its opinion described herein.

#### **RATINGS**

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

## UNDERWRITING

The Underwriters have agreed, subject to certain customary conditions to delivery, to purchase the Bonds from the Board at an underwriting discount of \$\_\_\_\_\_ with respect to the Series 1991A Bonds, \$\_\_\_\_\_ with respect to the Series 1991B Bonds and \$\_\_\_\_\_ with respect to the Series 1991C Bonds from the initial public offering prices therefor set forth on the cover page of this Official Statement. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

## OTHER MATTERS

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

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Executive Vice Chancellor for Asset Management  
The University of Texas System

The University of Texas System  
210 West 6th Street  
Austin, Texas 78701

**APPENDIX A**  
**SCHEDULE OF REFUNDED BONDS**

**Series 1991A Bonds**

<b><u>Bonds Refunded by Series 1991A Bonds</u></b>	<b><u>Outstanding Principal Amount</u></b>
Board of Regents of The University of Texas System General Revenue Refunding Bonds, Series 1986	\$ 191,100,000

**Series 1991B Bonds**

<b><u>Bonds Refunded by Series 1991B Bonds</u></b>	<b><u>Outstanding Principal Amount</u></b>
Board of Regents of The University of Texas System Revenue Financing System Commercial Paper Notes, Series A	\$ 24,760,000

**Series 1991C Bonds**

<b><u>Bonds Refunded by Series 1991C Bonds</u></b>	<b><u>Outstanding Principal Amount</u></b>
Board of Regents of Pan American College Utility Plant Student Fee Revenue Bonds, Series 1968	\$ 1,035,000
Board of Regents of Pan American College Student Fee Revenue Bonds, Series 1969	\$ 888,000
Board of Regents of Pan American University Combined Fee Revenue Bonds, Series 1971	\$ 665,000
Board of Regents of Pan American University Auxiliary Enterprise System Revenue Bonds, Series 1968A	\$ 73,000
Board of Regents of Pan American University Auxiliary Enterprise System Revenue Bonds, Series 1968B	\$ 145,000
Board of Regents of Pan American University Auxiliary Enterprise System Revenue Bonds, Series 1968C	\$ 1,278,000

Board of Regents of Pan American University Auxiliary Enterprise System Revenue Bonds, Series 1968D	\$ 570,000
Board of Regents of Pan American University Auxiliary Enterprise System Revenue Bonds, Series 1973	\$ 715,000
Board of Regents of Pan American University Auxiliary Enterprise System Revenue Bonds, Series 1977	<u>\$ 325,000</u>
 TOTAL Refunded by Series 1991C Bonds	 <u>\$ 5,694,000</u>
 TOTAL Refunded by All Series of Bonds	 <u>\$ 221,554,000</u>

**APPENDIX B**  
**GLOSSARY OF TERMS**

As used in this Official Statement, the following terms and expressions have the meanings set forth below:

**Annual Direct Obligation** means the amount budgeted each fiscal year by the Board with respect to each Member of the Revenue Financing System to satisfy the Member's proportion of debt service (calculated based on the Member's Direct Obligation) due by the Board in such fiscal year on outstanding Parity Debt.

**Annual Obligation** means, with respect to each Member of the Revenue Financing System and for each fiscal year, the Member's Annual Direct Obligation plus the amount budgeted by the Board for such fiscal year to allow the Member to retire its obligation for any intra-system advances made to it to satisfy part or all of a previous Annual Direct Obligation payment.

**Credit Agreement** means, collectively, a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase Parity Debt, purchase or sale agreements, interest rate swap agreements, or commitments or other contracts or agreements authorized, recognized and approved by the Board as a Credit Agreement in connection with the authorization, issuance, security, or payment of Parity Debt and on a parity therewith.

**Direct Obligation** means the proportionate share of outstanding Parity Debt attributable to and the responsibility of each respective Financing System Member of the Revenue Financing System.

**Health Institutions** means 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 M.D. Anderson Cancer Center, The University of Texas Health Center at Tyler, and any other health institutions which become part of the University System and are hereafter made a Member of the Revenue Financing System.

**Master Resolution** means the master resolution of the Board adopted on April 12, 1990 establishing the Revenue Financing System, as amended by the Board on October 12, 1990, providing for the inclusion of certain Pledged Practice Plan Funds as Pledged Revenues, and as amended and restated on February 14, 1991.

**Member** means each of the institutions currently constituting components of the University System and such institutions hereafter designated by the Board to be Members of the Revenue Financing System.

**M. D. Anderson Bonds** means the M. D. Anderson Hospital and Tumor Institute at Houston Endowment and Hospital Revenue Bonds, Series 1972 and 1976 (in the outstanding principal amount of \$8,280,000) and the M. D. Anderson Hospital Revenue Subordinate Lien Bonds, Series 1976 (in the outstanding principal amount of \$2,950,000).

**Pan American University Bonds** means the Board of Regents of Pan American College Utility Plant Student Fee Revenue Bonds, Series 1968 and Student Fee Revenue Bonds Series 1969 (in the outstanding total principal amount of \$1,923,000) and the Board of Regents of Pan American University Combined Fee Revenue Bonds, Series 1971 and Auxiliary Enterprise System Revenue Bonds, Series 1968A, 1968B, 1968C, 1968D, 1973 and 1977 (in the outstanding total principal amount of \$3,771,000).

**Parity Debt** means all indebtedness of the Board which may be issued or assumed in accordance with the terms of the Master Resolution and a supplement thereto, secured by a pledge of the Pledged Revenues subject only to the liens securing Prior Encumbered Obligations.

**Paying Agent/Registrar** shall mean the entity designated in accordance with the Supplemental Resolution as the Paying Agent/Registrar for the Bonds, initially Ameritrust Texas National Association, Dallas, Texas.

**Pledged General Fee** means the gross collections of a student use fee to be fixed, charged and collected pursuant to Section 55.16, Texas Education Code, from the students (excepting, with respect to each series or issue of Parity Debt, any student in a category which, at the time of the adoption of the supplemental resolution providing for such issue or series of Parity Debt, is exempt by law from paying fees) regularly enrolled at the institutions and branches thereof now or hereafter constituting a Member of the Revenue Financing System, respectively, for the general use and availability of such institutions or branches thereof, respectively, in the manner and amounts, at the times, and to the extent provided in the Master Resolution. The student use fee may not exceed \$6 per semester



credit hour unless a higher fee is required to pay the principal of and interest on outstanding Parity Debt and other outstanding revenue-supported indebtedness of the Bond secured by and payable from such fee. Currently, each regularly enrolled student (with the exception described in the Resolution) at each component of the University System is charged the maximum student use fee of \$6 per semester credit hour.

**Pledged Practice Plan Funds** means that portion of the Practice Plan Funds of a Health Institution now or hereafter constituting a Member of the Revenue Financing System which has been pledged to the payment of Parity Debt by the Board by the adoption of an amendment to the Master Resolution; provided, however, that any such pledge may be limited in amount and in any manner, extent or duration as provided in such amendment. On October 12, 1990, the Board authorized proceeding with a construction project at The University of Texas Southwestern Medical Center at Dallas having an estimated total cost of \$26,750,000. By amendment to the Master Resolution adopted on the same date, the Board pledged \$4,500,000 from the Practice Plan Funds from such Health Institution commencing in the fiscal year in which Parity Debt is first issued for the project and ending when such Health Institution's Direct Obligation relating to the project has been fully paid and satisfied. Proceeds from the Series 1991B Bonds will be applied to finance the cost of the project. Except as provided above, Pledged Revenues do not currently include any other Practice Plan Funds.

**Pledged Revenues** means, subject to the provisions of the Prior Encumbered Obligations, collectively (i) the Pledged Tuition Fee, (ii) the Pledged General Fee, (iii) the Pledged Practice Plan Funds, and (iv) any or all of the revenues, funds, and balances now or hereafter lawfully available to the Board and derived from or attributable to any Member of the Revenue Financing System which are lawfully available to the Board for payments on Parity Debt; provided, however, that the following shall not be included in Pledged Revenues unless and to the extent set forth in a Supplement: (a) the interest of the University System in the Available University Fund under Article VII, Section 18 of the State Constitution, including the income therefrom and any fund balances relating thereto (see "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM—Fund Balances—Available University Fund"); (b) amounts received on behalf of any Member under Article VII, Section 18 of the State Constitution, including the income therefrom and any fund balances related thereto (see "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM—Debt Management and Anticipated Financings—Financing Programs—Higher Education Assistance Fund (H.E.A.F.) Bonds"); (c) except to the extent so appropriated, general revenue funds appropriated to the Board by the State Legislature (see "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM—Current Funds—Unrestricted Current Funds Revenues—State Appropriations"); and (d) Practice Plan Funds of any Member, including the income therefrom and any fund balances relating thereto not included in Pledged Practice Plan Funds.

**Pledged Tuition Fee** means, as authorized by Section 55.17, Texas Education Code, the following specified amounts (or such increased amounts as hereafter authorized by law) out of the tuition charges now or hereafter required or permitted by law to be imposed on each tuition paying student enrolled at each and every institution or branch thereof now or hereafter constituting a Member of the Revenue Financing System (excepting the Health Institutions until and unless the Board authorizes the pledge of such tuition charges at any such institution to the payment of Parity Debt) and including, subject to the provisions of the Prior Encumbered Obligations, the Prior Encumbered Tuition Fees, respectively:

\$5.00 from each enrolled student for each regular semester and \$2.50 from each enrolled student for each summer term of each summer session.

**Practice Plan** means any agreement entered into by and between a Health Institution Member and faculty appointees of that Member that: (a) assigns to the Member patient fees collected for professional services rendered by the appointee and (b) regulates the collection and expenditure of such patient fees. Practice Plan also includes such agreements existing between an institution which becomes a Member after the date of the adoption of the Resolution and such institution's faculty.

**Practice Plan Funds** means the Practice Plan income and fund balances of a Health Institution Member.

**Prior Encumbered General Fee** means the Pledged General Fee securing Prior Encumbered Obligations and that portion of the student use fee charged and collected at an institution which becomes a Member of the Financing System after the date of adoption of this Resolution and which are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a Member of the Financing System.

**Prior Encumbered Obligations** means the M.D. Anderson Bonds, the Pan American University Bonds and those bonds or other obligations of an institution outstanding on the date it becomes a Member of the Revenue Financing

System and which are secured by a lien on and pledge of the Prior Encumbered General Fee, the Prior Encumbered Revenues, the Prior Encumbered Tuition Fee and/or the Prior Encumbered Practice Plan Funds charged and collected at such institution and all existing obligations of the Board secured by a lien on a portion of the Pledged Revenues which is superior to the lien established by the Resolution on behalf of Parity Debt; provided that following the issuance of the Series 1991C Bonds, the Pan American University Bonds will no longer be outstanding and will not constitute Prior Encumbered Obligations. In addition, the Board has outstanding \$31,385,000 in principal amount of The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986, which are secured by and payable from sources other than Pledged Revenues; provided that the Board has covenanted to collect a special student fee from all students (with certain exceptions) enrolled at The University of Texas at Austin if necessary to pay the debt service on such bonds. The Board has never collected the pledged fee and does not presently anticipate doing so. If the fee were ever collected, the collections would constitute Pledged Revenues; however, the bonds would have a lien on the collections that is prior to the lien of the Master Resolution. In that event, such bonds would become Prior Encumbered Obligations.

Prior Encumbered Practice Plan Funds means the Pledged Practice Plan Funds which are pledged to the payment of bonds or other obligations of an institution which becomes a Member of the Revenue Financing System after the date of adoption of the Resolution.

Prior Encumbered Revenues means the revenues pledged to the payment of Prior Encumbered Obligations and the revenues of any revenue producing system or facility of an institution which hereafter becomes a Member of the Revenue Financing System and which are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a Member of the Revenue Financing System.

Prior Encumbered Tuition Fee means the Pledged Tuition Fee securing Prior Encumbered Obligations and that portion of the tuition charges in the maximum amount permitted in the definition of Pledged Tuition Fee charged and collected at an institution which becomes a Member of the Revenue Financing System after the date of adoption of this Resolution and which are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a Member of the Financing System.

Resolution means, collectively, the Master Resolution and the Supplemental Resolution.

State means the State of Texas.

Supplemental Resolution means the second supplemental resolution to the Master Resolution adopted by the Board on February 14, 1991, providing for the issuance of the Bonds.

University Representative means one or more of the following officers or employees of the University System, to-wit: the Chancellor, any Executive Vice Chancellor, the General Counsel, the Executive Director—Endowment Management and Administration, the Executive Director of Finance, the Manager—Finance, the Director of the Office of Budget and Fiscal Policy, or such other officer or employee of the University System, authorized by the Board to act as a University Representative.

## APPENDIX C

### SUMMARY OF THE MASTER RESOLUTION

#### **Establishment of the Revenue Financing System**

The Board has established the Revenue Financing System for the purpose of providing a system-wide financing structure for revenue-supported indebtedness of component institutions of the University System included as Members of the Revenue Financing System. The Master Resolution established a master plan under which revenue-supported indebtedness of the Revenue Financing System can be incurred. Each issue or series of Parity Debt is to be provided for under a supplemental resolution consistent with the provisions of the Master Resolution.

#### **Security and Pledge: Membership in the Revenue Financing System**

Subject to the provisions of resolutions authorizing any Prior Encumbered Obligations, Parity Debt issued under the Master Resolution is payable from and secured by a lien on all Pledged Revenues. The Board has assigned and pledged the Pledged Revenues to the payment of the principal of and interest on Parity Debt and to the establishment and maintenance of any funds that may be created under the Master Resolution or a supplemental resolution to secure the repayment of Parity Debt. The Board may additionally secure Parity Debt with one or more Credit Agreements.

All of the institutions currently constituting components of the University System have been included under the Master Resolution as Members of the Revenue Financing System. If an additional institution hereafter becomes a component of the University System, the Board may include the new component as a Member of the Revenue Financing System. In that event, the lien on and pledge of Pledged Revenues established pursuant to the Master Resolution and effective when such institution becomes a Member of the Revenue Financing System will apply to the revenues, funds and balances of such Member that constitute Pledged Revenues; provided, that, if at the time a new Member is admitted, it has outstanding debt obligations secured by any of such sources, such obligations will constitute Prior Encumbered Obligations of the Board secured by a lien on the portion of the Pledged Revenues providing such security which is superior to the lien established by the Master Resolution on behalf of Parity Debt. The Board has reserved the right to refund Prior Encumbered Obligations with the proceeds of refunding bonds issued as Prior Encumbered Obligations secured by the same sources as the sources securing the refunded Prior Encumbered Obligations. Otherwise, while any Parity Debt is outstanding, the Board has agreed not to issue additional obligations on a parity with any Prior Encumbered Obligations.

#### **Rate Covenant**

The Board has covenanted in the Master Resolution that in each fiscal year it will establish, charge and use its reasonable efforts to collect at each Member the Pledged Tuition Fee, the Pledged General Fee, the Pledged Practice Plan Funds (but only to the extent the Practice Plan Funds are pledged to secure Parity Debt) and other rates, fees, and charges for goods and services furnished by, and for the use of, properties of the Revenue Financing System, which, if collected, would be sufficient to meet all financial obligations of the Board relating to the Revenue Financing System including all deposits or payments due on or with respect to outstanding Parity Debt for such fiscal year.

#### **Annual and Direct Obligation of Members**

The Master Resolution provides that each Member of the Revenue Financing System is responsible for its Direct Obligation. The Board covenants in the Master Resolution that in establishing the annual budget for each Member of the Revenue Financing System, it will provide for the satisfaction by each Member of its Annual Obligation. Each Member's Direct Obligation and Annual Obligation shall be evidenced by a financing agreement between the Board and each Member.

#### **Pledged General Fee**

The Board has covenanted and agreed at all times to maintain and collect the Pledged General Fee in such amounts, without limitation (other than as provided in the last sentence of the following paragraph), as will be at least sufficient at all times, together with other legally available funds, including other Pledged Revenues, to provide the money to make or pay the principal of, interest on, and other payments or deposits with respect to outstanding Parity Debt when and as required. The Board has agreed that the Pledged General Fee will be adjusted to provide

Pledged Revenues sufficient to make when due all payments and deposits in connection with outstanding Parity Debt. The Board may fix and collect the Pledged General Fee in any manner it may determine, within its discretion and in different amounts from students enrolled in different Members. In addition, if and for any period during which total Pledged Revenues, together with other legally available funds, are sufficient to meet all of the Board's financial obligations of the Revenue Financing System, the Board may suspend the collection of the Pledged General Fee from the students enrolled in any Member.

The Board has covenanted that if it determines that Pledged Revenues and other legally available funds are not anticipated to be sufficient to meet all of its financial obligations relating to the Revenue Financing System, including all deposits and payments coming due on outstanding Parity Debt, or that any Member will be unable to pay its Annual Direct Obligation in full, the Pledged General Fees will be adjusted, effective at the next regular semester or semesters or Summer term or terms, to an amount, without any limitation (other than as provided in the last sentence of this paragraph), at least sufficient to provide, together with other Pledged Revenues and legally available funds, the money for paying when due all financial obligations of the Board relating to the Revenue Financing System, including all payments and deposits with respect to outstanding Parity Debt. Any adjustment in the rate of the Pledged General Fee of any of the Members will be based upon the certificate and recommendation of a University Representative delivered to the Board, as to the rates and anticipated collection of the Pledged General Fee at the various Members (after taking into account the anticipated effect the proposed adjustment would have on enrollment and the receipt of Pledged Revenues and other funds of such Member) which will be anticipated to result in (i) Pledged Revenues attributable to each Member being sufficient (to the extent possible) to satisfy the Annual Obligation of such Member and (ii) Pledged Revenues being sufficient, together with other legally available funds, to meet all financial obligations of the Board relating to the Revenue Financing System, including all deposits and payments due on or in connection with outstanding Parity Debt when and as required. Notwithstanding the foregoing, it is recognized that certain Members do not and will not enroll students, and, therefore, the Board will not levy or collect the Pledged General Fee at such Members.

Under the Master Resolution, the Board has excepted from the Pledged General Fee, with respect to any particular series or issue of Parity Debt, collections from any student permitted by the Texas Education Code to be exempted (currently, any student for whom payment would cause an undue economic hardship, as long as the total number of students exempted does not exceed 5% of the total enrollment at any Member) as of the date on which the issue of Parity Debt is authorized.

#### **General Covenants**

In the Master Resolution, the Board has covenanted that it will (a) make available to the Paying Agent/Registrar or other paying agent, on or before each payment date, money sufficient to pay the principal of and the premium, if any, and interest on all Parity Debt as it becomes due and payable and the fees and expenses related to the Parity Debt, including the fees and expenses of the paying agent and any registrar, trustee, remarketing agent, tender agent or credit provider; (b) faithfully perform all covenants and undertakings under the Master Resolution and each supplemental resolution; (c) cause all Parity Debt to be called for redemption and redeemed prior to maturity, to the extent required under the provisions of the Master Resolution or any supplemental resolution; (d) maintain all real and tangible property of the Revenue Financing System in good condition, repair and working order and not impair or permit any impairment of the Revenue Financing System; (e) not incur additional debt secured by the Pledged Revenues, except as Parity Debt permitted under the Master Resolution or as debt that is junior and subordinate in all respects to the liens, pledges and covenants of the Master Resolution and any supplemental resolution; (f) invest and secure money in all funds and accounts established under the Master Resolution and any supplemental resolution as prescribed by law and the policies of the Board; (g) keep proper books of record and account relating to all dealings, activities and transactions of the Board; (h) permit any owner or owners of at least 25% of the principal amount of the then outstanding and unpaid principal amount of Parity Debt to inspect the records and accounts of the Board relating to the University System; and (i) provide for the satisfaction by each Member of its Annual Obligation. In addition, the Board has warranted that it lawfully owns and has title to or lawfully possesses the lands, buildings and facilities constituting the University System, that it will defend the title to all properties that become a part of the Revenue Financing System and that it is lawfully qualified to pledge the Pledged Revenues in the manner prescribed in the Master Resolution and has exercised such right.

#### **Additional Parity Debt: Non-Recourse Debt and Subordinated Debt**

In the Master Resolution, the Board reserves the right to issue or incur additional Parity Debt for any purpose authorized by law. The Board may incur, assume, guarantee or otherwise become liable in respect of additional Parity Debt if the Board determines that it will have sufficient funds to meet the financial obligations of the University System, including sufficient Pledged Revenue to satisfy the annual debt service requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System.

In addition, the Board covenants not to issue or incur Parity Debt unless (i) it determines that the Member or Members for whom Parity Debt is being issued or incurred possess the financial capacity to satisfy their respective Direct Obligations after taking into account the then proposed additional Parity Debt, and (ii) a University Representative delivers to the Board a certificate stating that, to the best of his or her knowledge, the Board is in compliance with all covenants contained in the Master Resolution and any supplemental resolution authorizing outstanding Parity Debt, and is not in default in the performance and observance of any of the terms, provisions and conditions thereof.

The Board has reserved the right to issue without limit debt secured by a lien other than a lien on Pledged Revenues and debt which expressly provides that all payments thereon shall be subordinated to the timely payment of all Parity Debt.

#### **Waiver of Covenants**

The Board may omit in any particular instance to comply with any covenant or condition set forth above as a general covenant or with its rate covenant (see "Rate Covenant" in this APPENDIX C), its covenants relating to issuance of Parity Debt (see "Additional Parity Debt" in this APPENDIX C), its covenants governing disposition of Member assets (see "Disposition of Member Assets" in this APPENDIX C) or its covenants relating to admission and release of Members (see "Changes in Membership of the Revenue Financing System" in this APPENDIX C) if the holders of at least 51% of all Parity Debt outstanding shall waive compliance, to the extent compliance is so expressly waived.

#### **Disposition of Member Assets**

In the Master Resolution, the Board has reserved the rights to convey, sell or otherwise dispose of any properties of the Board attributable to a Member of the Revenue Financing System, provided that

(i) such disposition shall occur in the ordinary course of business of the Member of the Revenue Financing System responsible for such properties; or

(ii) the Board determines that after the disposition, the Board shall have sufficient funds during each fiscal year to meet the financial obligations of the University System, including sufficient Pledged Revenues to satisfy the annual debt service requirements of the Revenue Financing System and to meet all other financial obligations of the Board relating to the Revenue Financing System.

#### **Changes in Membership of the Revenue Financing System**

The Master Resolution recognizes that the State may combine or divide Member institutions and provides that so long as the combined or divided institutions continue to be governed by the Board such action shall not violate the Master Resolution or require any amendment thereof. The Master Resolution also provides that a Member institution or portion thereof may be closed and abandoned by law or otherwise removed from the Revenue Financing System (thus deleting the revenues, income, funds and balances attributable to such Member or portion thereof from Pledged Revenues) without violating the Master Resolution upon satisfaction of the following requirements:

(i) the Board specifically finds (based upon a certificate signed by a University Representative) that after the release of the Member or portion thereof, the Board will have sufficient funds during each fiscal year in which Parity Debt shall thereafter be outstanding to meet the financial obligations of the University System, including sufficient Pledged Revenues to satisfy the annual debt service requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System; and

(ii) the Board shall have received an opinion of legal counsel acceptable to the Board stating that such release will not affect the status for federal income tax purposes of interest on any outstanding Parity Debt and that all conditions precedent provided in the Master Resolution or any supplement thereto relating to such release have been complied with; and

(iii) (a) if the Member or portion thereof to be released is to remain under the governance and control of the Board, the Board must either (1) provide from lawfully available funds, including Pledged Revenues attributable to the withdrawing Member, for the payment or discharge of that Member's Direct Obligation; or (2) pledge to the payment of Parity Debt, additional resources not then pledged in an amount sufficient to satisfy the withdrawing Member's Direct Obligation; or

(b) if the Member or portion thereof to be released is no longer to be under the governance and control of the Board, the Board must receive a binding obligation of the new governing body of the withdrawing institution or portion thereof, obligating the new governing body to make payments to the Board at the times and in the amounts equal to the withdrawing Member's Annual Obligation or to pay or discharge that Member's Direct Obligation, or, in the case of a portion of a Member being withdrawn, the portion of the Member's Annual Obligation or Direct Obligation, as the case may be, attributable to the withdrawing portion of the Member.

#### **Special Obligations: Absolute Obligation to Pay Parity Debt**

The Master Resolution provides that all Parity Debt and the interest thereon shall constitute special obligations of the Board payable from the Pledged Revenues, and the owners thereof shall never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than specified in the Master Resolution or any supplemental resolution. The obligation of the Board to pay or cause to be paid the amounts payable under the Master Resolution and each supplemental resolution out of the Pledged Revenues shall be absolute, irrevocable, complete, and unconditional, and the amount, manner, an time of payment of such amounts shall not be decreased, abated, rebated, setoff, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever.

#### **Remedies**

Any owner of Parity Debt in the event of default in connection with any covenant contained in the Master Resolution or in any supplemental resolution, or default in the payment of Parity Debt, or of any interest due thereon, or other costs and expenses related thereto, may require the Board, its officials and employees, and any appropriate official of the State, to carry out, respect, or enforce the covenants and obligations of the Master Resolution or any supplemental resolution, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings in any court of competent jurisdiction against the Board, its officials and employees, or any appropriate official of the State.

#### **Defeasance of Parity Debt**

Any Parity Debt and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Debt") within the meaning of the Master Resolution, except that the Board must provide for the services of the Paying Agent/Registrar or other paying agent, when the payment of all principal and interest payable with respect to such Parity Debt to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption or provision for the giving of same having been made) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the paying agent for such Parity Debt for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) noncallable Government Obligations (as defined below) which mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the Board with each such Paying Agent for the payment of its services until after all Defeased Debt shall have become due and payable. At such time as Parity Debt shall be deemed to be Defeased Debt, such Parity Debt and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Pledged Revenues, and such principal and interest shall be payable solely from such money or Government Obligations, and shall not be regarded as outstanding for any purposes other than payment, transfer, and exchange. Any money deposited with or made available to a paying agent as described in this paragraph may at the written direction of the Board also be invested in Government Obligations maturing in the amounts and times as described above, and all income from such Government Obligations received by the paying agent for an issue of Parity Debt which is not required for the payment of the Parity Debt and interest thereon, with respect to which such money has been so deposited, is to be turned over to the Board, or deposited as directed in writing by the Board. As used in this paragraph, the term "Government Obligations" means direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, which may be United States Treasury obligations such as its State and Local Government Series, which may be in book-entry form.

#### **Amendments of Master Resolution**

**Amendments Without Consent.** The Master Resolution and the rights and obligations of the Board and of the owners of the outstanding Parity Debt may be modified or amended at any time without notice to or the consent of any owner of the outstanding Parity Debt, solely for any one or more of the following purposes:

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

(ii) to cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in the Master Resolution, upon receipt by the Board of an approving opinion of bond counsel, that the same is needed for such purpose;

(iii) to supplement the security for the outstanding Parity Debt, including, but not limited to, amending the definition of Pledged Revenues to add a portion or all of the Practice Plan Funds attributable to any Member (one or more) to Pledged Revenues; provided, however, any amendment to the definition of Pledged Revenues which results in the pledge of Practice Plan Funds may limit the amount of such pledge and the manner, extent and duration of such additional pledge all as set forth in such amendment; or

(iv) to make such other changes in the provisions of the Master Resolution as the Board may deem necessary or desirable and which shall not, in the judgment of the Board, materially adversely affect the interests of the owners of outstanding Parity Debt; or

(v) to make any changes or amendments requested by any bond rating agency then rating or requested to rate Parity Debt, 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 owners of the outstanding Parity Debt.

**Amendments With Consent.** Subject to the other provisions of the Master Resolution, the owners of outstanding Parity Debt aggregating 51% in Outstanding Principal Amount shall have the right from time to time to approve any other amendment to the Master Resolution which may be deemed necessary or desirable by the Board; provided, however, that nothing contained in the Master Resolution shall permit or be construed to permit, without the approval of the owners of all of the outstanding Parity Debt, the amendment of the terms and conditions in the Master Resolution so as to:

(i) grant to the owners of any outstanding Parity Debt a priority over the owners of any other outstanding Parity Debt; or

(ii) materially adversely affect the rights of the owners of less than all Parity Debt then outstanding;

or  
(iii) change the minimum percentage of owners of the outstanding principal amount of Parity Debt necessary for consent to such amendment.

For purposes of determining whether the requisite owners of outstanding Parity Debt have approved a proposed amendment, "Outstanding Principal Amount" means, with respect to all Parity Debt or to a series of Parity Debt, the outstanding and unpaid principal amount of such Parity Debt paying interest on a current basis and the outstanding and unpaid principal and compounded interest on such Parity Debt paying accrued, accreted or compounded interest only at maturity as of any record date established by the Paying Agent/Registrar in connection with a proposed amendment or supplement to the Master Resolution.

**Notice.** If at any time the Board should desire to amend the Master Resolution, the Board is required to cause notice of the proposed amendment to be 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 successive calendar weeks. Such notice is required to briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each registrar for the Parity Debt for inspection by all owners of Parity Debt. Such publication is not required, however, if the Board gives or causes to be given such notice in writing, by certified mail, to each owner of Parity Debt.

**Amendments of Supplemental Resolutions.** Each supplemental resolution may contain provisions governing the ability of the Board to amend such supplemental resolution; provided, however, that no amendment may be made to any supplemental resolution for the purpose of granting to the owners of outstanding Parity Debt under such supplemental resolution a priority over the owners of any other outstanding Parity Debt.

**APPENDIX D**

**FINANCIAL STATEMENTS OF  
THE UNIVERSITY OF TEXAS SYSTEM**

[To Come]



**APPENDIX E**

**FORM OF BOND COUNSEL OPINION**

LAW OFFICES  
MCCALL, PARKHURST & HORTON

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AUSTIN, TEXAS 78701-3234

TELEPHONE: 512 478-3808  
TELECOPY: 512 472-0871

717 NORTH HARWOOD  
NINTH FLOOR

DALLAS, TEXAS 75201-6587

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402 ONE RIVERWALK PLACE  
SAN ANTONIO, TEXAS 78205-3503

TELEPHONE: 512 225-2800  
TELECOPY: 512 225-2984

**BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
REVENUE FINANCING SYSTEM REFUNDING BONDS  
SERIES 1991\_, DATED \_\_\_\_\_, 1991,  
IN THE PRINCIPAL AMOUNT OF \$ \_\_\_\_\_**

AS BOND COUNSEL for the Board of Regents of The University of Texas Sysetm (the "Issuer"), we have examined into the legality and validity of the issue of bonds described above (the "Bonds"), which bear interest from the dates and mature on the dates specified on the face of the Bonds, and being subject to redemption, all in accordance with the resolution authorizing the issuance of such Bonds (the "Bond Resolution"). Terms used herein and not otherwise defined shall have the meaning given in the Bond Resolution.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer, and other pertinent instruments relating to the authorization, issuance, and delivery of the Bonds, including one of the executed Bonds, and we have examined and relied upon the report and mathematical verifications of Ernst & Young, certified public accountants, with respect to the adequacy of certain escrowed funds deposited to accomplish the refunding purposes of the Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued, and delivered, all in accordance with law; and that, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization, and other similar matters affecting creditors' rights, the covenants and provisions in the Bond Resolution constitute valid and legally binding obligations of the Issuer, and the Bonds constitute valid and legally binding special obligations of the Issuer, secured by and payable from, together with the Issuer's other outstanding Parity Obligations, a lien on and pledge of the Pledged Revenues, subject only to provisions of Prior Encumbered Obligations.

**IT IS FURTHER OUR OPINION THAT**, except as discussed below, under existing statutes, judicial decisions, regulations, and published rulings of the Internal Revenue Service, interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes. In expressing the aforementioned opinion, we have relied on, and assume compliance by the Issuer with, certain representations and covenants regarding the use and investment of the proceeds of the Bonds and we have relied on the verification report of Ernst & Young, certified public accountants, with respect to the yield of the Bonds and certain escrowed investments. We call your attention to the fact that failure by the Issuer to comply with such representations and covenants may cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

**WE ARE FURTHER OF THE OPINION THAT**, assuming compliance with the below mentioned representations and covenants, the Bonds are not "private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code").

**WE CALL YOUR ATTENTION TO THE FACT THAT** the interest on tax-exempt obligations, such as the Bonds, is (a) included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax and the environmental tax imposed on corporations by sections 55 and 59A of the Code; (b) subject to the branch profits tax imposed on foreign corporations by section 884 of the Code; and (c) included in the passive investment income of an S corporation and subject to the tax imposed by section 1375 of the Code.

**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal income tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

**THE ISSUER** has reserved the right, subject to the restrictions stated in the Bond Resolution, to amend the Bond Resolution. The Issuer also has reserved the right, subject to the restrictions stated in the Bond Resolution, to issue additional Parity Obligations which also may be secured by and payable from a lien on and pledge of the Pledged Revenues on a parity with the lien securing the Bonds.

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

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

Respectfully,

**McCALL, PARKHURST & HORTON**

\$ \_\_\_\_\_

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS  
SYSTEM REVENUE FINANCING SYSTEM REFUNDING BONDS

\_\_\_\_\_ SERIES 1991A  
\_\_\_\_\_ SERIES 1991B  
\_\_\_\_\_ SERIES 1991C

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PURCHASE CONTRACT

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\_\_\_\_\_, 1991

The Board of Regents  
The University of Texas System  
c/o Executive Vice Chancellor for  
Asset Management  
210 West 6th Street  
Austin, Texas 78701

Ladies and Gentlemen:

The undersigned, Goldman, Sachs & Co., acting on behalf of itself and the other underwriters named herein (the "Underwriters"), hereby offers to enter into the following agreement with the Board of Regents of The University of Texas System (the "Board"), which, upon your acceptance of this offer, as evidenced by the execution of this agreement by the Executive Vice Chancellor for Asset Management of The University of Texas System, the duly authorized agent of the Board (the "Board's Agent"), will be binding upon the Board and upon the Underwriters.

This offer is made subject to your acceptance of this agreement on or before 5:00 p.m., Austin, Texas, on \_\_\_\_\_, 1991.

1. Purchase and Sale of Bonds. Upon the terms and conditions and upon the basis of the representations and warranties hereinafter set forth, the Underwriters, jointly and severally, hereby agree to purchase from the Board for reoffering to the public, and the Board hereby agrees to sell and deliver to the Underwriters for such purpose, (A) all (but not less than all) of \$ \_\_\_\_\_ aggregate principal amount of Board of Regents of The University of Texas System Revenue Financing System Refunding Bonds, Series 1991A (hereinafter called the "Series 1991A Bonds"), (B) all (but not less than all) of \$ \_\_\_\_\_ aggregate principal amount of Board of Regents of The University of Texas System Revenue Financing System Refunding Bonds, Series 1991B

principal amount of Board of Regents of The University of Texas System Revenue Financing System Refunding Bonds, Series 1991B (hereinafter called the "Series 1991B Bonds"), and (C) all (but not less than all) of \$\_\_\_\_\_ aggregate principal amount of Board of Regents of The University of Texas System Revenue Financing System Refunding Bonds, Series 1991C (hereinafter called the "Series 1991C Bonds"). The Series 1991A Bonds, the Series 1991B Bonds and the Series 1991C Bonds are collectively referred to as the "Bonds." The Bonds shall be authorized by, and shall be issued and secured under the provisions of, a master resolution adopted by the Board on April 12, 1990, as amended by the Board on October 12, 1990, and as amended and restated by the Board on February 14, 1991 (the "Master Resolution"), establishing The University of Texas System Revenue Financing System (the "Financing System"), a second supplemental resolution adopted by the Board on February 14, 1991, providing for the issuance of the Bonds, and a resolution adopted by the Executive Committee of the Board (the "Executive Committee") on the date hereof, approving this Purchase Contract (together with the Master Resolution and the Supplemental Resolution, the "Resolution"). The Bonds shall be dated, shall be in such form, shall have the maturities, shall bear interest from the dates and at the rates, shall be subject to redemption and shall have the other characteristics and terms as set forth on Exhibit A hereto. The respective purchase price for each series of Bonds will be the amount indicated below, plus interest accrued on the Bonds of such series from their dated date to the date of delivery: for the Series 1991A Bonds, a purchase price of \$\_\_\_\_\_ (representing the aggregate principal amount of the Series 1991A Bonds, less an underwriting discount of \$\_\_\_\_\_, and less an original issue discount of \$\_\_\_\_\_); for the Series 1991B Bonds, a purchase price of \$\_\_\_\_\_ (representing the aggregate principal amount of the Series 1991B Bonds, less an underwriting discount of \$\_\_\_\_\_); and for the Series 1991C Bonds, a purchase price of \$\_\_\_\_\_ (representing the aggregate principal amount of the Series 1991C Bonds, less an underwriting discount of \$\_\_\_\_\_, and less an original issue discount of \$\_\_\_\_\_).

2. **Purpose.** As set forth in the Official Statement (as hereinafter defined), the proceeds of each series of Bonds will be used for refunding certain outstanding obligations of the Board (the "Refunded Bonds"). The proceeds of the Series 1991B Bonds will also be used to finance the cost of improvements at certain member institutions of the Financing System. The Refunded Bonds and interest due thereon are to be paid on the scheduled interest payment and maturity dates, or upon earlier redemption thereof, from funds to be deposited with Ameritrust Texas National Association and Morgan Guaranty Trust Company of New York, as escrow agents (the "Escrow Agents"), pursuant to separate escrow agreements (the "Escrow Agreements") between the Board and each Escrow Agent. The Supplemental Resolution provides that,

concurrently with delivery of each series of Bonds, proceeds from the sale of such series of Bonds, together with other available funds, will be deposited with the appropriate Escrow Agent in an escrow fund with respect to each series of Bonds (the "Escrow Funds") to pay the principal of and any redemption premium and interest on the applicable Refunded Bonds. Proceeds from the sale of the Series 1991A Bonds and Series 1991C Bonds will be deposited in the Escrow Funds held by Ameritrust Texas National Association, as Escrow Agent, and proceeds from the sale of the Series 1991B Bonds will be deposited in the Escrow Fund held by Morgan Guaranty Trust Company of New York, as Escrow Agent. The amounts deposited into the Escrow Funds will be in the form of cash and noncallable, direct obligations of the United States of America (the "Federal Securities") and will be sufficient to provide for payment of the principal of and any redemption premium and interest on the applicable Refunded Bonds when due.

3. Representative. The Underwriters have heretofore designated Goldman, Sachs & Co. as their representative (the "Representative"). The Representative represents that it has been duly authorized by the Underwriters to execute this Purchase Contract and to act hereunder by and on behalf of the other Underwriters and will have full authority to take such action by or on behalf of the other Underwriters as it may deem advisable in respect of all matters relating to this Purchase Contract.

4. Public Offering. The Underwriters agree to make a bona fide public offering of all the Bonds of a series delivered by the Board at an amount not in excess of the initial public offering price or prices (or yield or yields) set forth on the cover of the Official Statement and may subsequently change such offering price or prices (or yield or yields) without any requirement of prior notice. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the public offering prices stated on the cover of the Official Statement.

5. Official Statement. As soon as possible but in any event no more than seven business days after the time of your acceptance hereof, the Board shall deliver to the Underwriter as many copies of the Official Statement of the Board relating to the Bonds, as required to permit the Underwriters to comply with the requirements of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), each dated the date hereof, in substantially the form approved by the Board's Agent (which, together with all appendices thereto and all supplements or amendments thereto which are approved by the Representative pursuant to Paragraph 10 hereof, is herein called the "Official Statement"). The Board hereby authorizes the use of the Official Statement and the information therein contained by the Underwriters in connection with the public offering and the sale of the Bonds. The Board also confirms its

consent to the use by the Underwriters prior to the date hereof of the Preliminary Official Statement, dated \_\_\_\_\_, 19\_\_\_\_ (the "Preliminary Official Statement"), in connection with the preliminary offering of the Bonds. Capitalized terms used herein and not otherwise defined herein shall have the meaning as set forth in the Official Statement.

6. Delivery of and Payment for the Bonds. (A) At 9:00 A.M., local time in \_\_\_\_\_, Texas, on \_\_\_\_\_, 19\_\_\_\_ (the "Series A&B Closing"), the Board will deliver (i) the Series 1991A Bonds to the Underwriters in the form of one printed or typewritten Bond certificate for each maturity, registered in the name of Goldman, Sachs & Co., or as otherwise requested by the Representative, in the aggregate principal amount of \$\_\_\_\_\_ (the "Initial Series 1991A Bonds"), and (ii) the Series 1991B Bonds to the Underwriters in the form of one printed or typewritten Bond certificate for each maturity registered in the name of Goldman, Sachs & Co., or as otherwise requested by the Representative, in the aggregate principal amount of \$\_\_\_\_\_ (the "Initial Series 1991B Bonds"). At 9:00 A.M., local time in \_\_\_\_\_, Texas, on \_\_\_\_\_, 19\_\_\_\_ (the "Series C Closing"), the Board will deliver the Series 1991C Bonds to the Underwriters in the form of one printed or typewritten Bond certificate for each maturity, registered in the name of Goldman, Sachs & Co., or as otherwise requested by the Representative, in the aggregate principal amount \$\_\_\_\_\_ (the "Initial Series 1991C Bonds"). The Series A&B Closing and the Series C Closing are sometimes separately referred to herein as the "Closing" and collectively referred to herein as the "Closings," and the Initial Series 1991A Bonds, the Initial Series 1991B Bonds and the Initial Series 1991C Bonds are collectively referred to herein as the "Initial Bonds." The Initial Bonds delivered at the Closings shall be approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas. Subject to the terms and conditions hereof, the Board will deliver at the offices of McCall, Parkhurst & Horton, in Dallas, Texas, or at such other location as is mutually agreeable, the Initial Bonds and the other documents and instruments to be delivered at the Closings pursuant to this Purchase Contract (the "Closing Documents").

(B) At the Series A&B Closing, the Underwriters will accept delivery of the Initial Series 1991A Bonds and the Initial Series 1991B Bonds and the required Closing Documents and pay the purchase price for the Series 1991A Bonds and the Series 1991B Bonds as set forth in Paragraph 1 hereof in federal funds, or other immediately available funds acceptable to the Board, for unconditional credit to the Board, or as otherwise directed by the Board. At the Series C Closing, the Underwriters will accept delivery of the Initial Series 1991C Bonds and the required Closing Documents and pay the purchase price for the Series 1991C Bonds as



set forth in Paragraph 1 hereof in federal funds, or other immediately available funds acceptable to the Board, for unconditional credit to the Board, or as otherwise directed by the Board. The Initial Bonds and the Closing Documents to be delivered at either Closing shall be made available for inspection by the Underwriters at the place for delivery of the Closing Documents at least one full business day before such Closing. Upon surrender of all Initial Bonds of a series for exchange, definitive Bonds of the same series shall be issued in the form of one typewritten or printed Bond certificate for each maturity, registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York. Delivery of the definitive Bonds of a series as aforesaid shall be made at the place in New York, New York, designated by the Underwriters. The definitive Bonds of a series shall be made available to the Underwriters at a location in New York, New York at least two full business days before the Closing for such series for purposes of inspection. The definitive Bonds shall bear proper CUSIP numbers (provided, however, that neither the printing of a wrong CUSIP number on any Bond nor the failure to print a CUSIP number thereon shall constitute cause to refuse to accept delivery of any Bond).

(C) In the event that the Underwriters fail (other than for a reason permitted hereunder) to accept delivery of and to pay for a series of Bonds at the related Closing as herein provided, the Underwriters shall pay to the Board an amount equal to one percent of the aggregate principal amount of all Bonds of such series as and for full liquidated damages for such failure and for any defaults hereunder on the part of the Underwriters and, except as set forth in Paragraphs 11 and 13 hereof, neither party hereto shall have any further rights against the other hereunder.

7. Representations and Warranties of Board. The Board represents and warrants to, and agrees with, the Underwriters that:

(A) The University of Texas System (the "System") is and will be at the date of each Closing a duly organized and existing 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 Education Code.

(B) The Board has, and at the time of the Closing will have, full legal right, power and authority (1) to enter into this Purchase Contract, and (2) to adopt the Resolution, to establish the Financing System, to pledge the Pledged Revenues (as defined in the Master Resolution) in the manner provided in the Master Resolution, and to issue, sell and deliver the Bonds as Parity Debt (as defined in the Master Resolution) to the Underwriters as provided herein and in the Resolution and the Official Statement; and the Board has, and at the time of each Closing will have, duly

adopted the Resolution and duly authorized and approved the execution and delivery of, and the performance of its obligations contained in, the Bonds, the Resolution and this Purchase Contract.

(C) The Executive Committee has, and at the time of each Closing will have, duly authorized and approved, on behalf of the Board, the execution and delivery of, and the performance of the Board's obligations contained in, this Purchase Contract. This Purchase Contract has been duly executed and delivered by the Board's Agent and constitutes a legal, valid and binding obligation of the Board, enforceable in accordance with its terms.

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

(E) 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, which would have a material and adverse effect upon the business or financial condition of the System or the Pledged Revenues.

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

(G) All approvals, consents and orders of any governmental authority or agency having jurisdiction of any matter which would constitute a condition precedent to the performance by the Board of its obligations (i) to sell and deliver the Series 1991A Bonds and Series 1991B Bonds hereunder will be obtained prior to the Series A&B Closing and (ii) to sell and deliver the Series 1991C Bonds will be obtained prior to the Series C Closing.

(H) The Preliminary Official Statement was, as of its date, "deemed final" by the Board solely for purposes of Rule 15c2-12. The Board, acting through the Executive Committee and the Board's

Agent, has duly authorized and approved and executed the Official Statement, which is final solely for purposes of Rule 15c2-12.

(I) The descriptions and summaries contained in the Official Statement accurately describe and summarize the provisions of the Resolution and the Bonds, and the Official Statement as of the date hereof and, as it may be supplemented or amended pursuant to Paragraph 10, as of the date of either Closing, does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(J) The proceeds of the sale of the Bonds shall be applied as described in the Official Statement under the caption "Estimated Sources and Applications of Funds."

(K) The financial data of the Board and the System contained in the Official Statement fairly present the receipts, disbursements, cash balances and financial condition of the Board and the System as of the dates and for the periods therein set forth, and such statements have been prepared in accordance with the format described in the Official Statement.

(L) Subsequent to the respective dates as of which information is given in the Official Statement, up to and including the date hereof, there has been no material adverse change in the financial position, results of operations or condition, financial or otherwise, of the Board or the System.

(M) Except as described in the Official Statement, there is not any action, suit, investigation, inquiry or proceeding (whether or not purportedly on behalf of the Board) pending or threatened, or that 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 any government board or body, (1) affecting the System's existence as a state agency or the Board's appointment as its governing body or its powers, or the title of its officers to their respective offices, or (2) seeking to restrain or enjoin the establishment of the Financing System, the issuance or delivery of the Bonds, or the collection or application of the Pledged Revenues to pay the principal of and interest on the Bonds, or (3) in any way contesting or affecting the tax-exempt status of the interest on the Bonds or the Refunded Bonds, or (4) in any way contesting or affecting the validity or enforceability of the Bonds, the Resolution, this Purchase Contract, the Refunded Bonds or the Prior Resolutions, or (5) contesting in any manner the completeness, accuracy, or fairness of the Preliminary Official Statement or the Official Statement, or (6) 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 System, or (7) which might in any material respect adversely affect the transactions contemplated herein.

(N) The Board will cooperate with counsel to the Underwriters in arranging for the qualification of the Bonds for sale and the determination of their eligibility for investment under the laws of such jurisdictions as the Underwriters designate and will use its best and reasonable efforts to continue such qualifications in effect so long as required for distribution of the Bonds; provided, however, that the 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.

(O) Any certificate or copy of any certificate signed by any official of the Board or the System and delivered to the Representative pursuant hereto or in connection herewith shall be deemed a representation by the Board or the System to each of the Underwriters as to the truth of the statements therein made.

(P) Between the date of this Purchase Contract and the later Closing, neither the Board nor the System will, without the prior written consent of the Underwriters, issue any additional bonds, notes or other obligations for borrowed money payable in whole or in part from Pledged Revenues, and neither the Board nor the System will incur any material liabilities, direct or contingent, except as otherwise contemplated by the Official Statement.

(Q) The Board will not take or omit to take any action, which action or omission would adversely affect the excludibility of interest on (and original issue discount in respect of) the Bonds from gross income of the owners thereof for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code").

(R) The Executive Committee was duly authorized to act on behalf of the Board, for the purpose of selling the Bonds to the Underwriters, fixing the terms of the Bonds and taking the other actions provided for herein and in the Resolution, and such actions by the Executive Committee shall be deemed to be actions by the Board.

(S) The Executive Vice Chancellor for Asset Management of the System has been duly authorized to act on behalf of the Board, as the Board's Agent, for the purpose of taking the actions provided for herein and in the Resolution, and such actions by the Board's Agent shall be deemed to be actions by the Board.

8. Certain Conditions to Underwriters' Obligations. The Underwriters have entered into this Purchase Contract in reliance upon the representations and warranties of the Board contained herein, and upon the representations and warranties of the Board to be contained in the Closing Documents and the performance by the Board and the System of the obligations hereunder, both as of the date hereof and as of the dates of the Closings. The Underwriters' obligations under this Purchase Contract are and shall be subject to the performance by the Board and the System of their obligations to be performed, hereunder and under the Closing Documents, at or prior to the Closings, and shall also be subject to the following conditions:

(A) The representations and warranties contained herein shall be true, complete and correct in all material respects at the date hereof and as of the time of the Closings, as if made on and as of the time of the Closings.

(B) At the time of each Closing, the Resolution and the Prior Resolutions shall be in full force and effect and shall not have been amended, modified, or supplemented (except for that certain first supplemental resolution adopted by the Board on April 12, 1990, as a supplement to the Master Resolution, which supplemental resolution authorizes the issuance of certain obligations under the Master Resolution in the maximum aggregate principal amount of \$100,000,000, except for a promissory note which may be in the maximum principal amount of \$108,000,000), and the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to by the Underwriters.

(C) At the time of each Closing, all official action of the Board and the Executive Committee, as appropriate, related to the Resolution shall be in full force and effect and shall not have been amended, modified or supplemented (except as provided in clause (B) above).

(D) The Representative shall have the right in its absolute discretion to terminate the Underwriters' obligations under this Purchase Contract to purchase, to accept delivery of and to pay for any series of Bonds by notifying the Board of their election to do so if, after the acceptance hereof by the Board and prior to the Closing for such series of Bonds:

- (1) In the opinion of the Representative: (a) an amendment to the Constitution of the United States or the State shall have been adopted which materially adversely affects the marketability of the Bonds;
- (b) (i) legislation shall be introduced, by amendment or otherwise, in, or be recommended for passage by the chairman or a member of the tax-writing committee of, or

be passed by, the House of Representatives or the Senate of the Congress of the United States, or be recommended to the Congress of the United States for passage by the President of the United States, or a tentative decision with respect to legislation shall be reached by a committee of the House of Representatives or the Senate of the Congress of the United States or legislation shall be favorably reported by such a committee, or (ii) a decision by a court established under Article III of the Constitution of the United States, or the Tax Court of the United States, shall be rendered, or (iii) a ruling, regulation or order of the Treasury Department of the United States or the Internal Revenue Service or any other agency of the United States shall be issued or proposed, or (iv) a release or official statement shall have been issued by the President of the United States, or by the chairman of the House Committee on Ways and Means or the Senate Finance Committee, or by the Treasury Department of the United States, or by the Internal Revenue Service, or (v) any other event shall have occurred, the effect of which, in any such case described in clause (i), (ii), (iii), (iv) or (v), would or could be to impose, directly or indirectly, federal income taxation upon revenues or other income of the general character to be derived by the Board (or by any similar body) or upon interest received on obligations of the general character of the Bonds, in such a manner as to materially impair the marketability or to materially adversely affect market price of obligations of the general character of the Bonds, or the Bonds; (c) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted or promulgated by, any governmental body, department or agency of the United States or of the State, or a decision by any court of competent jurisdiction within the United States or within the State shall be rendered which materially adversely affects the market price of the Bonds; or (d) (i) legislation shall be introduced, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate of the Congress of the United States, or be recommended to the Congress of the United States for passage by the President of the United States, or a tentative decision with respect to legislation shall be reached by a committee of the House of Representatives or the Senate of the Congress of the United States or legislation shall be favorably reported by such a committee, or (ii) a decision by a court of the United States shall be rendered, or (iii) a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject

matter shall be made or proposed, or (iv) any other event shall have occurred, the effect of which, in any such case described in clause (i), (ii), (iii) or (iv), would or could be that the issuance, offering or sale of obligations of the general character of the Bonds, or the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of any provision of the Securities Act of 1933 or the Securities Exchange Act of 1934 or the Trust Indenture Act of 1939, or that the issuance, offering or sale of obligations of the general character of the Bonds, or the Bonds, as contemplated hereby or by the Official Statement is otherwise prohibited; or

(2) The United States shall have become engaged in hostilities which have resulted in a declaration of war, or any conflict involving the armed forces of the United States shall have commenced or escalated, or other national emergency relating to the effective operation of government or the financial community shall have occurred or developed to such an extent as, in the judgment of the Representative, shall materially adversely affect the marketability of the Bonds; or

(3) There shall have occurred a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium by United States or State authorities; or

(4) The purchase of and payment for the Bonds by the Underwriters or the resale thereof by the Underwriters, on the terms and conditions herein provided, shall be prohibited by any applicable law or governmental regulation or order of any court; or

(5) An event affecting the Board or the System shall have occurred which in the reasonable opinion of the Representative results in the Official Statement as delivered on the date hereof containing any untrue statement of a material fact or omitting to state a material fact necessary to make the statements and information therein contained, in the light of the circumstances under which they were made, not misleading.

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

(F) At or prior to each Closing (except as otherwise indicated below), the Representative shall have received each of the following documents:

(1) The Official Statement executed on behalf of the Board by the Board's Agent;

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

(3) A copy of all proceedings of the Board relating to the authorization of this Purchase Contract and to the authorization and issuance of the Bonds delivered to the Underwriters at such Closing, certified as true, accurate and complete by the Executive Secretary of the Board;

(4) An unqualified opinion or certificate, dated on or prior to the date of Closing, of the Attorney General of the State of Texas, approving the Initial Bonds delivered to the Underwriters at such Closing;

(5) A letter, dated as of or prior to the date of the Closing, from the Bond Review Board of the State approving the issuance of the Bonds delivered to the Underwriters at such Closing;

(6) A certificate, dated the date of Closing, of the Vice Chancellor and General Counsel of the System to the effect that there is not any action, suit, investigation, inquiry or proceeding (whether or not purportedly on behalf of the Board) pending, or, to the best of his or her knowledge, threatened or that 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, (a) affecting the System's existence as a state agency or the Board's appointment as its governing body or its powers, or the title of its officers to their respective offices, or (b) seeking to restrain or enjoin the establishment of the Financing System, the issuance or delivery of the Bonds, or the collection or application of the Pledged Revenues to pay the principal of and interest on the Bonds, or (c) in any way contesting or affecting the tax-exempt status of the interest on the Bonds or the Refunded Bonds, or (d) in any way contesting or affecting the validity or enforceability of the Bonds, the Resolution, this Purchase Contract, the Refunded Bonds or the Previous



Resolutions, or (e) contesting in any manner the completeness, accuracy, or fairness of the Preliminary Official Statement or the Official Statement, or (f) 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 System, or (g) which might in any material respect adversely affect the transactions contemplated herein;

(7) A certificate, dated the date of Closing, signed by the Board's Agent, to the effect that (a) to the best of his knowledge: (i) the representations and warranties of the Board contained herein are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing; (ii) the Official Statement does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (iii) no event affecting the Board, the System or the Pledged Revenues has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any respect; and (iv) there has not been any material adverse change in the financial condition of the System or the Pledged Revenues from that reflected in the financial statements and other financial information contained in the Official Statement; (b) on the basis of (i) a reading of the Official Statement and of the financial statements of the System, (ii) consultations with Board members, officers and other officials of the Board and the System responsible for financial and accounting matters, and (iii) a reading of the minutes of the meetings of the Board, nothing has come to his attention which causes him to believe that as of a subsequent specified date not more than five business days prior to the date of the Closing, there was (A) any material 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 changes that have occurred or may occur which are described in such certificate or (B) any material decrease in total assets or total fund balance of the System, in each case as compared with amounts shown in such financial statements, except in all instances for changes or decreases that the Official Statement discloses or that have occurred or may occur

which are described in such certificate; and (c) to the best of his knowledge, (i) the "Schedule of Refunded Bonds" as set forth in an appendix to the Official Statement and as Exhibit C hereto is true and correct in all material respects, and (ii) the information supplied to the Representative for the purpose of developing and producing their computer analysis and schedules with regard to the refunded debt service is true and correct in all material respects;

(8) An unqualified bond opinion relating to the Bonds delivered to the Underwriters at such Closing, dated the date of Closing, of McCall, Parkhurst & Horton, Austin and Dallas, Texas, Bond Counsel, in substantially the form attached to the Official Statement as an appendix;

(9) A supplemental opinion relating to the Bonds delivered to the Underwriters at such Closing, dated the date of Closing, of Bond Counsel, in substantially the form attached hereto as Exhibit B;

(10) An opinion, dated the date of the Closing, of Vinson & Elkins, Austin and Houston, Texas, counsel to the Underwriters, in form and substance satisfactory to the Underwriters;

(11) A letter from Fitch Investors Service, a letter from Moody's Investors Service and a letter from Standard & Poor's Corporation to the effect that all of the Initial Bonds have been rated "\_\_\_," "\_\_\_," and "\_\_\_," respectively;

(12) A certificate by an appropriate official of the Board or the System to the effect that, on the basis of the facts, estimates and circumstances in effect on the date of delivery of the Bonds, it is not expected that the proceeds of the Bonds delivered to the Underwriters at such Closing will be used in a manner that would cause such Bonds to be arbitrage bonds within the meaning of Section 148 of the Code;

(13) A report of Ernst & Young, independent certified public accountants, stating that such firm has verified the mathematical accuracy of certain computations based upon assumptions provided to them relating to (a) the adequacy of the maturing principal amounts of the Federal Securities and the interest thereon held in the Escrow Funds established by the Escrow Agreement on the date of such Closing to pay when due all of the principal of and redemption premium, if

any, and interest on the Refunded Bonds then being defeased, and (b) certain mathematical computations used by Bond Counsel to support its opinion that the Bonds delivered to the Underwriters at such Closing are not arbitrage bonds within the meaning of Section 148 of the Code;

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

(15) Such additional legal opinions, certificates, instruments and other documents as the Underwriters may reasonably request to evidence the truth, accuracy and completeness, as of the date hereof and as of the date of the Closing, of 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 Board at or prior to the date of the Closing of all agreements then to be performed and all conditions then to be satisfied by the Board.

All of 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 in form and substance reasonably satisfactory to the Representative.

If the Board shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for any series of Bonds contained in this Purchase Contract, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for any series of Bonds shall be terminated for any reason permitted by this Purchase Contract, neither the Underwriters nor the Board shall be under further obligation hereunder with respect to such series of Bonds, except that the respective obligations of the Board and the Underwriters set forth in Paragraphs 11 and 13 hereof shall continue in full force and effect.

9. Entire Principal Amount. It shall be a condition to the Board's obligations to sell and to deliver the Series 1991A Bonds

to the Underwriters that the entire \$ \_\_\_\_\_ principal amount of the Series 1991A Bonds to be sold pursuant to Paragraph 1 hereof shall be purchased, accepted and paid for by the Underwriters at the Series A&B Closing; and it shall be a condition to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Series 1991A Bonds that the entire principal amount of the Series 1991A Bonds shall be sold and delivered by the Board to the Underwriters. It shall be a condition to the Board's obligations to sell and to deliver the Series 1991B Bonds to the Underwriters that the entire \$ \_\_\_\_\_ principal amount of the Series 1991B Bonds to be sold pursuant to Paragraph 1 hereof shall be purchased, accepted and paid for by the Underwriters at the Series A&B Closing; and it shall be a condition to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Series 1991B Bonds that the entire principal amount of the Series 1991B Bonds shall be sold and delivered by the Board to the Underwriters. It shall be a condition to the Board's obligations to sell and to deliver the Series 1991C Bonds to the Underwriters that the entire \$ \_\_\_\_\_ principal amount of the Series 1991C Bonds to be sold pursuant to Paragraph 1 hereof shall be purchased, accepted and paid for by the Underwriters at the Series C Closing; and it shall be a condition to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Series 1991C Bonds that the entire principal amount of the Series 1991C Bonds shall be sold and delivered by the Board to the Underwriters.

10. Amendment of Official Statement. If, during the period ending on the ninety-first day following the date of the later Closing, any event shall occur which results in the Official Statement's containing any untrue statement of a material fact or omitting to state any material fact necessary to make the statements and information therein contained, in the light of the circumstances under which they were made, not misleading, the Board will notify the Representative, and if in the opinion of the Board and the Representative such event requires a supplement or amendment to the Official Statement, the Board at its expense will supplement or amend the Official Statement in a form and in a manner approved in writing by the Representative and counsel to the Underwriters.

11. Payment of Expenses. (A) The Underwriters shall be under no obligation to pay, and the Board shall pay, all expenses incident to the performance of the obligations of the Board hereunder, including, but not limited to: (1) the cost of the printing or other reproduction (for distribution prior to, on or after the date of acceptance of this Purchase Contract) of the Resolution, the Preliminary Official Statement and the Official Statement, together with the number of copies the Underwriters deem reasonable; (2) the fees and disbursements of Bond Counsel and any other consultants, advisors or counsel retained by the System or the Board; (3) the fees, if any, for ratings of any of the Bonds;

(4) all advertising expenses in connection with the public offering of the Bonds; (5) the cost of preparing the blue sky memorandum and legal investment survey and all filing fees in connection with the aforesaid blue sky memorandum; (6) the cost associated with paying the purchase price for the Bonds in federal funds; and (7) the fees and charges of the Depository Trust Company. The foregoing fees and expenses shall be paid promptly upon receipt of an invoice therefor.

(B) The Underwriters shall pay (1) the fees and disbursements of counsel for the Underwriters (other than those associated with the blue sky memorandum and legal investment survey); and (2) all other reasonable customary expenses incurred by the Underwriters in connection with their public offering and distribution of the Bonds, other than the costs and items described in Paragraph 11(A) above.

12. Notices. Any notice or other communication to be given to the Board under this Purchase Contract shall be given by delivering the same in writing to its address set forth above, and any notice or other communication to be given to the Underwriters or the Representative under this Purchase Contract shall be given by delivering the same in writing to:

Goldman, Sachs & Co.  
85 Broad Street  
New York, New York 10004  
Attention: Kathy Becker  
Vice President

13. Miscellaneous. This Purchase Contract shall become effective when signed by the Board's Agent as heretofore specified, shall constitute the entire agreement between the Board and the Underwriters and may not be amended or modified except in writing. This Purchase Contract is made solely for the benefit of the Board and the Underwriters (including the successors or assigns of any Underwriter). No other person shall acquire or have any right hereunder or by virtue hereof. All the representations, warranties and agreements in this Purchase Contract shall survive regardless of (A) any investigations or any statement in respect thereof made by or on behalf of any of the Underwriters, (B) delivery of and payment by the Underwriters for any series of Bonds hereunder, and (C) any termination of this Purchase Contract.

Very truly yours,

GOLDMAN, SACHS & CO.  
[Insert List of Underwriters]

By: GOLDMAN, SACHS & CO.

**Exhibits**

- A - Terms of Bonds
- B - Form of Bond Counsel Supplemental Opinion
- C - Schedule of Refunded Bonds

Accepted and agreed to this  
\_\_\_\_\_ day of \_\_\_\_\_, 1991

BOARD OF REGENTS OF THE UNIVERSITY OF  
TEXAS SYSTEM

BY: \_\_\_\_\_  
Executive Vice Chancellor for  
Asset Management

\utexas\goldman\purchase.agr

**TERMS OF BONDS**

**FORM OF BOND COUNSEL'S SUPPLEMENTAL OPINION**

\_\_\_\_\_, 1991

Board of Regents of  
The University of Texas System  
210 West 6th Street  
Austin, Texas 78701

Goldman, Sachs & Co.,  
as Representative of the various  
Underwriters listed in the  
Purchase Contract relating  
to the captioned Bonds

Re: Board of Regents of The University of Texas System  
Revenue Financing System Refunding Bonds, Series  
1991\_, \$ \_\_\_\_\_

Ladies and Gentlemen:

The undersigned have been retained by the Board of Regents of The University of Texas System (the "Board"), as bond counsel with reference to the above issue of bonds (the "Bonds"), which were authorized by a Resolution adopted by the Board on February 14, 1991 (the "Bond Resolution"). Pursuant to the Bond Resolution, and the resolution of the Executive Committee of the Board adopted \_\_\_\_\_, 1991 (the "Executive Committee Resolution") the Board entered into a Purchase Contract dated \_\_\_\_\_, 1991 (the "Purchase Contract") relating to the Bonds and the Board's Revenue Financing System Refunding Bonds, Series 1991\_ and Series 1991\_ (the "Series \_ and \_ Bonds") with Goldman Sachs & Co. on behalf of itself and the other underwriters listed in the Purchase Contract (collectively, the "Underwriters"). Terms used herein and not otherwise defined have the meaning given in the Purchase Contract.

It is our opinion that the Bonds are exempt securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended and Section 304(a)(4) of the Trust Indenture Act of 1939,



as amended, and that it is not necessary in connection with the offer and sale of the Bonds to register the Bonds under the Securities Act of 1933, as amended, or to qualify the Bond Resolution, including the Executive Committee Resolution, under the Trust Indenture Act of 1939, as amended.

We were not requested to participate, and did not take part, in the preparation of the Official Statement prepared in connection with the sale of the Bonds (the "Official Statement"), and except to the extent noted herein, we have not verified and are not passing upon and do not assume any responsibility for, the accuracy, completeness, or fairness of the statements contained in the Official Statement. We have, however, reviewed the information relating to the Revenue Financing System, the Bonds, and the Bond Resolution contained in the Official Statement under the captions "Introduction," "Plan of Financing," "Estimated Sources and Applications of Funds," "Description of the Bonds," "Description of the Revenue Financing System," "Legal Matters," "Tax Exemption," "Tax Accounting Treatment of Original Issue Discount," "Legal Investments in Texas," Appendix B, "Glossary of Terms," and Appendix C, "Summary of the Master Resolution" (except for financial and statistical data contained under any of the foregoing), and we are of the opinion that the information relating to the Revenue Financing System, the Bonds, and the Bond Resolution contained under such captions is a fair and accurate summary of the information purported to be shown therein.

It is further our opinion that the Escrow Agreement dated \_\_\_\_\_, 1991 (the "Escrow Agreement") between the Board and \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, as Escrow Agent, executed in connection with the delivery of the Bonds, has been duly authorized, executed, and delivered and (assuming due authorization by the Escrow Agent) constitutes a binding and enforceable agreement in accordance with its terms, and that the Refunded Obligations - Series \_\_\_\_\_, as defined in the Escrow Agreement, being refunded by the Bonds, are outstanding under the resolutions authorizing their issuance only for the purpose of receiving the funds provided by, and are secured solely by and payable solely from, the Escrow Agreement and the cash and investments, including the income therefrom, held by the Escrow Agent pursuant to the Escrow Agreement. In rendering this opinion, we have relied upon the report and mathematical verifications of Ernst & Young, certified public accountants, with respect to the adequacy of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement to provide for the timely payment and retirement of the principal of and interest on the Refunded Obligations - Series \_\_\_\_\_. Further, the opinions expressed in this

paragraph are expressed only insofar as the laws of the State of Texas and of the United States of America may be applicable and are qualified to the extent that (i) enforceability of the Escrow Agreement may be limited by bankruptcy, reorganization, insolvency, moratorium, or other similar laws of general application in effect from time to time relating to or affecting the enforcement of creditors' rights and (ii) certain equitable remedies, including specific performance, or legal remedies awarded pursuant to principles of equity, including mandamus, may be unavailable.

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

Respectfully,

**SCHEDULE OF REFUNDED BONDS**

\utexas\goldman\bpent.exh

## PAYING AGENT/REGISTRAR AGREEMENT

THIS AGREEMENT entered into as of \_\_\_\_\_, 1991 (this "Agreement"), by and between the Board of Regents of The University of Texas System (the "Issuer"), and Ameritrust Texas National Association, a national association duly organized and existing under the laws of the United States of America (the "Bank").

## RECITALS

WHEREAS, the Issuer has duly authorized and provided for the issuance of its Board of Regents of The University of Texas System Revenue Financing System Refunding Bonds, Series 1991\_, (the "Securities") in the aggregate principal amount of \$\_\_\_\_\_. Securities to be issued in fully registered form only as to the payment of principal and interest thereon; and

WHEREAS, the Securities are scheduled to be delivered to the initial purchasers thereof on or about \_\_\_\_\_, 1991; and

WHEREAS, the Issuer has selected the Bank to serve as Paying Agent/Registrar in connection with the payment of the principal of, premium, if any, and interest on said Securities and with respect to the registration, transfer and exchange thereof by the registered owners thereof; and

WHEREAS, the Bank has agreed to serve in such capacities for and on behalf of the Issuer and has full power and authority to perform and serve as Paying Agent/Registrar for the Securities;

NOW, THEREFORE, it is mutually agreed as follows:

## ARTICLE ONE

APPOINTMENT OF BANK AS  
PAYING AGENT AND REGISTRAR**Section 1.01. Appointment.**

The Issuer hereby appoints the Bank to serve as Paying Agent with respect to the Securities. As Paying Agent for the Securities, the Bank shall be responsible for paying on behalf of the Issuer the principal, premium (if any), and interest on the Securities as the same become due and payable to the registered owners thereof, all in accordance with this Agreement and the "Order" (hereinafter defined).

The Issuer hereby appoints the Bank as Registrar with respect to the Securities. As Registrar for the Securities, the Bank shall keep and maintain for and on behalf of the Issuer books and records as to the ownership of said Securities and with respect to the transfer and exchange thereof as provided herein and in the "Order."

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

**Section 1.02. Compensation.**

As compensation for the Bank's services as Paying Agent/Registrar, the Issuer hereby agrees to pay the Bank the fees and amounts set forth in Schedule A attached hereto for the first year of this Agreement and thereafter the fees and amounts set forth in the Bank's current fee schedule then in effect for services as Paying Agent/Registrar for municipalities, which shall be supplied to the Issuer on or before 90 days prior to the close of the Fiscal Year of the Issuer, and shall be effective upon the first day of the following Fiscal Year.

In addition, the Issuer agrees to reimburse the Bank upon its request for all reasonable expenses, disbursements and advances incurred or made by the Bank in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its agents and counsel).

**ARTICLE TWO  
DEFINITIONS**

**Section 2.01. Definitions.**

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

"Acceleration Date" on any Security means the date on and after which the principal or any or all installments of interest, or both, are due and payable on any Security which has become accelerated pursuant to the terms of the Security.

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

"Bank Office for Payment" means the corporate trust office of the Bank in Dallas, Texas. The Bank will notify the Issuer in writing of any change in location of the Bank Office for Payment.

"Fiscal Year" means the fiscal year of the Issuer, ending August 31.

"Holder" and "Security Holder" each means the Person in whose name a Security is registered in the Security Register.

"Issuer Request" and "Issuer Order" means a written request or order delivered to the Bank and signed in the name of the Issuer by the Chairman of the Issuer, any member of the Executive Committee of the Issuer, the Executive Secretary of the Issuer, the Executive Vice Chancellor for Asset Management of the System, the Vice Chancellor and General Counsel of the System, the Executive Director of Finance of the System, the Manager of Finance of the System or any other officer, employee or agent of the Issuer or the System authorized in writing to sign an Issuer Request or Issue Order.

"Legal Holiday" means a day on which the Bank is required or authorized to be closed.

"Order" means the resolution of the Issuer, together with the resolution of the Executive Committee of the Issuer, pursuant to which the Securities are issued, certified by the Executive Secretary or any other officer of the Issuer and delivered to the Bank.

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

"Predecessor Securities" of any particular Security means every previous Security evidencing all or a portion of the same obligation as that evidenced by such particular Security (and, for the purposes of this definition, any mutilated, lost, destroyed, or stolen Security for which a replacement Security has been registered and delivered in lieu thereof pursuant to Section 4.06 hereof and the Order).

"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 Order.

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

"Security Register" means a register maintained by the Bank on behalf of the Issuer providing for the registration and transfer of the Securities.

"Stated Maturity" means the date specified in the Order on which the principal of a Security is scheduled to be due and payable.

**Section 2.02. Other Definitions.**

The terms "Bank," "Issuer," and "Securities" ("Security") have the meanings assigned to them in the recital paragraphs of this Agreement.

The term "Paying Agent/Registrar" refers to the Bank in the performance of the duties and functions of this Agreement.

**ARTICLE THREE  
PAYING AGENT**

**Section 3.01. Duties of Paying Agent.**

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

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the interest on each Security when due, by computing the amount of interest to be paid each Holder and preparing and sending checks by United States Mail, first class postage prepaid, on each payment date, to the Holders of the Securities (or their Predecessor Securities) on the respective Record Date, to the address appearing on the Security Register or by such other method, acceptable to the Bank, requested in writing by the Holder at the Holder's risk and expense.

**Section 3.02. Payment Dates.**

The Issuer hereby instructs the Bank to pay the principal of and interest on the Securities on the dates specified in the Order.

ARTICLE FOUR  
REGISTRAR

**Section 4.01. Security Register - Transfers and Exchanges.**

The Bank agrees to keep and maintain for and on behalf of the Issuer at the Bank Office books and records (herein sometimes referred to as the "Security Register") for recording the names and addresses of the Holders of the Securities, the transfer, exchange and replacement of the Securities and the payment of the principal of and interest on the Securities to the Holders and containing such other information as may be reasonably required by the Issuer and subject to such reasonable regulations as the Issuer and the Bank may prescribe. All transfers, exchanges and replacement of Securities shall be noted in the Security Register.

Every Security surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an officer of a federal or state bank or a member of the National Association of Securities Dealers, in form satisfactory to the Bank, duly executed by the Holder thereof or his agent duly authorized in writing.

The Bank may request any supporting documentation it feels necessary to effect a re-registration, transfer or exchange of the Securities.

To the extent possible and under reasonable circumstances, the Bank agrees that, in relation to an exchange or transfer of Securities, the exchange or transfer by the Holders thereof will be completed and new Securities delivered to the Holder or the assignee of the Holder in not more than three (3) business days after the receipt of the Securities to be cancelled in an exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Holder, or his duly authorized agent, in form and manner satisfactory to the Paying Agent/Registrar.

**Section 4.02. Certificates.**

The Issuer shall provide an adequate inventory of printed Securities to facilitate transfers or exchanges thereof. The Bank covenants that the inventory of printed Securities will be kept in safekeeping pending their use, and reasonable care will be exercised by the Bank in maintaining such Securities in safekeeping, which shall be not less than the care maintained by the Bank for debt securities of other political subdivisions or corporations for which it serves as registrar, or that is maintained for its own securities.



**Section 4.03. Form of Security Register.**

The Bank, as Registrar, will maintain the Security Register relating to the registration, payment, transfer and exchange of the Securities in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain such Security Register in any form other than those which the Bank has currently available and currently utilizes at the time.

The Security Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time.

**Section 4.04. List of Security Holders.**

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

The Bank will not release or disclose the contents of the Security 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 court order or as otherwise required by law. Upon receipt of a court order and prior to the release or disclosure of the contents of the Security Register, the Bank will notify the Issuer so that the Issuer may contest the court order or such release or disclosure of the contents of the Security Register.

**Section 4.05. Return of Cancelled Certificates.**

The Bank will, at such reasonable intervals as it determines, surrender to the Issuer, Securities in lieu of which or in exchange for which other Securities have been issued, or which have been paid.

**Section 4.06. Mutilated, Destroyed, Lost or Stolen Securities.**

The Issuer hereby instructs the Bank, subject to the applicable provisions of the Order, to deliver and issue Securities in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities as long as the same does not result in an overissuance.

In case any Security shall be mutilated, or destroyed, lost or stolen, the Bank, in its discretion, may execute and deliver a replacement Security of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Security, or in lieu of and in substitution for such destroyed lost or stolen Security, only after (i) the filing by the Holder thereof with the Bank of evidence satisfactory to the Bank of the destruction, loss or theft of such Security, and of the authenticity of the ownership thereof and (ii) the furnishing to the Bank of indemnification in an amount satisfactory to hold the Issuer and the Bank harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Security shall be borne by the Holder of the Security mutilated, or destroyed, lost or stolen.

**Section 4.07. Transaction Information to Issuer.**

The Bank will, within a reasonable time after receipt of written request from the Issuer, furnish the Issuer information as to the Securities it has paid pursuant to Section 3.01, Securities it has delivered upon the transfer or exchange of any Securities pursuant to Section 4.01, and Securities it has delivered in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities pursuant to Section 4.06.

**ARTICLE FIVE  
THE BANK**

**Section 5.01. Duties of Bank.**

The Bank undertakes to perform the duties set forth herein 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.

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

(c) No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers,

if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

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

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

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

**Section 5.03. Recitals of Issuer.**

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

The Bank shall in no event be liable to the Issuer, any Holder or Holders of any Security, or any other Person for any amount due on any Security from its own funds.

**Section 5.04. May Hold Securities.**

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

**Section 5.05. Moneys Held by Bank.**

The Bank shall deposit any moneys received from the Issuer into a trust account to be held in a fiduciary capacity for the payment of the Securities, with such moneys in the account that exceed the deposit insurance available to the Issuer by the Federal Deposit Insurance Corporation, to be fully collateralized with securities or obligations that are eligible under the laws of the State of Texas to secure and be pledged as collateral for trust accounts until the principal and interest on such Securities have been paid to the Holders thereof. Payments made from such trust account shall be made by check drawn on such trust account unless the Holder of such Securities shall, at its own expense and risk, request such other medium of payment.

Subject to the Unclaimed Property Law of the State of Texas, any money deposited with the Bank for the payment of the principal, premium (if any), or interest on any Security and remaining unclaimed for three years after the final maturity of the Security has become due and payable will be paid by the Bank to the Issuer if the Issuer so elects, and the Holder of such Security shall hereafter look only to the Issuer for payment thereof, and all liability of the Bank with respect to such monies shall thereupon cease. If the Issuer does not elect, the Bank is directed to report and dispose of the funds in compliance with Title Six of the Texas Property Code, as amended.

**Section 5.06. Indemnification.**

To the extent permitted by law, the Issuer agrees to indemnify the Bank for, and hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on its part, arising out of or in connection with its acceptance or administration of its duties hereunder, including the cost and expense against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement.

**Section 5.07. Interpleader.**

The Issuer and the Bank agree that the Bank may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in either a Federal or State District Court located in the State and County where either the Bank Office or the administrative offices of the Issuer is located, and agree that service of process by certified or registered mail, return receipt requested, to the address referred to in Section 6.03 of this Agreement shall constitute adequate service. The Issuer and the Bank further agree that the Bank has the right to file a Bill of

Interpleader in any court of competent jurisdiction to determine the rights of any Person claiming any interest herein.

**Section 5.08. Depository Trust Company Services.**

It is hereby represented and warranted that, in the event the Securities are otherwise qualified and accepted for The Depository Trust Company services or equivalent depository trust services by other organizations, the Bank has the capability and, to the extent within its control, will comply with the operational arrangements, which establishes requirements for securities to be eligible for such type depository trust services, including, but not limited to, requirements for the timeliness of payments and funds availability, transfer turnaround time, and notification of redemptions and calls.

Attached hereto is a copy of the Letter of Representation among the Issuer, the Bank and The Depository Trust Company, New York, New York, providing for the Bonds to be issued in a Book-Entry Only System. The Bank and the Issuer hereby confirm their obligations under such Letter of Representation.

**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 hereto.

**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 Issuer or the Bank shall be mailed or delivered to the Issuer or the Bank, respectively, at the addresses shown on the signature page of this Agreement.

**Section 6.04. Effect of Headings.**

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

**Section 6.05. Successors and Assigns.**

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

**Section 6.06. Severability.**

In case any provision herein shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**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. Entire Agreement.**

This Agreement and the Order constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar and if any conflict exists between his Agreement and the Order, the Order 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. Termination.**

This Agreement will terminate (i) on the date of final payment of the principal of and interest on the Securities to the Holders thereof or (ii) may be earlier terminated by either party upon sixty (60) days written notice; provided, however, an early termination of this Agreement by either party shall not be effective until (a) a successor Paying Agent/Registrar has been appointed by the Issuer and such appointment accepted and (b) notice has been given to the Holders of the Securities of the appointment of a successor Paying Agent/Registrar. Furthermore, the Bank and Issuer mutually agree that the effective date of an early termination of this Agreement shall not occur at any time which would disrupt, delay or otherwise adversely affect the payment of the Securities.

Upon an early termination of this Agreement, the Bank agrees to promptly transfer and deliver the Security Register (or a copy thereof), together with other pertinent books and

records relating to the Securities, to the successor Paying Agent/Registrar designated and appointed by the Issuer.

The provisions of Article Five shall survive and remain in full force and effect following the termination of this Agreement.

**Section 6.11. Governing Law.**

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

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

AMERITRUST TEXAS NATIONAL ASSOCIATION

By \_\_\_\_\_  
Title \_\_\_\_\_  
One American Center, 4th Floor  
600 Congress Avenue  
Austin, Texas 78701

BOARD OF REGENTS OF THE  
UNIVERSITY OF TEXAS SYSTEM

By: \_\_\_\_\_  
Title: Executive Vice Chancellor for  
Asset Management

Address: The University of Texas System  
210 West 6th Street  
Austin, Texas 78701

**SCHEDULE A**

**Paying Agent/Registrar Fee Schedule  
[To be supplied by the Bank]**



ESCROW AGREEMENT

THIS ESCROW AGREEMENT (this "Escrow Agreement") dated as of \_\_\_\_\_, 1991, is made and entered into 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, as escrow agent (together with any successor or assign in such capacity, the "Escrow Agent").

WHEREAS, the Board has heretofore issued the Board's Revenue Financing System Commercial Paper Notes, Series A, in the outstanding aggregate principal amount of \$\_\_\_\_\_; and

WHEREAS, the Board desires to refund the Refunded Notes (as hereinafter defined); and

WHEREAS, Article 717k, Vernon's Texas Civil Statutes, as amended, authorizes and empowers the Board to issue, sell and deliver refunding bonds and to deposit the proceeds of such bonds with any place of payment for the Refunded Notes in an amount which is sufficient to provide for the payment or redemption of the principal of and interest on the Refunded Notes; and

WHEREAS, the Board has adopted a resolution (the "Refunding Bond Order") authorizing the issuance of the Board's Revenue Financing System Refunding Bonds, Series 1991B, in the maximum aggregate principal amount of \$\_\_\_\_\_, and on the date hereof the Board is issuing, selling and delivering the Refunding Bonds (as hereinafter defined), for the purpose of providing the funds necessary to refund the Refunded Notes to restructure the Board's debt service requirements; and

WHEREAS, the Board has provided for the transfer to the Escrow Agent pursuant to this Escrow Agreement of proceeds of the Refunding Bonds and other money lawfully available for such purpose, to provide for the payment of the Refunded Notes; and

WHEREAS, the governing body of the Board has further determined to effectuate the refunding of the Refunded Notes pursuant to this Escrow Agreement, under which provision is made for the safekeeping, investment, reinvestment, administration and disposition of proceeds of the Refunding Bonds so as to provide firm banking and financial arrangements for the discharge and final payment of the Refunded Notes;

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, and in order to secure the full and timely

payment of the principal of and interest on the Refunded Notes, the Board and the Escrow Agent contract and agree as follows:

## ARTICLE I

### DEFINITIONS AND INTERPRETATIONS

Section 1.01. Definitions. Unless otherwise expressly provided or unless the context clearly requires otherwise, the following terms shall have the respective meanings specified below for all purposes of this Escrow Agreement:

"Board" shall mean the Board of Regents of The University of Texas System, and any successor to its duties and functions.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder and under the Internal Revenue Code of 1954.

"Escrow Agent" shall mean Morgan Guaranty Trust Company, New York, New York, in its capacity as escrow agent hereunder, and any successor or assign in such capacity.

"Escrow Agreement" shall mean this escrow agreement .

"Escrow Fund" shall mean the fund created in Section 3.01 of this Escrow Agreement to be administered by the Escrow Agent pursuant to the provisions of this Escrow Agreement.

"Escrow Funding Date" shall mean the date on which the Board deposits with the Escrow Agent the Escrowed Securities and cash described in Section 2.01.

"Escrowed Securities" shall mean the noncallable United States Treasury obligations initially purchased with proceeds of the Refunding Bonds, all as more fully described in Exhibit A hereto.

"Paying Agent for the Refunded Notes" shall mean Morgan Guaranty Trust Company, New York, New York.

"Refunded Note Resolution" shall mean the resolution adopted by the Board on April 12, 1990 authorizing the issuance of the Refunded Notes.

"Refunded Notes" shall mean the Board's Revenue Financing System Commercial Paper Note, Series A, in the principal amount of \$24,760,000, maturing on the dates and bearing interest at the rates shown on Exhibit B hereto (the quoted terms having the meaning assigned to such terms in the Refunded Note Resolution).

"Refunding Bond Resolution" shall mean the resolution adopted by the Board on February 14, 1991, authorizing the issuance of the Refunding Bonds, together with the resolution of the Executive Committee of the Board on \_\_\_\_\_, 1991 approving the sale of the Refunding Bonds and specifying the terms for the Refunding Bonds.

"Refunding Bonds" shall mean the Board's Revenue Financing System Refunding Bonds, Series 1991B, dated \_\_\_\_\_, 1991, being issued, sold and delivered on the date hereof in the aggregate principal amount of \$\_\_\_\_\_.

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

## ARTICLE II

### DEPOSIT OF FUNDS AND ESCROWED SECURITIES

Section 2.01. Deposits with Escrow Agent; Acquisition of Escrowed Securities. On the Escrow Funding Date the Board will deposit, or cause to be deposited, with the Escrow Agent the following:

- (a) Escrowed Securities in the principal amount of \$\_\_\_\_\_, purchased with proceeds of the Refunding Bonds; and
- (b) A beginning cash balance of \$\_\_\_\_\_.

## ARTICLE III

### CREATION AND OPERATION OF ESCROW FUND

Section 3.01. Escrow Fund. On the Escrow Funding Date the Escrow Agent will create on its books a special fund and irrevocable escrow to be known as the Board of Regents of The University of Texas System Revenue Financing System Refunding Bonds, Series 1991B, Escrow Fund into which will be deposited the cash and Escrowed Securities described in Section 2.01. The Escrowed Securities, all proceeds therefrom, and all cash balances from time to time on deposit in the Escrow Fund shall be the property of the Escrow Fund and shall be applied only in strict conformity with the terms and conditions hereof. The Escrowed

Securities, all proceeds therefrom and all cash balances from time to time on deposit in the Escrow Fund are hereby irrevocably pledged to the payment of the principal of and interest on the Refunded Notes, which payment shall be made by timely transfers to the Paying Agent for the Refunded Notes of such amounts at such times as are provided in Section 3.02 hereof. When the final transfers have been made to the Paying Agent for the Refunded Notes for the payment of such principal of and interest on the Refunded Notes, any balance then remaining in the Escrow Fund shall be transferred to the Board, and the Escrow Agent shall thereupon be discharged from any further duties hereunder.

Section 3.02. Payment of Principal of and Interest on Refunded Notes. The Escrow Agent is hereby irrevocably instructed to transfer to the Paying Agent for the Refunded Notes from the cash balance from time to time on deposit in the Escrow Fund the amounts required to pay the principal of and interest on the Refunded Notes as the same become due and payable, as shown in Exhibit B hereto.

Section 3.03. Sufficiency of Escrow Fund. On the basis of a report delivered by Ernst & Young, independent certified public accountants, a copy of which has been delivered to the Escrow Agent, the Board represents that the successive receipts of the principal of and interest on the Escrowed Securities will assure that the cash balance on deposit from time to time in the Escrow Fund will be at all times sufficient to provide money for transfer to the Paying Agent for the Refunded Notes at the times and in the amounts required to pay the interest on the Refunded Notes as such interest comes due and to pay the principal of the Refunded Notes as the Refunded Notes are redeemed. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund shall be insufficient to transfer the amounts required to make the payments set forth in Section 3.02 hereof, the Board shall timely deposit into the Escrow Fund, from lawfully available funds, additional funds in the amounts required to make such payments. Notice of any such insufficiency shall be given promptly as hereinafter provided, but the Escrow Agent shall not be responsible for any insufficiency of funds in the Escrow Fund or the Board's failure to make additional deposits thereto.

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

Escrow Agent as special trust funds for the purposes specified in this Escrow Agreement and for the benefit of the holders of the Refunded Notes; and a special account evidencing such fact shall be maintained at all times on the books of the Escrow Agent. The holders of the Refunded Notes shall be entitled to the same preferred claim and first lien upon the Escrowed Securities, the proceeds thereof and all other assets of the Escrow Fund as are enjoyed by other beneficiaries of similar accounts. The amounts received by the Escrow Agent under this Escrow Agreement shall not be considered as a banking deposit by the Board, and the Escrow Agent shall have no right or title with respect thereto except as escrow agent under the terms hereof. The amounts received by the Escrow Agent hereunder shall not be subject to warrants, drafts or checks drawn by the Board.

#### ARTICLE IV

##### PAYMENT OF REFUNDED NOTES AT MATURITY

Section 4.01. Maturities of Refunded Notes. The Refunded Notes mature in the amounts and on the dates and bear interest at the rate for each maturity set forth on Exhibit B hereto. The Escrow Agent is hereby authorized to provide funds to make such payments as set forth in Section 3.02 hereof.

#### ARTICLE V

##### LIMITATION ON INVESTMENTS

Section 5.01. General. Except as herein otherwise expressly provided, the Escrow Agent shall not have any power or duty to invest any money held hereunder, or to make substitutions of the Escrowed Securities, or to sell, transfer or otherwise dispose of the Escrowed Securities.

Section 5.02. Substitution of Securities. At the written request of the Board, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall sell, transfer, otherwise dispose of or request the redemption of all or any portion of the Escrowed Securities and apply the proceeds therefrom to purchase and cancel Refunded Notes or to purchase direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America and 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 (1) the Escrow Agent shall have received a written opinion from a 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 which will be sufficient, when added to the interest to

accrue thereon, to provide for the payment of principal of and interest on the remaining Refunded Notes as they become due, and (2) the Escrow Agent shall have received the unqualified written legal opinion of nationally recognized bond counsel or tax counsel acceptable to the Board and the Escrow Agent to the effect that (a) such transaction will not cause any of the Refunded Notes or Refunding Bonds to be an "arbitrage bond" within the meaning of the Code, and (b) that such transaction complies with the Constitution and laws of the State of Texas and with all relevant documents relating to the issuance of the Refunded Notes and the Refunding Bonds.

## ARTICLE VI

### RECORDS AND REPORTS

Section 6.01. Records. The Escrow Agent shall keep books of record and account in which complete and correct entries shall be made of all transactions relating to the receipt, disbursement, allocation and application of the money and Escrowed Securities deposited to the Escrow Fund and all proceeds thereof, and such books shall be available for inspection at reasonable hours and under reasonable conditions by the Board and the holders of the Refunded Notes.

Section 6.02. Report. On or before \_\_\_\_\_ 1, 1991, the Escrow Agent shall prepare and send to the Board a written report summarizing all transactions relating to the Escrow Fund during the period from the Escrow Funding Date and ending on \_\_\_\_\_ 1, 1991, including, without limitation, credits to the Escrow Fund as a result of interest payments on or maturities of the Escrowed Securities and transfers from the Escrow Fund to the Paying Agent for the Refunded Notes or otherwise, together with the cash balance on deposit in the Escrow Fund as of the end of such period.

Section 6.03. Notification. The Escrow Agent shall notify the Board immediately if at any time during the term of this agreement it determines that the cash and Escrowed Securities in the Escrow Fund are not sufficient to provide for the transfer to the Paying Agent for the Refunded Notes for timely payment of all interest on and principal of the Refunded Notes but the Escrow Agent shall not be responsible for any insufficiency of funds in the Escrow Fund or the Board's failure to make additional deposits thereto.

## ARTICLE VII

### CONCERNING THE ESCROW AGENT

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

Section 7.02. Limitation on Liability. The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in the exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Escrow Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable except for its own neglect or default, nor for any loss unless the same shall have been through its negligence or want of good faith.

The liability of the Escrow Agent to transfer funds to the Paying Agent for the Refunded Notes for the payments of the principal of and interest on the Refunded Notes shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Escrow Fund. Notwithstanding any provision contained herein to the contrary, the Escrow Agent shall have no liability whatsoever for the insufficiency of funds from time to time in the Escrow Fund or any failure of the obligor of the Escrowed Securities to make timely payment thereon, except for its obligation to notify the Board promptly of any such occurrence.

The recitals herein and in the proceedings authorizing the Refunding Bonds shall be taken as the statements of the Board and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent. In its capacity as Escrow Agent, it is agreed that the Escrow Agent need look only to the terms and provisions of this Escrow Agreement.

The Escrow Agent makes no representation as to the value, condition or sufficiency of the Escrow Fund, or any part thereof, or as to the title of the Board thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall incur no liability or responsibility with respect to any of such matters.

It is the intention of the Board and the Escrow Agent that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the

performance of any of its duties or the exercise of any of its rights and powers hereunder.

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

Section 7.03. Compensation. On the date hereof, the Board has paid to the Escrow Agent, and the Escrow Agent hereby acknowledges its receipt of, a fee of \$\_\_\_\_\_ as full and sufficient compensation for performing the services hereunder and for all expenses incurred or to be incurred by the Escrow Agent in the administration of this Escrow Agreement, and for its services in its capacity as Paying Agent for the Refunded Notes. If the Escrow Agent is requested to perform any extraordinary services hereunder, the Board hereby agrees to pay reasonable fees to the Escrow Agent for such extraordinary services and to reimburse the Escrow Agent for all expenses incurred by the Escrow Agent in performing such extraordinary services. It is expressly provided that the Escrow Agent shall look only to the Board for the payment of such additional fees and reimbursement of such additional expenses. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular, additional or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses.

Section 7.04. Successor Escrow Agents. If at any time the Escrow Agent or its legal successor or successors should cease to be the Paying Agent for the Refunded Notes, a vacancy shall forthwith exist hereunder in the office of the Escrow Agent. Any successor Paying Agent for the Refunded Notes appointed by the Board shall succeed, without further act, to all the rights,



immunities, powers and trusts of the predecessor Escrow Agent hereunder. Upon the request of any such successor Escrow Agent, the Board shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Escrow Agent all such immunities, rights, powers and duties. The Escrow Agent shall pay over to its successor Escrow Agent a proportional part of the Escrow Agent's fee hereunder equal to the portion of such fee attributable to duties to be performed after the date of succession.

## ARTICLE VIII

### MISCELLANEOUS

Section 8.01. Notices. Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid, addressed as follows:

To the Escrow Agent:

Morgan Guaranty Trust Company of New York  
60 Wall Street, 36th Floor  
New York, New York 10260  
Attention: Ms. Beth A. Andrews

To the Board:

The Board of Regents  
The University of Texas System  
210 West 6th Street  
Austin, Texas 78701  
Attention: Manager of Finance  
Office of Asset Management

The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery. Any party hereto may change the address to which notices are to be delivered by giving to the other party not less than ten days prior notice thereof.

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

Section 8.03. Binding Agreement. This Escrow Agreement shall be binding upon the Board and the Escrow Agent and their respective successors and legal representatives, and shall inure solely to the benefit of the holders of the Refunded Notes, the Board, the Escrow Agent and their respective successors and legal representatives. This Escrow Agreement shall not be subject to amendment without the written consent of the holders of all Refunded Notes then outstanding.

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

Section 8.05. Governing Law. THIS ESCROW AGREEMENT SHALL BE DEEMED TO BE A CONTRACT MADE UNDER THE LAWS OF THE STATE OF TEXAS AND FOR ALL PURPOSES SHALL BE CONSTRUED IN ACCORDANCE WITH, AND ITS VALIDITY GOVERNED BY, THE LAWS OF SAID STATE, EXCEPT THAT THE RIGHTS, IMMUNITIES AND DUTIES OF THE ESCROW AGENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

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

Executed as of \_\_\_\_\_, 1991.

THE BOARD OF REGENTS  
THE UNIVERSITY OF TEXAS SYSTEM

By \_\_\_\_\_  
Executive Vice Chancellor for  
Asset Management

\_\_\_\_\_, as Escrow Agent

By \_\_\_\_\_

Title \_\_\_\_\_

EXHIBIT A

ESCROWED SECURITIES

[TO COME]

a:\escrow.seb

EXHIBIT B

**REFUNDED NOTES**

[TO COME]

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**ESCROW AGREEMENT**

by and between

**BOARD OF REGENTS OF THE  
UNIVERSITY OF TEXAS SYSTEM**

and

**AMERITRUST TEXAS NATIONAL ASSOCIATION**

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February \_\_, 1990

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**RELATING TO THE DEFEASANCE OF  
THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
GENERAL REVENUE REFUNDING BONDS, SERIES 1986  
AND CERTAIN BONDS RELATED TO PAN AMERICAN UNIVERSITY**

## ESCROW AGREEMENT

THIS ESCROW AGREEMENT, dated as of February \_\_, 1991 (herein, together with any amendments or supplements hereto, called the "Agreement") is entered into by and between The Board of Regents of The University of Texas System (herein called the "Board") and Ameritrust Texas National Association, as escrow agent (herein, together with any successor in such capacity, called the "Escrow Agent"). The addresses of the Board and the Escrow Agent are shown on Exhibit "A" attached hereto and made a part hereof.

### W I T N E S S E T H:

WHEREAS, the Board previously has issued or assumed and there presently remain outstanding the obligations described in Exhibit "B-1" as the "Refunded Bonds - Series A" and in Exhibit "B-2" as the "Refunded Bonds - Series B" attached hereto and made a part hereof (collectively, the "Refunded Obligations"); and

WHEREAS, each of the Refunded Obligations are scheduled to come due in such years, bear interest at such rates, and be payable at such times and in such amounts as are set forth, respectively, in Exhibits "C-1" and "C-2" attached hereto and made a part hereof; and

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

WHEREAS, Chapter 55, Texas Education Code, Vernon's Ann. Tex. Civ. St. Article 717q and other applicable laws, including Vernon's Ann. Tex. Civ. St. Article 717k, authorize the Board to issue refunding bonds and to deposit the proceeds from the sale thereof, and any other available funds or resources, directly with any place of payment (paying agent) for any of the Refunded Obligations, and such deposit, if made before such payment dates and in sufficient amounts, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of such Refunded Obligations; and

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

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

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

WHEREAS, the issuance, sale, and delivery of Board of Regents of The University of Texas System Revenue Financing System Refunding Bonds, Series 1990A and Series 1990B (collectively, the "Refunding Obligations") have been duly authorized to be issued, sold, and delivered for the purpose of obtaining the

funds required to provide for the payment of the principal of, redemption premium, if any, and interest on the Refunded Obligations when due; and

WHEREAS, the Board desires that, concurrently with the delivery of each series of the Refunding Obligations to the respective purchasers thereof, certain proceeds of such series, together with certain other available funds of the Board, shall be applied to purchase certain direct obligations of the United States of America hereinafter defined as the "Escrowed Securities" for deposit to the credit of the respective Escrow Fund created pursuant to the terms of this Agreement and to establish a beginning cash balance (if needed) in such Escrow Funds; and

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

WHEREAS, to facilitate the receipt and transfer of proceeds of the Escrowed Securities, particularly those in book entry form, the Board desires to establish the Series 1990A Escrow Fund and the Series 1990B Escrow Fund at the principal corporate trust office of the Escrow Agent; and

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

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

## ARTICLE I

### DEFINITIONS AND INTERPRETATIONS

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

"Escrow Funds" means, collectively, the funds created by this Agreement to be administered by the Escrow Agent pursuant to the provisions of this Agreement.

"Escrowed Securities" means the noncallable United States Treasury obligations described in Exhibits "D-1" and "D-2" attached to this Agreement, or cash or other direct obligations of the United States of America substituted therefor pursuant to Section 4.02 of this Agreement.

"Refunded Obligations - Series A" means obligations described in Exhibit "B-1", the principal of, and interest and redemption premium, if any, on which are to be paid from amounts deposited to the Series 1990A Escrow Fund.

"Refunded Obligations - Series B" means obligations described in Exhibit "B-2", the principal of, and interest and redemption premium, if any, on which are to be paid from amounts deposited to the Series 1990B Escrow Fund.

**"Series 1990A Bonds"** means the Board's Board of Regents of The University of Texas System Revenue Financing System Refunding Bonds, Series 1990A.

**"Series 1990B Bonds"** means the Board's Board of Regents of The University of Texas System Revenue Financing System Refunding Bonds, Series 1990B.

**"Series 1990A Escrow Fund"** means the fund created by this Agreement to be administered by the Escrow Agent pursuant to the provisions of this Agreement and to which proceeds of the Series 1990A Bonds are deposited.

**"Series 1990B Escrow Fund"** means the fund created by this Agreement to be administered by the Escrow Agent pursuant to the provisions of this Agreement and to which proceeds of the Series 1990B Bonds are deposited.

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

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

## ARTICLE II

### DEPOSIT OF FUNDS AND ESCROWED SECURITIES

**Section 2.01. Deposits in the Escrow Funds.** Concurrently with the sale and delivery of each series of the Refunding Obligations the Board shall deposit, or cause to be deposited, with the Escrow Agent, for deposit, in each of the respective Escrow Funds, the funds and Escrowed Securities described herein, and the Escrow Agent shall, upon the receipt thereof, acknowledge such receipt to the Board, in writing.

Simultaneously with the execution and delivery of the Agreement, each Exhibit relating to the Series 1990A Escrow Fund and the Series 1990B Escrow Fund have been attached hereto. Upon receipt of Exhibits D-3, E-3, and F-2 relating to the Series 1990C Escrow Fund from the Vice Chancellor and System Comptroller of the Board, the Escrow Agent shall attach such Exhibits to this Agreement with the effect as though they had originally been attached hereto.

## ARTICLE III

### CREATION AND OPERATION OF ESCROW FUND

**Section 3.01. Escrow Funds.** The Escrow Agent has created on its books three separate and distinct special trust funds and irrevocable escrows to be known as The University of Texas System Revenue Financing System Bonds, Series 1990A and 1990B Escrow Funds. The Escrow Agent hereby agrees that upon receipt thereof it will deposit to the credit of the Series 1990A Escrow Fund and the Series 1990B Escrow Fund, respectively, the funds and the Escrowed Securities described in Exhibits "D-1" and "D-2" respectively. Such deposits, all proceeds therefrom, and all cash balances from time to time on deposit therein (a) shall be the property of the respective Escrow Fund to which such amounts are deposited, (b)



shall be applied only in strict conformity with the terms and conditions of this Agreement, and (c) are hereby irrevocably pledged to the payment of the principal of, and interest and redemption premium, if any, on the respective Refunded Obligations which are payable from such Escrow Fund, as more fully set forth in Exhibits "B-1" and "B-2". Payment shall be made by timely transfers of such amounts at such times as are provided for in Section 3.02 hereof. When the final transfers have been made for the payment of such principal of, and interest and redemption premium, if any, on the appropriate Refunded Obligations, any balances then remaining in the respective Escrow Fund from which such obligations have been payable shall be transferred to the Board. When the final transfers have been made for the payment of principal of, and interest and redemption premium, if any, on the Refunded Obligations and all amounts deposited to the Escrow Funds have been used or transferred pursuant hereto, the Escrow Agent shall thereupon be discharged from any further duties hereunder.

Section 3.02. Payment of Principal, Redemption Premium, and Interest. The Escrow Agent is hereby irrevocably instructed to transfer to the respective paying agents for the Refunded Obligations from the cash balances from time to time on deposit in (1) the Series 1990A Escrow Fund, the amounts required to pay the principal of the Refunded Obligations - Series A at their respective maturity or redemption dates and the redemption premium, if any, and interest on such obligations to such dates in the amounts and at the times set forth in Exhibit "C-1" attached hereto and (2) the Series 1990B Escrow Fund, the amounts required to pay the principal of the Refunded Obligations - Series B at their respective maturity or redemption dates and the redemption premium, if any, and interest on such obligations to such dates in the amounts and at the times set forth in Exhibit "C-2" attached hereto.

Section 3.03. Sufficiency of Escrow Fund. (a) The Board represents that the successive receipts of the principal of and interest on the Escrowed Securities will assure that the cash balance on deposit from time to time in each of the Escrow Funds will be at all times sufficient to provide moneys for transfer to the respective paying agents at the times and in the amounts required to pay the interest on and the redemption premium, if any, and the principal of the respective Refunded Obligations as such payments become due, all as more fully set forth in Exhibits "E-1" and "E-2" attached hereto. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in any of the Escrow Funds shall be insufficient to transfer the amounts required by each paying agent for the applicable Refunded Obligations to make the payments set forth in Section 3.02 hereof, the Board shall timely deposit in such Escrow Fund, from any funds that are lawfully available therefor, additional funds in the amounts required to make such payments. Notice of any such insufficiency shall be given promptly as hereinafter provided, but the Escrow Agent shall not in any manner be responsible for any insufficiency of funds in the Escrow Funds or the Board's failure to make additional deposits thereto.

(b) Notwithstanding anything to the contrary contained herein, the Refunded Obligations shall be payable solely from the respective Escrow Fund which is specifically created for the payment of such obligations and the other funds specified in Section 3.03(a) and each Escrow Fund shall be subject to a lien solely for the benefit of the respective Refunded Obligations with respect to which the Escrow Fund is established.

Section 3.04. Trust Fund. The Escrow Agent shall at all times hold the Escrow Funds, the Escrowed Securities, and all other assets of each of the Escrow Funds wholly segregated from all other funds and securities on deposit with the Escrow Agent (including the other Escrow Funds and securities on deposit in the other Escrow Funds); it shall never allow the Escrowed Securities in an Escrow Fund or any other assets of an Escrow Fund to be commingled with any other funds or securities of the Escrow Agent or with either of the other Escrow Funds; and it shall hold and dispose of the assets of each of the Escrow Funds only as set forth herein. The Escrowed Securities and other assets of each of the Escrow Funds shall always be maintained by the Escrow Agent as trust funds for the benefit of the owners of the respective Refunded Obligations; and a special account thereof shall at all times be maintained on the books of the Escrow Agent. The owners of the Refunded Obligations shall be entitled to the same preferred claim and

first lien upon the Escrowed Securities, the proceeds thereof, and all other assets of the respective Escrow Funds which are created for their benefit and to which they are entitled as owners of the Refunded Obligations. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the Board, and the Escrow Agent shall have no right to title with respect thereto except as a constructive trustee and Escrow Agent under the terms of this Agreement. The amounts received by the Escrow Agent under this Agreement shall not be subject to warrants, drafts, or checks drawn by the Board or, except to the extent expressly herein provided, by the Paying Agent.

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

#### ARTICLE IV

##### LIMITATION ON INVESTMENTS

Section 4.01. Investments. Except for the initial investment in the Escrowed Securities, and except as provided in Sections 4.02 and 4.03 hereof, the Escrow Agent shall not have any power or duty to invest or reinvest any money held hereunder, or to make substitutions of the Escrowed Securities, or to sell, transfer, or otherwise dispose of the Escrowed Securities.

Section 4.02. Substitution of Securities. At the written request of the Board, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall utilize cash balances in each of the Escrow Funds, or sell, transfer, otherwise dispose of, or request the redemption of the Escrowed Securities and apply the proceeds therefrom to purchase 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 (a) the Escrow Agent shall have received a written opinion from a nationally recognized firm of certified public accountants that such transaction will not cause the amount of money and securities in the respective Escrow Fund to be reduced below an amount sufficient to provide for the full and timely payment of principal of, and interest and redemption premium, if any, on all of the remaining Refunded Obligations to be paid from such Escrow Fund as they become due; and (b) 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 or Refunded Obligations to be an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Code of 1986 or, if applicable, Section 103(c) of the Internal Revenue Code of 1954.

Section 4.03. Reinvestment of Certain Cash Balances in Escrow by Escrow Agent. In addition to the Escrowed Securities listed in Exhibits "D-1" and "D-2" hereto, the Escrow Agent shall reinvest cash balances shown in Exhibits "F-1" and "F-2" attached hereto in zero (0) interest rate United States Treasury Obligations - State and Local Government Series to the extent such Obligations are available from the Department of the Treasury. All such reinvestments shall be made only from the portion of cash balances derived from the maturing principal of and interest on Escrowed Securities that are United States Treasury Certificates of Indebtedness, Notes, or Bonds - State and Local Government Series deposited to the respective Escrow Fund. All such reinvestments shall be acquired on and shall mature on the dates shown on Exhibits "F-1" and "F-2" attached hereto.

Section 4.04. Arbitrage. The Board hereby covenants and agrees that it shall never request the Escrow Agent to exercise any power hereunder or permit any part of the money in the Escrow Funds or proceeds from the sale of Escrowed Securities to be used directly or indirectly to acquire any securities or

obligations if the exercise of such power or the acquisition of such securities or obligations would cause any Refunding Obligations or Refunded Obligations to be an "arbitrage bond" within the meaning of section 148 of the Internal Revenue Code of 1986 or, if applicable, section 103(c) of the Internal Revenue Code of 1954, as amended.

## ARTICLE V

### APPLICATION OF CASH BALANCES

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

## ARTICLE VI

### RECORDS AND REPORTS

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

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

## ARTICLE VII

### CONCERNING THE PAYING AGENTS AND ESCROW AGENT

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

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

The recitals herein and in the proceedings authorizing the Refunding Obligations shall be taken as the statements of the Board and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent. The Escrow Agent is not a party to the proceedings authorizing the Refunding

Obligations or the Refunded Obligations and is not responsible for nor bound by any of the provisions thereof (except as a place of payment and paying agent and/or a Paying Agent/Registrar therefor). In its capacity as Escrow Agent, it is agreed that the Escrow Agent need look only to the terms and provisions of this Agreement.

The Escrow Agent makes no representations as to the value, conditions, or sufficiency of the Escrow Funds, or any part thereof, or as to the title of the Board thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall not incur any liability or responsibility in respect to any of such matters.

It is the intention of the parties hereto that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

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

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

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

(b) In addition to the Escrow Agent, the banks shown in Exhibit "G" also are places of payment (paying agents) for some of the Refunded Obligations. Concurrently with the sale and delivery of each of the Refunding Obligations the Board shall pay to the Escrow Agent the sum of \$\_\_\_\_\_ relating to the Refunded Obligations - Series A, and \$\_\_\_\_\_ relating to the Refunded Obligations - Series B, for a total of \$\_\_\_\_\_, the sufficiency of which is hereby acknowledged by the Escrow Agent, for all future paying agency services of the Escrow Agent and all of the other paying agents for any of the Refunded

Obligations; and the Escrow Agent warrants that such sum is sufficient for such purpose, and that it has confirmed such sufficiency, and received approval of the arrangements herein made, with all of said paying agents. The Escrow Agent shall be obligated to make available to such other paying agents for the Refunded Obligations amounts from the Escrow Funds sufficient to pay when due the principal of, redemption premium, if any, and interest on any Refunded Obligations presented to them for payment, and to pay all charges of all paying agents for the Refunded Obligations for such paying agency services.

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

**Section 7.04. Successor Escrow Agents.** If at any time the Escrow Agent or its legal successor or successors should become unable, through operation of law or otherwise, to act as escrow agent hereunder, or if its property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent hereunder. In such event the Board, by appropriate action, promptly shall appoint an Escrow Agent to fill such vacancy. If no successor Escrow Agent shall have been appointed by the Board within 60 days, a successor may be appointed by the owners of a majority in principal amount of the Refunded Obligations then outstanding by an instrument or instruments in writing filed with the Board, signed by such owners or by their duly authorized attorneys-in-fact. If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this section within three months after a vacancy shall have occurred, the owner of any Refunded Obligation may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

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

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

## ARTICLE VIII

### MISCELLANEOUS

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

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

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

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

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

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

**Section 8.07. Amendments.** This Agreement shall not be amended except to cure any ambiguity or formal defect or omission in this Agreement. No amendment shall be effective unless the same shall be in writing and signed by the parties thereto. No such amendment shall adversely affect the rights of the holders of the Refunded Obligations.

**Section 8.08. Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall be deemed but one and the same instrument.

**[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]**

EXECUTED as of the date first written above.

BOARD OF REGENTS OF THE  
UNIVERSITY OF TEXAS SYSTEM

By \_\_\_\_\_  
Vice Chancellor and System Comptroller

ATTEST:

\_\_\_\_\_  
Executive Secretary

(SEAL)

AMERITRUST TEXAS NATIONAL ASSOCIATION

By \_\_\_\_\_  
(Title) \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Trust Officer

(SEAL)

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EXHIBIT "A"

ADDRESSES OF THE BOARD AND  
ESCROW AGENT

System

The University of Texas System  
210 West Sixth Street  
Austin, TX 78701

Attention: John Roan

ESCROW AGENT

Ameritrust Texas National Association  
221 W. Sixth Street., Box 2266  
Austin, TX 78780

Attention: \_\_\_\_\_  
Corporate Trust Department

**EXHIBIT "B-1"**

**DESCRIPTION OF THE  
REFUNDED OBLIGATIONS**

**Board of Regents of The University of Texas System General Revenue Refunding Bonds,  
Series 1986.**

**EXHIBIT "B-2"**  
**DESCRIPTION OF THE**  
**REFUNDED OBLIGATIONS**

Board of Regents of Pan American College Utility Plant Student Fee Revenue Bonds, Series 1968;

Board of Regents of Pan American College Auxiliary Enterprise System Revenue Bond, Series A of 1968;

Board of Regents of Pan American College Auxiliary Enterprise System Revenue Bond, Series B of 1968;

Board of Regents of Pan American College Auxiliary Enterprise System Revenue Bond, Series C of 1968;

Board of Regents of Pan American College Auxiliary Enterprise System Revenue Bonds Series D of 1968;

Board of Regents of Pan American College Student Fee Revenue Bonds, Series 1969;

Board of Regents of Pan American University Combined Fee Revenue Bonds, Series 1971;

Board of Regents of Pan American University Auxiliary Enterprise System Revenue Bonds, Series 1973; and

Board of Regents of Pan American University Auxiliary Enterprise System Revenue Bonds, Series 1977.

EXHIBIT "C-1"

SCHEDULE OF DEBT SERVICE  
ON REFUNDED OBLIGATIONS

TO BE PROVIDED  
BY ACCOUNTING FIRM

EXHIBIT "C-2"

SCHEDULE OF DEBT SERVICE  
ON REFUNDED OBLIGATIONS

TO BE PROVIDED  
BY ACCOUNTING FIRM

EXHIBIT "D-1"  
ESCROW DEPOSIT

I. CASH

II. STATE AND LOCAL GOVERNMENT  
SERIES OBLIGATIONS

<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
-------------------------	----------------------	----------------------

III. OTHER OBLIGATIONS

<u>Principal Description</u>	<u>Interest Amount</u>	<u>Maturity Rate</u>	<u>Date</u>
----------------------------------	----------------------------	--------------------------	-------------

EXHIBIT "D-2"  
ESCROW DEPOSIT

I. CASH

II. STATE AND LOCAL GOVERNMENT  
SERIES OBLIGATIONS

<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
-------------------------	----------------------	----------------------

III. OTHER OBLIGATIONS

<u>Principal Description</u>	<u>Interest Amount</u>	<u>Maturity Rate</u>	<u>Date</u>
----------------------------------	----------------------------	--------------------------	-------------

EXHIBIT "E-1"

ESCROW FUND CASH FLOW

To Be Provided  
By Accounting Firm



EXHIBIT "E-2"

ESCROW FUND CASH FLOW

To Be Provided  
By Accounting Firm

EXHIBIT "F-1"  
REINVESTMENTS IN ZERO  
COUPON SLGS

Principal Amount

Purchase Date

Maturity Date

EXHIBIT "F-2"  
REINVESTMENTS IN ZERO  
COUPON SLGS

Principal Amount

Purchase Date

Maturity Date

EXHIBIT "G"

Draft 2/12/91

LETTER OF REPRESENTATION  
Board of Regents of The University of Texas System  
Ameritrust Texas National Association

\_\_\_\_\_, 1991

The Depository Trust Company  
55 Water Street  
New York, NY 10041

Attention: General Counsel's Office

Re: Board of Regents of The University of Texas System  
Revenue Financing System Refunding Bonds, Series  
1991\_, \$\_\_\_\_\_

Gentlemen:

The purpose of this letter is to set out certain matters relating to the above-referenced Bonds (the "Bonds"). \_\_\_\_\_ is acting as Paying Agent/Registrar of the Issuer with respect to the Bonds. The Bonds will be issued pursuant to a Bond Resolution document authorizing the issuance of the Bonds dated as of \_\_\_\_\_, 1991 and a Pricing Committee Resolution authorizing the Purchase Contract dated \_\_\_\_\_, 1991 (collectively the "Document"). \_\_\_\_\_ is distributing the Bonds through The Depository Trust Company ("DTC").

To induce DTC to accept the Bonds as eligible for deposit at DTC and act in accordance with its Rules with respect to the Bonds, the Issuer and the Agent, if any, make the following representations to DTC:

1. Subsequent to Closing on the Bonds on \_\_\_\_\_, 1991, there shall be deposited with DTC one Bond certificate in registered form registered in the name of DTC's nominee, Cede & Co., for each stated maturity of the Bonds in the face amounts set forth on Schedule A hereto, the total of which represents 100% of the principal amount of such Bonds.
2. In the event of any solicitation of consents from and voting by holders of the Bonds, the Issuer or Agent, shall

establish a record date for such purposes and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

3. In the event of a redemption or any other similar transaction resulting in retirement of all Bonds outstanding or a reduction in aggregate principal amount of Bonds outstanding ("full or partial redemption") or an advance refunding of all or part of the Bonds outstanding, the Issuer or Agent, shall give DTC notice of such event not less than 31 days nor more than 60 days prior to the redemption date or, in the case of an advance refunding, the date the proceeds are deposited in escrow.

4. In the event of a partial redemption or an advance refunding of part of the Bonds outstanding, the Issuer or Agent shall send DTC a notice specifying: 1) the amount of the redemption or refunding; 2) in the case of a refunding, the maturity date(s) established under the refunding; and 3) the date such notice is to be mailed to Bondholders or published ("the Publication Date"). Such notice shall be sent to DTC by a secure means (e.g., legible facsimile transmission, registered or certified mail, overnight express delivery) in a timely manner designed to assure that such notice is in DTC's possession no later than the close of business on the business day before the Publication Date. The Issuer or Agent will forward such notice either in a separate secure transmission for each CUSIP number or in a secure transmission for multiple CUSIP numbers which includes a manifest or list of each CUSIP submitted in that transmission. (The Issuer or Agent sending such notice shall have a method to verify subsequently the use of such means and timeliness of the notice.) The Publication Date shall be not less than 30 days nor more than 60 days prior to the redemption date or, in the case of an advance refunding, the date the proceeds are deposited in escrow.

5. In the event of an invitation to tender the bonds, notice to Bondholders by the Issuer or Agent, specifying the terms of the tender and the date such notice is to be mailed to Bondholders or published ("the Publication Date") shall be sent to DTC by a secure means (e.g., legible facsimile transmission, registered or certified mail, overnight express delivery) in a timely manner designed to assure that such notice is in DTC's possession no later than the close of business on the business day before the Publication Date. (The Issuer or Agent sending such notice shall have a method to verify subsequently the use of such means and timeliness of the notice.)

6. All notices and payment advices sent to DTC shall contain the CUSIP number of the Bonds.

7. Notices to DTC by facsimile transmission shall be sent to DTC's Call Notification Department at (516) 227-4039 or (516) 227-

4190. The Agent shall confirm DTC's receipt of such facsimile transmission by telephoning the Call Notification Department at (516) 227-4070. Notices to DTC by mail or any other means shall be sent to:

**The Depository Trust Company**  
Call Notification Department  
Muni Reorganization Manager  
711 Stewart Avenue  
Garden City, NY 11530

8. Interest payments shall be received by Cede & Co., as nominee of DTC, or its registered assigns in next-day funds on each payment date (or the equivalent in accordance with existing arrangements between the Issuer or Agent and DTC). Such payments shall be made payable to the order of Cede & Co.

9. Payments of principal shall be received by Cede & Co., as nominee of DTC, or its registered assigns in next-day funds on each payment date. Principal payments shall be made payable to the order of Cede & Co., and shall be addressed as follows:

**The Depository Trust Company**  
Muni Redemption Department  
55 Water Street - 50th Floor  
New York, NY 10041  
Attention: Collection Supervisor

10. DTC may direct the Issuer or Agent to use any other telephone number for facsimile transmission, address, or department of DTC as the number, address or department to which payments of interest or principal or notices may be sent.

11. In the event of a redemption, acceleration or any other similar transaction (e.g., tenders made and accepted in response to the Issuer's or Agent's invitation) necessitating a reduction in aggregate principal amount of Bonds outstanding or an advance refunding of part of the Bonds outstanding, DTC, in its discretion, (a) may request the Issuer or Agent to issue and authenticate a new Bond certificate or (b) shall make an appropriate notation on the Bond certificate indicating the date and amounts of such reduction in principal, except in the case of final maturity, in which case the certificate must be presented to the Issuer or Agent prior to payment.

12. In the event the Issuer determines pursuant to the Document that beneficial owners of the Bonds shall be able to obtain certificated Bonds, the Issuer or Agent shall notify DTC of the availability of Bond certificates and shall issue, transfer and exchange Bond certificates in appropriate amounts as required by DTC and others.

13. DTC may determine to discontinue providing its service as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or Agent (at which time DTC will confirm with the Issuer or Agent the aggregate principal amount of the Bonds outstanding) and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, whenever DTC requests the Issuer and the Agent to do so, the Agent and the Issuer will cooperate with DTC in taking appropriate action to make available one or more separate certificates evidencing the Bonds to any DTC Participant having Bonds credited to its DTC account.

14. Nothing herein shall be deemed to require the Agent to advance funds on behalf of the Issuer.

Very truly yours,

\_\_\_\_\_

(as Agent)

By: \_\_\_\_\_  
(Authorized Officer's Signature)

\_\_\_\_\_  
(Title)

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS  
SYSTEM  
(as Issuer)

By: \_\_\_\_\_  
(Authorized Officer's Signature)  
Executive Vice Chancellor for Asset  
Management  
(Title)

Received and Accepted:

**THE DEPOSITORY TRUST COMPANY**

By: \_\_\_\_\_  
(Authorized Officer's Signature)

cc: Goldman, Sachs & Co.  
Vinson & Elkins  
McCall, Parkhurst & Horton



**SCHEDULE A**  
**(Attachment to Letter of Representation)**

**Board of Regents of The University of Texas System**  
**Revenue Financing System Refunding Bonds,**  
**Series 1991\_, \$ \_\_\_\_\_**

2. U. T. Board of Regents: Adoption of Resolution Approving and Authorizing the Issuance of Permanent University Fund Refunding Bonds, Series 1991, in an Amount Not to Exceed \$250,000,000; Designation of the Executive Committee as the Pricing Committee to Approve the Pricing; Appointment of Vinson & Elkins, Austin, Texas, as Bond Counsel; Appointment of Ernst & Young, Tucson, Arizona, as Escrow Verification Agent; Appointment of Morgan Guaranty Trust Company of New York, New York, as Escrow Agent; Authorize the Sale of the Bonds to J. P. Morgan Securities, New York, New York; Authorization for Office of Finance to Advertise for Bids; and Authorization for Officers of U. T. System to Complete Transactions.--

Final documents will be presented to the Board at the meeting.

E. 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 Beecherl  
Vice-Chairman Barshop  
MSA Page Ex.C - 1

Personnel and Audit Committee: Regent Cruikshank  
Regent Barshop  
MSA Page P&A - 1

Academic Affairs Committee: Chairman Barshop  
Regent Loeffler, Regent Ramirez  
MSA Page AAC - 1

Health Affairs Committee: Regent Ramirez  
Regent Moncrief  
MSA Page HAC - 1

Finance and Facilities Committee: Chairman Moncrief  
Regent Beecherl, Regent Loeffler  
MSA Page F&F - 1

Land and Investment Committee: Regent Cruikshank  
MSA Page L&I - 1

Approved: MEP

PROPOSED AGENDA ITEM

For Board of Regents' Meeting: February 14, 1991

Recommended Committee(s): Special Item

U. T. Board of Regents: Adoption of Resolution Approving and Authorizing the Issuance of Permanent University Fund Refunding Bonds, Series 1991, in an Amount Not To Exceed \$260,000,000; Designation of the Executive Committee as the Pricing Committee to Approve the Pricing; Appointment of Vinson & Elkins, Austin, Texas, as Bond Counsel; Appointment of Ernst & Young, Tucson, Arizona, as Escrow Verification Agent; Appointment of Morgan Guaranty Trust Company of New York, New York, New York, as Escrow Agent; Authorization for the Sale of the Bonds to J. P. Morgan Securities, New York, New York; Authorization for Office of Finance to Advertise for Bids; and Authorization for Officers of U. T. System to Complete Transactions.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Asset Management that the U. T. Board of Regents approve the following actions:

- a. Approve the Resolution authorizing the issuance of Permanent University Fund Refunding Bonds, Series 1991, in the aggregate principal amount not to exceed \$260,000,000 to be used to refinance an equal principal amount of Permanent University Fund Variable Rate Notes, Series A (in approving the resolution, the Board will be approving an Official Statement, a Bond Purchase Contract, a Paying Agent/Registrar Agreement, and an Escrow Agreement, all substantially in the form set forth in exhibits of the resolution)
- b. Designation of the Executive Committee of the U. T. Board of Regents as the Pricing Committee to approve the pricing of the Bonds
- c. Appointment of Vinson & Elkins, Austin, Texas, as Bond Counsel
- d. Appointment of Ernst and Young, Tucson, Arizona, as Escrow Verification Agent
- e. Appointment of Morgan Guaranty Trust Company of New York, New York, New York, as Escrow Agent

Copies

Office of the Board of Regents (orig. + 1 xc)

xcs: Chancellor Mark

Dr. Duncan

Dr. Mullins

Mr. Patrick

Mr. Binder

Mr. Burck

Mr. Farabee

Mr. Boyd

Supplemental Material

Date: 02/05/91  
pkc/kdh

- f. Authorization for the sale of the Permanent University Fund Refunding Bonds, Series 1991, to J. P. Morgan Securities, New York, New York
- g. Authorization for the Office of Finance to advertise for bids for the Paying Agent/Registrar and printing of the Official Statement
- h. Authorization for certain officers and employees of the U. T. System to take any and all steps necessary to complete the transactions.

#### BACKGROUND INFORMATION

At its December 1985 meeting, the U. T. Board of Regents 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 Improvement Program. At its December 1986 meeting, the authorization for issuance of the Notes was increased by \$25 million so that the aggregate amount of Notes outstanding would not exceed \$125 million. At its February 1988 meeting, the authorization for Note issuance was increased so that the aggregate amount of Notes outstanding would not exceed \$250 million. 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. This two stage financing program was adopted because it permitted the U. T. System to minimize Available University Fund debt service during construction by borrowing at short-term interest rates and only as expenditures were incurred. At its April 1988 meeting, the Board adopted a resolution authorizing the issuance and sale of \$100 million of fixed rate long-term bonds to be used to refinance \$100 million of short-term variable rate notes.

Currently the Board has \$250 million of short-term variable rate notes outstanding. In order to sustain the current financing program, the short-term variable rate notes must be refinanced with long-term fixed rate bonds during the current fiscal year. Authorization to refinance the variable rate notes is requested in order to position the U. T. System to take advantage of favorable market conditions for fixed rate debt. This requires Board approval be acquired prior to the issuance of the bonds so that a fixed rate financing can be implemented.

**RESOLUTION**

**authorizing the issuance, sale and delivery of**

---

**Board of Regents**

**of**

**The University of Texas System**

**Permanent University Fund Refunding Bonds**

**Series 1991**

---

**and approving and authorizing instruments and procedures  
relating thereto**

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**RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND  
DELIVERY OF BOARD OF REGENTS OF THE UNIVERSITY  
OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND  
REFUNDING BONDS, SERIES 1991, AND APPROVING  
AND AUTHORIZING INSTRUMENTS AND PROCEDURES  
RELATING THERETO**

---

WHEREAS, article VII, section 18 of the Texas Constitution, as amended, authorizes the Board of Regents (the "Board") of The University of Texas System (the "System") to issue bonds and notes not to exceed a total amount of 20% of the cost value of investments and other assets of the Permanent University Fund established, implemented and administered pursuant to article VII of the Texas Constitution (the "Permanent University Fund"), exclusive of real estate, at the time of issuance thereof and to pledge all or any part of its two-thirds interest in the Available University Fund consisting of the dividends, interest and other income from the Permanent University Fund (less administrative expenses) including the net income attributable to the surface of Permanent University Fund land (the "Available University Fund") to secure the payment of the principal of and interest on those bonds and notes, for the purpose of acquiring land, 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 component institutions of the System; and

WHEREAS, the Board heretofore has authorized, issued, and delivered, pursuant to such constitutional provision and a resolution adopted by the Board on December 5, 1985, as amended on December 4, 1986 and February 11, 1988, and as amended and restated on December 7, 1989, its Permanent University Fund Variable Rate Notes, Series A (the "Refunded Notes"), which are now outstanding in the aggregate principal amount of \$250,000,000, and which, along with certain other outstanding obligations of the Board, are secured by a pledge of the Board's two-thirds interest in the Available University Fund; and

WHEREAS, the Board has determined to authorize issuance of its obligations in the maximum aggregate principal amount of \$260,000,000 for the purpose of refunding the Refunded Notes, pursuant to article VII, section 18 of the Texas Constitution, section 65.46, Texas Education Code, and articles 717k and 717q, Texas Revised Civil Statutes Annotated, all as amended, and other applicable laws;

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



## ARTICLE I

### DEFINITIONS, INTERPRETATION AND FINDINGS

Section 1.01. DEFINITIONS. (a) Unless expressly provided otherwise herein or unless the context shall indicate a contrary meaning or intent, the terms and expressions defined below, when used in this Resolution, shall have the meanings set forth below for all purposes of this Resolution, except the FORM OF BOND appearing in Section 2.06 hereof.

"Additional Parity Bonds and Notes" means the additional parity bonds and the additional parity notes permitted to be issued pursuant to Section 3.04 hereof or pursuant to Section 12 of the Series 1985 Resolution or Section 3.04 of the Series 1988 Resolution.

"Authorized Denomination" means \$5,000 principal amount or any integral multiple thereof.

"Authorized Representative" means the Executive Vice Chancellor for Asset Management of the System when acting on behalf of the Board pursuant to Sections 7.04, 7.05, 7.06 and 7.07 of this Resolution.

"Available University Fund" means, as provided in article VII, section 18 of the Texas Constitution, as amended, 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.

"Board" means the Board of Regents of the System.

"Bond" or "Bonds" means any one or more, as the case may be, of the bonds authorized by this Resolution, and all substitute bonds exchanged therefor, and all other substitute and replacement bonds issued pursuant to this Resolution.

"Bond Purchase Contract" means the agreement or agreements to purchase the Bonds authorized by Section 7.04 of this Resolution.

"Code" means the Internal Revenue Code of 1986, as amended.

"Counsel's Opinion" means a written legal opinion of nationally recognized bond counsel acceptable to the Board.

"Defeased Bond" means any Bond the principal of and interest on which is deemed to be paid, retired and no longer outstanding within the meaning of this Resolution, pursuant to and in accordance with Section 7.02 hereof.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"DTC Participant" means the securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"Escrow Agreement" means, for each installment of Bonds, that certain Escrow Agreement, dated as of the date of issuance and delivery of such installment to the Underwriters thereof, between the Board and Morgan Guaranty Trust Company of New York, New York, New York, as escrow agent, as authorized by Section 7.06 hereof, and as such agreement may be amended from time to time in accordance with the terms thereof.

"Government Obligations" means direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, which may be United States Treasury obligations such as its State and Local Government Series, and which may be in book-entry form.

"Interest and Sinking Fund" means the Board of Regents of The University of Texas System Permanent University Fund Bonds Interest and Sinking Fund described in Section 3.02 hereof.

"Interest of the System," when used with reference to the Available University Fund, means the System's two-thirds interest in the Available University Fund as apportioned and provided in article VII, section 18 of the Texas Constitution, as amended.

"Paying Agent" means the paying agent for the Bonds appointed by the Board in Section 2.14 hereof, or any successor to such paying agent appointed hereunder.

"Paying Agent/Registrar" means the entity acting as both Paying Agent and Registrar hereunder.

"Paying Agent Agreement" means that certain Paying Agent/Registrar Agreement, dated as of the date of issuance and delivery of the initial installment of Bonds to the initial purchaser thereof, between the Board and the Paying Agent, as authorized by Section 2.14 hereof, and as such agreement may be amended from time to time in accordance with the terms thereof.

"Permanent University Fund" means the Permanent University Fund as created, established, implemented and administered pursuant

to sections 10, 11, 11a, 15 and 18 of article VII of the Texas Constitution, as amended, and by other applicable present and future constitutional and statutory provisions.

"Principal and Interest Requirements" means, with respect to any fiscal year of the System, the amounts of principal of and interest on all PUF Bonds scheduled to be paid in such fiscal year from the Interest of the System in the Available University Fund. If the rate of interest to be borne by any PUF Bonds 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 PUF Bonds shall be deemed to bear interest at all times to their maturity or due date at the lesser of (i) the maximum rate then permitted by law or (ii) the maximum rate specified in such PUF Bonds.

"PUF Bonds" means the Bonds, the Series 1985 Bonds, the Series 1988 Bonds and all Additional Parity Bonds and Notes.

"Record Date" means, with respect to any scheduled interest payment date or scheduled principal payment date on the Bonds, the 15th day of the month next preceding such payment date.

"Refunded Notes" means the Board of Regents of The University of Texas System Variable Rate Notes, Series A, issued under a resolution adopted by the Board on December 5, 1985, as amended on December 4, 1986 and February 11, 1988, and as amended and restated on December 7, 1989, and outstanding in the aggregate principal amount of \$250,000,000, which are refunded by the Bonds.

"Registrar" means the registrar and transfer agent for the Bonds appointed by the Board in Section 2.14 hereof, or any successor to such registrar and transfer agent appointed by the Board hereunder.

"Registration Books" means the books or records of the registration and transfer of the Bonds required to be kept by or on behalf of the Board pursuant to Section 2.09 hereof.

"Resolution" means this resolution authorizing the Bonds.

"Series 1985 Bonds" means the Board's Permanent University Fund Refunding Bonds, Series 1985, issued under the Series 1985 Resolution in the original aggregate principal amount of \$345,970,000.

"Series 1985 Resolution" means the resolution adopted by the Board on October 25, 1985, authorizing the issuance of the Series 1985 Bonds, as such resolution may be amended from time to time.

"Series 1988 Bonds" means the Board's Permanent University Fund Refunding Bonds, Series 1988, issued under the Series 1988 Resolution in the original aggregate principal amount of \$100,000,000.

"Series 1988 Resolution" means the resolution adopted by the Board on April 14, 1988, authorizing the issuance of the Series 1988 Bonds, as such resolution may be amended from time to time.

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

- The University of Texas at Arlington;
- The University of Texas at Austin;
- The University of Texas at Dallas;
- The University of Texas at El Paso;
- The University of Texas - Pan American;
- 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 M.D. Anderson Cancer Center; and
- The University of Texas Health Center at Tyler,

together with every other institution or branch thereof now or hereafter operated by or under the jurisdiction of the Board pursuant to law.

"Underwriters" means the investment banking firm or firms that contract to purchase the Bonds, or any installment thereof, pursuant to a Bond Purchase Contract in accordance with Section 7.04 of this Resolution.

Section 1.02. RECITALS, TABLE OF CONTENTS, TITLES AND HEADINGS. The terms and phrases used in the recitals of this Resolution have been included for convenience of reference only and the meaning, construction and interpretation of such terms and phrases for purposes of this Resolution shall be determined solely by reference to Section 1.01 of this Resolution. The table of contents, titles and headings of the articles and sections of this Resolution have been inserted for convenience of reference only and

are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Resolution or any provision hereof or in ascertaining intent, if any question of intent should arise.

Section 1.03. INTERPRETATION. Unless the context requires otherwise, words of the singular number used in this Resolution shall be construed to include correlative words of the plural number and vice versa, and words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa. References in this Resolution to numbered Articles, Sections or portions thereof shall refer to the respective Articles and Sections of this Resolution, unless expressly specified otherwise. The terms "hereof," "herein," "hereunder" and similar terms shall refer to this Resolution as a whole and not to any particular provision of this Resolution. This Resolution and all the terms and provisions hereof shall be liberally construed to effectuate the provisions set forth herein and to sustain the validity of this Resolution.

## ARTICLE II

### AUTHORIZATION AND TERMS OF THE BONDS

Section 2.01. AUTHORIZATION AND AUTHORIZED AMOUNT. Pursuant to authority conferred by and in accordance with the provisions of the Constitution and laws of the State of Texas, particularly article VII, section 18 of the Texas Constitution, section 65.46, Texas Education Code, and articles 717k and 717q, Texas Revised Civil Statutes Annotated, all as amended, Bonds are hereby authorized to be issued, in one or more installments, in the maximum aggregate principal amount of TWO HUNDRED SIXTY MILLION DOLLARS (\$260,000,000) for the purpose of obtaining funds to refund the Refunded Notes, all in accordance with and subject to the terms, conditions and limitations contained herein. The Bonds are Additional Parity Bonds permitted to be issued under Section 12 of the Series 1985 Resolution and Section 3.04 of the Series 1988 Resolution on a parity and in all respects of equal dignity with the Series 1985 Bonds and the Series 1988 Bonds.

Section 2.02. DESIGNATION, FORM, NUMBERS, DATE AND DENOMINATION OF THE BONDS. Each Bond shall be designated: "BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND REFUNDING BOND, SERIES 1991"; provided that if the Bonds are sold in more than one installment pursuant to Section 7.04 of this Resolution, the series designation for each separate installment shall include a capital letter as a suffix to the series year (1991) beginning with the letter "A" for the first such installment and continuing through the alphabet for each successive

installment. The Bonds shall be issuable only in fully registered form without coupons. Unless the Board shall direct otherwise, the Bonds of each installment shall be lettered and numbered separately from 1 upward prefixed by the letter R. Each Bond shall be in an Authorized Denomination and shall be dated as of the first calendar day of the month in which such Bond is sold pursuant to Section 7.04 of this Resolution.

Section 2.03. INTEREST PAYMENT DATES AND INTEREST RATES OF THE BONDS. Interest on the Bonds shall be payable on the first January 1 or July 1 that is at least sixty (60) days following the date of the Bonds and continuing on each January 1 and July 1 thereafter until maturity or prior redemption. The Bonds of each installment shall bear interest at the fixed rate or rates of interest per annum, calculated on the basis of a 360-day year composed of twelve 30-day months, as set forth in the Bond Purchase Contract pursuant to which the Bonds of such installment are sold; provided that the maximum interest rate per annum borne by any Bond must not exceed 10%.

Each Bond authenticated prior to the first Record Date on the Bonds shall bear interest from the date thereof. Each Bond authenticated on or after the first Record Date on the Bonds shall bear interest from the interest payment date immediately preceding the date of authentication, unless such Bond is authenticated after any Record Date but on or before the next following interest payment date, in which case such Bond shall bear interest from such next following interest payment date; provided, however, that if at the time of delivery of any exchange or replacement Bond the interest on the Bond it replaces or for which it is being exchanged is due but has not been paid, then such Bond shall bear interest from the date to which such interest has been paid in full.

Section 2.04. MATURITY AND REDEMPTION PRIOR TO MATURITY. (a) The Bonds of any installment shall mature in the amounts and on the dates, and may and shall be prepaid or redeemed prior to the stated maturities thereof, all as set forth in the Bond Purchase Contract.

(b)(i) Notice of any redemption shall be given to the registered owners of the Bonds to be redeemed, all as set forth in the FORM OF BOND appearing in this Resolution.

(ii) In addition to the notice of redemption set forth in the FORM OF BOND, the Paying Agent/Registrar shall give notice of redemption of Bonds by mail, first-class postage prepaid at least thirty (30) days prior to a redemption date to each registered securities depository and to any national information service that disseminates redemption notices. In addition, in the event of a redemption caused by an advance refunding of the Bonds, the Paying

Agent/Registrar shall send a second notice of redemption to the persons specified in the immediately preceding sentence at least thirty (30) days but not more than ninety (90) days prior to the actual redemption date. Any notice sent to the registered securities depositories or such national information services shall be sent so that they are received at least two (2) days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar shall also send a notice of prepayment or redemption to the registered owner of any Bond who has not sent the Bonds in for redemption sixty (60) days after the redemption date.

(iii) Each notice of redemption, whether required in the FORM OF BOND or in this Section, shall contain a description of the Bonds to be redeemed including the complete name of the Bonds, the Series, the date of issue, the interest rate, the maturity date, the CUSIP number, the certificate numbers, the amounts called of each certificate, the publication and mailing date for the notice, the date of redemption, the redemption price, the name of the Paying Agent/Registrar and the address at which the Bonds may be redeemed, including a contact person and telephone number.

(iv) All redemption payments made by the Paying Agent/Registrar to the registered owners of the Bonds shall include a CUSIP number relating to each amount paid to such registered owner.

Section 2.05. MEDIUM AND PLACE OF PAYMENT. The principal and redemption price of the Bonds shall be payable, without exchange or collection charges, in lawful money of the United States of America, to the respective registered owners thereof upon presentation and surrender thereof at maturity or upon the date fixed for redemption prior to maturity at the principal corporate trust office of the Paying Agent. Interest on the Bonds shall be payable by the Paying Agent on each interest payment date, by check dated as of such interest payment date, sent by United States mail, first-class postage prepaid, to the respective owners thereof, at the address of each such registered owner as it appears on the Record Date preceding each such interest payment date. In addition, interest may be paid by such other method acceptable to the Paying Agent requested by, at the risk and expense of, the respective registered owners of the Bonds. Any accrued interest due upon the redemption of any Bond prior to maturity as provided in this Resolution shall be payable to the registered owner thereof at the principal corporate trust office of the Paying Agent upon presentation and surrender thereof for redemption and payment at such principal corporate trust office. Notwithstanding the foregoing, any payment to Cede & Co., as nominee of DTC, or its registered assigns, shall be made in accordance with existing arrangements among the Board and DTC.

Section 2.06. FORM OF BOND. (a) The form of all Bonds issued under this Resolution shall be substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Resolution.

FORM OF BOND

NO. \_\_\_\_\_ PRINCIPAL AMOUNT \$ \_\_\_\_\_  
UNITED STATES OF AMERICA  
STATE OF TEXAS  
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
PERMANENT UNIVERSITY FUND REFUNDING BOND  
SERIES 1991<sup>(\*)</sup>

INTEREST RATE    MATURITY DATE                      DATED DATE                      CUSIP NO.  
\_\_\_\_\_ %                      \_\_\_\_\_                      \_\_\_\_\_, 1991                      \_\_\_\_\_

ON THE MATURITY DATE specified above, the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the "Issuer"), being the governing body of The University of Texas System, an agency of the State of Texas, hereby promises to pay to \_\_\_\_\_ or the registered assignee hereof (either being hereinafter called the "registered owner") the principal amount of \_\_\_\_\_ and to pay interest thereon, calculated on the basis of a 360-day year composed of twelve 30-day months, from the dated date specified above to the maturity date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; with interest being payable on the first January 1 or July 1 that is at least sixty days following the dated date specified above, and semiannually on each January 1 and July 1 thereafter, except that if the date of authentication of this Bond is later than \_\_\_\_\_, 199\_, such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date (hereinafter defined) but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior

(\*) Insert suffix, if required, pursuant to Section 2.02 of this Resolution.



to maturity, at the corporate trust office of Ameritrust Texas National Association, Dallas, Texas, which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the resolution authorizing the issuance of the Bonds (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the 15th day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner hereof. Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner at the principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of this Bond for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar. The Issuer covenants with the registered owner of this Bond that on or before each principal payment date, interest payment date, and accrued interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" maintained under the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, payments made to the securities depository, or its nominee, shall be made in accordance with arrangements between the Issuer and the securities depository.

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

THIS BOND is one of an issue of Bonds authorized to be issued, in one or more installments, in the maximum aggregate principal amount of \$260,000,000, FOR THE PURPOSE OF PROVIDING FUNDS TO

REFUND BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND VARIABLE RATE NOTES, SERIES A, NOW OUTSTANDING IN THE AGGREGATE PRINCIPAL AMOUNT OF \$250,000,000.

ON JULY 1, \_\_\_\_\_, or on any interest payment date thereafter, the Bonds of this Series may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole or in part in any integral multiple of \$5,000 principal amount, and if in part, the particular Bonds or portions thereof to be redeemed shall be selected and designated by the Issuer (provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000 principal amount), at a redemption price equal to \_\_\_\_\_ plus accrued interest to the date fixed for redemption; provided that during any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Issuer and the securities depository.

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

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

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

ALL BONDS OF THIS SERIES are issuable solely as fully registered bonds, without interest coupons, in the denomination of \$5,000 principal amount or any integral multiple thereof. As

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

THE PAYING AGENT/REGISTRAR shall not be required to make any transfer of registration of this Bond or any portion hereof, or any conversion and exchange hereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

WHENEVER the beneficial ownership of this Bond is determined by a book entry at a securities depository for the Bonds, the foregoing requirements of holding, delivering or transferring this Bond shall be modified to require the appropriate person or entity to meet the requirements of the securities depository as to registering or transferring the book entry to produce the same effect.

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

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; and that the interest on and

principal of this Bond, and other Bonds of this Series, are equally and ratably secured by and payable from a first lien on and pledge of the two-thirds interest of The University of Texas System in the fund (the "Available University Fund") consisting of the dividends, interest and other income (less administrative expenses) from the Permanent University Fund that is created and administered under the Texas Constitution, as described more fully in the Bond Resolution, all in accordance with article VII, section 18 of the Texas Constitution and other applicable laws.

THE ISSUER heretofore has issued its \$345,970,000 Permanent University Fund Refunding Bonds, Series 1985, and its \$100,000,000 Permanent University Fund Refunding Bonds, Series 1988, which also are secured by a first lien on and pledge of the aforesaid interest of The University of Texas System in the Available University Fund, and are on a parity with and of equal dignity in all respects with the Bonds. The Issuer has reserved the right, subject to the restrictions referred to in the Bond Resolution, (i) to issue Additional Parity Bonds and Notes that also may be secured by and made payable from a first lien on and pledge of the aforesaid interest of The University of Texas System in the Available University Fund, in the same manner and to the same extent as this Bond and other obligations of the Board on a parity therewith, and (ii) to make certain amendments to the Bond Resolution with the approval of the owners of 51% in principal amount of all outstanding bonds and notes that are secured by and payable from a first lien on and pledge of the aforesaid interest of The University of Texas System in the Available University Fund.

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

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

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed with the manual or facsimile signature of the Chairman of the Issuer and countersigned with the manual or facsimile signature of the Executive Secretary of the Issuer, and has caused the

official seal of the Issuer to be duly impressed, or placed in facsimile, on this Bond.

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

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

(BOARD SEAL)

(b) A Paying Agent/Registrar's Authentication Certificate shall be printed on each Bond, in substantially the following form:

**PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE**

It is hereby certified that this Bond has been issued under the provisions of the Bond Resolution described in this Bond; and that the initial Bonds of the series of Bonds of which this Bond is a part were approved by the Attorney General of the State of Texas.

\_\_\_\_\_  
\_\_\_\_\_, TEXAS  
Paying Agent/Registrar

Dated

\_\_\_\_\_  
Authorized Signature

(c) Assignment provisions shall be printed on the back of each Bond, in substantially the following form:

**ASSIGNMENT**

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

\_\_\_\_\_  
(Assignee's Social Security or Taxpayer Identification Number)

\_\_\_\_\_  
(print or typewrite Assignee's name and address, including zip code)

\_\_\_\_\_  
and hereby irrevocably constitutes and appoints

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

Date: \_\_\_\_\_

Signature Guaranteed:

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

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

(d) The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Bonds but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bond.

Section 2.07. EXECUTION OF BONDS. The Bonds shall be executed on behalf of the Board by the Chairman and the Executive Secretary of the Board, by their manual or facsimile signatures, and the official seal of the Board shall be impressed or placed in facsimile thereof. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by said officers of the Board, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the Board had been manually impressed upon each of the Bonds. In the event that any officer of the Board whose manual or facsimile signature shall appear on the Bonds shall cease to be such officer before the authentication of such Bonds or before the delivery of such Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

Section 2.08. AUTHENTICATION AND DELIVERY OF BONDS. The Bonds of each installment, after execution by the Board as provided herein, shall be delivered to the Registrar. No Bonds shall be deemed to be issued or outstanding, or be valid or obligatory for any purpose, or be entitled to any security or benefit of this Resolution unless and until such Bond has been duly authenticated by the Registrar by the execution of the certificate of authentication appearing on such Bond. The certificate of authentication appearing on any Bond shall be deemed to have been duly executed by the Registrar if dated and manually signed by an authorized signatory of the Registrar. It shall not be required

that the same signatory of the Registrar sign the certificate of authentication on all the Bonds.

Upon receipt of the written notice provided for in Section 7.04(c) hereof, an authorized representative of the Registrar shall authenticate the initial Bonds of such installment by executing the certificate of authentication appearing on each such initial Bond and shall deliver the initial Bonds of such installment to the Underwriters identified in such written notice.

The Registrar shall authenticate any Bonds issued in exchange, substitution or replacement of other Bonds by executing the certificate of authentication appearing thereon, upon satisfaction of the conditions set forth in Section 2.09 hereof.

Section 2.09. REGISTRATION, TRANSFER, EXCHANGE AND REPLACEMENT OF BONDS. (a) The Board shall keep or cause to be kept at the principal corporate trust office of the Registrar books or records of the registration and transfer of the Bonds, and the Board hereby appoints the Registrar as agent to keep such books or records and make such transfers and registrations under such reasonable regulations as the Board and Registrar may prescribe. The Registrar shall make such transfers and registrations as provided herein.

The Registrar shall obtain and record in the Registration Books the address of the registered owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided. It shall be the duty, however, of each registered owner to notify the Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Board shall have the right to inspect the Registration Books during regular business hours of the Registrar, but otherwise the Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity.

(b) Each Bond issued and delivered pursuant to this Resolution, to the extent of the unpaid or unredeemed principal balance thereof, may, upon surrender of such Bond at the principal corporate trust office of the Registrar, together with a written request therefor duly executed by the registered owner or its assignee, or its duly authorized attorney or representative, with guarantee of signatures satisfactory to the Registrar, at the option of the registered owner or such assignee, as appropriate, be converted into and exchanged for fully registered Bonds, without interest coupons, in an aggregate principal amount equal to the unpaid or unredeemed principal balance of any Bond so surrendered, and payable to the appropriate registered owner or assignee, as the case may be.



Registration of each Bond may be transferred in the Registration Books only upon presentation and surrender of such Bond to the Registrar for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Registrar, evidencing (i) the assignment of the Bond, or any portion thereof in any Authorized Denomination, to the assignee thereof, and (ii) the right of such assignee to have the Bond or any such portion thereof registered in the name of such assignee. A form of assignment shall be printed or endorsed on each Bond, which shall be executed by the registered owner or its duly authorized attorney or representative to evidence an assignment thereof. Upon the assignment and surrender of any Bond or portion hereof for transfer of registration, an authorized representative of the Registrar shall make such transfer in the Registration Books, and shall deliver a new, fully registered substitute Bond having the characteristics herein described, payable to such assignee (which then will be the registered owner of such new Bond), or to the previous registered owner in case only a portion of a Bond is being assigned and transferred, all in conversion of and exchange for said assigned Bond or any portion thereof.

Bonds issued and delivered in conversion of and exchange for any other Bonds assigned and transferred or converted shall be in any Authorized Denomination requested in writing by the registered owner or assignee thereof, shall have all the characteristics and shall be in the form prescribed in the FORM OF BOND set forth in this Resolution, shall have the same suffix included in the series designation, shall be in the same outstanding aggregate principal amount and shall have the same principal maturity date and bear interest at the same rate as the Bonds for which they are exchanged. The Board shall pay the Registrar's fees and charges, if any, for making such transfer or conversion and delivery of a substitute Bond, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Registrar shall not be required to make any transfer of registration, conversion and exchange, or replacement (i) of any Bond or any portion thereof during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

(c) If a portion of any Bond shall be redeemed prior to its scheduled maturity as provided herein, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, having the same suffix included in the series designation, in any Authorized Denomination requested by the registered owner, and in

aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation, at the expense of the Board.

(d) In the event any outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Registrar shall cause to be printed, executed, and delivered a new Bond of the same principal amount, maturity, and interest rate and having the same suffix included in the series designation, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

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

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

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

(e) The Registrar shall convert and exchange or replace Bonds as provided herein, and each fully registered Bond delivered in conversion of and exchange for or replacement of any Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Bonds for all purposes of

this Resolution, and may again be converted and exchanged or replaced. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the Board or any other body or person so as to accomplish the foregoing conversion and exchange or replacement of any Bond or portion thereof. For purposes of Section 6 of article 717k-6, Texas Revised Civil Statutes Annotated, as amended, this Section of this Resolution shall constitute authority for the issuance of any substitute, exchange or replacement Bond hereunder without necessity of further action by the governing body of the Board or any other body or person, and the duty of the replacement of such Bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect provided in this Resolution. Upon the execution of the Paying Agent/Registrar's Authentication Certificate appearing on any converted and exchanged or replaced Bond, the converted and exchanged or replaced Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the initial Bonds originally issued pursuant to this Resolution, approved by the Attorney General.

Section 2.10. BOOK-ENTRY ONLY SYSTEM. The initial Bonds of an installment shall be delivered against payment to the Underwriters thereof in accordance with Section 2.08 of this Resolution. The Underwriters shall be required to promptly surrender the initial Bonds to the Registrar for exchange. Bonds issued in exchange shall be registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Bonds, and held in the custody of DTC. Unless otherwise requested by DTC, a single certificate will be issued and delivered to DTC for each maturity of the Bonds. Beneficial owners of Bonds will not receive physical delivery of Bond certificates except as provided hereinafter. For so long as DTC shall continue to serve as securities depository for the Bonds as provided herein, all transfers of beneficial ownership interests will be made by book-entry only, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of Bonds is to receive, hold or deliver any Bond certificate.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Board and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on whose behalf a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Board and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a registered owner of the Bonds, as shown on the Registration Books, of any notice

with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a registered owner of the Bonds, as shown in the Registration Books, of any amount with respect to principal of or premium, if any, or interest on the Bonds.

Replacement Bonds may be issued directly to beneficial owners of Bonds other than DTC, or its nominee, but only in the event that (i) DTC determines not to continue to act as securities depository for the Bonds (which determination shall become effective no less than 90 days after written notice to such effect to the Board and the Paying Agent/Registrar); or (ii) the Board has advised DTC of its determination (which determination is conclusive as to DTC and beneficial owners of the Bonds) that DTC is incapable of discharging its duties as securities depository for the Bonds; or (iii) the Board has determined (which determination is conclusive as to DTC and the beneficial owners of the Bonds) that the interests of the beneficial owners of the Bonds might be adversely affected if such book-entry only system of transfer is continued. Upon occurrence of any of the foregoing events, the Board shall use its best efforts to attempt to locate another qualified securities depository. If the Board fails to locate another qualified securities depository to replace DTC, the Board shall cause to be authenticated and delivered replacement Bonds, in certificate form, to the beneficial owners of the Bonds. In the event that the Board makes the determination noted in (ii) or (iii) above (provided that the Board undertakes no obligation to make any investigation to determine the occurrence of any events that would permit the Board to make any such determination), and has made provisions to notify the beneficial owners of Bonds of such determination by mailing an appropriate notice to DTC, it shall cause to be issued replacement Bonds in certificate form to beneficial owners of the Bonds as shown on the records of DTC provided to the Board.

Whenever, during the term of the Bonds, the beneficial ownership thereof is determined by a book entry at DTC, the requirements in this Resolution of holding, delivering or transferring Bonds shall be deemed modified to require the appropriate person or entity to meet the requirements of DTC as to registering or transferring the book entry to produce the same effect.

If at any time, DTC ceases to hold the Bonds, all references herein to DTC shall be of no further force or effect.

Section 2.11. CANCELLATION. All Bonds paid or redeemed in accordance with this Resolution, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance with this Resolution shall be cancelled by the Paying Agent/Registrar.

**Section 2.12. TEMPORARY BONDS.** Pending the preparation of definitive Bonds, the Board may execute and, upon the Board's request, the Paying Agent/Registrar shall authenticate and deliver, one or more temporary Bonds that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any Authorized Denomination, substantially of the tenor of the definitive Bonds in lieu of which they are delivered, without coupons, with provision for registration and with such appropriate insertions, omissions, substitutions and other variations as the authorized officers of the Board executing such temporary Bonds may determine, as evidenced by their signing of such temporary Bonds.

Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the benefit and security of this Resolution. The Board, without unreasonable delay, shall prepare, execute and deliver to the Paying Agent/Registrar, and thereupon, upon the presentation and surrender of the Bonds in temporary form to the Paying Agent/Registrar, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor Bonds of the same maturity and interest rate and having the same suffix included in the series designation, in definitive form, in Authorized Denominations, and in the same aggregate principal amount, as the Bonds in temporary form surrendered. Such exchange shall be made without the making of any charge therefor to any holder of Bonds.

**Section 2.13. OWNERSHIP OF BONDS.** The entity in whose name any Bond shall be registered in the Registration Books at any time shall be deemed and treated as the absolute owner thereof for all purposes of this Resolution, whether or not such Bond shall be overdue, and the Board, the Paying Agent and the Registrar shall not be affected by any notice to the contrary. Payment of, or on account of, the principal of, premium, if any, and interest on any such Bond shall be made only to such registered owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sums so paid.

**Section 2.14. PAYING AGENT AND REGISTRAR; PAYING AGENT AGREEMENT.** The appointment of Ameritrust Texas National Association, Dallas, Texas, as Paying Agent for the purpose of making the payments of principal of and interest on the Bonds, and as Registrar to keep the Registration Books and make transfers, exchanges and replacements of Bonds hereunder on behalf of the Board, is confirmed and ratified hereby. Pursuant to Article 717k-6, Texas Revised Civil Statutes Annotated, as amended, and particularly Section 6 thereof, the duty of conversion and exchange or replacement of Bonds as set forth in Section 2.09 hereof hereby is imposed upon the Registrar. The Paying Agent/Registrar shall perform such duties as are required of the Paying Agent and

Registrar hereunder and under the Paying Agent Agreement. The Chairman of the Board, the Executive Secretary of the Board, the Executive Vice Chancellor for Asset Management of the System, the Executive Director of Finance of the System or the Manager of Finance of the System hereby are authorized to execute and deliver on behalf of the Board the Paying Agent Agreement, in substantially the form and substance submitted at this meeting, with such changes therein as the officer executing the same may approve, such approval to be conclusively evidenced by such execution thereof.

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

Section 2.15. SUBSTITUTE PAYING AGENT/REGISTRAR. The Board covenants with the registered owners of the Bonds that at all times while the Bonds are outstanding the Board will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent and Registrar for the Bonds under this Resolution, and that the Paying Agent and Registrar will be one entity. The Board reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Board covenants that it will promptly appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the Board. Upon any change in the Paying Agent/Registrar, the Board promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this

Resolution, and a certified copy of this Resolution shall be delivered to each Paying Agent/Registrar.

### ARTICLE III

#### SECURITY AND SOURCE OF PAYMENT FOR THE BONDS; ADDITIONAL PARITY BONDS AND NOTES

Section 3.01. SECURITY AND PLEDGE. Pursuant to the provisions of section 18 of article VII of the Texas Constitution, as amended, all the Bonds, and any Additional Parity Bonds and Notes hereafter issued, and the interest thereon, shall be and are hereby equally and ratably secured, together with the Series 1985 Bonds and the Series 1988 Bonds, by and payable from a first lien on and pledge of the Interest of the System in the Available University Fund.

Section 3.02. PAYMENT OF BONDS AND ADDITIONAL PARITY BONDS AND NOTES. (a) The Comptroller of Public Accounts of the State of Texas previously has established and shall maintain in the State Treasury a fund to be known as "Board of Regents of The University of Texas System Permanent University Fund Bonds Interest and Sinking Fund." The Board and the officers of the System shall cause the Comptroller of Public Accounts of the State of Texas, in addition to taking the actions required by the Series 1985 Resolution to pay the Series 1985 Bonds and by the Series 1988 Resolution to pay the Series 1988 Bonds, (i) to transfer to the Interest and Sinking Fund, out of The University of Texas System Available University Fund (the fund in the State Treasury to which is deposited the Interest of the System in the Available University Fund), on or before each date upon which principal of, premium, if any, or interest on the Bonds and the Additional Parity Bonds and Notes, when issued, is due and payable, whether by reason of maturity or optional or mandatory redemption prior to maturity, and (ii) to withdraw from the Interest and Sinking Fund, and deposit with the Paying Agent/Registrar on or before each such date, the amounts of interest or principal, premium and interest which will come due on the Bonds and Additional Parity Bonds and Notes on each such date, and in such manner that such amounts, in immediately available funds, will be on deposit with the Paying Agent/Registrar on or before each such date.

(b) When Additional Parity Bonds or Notes are issued pursuant to the provisions of this Resolution or the Series 1985 Resolution or the Series 1988 Resolution, substantially the same procedures as provided above shall be followed in connection with paying the principal of and interest on such Additional Parity Bonds or Notes when due; provided, however, that other and different banks or places of payment (paying agents) and Paying Agents and Registrars and dates and methods of payment and other procedures not in

conflict with this Resolution may be named and provided for in connection with each issue of Additional Parity Bonds or Notes. In the event that any such Additional Parity Bonds or Notes are made redeemable prior to maturity, the resolution or resolutions authorizing the issuance of such Additional Parity Bonds or Notes shall prescribe the appropriate procedures for redeeming same.

Section 3.03. DISPOSITION OF FUNDS. After provision has been made for the payment of the principal of and interest on the Series 1985 Bonds, the Series 1988 Bonds, the Bonds and any Additional Parity Bonds and Notes, when issued, the balance of the Interest of the 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 lawfully may direct.

Section 3.04. ADDITIONAL PARITY BONDS AND NOTES. The Board reserves the right and shall have full power at any time and from time to time, to authorize, issue, and deliver additional bonds and notes on a parity with the Bonds, the Series 1985 Bonds and the Series 1988 Bonds in as many separate installments or series as deemed advisable by the Board, but only for the purposes and to the extent provided in article VII, section 18 of the Texas Constitution, as amended, or in any amendment hereafter made to said article VII, section 18 of the Texas Constitution, or for refunding purposes as provided by law. Such Additional Parity Bonds and Notes, when issued, and the interest thereon, shall be equally and ratably secured by and payable from a first lien on and pledge of the Interest of the System in the Available University Fund, in the same manner and to the same extent as are the Series 1985 Bonds, the Series 1988 Bonds and the Bonds issued pursuant to this Resolution, and the Bonds and the Additional Parity Bonds and Notes, when issued, and the interest thereon, shall be on a parity and in all respects of equal dignity with each other and with the Series 1985 Bonds and the Series 1988 Bonds. It is further covenanted that no installment or series of Additional Parity Bonds or Notes shall be issued and delivered unless the Executive Vice Chancellor for Asset Management of the System, or some other officer of the 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 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 Parity Bonds or Notes then proposed to be issued and all then outstanding PUF Bonds that 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) all Bonds and Additional Parity Bonds and Notes and (ii) all other obligations of the Board, including but not limited to the Series 1985 Bonds and the Series 1988 Bonds, that are secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund, that will be outstanding after the issuance and delivery of the installment or series of Additional Parity Bonds or Notes then proposed to be issued will not exceed 20% of the cost value of investments and other assets of the Permanent University Fund (exclusive of real estate) at the time the proposed series or installment of Additional Parity Bonds or Notes is issued.

For purposes of calculating the Principal and Interest Requirements under this section with respect to any obligations of the Board bearing interest at interest rates that are variable or adjustable, the "maximum rate then permitted by law," for purposes of the definition of "Principal and Interest Requirements" set forth in Section 1.01 hereof, shall be deemed to be the maximum "net effective interest rate" permitted under article 717k-2, Texas Revised Civil Statutes Annotated, as such article may be amended from time to time, or such other maximum interest rate permitted to be borne by such obligations by then-applicable law. In addition, for purposes of this Resolution, including but not limited to subsection 3.04(b) above, any obligation of the Board that is payable from amounts appropriated, pursuant to article VII, section 18 of the Texas Constitution, as amended, including any amendment hereafter made to said article VII, section 18 of the Texas Constitution, for the support and maintenance of The University of Texas at Austin or System administration does not and shall not constitute an obligation secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund.

#### ARTICLE IV

##### REMEDIES

Section 4.01. REMEDIES. Any owner or holder of any of the Bonds or Additional Parity Bonds or Notes, when issued, in the event of default in connection with any covenant contained herein, or default in the payment of said obligations, or of any interest due thereon, shall have the right to institute mandamus proceedings against the Board or any other necessary or appropriate party for the purpose of enforcing payment from the moneys herein pledged or for enforcing any covenant herein contained.

## ARTICLE V

### GENERAL COVENANTS OF THE BOARD

Section 5.01. GENERAL COVENANTS OF THE BOARD. The Board covenants and agrees, in addition to the other covenants of the Board hereunder, as follows:

(a) That while any PUF Bonds are outstanding and unpaid the Board will maintain and invest and keep invested the Permanent University Fund in a prudent manner and as required by law;

(b) That the Board will restrict expenditures for administering the Permanent University Fund to a minimum consistent with prudent business judgment;

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

(d) That, except for the PUF Bonds, and the interest thereon, the Board will not at any time create or allow to accrue or exist any lien or charge upon the Permanent University Fund or the Interest of the System in the Available University Fund, unless such lien or charge is made junior and subordinate in all respects to the liens, pledges, and covenants in connection with the PUF Bonds, but the right to issue junior and subordinate lien obligations payable from the Interest of the System in the Available University Fund is specifically reserved by the Board; and that the lien created by this Resolution will not be impaired in any manner as a result of any action or non-action on the part of the Board or officers of the System, and the Board will, subject to the provisions hereof, continuously preserve the Permanent University Fund and each and every part thereof; and

(e) That proper books of records and accounts will be kept in which true, full, and correct entries will be made of all income, expenses, and transactions of and in relation to the Permanent University Fund and each and every part thereof in accordance with accepted accounting practices, and that as soon after the close of each fiscal year (September 1 to August 31,

inclusive) as reasonably may be done the Board will furnish to all bondholders and owners who may so request, such audits and reports by the State Auditor of Texas for the preceding fiscal year, concerning the Permanent University Fund, the Interest of the System in the Available University Fund and the PUF Bonds, as the State Auditor of Texas is required by applicable law to prepare and distribute.

## ARTICLE VI

### PROVISIONS CONCERNING FEDERAL INCOME TAX EXCLUSION

Section 6.01. GENERAL TAX COVENANT. The Board intends that the interest on the Bonds shall be excludable from gross income for purposes of federal income taxation pursuant to sections 103 and 141 through 150 of the Code, and applicable regulations. The Board covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the Code, of the holders thereof for purposes of federal income taxation. In particular, the Board covenants and agrees to comply with each requirement of this Article VI; provided, however, that the Board shall not be required to comply with any particular requirement of this Article VI if the Board has received a Counsel's Opinion that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or if the Board has received a Counsel's Opinion to the effect that compliance with some other requirement set forth in this Article VI will satisfy the applicable requirements of the Code, in which case compliance with such other requirement specified in such Counsel's Opinion shall constitute compliance with the corresponding requirement specified in this Article VI.

Section 6.02. USE OF PROCEEDS. The Board covenants and agrees that its use of the Net Proceeds of the Bonds and the Refunded Notes will at all times satisfy the requirements set forth in this Section. When used in this Article VI, the term Net Proceeds, when used with respect to the Bonds or the Refunded Notes, shall mean the proceeds from the sale of the Bonds or the Refunded Notes, as the case may be, including investment earnings on the proceeds of such issue, less accrued interest with respect to such issue.

(a) The Board has limited and will limit the amount of original or investment proceeds of the Refunded Notes to be used (other than use as a member of the general public) in the trade or business of any person other than a governmental unit to an amount aggregating no more than ten percent of the Net Proceeds of the

Refunded Notes ("private-use proceeds"). For purposes of this Section, the term "person" includes any individual, corporation, partnership, unincorporated association, or any other entity capable of carrying on a trade or business; and the term "trade or business" means, with respect to any natural person, any activity regularly carried on for profit and, with respect to persons other than natural persons, any activity other than an activity carried on by a governmental unit. Any use of proceeds of the Refunded Notes or the Bonds in any manner contrary to the guidelines set forth in Revenue Procedures 82-14, 1982-1 C.B. 459, and 82-15, 1982-1 C.B. 460, including any revisions or amendments thereto, shall constitute the use of such proceeds in the trade or business of one who is not a governmental unit.

(b) The Board has not permitted and will not permit more than five percent of the Net Proceeds of the Refunded Notes to be used in the trade or business of any person other than a governmental unit if such use is unrelated to the governmental purpose of the Refunded Notes. Further, the amount of private-use proceeds of the Refunded Notes in excess of five percent of the Net Proceeds of the Refunded Notes ("excess private-use proceeds") did not and will not exceed the proceeds of the Refunded Notes expended for the governmental purpose of the Refunded Notes to which such excess private-use proceeds relate.

(c) The Board has not permitted and will not permit an amount of proceeds of the Refunded Notes exceeding the lesser of (i) \$5,000,000 or (ii) five percent of the Net Proceeds of the Refunded Notes to be used, directly or indirectly, to finance loans to persons other than governmental units.

(d) The Board covenants and agrees that the Board of Regents of The University of Texas System Series A Note Construction Account established under the resolution adopted by the Board authorizing the issuance of the Refunded Notes will be maintained in accordance with the requirements of such resolution until all amounts on deposit therein as of the date of issuance of the Bonds, and any investment earnings thereon, have been expended for Project Costs (as defined in such resolution), and that such amounts shall not be used for any other purposes whatsoever, except as provided in this subsection. Any such amounts remaining in such Series A Note Construction Account not necessary for the payment of such costs and expenses shall be applied as required under such resolution or, in the event that no obligations of the Board are outstanding under such resolution at the time of such application, shall be transferred to the Interest and Sinking Fund. All amounts on deposit in such Series A Note Construction Account that are attributable to the Refunded Notes shall be invested at a yield not in excess of the yield on the Bonds, to the extent required by Treasury Regulations Section 1.103-14(e).

Section 6.03. NO FEDERAL GUARANTY. The Board covenants and agrees not to take any action, or knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code and applicable regulations thereunder, except as permitted by section 149(b)(3) of the Code and such regulations.

Section 6.04. BONDS ARE NOT HEDGE BONDS. The Board covenants and agrees that not more than 50 percent of the proceeds of the Bonds will be invested in nonpurpose investments (as defined in section 148(f)(6)(A) of the Code) having a substantially guaranteed yield for four years or more within the meaning of section 149(g)(3)(A)(ii) of the Code, and the Board reasonably expects that at least 85 percent of the spendable proceeds of the Bonds will be used to carry out the governmental purposes of the Bonds within the three-year period beginning on the date the Bonds are issued.

Section 6.05. NO-ARBITRAGE COVENANT. The Board shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the Board will reasonably expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the Code and applicable regulations thereunder. Moreover, the Board covenants and agrees that it will make such use of the proceeds of the Bonds including interest or other investment income derived from Bond proceeds, regulate investments of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds will not be "arbitrage bonds" within the meaning of section 148(a) of the Code and applicable regulations thereunder.

Section 6.06. ARBITRAGE REBATE. The Board will take all necessary steps to comply with the requirement that certain amounts earned by the Board on the investment of the "gross proceeds" of the Bonds (within the meaning of section 148(f)(6)(B) of the Code) be rebated to the federal government. Specifically, the Board will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds separately from records of amounts on deposit in the funds and accounts of the Board allocable to other bond issues of the Board or moneys that do not represent gross proceeds of any bonds of the Board, (ii) calculate at such times as are required by applicable regulations, the amount earned from the investment of the gross proceeds of the Bonds that is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the

delivery of the Bonds, all amounts required to be rebated to the federal government. Further, the Board will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or larger loss than would have resulted if the arrangement had been at arm's length and had the yield on the issue not been relevant to either party.

Section 6.07. INFORMATION REPORTING. The Board covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Bonds are issued, an information statement concerning the Bonds, all under and in accordance with section 149(e) of the Code and applicable regulations thereunder.

## ARTICLE VII

### MISCELLANEOUS PROVISIONS

Section 7.01. INDIVIDUALS NOT LIABLE. All covenants, stipulations, obligations, and agreements of the Board contained in this Resolution shall be deemed to be covenants, stipulations, obligations, and agreements of the System and the Board to the full extent authorized or permitted by the Constitution and laws of the State of Texas. No covenant, stipulation, obligation, or agreement herein contained shall be deemed to be a covenant, stipulation, obligation, or agreement of any member of the Board or agent or employee of the Board in his individual capacity and neither the members of the Board nor any officer thereof shall be liable personally on the Bonds or Additional Parity Bonds or Notes when issued, or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 7.02. DEFEASANCE OF BONDS. (a) Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding within the meaning of this Resolution, except to the extent provided in subsection (c) of this Section, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption), or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment or

(2) Government Obligations that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the Board with the Paying Agent/Registrar for the payment of its services until after all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Interest of the System in the Available University Fund, and such principal and interest shall be payable solely from such money or Government Obligations, and shall not be regarded as outstanding for the purposes of Section 3.04 hereof or any other purpose.

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

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

Section 7.03. AMENDMENT OF RESOLUTION. (a) The owners of PUF Bonds aggregating 51% in principal amount of the aggregate principal amount of then-outstanding PUF Bonds shall have the right from time to time to approve any amendment to any resolution authorizing the issuance of PUF Bonds that may be deemed necessary or desirable by the Board; provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the outstanding PUF Bonds, the amendment of the terms and conditions in said resolutions or in any PUF Bond so as to:

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

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

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

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

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

(e) Any consent given by the owner of a PUF Bond pursuant to the provision of this Section shall be irrevocable for a period of six months from the date of the first publication or other service of the notice provided for in this Section, and shall be conclusive and binding upon all future owners of the same PUF Bond during such period. Such consent may be revoked at any time after six months



from the date of the first publication of such notice by the owner who gave such consent, or by a successor in title, by filing notice thereof with the Paying Agent/Registrar for such PUF Bonds and the Board, but such revocation shall not be effective if the owners of 51% in aggregate principal amount of the then-outstanding PUF Bonds as in this Section defined have, prior to the attempted revocation, consented to and approved the amendment.

(f) For the purpose of this Section the ownership and other matters relating to all PUF Bonds shall be determined from the registration books kept for such bonds by the respective paying agent/registrar therefor.

Section 7.04. ISSUANCE AND SALE OF BONDS. (a) The Executive Committee of the Board (the "Executive Committee") is hereby authorized to act on behalf of the Board in connection with the issuance and sale of the Bonds. In that capacity, the Executive Committee shall determine the date or dates for issuance and sale of the Bonds and the amounts of Bonds to be issued and sold. The Bonds may be issued in one or more installments, as determined by the Authorized Representative. The Executive Committee shall also determine the price at which the Bonds of each installment shall be sold, the years in which the Bonds of such installment will mature, the principal amount of such Bonds to mature in each of such years, the rate of interest to be borne by each such maturity, the aggregate principal amount of Bonds to be sold in any installment, the dates, price and terms upon which the Bonds of such installment shall be subject to redemption prior to maturity at the option of the Board and all other matters relating to the issuance, sale and delivery of the Bonds of such installment and the refunding of Refunded Notes, all of which shall be specified in the Bond Purchase Contract relating to each installment of Bonds. The Authorized Representative, acting for and on behalf of the Board, is authorized to enter into a Bond Purchase Contract relating to each installment of Bonds with the Underwriters, at such price, with and subject to such terms, as determined by the Executive Committee. J. P. Morgan Securities, Inc., is hereby designated as the senior managing underwriter for each installment of Bonds. The Executive Committee shall select such additional investment banking firms as they deem appropriate to assure that the Bonds are sold on advantageous terms. Each Bond Purchase Contract shall be substantially in the form and substance submitted at this meeting, with such changes therein as the Executive Committee may approve, such approval to be conclusively evidenced by the Authorized Representative's execution thereof; provided that the price to be paid for the Bonds of any installment shall be not less than 95% of the par amount thereof plus accrued interest from the date of the Bonds of such installment to the delivery date thereof, and none of the Bonds shall bear interest at a rate greater than that permitted by Section 2.03 hereof. It is further

provided, however, that notwithstanding the foregoing provisions, an installment of Bonds shall not be delivered unless prior to delivery, the Bonds of such installment have been rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for long-term obligations, as required by article 717q, Texas Revised Civil Statutes Annotated, as amended.

(b) The draft Preliminary Official Statement relating to the Bonds submitted at this meeting is hereby approved and is deemed final, except for such omissions as are permitted by Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"). The Authorized Representative is authorized to approve any changes in such document and to authorize its distribution by the Underwriter to prospective purchasers of the Bonds. Within seven business days after the award of the sale of an installment of Bonds, the Authorized Representative shall cause a final official statement to be provided to the Underwriters in compliance with Rule 15c2-12.

(c) Following the execution of a Bond Purchase Contract relating to an installment of Bonds, the Authorized Representative shall notify the Paying Agent/Registrar in writing of the identity of the Underwriters of the installment of Bonds being sold and of the following terms for such installment of Bonds: principal amount; date for issue; maturities; rates of interest; and first interest payment date. Such written notice shall also request and authorize the Registrar to authenticate and deliver the initial Bonds of such installment to the Underwriters thereof. Incident to the delivery of any installment of Bonds, the Authorized Representative shall execute:

(1) a certificate to the effect that for the fiscal year immediately preceding the date of said certificate 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 (calculated in the manner described in Section 3.04 of this Resolution) of the installment of Bonds then proposed to be issued and all then outstanding PUF Bonds that will be outstanding after the issuance and delivery of said proposed installment;

(2) a certificate to the effect that the total principal amount of (a) all Bonds and Additional Parity Bonds and Notes and (b) all other obligations of the Board, including but not limited to the Series 1985 Bonds and the Series 1988 Bonds, that are secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund, that will be outstanding after the issuance and delivery of the installment of Bonds 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 Parity Bonds or Notes is issued; provided that any obligation of the Board that is payable from amounts appropriated, pursuant to article VII, section 18 of the Texas Constitution, as amended, including any amendment hereafter made to said article VII, section 18 of the Texas Constitution, for the support and maintenance of The University of Texas at Austin or System administration does not and shall not constitute an obligation secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund;

(3) a certificate to the effect that all action on the part of the Board necessary for the valid issuance of the Bonds then to be issued has been taken, that such Bonds have been issued in compliance with the terms of this Resolution; and

(4) a certificate to the effect that the Board is in compliance with the covenants set forth in Articles V and VI of this Resolution as of the date of such certificate.

Section 7.05. REFUNDING OF REFUNDED NOTES. The Refunded Notes refunded by the Bonds shall be redeemed in the manner set forth below and in accordance with the provisions of the resolutions of the Board authorizing issuance of the Notes. Concurrently with the delivery of an installment of Bonds to the initial purchaser thereof, the Authorized Representative shall notify Morgan Guaranty Trust Company of New York, New York, New York, as paying agent and place of payment for the Refunded Notes, of the principal amount of Refunded Notes to be redeemed (which amount shall be not less than the principal amount of the Bonds of such installment), the Refunded Notes, or portions thereof, to be redeemed and the dates of redemption of such Refunded Notes, which shall be no later than ninety (90) days following the issuance and delivery of the installment of Bonds to the initial purchaser thereof. The Board hereby authorizes and directs the Chairman of the Board, the Executive Secretary of the Board, the Executive Vice Chancellor for Asset Management of the System, the Executive Director of Finance of the System or the Manager of Finance of the System, for and on behalf of the Board, to sign, seal and otherwise execute and deliver such notices, instructions, certificates, instruments and other documents as may be necessary or convenient to accomplish the refunding of the Refunded Notes as set forth herein and in accordance with their terms. It is hereby found and determined that the refunding of the Refunded Notes is advisable and necessary in order to restructure the debt service requirements and procedures of the Board so as to fix the borrowing costs of the

Board for financing the facilities financed through the issuance of the Refunded Notes for the long term at favorable rates.

**Section 7.06. APPLICATION OF BOND PROCEEDS; ESCROW AGREEMENT.**

(a) Proceeds from the sale of each installment of Bonds shall, promptly upon receipt thereof, be applied by the Authorized Representative as follows:

- (i) accrued interest shall be deposited into the Interest and Sinking Fund;
- (ii) of the remaining proceeds from the sale of such installment of Bonds, an amount at least equal to the principal amount of Refunded Notes to be redeemed, together with other funds of the Board available for that purpose, shall be deposited in accordance with the related Escrow Agreement to establish an escrow fund for the Refunded Notes; and
- (iii) any proceeds from the sale of such installment of Bonds remaining after the deposits provided for in clauses (i) and (ii) above, shall be applied to pay expenses arising in connection with the issuance of such installment of Bonds, the establishment of such escrow and the refunding of such Refunded Notes.

Any sale proceeds of an installment of Bonds remaining after making all deposits and payments provided for above shall be deposited into the Interest and Sinking Fund.

(b) The discharge and defeasance of the Refunded Notes shall be effected pursuant to the terms and provisions of a separate Escrow Agreement for each installment of Bonds. The Chairman of the Board, the Executive Secretary of the Board, the Executive Vice Chancellor for Asset Management of the System, the Executive Director of Finance of the System or the Manager of Finance of the System hereby are authorized to execute and deliver on behalf of the Board the Escrow Agreement(s), in substantially the form and substance submitted at this meeting, with such changes therein as the officer executing the same may approve, such approval to be conclusively evidenced by such execution thereof.

**Section 7.07. DTC LETTER OF REPRESENTATION.** The Authorized Representative is authorized and directed to enter into a Letter of Representation with DTC with respect to each installment of Bonds to implement the book-entry only system of Bond registration.

**Section 7.08. FURTHER PROCEDURES.** The Chairman of the Board, the Executive Committee, each member of the Executive Committee, the Executive Secretary of the Board, the Executive Vice Chancellor

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

ADOPTED AND APPROVED this the 14th day of February, 1991.

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Chairman  
Board of Regents of  
The University of Texas System

Attest:

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Executive Secretary  
Board of Regents of  
The University of Texas System

[SEAL]

NEW ISSUE: Book Entry Only

RATINGS: See "Ratings."

*In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds. See "Tax Exemption" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.*

**\$260,000,000\***  
**Board of Regents of**  
**The University of Texas System**  
**Permanent University Fund Refunding Bonds, Series 1991**

Dated: \_\_\_\_\_ 1, 1991

Due: July 1, as shown herein

The Bonds will constitute valid and legally binding special obligations of the Board of Regents (the "Board") of The University of Texas System (the "System"), secured by and payable from a first lien on and pledge of the "Interest of the System" in the "Available University Fund" (as defined herein) on a parity with the Board's outstanding Permanent University Fund Refunding Bonds, Series 1985 and Series 1988. THE BONDS DO NOT CONSTITUTE GENERAL OBLIGATIONS OF THE BOARD, THE UNIVERSITY OF TEXAS SYSTEM, THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION OF THE STATE OF TEXAS. THE BOARD HAS NO TAXING POWER, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE BONDS. See "Security for the Bonds."

Proceeds from the sale of the Bonds, together with other available moneys of the Board, will be used for the purpose of refunding certain outstanding obligations of the Board. See "Plan of Financing."

The Bonds will bear interest from their date and will be payable January 1 and July 1 of each year, commencing July 1, 1991, until maturity or prior redemption.

The Bonds are initially issuable only to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof. Interest on and principal of the Bonds will be payable by \_\_\_\_\_, the initial Paying Agent/Registrar, to Cede & Co., as nominee for DTC, which will make distribution of the amounts so paid to DTC Participants (defined herein) who will make payments to the beneficial owners of the Bonds. See "Description Of The Bonds - Book-Entry Only System."

The Bonds are subject to redemption prior to maturity as described herein. See "Description of The Bonds - Redemption."

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 Vinson & Elkins, Austin and Houston, Texas, Bond Counsel. Certain legal matters will be passed on for the Underwriters by McCall, Parkhurst & Horton, Austin and Dallas, Texas. The Bonds are expected to be available for delivery on or about \_\_\_\_\_, 1991, in New York, New York.

**J. P. MORGAN SECURITIES INC.**

**[LIST OF CO-MANAGERS]**

Dated: \_\_\_\_\_, 1991

\_\_\_\_\_  
 \*Preliminary, subject to change

MATURITY SCHEDULE  
(July \_\_)

<u>Maturity*</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield or Price</u>	<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield or Price</u>
1992				1999			
1993				2000			
1994				2001			
1995				2002			
1996				2003			
1997				2004			
1998				2005			

[Accrued interest from \_\_\_\_\_, 1991 to be added]

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\*Preliminary, subject to change

# *Component Institutions of The University of Texas System*





## **Institutions**

### **The University of Texas at Arlington**

School of Architecture  
College of Business Administration  
College of Engineering  
College of Liberal Arts  
School of Nursing  
College of Science  
Graduate School of Social Work  
Graduate School  
Institute of Urban Studies

### **The University of Texas at Austin**

School of Architecture  
College of Liberal Arts  
College of Engineering  
College of Natural Sciences  
College of Business Administration  
LBJ School of Public Affairs  
College of Communications  
College of Education  
College of Fine Arts  
School of Law  
Graduate School of Library and  
Information Science  
School of Nursing  
College of Pharmacy  
School of Social Work  
Graduate School  
Marine Science Institute (Port Aransas)  
McDonald Observatory at Mount  
Locke (Fort Davis)

### **The University of Texas at Dallas**

Callier Center for Communication  
Disorders  
School of Arts and Humanities  
Eric Jonsson School of Engineering and  
Computer Science  
School of General Studies  
School of Human Development  
School of Management  
School of Natural Sciences and  
Mathematics  
School of Social Sciences

### **The University of Texas at El Paso**

College of Business Administration  
College of Education

College of Liberal Arts  
College of Nursing and Allied Health  
College of Science  
Graduate School

### **The University of Texas— Pan American (Edinburg)**

College of Arts and Sciences  
School of Business Administration  
School of Education  
Division of Health Related  
Professions  
Pan American (Brownsville)  
Arts and Sciences  
Business Administration  
Education

### **The University of Texas of the Permian Basin**

Division of Behavioral Science and  
Physical Education  
Division of Business  
Division of Education  
Division of Humanities and Fine Arts  
Division of Science and Engineering

### **The University of Texas at San Antonio**

College of Business  
College of Fine Arts and Humanities  
College of Social and Behavioral Science  
College of Sciences and Engineering  
Institute of Texan Cultures

### **The University of Texas at Tyler**

School of Business Administration  
School of Education and Psychology  
School of Liberal Arts  
School of Sciences and Mathematics

### **Branch at Galveston**

Medical School  
Graduate School of Biomedical Sciences  
Marine Biomedical Institute  
School of Allied Health Sciences  
Institute for the Medical Humanities  
The University of Texas Hospitals  
School of Nursing

### **The University of Texas Health Science Center at Houston**

Medical School  
Dental School  
Graduate School of Biomedical Sciences  
School of Allied Health Sciences  
School of Public Health  
Speech and Hearing Institute  
School of Nursing

### **The University of Texas Health Science Center at San Antonio**

Medical School  
Dental School  
Graduate School of Biomedical Sciences  
School of Allied Health Sciences  
School of Nursing

### **The University of Texas M.D. Anderson Cancer Center (Houston)**

M.D. Anderson Hospital  
M.D. Anderson Tumor Institute  
M.D. Anderson Science Park

### **The University of Texas Health Center at Tyler**

## **Health Institutions**

### **The University of Texas Southwestern Medical Center at Dallas**

Southwestern Medical School  
Southwestern Graduate School of  
Biomedical Sciences  
School of Allied Health Sciences

**Board of Regents of The University of Texas System**  
As of February 1, 1991

**OFFICERS**

Mr. Louis A. Beecherl, Jr., Chairman,  
Sam Barsbop, Vice-Chairman  
Arthur H. Dilly, Executive Secretary

**MEMBERS**

Terms Expire February 1, 1993

Sam Barsbop	.	.	.	.	San Antonio
Louis A. Bercherl, Jr.	.	.	.	.	Dallas
W.A. "Tex" Moncrief, Jr.	.	.	.	.	Fort Worth

Terms Expire February 1, 1995

Robert J. Cruikshank	.	.	.	.	Houston
Tom Loeffler	.	.	.	.	San Antonio
Mario Ramirez	.	.	.	.	Roma

Terms Expire February 1, 1997

Zan Wesley Holmes, Jr.	.	.	.	.	Dallas
Bernard Rapoport	.	.	.	.	Waco
Ellen Clarke Temple	.	.	.	.	Lufkin

**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 M. Davis	Executive Director, Office of Investments
Ms. Brenda F. Meglasson	Executive Director, Endowment Management and Administration
Mr. Thomas G. Ricks	Executive Director-Finance
Mr. John A. Roan	Manager-Finance
Mr. Gerald W. Hill	Vice Chancellor for Governmental Relations
Mr. Ray Farabee	Vice Chancellor and General Counsel
Mr. R. Dan Burck	Vice Chancellor for Business Affairs
Mr. Thomas M. Keel	Special Counsel-Business Affairs
Mr. Kerry L. Kennedy	Director-Office of Budget & Fiscal Policy
Ms. Mary A. Guyon	Budget Director
Mr. Ralph Kristoferson	Director-Facilities Planning and Construction
Mr. F. E. Binder	Executive Director-Public Affairs and Development
Mr. James C. Werchan	Director-Accounting
Mr. Paul J. Youngdale, Jr.	Director-Development

**Investment Advisory Committee**

	<u>Term</u> <u>Expiration</u>		<u>Term</u> <u>Expiration</u>
Mr. J. Luther King, Jr., Fort Worth	1991	Mr. Michael I. Roth, San Antonio	1993
Mr. L. Lowry Mays, San Antonio	1993	Mr. John T. Stuart, III, Dallas	1992
Mr. Edward Randall, III, Houston	1992	Mr. Jack T. Trotter, Houston	1991

**Board Counsel**

Vinson & Elkins  
Austin and Houston, Texas

## USE OF INFORMATION IN OFFICIAL STATEMENT

*No dealer, broker, salesman or other person has been authorized to give any information by the Board or the Underwriters, or to make any representations other than those contained in the Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Board or the Underwriters.*

*This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.*

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

*The price and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts. 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

**\$260,000,000\***

### **Board of Regents of The University of Texas System Permanent University Fund Refunding Bonds, Series 1991**

#### INTRODUCTION

This Official Statement, which includes the cover page and the Appendices hereto, provides certain information regarding the issuance by the Board of its bonds, entitled "Board of Regents of The University of Texas System Permanent University Fund Refunding Bonds, Series 1991" (the "Bonds"). Capitalized terms used in this Official Statement and not otherwise defined have the same meanings assigned to such terms in the resolution (the "Resolution") adopted by the Board on February 14, 1991 authorizing the issuance of the Bonds.

The University of Texas System (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 general academic and health-related education and research institutions, including The University of Texas at Austin. 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. For a general description of the System and each of its component institutions see Appendix A, Description of the System.

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

#### PLAN OF FINANCING

##### Authority for Issuance of the Bonds

The Bonds will be issued under the authority of Article VII, Section 18 of the Texas Constitution, Section 65.46, Texas Education Code, and Articles 717k and 717q, Texas Revised Civil Statutes Annotated, all as amended, and pursuant to the terms of the Resolution.

##### Purpose

The Bonds are being issued for the purpose of currently refunding the Board's Permanent University Fund Variable Rate Notes, Series A, outstanding in the principal amount of \$250,000,000. The issuance of the Bonds will permit the Board to restructure its debt service requirements through the establishment of long-term fixed rates for the Board's permanent financing of certain facilities initially financed through the issuance of such Notes.

##### Parity Bonds

The Bonds will be issued on a parity with the Board's previously issued and outstanding Permanent University Fund Refunding Bonds, Series 1985 and Series 1988 (the "Outstanding PUF Bonds"), currently outstanding in the aggregate principal amount of \$302,155,000. The Outstanding PUF Bonds, the Bonds and all additional bonds and notes issued on a parity therewith ("Additional Parity Bonds and Notes") are referred collectively herein as the "PUF Bonds".

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\*Preliminary, Subject to Change

## DESCRIPTION OF THE BONDS

### General

The Bonds will be issued only as fully registered bonds, without coupons, in any integral multiple of \$5,000 principal amount within a stated maturity, will be dated \_\_\_\_\_, 1991, and will accrue interest from their dated date. The Bonds will bear interest at the per annum rates shown on the inside of the cover page hereof. Interest on the Bonds is payable on January 1 and July 1 of each year, commencing July 1, 1991. Interest on the Bonds will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds mature on July 1 in the years and in the principal amounts set forth in the maturity schedule contained on the inside of the cover page hereof.

The Bonds are initially issuable in book-entry only form. Initially, Cede & Co., the nominee of The Depository Trust Company ("DTC"), will be the registered owner and references herein to the bondholders, holders, holders of the Bonds or registered owners of the Bonds shall mean Cede & Co. and not the beneficial owners of the Bonds. See "Description of the Bonds--Book-Entry Only System."

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

### Redemption

The Bonds maturing on and after July 1, 2001 are subject to redemption prior to maturity at the option of the Board on July 1, 2000 or on any interest payment date thereafter, in whole or in part in any integral multiple of \$5,000 (and if in part, the Bonds or portions thereof to be redeemed shall be selected by the Board) at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption; provided that during any period in which DTC shall serve as securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected by lot by DTC and in turn by the DTC Participants (hereinafter defined). See "Description of the Bonds -- Book-Entry Only System".

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

### Paying Agent/Registrar

The initial Paying Agent/Registrar is named on the cover page hereof. In the Resolution, the Board reserves the right to replace the Paying Agent/Registrar and covenants to maintain and provide a Paying Agent/Registrar at all times while the Bonds are outstanding. Any successor Paying Agent/Registrar is required by the Resolution to be a competent and legally qualified bank, trust company, financial institution or other agency. Upon any change in the Paying

Agent/Registrar, the Board is required promptly to cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

#### **Book-Entry Only System**

Book Entry Only System. The Bonds will be available in book-entry form only. Purchasers of the bonds will not receive certificates representing their interests in the Bonds purchased, except as specifically provided in the Resolution.

The Bonds will be held by The Depository Trust Company, New York, New York ("DTC"), as securities depository. The ownership of one fully registered Bond for each maturity is registered in the name of Cede & Co., as nominee for DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly.

Ownership interests in the Bonds may be purchased by or through DTC Participants. Such DTC Participants and the persons for whom they acquire interests in the Bonds as nominees will not receive certificated Bonds, but each DTC Participant is to receive a credit balance in the records of DTC in the amount of such DTC Participant's interest in the Bonds, which is to be confirmed in accordance with DTC's standard procedures. Each such person for whom a DTC Participant acquired an interest in the Bonds, as nominee, should make arrangements with such DTC Participant to receive a credit balance in the records of such DTC Participant, and should make arrangements with such DTC Participant to have all notices of redemption or other communications to DTC, which may affect such persons, forwarded in writing by such DTC Participant and to have notification made of all interest payments. Neither the Issuer nor the Trustee will have any responsibility or obligation to such DTC Participants or the persons for whom they act as nominees with respect to the Bonds in respect of the accuracy of any records maintained by DTC or any DTC Participant; the payment by DTC or any DTC Participant of any amount in respect of the principal or redemption price of or interest on the Bonds; any notice that is permitted or required to be given to Bondholders under the Resolution; or any consent given or other action taken by DTC as Bondholder. In this Official Statement, the term "Beneficial Owner" includes the person for whom the DTC Participant acquired an interest in the Bonds.

When reference is made to any action that is required or permitted to be taken by the Beneficial Owner, such reference only relates to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they are to be sent by the Paying Agent/Registrar to DTC only. DTC is responsible for notifying Participants, and Participants are responsible for notifying the Beneficial Owners. Neither the Paying Agent/Registrar nor the Board is responsible for sending notices to Beneficial Owners.

**SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCE HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS MEANS CEDE & CO., NOT THE BENEFICIAL OWNERS OF THE BONDS.**

Payments. Interest and principal are to be paid by the Paying Agent/Registrar to DTC, then paid by DTC to the DTC Participants and thereafter paid by the DTC Participants to the Beneficial Owners when due. The ownership interest of each Beneficial Owner in the Bonds is to be recorded on the records of the DTC Participants, whose ownership interests are to be recorded on a computerized book-entry system operated by DTC.



Beneficial Owners are to receive a written confirmation of their purchase detailing the terms of the Bonds acquired. Transfers of ownership interests in the Bonds are to be accomplished by book entries made by DTC and by the DTC Participants who act on behalf of the Beneficial Owners. For every transfer and exchange of the Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Discontinuance of System. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the Board and the Paying Agent/Registrar and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is not a successor securities depository), certificated Bonds are required to be delivered as described in the Resolution.

If the Board or the Paying Agent/Registrar determines that (a) DTC is incapable of discharging its responsibilities or (b) the interests of the Beneficial Owners of the Bonds might be adversely affected if the book-entry only system is continued, the Board shall appoint a successor securities depository or deliver certificated Bonds, each as described in the Resolution.

Effect of Discontinuance of Book-Entry Only System. In the event that the Book-Entry Only System is discontinued by DTC or the Board, the following provisions will be applicable to the Bonds.

(a) **Payments.** Principal of all Bonds is payable to registered owners thereof at maturity or on the date of earlier redemption and only upon presentation and surrender of such Bonds at the corporate trust office of the Paying Agent/Registrar. Interest on the Bonds will be paid by check mailed by the Paying Agent/Registrar to the registered owners thereof as shown in the bond registration books of the Paying Agent/Registrar as of the Record Date, which will be the 15th day of the month next preceding each interest payment date. Alternatively, upon the request and at the risk and expense of a registered owner, interest may be paid by another method acceptable to the Paying Agent/Registrar.

(b) **Transfer, Exchange and Registration.** Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, together with proper written instruments of assignment in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar. Any such transfer or exchange will be without expense or service charge to the registered owner except for any tax or other governmental charges required to be paid with respect thereto. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged at the corporate office of the Paying Agent/Registrar. Any Bond issued in exchange or transfer of another Bond may be in any integral multiple of \$5,000 principal amount for any one maturity and shall have the same aggregate unpaid principal amount interest rate and maturity date as the Bonds or Bonds surrendered for exchange or transfer. The Board and the Paying Agent/Registrar may treat the person in whose name a Bond is registered as the absolute owner thereof for all purposes, whether such Bond is overdue or not, including for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond.

(c) **Limitation on Transfer.** Neither the Board nor the Paying Agent/Registrar shall be required to assign, transfer, or exchange (a) any Bond or any portion thereof during a period beginning at the close of business on any Record Date, and ending at the opening of business on the next following principal or interest payment date or (b) any Bond or any portion thereof that has been called for redemption within 45 days prior to the date fixed for redemption.

#### **Amendment of Terms**

The owners of PUF Bonds aggregating 51% of the aggregate principal amount of the then outstanding PUF Bonds have the right under the Resolution to approve any amendment to the Resolution or any other resolution authorizing the issuance of PUF Bonds that may be deemed necessary or desirable by the Board; provided, however, that the owners of all of the outstanding PUF Bonds must approve the amendment of the terms and conditions in the Resolution, such other resolutions or in any PUF Bond so as to (a) make any change in the maturity of the outstanding PUF Bonds; (b) reduce the rate of interest borne by any of the outstanding PUF Bonds; (c) reduce the amount of the principal payable on the outstanding PUF Bonds; (d) modify the terms of payment of principal of or interest on the outstanding PUF Bonds, or impose any conditions with respect to such payment; (e) affect the rights of the owners of less than all of the PUF Bonds

then outstanding; or (f) change the minimum percentage of the principal amount of PUF Bonds necessary for consent to such amendment.

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

#### **Defeasance**

The Resolution makes the following provisions for the defeasance of the Bonds. (a) Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding within the meaning of the Resolution (a "Defeased Bond") except to the extent provided in (c) below, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment, or (2) Government Obligations that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the Board with the Paying Agent/Registrar for the payment of its services until after all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of the Interest of the System in the Available University Fund, and such principal and interest shall be payable solely from such money or Government Obligations, and shall not be regarded as outstanding under the Resolution.

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

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

(d) For purposes of these provisions, Government Obligations means direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.



## SECURITY FOR THE BONDS

### Pledge Under the Resolution

The Bonds, the Outstanding PUF Bonds and the interest thereon are equally and ratably secured by and payable from a first lien on and pledge of the Interest of the System in the Available University Fund as described below. Pursuant to the Resolution, the Board has reserved the right to issue Additional Parity Bonds and Notes on a parity with the Bonds and the Outstanding PUF Bonds. See "Security for the Bonds--Additional Parity Bonds and Notes."

The Bonds do not constitute general obligations of the Board, the System, the State of Texas or any political subdivision of the State of Texas. The Board has no taxing power, and neither the credit nor the taxing power of the State of Texas or any political subdivision thereof is pledged as security for the Bonds.

### Available University Fund

The Available University Fund is defined by the Texas Constitution to consist of all the dividend, interest and other income of the Permanent University Fund (less administrative expenses), including income attributable to the surface of Permanent University Fund land. See "Permanent University Fund." As such dividend, interest and income are received, the Comptroller of Public Accounts of the State of Texas credits the receipts to the Available University Fund and the money is deposited in the State Treasury for the purpose of investment.

Two-thirds of the amounts attributable to the Available University Fund, after deducting expenses for administering the Permanent University Fund, are constitutionally appropriated to the System to be used for constitutionally prescribed purposes. The two-thirds share is referred to herein and in the Resolution as the "Interest of the System" 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.

Money credited to the Available University Fund is administered by the State Treasurer and, along with other funds of the State, is invested in accordance with State law. Earnings on that portion of the Available University Fund appropriated to the System accrue to and become a part of the Interest of the System in the Available University Fund.

**Income, Debt Service Requirements and Coverage**

Table I below sets forth historical earnings of the Permanent University Fund that were deposited to the Available University Fund, together with the debt service requirements of the Outstanding PUF Bonds and the coverage thereof.

**Table I**  
**Historical Available University Fund (1)**  
**(000's Omitted)**

<b>Fiscal Year Ending August 31</b>	<b>Available University Fund (after Administration Expenses)(2)</b>	<b>Two-Thirds Interest of the System in Available University Fund</b>	<b>Other Income(3)</b>	<b>Total Income Available to Pay Debt Service</b>	<b>Total Debt Service Payable from the Available University Fund</b>	<b>Coverage(4)</b>
1983	\$156,486	\$104,324	\$6,323	\$110,647	\$ 28,693	3.86x
1984	171,437	114,291	7,632	121,923	33,638	3.62x
1985	187,927	125,285	6,635	131,920	40,239	3.28x
1986	209,700	139,800	5,111	144,911	29,702	4.88x
1987	209,182	139,455	4,152	143,607	45,503	3.16x
1988	231,417	154,278	5,939	160,217	43,531	3.68x
1989	248,146	165,431	9,216	174,647	51,867	3.36x
1990	258,219	172,146	8,188	180,334	50,613	3.56x

- (1) The amounts stated in the years 1983 through 1986 are audited actual amounts. The 1987 through 1990 amounts are the unaudited amounts reflected on the books of the System.
- (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 Resolution contains covenants restricting administrative expenses of the Permanent University Fund to a minimum consistent with prudent business judgement.
- (3) Through the fiscal year ending August 31, 1985, Other Income included the grazing and other income derived from the surface of the Permanent University Fund lands (all of which was appropriated to the System), plus nondivisible interest income earned on the System's share of the Available University Fund balance on deposit with the State Treasury. The Texas Constitution requires that after August 31, 1985, surface income be allocated one-third to The Texas A&M University System and the remaining two-thirds to the System.
- (4) Represents Total Income Available for Debt Service divided by Total Debt Service Payable from the Available University Fund.

Table II shows the Constitutional debt limits of the Permanent University Fund for each year 1981 through 1990 and the amount of outstanding bonds and notes secured by the respective interests in the Available University Fund for each of such years for both the System and The Texas A&M University System.

**Table II**  
**Historical Availability and Outstanding Bonds**

<b>Fiscal Year Ending</b>	<b>Book Value of Fund</b>	<b>U. T. System</b>		<b>Texas A&amp;M University System</b>	
		<b>Constitutional Debt Limit</b>	<b>Outstanding</b>	<b>Constitutional Debt Limit</b>	<b>Outstanding</b>
August 31, 1981	\$1,519,350,740.87	\$202,580,099	\$195,540,000	\$101,290,049	\$ 95,215,000
August 31, 1982	1,725,744,320.14	230,099,243	182,805,000	115,049,621	89,255,000
August 31, 1983	1,902,619,273.57	253,682,570	221,955,000	126,841,284	105,565,000
August 31, 1984	2,082,521,496.64	277,669,533	272,735,000	138,834,766	135,870,000
August 31, 1985	2,316,874,704.42	463,374,941	309,065,000	231,687,470	162,345,000
August 31, 1986	2,605,526,500.59	521,105,300	440,045,000	260,552,650	198,065,000
August 31, 1987	2,919,540,498.17	583,908,100	427,420,000	291,954,050	220,690,000
August 31, 1988	3,082,118,711.23	616,437,742	442,100,000	308,218,071	224,180,000
August 31, 1989	3,294,392,324.61	658,878,465	477,205,000	329,439,232	248,050,000
August 31, 1990	3,435,080,203.14	687,016,040	542,155,000	343,508,020	255,685,000

Note: Prior to November 1984, the Texas Constitution limited the issuance of PUF bonds and notes to a maximum of 20% of the book value of the PUF (6.67% issued by Texas A&M University System and 13.33%, University of Texas System). An amendment to the Constitution increased the maximum PUF bonds and notes to 30% of the book value of the PUF (10% issued by Texas A&M University System and 20%, University of Texas System).

The discretion to direct the use of the Interest of the System in the Available University Fund, after administrative 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 administrative expenses, is vested in the Board of Regents of The Texas A&M University System.

Article VII, Section 18(b) of the Texas Constitution (the "Constitutional Provision") authorizes the Board to issue bonds and notes, payable from all or any part of the Interest of the System 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) major repair and rehabilitation of buildings and other permanent improvements, (d) acquiring capital equipment, library books and library materials, and (e) refunding bonds or notes issued under such constitutional provision or prior law at or for System administration and the component institutions of the System. The pledge and security interest made and granted in the Resolution is accomplished pursuant to that Constitutional Provision.

The Constitutional Provision limits the aggregate amount of bonds and notes payable from the Interest of the System in 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, 1990, the unaudited cost value of the Permanent University Fund, exclusive of real estate, was \$3,417,855,863 and Permanent University Fund bonds and notes outstanding totaled \$552,155,000. Accordingly, as of December 31, 1990, the Board was authorized to issue an additional \$131,416,173 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.

### **General Covenants**

The resolutions authorizing the Outstanding PUF Bonds and the Resolution require the Comptroller of Public Accounts of the State of Texas to maintain in the State Treasury an Interest and Sinking Fund for the Outstanding PUF Bonds, the Bonds and any Additional Parity Bonds and Notes. Such resolutions collectively require the Board and the officers of the System to cause the Comptroller, on or before the date on which principal or interest is due on the Outstanding PUF Bonds and the Bonds, to transfer from the Interest and Sinking Fund to the Paying Agent/Registrar amounts sufficient to pay such principal and interest.

The Board additionally covenants and agrees:

(a) That while any PUF Bonds are outstanding and unpaid, the Board will maintain and invest and keep invested the Permanent University Fund in a prudent manner and as required by law;

(b) That the Board will restrict expenditures for administering the Permanent University Fund to a minimum consistent with prudent business judgment;

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

d) That, except for the PUF Bonds, and the interest thereon, the Board will not at any time create or allow to accrue or exist any lien or charge upon the Permanent University Fund or the Interest of the System in the Available University Fund, unless such lien or charge is made junior and subordinate in all respects to the liens, pledges, and covenants in connection with the PUF Bonds, but the right to issue junior and subordinate lien obligations payable from such Interest of the System in the Available University Fund is specifically reserved by the Board; and that the lien created by the 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 the Board will continuously preserve the Permanent University Fund and each and every part thereof; and

(e) That proper books of records and accounts will be kept in which true, full and correct entries will be made of all income, expenses and transactions of and in relation to the Permanent University Fund and each and every part thereof in accordance with accepted accounting practices. As soon after the close of each fiscal year (September 1 to August 31, inclusive) as may reasonably be done, the Board shall furnish to all bondholders and owners who may so request such audits and reports by the State Auditor of Texas for the preceding fiscal year, concerning the Permanent University Fund, the Interest of the System in the Available University Fund and the PUF Bonds, as the State Auditor is required by applicable law to prepare and distribute.

#### **General Tax Covenant.**

In the Resolution, the Board states its intention that the interest on the Bonds shall be excludable from gross income for purposes of federal income taxation pursuant to sections 103 and 141 through 150 of the Code, and applicable regulations. The Board covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the Code, of the holders thereof for purposes of federal income taxation. In particular, the Board covenants and agrees in the Resolution to comply with each requirement of the Resolution relating to the treatment of interest on the Bonds for federal income tax purposes; provided, however, that the Board shall not be required to comply with any particular requirement if the Board has received an opinion of counsel that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or if the Board has received an opinion of counsel to the effect that compliance with some other requirement set forth in the Resolution will satisfy the applicable requirements of the Code, in which case compliance with such other requirement specified in such counsel's opinion shall constitute compliance with the corresponding requirement specified in the Resolution.

#### **Additional Parity Bonds and Notes**

The Board reserves the right, exercisable at any time and from time to time, to issue and deliver Additional Parity Bonds and Notes, in as many separate installments or series as deemed advisable by the Board, but only for constitutionally permitted (including refunding) purposes. Such Additional Parity Bonds and Notes, when issued, and the interest thereon, will be equally and ratably secured by and payable from a first lien on and pledge of the Interest of the System in the Available University Fund, in the same manner and to the same extent as are the Bonds and the Outstanding PUF Bonds. It is further covenanted, however, that no installment or series of Additional Parity Bonds or Notes shall be issued and delivered unless the Executive Vice Chancellor for Asset Management or some other officer of the 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 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 Parity Bonds or Notes then proposed to be issued and all then outstanding PUF Bonds that will be outstanding after the issuance and delivery of such proposed installment of series: and

(b) a certificate to the effect that the total principal amount of (i) all PUF Bonds and (ii) all other obligations of the Board that are secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund that will be outstanding after the issuance and delivery of the installment or series of Additional Parity Bonds or Notes then proposed to be issued will not exceed 20% of the cost value of investments and other assets of the Permanent University Fund (exclusive of real estate) at the time the proposed series or installment of Additional Parity Bonds or Notes is issued.

For purposes of the calculation required by (a) above and for other purposes of the Resolution, "Principal and Interest Requirements" means, with respect to any fiscal year of the System, the amounts of principal of and interest on all PUF Bonds scheduled to be paid in such fiscal year from the Interest of the System in the Available University Fund. If the rate of interest to be borne by any PUF Bonds 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 PUF Bonds shall be deemed to bear interest at all times to their

maturity or due date at the lesser of (i) the maximum rate then permitted by law or (ii) the maximum rate specified in such PUF Bonds.

### **Future Financings**

The Constitutional Provision provides that the System and its component institutions may not receive any funds from the general revenue of the State for acquiring land, with or without improvements, for constructing or equipping buildings or other permanent improvements, or for major repair and rehabilitation of buildings or other permanent improvements except in case of fire or natural disaster (when the State Legislature may appropriate amounts to replace uninsured losses) or in cases of demonstrated need, as statutorily expressed in an appropriations act adopted by a two-thirds vote of both houses of the State Legislature. Accordingly, the needs of the System for capital funds through the issuance of bonds or notes are on-going. The Board expects to issue approximately \$50,000,000 of bonds or notes secured by the Interest of the System in the Available University Fund to fund various capital projects by the end of the current calendar year. The Board reserves the right to issue Additional Parity Bonds and Notes and other obligations over and above these amounts should it elect to do so. See Table II, "Historical Availability and Outstanding Bonds."

### **Remedies**

Any owner of any of the Outstanding PUF Bonds, the Bonds or Additional Parity Bonds or Notes shall, in the event of default in connection with any covenant contained in the Resolution or default in the payment of any amount due with respect to such obligations, have the right to institute mandamus proceedings against the Board or any other necessary or appropriate party for the purpose of enforcing payment from the moneys pledged under the Resolution or for enforcing any such covenant. Acceleration of the amounts due with respect to such obligations is not available as a remedy.

### **Subordinate Lien Notes and Residual Funds**

**Subordinate Lien Notes.** In addition to the PUF Bonds, pursuant to the Constitutional Provision, the Board has authorized an interim financing program through the issuance of its Permanent University Fund Variable Rate Notes, Series A to be outstanding at any time in the maximum principal amount of \$250,000,000 (the "Subordinate Lien Notes"). The Subordinate Lien Notes are secured by a lien on the Interest of the System in the Available University Fund subordinate to the lien securing the PUF Bonds.

Following the delivery of the Bonds and the defeasance of the currently outstanding Subordinate Lien Notes, the Board will have the capacity, subject to the Constitutional debt limit, to issue up to \$250,000,000 in principal amount of Subordinate Lien Notes. See "Permanent University Fund -- Constitutional Debt Power, Debt Limitations."

**Residual AUF.** After the payment of annual debt service on the PUF Bonds and after payment of any other obligations secured by a lien on the Interest of the System in the Available University Fund, the Constitutional Provision appropriates the remaining amount attributable to the Interest of the System in the Available University Fund as follows: (a) first, the sum of \$6,000,000 annually, for ten years commencing November 1, 1984, to The Texas A&M University System for use by Prairie View A&M University, and (b) the balance (the "Residual AUF") to the Board for the support and maintenance of The University of Texas at Austin and for the administration of the System.

In addition to the Bonds, the Outstanding PUF Bonds, and the Subordinate Lien Notes, the Board has previously issued The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986 (the "Building Revenue Bonds"), presently outstanding in the aggregate principal amount of \$31,385,000. The Building Revenue Bonds are secured by and payable from, among other revenues, the "Pledged Available Fund Surplus," which is that portion of the Residual AUF that is biennially appropriated by the State Legislature in a manner that will permit use thereof by the Board to pay debt service on the Building Revenue Bonds. The Building Revenue Bonds and any other obligations of the Board payable from and secured by the Pledged Available Fund Surplus are not subject to the 20% limitation described above under "Security for the Bonds - Constitutional Debt Power, Debt Limitations."

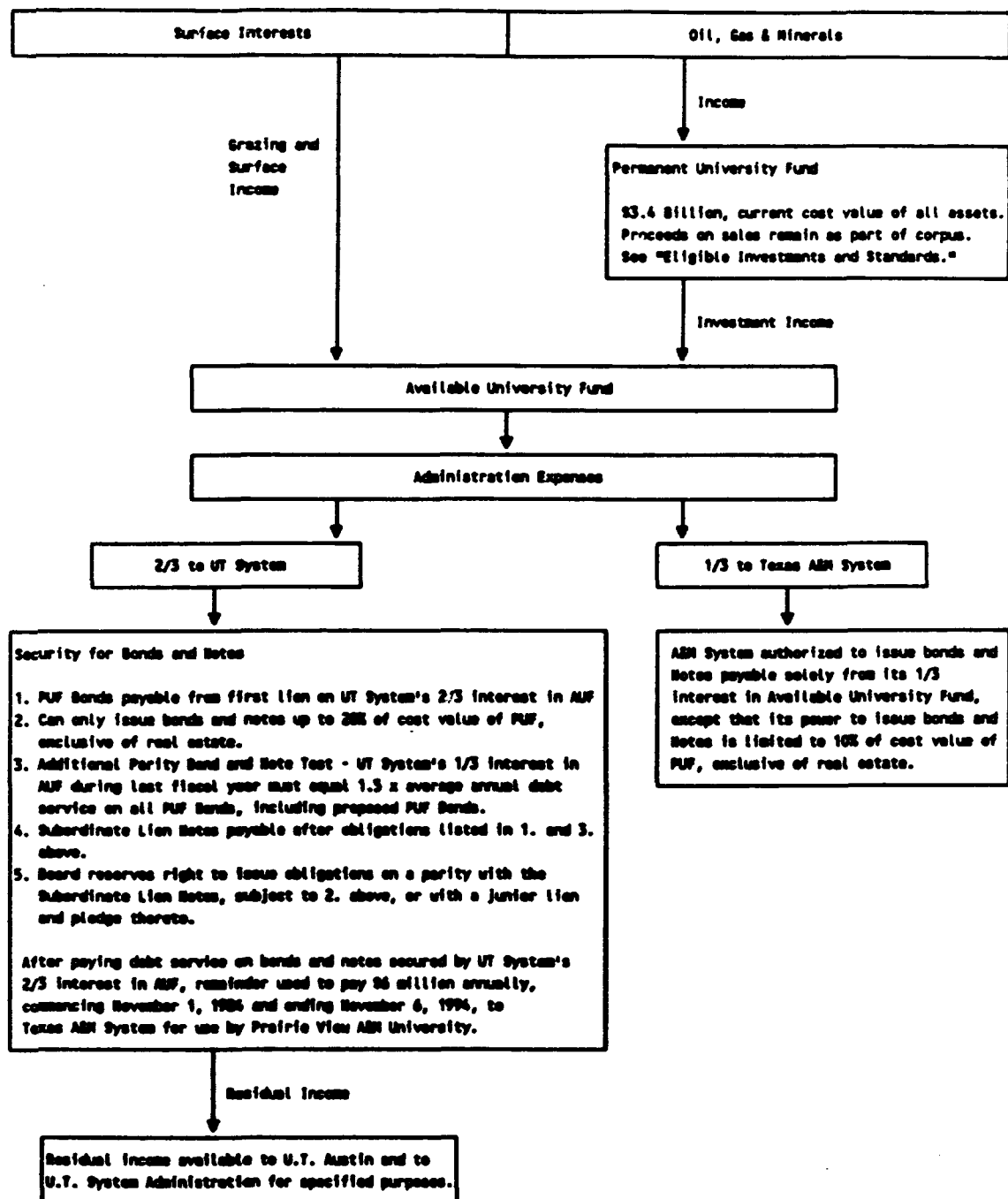
# PERMANENT UNIVERSITY FUND

## 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 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.

## UNIVERSITY LANDS

(2,109,109 acres)



The Permanent University Fund is a public endowment contributing to the support of institutions of the System (other than The University of Texas-Pan American) 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 at Austin 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 acres located in 19 West Texas counties.

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 the Permanent University Fund.

#### **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 up to 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 Investment Advisory Committee meets on a quarterly basis. Pursuant to Board Rules and Regulations, Investment Advisory Committee members are appointed for a three year term and may be reappointed for one additional term. The current members of the Investment Advisory Committee are shown on page (iii) of this Official Statement.

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, 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. The Board has employed SEI Corporation, Wayne, Pennsylvania. The firm annually renders a report to the Board, copies of which may be obtained from the Office of Asset Management.

#### **Investment Management Firms:**

The Board may hire unaffiliated investment managers from time to time in order to provide the Permanent University Fund with increased diversity through their unique style and approach to investing as well as to improve the Permanent University Fund's return and volatility. The Board carefully screens and evaluates external managers on the basis of investment philosophy and historical performance. Investment managers are monitored periodically by the Board for performance and adherence to investment discipline. The Board reviews the composition of managers from time to time and may add or terminate managers in order to optimize portfolio returns. As of January 31, 1991, external managers managed approximately 12% of Fund assets.

#### **Eligible Investments and Standards**

Pursuant to an amendment to Article VII of the Texas Constitution which was approved by the voters of the State on November 8, 1988, the Board is authorized, subject to procedures and restrictions it establishes, to invest the Permanent University Fund in any kind of investments and in amounts it considers appropriate provided that it adheres to the prudent person investment standard, which requires that, in making each and all investments, the Board shall 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 the constitutional standard for investment discussed above, the Board's investment policies currently provide, among other investment restrictions, that (a) corporate bonds and preferred stocks must be rated "Baa3" by Moody's

Investors Service or "BBB-" by Standard & Poor's Corporation 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, (b) commercial paper must be rated in the top two quality classes by Moody's Investors Service or Standard & Poor's Corporation, (c) less than five percent of the voting securities of a corporation may be owned, unless additional ownership is specifically authorized by the Executive Vice Chancellor for Asset Management, (d) no securities may be purchased on margin or leverage, (e) no transactions in short sales will be made and (f) transactions in financial futures and options may only occur as part of a hedging program as authorized.

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. 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.

**Investment Objectives:**

The Board has three primary objectives in managing the Permanent University Fund: 1) the generation of more than sufficient income to service interest and principal payments of bonds and notes secured by the Interest of System in the Available University Fund 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 System administration, 2) to cause the total value of the Permanent University Fund to appreciate over time and thereby to insure preservation of the Permanent University Fund's purchasing power and 3) diversification at all times to provide reasonable assurance that investment in a single security, class of securities, or industry will not have an excessive impact on the Permanent University Fund.

Table III shows the annual growth in the Permanent University Fund through fiscal year 1990. Proceeds from the sale of assets contained in such Fund, including capital gains, are constitutionally required to remain as part of the corpus of such Fund.

**Table III**  
**Annual Permanent University Fund Growth**  
(000's omitted)

<u>Fiscal Year Ending August 31</u>	<u>Oil &amp; Gas &amp; Sulphur Royalties</u>	<u>Mineral Lease Sources</u>	<u>Other Sources (1)</u>	<u>Total Additions</u>
Through September 1, 1979 .....	\$ 782,090	\$ 305,885	\$ 45,843	\$ 1,133,818
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
1988 .....	75,431	3,568	83,578	162,577
1989 .....	67,236	2,555	142,843	212,278
1990 .....	<u>71,539</u>	<u>4,913</u>	<u>64,235</u>	<u>140,687</u>
Totals .....	<u>\$2,072,192</u>	<u>\$457,075</u>	<u>\$905,812</u>	<u>3,435,080(2)</u>

(1) Includes net realized gains (losses) on sale of Fund securities.  
(2) Excludes nominal value of land of \$10,027,384.



Table IV shows a summary comparison of the assets, excluding land, of the Permanent University Fund for fiscal years 1987 through 1990. Though market values are shown, assets are valued at their book value in the financial records of the System. The 2,109,109 acres of land owned by the Permanent University Fund is carried on the books at the nominal book value of \$10,027,384.

**TABLE IV**  
**PERMANENT UNIVERSITY FUND**  
**Comparison Summary of Assets**

Security	August 31, 1987				August 31, 1988			
	Book Value	Book Yield	Market Value	Market Yield	Book Value	Book Yield	Market Value	Market Yield
<b>LONG TERM SECURITIES</b>								
<b>DEBT SECURITIES--</b>								
<b>U.S. GOV'T OBLIGATIONS:</b>								
Direct--Treasuries	\$ 306,091,743.28	11.03%	\$ 332,813,502.25	8.71%	\$ 341,137,833.76	10.72%	\$ 363,341,181.04	9.09%
Guaranteed								
Various Agencies	193,712,339.11	10.16	194,840,723.82	9.15	126,841,713.52	9.51	121,792,801.86	10.10
FHA Mortgages	4,130,208.58	6.98	3,620,258.57	10.94	3,705,112.19	6.99	3,137,806.38	10.95
Total U.S. Governments	<u>503,934,290.97</u>	<u>10.66</u>	<u>531,274,484.64</u>	<u>8.89</u>	<u>471,684,659.47</u>	<u>10.36</u>	<u>488,271,789.28</u>	<u>9.35</u>
<b>U.S. GOV'T AGENCIES:</b>								
Non-Guaranteed	<u>176,478,682.40</u>	<u>9.66</u>	<u>174,485,284.67</u>	<u>9.77</u>	<u>284,347,623.00</u>	<u>9.70</u>	<u>279,237,002.10</u>	<u>9.91</u>
<b>CORPORATE BONDS:</b>								
Utilities	257,954,727.84	9.38	234,566,932.69	10.72	221,378,568.65	9.72	209,623,687.40	10.63
Industrials	185,180,014.73	11.61	190,179,367.79	10.94	173,072,240.76	11.07	174,920,138.91	10.81
Financial	175,131,818.25	10.27	170,648,606.44	10.31	249,689,621.07	9.71	238,837,141.96	10.76
Transportation	63,881,764.41	12.81	72,870,405.49	9.44	62,602,516.36	12.80	69,498,487.49	9.72
Total Corporates	<u>682,148,325.23</u>	<u>10.53</u>	<u>668,265,312.41</u>	<u>10.54</u>	<u>706,742,946.84</u>	<u>10.32</u>	<u>692,879,455.76</u>	<u>10.63</u>
<b>TOTAL DEBT SECS</b>	<u>1,362,561,298.60</u>	<u>10.47</u>	<u>1,374,025,081.72</u>	<u>9.80</u>	<u>1,462,775,229.31</u>	<u>10.21</u>	<u>1,460,388,247.14</u>	<u>10.07</u>
<b>PREFERRED STOCKS</b>	<u>5,902,580.56</u>	<u>13.32</u>	<u>7,398,802.50</u>	<u>10.63</u>	<u>5,902,580.56</u>	<u>13.24</u>	<u>7,465,192.50</u>	<u>10.47</u>
<b>EQUITY SECURITIES--</b>								
Convertible Debentures	626,459.50	7.90	719,000.00	6.88	836,374.19	7.26	870,612.50	6.97
Convertible Preferred Stocks	1,265,528.83	9.60	1,329,430.35	9.14	1,435,580.83	9.36	1,310,329.94	10.26
Common Stocks	862,687,833.68	4.52	1,324,660,653.53	2.94	995,167,939.93	4.38	1,139,965,721.50	3.83
<b>TOTAL EQUITY SECS</b>	<u>864,579,822.01</u>	<u>4.53</u>	<u>1,326,709,083.88</u>	<u>2.95</u>	<u>997,439,894.95</u>	<u>4.39</u>	<u>1,142,146,663.94</u>	<u>3.84</u>
<b>TOTAL LONG TERM</b>	<u>2,233,043,701.17</u>	<u>8.17</u>	<u>2,708,132,968.10</u>	<u>6.45</u>	<u>2,466,117,704.82</u>	<u>7.87</u>	<u>2,610,000,103.58</u>	<u>7.34</u>
<b>CASH AND EQUIVALENT:</b>								
U.S. Governments & Agencies	140,536,357.09	7.94	141,001,269.19	7.24	141,707,903.07	8.33	142,858,880.28	7.04
U.S. Governments (Non-Gtd.)	43,580,331.95	6.76	43,580,331.95	6.76	33,778,255.46	7.74	33,778,255.46	7.74
Corporate Bonds	16,581,751.66	10.19	16,677,435.28	8.60	21,647,569.13	11.69	21,916,719.00	9.72
Commercial Paper	435,000,000.00	6.76	435,000,000.00	6.76	378,000,000.00	7.90	378,000,000.00	7.90
Cash (Interest Bearing)	50,798,356.30	5.95	50,798,356.30	5.95	40,867,278.75	7.17	40,867,278.75	7.17
<b>TOTAL SHORT TERM</b>	<u>686,496,797.00</u>	<u>7.03</u>	<u>687,057,392.72</u>	<u>6.84</u>	<u>616,001,006.41</u>	<u>8.07</u>	<u>617,421,133.49</u>	<u>7.70</u>
<b>TOTAL SECURITIES, CASH &amp; EQUIVALENT</b>	<u>\$2,919,540,498.17</u>	<u>7.90%</u>	<u>\$3,395,190,360.82</u>	<u>6.53%</u>	<u>\$3,082,118,711.23</u>	<u>7.91%</u>	<u>\$3,227,421,237.07</u>	<u>7.41%</u>

**TABLE III continued**  
**PERMANENT UNIVERSITY FUND**  
**Comparison Summary of Assets**

<u>August 31, 1989</u>				<u>August 31, 1990</u>			
<u>Book Value</u>	<u>Book Yield</u>	<u>Market Value</u>	<u>Market Yield</u>	<u>Book Value</u>	<u>Book Yield</u>	<u>Market Value</u>	<u>Market Yield</u>
\$ 482,216,880.97	10.20%	\$ 516,520,062.70	8.37%	\$424,774,488.15	9.95%	\$445,330,644.04	8.61%
138,856,815.53	9.58	139,975,389.42	9.54	136,468,556.88	9.56	135,930,371.33	9.92
<u>3,308,957.29</u>	<u>7.01</u>	<u>2,844,338.64</u>	<u>10.98</u>	<u>2,915,081.73</u>	<u>7.02</u>	<u>2,648,126.35</u>	<u>10.99</u>
<u>624,382,653.00</u>	<u>10.05</u>	<u>659,339,790.76</u>	<u>8.63</u>	<u>564,158,126.76</u>	<u>9.84</u>	<u>583,909,141.72</u>	<u>8.93</u>
<u>316,207,653.00</u>	<u>9.72</u>	<u>317,099,300.23</u>	<u>9.66</u>	<u>313,131,768.72</u>	<u>9.72</u>	<u>311,829,024.10</u>	<u>9.75</u>
219,384,836.20	9.47	217,076,730.02	9.75	232,764,180.31	9.30	223,109,199.05	10.13
172,680,114.04	10.65	176,903,660.54	10.20	180,545,019.62	10.50	177,262,787.05	10.84
275,018,047.10	9.68	275,006,826.70	9.55	267,016,295.29	9.57	263,884,282.00	9.67
56,717,168.49	12.87	63,884,002.75	9.01	53,572,541.30	12.36	57,718,012.20	9.71
<u>724,300,165.83</u>	<u>10.10</u>	<u>732,871,220.01</u>	<u>9.72</u>	<u>733,898,036.52</u>	<u>9.92</u>	<u>721,974,280.30</u>	<u>10.11</u>
<u>1,664,890,472.62</u>	<u>10.01</u>	<u>1,709,310,311.00</u>	<u>9.29</u>	<u>1,611,187,932.00</u>	<u>9.85</u>	<u>1,617,712,446.12</u>	<u>9.61</u>
<u>10,911,406.33</u>	<u>11.73</u>	<u>13,138,488.75</u>	<u>9.75</u>	<u>15,054,658.37</u>	<u>12.36</u>	<u>16,542,353.93</u>	<u>5.77</u>
445,035.50	8.93	377,750.00	10.52	508,859.66	9.53	386,500.00	12.55
1,672,427.55	8.80	1,625,823.87	9.05	7,158,914.07	10.08	5,597,039.06	12.89
<u>1,147,888,097.95</u>	<u>4.37</u>	<u>1,548,636,270.15</u>	<u>3.24</u>	<u>1,172,690,317.64</u>	<u>4.18</u>	<u>1,270,671,693.71</u>	<u>3.86</u>
<u>1,150,005,562.00</u>	<u>4.38</u>	<u>1,550,639,944.02</u>	<u>3.25</u>	<u>1,180,358,091.37</u>	<u>4.22</u>	<u>1,276,655,232.77</u>	<u>3.90</u>
<u>2,825,807,440.95</u>	<u>7.72</u>	<u>3,273,088,743.77</u>	<u>6.43</u>	<u>2,806,600,681.74</u>	<u>7.46</u>	<u>2,910,910,032.82</u>	<u>7.08</u>
28,226,080.31	9.82	29,498,642.59	8.50	139,714,814.24	10.00	141,225,069.08	8.14
84,388,017.94	9.84	84,427,867.94	9.76	9,596,819.44	8.43	9,596,819.44	8.43
15,228,960.08	11.22	13,632,937.62	8.62	23,305,681.95	12.42	23,720,831.44	10.59
250,000,000.00	8.83	250,000,000.00	8.83	425,000,000.00	8.08	425,000,000.00	8.08
89,741,825.33	8.78	89,741,825.33	8.78	30,862,205.77	8.29	30,862,205.77	8.29
468,584,883.66	9.14	467,301,273.48	8.96	628,479,521.40	8.69	630,404,825.73	8.20
<u>\$3,294,392,324.61</u>	<u>7.92%</u>	<u>\$3,740,390,017.25</u>	<u>6.74%</u>	<u>\$3,435,080,203.14</u>	<u>7.69%</u>	<u>\$3,541,314,858.55</u>	<u>7.28%</u>

Table V shows a summary of the income from investments in the Permanent University Fund for the fiscal year ended August 31, 1990 which are deposited in the Available University Fund.

**Table V**  
**PERMANENT UNIVERSITY FUND**  
**Summary of Income from Investments**  
**(September 1, 1989 through August 31, 1990)**

	Cash	Accrued	Total
<b>FROM FIXED INCOME SECURITIES—</b>			
U.S. Treasuries .....	\$ 48,195,121.21	\$(1,690,930.31)	\$ 46,504,190.90
U.S. Government Obligations .....	13,329,225.63	(17,136.69)	13,312,088.94
U.S. Government Agencies .....	30,883,453.63	(1,161,155.19)	29,722,298.44
FHA Mortgages .....	195,401.60	0.00	195,401.60
Corporate Bonds .....	75,155,835.36	(112,815.11)	75,043,020.25
Preferred Stocks .....	<u>2,292,483.22</u>	<u>0.00</u>	<u>2,292,483.22</u>
Total from Fixed Income Securities .....	<u>170,051,520.65</u>	<u>(2,982,037.30)</u>	<u>167,069,483.35</u>
<b>FROM EQUITY SECURITIES—</b>			
Convertible Debentures .....	40,223.47	704.86	40,928.33
Convertible Preferred Stocks .....	372,672.66	0.00	372,672.66
Common Stocks & Other Equities .....	<u>55,028,687.76</u>	<u>0.00</u>	<u>55,028,687.76</u>
Total from Equity Securities .....	<u>55,441,583.89</u>	<u>704.86</u>	<u>55,442,288.75</u>
<b>FROM SHORT TERM INVESTMENTS—</b>			
U.S. Treasury Bills .....	1,137,689.56	298,309.69	1,435,999.25
U. S. Government Obligations .....	2,009,716.23	1,530,178.57	3,539,894.80
U.S. Government Agencies			
Short Term Notes .....	5,418,945.53	(1,923,391.43)	3,495,554.10
Commercial Paper .....	25,123,867.10	1,581,260.37	26,705,127.47
Interest on Funds in State Treasury .....	6,518,193.40	0.00	6,518,193.40
Interest on Bank Clearing Balances .....	225,817.03	0.00	225,817.03
Securities Lending .....	<u>191,998.96</u>	<u>0.00</u>	<u>191,998.96</u>
Total from Short Term Investments .....	<u>40,626,227.81</u>	<u>1,486,357.20</u>	<u>42,112,585.01</u>
<b>TOTAL INCOME FROM INVESTMENTS</b>			
<b>TO AVAILABLE UNIVERSITY FUND .....</b>	<u>\$266,119,332.35</u>	<u>\$(1,494,975.24)</u>	<u>\$264,624,357.11</u>

Interest Accrued

	As of 8/31/90	As of 8/31/89	Net
U.S. Treasuries .....	\$ 8,517,181.82	\$10,208,112.13	\$(1,690,930.31)
U.S. Government Obligations .....	1,677,300.06	1,694,436.75	(17,136.69)
U.S. Government Agencies .....	2,248,037.77	3,409,192.96	(1,161,155.19)
Corporate Bonds .....	17,134,184.81	17,246,999.92	(112,815.11)
Convertible Debentures .....	7,573.61	6,868.75	704.86
U.S. Government Obligations-Short Term .....	1,530,178.57	0.00	1,530,178.57
U.S. Government Agencies			
Short Term Notes .....	343,368.06	2,266,759.49	(1,923,391.43)
U.S. Treasury Bills .....	313,748.61	15,438.92	298,309.69
Commercial Paper .....	<u>3,688,282.05</u>	<u>2,107,021.68</u>	<u>1,581,260.37</u>
	<u>\$35,499,855.36</u>	<u>\$36,954,830.60</u>	<u>\$(1,494,975.24)</u>

Table VI shows the historical yield on investments held in the Permanent University Fund.

**TABLE VI**  
**PERMANENT UNIVERSITY FUND**  
**Historical Yield on Investments Held**  
**(1950-1990)**

Year	Total Investments(1)	U.S. Government Obligations(2)	Texas Municipal Bonds	State of Texas Bonds	Corporate		
					Bonds	Preferred Stocks	Common Stocks(s)
1950-51	2.67%	2.61%	3.44%	3.63%	- %	- %	- %
1951-52	2.67	2.62	3.42	3.63	-	-	-
1952-53	2.70	2.66	3.33	3.63	-	-	-
1953-54	2.74	2.70	3.26	3.63	-	-	-
1954-55	2.75	2.72	3.30	3.63	-	-	-
1955-56	2.79	2.76	3.25	3.63	-	-	-
1956-57	2.84	2.78	3.39	3.63	4.48	-	4.14
1957-58	2.95	2.79	3.38	3.63	4.50	5.25	4.07
1958-59	3.04	2.80	3.36	3.63	4.61	5.15	3.76
1959-60	3.15	2.84	3.35	-	4.72	5.06	3.80
1960-61	3.32	3.01	3.33	-	4.66	4.99	3.80
1961-62	3.50	3.19	3.43	-	4.60	4.93	3.78
1962-63	3.54	3.21	3.53	-	4.55	4.76	3.86
1963-64	3.60	3.20	3.50	-	4.54	4.76	3.99
1964-65	3.67	3.21	3.43	-	4.54	4.76	4.11
1965-66	3.78	3.21	3.39	-	4.63	4.76	4.31
1966-67	3.88	3.35	3.04	-	4.71	4.76	4.30
1967-68	3.92	3.56	3.01	-	4.69	4.76	4.09
1968-69	4.25	3.81	2.82	-	4.69	4.85	4.20
1969-70	4.49	4.50	3.16	-	4.80	4.85	4.12
1970-71	4.65	4.68	-	-	4.91	-	4.34
1971-72	4.73	5.05	-	-	4.93	-	4.38
1972-73	4.99	5.76	-	-	4.97	-	4.62
1973-74	5.32	6.21	-	-	5.12	-	4.98
1974-75	5.75	7.07	-	-	5.54	-	4.93
1975-76	6.02	7.32	-	-	6.13	-	4.87
1976-77	6.24	7.40	-	-	6.23	-	5.36
1977-78	6.51	7.60	-	-	6.29	-	5.78
1978-79	7.00	8.14	-	-	6.50	-	6.37
1979-80	7.44	8.57	-	-	7.26	10.80	6.58
1980-81	8.54	9.83	-	-	8.66	10.80	6.97
1981-82	9.23	10.75	-	-	9.80	13.56	6.88
1982-83	9.15	10.70	-	-	10.07	13.50	6.46
1983-84	8.80	10.75	-	-	10.26	13.56	5.61
1984-85	9.01	10.88	-	-	10.41	13.56	5.58
1985-86	8.65	10.44	-	-	10.98	14.40	4.97
1986-87	8.17	10.40	-	-	10.53	13.32	4.53
1987-88	7.87	10.11	-	-	10.32	13.24	4.39
1988-89	7.72	9.94	-	-	10.10	11.73	4.38
1989-90	7.46	9.80	-	-	9.92	6.34	4.22

(1) For 1972-73 and subsequent years average yield excludes Short Term Securities due within one year.

(2) For 1968-69 and subsequent years average yield includes yield on Treasury Bonds, Agency Obligations (Guaranteed and Non-Guaranteed) and FHA Mortgages.

(3) For 1968-69 and subsequent years average yield includes yield on Convertible Debentures, Convertible Preferred Stocks, Partnerships and Common Stocks.

### **Financial Information**

Beginning with the fiscal year ended August 31, 1987, the State of Texas began issuing audited financial statements, prepared in accordance with generally accepted accounting principles, for the State government as a whole. The statements are prepared by the Comptroller of Public Accounts and are audited by the State Auditor's Office. The State Auditor expresses an opinion on the financial statements of the State of Texas but does not express an opinion on the financial statements of individual component units, including those of the System and the Permanent University Fund.

The scope of the State Auditor's audit includes tests for compliance with the covenants of bond issues of the State or its component agencies and institutions. In addition, supplementary schedules are 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 expresses an opinion on such schedules in relation to the basic financial statements taken as a whole. Any material compliance exceptions related to bond covenants are disclosed in the notes to the financial statements and all compliance exceptions related to bond covenants are addressed in the overall management letter for the State audit. A copy of the audited financial statements of the State of Texas and the unaudited financial statements of The University of Texas System and the Report of Permanent University Fund Investments may be obtained upon request from the Office of Asset Management at 210 W. 6th Street, Austin, TX 78701.

### **ABSENCE OF LITIGATION**

Neither the Board nor the System is a party to any litigation or other proceeding pending or, to their knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to either such party, would have a material adverse effect on its financial condition, the Permanent University Fund or the Interest of the System in the Available University Fund, and no litigation of any nature has been filed, or to their knowledge, threatened which seeks to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security, or in any manner questioning the validity of the Bonds.

### **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the unqualified approval of the Attorney General of the State of Texas and of Vinson & Elkins, whose approving opinion will be in the form attached hereto as Appendix C. 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 the capacity as Bond Counsel, such firm has reviewed the information relating the Bonds and the Resolution contained under the captions "Introduction," "Plan of Financing," "Description of the Bonds," "Security for the Bonds," "Permanent University Fund--Introduction," "Legal Matters," "Tax Exemption," "Tax Accounting Treatment of Original Issue Discount Bonds," and "Legal Investments in Texas" (except for financial and statistical information contained under any such caption) in this Official Statement, and such firm is of the opinion that the information relating to the Bonds and the Resolution contained under such captions is a fair and accurate summary of the information purported to be shown therein. The payment of legal fees to Bond Counsel in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton.

The Board will furnish a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the Board, and based upon an examination of such transcript of proceedings, the approving legal opinion of Bond Counsel to the effect that the Bonds are valid and legally binding obligations of the Board, and to the effect that the interest on the Bonds is excludable from the gross income of the holders thereof for federal income tax purposes under existing law. See "Tax Exemption." The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished.

## TAX EXEMPTION

In the opinion of Vinson & Elkins, Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and (ii) the Bonds are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds will not be subject to the alternative minimum tax on individuals and corporation, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service. The Issuer has covenanted in the Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the Issuer or the Board with respect to matters solely within the knowledge of the Issuer or the Board, which Bond Counsel has not independently verified. If the Issuer or the Board should fail to comply with the covenants in the Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation (other than any S corporation, regulated investment company, REIT, or REMIC), if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. The "Superfund Revenue Act of 1986" also imposes an additional .12% "environmental tax" on the alternative minimum taxable income of a corporation in excess of \$2,000,000. Generally, a corporation's alternative minimum taxable income will include 75% of the amount by which a corporation's "adjusted current earnings" exceeds its "alternative minimum taxable income." Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Except as stated above, and as stated below in "Tax Accounting Treatment of Original Issue Discount Bonds," Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain 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 tax-exempt obligations. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

## TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT BONDS

The initial offering price for certain of the Bonds may be less than the principal amount thereof (the "Original Issue Discount Bonds.") In such case, Bond Counsel, under existing law and based upon the assumptions hereinafter stated, will render an opinion to the effect that:

(a) The difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds; and

(b) Such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "Tax Exemption" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement).

In rendering the foregoing opinion, Bond Counsel will assume, in reliance upon certain representations of the Underwriter, that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (b) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. Neither the Issuer, the Board nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions. Certain of the representations of the Underwriter, upon which Bond Counsel will rely in rendering the foregoing opinion, will be based upon records or facts the Underwriter had no reason to believe were not correct.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to the basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

#### LEGAL INVESTMENTS IN TEXAS

Pursuant to Article 717k, Vernon's Texas Civil Statutes, as amended, the Bonds are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, trustees and guardians, and for the interest and sinking funds and other public funds of counties, municipal corporations, taxing districts and other political subdivisions or agencies or instrumentalities of the State of Texas. The Bonds are eligible to secure deposits of public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. The Texas Public Funds Investment Act, Article 842a-2, Vernon's Texas Civil Statutes, as amended, provides that a city, county or school district may invest in the Bonds, provided the Bonds have received a rating of not less than "A" from a nationally recognized investment rating firm. No investigation has been made of other laws, regulations or investment criteria which might limit the ability of such institutions or entities

to invest in the Bonds, or which might limit the suitability of the Bonds to secure the funds of such entities. No review by the Board has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

### VERIFICATION OF MATHEMATICAL COMPUTATIONS

Issuance of the Bonds will be subject to delivery by Ernst & Young, independent certified public accountants, of a report of the mathematical accuracy of certain computations relating to the adequacy of the maturing principal amounts of the Federal Securities held in the Escrow Fund, together with a portion of the interest income thereon and uninvested cash, if any, to pay, when due, the principal of and interest on the Refunded Notes.

### RATINGS

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

### UNDERWRITING

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

### OTHER MATTERS

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

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



APPENDEK A  
THE UNIVERSITY OF TEXAS SYSTEM

## 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. Effective September 1, 1989, Pan American University and Pan American University at Brownsville became part of The University of Texas System as authorized by the Texas Legislature in 1989.

The Board consists of nine regents who serve without pay. Members are appointed by the Governor and confirmed by the State Senate to staggered six-year terms. Administration of the System 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 tuition and fees, the Interest of the University in the Available University Fund, and miscellaneous sources. The percentage division of these fund sources used for the fiscal year ended August 31, 1990 is as follows:

**Sources of Revenues**

Tuition and Fees .....	7.36%
State Appropriations .....	47.15
Gifts, Grants and Contracts .....	4.88
Available University Fund Income .....	3.35
Endowment Income .....	0.00
Sales and Services .....	22.61
Professional Fees .....	10.84
Other Interest Income .....	2.49
Other Sources .....	1.32
	<u>100.00%</u>

**Institutional Enrollment**

The 1990 fall student enrollments at the teaching institutions of the System are as shown below:

U.T. Arlington .....	24,776
U.T. Austin .....	49,618
U.T. Dallas .....	8,690
U.T. El Paso .....	16,521
U.T. Pan American .....	13,682
U.T. Permian Basin .....	2,047
U. T. San Antonio .....	15,489
U.T. Tyler .....	3,722
U.T. Southwestern Medical Center at Dallas .....	1,519
U.T. Medical Branch at Galveston .....	1,798
U.T. Health Science Center at Houston .....	3,016
U. T. Health Science Center at San Antonio .....	<u>2,462</u>
Total .....	<u>143,340</u>

#### Discussion of General Academic Institutions

*The University of Texas at Arlington*, which has the sixth largest enrollment of all institutions of higher education in the State, is located in Arlington, between Dallas and Fort Worth. Serving both a resident and commuter student body, the institution offers 119 degree programs at the baccalaureate, master and doctoral levels. Degree programs are offered through the Colleges of Liberal Arts, Science, and Business Administration; Graduate School of Social Work; Institute of Urban Studies; School of Architecture; School of Nursing; and Center for Professional Teacher Education.

*The University of Texas at Austin*, established in 1881, is the oldest and largest component of the University System. A major public research university, its programs are nationally ranked in quality and its research facilities are among the most extensive in the nation. The University of Texas at Austin library resources rank sixth among academic libraries in the United States. Serving approximately 50,000 students, the institution offers 271 degree programs in all major academic areas other than agriculture. An outstanding faculty lists among its ranks winners of the Nobel Prize and Pulitzer Prize, as well as more than 1,000 endowed positions.

*The University of Texas at Dallas* was established in 1969 as an upper-level (above the sophomore level) academic institution. In 1989, the State Legislature authorized the admission of freshmen and sophomore students beginning the first Summer session of 1990. The institution offers curricula leading to more than 80 degrees at the baccalaureate, master and doctoral levels. The University of Texas at Dallas has a strong faculty that consistently ranks among the State's top 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 State Legislature in 1914 as the Texas School of Mines and Metallurgy. It was renamed the College of Mines after becoming a branch of the University System in 1919, redesignated as Texas Western College in 1949 and, since 1967, has been named The University of Texas at El Paso. Both baccalaureate and masters degrees are offered through six colleges: Business Administration; Education; Engineering; Liberal Arts; Nursing and Allied Health; and Science. Doctorates are offered in Geological Sciences and Electrical Engineering. Its location near the Texas-Mexico border results in the attendance of many students from Mexico.

*The University of Texas-Pan American* is the newest member of the University System, joining other component institutions as of September 1, 1989. As a source of strength for higher education in the Rio Grande Valley, this institution offers baccalaureate degrees in some 50 fields including Business, the Arts and Sciences and Education, as well as masters degrees in 20 fields. The University of Texas-Pan American at Brownsville is an upper-level (above the sophomore level) center of The University of Texas-Pan American and is committed to a multidisciplinary and multicultural philosophy through courses offered in the Departments of Arts and Sciences, Business Administration and Education. For several years, The University of Texas-Pan American has had a Cooperative Doctoral Program in Educational Administration with the University of Houston.

*The University of Texas of the Permian Basin* in Odessa was created by the State Legislature in 1969. The University of Texas of the Permian Basin admits only upper-level students (above the sophomore level), and offers programs in the Arts and Sciences, Business Administration and Education. It also offers a Master of Arts in Psychology. Innovative classroom and laboratory techniques are emphasized, especially self-paced instruction, experimental learning and open laboratory and art areas. Students also benefit from work-study programs in media, education, research laboratories and field work for major oil companies.

*The University of Texas at San Antonio* was authorized by the State Legislature in 1969. The institution is committed to a multidisciplinary philosophy to encourage interchange among the disciplines as demonstrated by its organization into 14 divisions, rather than departments, in the Colleges of Business, Fine Arts and Humanities, Social and Behavioral Sciences and Engineering. The University of Texas Institute of Texas Cultures at San Antonio, founded as a world's fair exhibit for HemisFair 1968, has grown into a statewide resource and information center and 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 with design, photography and exhibit fabrication.

*The University of Texas at Tyler* became a part of the University System in 1975 by action of the State Legislature. Created in 1971 as Tyler State College, the institution became Texas Eastern University in 1976. The upper-level (above the sophomore level) and graduate institution is located in the heart of East Texas, midway between Dallas and Shreveport, Louisiana. The four schools within the institution's organization are: Business Administration; Education and Psychology; Liberal Arts and Sciences; and Mathematics. It is the only public degree-granting university in the fourteen-county East Texas Planning Region, an area with a population of over 700,000.

## Health Institutions

*The University of Texas Southwestern Medical Center at Dallas* enrolls approximately 2,500 students, residents and postdoctoral fellows. It is by many measures among the top ten medical schools in the United States. Its students consistently rank among the top five percent of all medical school graduates on competitive examinations. Three Nobel Prize Laureates are currently active on its faculty. The University of Texas Southwestern Medical Center at Dallas is active in biomedical research from life-savings organ transplantation, nutritional biochemistry and magnetic resonance imaging to the basic discoveries of molecular and genetic principles underlying health and disease.

*The University of Texas Medical Branch at Galveston* was founded in 1891 as the Medical Department of The University of Texas and, as such, is the second oldest component of the University System. Educational programs are offered through the Medical School, Graduate School of Biomedical Sciences, School of Nursing, School of Allied Health Sciences, Marine Biomedical Institute and Institute for the Medical Humanities. Some 2,000 students are enrolled in degree programs and graduate medical training. The hospital complex draws patients from throughout the State and from national and international referrals. In fiscal year 1990, the hospital complex had 714 hospital beds in operation and averaged 1,224 outpatient visits per day.

*The University of Texas Health Science Center at Houston* was established in 1972 within the Texas Medical Center to coordinate and administer activities of several University System health education units in Houston. Today, slightly over 3,000 students attend the six schools: the Dental Branch; the Graduate School of Biomedical Sciences; the School of Public Health; the Medical School; the School of Nursing; and the School of Allied Health Sciences. Each year more than 2,000 health professionals participate in continuing education programs coordinated by the its Division of Continuing Education. The Speech and Hearing Institute helps individuals with communication disorders.

*The University of Texas Health Science Center at San Antonio* includes the Medical School, Dental School, Graduate School of Biomedical Sciences, School of Nursing, and the School of Allied Health Sciences. Authorized by the State Legislature in 1959, the Medical School opened in 1968. Annual enrollment in academic programs of The University of Texas Health Science Center at San Antonio is approximately 2,300. The center also provides continuing education for about 12,000 health professionals annually.

*University of Texas M.D. Anderson Cancer Center* is internationally renowned as one of the world's premier centers for cancer patient care, research, education and prevention. The University of Texas M.D. Anderson Cancer Center is composed of The University of Texas M.D. Anderson Hospital and The University of Texas M.D. Anderson Tumor Institute, both located in Houston, and The University of Texas M.D. Anderson Science Park in Bastrop County, Texas. Since The University of Texas M.D. Anderson Cancer Center first opened in 1944, more than 230,000 cancer patients have received the highest caliber care from the institution's team of health professionals. In fiscal year 1990, the cancer center had 490 hospital beds in operation and averaged 1,847 outpatient visits per day.

*The University of Texas Health Center at Tyler* is a teaching hospital and a referral and research center for the diagnosis and treatment of cardiopulmonary diseases. The institution became associated with the University System in 1977 after operating as a state hospital since 1947. Physicians throughout the State send patients with heart and lung diseases to The University of Texas Health Center at Tyler for further diagnosis and treatment. Services are provided by the Divisions of Family Medicine, Pathology, Pediatric Allergy and Pulmonary, Radiology and Surgery, and a Department of Medicine which includes cardiology, infectious diseases, occupations medicine, oncology and adult pulmonary. In fiscal year 1990, the Tyler health center had 198 hospital beds in operation and averaged 184 outpatient visits per day.

**APPENDIX B**

**FINANCIAL INFORMATION REGARDING THE PERMANENT UNIVERSITY FUND**

**PERMANENT UNIVERSITY FUND RECEIPTS**  
(From the Beginning through August 31, 1990)

Fiscal Year	Total	Oil, Gas and Sulphur Royalties	Water Royalties and Rentals (1)	Rentals on Mineral Leases (2)	Misc. (3)	Bonuses on Mineral Leases	Gains and (Losses) on Sales of Securities Bonds	Equities
Prior to 1924 \$	870,884.70	\$ 16,611.75	\$ ----	\$ 203,343.36	\$ 651,029.59	\$ ----	\$ ----	\$ ----
1924-25	239,166.22	231,863.74	----	3,480.00	----	3,802.48	----	----
1925-26	3,853,257.60	3,853,257.60	----	----	----	----	----	----
1926-27	2,553,574.23	2,553,574.23	----	----	----	----	----	----
1927-28	2,610,077.92	2,576,885.17	----	33,192.75	----	----	----	----
1928-29	3,860,790.89	2,704,056.92	----	27,633.77	----	1,129,100.20	----	----
1929-30	2,783,593.61	1,142,444.89	----	11,292.72	950,000.00	879,856.00	----	----
1930-31	1,379,307.26	1,368,735.26	----	12,572.00	----	----	----	----
1931-32	1,138,256.19	1,115,096.19	----	23,160.00	----	----	----	----
1932-33	823,279.51	798,759.21	----	20,488.30	----	16,032.00	----	----
1933-34	1,164,834.91	846,071.88	----	45,646.63	----	273,114.40	----	----
1934-35	882,577.27	776,048.57	----	80,864.70	----	25,544.00	----	----
1935-36	1,109,136.32	700,680.52	----	61,296.80	----	347,157.00	----	----
1936-37	1,994,464.47	759,962.85	----	74,043.92	----	1,160,457.70	----	----
1937-38	2,229,969.10	761,016.07	----	69,740.79	----	1,399,212.24	----	----
1938-39	1,442,152.17	673,155.54	----	65,233.20	----	703,763.43	----	----
1939-40	1,013,949.10	678,516.56	----	42,577.88	----	292,854.66	----	----
1940-41	801,726.29	719,760.62	----	42,064.67	----	39,901.00	----	----
1941-42	1,314,419.46	812,046.15	----	26,773.01	7,748.30	467,650.00	----	----
1942-43	3,199,056.60	761,254.30	----	23,016.83	860.47	2,413,925.00	----	----
1943-44	11,741,775.96	1,196,797.27	----	48,478.69	----	10,496,500.00	----	----
1944-45	4,268,661.29	1,733,829.80	----	68,121.69	----	2,448,610.00	----	----
1945-46	8,804,080.27	2,216,298.06	1,994.00	92,688.22	----	6,493,200.00	----	----
1946-47	6,739,766.30	3,530,163.75	23,421.00	122,181.55	----	3,064,000.00	----	----
1947-48	17,225,744.64	6,612,745.64	8,205.66	107,293.34	----	10,497,500.00	----	----
1948-49	12,760,877.49	8,177,304.71	15,297.60	99,515.18	1,210.00	4,467,550.00	----	----
1949-50	8,885,995.29	7,087,867.16	21,644.58	138,963.55	----	1,437,500.00	----	----
1950-51	16,548,902.11	8,210,638.56	25,718.06	150,145.49	----	8,162,200.00	----	----
1951-52	22,973,717.05	7,561,904.74	27,238.36	231,573.93	----	15,133,000.00	----	----
1952-53	33,863,915.07	8,451,771.62	39,655.26	278,468.19	----	25,094,000.00	----	----
1953-54	25,381,166.67	10,202,726.41	50,242.84	324,697.42	----	14,803,500.00	----	----
1954-55	23,904,670.96	11,274,602.53	44,643.12	361,925.33	----	12,223,500.00	----	----
1955-56	37,262,028.58	13,558,821.95	45,114.54	352,902.37	----	23,305,189.72	----	----
1956-57	21,878,249.58	17,502,323.55	44,576.43	340,591.88	----	3,990,755.72	----	----
1957-58	19,145,681.32	15,087,845.43	47,080.81	288,303.22	----	3,719,545.90	22,905.96	----
1958-59	24,464,835.56	16,823,966.90	92,590.29	262,284.03	----	7,233,410.21	----	52,584.13

**PERMANENT UNIVERSITY FUND RECEIPTS**  
(Continued)

Fiscal Year	Total	Oil, Gas and Sulphur Royalties	Water Royalties and Rentals (1)	Rentals on Mineral Leases (2)	Misc. (3)	Bonuses on Mineral Leases	Gains and (Losses) on Sales of Securities	
							Bonds	Equities
1959-60	\$ 18,775,306.98	\$ 15,557,180.13	\$ 97,561.00	\$ 243,607.98	\$ 5,566.00	\$ 2,824,337.99	\$ -	\$ 47,053.88
1960-61	17,015,510.65	14,754,716.31	106,498.80	181,638.76	----	1,851,856.75	72,452.93	48,353.10
1961-62	18,900,282.82	15,885,809.28	125,888.29	178,688.79	----	2,896,919.56	2,798.73	----
1962-63	17,555,883.36	14,776,924.23	114,126.92	172,563.90	----	2,239,940.26	227,329.03	25,000.00
1963-64	19,604,162.17	14,573,731.80	120,977.01	188,551.90	----	4,709,007.32	11,894.14	----
1964-65	28,781,935.78	18,129,182.21	119,386.54	218,234.93	----	12,285,111.25	20.85	----
1965-66	27,359,222.09	18,277,898.15	113,894.95	257,858.55	427.00	11,709,055.47	87.97	----
1966-67	17,077,814.26	15,547,261.19	123,401.52	281,032.49	1,523.00	830,920.26	13,784.25	179,891.55
1967-68	22,700,588.69	16,513,544.80	124,962.69	231,845.79	----	5,409,497.31	5.34	420,712.76
1968-69	23,112,781.85	16,838,054.98	135,085.98	319,026.86	45,443.00	4,133,164.45	9,949.42	1,832,037.16
1969-70	26,308,948.64	16,410,880.13	158,468.78	305,394.23	4,618.00	1,966,392.11	7,454.22	7,547,735.17
1970-71	26,871,948.49	18,388,316.30	172,840.88	276,364.31	----	1,838,207.68	965,437.62	5,030,782.70
1971-72	35,728,042.43	19,518,331.83	154,054.53	342,590.50	57,630.00	5,055,030.81	(25,860.30)	10,624,265.06
1972-73	38,779,680.45	18,988,810.58	184,131.00	445,247.23	18,308.00	7,066,026.34	(8,168,562.13)	20,288,019.43
1973-74	44,829,034.75	31,541,164.69	286,928.42	446,989.25	----	12,542,068.58	27,323.70	74,562.11
1974-75	67,487,859.30	58,512,448.78	204,585.31	690,281.42	----	8,265,982.40	24,912.79	(210,331.40)
1975-76	72,828,784.79	70,123,015.98	242,139.42	599,275.12	----	15,379,248.23	(12,574,689.63) (4)	(942,218.33)
1976-77	91,472,199.23	76,597,812.70	251,854.71	1,116,030.39	78,484.43	13,862,279.02	7,588.92	(441,660.94)
1977-78	87,250,381.42	78,845,164.01	285,198.04	1,401,703.95	97,311.79	18,573,336.16	24,575.58	13,113.91
1978-79	90,497,388.44	78,636,938.08	280,463.43	2,343,377.90	26,639.10	10,817,523.37	62,420.28	330,023.28
1979-80	122,649,526.82	119,356,298.50	436,345.90	2,550,238.82	45,516.93	252,798.50	58,756.28	(50,424.01)
1980-81	262,882,837.58	160,284,565.95	393,453.13	2,954,158.56	42,656.19	98,282,136.49	(342,583.31)	1,268,452.57
1981-82	206,363,579.27	178,286,242.90	430,941.66	2,568,661.21	103,508.94	20,221,156.08	(1,037,955.85)	5,831,024.35
1982-83	176,874,953.43	154,701,532.17	483,776.37	1,997,907.63	27,636.90	742,381.60	1,834,080.92	17,087,635.84
1983-84	179,902,223.07	145,186,363.81	855,112.73	2,314,848.80	15,886.00	7,253,984.34	1,144,757.33	23,131,272.06
1984-85	234,363,207.78	135,421,797.10	612,809.76	1,736,478.11	23,794.75	244,093.06	(10,501.59)	98,324,736.59
1985-86	288,651,796.17	109,510,188.89	791,815.98	822,774.96	38,870.30	6,171,721.86	(13,846,382.79)	185,162,826.97
1986-87	314,013,997.58	73,147,583.10	635,417.51	497,730.87	5,919.90	6,984,753.24	4,570,190.35	228,172,402.61
1987-88	162,578,213.06	75,431,806.53	713,387.71	592,239.82	24,721.26	3,567,968.93	(15,049,888.50)	97,297,979.28
1988-89	212,273,613.38	67,236,036.49	1,126,826.76	869,198.15	35,330.25	2,554,807.73	(79,505.18)	140,530,819.18
1989-90	140,687,878.53	71,539,477.03	1,095,340.40	823,083.35	43,723.80	4,813,077.60	(719,878.80)	62,833,086.25
<b>TOTALS</b>	<b>\$3,436,080,203.14</b>	<b>\$2,072,182,674.49</b>	<b>\$11,482,987.70</b>	<b>\$32,152,207.94</b>	<b>\$2,354,361.90</b>	<b>\$457,075,308.34</b>	<b>\$(42,767,061.49)</b>	<b>\$902,609,744.26</b>

(1) Consists of water royalties, lease rentals and brine royalties. Beginning 1989 includes brine lease rentals.

(2) Consists of oil and gas rentals, and sulphur lease rentals. Prior to 1989 includes brine lease rentals.

(3) 1985 and subsequent years consists of sale of sand, gravel and other materials.

(4) Includes \$57,738.17 profit on sale of bonds and \$12,632,427.80 adjustment for certain bond exchanges of prior years which did not meet the criteria established by the State Auditor for transactions to be classed as exchanges.

**HISTORICAL BOOK VALUE OF PERMANENT UNIVERSITY FUND INVESTMENTS  
(1958-1990)**

Fiscal Year Ending Aug. 31	Total Investments and Cash	U.S. Government Obligations (1)	Texas Municipal Bonds	Old Land Notes	Corporate Bonds (2)	Equity Securities (3)	Cash and Equivalent
1958	\$ 306,499,806.42	\$254,274,028.44	\$18,664,341.02	\$219.34	\$ 4,536,344.04	\$ 21,394,614.59	\$ 7,580,258.99
1959	330,914,641.96	254,233,143.72	18,353,567.01	219.34	16,138,515.16	41,332,212.74	856,964.01
1960	349,699,948.96	254,149,733.94	17,407,214.06	219.34	26,657,499.90	49,833,619.17	1,641,662.55
1961	366,706,459.61	253,906,098.47	17,124,397.84	219.34	36,610,615.26	58,192,200.47	671,928.23
1962	385,605,752.23	249,914,451.67	11,700,106.60	219.34	50,525,963.73	71,657,209.41	1,807,799.48
1963	403,161,636.59	252,201,872.70	4,894,703.85	219.34	56,192,479.89	87,320,018.83	2,552,340.98
1964	422,765,797.76	250,974,528.74	4,804,212.84	----	62,971,392.24	102,592,972.24	1,422,691.70
1965	451,627,733.54	250,897,184.78	4,605,508.49	----	70,839,210.83	123,893,489.32	1,292,340.12
1966	478,887,156.63	249,384,840.82	4,532,796.46	----	82,314,610.89	141,360,976.55	1,293,928.91
1967	495,964,799.89	250,832,499.99	2,964,291.49	----	88,313,706.29	151,994,240.51	1,760,032.61
1968	518,665,356.58	262,223,293.69	2,988,374.97	----	86,791,561.51	164,622,605.09	2,039,533.32
1969	541,778,120.43	156,473,409.84	2,814,251.65	----	191,113,953.33	177,764,365.89	13,612,119.72
1970	568,177,069.07	128,251,763.31	1,866,753.54	----	229,031,427.21	192,480,678.89	16,526,445.62
1971	594,849,017.56	128,784,811.54	----	----	234,360,279.62	215,470,381.85	16,233,744.55
1972	630,575,059.99	145,803,494.06	----	----	233,763,862.43	247,398,863.18	3,608,640.32
1973	669,364,740.44	135,744,462.77	----	----	243,453,994.14	258,638,844.09	31,517,639.44
1974	714,283,775.19	156,858,761.16	----	----	247,562,656.25	269,522,514.24	40,339,843.54
1975	781,771,634.49	209,918,996.48	----	----	279,571,990.53	270,865,293.16	21,415,364.32
1976	854,598,399.28	243,294,830.84	----	----	281,548,560.00	298,523,549.51	31,231,358.93
1977	946,070,598.51	262,884,549.50	----	----	292,352,324.42	344,731,989.40	46,101,735.19
1978	1,043,320,999.83	317,232,661.45	----	----	297,913,283.48	373,021,437.97	55,153,567.03
1979	1,133,618,376.37	369,237,531.09	----	----	326,340,718.66	396,179,645.31	52,060,481.31
1980	1,256,467,903.29	387,175,678.89	----	----	388,186,877.79	434,713,755.41	46,391,593.20
1981	1,519,360,740.87	468,361,726.80	----	----	475,321,514.50	425,512,468.12	150,165,031.45
1982	1,736,744,320.14	548,516,975.89	----	----	568,225,859.09	500,389,055.57	108,612,429.59
1983	1,902,619,273.57	621,811,350.47	----	----	630,357,639.27	579,748,768.95	70,701,514.88
1984	2,082,521,496.64	637,187,429.48	----	----	668,456,133.78	701,217,910.14	75,660,023.24
1985	2,316,674,704.42	604,526,259.49	----	----	706,713,287.03	626,924,264.80	378,710,893.10
1986	2,605,526,500.59	658,774,898.81	----	----	694,416,298.95	767,028,384.58	485,306,918.25
1987	2,919,540,496.17	680,412,973.37	----	----	686,050,905.79	864,579,822.01	686,496,797.00
1988	3,082,118,711.23	756,032,282.47	----	----	712,645,527.40	997,439,894.95	616,001,008.41
1989	3,294,382,324.61	940,590,306.79	----	----	735,211,572.16	1,150,005,562.00	468,584,683.66
1990	3,436,090,203.14	877,269,895.48	----	----	748,852,694.89	1,180,358,091.37	628,479,621.40

(1) 1974 and subsequent years include Non-Guaranteed Agency Securities.

(2) 1958-1971 and 1979 and subsequent years includes Preferred stocks.

(3) 1960 and subsequent years include Convertible Debentures, Convertible Preferred Stocks, Partnerships and Common Stocks.



**HISTORICAL MARKET VALUE OF  
PERMANENT UNIVERSITY FUND INVESTMENTS  
(1958-1990)**

Fiscal Year Ending Aug. 31	Market Value
1958	\$ 283,642,585.96
1959	300,619,318.71
1960	336,685,252.84
1961	363,319,703.48
1962	374,325,438.44
1963	410,157,219.63
1964	435,930,449.88
1965	467,016,457.82
1966	438,550,617.34
1967	485,074,088.49
1968	515,056,095.95
1969	494,350,751.87
1970	468,518,819.95
1971	564,491,493.21
1972	633,752,043.29
1973	617,918,754.39
1974	527,782,500.53
1975	670,731,301.24
1976	835,071,286.00
1977	919,814,401.79
1978	1,008,404,752.47
1979	1,094,333,795.89
1980	1,150,403,913.73
1981	1,293,316,410.28
1982	1,615,383,488.74
1983	2,011,544,826.08
1984	2,150,403,445.10
1985	2,556,286,338.84
1986	3,112,081,335.16
1987	3,395,190,360.82
1988	3,227,421,237.07
1989	3,740,390,017.25
1990	3,541,314,858.55

**PERMANENT UNIVERSITY FUND INVESTMENT INCOME**

Distributed to the Available University Fund

(From September 1, 1927 through August 31, 1990)

<b>Fiscal Year</b>	<b>Investment Income</b>	<b>Fiscal Year</b>	<b>Investment Income</b>
1927-28	\$ 242,530.27	1958-59	\$ 9,319,666.26
1928-29	384,509.18	1959-60	10,358,042.19
1929-30	503,677.31	1960-61	11,455,349.70
1930-31	642,221.37	1961-62	12,948,663.15
1931-32	842,324.14	1962-63	13,796,774.26
1932-33	733,999.12	1963-64	14,619,208.91
1933-34	743,505.80	1964-65	15,578,822.37
1934-35	726,727.46	1965-66	17,133,153.49
1935-36	702,334.60	1966-67	18,277,297.98
1936-37	719,979.17	1967-68	20,744,435.44
1937-38	790,655.00	1968-69	20,224,677.25
1938-39	859,493.29	1969-70	23,831,518.76
1939-40	904,822.71	1970-71	26,726,891.49
1940-41	904,507.18	1971-72	28,715,314.64
1941-42	932,705.90	1972-73	31,605,153.76
1942-43	1,086,824.10	1973-74	35,962,902.19
1943-44	1,182,982.97	1974-75	39,800,465.17
1944-45	1,204,251.79	1975-76	47,165,076.06
1945-46	1,556,650.11	1976-77	53,999,915.26
1946-47	1,596,337.42	1977-78	62,810,431.58
1947-48	1,821,256.61	1978-79	72,810,453.90
1948-49	2,192,910.68	1979-80	85,683,547.80
1949-50	2,495,001.08	1980-81	107,676,905.39
1950-51	2,900,964.91	1981-82	144,165,994.62
1951-52	3,367,364.31	1982-83	162,431,236.74
1952-53	3,871,713.17	1983-84	175,929,054.08
1953-54	5,097,077.92	1984-85	191,265,366.31
1954-55	5,826,824.79	1985-86	214,473,828.96
1955-56	6,636,678.96	1986-87	214,771,440.91
1956-57	7,603,131.15	1987-88	236,873,982.38
1957-58	8,513,540.19	1988-89	254,333,926.06
		1989-90	<u>266,119,332.35</u>
		<b>TOTAL</b>	<b><u>\$2,709,196,332.07</u></b>

**APPENDIX C**  
**FORM OF BOND COUNSEL OPINION**

**PURCHASE CONTRACT**

**RELATING TO**

**Board of Regents of The University of Texas System  
Permanent University Fund Refunding Bonds  
Series 1991**

March \_\_, 1991

**Board of Regents  
The University of Texas System  
210 West 6th Street  
Austin, Texas 78701**

Gentlemen:

The undersigned, J. P. Morgan Securities, Inc., on behalf of itself,

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ (collectively, the Underwriters), offer to enter into this Purchase Contract with the Board of Regents of The University of Texas System (the "Issuer"). This offer is made subject to the Issuer's acceptance of this Purchase Contract on or before 5:00 p.m., Austin, Texas time, on March \_\_, 1991, and if not so accepted will be subject to withdrawal by the Underwriters upon notice delivered to the Issuer at any time prior to the acceptance hereof by the Issuer. Capitalized terms used herein that are not otherwise defined shall have the meanings assigned to them in the Official Statement (the "Official Statement") relating to the captioned Bonds (the "Bonds"), a copy of which is being provided to you with this Purchase Contract.

1. **Purchase.** Upon the terms and conditions and upon the basis of the representations set forth herein, the Underwriters, jointly and severally, hereby agree to purchase from the Issuer, and the Issuer hereby agrees to sell and deliver to the Underwriters, (a) all (but not less than all) of an aggregate principal amount of \$\_\_\_\_\_, Board of Regents of the University of Texas System Permanent University Fund Refunding Bonds, Series 1991 (the "Bonds") for a purchase price of \$\_\_\_\_\_ (representing the principal amount of the Bonds less an underwriting discount of \$\_\_\_\_\_ and less an original issue discount of \$\_\_\_\_\_), together with accrued interest on the Bonds from their dated date to the date of delivery.

2. **Terms of Bonds.** The Bonds shall be as described in, and shall be issued and secured under the provisions of, the resolution adopted by the Issuer on February 14, 1991 authorizing the issuance of the Bonds (the "Resolution"). The Bonds shall be dated, shall be in such form, shall have the maturities, shall bear interest from the dates and at the rates, shall be

subject to redemption and shall have the other characteristics and terms all as set forth on Exhibit A hereto and in the Form of Bond set forth in the Resolution.

3. **Purpose.** As set forth in the Official Statement, the proceeds of the Bonds will be used for refunding certain outstanding obligations of the Issuer (the "Refunded Notes"). In order to accomplish such refunding and defeasance, it will be necessary at the Closing for the Issuer to purchase, with a portion of the proceeds of the Bonds, certain direct obligations of the United States of America (the "Federal Securities") the maturing principal of and interest on which will be sufficient to provide for the full and timely payment of the Refunded Notes.

4. **Managing Underwriter.** J. P. Morgan Securities Inc. has been duly authorized to execute this Purchase Contract and to act hereunder by and on behalf of the Underwriters.

5. **All Bonds Must be Delivered.** It shall be a condition of the obligation of the Issuer to sell and deliver the Bonds to the Underwriters, and of the obligation of the Underwriters to purchase and accept delivery of the Bonds, that the entire \$ \_\_\_\_\_ principal amount of the Bonds shall be sold and delivered by the Issuer and accepted and paid for by the Underwriters at the Closing.

6. **Public Offering and Official Statement.** (a) The Underwriters agree to make a bona fide public offering of all of the Bonds so delivered at prices not in excess of the initial public offering prices as set forth on the back of the cover page of the Official Statement, plus interest accrued on the Bonds from the date thereof. (b) The Issuer hereby authorizes the Underwriters to use the Resolution, the Official Statement and the information contained in either of those documents in connection with the public offering and sale of the Bonds. The Issuer confirms its consent to the use by the Underwriters prior to the date hereof of the Preliminary Official Statement relating to the Bonds, dated \_\_\_\_\_, 1991 (the "Preliminary Official Statement") (a copy of which has been previously provided by the Underwriters to the Issuer, the receipt of which is hereby acknowledged), in connection with the preliminary public offering and sale of the Bonds. The Issuer agrees to cooperate with the Underwriters to provide a supply of final Official Statements within seven business days of the date hereof in sufficient quantities to comply with the Underwriter's obligations under applicable MSRB Rules and Rule 15c2-12 ("the Rule") promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The Issuer confirms that, as of the date of the Preliminary Official Statement, the Issuer, solely for purposes of the Rule, deemed the information in the Preliminary Official Statement to have been final as of its date (except for the offering price, interest rates, selling compensation, delivery dates and other exceptions as are permitted by the Rule).

7. **Representations, Warranties and Agreements.** On the date hereof, the Issuer represents, warrants and agrees as follows:

(a) The University of Texas System (the "System") is duly organized and existing as an agency of the State of Texas and the Issuer is the duly appointed governing body of the System. The Issuer and the System have the powers and authority, among others, set forth in Article 7, Section 18 of the Constitution of the State of Texas and the Texas Education Code to adopt the Resolution and issue the Bonds;

(b) By official action of the Issuer on February 14, 1991, and the action of the Executive Committee of the Issuer, acting on behalf of the Issuer, on the date hereof, the Issuer has duly adopted the Resolution and duly authorized and approved the execution and delivery of, and the performance by the Issuer of the obligations contained in, the Bonds, the Resolution, the Escrow Agreement and this Purchase Contract;

(c) The Issuer is not in breach of or default under any applicable law or administrative regulation of the State of Texas or the United States or any applicable judgment or decree or any loan agreement, note, resolution, agreement, or other instrument, except as may be disclosed in the Official Statement, to which the Issuer is a party or, to the best of the actual knowledge of the Vice Chancellor and General Counsel for The University of Texas System, is otherwise subject, which would have a material and adverse effect upon the financial condition of the Permanent University Fund, the Interest of the System in the Available University Fund or the execution and delivery of this Purchase Contract by the Issuer.

(d) The Issuer is not in breach of or in default under the proceedings which authorized the issuance of the Refunded Notes (the "Prior Resolution"), and the Issuer's execution and delivery of the Bonds, this Purchase Contract and the Escrow Agreement and the Issuer's adoption of the Resolution does not and will not violate or constitute a breach of or default under any existing law, administrative regulation, judgment or decree or any loan agreement, note, resolution, agreement or other instrument to which the Issuer is a party or by which the Issuer, the Permanent University Fund or the Interest of the System in the Available University Fund are otherwise subject;

(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 Issuer of its obligations to sell and deliver the Bonds have been or will be obtained prior to the Closing;

(f) The Official Statement accurately describes or summarizes the provisions of the Resolution, the Escrow Agreement, the Permanent University Fund, the Interest of the System in the Available University Fund, The University of Texas System and the Bonds, and the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(g) Except as described in the Official Statement, no litigation is pending or, to the knowledge of the Vice Chancellor and General Counsel, threatened in any court affecting the corporate existence of the Board, the title of its officers to their respective offices, or seeking to restrain or enjoin the issuance or delivery of the Bonds, or the collection or application of the Interest of the System in the Available University Fund pledged by the Board to pay the principal of and interest on the Bonds or in any way contesting or affecting the validity or enforceability of the Bonds, the Resolution, the Escrow Agreement or this Purchase Contract, or contesting the powers of the Board, or any authority of the Bonds, the Resolution, the Escrow Agreement or this Purchase Contract or contesting in any way the completeness, accuracy, or fairness of the Preliminary Official Statement or the Official Statement;

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

(i) The Resolution creates a valid lien on the Interest of the System in the Available University Fund, and the Bonds, when validly executed, authenticated, certified, and delivered in accordance with the Resolution and sold to the Underwriters as provided herein, will be validly issued and outstanding obligations of the Issuer entitled to the benefits of the Resolution; and

(j) If at any time prior to the Closing and for a period of thirty (30) days after the Closing, any event occurs affecting the Issuer, the Permanent University Fund or the Interest of the System in the Available University Fund 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 Issuer shall promptly notify the Underwriters, and if in the opinion of the Underwriters such event requires a supplement or amendment to the Official Statement, the Issuer will supplement or amend the Official Statement in a form and in a manner approved by the Underwriters.

8. **Closing.** (a) At 9:00 a.m. local time in Austin, Texas, on \_\_\_\_\_, 1991 (the "Closing"), the Board will deliver the Bonds to the Underwriters in the form of one printed or typewritten Bond certificate for each maturity, registered in the name of J. P. Morgan Securities Inc., or as otherwise requested by the Underwriters, in the aggregate principal amount of \$ \_\_\_\_\_ (the "Initial Bonds"). The Initial Bonds shall be approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas. Subject to the terms and conditions hereof, the Board will deliver at the offices of Vinson & Elkins, First City Centre, 816 Congress Ave., Austin, Texas 78701, or at such other location as is mutually agreeable, the Initial Bonds and the other documents and instruments to be delivered at the Closing pursuant to this Purchase Contract (the "Closing Documents"). The Underwriters will accept delivery of the Initial Bonds and the Closing Documents and pay the purchase price for the Bonds as set forth in Paragraph 1 hereof in immediately available funds for unconditional credit to the Board, or as otherwise directed by the Board. The Initial Bonds and the Closing Documents shall be made available for inspection by the Underwriters at the place for delivery of the Closing Documents at least one full business day before the Closing.

Upon surrender of the Initial Bonds for exchange, definitive Bonds shall be issued in the form of one typewritten or printed Bond certificate for each maturity, registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York, ("DTC") in the aggregate principal amount of \$ \_\_\_\_\_. Delivery of the definitive Bonds as aforesaid shall be made at the place in New York, New York, designated by DTC. The definitive Bonds shall be made available to the Underwriters at a location in New York, New York at least two full business days before the Closing for purposes of inspection. The definitive Bonds shall bear proper CUSIP numbers (provided, however, that neither the printing of a wrong CUSIP number on any Bond nor the failure to print a CUSIP number thereon shall constitute cause to refuse to accept delivery of any Bond).

(b) In the event that the Underwriters fail (other than for a reason permitted hereunder) to accept delivery of and to pay for the Bonds at the Closing as herein provided, the Underwriters shall pay to the Board an amount equal to one percent of the aggregate principal amount of all Bonds of such Series as and for full liquidated damages for such failure and for any defaults hereunder on the part of the Underwriters and, except as set forth in Paragraphs 11 and 13 hereof, neither party hereto shall have any further rights against the other hereunder.

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

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

(b) At the time of the Closing, the Resolution, as certified by the Issuer's Executive Secretary under the Issuer's seal, shall have been duly adopted and shall be in full force and effect and shall not have been amended, modified, or supplemented, and the Official Statement shall not have been amended, modified, or supplemented, except as may have been agreed to by the Underwriters;

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

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

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

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

(3) The Resolution of the Executive Committee authorizing the execution of this Purchase Contract, certified by the Issuer's Executive Secretary under the Issuer's seal as having been duly adopted by the Executive Committee and as being in effect, with such changes or amendments as may have been agreed to by the Underwriters;



(4) An unqualified bond opinion dated the date of the Closing, of Vinson & Elkins, Bond Counsel, in substantially the form attached to the Official Statement as Appendix C;

(5) A supplemental opinion of Vinson & Elkins, in substantially the form attached to this Purchase Contract as Exhibit B;

(6) An unqualified approving opinion or certificate of the Attorney General of the State of Texas approving the Bonds as required by law;

(7) An opinion of McCall, Parkhurst & Horton, counsel to the Underwriters, in form and substance satisfactory to the Underwriter;

(8) A certificate dated the date of Closing signed by the Vice Chancellor and General Counsel to the effect that, except to the extent disclosed in the Official Statement, no litigation is pending or, to his knowledge, threatened in any court to restrain or enjoin the issuance or delivery of the Bonds, or the collection or application of revenues and funds pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity of the Bonds, the Resolution, or this Purchase Contract, or contesting the powers of the Issuer or contesting the authorization of the Bonds or the Resolution, or contesting in any way the accuracy, completeness, or fairness of the Preliminary Official Statement or the Official Statement;

(9) A certificate (which certificate does not, however, constitute a comfort letter), dated the date of Closing, signed by the Executive Vice Chancellor for Asset Management, to the effect that, to the best of his knowledge, based on information from the Issuer's accountants and advisors (A) the representations and warranties of the Issuer contained herein are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing; (B) the Official Statement does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (C) no event affecting the Issuer, the Permanent University Fund or the Available University Fund has occurred since the date of the Official Statement which is materially adverse for the purpose for which the Official Statement is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any respect; and (D) there has not been any material adverse change in the financial condition of the Issuer, the Permanent University Fund, or the Interest of the System in the Available University Fund from that reflected in the Board's financial statements and the financial information contained in the Official Statement;

(10) A fully executed Escrow Agreement between the Issuer and Morgan Guaranty Trust Company of New York (the "Escrow Agent") and appropriate documentation that evidences that all Federal Securities and cash required to be deposited with the Escrow Agent have been purchased by or delivered to the Escrow Agent, all as described in the Official Statement, together with certificates, dated as of the date of the Closing, executed by an appropriate official of the

Escrow Agent, to the effect that such Escrow Agreement has been duly authorized, executed, and entered into by the Escrow Agent;

(11) A certificate dated the date of the Closing, by an appropriate official of the Issuer or the System to the effect that, on the basis of the facts, estimates, and circumstances in effect on the date of delivery of the Bonds, it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code");

(12) A report of Ernst & Young, independent certified public accountants, stating that such firm has verified the mathematical accuracy of certain computations based upon assumptions provided to them relating to the adequacy of the maturing principal amounts of the Federal Securities and the interest thereon held in the escrow fund required by the Resolution and the Escrow Agreement to pay when due all of the principal of and interest on all of the Refunded Notes;

(13) A letter from Standard & Poor's Corporation, a letter from Moody's Investors Service and a letter from Fitch Investors Service to the effect that all of the Bonds have been rated AA+, AA, and \_\_, respectively;

(14) A certificate of the Executive Vice Chancellor for Asset Management stating in effect that the information supplied to the Underwriters relating to the outstanding principal amount of Refunded Notes including their interest rates and redemption dates, is true and correct in all material respects;

(15) Evidence that provisions have been made to insure that the Refunded Notes have been or will be called for redemption on the dates shown in the report of Ernst & Young;

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

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

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of, and to pay for all the Bonds as set forth in this Purchase Contract, or if the obligations of the Underwriters to purchase, to accept delivery of, and to pay for any of the Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate, and neither the Underwriters nor the Issuer shall be under further obligation hereunder with respect to the Bonds, except that the respective obligations of the Issuer and the Underwriters set forth in Paragraphs 11 and 13 hereof shall continue in full force and effect.

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

(a) (i) Legislation shall have been enacted by the Congress of the United States, recommended to Congress for passage by the President of the United States or favorably reported for passage to either Chamber of Congress by any Committee of such Chamber, (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, (iii) an order, ruling or regulation shall have been issued or proposed by or on behalf of the Treasury Department of the United States or the Internal Revenue Service, or any other agency of the United States, or (iv) a release or official statement shall have been issued by the President of the United States, by the Treasury Department of the United States, by the Internal Revenue Service or by the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, the effect of which, in any such case described in clauses (i), (ii), (iii), or (iv), would be to, directly or indirectly, affect the status of the Issuer, the Permanent University Fund, or the Interest of the System in the Available University Fund, or impose, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds or upon income of the general character to be derived by the Issuer with respect to the Permanent University Fund or the Interest of the System in the Available University Fund, other than as imposed under the federal tax laws in effect on the date hereof, in such a manner as in the judgment of the Underwriters would materially impair the marketability or materially reduce the market price of the Bonds.

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

(c) (i) The Constitution of the State of Texas shall be amended or an amendment shall be proposed, (ii) legislation shall be enacted, (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 in any such case described in clauses (i), (ii), (iii), or (iv), affecting the tax status of the Issuer, the System, their respective properties or income, or bonds (including the Bonds) or the interest thereon or any tax exemption granted or authorized under the laws of the State of Texas which, in the judgment of the Underwriters, would materially reduce 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) other national emergency relating to the effective operation of government or the financial community shall have occurred, the effect of which, in either case described in clauses (i) or (ii), is, in the judgment of the Underwriters, so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of any of the Bonds on the terms and in the manner contemplated in this Purchase Contract and the Official Statement.

(e) (i) The United States engages in hostilities other than against Iraq, (ii) there is a material change in the nature of, a material adverse development in the conduct of, or an escalation of, the current hostilities against Iraq, or (iii) there is a declaration of war or a national emergency by the United States on or after the date hereof the effect of which, in the judgment of the Underwriters, would materially impair the marketability or materially reduce the market price of the Bonds.

(f) An event described in Paragraph 7(j) hereof occurs that, in the opinion of the Underwriters, requires a supplement or amendment to the Official Statement.

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

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

11. **Expenses.** (a) The Underwriters shall be under no obligation to pay, and the Issuer shall pay, any expenses incident to the performance of the Issuer's obligations hereunder, including but not limited to: (i) the fees and disbursements of Bond Counsel to the Issuer; (ii) the fees and disbursements of the Issuer's accountants and advisors, and of any other experts or consultants retained by the Issuer; (iii) the fees for bond ratings relating to the Bonds; (iv) the initial registration and paying agent's acceptance fees; (v) the fees and disbursements for the Escrow Agent and paying agent for the Refunded Notes; (vi) the cost of the preparation and printing of the Resolution, the Preliminary Official Statement, the final Official Statement and the Bonds; and (vii) all other miscellaneous and closing costs not paid by the Underwriters as provided in subparagraph (b) of this paragraph 11.

(b) The Underwriters shall pay: (i) the cost of the preparation and printing of the Agreement Among Underwriters, 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 them or any of them in connection with their offering and distribution of the Bonds, including the fees and disbursements of counsel retained by them.

12. **Notice.** Any notice or other communication to be given to the Issuer under this Purchase Contract may be given by delivering the same in writing at the address for the Issuer set forth above, and any notice or other communication to be given to the Underwriters under this Purchase Contract may be given by delivering the same in writing to J. P. Morgan Securities Inc., 60 Wall Street, New York, New York 10260, Attention: Municipal Bond Department.

13. **Benefit.** This Purchase Contract is made solely for the benefit of the Issuer and the Underwriters (including the successors or assigns of any Underwriter), and no other person shall acquire or have any right hereunder or by virtue hereof. The Issuer's representations, warranties, and agreements contained in this Purchase Contract shall remain operative and in full force and effect, regardless of (a) any investigations made by or on behalf of any of the Underwriters and (b) delivery of any payment for the Bonds hereunder; and the Issuer's representations and warranties contained in paragraph 7 of this Purchase Contract shall remain operative and in full force and effect, regardless of any termination of this Purchase Contract.

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

15. **Governing Law.** This Purchase Contract shall be interpreted under and enforced in accordance with the laws of the State of Texas.

16. **Severability.** The invalidity of any provision of this Purchase Contract shall not impair the validity of any other provision. If any provision of this Purchase Contract is determined by a court of competent jurisdiction to be unenforceable, such provision shall be deemed severable, and the Purchase Contract may be enforced with such provisions severed or as modified by such court.

Very truly yours,

J. P. Morgan Securities Inc.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

By: J. P. Morgan Securities Inc.

By \_\_\_\_\_  
Vice President

ACCEPTED:

This \_\_\_\_ day of \_\_\_\_\_, 1991.

BOARD OF REGENTS OF THE UNIVERSITY  
OF TEXAS SYSTEM

By: \_\_\_\_\_  
Executive Vice Chancellor for  
Asset Management

EXHIBIT A

EXHIBIT B

SUPPLEMENTAL OPINION  
OF BOND COUNSEL

\_\_\_\_\_, 1991

Board of Regents of  
The University of Texas System  
210 West 6th Street  
Austin, Texas 78701

J. P. Morgan Securities, Inc.  
as Representatives of the  
various Underwriters listed  
in the Purchase Contract  
relating to the captioned  
Bonds

Re: \$ \_\_\_\_\_ Board of Regents of The University  
of Texas System Permanent University Fund Refunding  
Bonds, Series 1991

Ladies and Gentlemen:

We have acted as bond counsel with reference to the above issue of bonds (the "Bonds"), which are authorized to be issued by a resolution (the "Board Resolution") adopted by the Board of Regents of The University of Texas System (the "Board") on February 14, 1991, and by a resolution (together with the Board Resolution, the "Resolution") adopted by the Executive Committee of the Board on \_\_\_\_\_, 1991.

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

We were not requested to participate, and did not take part, in the preparation of the Official Statement dated \_\_\_\_\_, 1991, pertaining to the Bonds, except as hereinafter noted, and we have not verified, and are not passing upon and do not assume any responsibility for, the accuracy, completeness or fairness of the statements contained therein. We have, however, reviewed the information relating to the Bonds and the Resolution contained in

the Official Statement under the captions "INTRODUCTION," "PLAN OF FINANCING," "DESCRIPTION OF THE BONDS," "SECURITY FOR THE BONDS," "PERMANENT UNIVERSITY FUND--Introduction," "LEGAL MATTERS," "TAX EXEMPTION," "TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT BONDS" AND "LEGAL INVESTMENTS IN TEXAS". Selected Excerpts from the Resolution (except for financial and statistical information contained under any such caption). We are of the opinion that the information relating to the Bonds and the Resolution contained under such captions is a fair and accurate summary of the information purported to be shown therein.

It is further our opinion that the Escrow Agreement dated \_\_\_\_\_, 1991 (the "Escrow Agreement") between the Board and Morgan Guaranty Trust Company of New York, New York, New York, as Escrow Agent, executed in connection with the delivery of the bonds, has been duly authorized, executed, and delivered and (assuming due authorization by the Escrow Agent) constitutes a binding and enforceable agreement in accordance with its terms, and that the Refunded Notes, as defined in the Escrow Agreement, being refunded by the Bonds, are outstanding under the resolutions authorizing their issuance only for the purpose of receiving the funds provided by, and are secured solely by and payable solely from, the Escrow Agreement and the cash and investments, including the income therefrom, held by the Escrow Agent pursuant to the Escrow Agreement. In rendering this opinion, we have relied upon the report and mathematical verifications of Ernst & Young, certified public accountants, with respect to the adequacy of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement to provide for the timely payment and retirement of the principal of and interest on the Refunded Notes. Further, the opinions expressed in this paragraph are expressed only insofar as the laws of the State of Texas and of the United States of America may be applicable and are qualified to the extent that (i) enforceability of the Escrow Agreement may be limited by bankruptcy, reorganization, insolvency, moratorium, or other similar laws of general application in effect from time to time relating to or affecting the enforcement of creditors' rights and (ii) certain equitable remedies, including specific performance, or legal remedies awarded pursuant to principles of equity, including mandamus, may be unavailable.

This letter is furnished to you by us, and is solely for your benefit, and no one else is entitled to rely upon this letter.

Respectfully submitted,



## PAYING AGENT/REGISTRAR AGREEMENT

THIS AGREEMENT entered into as of \_\_\_\_\_, 1991 (this "Agreement"), by and between the Board of Regents of The University of Texas System (the "Issuer") and Ameritrust Texas National Association, a national association duly organized and existing under the laws of the United States of America (the "Bank").

### RECITALS

WHEREAS, the Issuer has duly authorized and provided for the issuance, in one or more installments, of its securities to be issued in fully registered form only, as to the payment of principal thereof and interest thereon, in the maximum aggregate principal amount of \$260,000,000 and titled Board of Regents of The University of Texas System Permanent University Fund Refunding Bonds, Series 1991\_ (the "Securities"); and

WHEREAS, the Issuer has selected the Bank to serve as Paying Agent/Registrar in connection with the payment of the principal of and premium, if any, and interest on said Securities and with respect to the registration, transfer and exchange thereof by the registered owners thereof; and

WHEREAS, the Bank has agreed to serve in such capacities for and on behalf of the Issuer and has full power and authority to perform and serve as Paying Agent/Registrar for the Securities;

NOW, THEREFORE, in consideration of the mutual promises and benefits contained herein and for other good and valuable consideration, the receipt of which is hereby acknowledged, it is mutually agreed as follows:

### ARTICLE ONE

#### APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR

The Issuer hereby appoints the Bank to serve as Paying Agent with respect to the Securities. As Paying Agent for the Securities, the Bank shall be responsible for paying on behalf of the Issuer the principal of and premium (if any) and interest on the Securities as the same become due and payable to the registered owners thereof, all in accordance with this Agreement and the "Order" (hereinafter defined).

The Issuer hereby appoints the Bank as Registrar with respect to the Securities. As Registrar for the Securities, the Bank shall keep and maintain for and on behalf of the Issuer books and records as to the ownership of said Securities and with respect to the transfer and exchange thereof as provided herein and in the "Order."

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

ARTICLE TWO  
DEFINITIONS

Section 2.01. Definitions.

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

"Acceleration Date" on any Security means the date on and after which the principal or any or all installments of interest, or both, are due and payable on any Security which has become accelerated pursuant to the terms of the Security.

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

"Bank Office for Payment" means the corporate trust office of the Bank in Dallas, Texas. The Bank will notify the Issuer in writing of any change in location of the Bank Office for Payment.

"Fiscal Year" means the fiscal year of the Issuer, ending August 31.

"Holder" and "Security Holder" each means the Person in whose name a Security is registered in the Security Register.

"Issuer Request" and "Issuer Order" means a written request or order delivered to the Bank and signed in the name of the Issuer by the Chairman of the Issuer, any member of the Executive Committee of the Issuer, the Executive Secretary of the Issuer, the Executive Vice Chancellor for Asset Management of the System, the Vice Chancellor and General Counsel of the System, the Executive Director of Finance of the System, the Manager of Finance of the System or any other officer, employee or agent of the Issuer or the System authorized in writing to sign an Issuer Request or Issuer Order.

"Legal Holiday" means a day on which the Bank is required or authorized to be closed.

"Order" means the resolution of the Issuer, together with the resolution of the Executive Committee of the Issuer, pursuant to which the Securities are issued,

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

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

"Predecessor Securities" of any particular Security means every previous Security evidencing all or a portion of the same obligation as that evidenced by such particular Security (and, for the purposes of this definition, any mutilated, lost, destroyed, or stolen Security for which a replacement Security has been registered and delivered in lieu thereof pursuant to Section 4.06 hereof and the Order).

"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 Order.

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

"Security Register" means a register maintained by the Bank on behalf of the Issuer providing for the registration and transfer of the Securities.

"Stated Maturity" means the date specified in the Order on which the principal of a Security is scheduled to be due and payable.

"System" means The University of Texas System.

#### Section 2.02. Other Definitions.

The terms "Bank," "Issuer," and "Securities" ("Security") have the meanings assigned to them in the recital paragraphs of this Agreement.

The term "Paying Agent/Registrar" refers to the Bank in the performance of the duties and functions of this Agreement.

ARTICLE THREE  
PAYING AGENT

Section 3.01. Duties of Paying Agent.

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

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the interest on each Security when due, by computing the amount of interest to be paid each Holder and preparing and sending checks by United States Mail, first class postage prepaid, on each payment date, to the Holders of the Securities (or their Predecessor Securities) on the respective Record Date, to the address appearing on the Security Register or by such other method, acceptable to the Bank, requested in writing by the Holder at the Holder's risk and expense.

Section 3.02. Payment Dates.

The Issuer hereby instructs the Bank to pay the principal of and interest on the Securities on the dates specified in the Order.

ARTICLE FOUR  
REGISTRAR

Section 4.01. Security Register - Transfers and Exchanges.

The Bank agrees to keep and maintain for and on behalf of the Issuer at the Bank Office for Payment books and records (herein sometimes referred to as the "Security Register") for recording the names and addresses of the Holders of the Securities, the transfer, exchange and replacement of the Securities and the payment of the principal of and interest on the Securities to the Holders and containing such other information as may be reasonably required by the Issuer and subject to such reasonable regulations as the Issuer and the Bank may prescribe. All transfers, exchanges and replacement of Securities shall be noted in the Security Register.

Every Security surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an officer of a federal or state bank or a member of the National Association of Securities Dealers, in form satisfactory to the Bank, duly

executed by the Holder thereof or his agent duly authorized in writing.

The Bank may request any supporting documentation it feels necessary to effect a re-registration, transfer or exchange of the Securities.

To the extent possible and under reasonable circumstances, the Bank agrees that, in relation to an exchange or transfer of Securities, the exchange or transfer by the Holders thereof will be completed and new Securities delivered to the Holder or the assignee of the Holder in not more than three (3) business days after the receipt of the Securities to be cancelled in an exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Holder, or his duly authorized agent, in form and manner satisfactory to the Paying Agent/Registrar.

**Section 4.02. Certificates.**

The Issuer shall provide an adequate inventory of printed Securities to facilitate transfers or exchanges thereof. The Bank covenants that the inventory of printed Securities will be kept in safekeeping pending their use, and reasonable care will be exercised by the Bank in maintaining such Securities in safekeeping, which shall be not less than the care maintained by the Bank for debt securities of other political subdivisions or corporations for which it serves as registrar, or that is maintained for its own securities.

**Section 4.03. Form of Security Register.**

The Bank, as Registrar, will maintain the Security Register relating to the registration, payment, transfer and exchange of the Securities in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain such Security Register in any form other than those which the Bank has currently available and currently utilizes at the time.

The Security Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time.

**Section 4.04. List of Security Holders.**

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

The Bank will not release or disclose the contents of the Security 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 court order or as otherwise required by law. Upon receipt of a court order and prior to the release or disclosure of the contents of the Security Register, the Bank will notify the Issuer so that the Issuer may contest the court order or such release or disclosure of the contents of the Security Register.

**Section 4.05. Return of Cancelled Certificates.**

The Bank will, at such reasonable intervals as it determines, surrender to the Issuer, Securities in lieu of which or in exchange for which other Securities have been issued, or which have been paid.

**Section 4.06. Mutilated, Destroyed, Lost or Stolen Securities.**

The Issuer hereby instructs the Bank, subject to the applicable provisions of the Order, to deliver and issue Securities in exchange for or in lieu of mutilated, destroyed, lost or stolen Securities as long as the same does not result in an overissuance.

In case any Security shall be mutilated, or destroyed, lost or stolen, the Bank, in its discretion, may execute and deliver a replacement Security of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Security, or in lieu of and in substitution for such destroyed, lost or stolen Security, only after (i) the filing by the Holder thereof with the Bank of evidence satisfactory to the Bank of the destruction, loss or theft of such Security, and of the authenticity of the ownership thereof and (ii) the furnishing to the Bank of indemnification in an amount satisfactory to hold the Issuer and the Bank harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Security shall be borne by the Holder of the Security mutilated, or destroyed, lost or stolen.

**Section 4.07. Transaction Information to Issuer.**

The Bank will, within a reasonable time after receipt of written request from the Issuer, furnish the Issuer information as to the Securities it has paid pursuant to Section 3.01, Securities it has delivered upon the transfer or exchange of any Securities pursuant to Section 4.01, and Securities it has delivered in exchange for or in lieu of mutilated, destroyed, lost or stolen Securities pursuant to Section 4.06.

ARTICLE FIVE  
THE BANK

**Section 5.01. Duties of Bank.**

The Bank undertakes to perform the duties set forth herein 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.

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

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

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

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

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

**Section 5.03. Recitals of Issuer.**

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

The Bank shall in no event be liable to the Issuer, any Holder or Holders of any Security, or any other Person for any amount due on any Security from its own funds.

**Section 5.04. May Hold Securities.**

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

**Section 5.05. Moneys Held by Bank.**

The Bank shall deposit any moneys received from the Issuer into a trust account to be held in a fiduciary capacity for the payment of the Securities, with such moneys in the account that exceed the deposit insurance available to the Issuer by the Federal Deposit Insurance Corporation to be fully collateralized with securities or obligations that are eligible under the laws of the State of Texas to secure and be pledged as collateral for trust accounts, until the principal and interest on such Securities have been paid to the Holders thereof. Payments made from such trust account shall be made by check drawn on such trust account unless the Holder of such Securities shall, at its own expense and risk, request such other medium of payment.

Subject to the Unclaimed Property Law of the State of Texas, any money deposited with the Bank for the payment of the principal of or premium (if any) or interest on any Security and remaining unclaimed for three years after the final maturity of the Security has become due and payable will be paid by the Bank to the Issuer if the Issuer so elects, and the Holder of such Security shall thereafter look only to the Issuer for payment thereof, and all liability of the Bank with respect to such monies shall thereupon cease. If the Issuer does not elect, the Bank is directed to report and dispose of the funds in compliance with Title Six of the Texas Property Code, as amended.

**Section 5.06. Indemnification.**

To the extent permitted by law, the Issuer agrees to indemnify the Bank for, and hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with its acceptance or administration of its duties hereunder, including the cost and expense against any claim or liability in connection with the



exercise or performance of any of its powers or duties under this Agreement.

**Section 5.07. Interpleader.**

The Issuer and the Bank agree that the Bank may seek adjudication of any adverse claim, demand or controversy over its person as well as funds on deposit, in either a Federal or State District Court located in the State and County where either the Bank Office or the administrative offices of the Issuer is located, and agree that service of process by certified or registered mail, return receipt requested, to the address referred to in Section 6.03 of this Agreement shall constitute adequate service. The Issuer and the Bank further agree that the Bank has the right to file a Bill of Interpleader in any court of competent jurisdiction to determine the rights of any Person claiming any interest herein.

**Section 5.08. Depository Trust Company Services.**

It is hereby represented and warranted that, in the event the Securities are otherwise qualified and accepted for The Depository Trust Company services or equivalent depository trust services by other organizations, the Bank has the capability and, to the extent within its control, will comply with the operational arrangements which establishes requirements for securities to be eligible for such type depository trust services, including, but not limited to, requirements for the timeliness of payments and funds availability, transfer turnaround time and notification of redemptions and calls.

Attached hereto is a copy of the Letter of Representation among the Issuer, the Bank and The Depository Trust Company, New York, New York, providing for the Bonds to be issued in a Book-Entry Only System. The Bank and the Issuer hereby confirm their obligations under such Letter of Representation.

**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 hereto.

**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 Issuer or the Bank shall be mailed or

delivered to the Issuer or the Bank, respectively, at the addresses shown on the signature page of this Agreement.

**Section 6.04. Effect of Headings.**

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

**Section 6.05. Successors and Assigns.**

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

**Section 6.06. Severability.**

In case any provision herein shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**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. Entire Agreement.**

This Agreement and the Order constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar and if any conflict exists between his Agreement and the Order, the Order 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. Termination.**

This Agreement will terminate (i) on the date of final payment of the principal of and interest on the Securities to the Holders thereof or (ii) may be earlier terminated by either party upon sixty (60) days written notice; provided, however, an early termination of this Agreement by either party shall not be effective until (a) a successor Paying Agent/Registrar has been appointed by the Issuer and such appointment accepted and (b) notice has been given to the Holders of the Securities of the appointment of a successor Paying Agent/Registrar. Furthermore, the Bank and Issuer mutually agree that the effective date of an early termination of this Agreement shall not occur at any time

which would disrupt, delay or otherwise adversely affect the payment of the Securities.

Upon an early termination of this Agreement, the Bank agrees to promptly transfer and deliver the Security Register (or a copy thereof), together with other pertinent books and records relating to the Securities, to the successor Paying Agent/Registrar designated and appointed by the Issuer.

The provisions of Article Five shall survive and remain in full force and effect following the termination of this Agreement.

**Section 6.11. Governing Law.**

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

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

**AMERITRUST TEXAS NATIONAL ASSOCIATION**

By \_\_\_\_\_  
Title \_\_\_\_\_

One American Center, 4th Floor  
600 Congress Avenue  
Austin, Texas 78701

**BOARD OF REGENTS OF THE  
UNIVERSITY OF TEXAS SYSTEM**

By: \_\_\_\_\_  
Title: Executive Vice Chancellor for  
Asset Management

The University of Texas System  
210 West 6th Street  
Austin, Texas 78701

BOARD OF REGENTS, THE UNIVERSITY OF TEXAS SYSTEM  
AMERITRUST TEXAS NATIONAL ASSOCIATION

\_\_\_\_\_, 1991

The Depository Trust Company  
55 Water Street  
New York, New York 10041

Attention: General Counsel's Office

RE: \$ \_\_\_\_\_ Board of Regents of The Univeristy of  
Texas System Permanent University Fund Refunding Bonds,  
Series 1991

Gentlemen:

The purpose of this letter is to set out certain matters relating to the above-referenced Bonds (the "Bonds"). Ameritrust Texas National Association, Dallas, Texas (the "Agent"), is acting as Paying Agent with respect to the Bonds. The Bonds will be issued pursuant to a Bond Resolution authorizing the issuance of the Bonds adopted by the Board of Regents of the University of Texas System (the "Issuer") on February 14, 1991, and a Resolution approving the sale of the Bonds adopted by the Executive Committee of the Issuer on \_\_\_\_\_, 1991 (collectively, the "Document"). J. P. Morgan Securities, Inc., as representative of the underwriters named in the Purchase Contract relating to the Bonds, is distributing the Bonds through The Depository Trust Company ("DTC").

To induce DTC to accept the Bonds as eligible for deposit at DTC and act in accordance with its Rules with respect to the Bonds, the Issuer and the Agent make the following representations to DTC:

1. Subsequent to Closing on the Bonds on \_\_\_\_\_, 1991, there shall be deposited with DTC one Bond certificate in registered form registered in the name of DTC's nominee, Cede & Co., for each stated maturity of the Bonds in the face amounts set forth on Schedule A hereto, the total of which represents 100% of the principal amount of such Bonds.
2. In the event of any solicitation of consents from and voting by holders of the Bonds, the Issuer or Agent shall establish a record date for such purposes and give DTC

notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

3. In the event of a redemption or any other similar transaction resulting in retirement of all Bonds outstanding or a reduction in aggregate principal amount of Bonds outstanding ("full or partial redemption") or an advance refunding of all or part of the Bonds outstanding, the Issuer or Agent shall give DTC notice of such event not less than 31 days nor more than 60 days prior to the redemption date or, in the case of an advance refunding, the date the proceeds are deposited in escrow.
4. In the event of a partial redemption or an advance refunding of part of the Bonds outstanding, the Issuer or Agent shall send DTC a notice specifying: 1) the amount of the redemption or refunding; 2) in the case of a refunding, the maturity date(s) established under the refunding; and 3) the date such notice is to be mailed to Bondholders or published ("the Publication Date"). Such notice shall be sent to DTC by a secure means (e.g., legible facsimile transmission, registered or certified mail, overnight express delivery) in a timely manner designed to assure that such notice is in DTC's possession no later than the close of business on the business day before the Publication Date. The Issuer or Agent will forward such notice either in a separate secure transmission for each CUSIP number or in a secure transmission for multiple CUSIP numbers which includes a manifest or list of each CUSIP submitted in that transmission. (The Issuer or Agent sending such notice shall have a method to verify subsequently the use of such means and timeliness of the notice.) The Publication Date shall be not less than 30 days nor more than 60 days prior to the redemption date or, in the case of an advance refunding, the date the proceeds are deposited in escrow.
5. In the event of an invitation to tender the Bonds, notice to Bondholders by the Issuer or Agent, specifying the terms of the tender and the date such notice is to be mailed to Bondholders or published ("the Publication Date") shall be sent to DTC by a secure means (e.g., legible facsimile transmission, registered or certified mail, overnight express delivery) in a timely manner designed to assure that such notice is in DTC's possession no later than the close of business on the business day before the Publication Date. (The Issuer or Agent sending such notice shall have a method to

verify subsequently the use of such means and timeliness of the notice.)

6. All notices and payment advices sent to DTC shall contain the CUSIP number of the Bonds.
7. Notices to DTC by facsimile transmission shall be sent to DTC's Call Notification Department at (516)227-4039 or (516)227-4190. Notices to DTC by mail or any other means shall be sent to:

The Depository Trust Company  
Call Notification Department  
Muni Reorganization Manager  
711 Stewart Avenue  
Garden City, New York 11530

8. Interest payments shall be received by Cede & Co., as nominee of DTC, or its registered assigns in next-day funds on each payment date (or the equivalent in accordance with existing arrangements between the Issuer or Agent and DTC). Such payments shall be made payable to the order of Cede & Co.
9. Payments of principal shall be received by Cede & Co., as nominee of DTC, or its registered assigns in next-day funds on each payment date. Principal payments shall be made payable to the order of Cede & Co., and shall be addressed as follows:

The Depository Trust Company  
Muni Redemption Department  
55 Water Street-50th Floor  
New York, NY 10041  
Attention: Collection Supervisor

10. DTC may direct the Issuer or Agent to use any other telephone number for facsimile transmission, address, or department of DTC as the number, address or department to which payments of interest or principal or notices may be sent.
11. In the event of a redemption, acceleration or any other similar transaction (e.g., tenders made and accepted in response to the Issuer's or Agent's invitation) necessitating a reduction in aggregate principal amount of Bonds outstanding or an advance refunding of part of the Bonds outstanding, DTC, in its discretion, (a) may request the Issuer or Agent to issue and authenticate a new Bond certificate or (b) shall make an appropriate

notation on the Bond certificate indicating the date and amounts of such reduction in principal, except in the case of final maturity, in which case the certificate must be presented to the Issuer or Agent prior to payment.

12. In the event the Issuer determines pursuant to the Document(s) that beneficial owners of the Bonds shall be able to obtain certificated Bonds, the Issuer or Agent shall notify DTC of the availability of Bond certificates and shall issue, transfer and exchange Bond certificates in appropriate amounts as required by DTC and others.
13. DTC may determine to discontinue providing its service as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or Agent (at which time DTC will confirm with the Issuer or Agent the aggregate principal amount of the Bonds outstanding) and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, whenever DTC requests the Issuer and the Agent to do so, the Issuer and the Agent will cooperate with DTC in taking appropriate action to make available one or more separate certificates evidencing the Bonds to any DTC Participant having Bonds credited to its DTC account.
14. Nothing herein shall be deemed to require the Agent to advance funds on behalf of the Issuer.

Very truly yours,

AMERITRUST TEXAS NATIONAL  
ASSOCIATION  
as Agent

By \_\_\_\_\_  
Authorized Officer's Signature

BOARD OF REGENTS  
THE UNIVERSITY OF TEXAS SYSTEM  
as Issuer

By \_\_\_\_\_  
Executive Vice Chancellor  
for Asset Management

Received and Accepted:

THE DEPOSITORY TRUST COMPANY

By: \_\_\_\_\_  
(Authorized Officer's Signature)

cc: J. P. Morgan Securities, Inc.  
McCall, Parkhurst & Horton  
Vinson & Elkins



SCHEDULE A

Principal Amount

\$ \_\_\_\_\_

Maturity Date

( \_\_\_\_\_ 1 )

\_\_\_\_\_

Interest Rate

\_\_\_\_\_ %

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## ESCROW AGREEMENT

THIS ESCROW AGREEMENT (this "Escrow Agreement") dated as of \_\_\_\_\_, 1991, is made and entered into 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, as escrow agent (together with any successor or assign in such capacity, the "Escrow Agent").

WHEREAS, the Board has heretofore issued the Board's Permanent University Fund Variable Rate Notes, Series A, in the outstanding aggregate principal amount of \$250,000,000; and

WHEREAS, the Board desires to refund the Refunded Notes (as hereinafter defined); and

WHEREAS, Article 717k, Vernon's Texas Civil Statutes, as amended, authorizes and empowers the Board to issue, sell and deliver refunding bonds and to deposit the proceeds of such bonds with any place of payment for the Refunded Notes in an amount which is sufficient to provide for the payment or redemption of the principal of and interest on the Refunded Notes; and

WHEREAS, the Board has adopted a resolution (the "Refunding Bond Order") authorizing the issuance of the Board's Permanent University Fund Refunding Bonds, Series 1991, in one or more installments, in the maximum aggregate principal amount of \$260,000,000, and on the date hereof the Board is issuing, selling and delivering the Refunding Bonds (as hereinafter defined), for the purpose of providing the funds necessary to refund the Refunded Notes to restructure the Board's debt service requirements; and

WHEREAS, the Board has provided for the transfer to the Escrow Agent pursuant to this Escrow Agreement of proceeds of the Refunding Bonds and other money lawfully available for such purpose, to provide for the payment of the Refunded Notes; and

WHEREAS, the governing body of the Board has further determined to effectuate the refunding of the Refunded Notes pursuant to this Escrow Agreement, under which provision is made for the safekeeping, investment, reinvestment, administration and disposition of proceeds of the Refunding Bonds so as to provide firm banking and financial arrangements for the discharge and final payment of the Refunded Notes;

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, and in order to secure the full and timely

payment of the principal of and interest on the Refunded Notes, the Board and the Escrow Agent contract and agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 1.01. Definitions. Unless otherwise expressly provided or unless the context clearly requires otherwise, the following terms shall have the respective meanings specified below for all purposes of this Escrow Agreement:

"Board" shall mean the Board of Regents of The University of Texas System, and any successor to its duties and functions.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder and under the Internal Revenue Code of 1954.

"Escrow Agent" shall mean Morgan Guaranty Trust Company of New York, New York, New York, in its capacity as escrow agent hereunder, and any successor or assign in such capacity.

"Escrow Agreement" shall mean this escrow agreement .

"Escrow Fund" shall mean the fund created in Section 3.01 of this Escrow Agreement to be administered by the Escrow Agent pursuant to the provisions of this Escrow Agreement.

"Escrow Funding Date" shall mean the date on which the Board deposits with the Escrow Agent the Escrowed Securities and cash described in Section 2.01.

"Escrowed Securities" shall mean the noncallable United States Treasury obligations initially purchased with proceeds of the Refunding Bonds, all as more fully described in Exhibit A hereto.

"Paying Agent for the Refunded Notes" shall mean Morgan Guaranty Trust Company of New York, New York, New York.

"Refunded Note Resolution" shall mean the resolution adopted by the Board on December 5, 1985, as amended on December 4, 1986 and February 11, 1988, and as amended and restated on December 7, 1989, authorizing the issuance of the Refunded Notes.

"Refunded Notes" shall mean the Board's \$ \_\_\_\_\_ Permanent University Fund Variable Rate Notes, Series A, bearing interest at the "Flexible Rate" for the "Flexible Rate Periods" shown on Exhibit B hereto (the quoted terms having the meaning assigned to such terms in the Refunded Note Resolution).

"Refunding Bond Resolution" shall mean the resolution adopted by the Board on February 14, 1991, authorizing the issuance of the Refunding Bonds, together with the resolution adopted by the Executive Committee of the Board on \_\_\_\_\_, 1991, approving the sale of the Refunding Bonds and specifying the terms for the Refunding Bonds.

"Refunding Bonds" shall mean the Board's Permanent University Fund Refunding Bonds, Series 1991\_\_\_\_, dated \_\_\_\_\_, 1991, being issued, sold and delivered on the date hereof in the aggregate principal amount of \$\_\_\_\_\_.

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

## ARTICLE II

### DEPOSIT OF FUNDS AND ESCROWED SECURITIES

Section 2.01. Deposits with Escrow Agent; Acquisition of Escrowed Securities. On the Escrow Funding Date the Board will deposit, or cause to be deposited, with the Escrow Agent the following:

- (a) Escrowed Securities in the principal amount of \$\_\_\_\_\_, purchased with proceeds of the Refunding Bonds; and
- (b) A beginning cash balance of \$\_\_\_\_\_.

## ARTICLE III

### CREATION AND OPERATION OF ESCROW FUND

Section 3.01. Escrow Fund. On the Escrow Funding Date the Escrow Agent will create on its books a special fund and irrevocable escrow to be known as the Board of Regents of The University of Texas System Permanent University Fund Refunding Bonds, Series 1991\_\_\_\_, Escrow Fund into which will be deposited the cash and Escrowed Securities described in Section 2.01. The Escrowed Securities, all proceeds therefrom, and all cash balances from time to time on deposit in the Escrow Fund shall be the property of the Escrow Fund and shall be applied only in strict

conformity with the terms and conditions hereof. The Escrowed Securities, all proceeds therefrom and all cash balances from time to time on deposit in the Escrow Fund are hereby irrevocably pledged to the payment of the principal of and interest on the Refunded Notes, which payment shall be made by timely transfers to the Paying Agent for the Refunded Notes of such amounts at such times as are provided in Section 3.02 hereof. When the final transfers have been made to the Paying Agent for the Refunded Notes for the payment of such principal of and interest on the Refunded Notes, any balance then remaining in the Escrow Fund shall be transferred to the Board, and the Escrow Agent shall thereupon be discharged from any further duties hereunder.

Section 3.02. Payment of Principal of and Interest on Refunded Notes. The Escrow Agent is hereby irrevocably instructed to transfer to the Paying Agent for the Refunded Notes from the cash balance from time to time on deposit in the Escrow Fund the amounts required to pay the principal of and interest on the Refunded Notes as the same become due and payable, as shown in Exhibit B hereto.

Section 3.03. Sufficiency of Escrow Fund. On the basis of a report delivered by Ernst & Young, independent certified public accountants, a copy of which has been delivered to the Escrow Agent, the Board represents that the successive receipts of the principal of and interest on the Escrowed Securities will assure that the cash balance on deposit from time to time in the Escrow Fund will be at all times sufficient to provide money for transfer to the Paying Agent for the Refunded Notes at the times and in the amounts required to pay the interest on the Refunded Notes as such interest comes due and to pay the principal of the Refunded Notes as the Refunded Notes are redeemed. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund shall be insufficient to transfer the amounts required to make the payments set forth in Section 3.02 hereof, the Board shall timely deposit into the Escrow Fund, from lawfully available funds, additional funds in the amounts required to make such payments. Notice of any such insufficiency shall be given promptly as hereinafter provided, but the Escrow Agent shall not be responsible for any insufficiency of funds in the Escrow Fund or the Board's failure to make additional deposits thereto.

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

other assets of the Escrow Fund always shall be maintained by the Escrow Agent as special trust funds for the purposes specified in this Escrow Agreement and for the benefit of the holders of the Refunded Notes; and a special account evidencing such fact shall be maintained at all times on the books of the Escrow Agent. The holders of the Refunded Notes shall be entitled to the same preferred claim and first lien upon the Escrowed Securities, the proceeds thereof and all other assets of the Escrow Fund as are enjoyed by other beneficiaries of similar accounts. The amounts received by the Escrow Agent under this Escrow Agreement shall not be considered as a banking deposit by the Board, and the Escrow Agent shall have no right or title with respect thereto except as escrow agent under the terms hereof. The amounts received by the Escrow Agent hereunder shall not be subject to warrants, drafts or checks drawn by the Board.

#### ARTICLE IV

##### REDEMPTION OF REFUNDED NOTES PRIOR TO MATURITY

Section 4.01. Optional Redemption of Refunded Notes. The Board has irrevocably exercised its option to call the Refunded Notes for redemption prior to maturity, on the redemption dates set forth on Exhibit B hereto, at a price of 100% of par plus accrued interest to the date fixed for redemption, as set forth below. Such optional redemption shall be carried out in accordance with the Refunded Note Resolution. The Escrow Agent is hereby authorized to provide funds therefor as set forth in Section 3.02 hereof.

#### ARTICLE V

##### LIMITATION ON INVESTMENTS

Section 5.01. General. Except as herein otherwise expressly provided, the Escrow Agent shall not have any power or duty to invest any money held hereunder, or to make substitutions of the Escrowed Securities, or to sell, transfer or otherwise dispose of the Escrowed Securities.

Section 5.02. Substitution of Securities. At the written request of the Board, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall sell, transfer, otherwise dispose of or request the redemption of all or any portion of the Escrowed Securities and apply the proceeds therefrom to purchase and cancel Refunded Notes or to purchase direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America and 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 (1) the Escrow Agent shall have received a written opinion from a 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 which will be sufficient, when added to the interest to accrue thereon, to provide for the payment of principal of and interest on the remaining Refunded Notes as they become due, and (2) the Escrow Agent shall have received the unqualified written legal opinion of nationally recognized bond counsel or tax counsel acceptable to the Board and the Escrow Agent to the effect that (a) such transaction will not cause any of the Refunded Notes or Refunding Bonds to be an "arbitrage bond" within the meaning of the Code, and (b) that such transaction complies with the Constitution and laws of the State of Texas and with all relevant documents relating to the issuance of the Refunded Notes and the Refunding Bonds.

## ARTICLE VI

### RECORDS AND REPORTS

Section 6.01. Records. The Escrow Agent shall keep books of record and account in which complete and correct entries shall be made of all transactions relating to the receipt, disbursement, allocation and application of the money and Escrowed Securities deposited to the Escrow Fund and all proceeds thereof, and such books shall be available for inspection at reasonable hours and under reasonable conditions by the Board and the holders of the Refunded Notes.

Section 6.02. Report. On or before \_\_\_\_\_ 1, 1991, the Escrow Agent shall prepare and send to the Board a written report summarizing all transactions relating to the Escrow Fund during the period from the Escrow Funding Date and ending on \_\_\_\_\_ 1, 1991, including, without limitation, credits to the Escrow Fund as a result of interest payments on or maturities of the Escrowed Securities and transfers from the Escrow Fund to the Paying Agent for the Refunded Notes or otherwise, together with the cash balance on deposit in the Escrow Fund as of the end of such period.

Section 6.03. Notification. The Escrow Agent shall notify the Board immediately if at any time during the term of this agreement it determines that the cash and Escrowed Securities in the Escrow Fund are not sufficient to provide for the transfer to the Paying Agent for the Refunded Notes for timely payment of all interest on and principal of the Refunded Notes, but the Escrow Agent shall not be responsible for any insufficiency of funds in the Escrow Fund or the Board's failure to make additional deposits thereto.

## ARTICLE VII

### CONCERNING THE ESCROW AGENT

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

Section 7.02. Limitation on Liability. The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in the exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Escrow Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable except for its own neglect or default, nor for any loss unless the same shall have been through its negligence or want of good faith.

The liability of the Escrow Agent to transfer funds to the Paying Agent for the Refunded Notes for the payments of the principal of and interest on the Refunded Notes shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Escrow Fund. Notwithstanding any provision contained herein to the contrary, the Escrow Agent shall have no liability whatsoever for the insufficiency of funds from time to time in the Escrow Fund or any failure of the obligor of the Escrowed Securities to make timely payment thereon, except for its obligation to notify the Board promptly of any such occurrence.

The recitals herein and in the proceedings authorizing the Refunding Bonds shall be taken as the statements of the Board and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent. In its capacity as Escrow Agent, it is agreed that the Escrow Agent need look only to the terms and provisions of this Escrow Agreement.

The Escrow Agent makes no representation as to the value, condition or sufficiency of the Escrow Fund, or any part thereof, or as to the title of the Board thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall incur no liability or responsibility with respect to any of such matters.

It is the intention of the Board and the Escrow Agent that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the



performance of any of its duties or the exercise of any of its rights and powers hereunder.

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

Section 7.03. Compensation. On the date hereof, the Board has paid to the Escrow Agent, and the Escrow Agent hereby acknowledges its receipt of, a fee of \$\_\_\_\_\_ as full and sufficient compensation for performing the services hereunder and for all expenses incurred or to be incurred by the Escrow Agent in the administration of this Escrow Agreement, and for its services in its capacity as Paying Agent for the Refunded Notes. If the Escrow Agent is requested to perform any extraordinary services hereunder, the Board hereby agrees to pay reasonable fees to the Escrow Agent for such extraordinary services and to reimburse the Escrow Agent for all expenses incurred by the Escrow Agent in performing such extraordinary services. It is expressly provided that the Escrow Agent shall look only to the Board for the payment of such additional fees and reimbursement of such additional expenses. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular, additional or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses.

Section 7.04. Successor Escrow Agents. If at any time the Escrow Agent or its legal successor or successors should cease to be the Paying Agent for the Refunded Notes, a vacancy shall forthwith exist hereunder in the office of the Escrow Agent. Any successor Paying Agent for the Refunded Notes appointed by the Board shall succeed, without further act, to all the rights,

immunities, powers and trusts of the predecessor Escrow Agent hereunder. Upon the request of any such successor Escrow Agent, the Board shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Escrow Agent all such immunities, rights, powers and duties. The Escrow Agent shall pay over to its successor Escrow Agent a proportional part of the Escrow Agent's fee hereunder equal to the portion of such fee attributable to duties to be performed after the date of succession.

## ARTICLE VIII

### MISCELLANEOUS

Section 8.01. Notices. Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid, addressed as follows:

To the Escrow Agent:

Morgan Guaranty Trust Company of New York  
60 Wall Street, 36th Floor  
New York, New York 10260  
Attention: Ms. Beth A. Andrews

To the Board:

The Board of Regents  
The University of Texas System  
210 West 6th Street  
Austin, Texas 78701  
Attention: Manager of Finance  
Office of Asset Management

The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery. Any party hereto may change the address to which notices are to be delivered by giving to the other party not less than ten days prior notice thereof.

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

**Section 8.03. Binding Agreement.** This Escrow Agreement shall be binding upon the Board and the Escrow Agent and their respective successors and legal representatives, and shall inure solely to the benefit of the holders of the Refunded Notes, the Board, the Escrow Agent and their respective successors and legal representatives. This Escrow Agreement shall not be subject to amendment without the written consent of the holders of all Refunded Notes then outstanding.

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

**Section 8.05. Governing Law.** THIS ESCROW AGREEMENT SHALL BE DEEMED TO BE A CONTRACT MADE UNDER THE LAWS OF THE STATE OF TEXAS AND FOR ALL PURPOSES SHALL BE CONSTRUED IN ACCORDANCE WITH, AND ITS VALIDITY GOVERNED BY, THE LAWS OF SAID STATE, EXCEPT THAT THE RIGHTS, IMMUNITIES AND DUTIES OF THE ESCROW AGENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

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

Executed as of \_\_\_\_\_, 1991.

THE BOARD OF REGENTS  
THE UNIVERSITY OF TEXAS SYSTEM

By \_\_\_\_\_  
Executive Vice Chancellor for  
Asset Management

MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK, as Escrow Agent

By \_\_\_\_\_

Title \_\_\_\_\_

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ESCROWED SECURITIES

[TO COME]

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REFUNDED NOTES

[TO COME]

BOARD OF REGENTS, THE UNIVERSITY OF TEXAS SYSTEM  
AMERITRUST TEXAS NATIONAL ASSOCIATION

\_\_\_\_\_, 1991

The Depository Trust Company  
55 Water Street  
New York, New York 10041

Attention: General Counsel's Office

RE: \$ \_\_\_\_\_ Board of Regents of The Univeristy of  
Texas System Permanent University Fund Refunding Bonds,  
Series 1991

Gentlemen:

The purpose of this letter is to set out certain matters relating to the above-referenced Bonds (the "Bonds"). Ameritrust Texas National Association, Dallas, Texas (the "Agent"), is acting as Paying Agent with respect to the Bonds. The Bonds will be issued pursuant to a Bond Resolution authorizing the issuance of the Bonds adopted by the Board of Regents of the University of Texas System (the "Issuer") on February 14, 1991, and a Resolution approving the sale of the Bonds adopted by the Executive Committee of the Issuer on \_\_\_\_\_, 1991 (collectively, the "Document"). J. P. Morgan Securities, Inc., as representative of the underwriters named in the Purchase Contract relating to the Bonds, is distributing the Bonds through The Depository Trust Company ("DTC").

To induce DTC to accept the Bonds as eligible for deposit at DTC and act in accordance with its Rules with respect to the Bonds, the Issuer and the Agent make the following representations to DTC:

1. Subsequent to Closing on the Bonds on \_\_\_\_\_, 1991, there shall be deposited with DTC one Bond certificate in registered form registered in the name of DTC's nominee, Cede & Co., for each stated maturity of the Bonds in the face amounts set forth on Schedule A hereto, the total of which represents 100% of the principal amount of such Bonds.
2. In the event of any solicitation of consents from and voting by holders of the Bonds, the Issuer or Agent shall establish a record date for such purposes and give DTC

notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

3. In the event of a redemption or any other similar transaction resulting in retirement of all Bonds outstanding or a reduction in aggregate principal amount of Bonds outstanding ("full or partial redemption") or an advance refunding of all or part of the Bonds outstanding, the Issuer or Agent shall give DTC notice of such event not less than 31 days nor more than 60 days prior to the redemption date or, in the case of an advance refunding, the date the proceeds are deposited in escrow.
4. In the event of a partial redemption or an advance refunding of part of the Bonds outstanding, the Issuer or Agent shall send DTC a notice specifying: 1) the amount of the redemption or refunding; 2) in the case of a refunding, the maturity date(s) established under the refunding; and 3) the date such notice is to be mailed to Bondholders or published ("the Publication Date"). Such notice shall be sent to DTC by a secure means (e.g., legible facsimile transmission, registered or certified mail, overnight express delivery) in a timely manner designed to assure that such notice is in DTC's possession no later than the close of business on the business day before the Publication Date. The Issuer or Agent will forward such notice either in a separate secure transmission for each CUSIP number or in a secure transmission for multiple CUSIP numbers which includes a manifest or list of each CUSIP submitted in that transmission. (The Issuer or Agent sending such notice shall have a method to verify subsequently the use of such means and timeliness of the notice.) The Publication Date shall be not less than 30 days nor more than 60 days prior to the redemption date or, in the case of an advance refunding, the date the proceeds are deposited in escrow.
5. In the event of an invitation to tender the Bonds, notice to Bondholders by the Issuer or Agent, specifying the terms of the tender and the date such notice is to be mailed to Bondholders or published ("the Publication Date") shall be sent to DTC by a secure means (e.g., legible facsimile transmission, registered or certified mail, overnight express delivery) in a timely manner designed to assure that such notice is in DTC's possession no later than the close of business on the business day before the Publication Date. (The Issuer or Agent sending such notice shall have a method to

verify subsequently the use of such means and timeliness of the notice.)

6. All notices and payment advices sent to DTC shall contain the CUSIP number of the Bonds.
7. Notices to DTC by facsimile transmission shall be sent to DTC's Call Notification Department at (516)227-4039 or (516)227-4190. Notices to DTC by mail or any other means shall be sent to:

The Depository Trust Company  
Call Notification Department  
Muni Reorganization Manager  
711 Stewart Avenue  
Garden City, New York 11530

8. Interest payments shall be received by Cede & Co., as nominee of DTC, or its registered assigns in next-day funds on each payment date (or the equivalent in accordance with existing arrangements between the Issuer or Agent and DTC). Such payments shall be made payable to the order of Cede & Co.
9. Payments of principal shall be received by Cede & Co., as nominee of DTC, or its registered assigns in next-day funds on each payment date. Principal payments shall be made payable to the order of Cede & Co., and shall be addressed as follows:

The Depository Trust Company  
Muni Redemption Department  
55 Water Street-50th Floor  
New York, NY 10041  
Attention: Collection Supervisor

10. DTC may direct the Issuer or Agent to use any other telephone number for facsimile transmission, address, or department of DTC as the number, address or department to which payments of interest or principal or notices may be sent.
11. In the event of a redemption, acceleration or any other similar transaction (e.g., tenders made and accepted in response to the Issuer's or Agent's invitation) necessitating a reduction in aggregate principal amount of Bonds outstanding or an advance refunding of part of the Bonds outstanding, DTC, in its discretion, (a) may request the Issuer or Agent to issue and authenticate a new Bond certificate or (b) shall make an appropriate



notation on the Bond certificate indicating the date and amounts of such reduction in principal, except in the case of final maturity, in which case the certificate must be presented to the Issuer or Agent prior to payment.

12. In the event the Issuer determines pursuant to the Document(s) that beneficial owners of the Bonds shall be able to obtain certificated Bonds, the Issuer or Agent shall notify DTC of the availability of Bond certificates and shall issue, transfer and exchange Bond certificates in appropriate amounts as required by DTC and others.
13. DTC may determine to discontinue providing its service as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or Agent (at which time DTC will confirm with the Issuer or Agent the aggregate principal amount of the Bonds outstanding) and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, whenever DTC requests the Issuer and the Agent to do so, the Issuer and the Agent will cooperate with DTC in taking appropriate action to make available one or more separate certificates evidencing the Bonds to any DTC Participant having Bonds credited to its DTC account.
14. Nothing herein shall be deemed to require the Agent to advance funds on behalf of the Issuer.

Very truly yours,

AMERITRUST TEXAS NATIONAL  
ASSOCIATION  
as Agent

By \_\_\_\_\_  
Authorized Officer's Signature

BOARD OF REGENTS  
THE UNIVERSITY OF TEXAS SYSTEM  
as Issuer

By \_\_\_\_\_  
Executive Vice Chancellor  
for Asset Management

Received and Accepted:

THE DEPOSITORY TRUST COMPANY

By: \_\_\_\_\_  
(Authorized Officer's Signature)

cc: J. P. Morgan Securities, Inc.  
McCall, Parkhurst & Horton  
Vinson & Elkins

SCHEDULE A

<u>Principal Amount</u>	<u>Maturity Date</u> <u>( 1 )</u>	<u>Interest Rate</u>
\$ _____	_____	_____ %

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- F. RECONVENE AS COMMITTEE OF THE WHOLE
- G. ITEM FOR THE RECORD

U. T. M.D. Anderson Cancer Center: Report of Purchase of One Acre Parcel, Houston, Harris County, Texas.--

REPORT

At the October 1989 meeting, the U. T. Board of Regents authorized the purchase of one acre of land adjacent to the U. T. M.D. Anderson Cancer Center from Mrs. Carolyn Grant Fay, Houston, Texas. On December 21, 1990, the transaction closed as a "bargain purchase" with the Cancer Center paying only \$800,000 (plus closing costs) of the \$1,800,000 appraised value of the land. The balance of the value (\$1,000,000) constitutes a charitable contribution by Mrs. Fay. This gift was made to advance the educational mission of The University of Texas M.D. Anderson Cancer Center.

Plans for this campus site include continuing the park theme for patients, visitors, and employees of the Medical Center along Holcombe Boulevard with adjacent property donated by the Fay family several years ago. A portion of the property will be used as a building site for future M.D. Anderson facilities.

Relevant records are on file in the Office of the Board of Regents.

- H. REPORT OF BOARD FOR LEASE OF UNIVERSITY LANDS
- I. REPORT OF SPECIAL COMMITTEES
- J. 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.

- K. RECONVENE IN OPEN SESSION

L. 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 Liability  
Litigation
2. Land Acquisition, Purchase, Exchange, Lease or Value of Real Property and Negotiated Contracts for Prospective Gifts or Donations - Section 2(f)  

U. T. Austin: Consideration of the Negotiated Acquisition of Approximately  
.5194 Acres of Land in Austin, Travis  
County, Texas
3. Personnel Matters [Section 2(g)] Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees

M. OTHER MATTER

U. T. System: Report from Faculty Advisory Group Regarding Current Activities with Special Emphasis on Long-Term Strategy to Deal with Rising Costs Associated with Library Resources.--

REPORT

Dr. Andrew von Eschenbach, from the U. T. M.D. Anderson Cancer Center and Chair of the U. T. System Faculty Advisory Group, will report regarding activities of the Group and introduce a special presentation on the current state of electronic library capabilities and promising directions for the future.

N. SCHEDULED MEETINGS

1. Board of Regents' Meetings

<u>Dates</u>	<u>Locations/Hosts</u>
April 11, 1991	U. T. Medical Branch - Galveston
June 13, 1991	Regents' Room, Austin
August 8, 1991	Regents' Room, Austin
October 11, 1991	U. T. Arlington
December 5, 1991	U. T. Health Science Center - Houston

2. Official Commencements - 1991

May 3	U. T. Tyler
May 9	U. T. Pan American (Brownsville)
May 10	U. T. San Antonio
May 11	U. T. El Paso
	U. T. Permian Basin
May 12	U. T. Pan American
May 18	U. T. Austin
	U. T. Dallas
May 25	U. T. Medical School - Galveston
	U. T. Medical School - San Antonio
May 31	U. T. Medical School - Houston
June 1	U. T. Southwestern Medical School - Dallas

O. OTHER BUSINESS

P. ADJOURNMENT

# 1991

January 1991						
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December 1991						
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**Executive  
Committee**



EXECUTIVE COMMITTEE

Date: February 14, 1991  
Time: Following the convening of the Board of Regents  
at 10:30 a.m.  
Place: Lobby, Commons Building  
Balcones Research Center, U. T. Austin

	<u>Page</u> <u>Ex.C</u>
1. Permanent University Fund: Recommendation to Reappoint One Member and Appoint Two Members to the Investment Advisory Committee (Exec. Com. Letter 91-9)	3
2. U. T. Arlington - Preston Hall - Renovation (Project No. 301-745): Recommended Award of Construction Contract to SkiHi Enterprises, Inc., Fort Worth, Texas (Exec. Com. Letter 91-6)	4
3. U. T. Austin: Request for Authorization to Appoint Engineer for Preparation of Technical Assistance Reports (Exec. Com. Letter 91-6)	6
4. U. T. Austin: Recommendation to Rename Building in the Women's Cooperative Housing Complex (Exec. Com. Letter 91-5)	7
5. U. T. Austin: Request for Authorization to Grant a Right-of-Way Easement to the State Department of Highways and Public Transportation for Use as a State Highway Spur to Benefit McDonald Observatory (Exec. Com. Letter 91-8)	7
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9. U. T. Health Science Center - San Antonio - U. T. Institute of Biotechnology: Recommendation to Provide Student/Post-Doctoral Housing by Restructuring the Texas Research and Technology Foundation Payment of a Pledge to the McDermott Clinical Science Building (Exec. Com. Letter 91-10) 16
10. U. T. Health Science Center - San Antonio - Exhaust and Intake Air Flow System (Project No. 402-675): Recommended Award of General Construction Contract to Universal City Construction, Inc., Universal City, Texas; and Recommended Award of Construction Contract for Asbestos Abatement for Building Roofs to Olmos Abatement, Inc., Austin, Texas (Exec. Com. Letter 91-6) 17

1. Permanent University Fund: Recommendation to Reappoint One Member and Appoint Two Members to the Investment Advisory Committee (Exec. Com. Letter 91-9).--

#### RECOMMENDATION

The Executive Committee concurs in the recommendation of the Chancellor and the Executive Vice Chancellor for Asset Management that Mr. J. Luther King, Jr. of Fort Worth, Texas, and Mr. L. Lowry Mays of San Antonio, Texas, be appointed to the Investment Advisory Committee for the Permanent University Fund and that Mr. Michael J. C. Roth of San Antonio, Texas, be reappointed for a second term. The appointments for Mr. Mays and Mr. Roth are for a three-year period which will expire August 31, 1993, and for Mr. King the appointment will expire August 31, 1991.

#### BACKGROUND INFORMATION

Mr. J. Luther King, Jr. is the chief shareholder of Luther King Capital Management in Fort Worth, Texas. His firm has about \$4.0 billion under management in both stocks and bonds. His clientele includes several university endowments, notably Brown University in Providence, Rhode Island; Notre Dame University in Notre Dame, Indiana; Case Western Reserve in Cleveland, Ohio; Texas Christian University (TCU) in Fort Worth, Texas; and Southern Methodist University in Dallas, Texas. Mr. King earned a BA and MBA from TCU and has been active in selected external activities including membership on the TCU Alumni Board, a Trustee of St. Mark's School in Dallas, and currently is on the Advisory Committee for the Employees Retirement System of Texas.

Mr. L. Lowry Mays has served as a Regent of The Texas A&M University System since 1985. His term is scheduled to end on February 1, 1991. He chaired the Budget and Fiscal Affairs Committee of The Texas A&M University System Board of Regents for the last two years and was instrumental in their debt and investment management programs. Mr. Mays is President and Chief Executive Officer of Clear Channel Communications, Inc. in San Antonio, Texas. His tenure as President of the National Association of Broadcasters ends this year. The Texas A&M University System Board of Regents, the Chancellor, and the System financial administration unanimously recommend that he be appointed as a representative from The Texas A&M University System.

Mr. Michael J. C. Roth is currently President of USAA Investment Management Division in San Antonio, Texas. He is a member of the Board of Planned Parenthood of San Antonio, a member of the Associate Board of Southwest Texas Methodist Hospital, and President of Temple Bethel.

With approval of these recommended appointments, the Investment Advisory Committee members and terms will be as follows:

	<u>TERM EXPIRES</u>
J. Luther King, Jr.	8/31/91
Jack T. Trotter	8/31/91
Edward Randall III	8/31/92
John T. Stuart III	8/31/92
Michael J. C. Roth	8/31/93
L. Lowry Mays	8/31/93

2. U. T. Arlington - Preston Hall - Renovation (Project No. 301-745): Recommended Award of Construction Contract to SkiHi Enterprises, Inc., Fort Worth, Texas (Exec. Com. Letter 91-6).--

RECOMMENDATION

The Executive Committee concurs in the recommendation of the Chancellor, the Executive Vice Chancellor for Academic Affairs, and President Nedderman that the U. T. Board of Regents award a construction contract for the Renovation of Preston Hall at U. T. Arlington to the lowest responsible bidder, SkiHi Enterprises, Inc., Fort Worth, Texas, for the Base Bid and Alternate Bid Nos. 1 and 2 in the amount of \$623,500.

BACKGROUND INFORMATION

In accordance with authorization of the U. T. Board of Regents in August 1990, bids for the Renovation of Preston Hall were received on November 20, 1990, as shown on Page Ex.C - 5.

The recommended contract award to SkiHi Enterprises, Inc., Fort Worth, Texas, in the amount of \$623,500 can be made within the authorized total project cost of \$1,046,400. The authorized total project cost is composed of the following elements:

Construction Cost	\$ 623,500
Fees and Administrative Expenses	74,160
Furniture and Equipment	58,000
Future Work (Air Balancing and FCMS)	95,000
Miscellaneous Expenses	76,600
Project Contingency	<u>119,140</u>
Total Project Cost	\$1,046,400

This project was included in the FY 1991 Capital Budget, Reserve Allocations for Repairs, approved by the U. T. Board of Regents in June 1990. The project was approved by the Texas Higher Education Coordinating Board in October 1990.

RENOVATION TO PRESTON HALL  
 THE UNIVERSITY OF TEXAS AT ARLINGTON  
 Bids Received November 20, 1990

<u>Bidder</u>	<u>Base Bid</u>	<u>Alt. #1 New Fire Alarm System</u>	<u>Alt. #2 New Transformer Related Electric</u>	<u>Total</u>
SkiHi Enterprises, Inc. Ft. Worth, TX	\$568,000	\$12,000	\$43,500	\$ 623,500
Weldon Mechanical Corporation Arlington, TX	601,414	12,247	52,000	665,661
Century Mechanical Contractors, Inc. Ft. Worth, TX	633,500	11,700	33,000	678,200
Trinity Contractors, Inc. Grand Prairie, TX	648,770	12,172	36,011	696,953
Rhode Construction Company Arlington, TX	659,000	13,600	45,000	717,600
Hall Mechanical Contractors, Inc. Ft. Worth, TX	666,700	9,600	50,600	726,900
Young Enterprises, Inc. Sherman, TX	739,187	6,326	32,118	777,631
Dyna Ten Corporation Ft. Worth, TX	739,000	12,000	34,000	785,000
Burden Brothers Inc. Dallas, TX	808,420	10,000	44,000	862,420
Freer Mechanical Contractors, Inc. Ft. Worth, TX	963,000	21,000	56,000	1,040,000

3. U. T. Austin: Request for Authorization to Appoint Engineer for Preparation of Technical Assistance Reports (Exec. Com. Letter 91-6).--

#### RECOMMENDATION

The Executive Committee concurs in the recommendation of the Chancellor, the Executive Vice Chancellor for Academic Affairs, and President Cunningham that U. T. Austin be authorized to appoint Energy Engineering Associates, Inc., Austin, Texas, to prepare Technical Assistance Reports for energy conservation projects in the following buildings:

Collections Deposit Library  
College of Business Administration  
Central Receiving Building  
Education Annex  
Goldsmith Hall  
Graduate School of Business  
Gregory Gymnasium  
Hogg Memorial Auditorium  
Printing and Press Building  
Sid Richardson Hall/East Campus Lecture Hall  
Sutton Hall  
T. U. Taylor Hall  
Townes Hall

#### BACKGROUND INFORMATION

The Governor's Energy Office awarded U. T. Austin a matching funds Technical Assistance Grant under their Institutional Conservation Program in the amount of \$120,610. With the institutional matching funds, the total project cost is \$241,220. The purpose of this grant is to provide professional engineering services to prepare Technical Assistance Reports.

These reports or studies are the methods by which energy conservation opportunities in buildings, including cost estimates and payback calculations, are identified. The reports form the basis for future grant or loan applications for energy conservation projects. The next grant cycle for funding energy conservation projects has an application deadline of April 15, 1991. To meet this deadline, the Technical Assistance Reports are needed by April 1, 1991.

In order to proceed with the studies and meet the program deadlines, proposals were solicited by U. T. Austin from Energy Engineering Associates, Inc., Austin, Texas, Kinsman & Associates, Richardson, Texas, and Estes, McClure & Associates, Inc., Tyler, Texas.

The proposal submitted by Energy Engineering Associates, Inc. is judged by the University's staff to be most responsive to their needs.

4. U. T. Austin: Recommendation to Rename Building in the Women's Cooperative Housing Complex (Exec. Com. Letter 91-5).--

RECOMMENDATION

The Executive Committee concurs in the recommendation of the Chancellor, the Executive Vice Chancellor for Academic Affairs, and President Cunningham that the Katherine Pearce II Building in the Women's Cooperative Housing Complex at U. T. Austin be renamed as the Jack and Katherine Pearce Building.

This request is being made in accordance with the donor's wishes and is submitted via the Executive Committee Letter process to accommodate plans for a plaque placing ceremony.

BACKGROUND INFORMATION

At the March 1952 meeting of the U. T. Board of Regents, a \$108,000 gift was accepted from the Jack and Katherine Pearce Educational Foundation, Galveston, Texas, to aid in the construction of a new women's cooperative living unit. In recognition of the gift, the east end of one of the new buildings was named the "Katherine Pearce" cooperative. At the January 1973 U. T. Board of Regents' meeting, a pledge of \$200,000 was accepted from the Foundation for further support of the building. In honor of this additional funding, the west end of the building was named Katherine Pearce II.

President Cunningham concurs with the Foundation's recent suggestion that it is more appropriate to name the entire building the Jack and Katherine Pearce Building and to continue to recognize the east and west two cooperative living units within the building as "Katherine Pearce" and "Theordorne" respectively.

5. U. T. Austin: Request for Authorization to Grant a Right-of-Way Easement to the State Department of Highways and Public Transportation for Use as a State Highway Spur to Benefit McDonald Observatory (Exec. Com. Letter 91-8).--

RECOMMENDATION

The Executive Committee concurs in the recommendation of the Chancellor, the Executive Vice Chancellor for Academic Affairs, and President Cunningham that the U. T. Board of Regents:

- a. Authorize the Executive Vice Chancellor for Academic Affairs, on behalf of the U. T. Board of Regents, to execute a right-of-way easement to the State Department of Highways and Public Transportation to construct and maintain in perpetuity a two-lane paved roadway from existing State Highway Spur 78 to

the NASA Laser Ranging Station on Mt. Fowlkes at the U. T. Austin McDonald Observatory after approval of such easement by the Office of General Counsel

- b. Authorize the payment of costs, if any, for the relocation of any utilities along the proposed new road.

#### BACKGROUND INFORMATION

On October 25, 1990, the State Highway and Public Transportation Commission passed Minute Order No. 90922 authorizing the expenditure of \$100,000 to extend the existing State Highway Spur 78 for approximately four-tenths of a mile to McDonald Observatory's NASA Laser Ranging Station located on Mt. Fowlkes. The Minute Order requires the U. T. Board of Regents to convey the necessary right-of-way and to pay costs incurred in the relocation of any utilities located along the proposed right-of-way. A preliminary inspection shows there are no utilities that will be relocated by the proposed road. Minute Order No. 90922 is effective for only 90 days, thus requiring approval by the Executive Committee Letter process prior to January 25, 1991.

The Chancellor and the Executive Vice Chancellor for Academic Affairs concur in President Cunningham's opinion that the grant of the easement is clearly in the best interest of U. T. Austin. The present access road is unpaved and becomes almost impassable during inclement weather, creating a hazardous condition in emergency situations. The construction of the proposed road will also eliminate dust stirred up by traffic during the dry weather which interferes with the instrumentation throughout the observatory complex and jeopardizes the continuation of experiments at the Laser Ranging Station.

6. U. T. Southwestern Medical Center - Dallas - Research Building - Phase I North Campus Expansion (Project No. 303-702) - Bid Package Two - Prepurchase of Thermal Energy Plant Equipment: Recommended Award of Procurement Contract for Bid Package Two "A" - Chillers to York International, Inc., Dallas, Texas; and Recommended Award of Procurement Contract for Bid Package Two "B" - Boilers to Cleaver-Brooks, Milwaukee, Wisconsin (Exec. Com. Letter 91-7).--

#### RECOMMENDATION

The Executive Committee concurs in the recommendation of the Chancellor, the Executive Vice Chancellor for Health Affairs, and President Wildenthal that the U. T. Board of Regents award procurement contracts for Bid Package Two for the Prepurchase of Thermal Energy Plant Equipment for the Research Building - Phase I North Campus Expansion at the U. T. Southwestern Medical Center - Dallas as follows:

- a. Bid Package Two "A" - Chillers for Thermal Energy Plant Building to the lowest responsible bidder, York International, Inc., Dallas, Texas, for the Base Bid in the amount of \$618,470



- b. Bid Package Two "B" - Boilers for Thermal Energy Plant Building to the lowest responsible bidder, Cleaver-Brooks, Milwaukee, Wisconsin, for the Base Bid in the amount of \$557,620.

BACKGROUND INFORMATION

In accordance with authorization of the U. T. Board of Regents in February 1990, bids for the second stage of construction for the Research Building - Phase I North Campus Expansion at the U. T. Southwestern Medical Center - Dallas were received on December 11, 1990, as shown below:

BID PACKAGE TWO "A" - CHILLERS FOR THERMAL ENERGY PLANT BUILDING

<u>Bidder</u>	<u>Base Bid</u>
York International, Inc., Dallas, Texas	\$618,470
The Trane Company, a division of American Standard Inc., LaCrosse, Wisconsin	\$678,013

BID PACKAGE TWO "B" - BOILERS FOR THERMAL ENERGY PLANT BUILDING

<u>Bidder</u>	<u>Base Bid</u>
Cleaver-Brooks, Milwaukee, Wisconsin	\$557,620
Neal & Associates Div., Dallas, Texas	\$697,973

The project for expansion of the North Campus is divided into three stages. Executive Committee Letter No. 90-18 awarded a contract for the first stage of construction for roads, utility distribution, and site infrastructure. This second stage includes the procurement of chillers, boiler equipment, and electrical switchgear for the Thermal Energy Plant Building. A recommendation for contract award of Bid Package Two "C" - Electric Switchgear will be presented to the U. T. Board of Regents for consideration at a future date.

Bids for general construction of the North Campus have been received and a recommendation is being presented to the U. T. Board of Regents for separate consideration. See Item 7 on Page Ex.C - 10.

The recommended contract awards to York International, Inc., Dallas, Texas, in the amount of \$618,470 and Cleaver-Brooks, Milwaukee, Wisconsin, in the amount of \$557,620 can be made within the authorized total project cost of \$52,500,000.

This project is included in the U. T. System Capital Improvement Program approved in June 1989 and the FY 1991 Capital Budget. The project was approved by the Texas Higher Education Coordinating Board in October 1989.

7. U. T. Southwestern Medical Center - Dallas - Research Building - Phase I North Campus Expansion (Project No. 303-702): Recommended Award of Construction Contract for Bid Package Three - General Construction to Dal-Mac Construction Company, Richardson, Texas; Recommended Award of Certain Alternate Bids, Subject to the Future Appropriation of Funds Therefor and Submission to the Coordinating Board for Approval (Exec. Com. Letter 91-7).--

#### RECOMMENDATION

The Executive Committee concurs in the recommendation of the Chancellor, the Executive Vice Chancellor for Health Affairs, and President Wildenthal that the U. T. Board of Regents award a construction contract for Bid Package Three - General Construction of the Research Building - Phase I North Campus Expansion at the U. T. Southwestern Medical Center - Dallas, as follows:

- a. Bid Package Three - General Construction to the lowest responsive and responsible bidder, Dal-Mac Construction Company, Richardson, Texas, for the Base Bid and Alternate Bid Nos. 3, 5, and 6 in the amount of \$42,305,000
- b. Bid Package Three - General Construction - Alternate Bid Nos. 1, 2, 4, 7, and 8 to the lowest responsive and responsible bidder, Dal-Mac Construction Company, Richardson, Texas, subject to future appropriation of funds therefor by the U. T. Board of Regents and approval by the Texas Higher Education Coordinating Board.

#### BACKGROUND INFORMATION

In accordance with authorization of the U. T. Board of Regents in February 1990 and October 1990, bids for Bid Package Three - General Construction of the Research Building - Phase I North Campus Expansion at the U. T. Southwestern Medical Center - Dallas were received on December 5, 1990, as shown on Pages Ex.C 12 - 13.

The project for expansion of the North Campus is divided into three stages. The first stage of construction for roads, utility distribution, and site infrastructure was awarded upon approval of Executive Committee Letter No. 90-18 and this work is being completed. Bids for the second stage of construction, Prepurchase of Thermal Energy Plant Equipment, have been received and will be presented to the U. T. Board of Regents for separate consideration. See Item 6 on Page Ex.C - 8. The third stage of construction, Bid Package Three, for General Construction of the Research Building - Phase I North Campus Expansion is presented for consideration as indicated on the accompanying bid tabulation.

As bid, Bid Package Three for General Construction includes three levels of structured parking, six levels of research laboratories and support areas, and four levels of shell space. Also included is the construction of the initial Thermal Energy Plant Building and finishing of sitework.

Alternate Bid Nos. 1 through 8 were received for additional work as indicated on the accompanying bid tabulation. The receipt of favorable bids allows Alternate Bid Nos. 3, 5, and 6 to be awarded with Base Bid. The receipt of favorable bids also encourages award of Alternate Bid Nos. 1, 2, 4, 7, and 8 to complete the project, subject to the future appropriation of additional funds, and submission of these alternate bids to the Coordinating Board.

Eight bids were received for the project on December 5, 1990. The bids were reviewed by the Office of General Counsel, and three bids were found to be nonresponsive, as indicated on the accompanying bid tabulation. The three bidders were found to be nonresponsive because they listed more than one major subcontractor for the construction trades requested on the proposal, contrary to the instructions in the bid documents. Therefore, the recommended contract award is to the lowest responsive and responsible bidder.

The recommended contract award to Dal-Mac Construction Company for the Base Bid and Alternate Bid Nos. 3, 5, and 6 in the amount of \$42,305,000 can be made within the authorized total project cost of \$52,500,000 funded with \$20,000,000 from Permanent University Fund Bond Proceeds, \$5,000,000 from Gifts and Grants, and \$27,500,000 from Revenue Bond Proceeds.

The total project cost is composed of the following elements:

First Stage of Construction -	
Civil Construction	\$ 1,007,040
Second Stage of Construction -	
Thermal Energy Plant Equipment	1,176,090
Third Stage of Construction -	
General Construction	42,305,000
Fees and Administrative Expenses	4,115,600
Furniture, Furnishings and Equipment	1,416,360
Future Work (Testing and Air-Balancing, Temporary Signalization, and Electric Switchgear)	1,319,910
Entrance Bridge from Harry Hines Boulevard	400,000
Miscellaneous Expenses	110,000
Project Contingency	<u>650,000</u>
 Total Project Cost	 \$52,500,000

This project is included in the U. T. System Capital Improvement Program approved in June 1989, and the FY 1991 Capital Budget. The project was approved by the Texas Higher Education Coordinating Board in October 1989.

See Item 8 on Page F&F - 13.

BID PACKAGE THREE - GENERAL CONSTRUCTION  
 RESEARCH BUILDING - PHASE I NORTH CAMPUS EXPANSION  
 THE UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL CENTER AT DALLAS  
 Bids Received December 5, 1990

<u>BIDDER</u>	<u>J. W. Bateson Company, Inc. Dallas, TX</u>	<u>Dal-Mac Construction Company Richardson, TX</u>	<u>Manhattan Construction Company Dallas, TX</u>	<u>Kajima International, Inc., Dallas, TX</u>
BASE BID	\$39,277,000	\$39,000,000	\$39,000,000	\$39,549,000
Alt. #1 - Lecture Facility	1,712,000	1,685,000	1,942,000	1,746,000
Alt. #2 - Animal Resource Center/Barrier Facility	664,000	749,000	765,000	735,000
Alt. #3 - Watchdog System for Base Bid	168,400	169,000	230,000	168,000
Alt. #4 - Watchdog System for Alt. #2	75,800	77,000	78,000	77,000
Alt. #5 - Finish Out Level 5	1,469,000	1,610,000	1,580,000	1,485,000
Alt. #6 - Finish Out Level 8	1,389,000	1,526,000	1,500,000	1,400,000
Alt. #7 - Finish Out Level 10	1,453,000	1,591,000	1,580,000	1,466,000
Alt. #8 - Finish Out Level 11	<u>1,455,000</u>	<u>1,527,000</u>	<u>1,510,000</u>	<u>1,396,000</u>
Total Base Bid and Alternate Bids	\$47,663,200*	\$47,934,000	\$48,185,000	\$48,022,000
Recommended Award Base Bid Plus Alt. Bid Nos. 3, 5, and 6	\$42,303,400*	\$42,305,000	\$42,310,000	\$42,602,000

\*Bids were reviewed by the Office of General Counsel.  
 Bids denoted by asterisks were determined to be  
 nonresponsive.

BID PACKAGE THREE - GENERAL CONSTRUCTION  
 RESEARCH BUILDING - PHASE I NORTH CAMPUS EXPANSION  
 THE UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL CENTER AT DALLAS  
 Bids Received December 5, 1990

BIDDER	Hensel Phelps Construction Co. Austin, TX	Clark-Morris Company, Inc. Dallas, TX	Spaw-Glass General Contracting, Inc. Irving, TX	Austin Commercial, Inc. Dallas, TX
BASE BID	\$39,877,000	\$40,300,000	\$40,150,000	\$40,590,000
Alt. #1 - Lecture Facility	1,750,000	1,630,000	1,750,000	1,741,000
Alt. #2 - Animal Resource Center/Barrier Facility	700,000	693,000	685,000	780,000
Alt. #3 - Watchdog System for Base Bid	160,000	150,000	170,000	178,422
Alt. #4 - Watchdog System for Alt. #2	70,000	75,000	76,000	81,302
Alt. #5 - Finish Out Level 5	1,350,000	1,483,000	1,570,000	1,677,000
Alt. #6 - Finish Out Level 8	1,250,000	1,407,000	1,496,000	1,645,000
Alt. #7 - Finish Out Level 10	1,300,000	1,466,000	1,570,000	1,625,000
Alt. #8 - Finish Out Level 11	<u>1,300,000</u>	<u>1,404,000</u>	<u>1,498,000</u>	<u>1,699,000</u>
Total Base Bid and Alternate Bids	\$47,757,000*	\$48,608,000*	\$48,965,000	\$50,016,724
Recommended Award Base Bid Plus Alt. Bid Nos. 3, 5, and 6	\$42,637,000*	\$43,340,000*	\$43,386,000	\$44,090,422

\*Bids were reviewed by the Office of General Counsel.  
 Bids denoted by asterisks were determined to be  
 nonresponsive.

8. U. T. Medical Branch - Galveston - Emergency Power Systems (Project No. 601-718): Recommended Award of Construction Contract to Spaw Glass/Cahaba, Houston, Texas, and Request for Approval to Reduce the Total Project Cost (Exec. Com. Letter 91-7).--

#### RECOMMENDATION

The Executive Committee concurs in the recommendation of the Chancellor, the Executive Vice Chancellor for Health Affairs, and President James that the U. T. Board of Regents:

- a. Award a construction contract for Emergency Power Systems at U. T. Medical Branch - Galveston to the lowest responsible bidder, Spaw Glass/Cahaba, Houston, Texas, for the Base Bid and Alternate Bid Nos. 1 and 2 in the amount of \$1,848,600
- b. Approve a reduction in the authorized total project cost and a corresponding reduction in U. T. Medical Branch - Galveston Gifts and Grants appropriation from \$3,690,000 to \$3,170,000.

#### BACKGROUND INFORMATION

In accordance with authorization of the U. T. Board of Regents in February 1990, bids for Emergency Power Systems at the U. T. Medical Branch - Galveston were received on November 20, 1990, as shown on Page Ex.C - 15.

This project is divided into two stages. Executive Committee Letter No. 90-19 awarded a contract for the Prepurchase of Generators in the amount of \$615,794. This Emergency Power Systems contract is for general construction and the installation of the prepurchased emergency generators.

The recommended contract award to Spaw Glass/Cahaba, Houston, Texas, in the amount of \$1,848,600 can be made within the reduced total project cost of \$3,170,000. The revised total project cost is composed of the following elements:

Construction Cost - Emergency Power Systems	\$1,848,600
Construction Cost - Prepurchase of Generators	615,794
Fees and Administrative Expenses	233,000
Future Work	250,000
Miscellaneous Expenses	11,293
Project Contingency	<u>211,313</u>
Total Project Cost	\$3,170,000

Approval of this Executive Committee Letter will amend the FY 1991 Capital Budget by reducing the commitment of U. T. Medical Branch - Galveston Gifts and Grants by \$520,000. This project was approved by the Texas Higher Education Coordinating Board in January 1990.

EMERGENCY POWER SYSTEMS  
 THE UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON  
 Bids Received November 20, 1990

<u>BIDDER</u>	<u>BASE BID</u>	<u>Alt. #1 Emergency Generator in Materials Management Facility</u>	<u>Alt. #2 Emergency Power Distribution in Animal Care Facility</u>	<u>Total</u>
Spaw Glass/Cahaba Houston, TX	\$1,749,000	\$48,300	\$51,300	\$1,848,600
Harrop Construction Company, Inc. Houston, TX	1,887,000	70,000	73,000	2,030,000
Miner-Dederick Constructors, Inc. Houston, TX	1,904,000	68,000	67,000	2,039,000
Comex Corporation Deer Park, TX	1,910,000	70,000	60,000	2,040,000

EX. C - 15

9. U. T. Health Science Center - San Antonio - U. T. Institute of Biotechnology: Recommendation to Provide Student/Post-Doctoral Housing by Restructuring the Texas Research and Technology Foundation Payment of a Pledge to the McDermott Clinical Science Building (Exec. Com. Letter 91-10).--

#### RECOMMENDATION

The Executive Committee concurs in the recommendation of Regents Loeffler and Barshop, the Chancellor, the Executive Vice Chancellor for Health Affairs, and President Howe that the current payment schedule for a \$6,000,000 pledge by the Texas Research and Technology Foundation for the McDermott Clinical Science Building at the U. T. Health Science Center - San Antonio due to be paid by December 31, 1992, be restructured so that the pledge amount will be paid by December 31, 1995, to permit the Foundation to construct and make available to U. T. Institute of Biotechnology students and postdoctoral employees apartment housing adjacent to the U. T. Institute of Biotechnology.

#### BACKGROUND INFORMATION

In order to advance the purposes of the Texas Research Park and the U. T. Institute of Biotechnology and in keeping with the priorities established by Dr. Wen-Hwa Lee, newly appointed Director of the U. T. Institute of Biotechnology, the Texas Research and Technology Foundation has advanced a proposal which would allow it to construct and manage an initial apartment complex of 30-35 units and basic recreational facilities for which U. T. Institute of Biotechnology personnel will have lease priority. The proposal indicates that the cost would approximate \$1.5 to \$2.0 million and that the housing would be available by Fall 1991. Dr. Lee has indicated that the availability of housing adjacent to the U. T. Institute of Biotechnology will be important to the recruitment and retention of the graduate and postdoctoral students essential to the success of that program.

Currently, there is an agreement between the Board of Regents and the Texas Research and Technology Foundation by which the Foundation's \$6.0 million pledge to the McDermott Clinical Science Building will be repaid \$1.0 million in 1990 (which has been paid), \$2.5 million in 1991, and \$2.5 million in 1992. These payments will be directed to repay an advance of Permanent University Fund (PUF) bond proceeds used to complete the building and purchase equipment on a timely basis. An advance of PUF monies, in an amount not to exceed \$11 million, was contemplated at the time the documents formalizing the San Antonio Biosciences Initiative were executed in April 1985. It is estimated that this current repayment schedule would result in a PUF advance during calendar year 1991 of \$3.5 million which would be repaid by December 31, 1992.

The recommended plan for restructuring would retain the pledge at \$6.0 million but lengthen the payment schedule to fulfill the \$5.0 million remaining on the pledge to December 31, 1995. The proposed schedule of no payment in 1991, \$1.0 million in 1992 and 1993, and \$1.5 million in 1994



and 1995 is designed to make available development, construction, and start-up costs to permit early completion and occupancy of the project. The result of this extended payment schedule is a PUF advance of \$6.0 million during calendar year 1991 with repayment completed by December 31, 1995. Asset Management calculates that the cost of this extended payment schedule, assuming a 7% interest rate, is \$343,000 in excess of the currently agreed upon schedule.

In return for the extended payment schedule (1) a major priority of Dr. Lee would be satisfied, (2) a significant student/employee recruitment and retention factor would be in place, (3) the U. T. Health Science Center - San Antonio would be relieved of the responsibility for building and operating U. T. Institute of Biotechnology related housing, (4) the project could be completed in a timely fashion, and (5) there would be available another element to encourage the development of the Texas Research Park.

If this Executive Committee Letter is approved, the documents restructuring the payment schedule will be conditioned upon the satisfactory and timely fulfillment of the housing proposal by the Texas Research and Technology Foundation.

10. U. T. Health Science Center - San Antonio - Exhaust and Intake Air Flow System (Project No. 402-675): Recommended Award of General Construction Contract to Universal City Construction, Inc., Universal City, Texas; and Recommended Award of Construction Contract for Asbestos Abatement for Building Roofs to Olmos Abatement, Inc., Austin, Texas (Exec. Com. Letter 91-6).--

#### RECOMMENDATION

The Executive Committee concurs in the recommendation of the Chancellor, the Executive Vice Chancellor for Health Affairs, and President Howe that the U. T. Board of Regents award construction contracts for the Exhaust and Intake Air Flow System at the U. T. Health Science Center - San Antonio as follows:

- a. General Construction to be awarded to the lowest responsible bidder, Universal City Construction, Inc., Universal City, Texas, for Base Bid and Alternate Bid No. 1 in the amount of \$2,983,749
- b. Asbestos Abatement for Building Roofs to be awarded to the lowest responsible bidder, Olmos Abatement, Inc., Austin, Texas, for Base Bid in the amount of \$54,809.

#### BACKGROUND INFORMATION

In accordance with authorization of the U. T. Board of Regents in February 1989, bids for the construction of the Exhaust and Intake Air Flow System project were received November 1, 1990, for Asbestos Abatement for Building Roofs, and bids were received on November 13, 1990, for General Construction as shown on Pages Ex.C 19 - 20.

The need for asbestos abatement for building roofs as a separate contract is necessary due to the specialized nature of the work. Bids for General Construction and Asbestos Abatement for Building Roofs were first received in July 1990. The bids received exceeded the authorized total project cost and were therefore rejected. The project was rebid after revisions to minimize construction costs.

The recommended contract awards to Universal City Construction, Inc. in the amount of \$2,983,749, and Olmos Abatement, Inc. in the amount of \$54,809, can be made within the authorized total project cost of \$3,710,695 from Permanent University Fund Bond Proceeds. The authorized total project cost is composed of the following elements:

General Construction Cost	\$2,983,749
Asbestos Abatement Construction Cost	54,809
Fees and Administrative Expenses	406,254
Future Work (Electrical work by U. T. Health Science Center - San Antonio Forces, and Testing and Air Balancing by Separate Contract)	95,512
Miscellaneous Expenses	60,371
Project Contingency	<u>110,000</u>
Total Project Cost	\$3,710,695

This project is included in the U. T. System Capital Improvement Program approved in June 1989, and in the Fiscal Year 1991 Capital Budget approved in June 1990 by the U. T. Board of Regents. The project was approved by the Texas Higher Education Coordinating Board in April 1989.

GENERAL CONSTRUCTION FOR EXHAUST AND INTAKE AIR FLOW SYSTEM  
 THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT SAN ANTONIO  
 Bids Received November 13, 1990

<u>BIDDER</u>	<u>Universal City Construction, Inc. Universal City, TX</u>	<u>M W Builders of Kansas, Inc. dba Goolsby/MWB Temple, TX</u>	<u>Stoddard Construction Co. San Antonio, TX</u>	<u>American Constructors, Inc. Austin, TX</u>
BASE BID	\$2,850,000	\$3,165,000	\$3,185,000	\$3,420,000
Alt. #1 - Controls and Dampers	133,749	144,000	165,000	136,000
Alt. #2 - Electrical	116,574	118,000	82,000	120,000
Alt. #3 - Additional Reroofing	165,696	164,000	164,000	180,000
Alt. #4 - Extension to Basic Science Building	440,660	389,000	370,000	498,000
a. Controls and Dampers	995	2,000	32,000	1,000
b. Electrical	<u>15,101</u>	<u>15,000</u>	<u>5,000</u>	<u>15,000</u>
Recommended Award - Base Bid + Alt. #1	\$2,983,749	\$3,309,000	\$3,350,000	\$3,556,000

ASBESTOS ABATEMENT FOR BUILDING ROOFS  
 THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT SAN ANTONIO  
 Bids Received November 1, 1990

<u>BIDDER</u>	<u>BASE BID</u>	<u>Alt. #1 Extension to Basic Science Building</u>	<u>Alt. #2 Additional Reroofing</u>
Olmos Abatement, Inc. (O.A.I) Austin, TX	\$ 54,809.00	\$ 9,773.00	\$38,549.00
O'Connor McMahon, Inc. Carrollton, TX	69,960.00	11,052.00	57,682.00
Austin Coatings, Inc. Austin, TX	78,843.00	15,285.00	59,400.00
International Abatement Management, Inc., Houston, TX	103,127.00	34,245.00	80,226.00
Hazard Assessment Leaders, Inc., dba HAL, Inc., Houston, TX	106,257.00	18,860.00	94,182.00
A & A Insulation-Contractors, Inc. San Antonio, TX	147,990.00	20,204.41	50,076.05
Little-Tex Insulation Co., Inc. San Antonio, TX	158,219.00	30,317.00	128,946.00

**Personnel and  
Audit Committee**

PERSONNEL AND AUDIT COMMITTEE

Date: February 14, 1991  
Time: Following the meeting of the Executive Committee  
Place: Lobby, Commons Building  
Balcones Research Center, U. T. Austin

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1. U. T. Board of Regents: Recommendation to Amend the Regents' Rules and Regulations, Part One, Chapter II, Section 7 (Vice Chancellor for Business Affairs) and Section 11 (Councils of the System).--

RECOMMENDATION

The Chancellor concurs with the recommendation of the Vice Chancellor for Business Affairs that the Regents' Rules and Regulations, Part One, Chapter II, be amended as set forth below in congressional style:

- a. Amend Section 7, Subsection 7.2, Subdivision 7.2(10) as follows:

7.2 Duties and Responsibilities.

The primary responsibilities of the Vice Chancellor for Business Affairs include:

. . .

- 7.2(10) Managing the operations of the offices of Facilities Planning and Construction, Budget [~~Comptroller~~] and Fiscal Policy, System Personnel, Police, West Texas Lands Management (Surface Interests and Oil, Gas and Mineral Interests), Management Information Systems and Special Services.

. . .

- b. Amend Section 7, Subsection 7.3 as follows:

7.3 Duties of Officers Reporting to the Vice Chancellor for Business Affairs.

7.31 Director of the Office of Budget and Fiscal Policy [~~Budget-Director~~].  
The [~~Budget-Director's~~] primary responsibilities of the Office of Budget and Fiscal Policy are to plan and develop systems and procedures for uniform budget preparation, budget control and financial reporting and to formulate, recommend and implement procedures to be followed in the business operations of the System. Subject to delegation by the Vice Chancellor for Business Affairs, the major duties and responsibilities of the [~~Budget~~] Director of the Office of Budget and Fiscal Policy include:

7.311 Budget Duties and Responsibilities.

- 7.3111 [~~7-311~~] Formulating procedures governing the preparation and review of all budgets and developing effective methods of presenting approved budgets to appropriate agencies.

- 7.3112 [~~7-312~~] Recommending procedures to be followed, including format, schedules of budget preparation, and effective review of budgets.
- 7.3113 [~~7-313~~] Preparing budget-writing instructions.
- 7.3114 [~~7-314~~] Conducting budget and other related research studies.
- 7.3115 [~~7-315~~] Planning systems and procedures for budgetary control and financial reporting.
- 7.3116 [~~7-316~~] Controlling and supervising distribution of all budgets and processing and approving (as delegated) interim budget changes.
- 7.3117 [~~7-317~~] Preparing periodic budgetary, financial, and special reports, as appropriate.
- 7.3118 [~~7-318~~] Serving as liaison with the staff of the Legislative Budget Board, the Governor's Budget and Planning Office, and the Texas Higher Education Coordinating Board.

[7-32

Comptroller-

Subject-to-delegation-by-the-Vice Chancellor-for-Business-Affairs,-the Comptroller-formulates-and-recommends procedures-to-be-followed-in-the-business operations-of-the-System-for-]

7.312 Business Operations Duties and Responsibilities.

7.3121 [~~7-321~~] Accounting, reporting, and expenditure control.

[7-322 Procurement and-purchasing-

7-323 Management-of auxiliary-service enterprises-]



- 7.3122 [7-324] Data processing systems - including prior approval of equipment acquisitions by purchase or lease.
- 7.3123 [7-325] Accounting and business system development.
- 7.3124 [7-326] Accounting records, forms, procedures, and financial reports, including format for such reports.
- 7.3125 [7-327] Lease contracts for building space.
- 7.3126 [7-328] Approval of the business aspects and overhead rates in research and other contracts with outside agencies.
- 7.3127 [7-329] University Lands Accounting Office.
- 7.3128 Investment Accounting Office.

7.32 [7-33] Director of Accounting.

The Director of Accounting of The University of Texas at Austin serves also as director of accounting for System Administration and is the accounting officer for both The University of Texas at Austin and for System Administration. With respect to System Administration matters, the Director of Accounting reports to and is responsible to the Director of the Office of Budget and Fiscal Policy [Comptroller]. With respect to other matters, the Director reports to the appropriate officers of The University of Texas at Austin. Subject to delegation by the Vice Chancellor for Business Affairs, the duties of the office include:

- 7.321 [7-331] Having responsibility for custody, accounting and reporting of all funds handled by the Director of Accounting's Office for the component institutions outside of Austin, and for System Administration, the Permanent University Fund, the Available University Fund, and trust and special funds.

7.322 [~~7-332~~] For securities owned by System funds and not in custody of the State Treasurer, having custody of registered securities and joint custodian, with the Executive Vice Chancellor for Asset Management, of bearer securities maintained in bank lock boxes.

7.323 [~~7-333~~] Maintaining a full and complete set of records that accurately reflect the balances and transactions of all financial and property accounts of the System (as contracted with such accounts of the component institutions).

- c. Renumber Section 7, Subsection 7.3, Subdivision 7.34 as 7.33 and add a new item 7.339 as follows:

7.33 [~~7-34~~] Director of Facilities Planning and Construction.

. . .

7.339 Coordinating compliance with federal and state accessibility standards applicable to new construction and major repair and rehabilitation of the System and the component institutions.

- d. Renumber Section 7, Subsection 7.3, Subdivision 7.35 as 7.34.

- e. Renumber Section 7, Subsection 7.3, Subdivision 7.36 as 7.35 and amend items 7.35(11) and 7.35(12) as follows:

7.35 [~~7-36~~] Director of Police.

. . .

7.35(11) Insuring [~~Surveying~~] all component institutions systematically survey [~~of the System-for~~] security needs of existing buildings, grounds, and lighting and recommending [~~in order-to-make-the~~] appropriate measures [~~recommendations~~] to improve and enhance security and crime prevention programs for [~~insure-the-prevention-of criminal-activities-and~~] the protection of life and property.

7.35(12) Coordinating [~~Consulting~~] with the Office of Facilities Planning and Construction [~~on~~] security needs for new construction including security lighting on the property of the component institutions of the System.

- f. Renumber Section 7, Subsection 7.3, Subdivision 7.37 as 7.36.
- g. Amend Section 11 as follows:

Sec. 11. Councils of the System.

11.1 The System Council.

The System Council is composed of the Chancellor, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Asset Management, the Vice Chancellor for Business Affairs, the Vice Chancellor and General Counsel, the Vice Chancellor for Governmental Relations, the Executive and Research Assistant to the Chancellor, the Executive Director for Public Affairs and Development [~~Director-of-Development~~], and the chief administrative officers of all the component institutions of The University of Texas System. The Chancellor shall serve as the Council's permanent chairman and shall conduct regular meetings to discuss those matters of general concern to the operation of The University of Texas System.

11.2 The Council of Academic Institutions.

The Council of Academic Institutions is composed of the Executive Vice Chancellor for Academic Affairs and the chief administrative officers of the general academic institutions of the System. The Chancellor, the Executive Vice Chancellor for Asset Management, the Vice Chancellor for Business Affairs, the Vice Chancellor and General Counsel, the Vice Chancellor for Governmental Relations, the Executive and Research Assistant to the Chancellor, and the Executive Director for Public Affairs and Development [~~Director-of-Development~~] serve as ex officio members of this Council. The Executive Vice Chancellor for Academic Affairs shall serve as the Council's permanent chairman and shall conduct regular meetings to review common problems of planning, development, and operation of the several institutions represented.

11.3 The Council of Health Institutions.

The Council of Health Institutions is composed of the Executive Vice Chancellor for Health Affairs and the chief administrative officers of the component institutions of the System concerned directly with health affairs. The Chancellor, the Executive Vice Chancellor for Asset Management, the Vice Chancellor for Business Affairs, the Vice Chancellor and General Counsel, the Vice Chancellor for Governmental Relations, the Executive and Research Assistant to the Chancellor and the Executive Director for Public Affairs and Development [~~Director-of-Development~~] serve as ex officio members of this Council. The Executive Vice Chancellor for Health Affairs acts as the Council's

permanent chairman and shall conduct regular meetings to review common problems of planning, development, and operation of several institutions represented.

- 11.4 The Business Management Council.  
The Business Management Council advises the System Administration in the areas of component budgeting, business management, data processing, physical plant operations, planning, construction, and accounting systems development. The Council is composed of the Vice Chancellor for Business Affairs and the chief business officers of the component institutions. The Chancellor, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Asset Management, the Vice Chancellor and General Counsel, the Vice Chancellor for Governmental Relations, the Executive and Research Assistant to the Chancellor, and the Executive Director for Public Affairs and Development [~~Director-of-Development~~], or their delegates, serve as ex officio members of this Council. The Vice Chancellor for Business Affairs shall serve as the Council's permanent chairman and shall conduct regular meetings of the Council.

#### BACKGROUND INFORMATION

These proposed amendments to Chapter II, Section 7, Subsections 7.2 and 7.3 in Part One of the Regents' Rules and Regulations primarily codify the merger of the Budget Office and the Comptroller's Office into the Office of Budget and Fiscal Policy within the Office of Business Affairs.

The proposed amendment to Section 7, Subsection 7.3, Subdivision 7.34 specifically places responsibility for coordination of physical accessibility compliance with the Office of Facilities Planning and Construction.

The proposed amendments to Section 7, Subsection 7.3, Subdivision 7.36 clarify the assigned responsibilities of the Director of Police concerning security.

The proposed amendments to Section 11 acknowledge the creation of the position of Executive Director for Public Affairs and Development.

These proposed amendments also contain minor editorial and renumbering changes and delete references to responsibilities now performed by other offices, where appropriate.

2. U. T. System: Proposed Amendments to Resolution Establishing Qualifications for Commissioned Law Enforcement Personnel.--

RECOMMENDATION

The Chancellor recommends that the qualifications for U. T. System commissioned law enforcement personnel, as specified in a Resolution adopted by the U. T. Board of Regents at its January 1971 meeting and amended in February 1974, December 1985, and April 1988, be amended to read as set forth below in congressional style:

QUALIFICATIONS FOR COMMISSIONED  
LAW ENFORCEMENT PERSONNEL

- I. The [A]applicant must be a citizen of the United States and must meet the Minimum Standards for Appointment as required by [Rule-211-80 ef] the Rules and Regulations of the Texas Commission on Law Enforcement Officer Standards and Education.
- II. The applicant must have reached his or her 21st birthday but not his or her 45th birthday ON DATE OF COMMISSIONING.
- III. The applicant for admission to the U. T. System Police Academy must have a high school diploma or a GED, and must have a minimum of sixty (60) semester college hours. The applicant [~~who has reached his or her 21st birthday on the date of commissioning~~] may fulfill this college requirement by substituting one (1) of the following: [~~two years of continuous employment as a police guard for a component institution within the U.-T.-System.~~]
- Thirty (30) semester college hours and one (1) year of continuous employment as a police guard by a component institution within The University of Texas System;
- Two (2) years of continuous employment as a police guard for a component institution within The University of Texas System;
- Two (2) years of active military service and one (1) year of continuous employment as a police guard by a component institution within The University of Texas System.
- IV. Physical requirements are as follows:

A. VISION:

VISUAL ACUITY - Maximum uncorrected visual acuity of 20/200 and correctable or corrected as follows: 20/30 through 20/100 [~~20/40~~] - correctable to 20/30 in each eye and binocularly.

In excess of 20/100 [~~20/40~~] through 20/200 [~~20/100~~] - must be corrected to 20/30 in each eye and binocularly by means of regular eyeglasses or contact lenses and accompanied by a statement from an ophthalmologist that no ocular disease exists.

FIELD OF VISION - Horizontal 60-85 degrees temporarily from a central fixation point.

MUSCULAR IMBALANCE - Zero vertical deviation, horizontal - 10 [5] prism diopter esophoria at twenty (20) [20] feet.

OTHER VISUAL FACTORS - Applicants will be rejected for color deficiencies as determined by the Director of Police after examination by an approved ophthalmologist. Chronic inflammation of the eye and adnexa, permanent abnormalities of either eye, or loss of either eye will be grounds for rejection.

- B. HEARING - Applicant must be able to hear ordinary conversation from at least fifteen (15) [15] feet with each ear.
- C. GENERAL HEALTH - Applicant must be in good physical condition, capable of strenuous physical exertion and have no physical disabilities which would interfere with police duties.

#### BACKGROUND INFORMATION

Present educational and experience requirements for applicants to attend the U. T. System Police Academy call for a minimum of sixty (60) semester hours of accredited college hours. In lieu of the sixty (60) hour requirement, an applicant may substitute two (2) years of continuous employment as a guard at a component institution within the U. T. System.

The proposed amendment would change this educational requirement to also permit applicants with two (2) years active military service and one (1) year guard service at a component institution or applicants with thirty (30) semester college hours plus one (1) year guard service at a component institution. The proposed amendment to the educational requirements for applicants, as well as the minor changes to the physical requirements, are intended to broaden the current applicant pool for the U. T. System Police Academy and permit component institutions to compete with local police departments for qualified applicants.

**Academic  
Affairs Comm.**

ACADEMIC AFFAIRS COMMITTEE

Date: February 14, 1991  
Time: Following the meeting of the Personnel and Audit  
Committee  
Place: Lobby, Commons Building  
Balcones Research Center, U. T. Austin

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1. U. T. Arlington: Request for Authorization to Establish a Master of Arts Degree in Anthropology and to Submit the Proposed Degree Program to the Coordinating Board for Approval (Catalog Change).--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Nedderman that authorization be given to U. T. Arlington to establish a Master of Arts degree in Anthropology. Upon Regental approval, the proposal will be submitted to the Texas Higher Education Coordinating Board for review and approval. The proposed program in anthropology is consistent with U. T. Arlington's Strategic Plan and approved Role and Scope Table of Programs. A description of the proposed program is included in the Background Information.

If approved by the Coordinating Board, the next appropriate catalog published at U. T. Arlington will be amended to reflect this action.

#### BACKGROUND INFORMATION

##### Program Description

The proposed master's degree program in anthropology will be administered through the Department of Sociology and Anthropology in the College of Liberal Arts and the Graduate School. The Master of Arts in Anthropology will offer the option of a 30 semester-credit-hour program with thesis, designed especially for persons who are interested in subsequently pursuing a doctoral program, or a 36 semester-credit-hour program without thesis. In addition to preparing students interested in admission to doctoral programs, the program is designed to give students methodological and conceptual skills which apply to related professions in health, education, and human services.

The program will require 12 hours of core courses for both the thesis and nonthesis options, with additional hours required for topical and/or area courses. Supporting fields include nursing for the study of medical anthropology, biology as it relates to human evolution and genetics, and linguistics for the comparative study of language and culture. It is also anticipated that courses in the program will continue to be taken by students in nursing, science, and humanities.

##### Program Need

Student interest in the study of anthropology has grown steadily at U. T. Arlington since the undergraduate major was first offered in 1982 and increasing numbers of students have expressed interest in having an opportunity to pursue graduate study in the field. Additionally, some graduate students in other fields now take graduate courses in anthropology and have expressed an interest in an M.A. degree in Anthropology should it be offered. Students have either had to go to another institution for a graduate degree in anthropology or have had to pursue other interests.

U. T. Arlington is in the midst of a large and growing metropolitan area with a population base of over 3.7 million people according to 1986 census projections. The only other institution in the area which offers a graduate anthropology program is Southern Methodist University, a private institution with higher tuition rates than are affordable for many area residents. The Dallas/Fort Worth area is the largest metropolitan area in the nation, and the state, without a graduate anthropology program at a public institution. Many of the anticipated students in the program are place-bound in the area and have no opportunity to pursue a program in another location.

For students who wish to continue the study of anthropology in a doctoral program, studies have indicated that demand for Ph.D. anthropologists will increase by the mid-1990s, including an increase in anticipated retirements among professors in the field. Non-academic employment opportunities are also expected to increase in both government and private firms. As the U. S. population becomes increasingly multi-ethnic, persons with training in anthropology are expected to have new opportunities in the helping professions such as teaching, nursing, and social work.

#### Program Quality

The current faculty in the undergraduate anthropology program are highly qualified by training and experience to teach the courses necessary for the graduate program. They also teach several graduate level courses as a part of the curriculum for the M.A. in Sociology. In addition, the supporting fields in nursing, biology, humanities, and linguistics have strong faculties which offer courses which would be of interest to anthropology graduate students. The addition of one new faculty position is anticipated for a person with a specialty in physical anthropology and an emphasis in human evolution, primatology, or human genetics.

Students admitted to the program would be required to have a bachelor's degree from an accredited college or university with a minimum grade point average of 3.0 plus a combined score of 1000 or above on the Graduate Record Exam.

The program will be subject to periodic reviews conducted by the Dean of the Graduate School and the appropriate graduate faculty committees of the Graduate Assembly. Further evaluations will be conducted through the use of surveys of graduating students and of alumni after they have been in the field for several years.

#### Program Costs

In order to add one new core course, the department will add one-half FTE faculty position. Consequently, the incremental cost of the proposed master's program is expected to be only \$60,000 for the first five years. The existing library resources on campus and available through cooperative library arrangements are sufficient for the program and physical facilities are adequate for the program as well. The \$12,000 per year incremental cost is expected to be met by the reallocation of current funds (\$6,000 per year) and the increase in state funding (\$6,000) which will be generated by increased enrollment.

## Summary

U. T. Arlington wishes to establish a Master of Arts degree in Anthropology and upon approval by the U. T. Board of Regents will submit the proposal to the Coordinating Board for approval. The presence of a quality faculty in the baccalaureate anthropology program offered at U. T. Arlington since 1983 and the absence of any other graduate-level anthropology program at a public university in the Dallas/Fort Worth area are factors that strongly support the proposal for a master's program in anthropology. Studies also indicate growing opportunities and needs for professionals in the field. U. T. Arlington is well-situated and well-prepared to provide a high quality program for students who are interested in graduate studies in anthropology.

2. U. T. Arlington: Request for Authorization to Add Specialized Options to the Bachelor of Music Degree Program and to Submit the Proposed Options to the Coordinating Board for Approval (Catalog Change).--

## RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Nedderman that authorization be granted to add specialized options to the Bachelor of Music degree program at U. T. Arlington. The proposed new options include Music/Business, Music/Theatre, Music/Media and Jazz Studies. Upon approval by the U. T. Board of Regents, the proposed options will be resubmitted to the Texas Higher Education Coordinating Board for review and approval. A description of the options is included in the Background Information.

If approved by the Coordinating Board, the next appropriate catalog published at U. T. Arlington will be amended to reflect this action.

## BACKGROUND INFORMATION

### Description of Proposed Options

U. T. Arlington currently has an approved Bachelor of Music degree program with approved options in Music Education, Performance, and Theory/Composition. The University proposes to use existing courses in business, drama, communications, and radio/TV to add new options in Music/Business, Music/Theatre, and Music/Media. The fourth proposed option, Jazz Studies, requires that four music courses which have been taught previously be returned to the course inventory.

Any student can individually select the courses necessary for the first three of these options, but U. T. Arlington cannot, without Coordinating Board approval, advertise the availability of degree options or certify a concentration for the degree. The proposed new options were initially submitted according to Coordinating Board guidelines for staff approval as a "nonsubstantive" request. The Coordinating Board staff, however, returned the proposed new options with the request that they be treated as "substantive" requests and be approved by the U. T. Board of Regents.

### Program Need

Contact with current and prospective students has shown that many students are interested in pursuing music options related to jazz and to the business and technical aspects of performance. The new options will formalize alternative sequences of courses for completion of the music degree requirements and facilitate preparation for a wider variety of careers now available in the music profession. The proposed new options in Music/Business, Music/Theatre and Music/Media emphasize musical expertise but require substantial coursework in a second discipline. The option in Jazz Studies, which has been requested by a significant number of students, will combine music courses with a liberal arts emphasis.

### Quality

The quality of the four proposed new options is based on the use of music faculty and music courses which are currently or have previously been a part of U. T. Arlington's successful Bachelor of Music degree program. Students selecting one of the new options will meet the same core requirements as students selecting currently approved options.

### Cost

No new courses are required for the options in Music/Business, Music/Theatre, or Music/Media. The four courses required for the Jazz Studies option can be taught by existing faculty by rearranging the schedules for other courses. No new faculty, equipment, facilities, or library resources are needed for any of the proposed options. Consequently, no new costs will be incurred with the addition of these options.

### Summary

Approval by the U. T. Board of Regents of the four additional options or specializations for the Bachelor of Music degree is requested in compliance with the Coordinating Board's procedures for approval of substantive proposals. The proposals will not result in any additional cost. Approval will permit U. T. Arlington to offer new options that will satisfy student interests and career goals that are not met by existing options.

3. U. T. Austin: Proposed Appointment to the John Jeffers Research Chair in Law in the School of Law Effective Immediately.--

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that Professor Mark G. Yudof, holder of the James A. Elkins Centennial Chair in Law and Dean, School of Law at U. T. Austin, be appointed as the initial holder of the John Jeffers Research Chair in Law in the School of Law at U. T. Austin effective immediately.

BACKGROUND INFORMATION

Professor Yudof, a faculty member at U. T. Austin since 1971, and the Dean of the School of Law since 1984, is a nationally recognized legal scholar in the areas of education, politics and human rights and has authored or coauthored four books, five book chapters, more than 35 legal articles, and more than a dozen other scholarly publications. He is a recipient of the Student Bar Association Teaching Excellence Award, a member of the American Law Institute, a Fellow of the American Bar Foundation and the Texas Bar Foundation and a Fellow of the Queen Mary and Westfield College. Professor Yudof was recently elected to the Executive Committee of the Association of American Law Schools and has served as Vice Chair of the Governor's Task Force on Public Education. Professor Yudof will retain the James A. Elkins Centennial Chair in Law.

The John Jeffers Research Chair in Law was established by the U. T. Board of Regents at the December 1989 meeting.

4. U. T. Austin: Proposed Appointments to Endowed Academic Positions in the College of Liberal Arts Effective September 1, 1991.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that the following initial appointments be made to endowed academic positions in U. T. Austin's College of Liberal Arts effective September 1, 1991. Professors will vacate any currently held endowed positions on the effective date of the new appointment.

<u>Name of Proposed Appointee</u>	<u>Endowed Academic Position</u>
Dr. G. Karl Galinsky, Robert M. Armstrong Centennial Professor, Department of Classics	Floyd A. Cailloux Centennial Professorship; established August 11, 1983
Dr. Alan S. Knight, Annabel Irion Worsham Centennial Professor, Department of History	C. B. Smith, Sr. Centennial Chair in United States-Mexico Relations (No. 2); established October 11, 1984
Dr. Thomas G. Palaima, Associate Professor, Department of Classics	Raymond Dickson Centennial Professorship (No. 2); established August 13, 1982

## BACKGROUND INFORMATION

Dr. Galinsky, a faculty member at U. T. Austin since 1966, is nationally recognized for his scholarship in Roman civilization, literature, religion and art. He is the author or coauthor of five books and more than 80 research articles and reviews and is frequently invited to lecture at universities and scholarly meetings in the United States and Europe. Dr. Galinsky served as Chairman of the U. T. Austin Department of Classics from 1974 to 1990 and has received several teaching excellence awards.

Dr. Knight joined the U. T. Austin faculty in 1986 and is recognized both nationally and internationally as the leading authority on twentieth century Mexican history. He has authored numerous outstanding publications including his two-volume work entitled The Mexican Revolution which won both the Beveridge Prize of the American Historical Association and the prestigious Bolton Prize.

Dr. Palaima, a faculty member at U. T. Austin since 1980, is an internationally recognized authority on Bronze Age writing. He is the recipient of the distinguished MacArthur Fellowship and is responsible for the creation of the U. T. Austin program in Aegean Scripts and Prehistory. Dr. Palaima's most recent honor is his invitation to participate in a delegation of United States archaeological scholars to the People's Republic of China. Dr. Palaima's promotion to the rank of Professor is effective September 1, 1991.

5. U. T. Austin: Recommendation to Name Room in the 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).--

## RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that Room 2.212 of the Petroleum Engineering Building in the College of Engineering at U. T. Austin be named the Stowbridge Classroom 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 classroom name is in recognition of a gift to establish an endowment which will be used to maintain and improve equipment for activities and facilities necessary for research and teaching in the College of Engineering. Establishment of a permanent endowment is provided for in Item 28 on Page L&I - 25.

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 campaign for the College of Engineering in accordance with Part One, Chapter VII, Section 2, Subsection 2.4, Subdivision 2.44 of the Regents' Rules and Regulations.

6. U. T. Austin: Recommendation to Approve Voluntary Student Services Fees Effective with the Fall Semester 1991 (Catalog Change).--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that the U. T. Board of Regents approve Voluntary Student Services Fees at U. T. Austin to be effective with the Fall Semester 1991 as set out below. Current and proposed fees are listed for comparative purposes.

	1990-91		1991-92	
	Actual Fee Academic Year	Spring Semester	Proposed Fee Academic Year	Spring Semester
Athletics	\$52.00	\$26.00	\$57.00	\$28.50
Athletics Dependent	64.00	32.00	70.00	35.00
Drama Department	12.00	6.00	12.00	6.00
Performing Arts	25.00	12.50	25.00	12.50
TSP Package*	33.50	29.25	33.50	29.25
Cactus Yearbook	28.50	28.50	28.50	28.50
Utmost Magazine	8.50	4.30	8.50	4.30
Official Directory	2.00	(not offered)	2.00	(not offered)
Peregrinus Yearbook	15.00	15.00	15.00	15.00
Analecta Literary Journal	3.50	3.50	5.00	5.00
Polis Magazine	4.00	2.00	4.00	2.00
Locker/Basket and Shower (per semester)	8.00	4.00	4.00**	4.00

\* TSP Package represents a reduced cost for the purchase of Cactus, Utmost, and the Official Directory.

\*\*Represents Fall Semester charge only.

Upon Regental approval, the Minute Order will reflect that the next appropriate catalog published at U. T. Austin will be amended to include these changes.

BACKGROUND INFORMATION

In accordance with Sections 54.513 and 54.514 of the Texas Education Code, the proposed amounts for Voluntary Student Services Fees have been recommended to President Cunningham by the Student Services Fees Committee of U. T. Austin.

The Intercollegiate Athletics Fee has remained the same since 1986 and the proposed increase is requested to compensate for inflation. An increase of \$1.50 is requested



for the Analecta Literary Journal due to higher printing costs. All other voluntary fees will remain at the 1990-91 level.

7. U. T. Austin: Recommendation for Approval of a Proposed Agreement for Scientific Cooperation with La Universidad Francisco Marroquin, Guatemala City, Guatemala, and Request for Authorization to Execute Agreement.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that approval be given to an agreement for scientific cooperation as set out on Pages AAC 11 - 15 between U. T. Austin on behalf of the College of Natural Sciences Department of Physics and La Universidad Francisco Marroquin, Guatemala City, Guatemala.

It is further recommended that the Executive Vice Chancellor for Academic Affairs be authorized, on behalf of the U. T. Board of Regents, to execute this agreement with the understanding that any and all specific agreements arising from the agreement are to be submitted for prior administrative review and subsequent approval as required by the Regents' Rules and Regulations.

#### BACKGROUND INFORMATION

The proposed agreement of scientific cooperation is designed to promote academic and research cooperation between U. T. Austin and La Universidad Francisco Marroquin. The goals of the agreement are to:

- a. Establish a program of research at La Universidad Francisco Marroquin
- b. Facilitate communication between the research groups
- c. Coordinate joint research.

The proposed agreement has been reviewed and approved by the Office of General Counsel and is similar to other agreements of cooperation previously approved by the U. T. Board of Regents.

AGREEMENT FOR SCIENTIFIC COOPERATION  
between  
THE UNIVERSITY OF TEXAS AT AUSTIN  
(United States of America)  
and  
LA UNIVERSIDAD FRANCISCO MARROQUIN  
(Republic of Guatemala)

THE UNIVERSITY OF TEXAS AT AUSTIN, Austin, Texas 78712, U.S.A.,  
represented by its President, Dr. William H. Cunningham,

and

LA UNIVERSIDAD FRANCISCO MARROQUIN, 6a Calle Final, Zona 10, Guatemala  
City, Guatemala, represented by its Rector, Lic. Fernando Monterroso,

undertake the following scientific cooperative agreement:

**ARTICLE 1**

THE UNIVERSITY OF TEXAS AT AUSTIN and LA UNIVERSIDAD FRANCISCO MARROQUIN (hereafter referred to as THE INSTITUTIONS) agree to extend and strengthen their scientific relations and mutual cooperation in order to contribute to the development of scientific research and the exchange of ideas. All cooperative activities shall be subject to approval by the appropriate officials of THE INSTITUTIONS and shall be in accordance with the laws of the respective countries.

**ARTICLE 2**

The cooperation between THE INSTITUTIONS will focus initially on, but shall not be limited to, the following research areas in physics:

CONDENSED MATTER PHYSICS

SURFACE SCIENCE.

Cooperative investigations in these areas will be carried out by research groups under the supervision of the following individuals:

Professor Eduardo Suger

Professor Juan Carlos Villagran

Professor Carlos A. Cajas

at LA UNIVERSIDAD FRANCISCO MARROQUIN, and

Agreement of Scientific Cooperation between  
The University of Texas at Austin and  
La Universidad Francisco Marroquin  
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Professor James C. Thompson

Professor Peter A. Antoniewicz

Professor Mel E. Oakes

at THE UNIVERSITY OF TEXAS AT AUSTIN.

**ARTICLE 3**

The goals of the cooperation between THE INSTITUTIONS are as follows:

- to establish a program of research at LA UNIVERSIDAD FRANCISCO MARROQUIN;
- to facilitate communication between the research groups cited in Article 2; and
- to coordinate joint research in the areas cited in Article 2.

**ARTICLE 4**

To achieve these goals and insofar as the means of each allow, THE INSTITUTIONS shall:

- support the research programs covered by this agreement and exchange information about all the results obtained;
- undertake exchanges between THE INSTITUTIONS of faculty and researchers active in the areas cited in Article 2;
- assist in arranging living accommodations for personnel visiting under such exchanges; and
- organize any type of collaboration (e.g., seminars and meetings) that could help further the goals cited in Article 3.

In order to ensure a well-focused exchange of the most important achievements and to plan a productive collaboration, the supervisors of the research areas of both institutions cited in Article 2 shall agree upon a working program.

The candidacy of each visiting scientist shall be subject to the approval of the appropriate officials of the host institution. While conducting research at the host institution, visiting scientists shall be subject to the host institution's rules, regulations, policies, and practices.

**ARTICLE 5**

In order to satisfy the goals of establishing a productive research program at LA UNIVERSIDAD FRANCISCO MARROQUIN, THE UNIVERSITY OF TEXAS AT AUSTIN will provide, upon agreement by the supervisors of the research groups cited in Article 2, access to bibliographical material within the libraries of THE UNIVERSITY OF TEXAS AT AUSTIN and, upon approval of THE UNIVERSITY OF TEXAS AT AUSTIN on a case-by-case basis, the loan of equipment necessary for the establishment of the research projects at LA UNIVERSIDAD FRANCISCO MARROQUIN.

Approval from THE UNIVERSITY OF TEXAS AT AUSTIN for an equipment loan will be made by appropriate University officials on a case-by-case basis and will be contingent upon such factors as the use and condition of the equipment and the source of funding for its purchase.

LA UNIVERSIDAD FRANCISCO MARROQUIN shall bear responsibility for the transportation, importation, maintenance, and return of the said equipment, provided that an arrangement on the means and schedules is approved in advance by the appropriate authorities in both institutions.

**ARTICLE 6**

The scope of activities under this agreement shall be determined by the funds regularly available at both institutions for the types of collaboration undertaken and by financial assistance as may be obtained by either institution from external sources. The precise means of financing the research and exchanges covered by this agreement shall be negotiated periodically and, in each case, shall be subject to the approval of the appropriate authorities of both institutions.

THE INSTITUTIONS shall make provisions in their respective budgets for the funds necessary to accomplish this agreement. In particular, unless prior alternative arrangements have been made, the travel, lodging, and daily living expenses of visiting personnel cited in Article 4 shall be covered on a basis of reciprocity as follows:

- Travel expenses to the country of destination shall be covered by the institution of origin;
- Daily lodging and living expenses shall be covered by the host institution. The daily allowance per person shall be negotiated by the supervisors cited in Article 2, prior to the visit of each researcher, in addition to the cost of lodging; and
- Travel expenses inside the host country shall be covered by the host institution.

Agreement of Scientific Cooperation between  
The University of Texas at Austin and  
La Universidad Francisco Marroquin  
Page 4 of 5

**ARTICLE 7**

The present agreement shall be in effect beginning on the day of its signing and shall remain in effect for a period of five years thereafter. The agreement can be renewed for an equivalent period of time provided that both institutions are in accord. Revisions of this agreement may be requested by either institution. A revision shall take effect as soon as the mutual consent of the authorities of the two institutions has been secured. This agreement may be terminated by either institution on six months advance notice. If this agreement is terminated, THE UNIVERSITY OF TEXAS AT AUSTIN and LA UNIVERSIDAD FRANCISCO MARROQUIN agree not to hold the other institution liable for any monetary or other losses that may result.

EXECUTED by the Board of Regents of The University of Texas System and LA UNIVERSIDAD FRANCISCO MARROQUIN on the day and year first above written, in duplicate copies, each of which shall be deemed an original.

THE UNIVERSITY OF TEXAS AT AUSTIN

BY: \_\_\_\_\_  
William H. Cunningham

TITLE: President

LA UNIVERSIDAD FRANCISCO MARROQUIN

BY: \_\_\_\_\_  
Fernando Moterroso

TITLE: Rector

FORM APPROVED:

BOARD OF REGENTS OF THE UNIVERSITY  
OF TEXAS SYSTEM

\_\_\_\_\_  
Office of General Counsel

BY: \_\_\_\_\_  
James P. Duncan  
Executive Vice Chancellor  
for Academic Affairs

Agreement of Scientific Cooperation between  
The University of Texas at Austin and  
La Universidad Francisco Marroquin  
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CERTIFICATE OF APPROVAL

I hereby certify that the foregoing agreement was approved by the Board of Regents of The University of Texas System on the \_\_\_\_\_ day of \_\_\_\_\_, 1991, and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.

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

8. U. T. Austin and U. T. Permian Basin: Recommendation to Establish an Advisory Council for the Center for Energy and Economic Diversification and to Approve Proposed Nominees Thereto.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and Presidents Cunningham and Leach for the establishment of a special Advisory Council for the Center for Energy and Economic Diversification. The purpose of the Advisory Council will be to assist the presidents and the Center director in:

- a. Coordinating and formulating current and long-range plans for the Center for Energy and Economic Diversification
- b. Promoting programs and activities sponsored by the Center
- c. Seeking financial support for the development needs of the Center.

Additionally, approval is requested for the following initial appointments to the Advisory Council:

Mr. Gordon Baker, Midland, Geologist, Mobil Oil Corporation

Mr. Bernold Hanson, Midland, President, Hanson Corporation

Mr. W. F. "Bill" Roden, Midland, President, Roden Oil Company

Mr. E. E. Runyan, Midland, Petroleum Engineer.

President Cunningham, President Leach, and Vice President Gardner, as Coordinator of U. T. Permian Basin Centers, will also serve as ex-officio members of the Advisory Council. Following approval of the establishment of the Advisory Council, Presidents Cunningham and Leach also expect to appoint individuals to serve on technical committees for support of specific Center activities as appropriate. Such appointments will be made with the approval of the Executive Vice Chancellor for Academic Affairs.

#### BACKGROUND INFORMATION

In December 1985, the U. T. Board of Regents approved the concept of a Permian Basin Center for Energy and Economic Diversification and authorized the creation of a foundation to assist with implementation of that concept. Subsequently, the Texas Permian Basin Foundation, Inc., was created to construct and equip a facility on land donated to the Foundation by Scharbauer Bros. & Company for that purpose. The completed Center building was dedicated in conjunction with the August 1990 U. T. Board of Regents' meeting. Subsequently, the building and real estate were accepted by the U. T. Board of Regents via ratification at the October 1990 Board meeting of Executive Committee Letter No. 90-23.

The recommendation for establishment of the Advisory Council and for approval of initial nominees is made in accordance with the Regents' Rules and Regulations, Part One, Chapter VII, Section 3.

9. U. T. Dallas: Request for Permission for Individual to Serve as Chairman of the Polar Research Board [Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)].--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs that approval be given for Dr. Robert H. Rutford, President at U. T. Dallas, to serve as Chairman of the Polar Research Board.

It is further recommended that the U. T. Board of Regents find that: (1) the holding of this membership by Dr. Rutford is of benefit to the State of Texas and (2) there is no conflict between Dr. Rutford's position at U. T. Dallas and his membership on this Board.

#### BACKGROUND INFORMATION

Dr. Rutford has been appointed by Dr. M. Gordon Wolman, Chairman of the National Research Council Commission on Geosciences, Environment, and Resources to serve a four-year term from January 1, 1991 through December 31, 1994. The Polar Research Board was established in 1958 in response to a request from the Director of the National Science Foundation. Its main functions are to advise on U. S. polar research activities and to serve as the U. S. National Committee for the Scientific Committee on Antarctic Research of the International Council of Scientific Unions and the U. S. Committee for the International Arctic Science Committee. Dr. Rutford's appointment is without compensation.

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.



10. U. T. Dallas: Proposed Amendments to the Policy for Admission of Lower Division Students to be Effective May 1991 (Catalog Change).--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Rutford that amendments to the U. T. Dallas Policy for Admission of Lower Division Students be adopted to be effective May 1991. The proposed changes are set out below in congressional style.

The University of Texas at Dallas  
Policy for Undergraduate Admissions [~~of Lower Division Students~~]

#### I. Freshman Applicants

##### A. Preparation Requirements

A freshman applicant must complete the following specified high school units prior to admission to The University of Texas at Dallas.\*

1. Language Arts - 4 units including at least one unit of writing skills.
2. Foreign Language - 2 units in a single language.
3. Mathematics - 3 1/2 units algebra I or higher, including trigonometric functions.
4. Science - 3 units of laboratory science beyond physical science.
5. Social Studies - 3 units not including work-study.
6. Electives - 1 1/2 units.
7. Fine Arts - 1/2 unit.

##### B. Resident Admissions Criteria

Applicants who are in the top 25% of their high school graduating class and have scored at least 1100 (SAT) or 27 (ACT) are admissible providing they have completed the Preparation Requirements listed above.

Applicants meeting the following criteria will be considered for admission by the Admissions Committee:

1. Applicants in the top 10% of their high school graduating class not otherwise qualified.

\*Applicants otherwise qualified but with Preparation Requirement deficiencies will be reviewed by the Admissions Committee.

2. Applicants in the top 50% of their high school graduating class with at least 1000 (SAT) or 24 (ACT) scores.
3. Applicants in the bottom half of their class will not normally be considered.

C. Nonresident Admissions Criteria

Nonresidents must be in the upper 25% of their high school class and have a score of at least 1200 (SAT) or 29 (ACT) to be eligible for admission.

D. Special Provisions

A separate provisional admissions program will not be instituted since the Admissions Committee is authorized to consider Texas high school graduates who fall below established admissions criteria

- ~~1. Freshman-transfer-students-(less-than 30-semester-credit-hours)-must-have-a-minimum-3.0-grade-point-average-on-college-level-work-and-are-subject-to-the-freshman-admission-standards-outlined-above.~~
- ~~2. Sophomore-transfer-students-(30-hours-or-more) will-not-be-accepted-prior-to-the-Summer Session-of-1991.--Admission-standards-for sophomore-transfer-students-will-be-available by-January-17-1991.~~
- ~~3. Provisional-admissions-will-not-be-considered until-the-Summer-Session-of-1991.--Provisional admission-standards-will-be-available-by January-17-1991].~~

II. Transfer Applicants

A. Freshman Transfers

Freshman transfer students (less than 30 semester credit hours) must have a minimum 3.0 grade point average on college level work and are subject to the freshman admission standards specified in Section I.A. above.

B. Sophomore Transfers\*\*

1. Sophomore transfer students are defined as those admitted with acceptable previous college credit of at least 30 but fewer than 54 semester credit hours. Such previous credit is acceptable if it:
  - a. is earned at accredited institutions of higher education,
  - b. consists of courses completed with a grade of C or better,

\*\*The University of Texas at Dallas will accept sophomore transfers on a space-available basis beginning with the Fall Semester 1992.

- c. includes at least 12 semester credit hours transferable toward The University of Texas at Dallas General Education Core Curriculum, and
  - d. excludes courses used to satisfy high school unit deficiencies and other courses outside the classification of general education.
2. Prior to admission to The University of Texas at Dallas, a sophomore applicant must have completed the high school academic units as specified in Section I.A. above or have satisfied the requirement by having completed a combination of high school units and college equivalents.

3. Admissions Criteria

Sophomore applicants must present scores of 1100 (SAT) or 27 (ACT) or better for admission. Applications from Texas residents may be reviewed for admission with scores of 1000 (SAT) or 24 (ACT) or higher.

Sophomore applicants must have a grade point average of 3.0 or better in all college work and must be in good standing at their latest institution.

C. Upper-level Transfers

1. Upper-level transfer students are defined as those admitted with acceptable previous college credit of at least 54 semester credit hours. Such previous credit is acceptable if it:
- a. is earned at accredited institutions of higher education,
  - b. consists of courses completed with a grade of C or better,
  - c. includes credit transferable toward The University of Texas at Dallas General Education Core Curriculum in the amounts of at least 19 semester hours for admission in academic years 1992-93 and 1993-94 or 25 semester hours thereafter, and
  - d. excludes courses outside the classification of general education.

2. Preparation Requirements

Prior to admission to The University of Texas at Dallas, an upper-level applicant must complete with a C or better the following college-level courses:

- a. at least 3 semester credit hours of critical writing, and

- b. the equivalent of all courses satisfying the laboratory science component of The University of Texas at Dallas General Education Core Curriculum.

3. Admissions Criteria

Upper-level applicants must be in good standing at the last institution attended and must have attained a grade point average over all previous college work of at least 2.25 for admission in academic years 1992-93 and 1993-94 or 2.50 thereafter.

BACKGROUND INFORMATION

The U. T. Dallas "Policy for Admission of Lower Division Students" was approved at the April 1990 meeting of the U. T. Board of Regents via ratification of Executive Committee Letter 90-12. At that time the criteria for sophomore transfer admissions had not been developed and were not included in the policy. The proposed amendments to the policy will incorporate transfer admissions policies for sophomores, will incorporate new criteria for upper division transfer students, and will change the title of the policy to reflect a general undergraduate admissions policy.

The legislation passed by the 71st Legislature, First Called Session, 1989, which enabled U. T. Dallas to enroll freshman and sophomore students, specified that admissions criteria for freshman and sophomore students must be "no less stringent" than the criteria for admission to U. T. Austin. The proposed admissions criteria are the same or higher than the criteria for U. T. Austin.

The proposed policy amendments specify that sophomore transfer students will be admitted for the first time in the Fall Semester 1992. Delaying sophomore transfer admissions will allow U. T. Dallas to make a smoother transition for lower-division students who were enrolled in the first freshman class in the Fall Semester 1990.

In addition, the proposed policy amendments provide for incremental changes in the criteria for upper-level transfer applicants. For the 1992-93 and 1993-94 academic years, upper-level transfer applicants will be required to have completed at least 19 semester hours of transferable course credits that apply toward satisfying the U. T. Dallas General Education Core Curriculum and to have achieved an overall grade point average of 2.25 or above. Upper-level transfer applicants for the 1994-1995 and subsequent academic years will have to have 25 semester hours of transferable course credit which apply to the Core Curriculum and an overall grade point average of 2.50 or above.

A separate provisional admission program for Texas high school graduates is not included since the Admissions Committee at U. T. Dallas is already authorized to review applicants who do not satisfy the established admissions criteria. The current U. T. System Provisional Admission Program Policy (adopted by the U. T. Board of Regents at the August 1988 meeting) provides for such an exception to be made via Board approval of the general campus admissions policy.

11. U. T. El Paso: Request for Permission for Individual to Serve on the Board of Directors of the El Paso Branch of the Federal Reserve Bank of Dallas [Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)].--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs that approval be given for Dr. Diana Natalicio, President at U. T. El Paso, to continue to serve as Director on the Board of Directors of the El Paso Branch of the Federal Reserve Bank of Dallas.

It is further recommended that the U. T. Board of Regents find that: (1) the holding of this office by Dr. Natalicio is of benefit to the State of Texas and (2) there is no conflict between Dr. Natalicio's position at U. T. El Paso and her membership on this Board.

#### BACKGROUND INFORMATION

The Board of Directors meets monthly and provides an advisory service to the management of the local Federal Reserve Board Branch Bank. Dr. Natalicio will receive \$200.00 per meeting for her services.

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.

12. U. T. Pan American: Recommendation to Approve Changes in Parking Permit and Enforcement Fees Effective with the Fall Semester 1991 (Catalog Change).--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Nevarez that the U. T. Board of Regents approve changes in parking permit and enforcement fees at U. T. Pan American effective with the Fall Semester 1991 as set out on Page AAC - 23.

	<u>1990-91 Current Fees</u>	<u>1991-92 Proposed Fees</u>
<u>Parking Classifications</u>		
Class A - Reserved Parking for Full Time Faculty and Staff (If employee's salary is \$15,000 or less)	\$48.00	\$75.00
Class B - Reserved Parking for Faculty and Staff, Excluding Teaching Assistants and Work/Study Student Employees	36.00	75.00
Class C - General Parking for Faculty, Staff and Students	24.00	24.00
Class D - General Parking with Some Restrictions for Students Residing in Residence Halls	12.00	12.00
Class H - Handicapped Reserved Parking for Disabled Faculty, Staff and Students	No Charge	No Charge
	No Charge	No Charge

Enforcement Fees

Citation (per violation)	5.00	10.00
Immobilizer (per violation)	20.00	20.00

Annual parking permit fees are prorated if purchased for the Spring and Summer or Summer Session(s) only.

Upon Regental approval, the Minute Order will reflect that the next appropriate catalog published at U. T. Pan American will conform to this action.

BACKGROUND INFORMATION

The proposed 1991-92 increases for U. T. Pan American parking and enforcement fees are necessary for the construction of a new parking lot and to effectively deter parking violations.

Proposed changes in U. T. Pan American's parking and traffic regulations to be effective Fall Semester 1991 were reviewed and approved by the Office of Academic Affairs and are included in the February 1991 institutional docket.

13. U. T. Pan American: Recommendation to Approve Increases in Residence Hall Room and Board Rates and Meal Plan Rates Effective with the Fall Semester 1991 (Catalog Change).--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Nevarez that the U. T. Board of Regents approve increases in Residence Hall room and board rates and meal plan rates at U. T. Pan American effective with the Fall Semester 1991 as set out on Page AAC - 24.

	<u>1990-91 Current Rates</u>	<u>1991-92 Proposed Rates</u>
<u>Room and Board Rates per Semester</u>		
Room and 10A Meal Plan	\$ 979.00	\$ N/A
Room and 10B Meal Plan	1,034.00	N/A
Room and 14 Meal Plan	N/A	1,160.00
Room and 15 Meal Plan	1,089.00	1,219.00
Room and 20 Meal Plan	1,144.00	1,278.00
<u>Room and Board Rates (Summer Session)</u>		
Room and 20 Meal Plan	440.00	491.00
<u>Room and Board--Other Fees</u>		
Installment Payment Fee	5.00	5.00
Delinquent Installment Fee	5.00	5.00
Damage Deposit	35.00	50.00
<u>Meals Only Rates per Semester</u>		
10A Meal Plan	388.00	N/A
10B Meal Plan	410.00	N/A
14 Meal Plan	495.00	532.00
15 Meal Plan	550.00	591.00
20 Meal Plan	605.00	650.00
<u>Meals Only Rates (Summer Session)</u>		
20 Meal Plan	240.00	258.00
<u>Meals Only--Other Fees</u>		
Installment Payment Fee	5.00	5.00
Delinquent Installment Fee	5.00	5.00
Change of Meal Plan Service Charge	3.00	3.00

Upon Regental approval, the Minute Order will reflect that the next appropriate catalog published by U. T. Pan American will be amended to conform to this action.

#### BACKGROUND INFORMATION

The proposed 1991-92 Residence Hall room and board and meal plan rates represent a 16.5% increase in room and board rates and a 7.5% increase in meal plan rates. Under the 1991-92 Residence Hall contract, the terms "10A Meal Plan" and "10B Meal Plan" are no longer used. Those plans have been consolidated into a new "14 Meal Plan." In addition, U. T. Pan American has requested an increase in the damage deposit from \$35.00, as previously set by the Pan American University Board of Regents, to \$50.00.

**Health Affairs  
Committee**



HEALTH AFFAIRS COMMITTEE

Date: February 14, 1991  
Time: Following the meeting of the Academic Affairs  
Committee  
Place: Lobby, Commons Building  
Balcones Research Center, U. T. Austin

	<u>Page</u> <u>HAC</u>
1. U. T. Medical Branch - Galveston: Proposed Appointment to the Edna S. and William C. Levin Professorship in Internal Medicine Effective Immediately	2
2. U. T. Medical Branch - Galveston (U. T. Allied Health Sciences School - Galveston): Request for Approval of a Program Change to Offer a New Master of Physical Therapy (MPT) Degree Program Aligned with the Currently Offered Bachelor of Science in Physical Therapy (BSPT) Degree within the Department of Physical Therapy and to Submit the Proposal to the Coordinating Board for Approval (Catalog Change)	2
3. U. T. Health Science Center - San Antonio: Development Board - Proposed Nominees Thereto (NO PUBLICITY UNTIL ACCEPTANCES ARE RECEIVED)	3
4. U. T. M.D. Anderson Cancer Center - M.D. Anderson Cancer Center Outreach Corporation: Request for Approval of Appointment to the Board of Directors	4
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6. U. T. M.D. Anderson Cancer Center: Recommendation for Approval of Agreement to Cooperate with All-Union Cancer Center, Moscow, Russia	10

1. U. T. Medical Branch - Galveston: Proposed Appointment to the Edna S. and William C. Levin Professorship in Internal Medicine Effective Immediately.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President James that Jerry C. Daniels, M.D., be appointed as initial holder of the Edna S. and William C. Levin Professorship in Internal Medicine at the U. T. Medical Branch - Galveston effective immediately.

#### BACKGROUND INFORMATION

Dr. Daniels has been on the faculty at the U. T. Medical Branch - Galveston since 1975 and currently is Director of the Division of Rheumatology and Vice-Chairman of Medicine for Clinical Affairs in the Department of Internal Medicine.

The Edna S. and William C. Levin Professorship in Internal Medicine was established by the U. T. Board of Regents at the August 1985 meeting.

2. U. T. Medical Branch - Galveston (U. T. Allied Health Sciences School - Galveston): Request for Approval of a Program Change to Offer a New Master of Physical Therapy (MPT) Degree Program Aligned with the Currently Offered Bachelor of Science in Physical Therapy (BSPT) Degree within the Department of Physical Therapy and to Submit the Proposal to the Coordinating Board for Approval (Catalog Change).--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President James that approval be granted to offer a new Master of Physical Therapy (MPT) degree at the U. T. Medical Branch - Galveston. Requirements for the new degree will be coordinated with the current Bachelor of Science in Physical Therapy (BSPT) degree within the Department of Physical Therapy of the U. T. Allied Health Sciences School - Galveston. Upon Regental approval, the proposal will be submitted to the Texas Higher Education Coordinating Board for approval. If approved by the Coordinating Board, implementation will be Fall 1991.

#### BACKGROUND INFORMATION

The Department of Physical Therapy at U. T. Medical Branch - Galveston is proposing to offer a new Master of Physical Therapy (MPT) degree program. The department currently offers a Bachelor of Science in Physical Therapy (BSPT) degree. The proposed change will provide two options for students interested in pursuing physical therapy as a career. The BSPT

degree program will continue and the new MPT degree plan will include additional course work in research, educational methods, management and advanced clinical problem solving. The BSPT curriculum will thus require minor nonsubstantive curriculum and sequencing changes. Student enrollment will increase from the current 40 per year to 48 per year, including both programs.

There is a severe shortage of physical therapy clinicians, clinical instructors and academic faculty. The shortage has affected the expansion of physical therapy educational programs because of the limited number of clinical training sites for the students. The proposed change includes two strategies to help alleviate this problem: (1) in the long-term increasing the number of graduates and (2) increasing the skills of the master degree graduates in management and clinical education. Students in the MPT degree plan will receive training to become innovative managers and clinical educators.

The current BSPT program is a two plus two-year program: two years of prerequisites before admission to the two-year professional program. The MPT program is a three plus three-year program: three years of prerequisites followed by the three-year professional program. The MPT curriculum will allow more in-depth study in academic and clinical areas, including research, health care management, pediatrics, geriatrics and preventive health care practices.

The faculty in the Department of Physical Therapy is composed of nine individuals with expertise in the varied clinical specialties and research. Space, equipment and library facilities to support the program are adequate. Additional financial resources are minimal and will require only two additional faculty positions. The proposed program is expected to attract doctorally prepared faculty and more qualified students to the state, assuring that higher quality health care services are provided to the people of Texas.

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

3. U. T. Health Science Center - San Antonio: Development Board - Proposed Nominees Thereto (NO PUBLICITY UNTIL ACCEPTANCES ARE RECEIVED).--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Howe that the nominations of Mr. Larry Walker, Publisher, San Antonio Express/News, and Mr. Emilio Nicolas, former General Manager and Vice President of KWEX-TV, both of San Antonio, Texas, be approved for membership on the U. T. Health Science Center - San Antonio Development Board for three-year terms to expire in 1993.

### BACKGROUND INFORMATION

This development board was established and initial nominees were approved at the May 1976 U. T. Board of Regents' meeting. The nominations of Mr. Walker and Mr. Nicolas 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.

4. U. T. M.D. Anderson Cancer Center - M.D. Anderson Cancer Center Outreach Corporation: Request for Approval of Appointment to the Board of Directors.--

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President LeMaistre that the U. T. Board of Regents approve the appointment of Mr. Lee W. Hogan as a replacement for Mr. Roy Huffington as a member of the Board of Directors of the M.D. Anderson Cancer Center Outreach Corporation for the U. T. M.D. Anderson Cancer Center.

### BACKGROUND INFORMATION

At the February 1990 meeting, the U. T. Board of Regents approved the appointment of the initial Board of Directors of the M.D. Anderson Cancer Center Outreach Corporation and amended the Bylaws, originally approved by the U. T. Board of Regents in April 1989, to authorize the President of the U. T. M.D. Anderson Cancer Center to appoint future members of the Board of Directors with the prior approval of such nominees by the U. T. Board of Regents.

President LeMaistre seeks approval to appoint Mr. Lee W. Hogan as a replacement for Mr. Roy Huffington as a member of the Board of Directors of the Outreach Corporation. Mr. Huffington was one of the four initial appointees to the Board of Directors. He has been appointed by President George Bush to serve as U. S. Ambassador to Austria and, because of this appointment, will be unable to continue to serve as a member of the Board of Directors. He submitted his resignation from the Board effective August 1, 1990.

Mr. Hogan recently served as President and Chief Executive Officer for the Greater Houston Partnership and is currently serving as Group Vice President for External Affairs for Houston Lighting & Power Company. He is eminently qualified to serve as a member of the Board of Directors and is supportive of the Outreach goals and objectives.

5. U. T. M.D. Anderson Cancer Center: Recommendation to Accept a Grant from the Fannie E. Rippel Foundation, Annandale, New Jersey.--

RECOMMENDATION

In order to fulfill the requirements of the Fannie E. Rippel Foundation, Annandale, New Jersey, for the award of a grant of \$200,000 to the U. T. M.D. Anderson Cancer Center, the Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President LeMaistre that the U. T. Board of Regents formally agree to the specific grant conditions set forth below:

- a. Accept the grant from the Fannie E. Rippel Foundation and all of its terms as set forth in a letter dated November 30, 1990, addressed to President LeMaistre and signed by Mr. Eric R. Rippel as set forth on Pages HAC 6 - 9
- b. Specify that the proceeds of this grant shall be used exclusively for the purposes stated in paragraph numbered 1 of the above said letter dated November 30, 1990
- c. Agree that the Fannie E. Rippel Foundation shall not receive any benefit from nor exercise any control over the project for which this grant has been made
- d. Specify that as of the date of this meeting the U. T. M.D. Anderson Cancer Center has received no notification of any change in the United States Treasury Department's determination that it is not a private foundation or private operating foundation.

BACKGROUND INFORMATION

The acceptance of these grant conditions will complete the requirements for an award of \$200,000 to Dr. Waun Ki Hong for a "comprehensive chemoprevention research program focused on the study of cancers of the lung, head, neck and esophagus." The award requires that the U. T. M.D. Anderson Cancer Center raise an additional \$100,000 to be directed toward this program.

FANNIE E. RIPPEL FOUNDATION  
THE CONCOURSE AT BEAVER BROOK  
POST OFFICE BOX 569  
ANNANDALE, NEW JERSEY 08801-0569  
908-735-0990

November 30, 1990

Charles A. LeMaistre, M.D.  
President  
University of Texas M.D.  
Anderson Cancer Center  
1515 Holcombe Boulevard  
Houston, Texas 77030

Dear Dr. LeMaistre:

We are pleased to confirm the information we have already given you over the telephone. The Board of Trustees of the Fannie E. Rippel Foundation has voted a grant of \$200,000. to University of Texas M.D. Anderson Cancer Center.

The precise terms and conditions of the grant are stated in the motion quoted below which was adopted by the Foundation Board on November 28, 1990.

. . . it was VOTED that the Fannie E. Rippel Foundation grant to UNIVERSITY OF TEXAS M.D. ANDERSON CANCER CENTER, Houston, Texas, the sum of two hundred thousand dollars (\$200,000.00) in accordance with the following terms:

1. This grant is made in response to a letter of request dated October 23, 1990, received from University of Texas M.D. Anderson Cancer Center, and it is to be used exclusively toward the cost, estimated to be \$300,000., the balance of which the University agrees to raise from other sources, of a comprehensive chemoprevention research program focused on the study of cancers of the lung, head, neck and esophagus;
2. The Board of Trustees of University of Texas M.D. Anderson Cancer Center or its Executive Committee, if such Committee is authorized to exercise all of the powers of the Board, shall by formal action recorded in its minutes:
  - (a) accept this grant motion and all of its terms;
  - (b) specify that the proceeds of this grant shall be used exclusively for the purposes stated in paragraph 1 above;
  - (c) agree that the Fannie E. Rippel Foundation shall not receive any benefit from nor exercise any control over the project for which this grant has been made;

FANNIE E. RIPPEL FOUNDATION

University of Texas M.D.  
Anderson Cancer Center  
November 30, 1990  
Page two

- (d) specify that as of the date of this resolution University of Texas M.D. Anderson Cancer Center has received no notification of any change in the United States Treasury Department's determination that it is not a private foundation or private operating foundation;

and a copy of the minute of this formal action, certified by the Secretary of the meeting at which such action was taken, shall be delivered to the Foundation prior to October 28, 1992; and this grant shall immediately expire and become void if said certification has not been delivered to the Foundation prior to October 28, 1992;

- 3. University of Texas M.D. Anderson Cancer Center shall furnish the Fannie E. Rippel Foundation in writing conclusive evidence acceptable to the Foundation that it has been classified by the United States Treasury Department as a tax-exempt organization and further that it has been classified as not a private foundation or private operating foundation, and said evidence must have been received and accepted by the Foundation prior to October 28, 1992; and if it has not been received and accepted by the Foundation prior to October 28, 1992, this grant shall immediately expire and become void;
- 4. University of Texas M.D. Anderson Cancer Center shall furnish the Foundation in writing periodic reports with respect to the project and the results of the investigations specified in paragraph 1 above, such reports to be made at times agreed upon between the Foundation and the University;

FANNIE E. RIPPEL FOUNDATION

University of Texas M.D.  
Anderson Cancer Center  
November 30, 1990  
Page three

5. This grant shall be paid within a month after the Foundation has received all of the requirements set forth in the terms numbered 2 and 3 above.

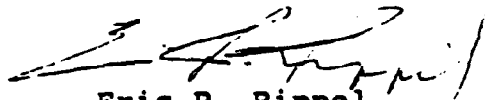
The wording of the above grant motion states that your organization is required to do certain things by certain dates in order to avoid having the grant expire and become void. We wish to emphasize that the responsibility for meeting these requirements rests solely upon you.

We recommend you advise us as soon as each of these requirements has been satisfied. For your convenience we have enclosed a copy of a suggested form to assist you in your response to the requirements set forth in the paragraph above which is numbered 2.

If the University wishes to make a public announcement of this grant, we should appreciate an opportunity to see a draft of it before it is released.

Please acknowledge receipt of this letter.

Sincerely yours,



Eric R. Rippel  
President

ERR:nlc  
Enclosure  
Copies to Maria M. Gelormini  
Assistant Director of Development  
and  
Waun Ki Hong, M.D.  
Chief, Section of Head, Neck  
and Thoracic Medical Oncology



SUGGESTED FORM

The following is an excerpt from the Minutes of the Meeting of the (Board of Trustees) (Executive Committee of the Board of Trustees) of \_\_\_\_\_ held on \_\_\_\_\_ .

. . . it was VOTED

- (a) to accept the grant from the Fannie E. Rippel Foundation and all of its terms as set forth in a letter dated \_\_\_\_\_, addressed to \_\_\_\_\_ and signed by \_\_\_\_\_ ;
- (b) to specify that the proceeds of this grant shall be used exclusively for the purposes stated in paragraph numbered 1 of the above said letter dated \_\_\_\_\_ ;
- (c) to agree that the Fannie E. Rippel Foundation shall not receive any benefit from nor exercise any control over the project for which this grant has been made;
- (d) to specify that as of the date of this resolution \_\_\_\_\_ has received no notification of any change in the United States Treasury Department's determination that it is not a private foundation or private operating foundation;

I hereby certify that the above is a copy of the formal action taken on \_\_\_\_\_ by the (Board of Trustees) (Executive Committee of the Board of Trustees) of \_\_\_\_\_ .

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
Secretary

6. U. T. M.D. Anderson Cancer Center: Recommendation for Approval of Agreement to Cooperate with All-Union Cancer Center, Moscow, Russia.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President LeMaistre that the U. T. Board of Regents approve the Agreement to Cooperate between the U. T. M.D. Anderson Cancer Center and All-Union Cancer Center, Moscow, Russia, as set out on Pages HAC 11 - 13.

#### BACKGROUND INFORMATION

The All-Union Cancer Center, Moscow, Russia, comprised of the Institute of Clinical Oncology, Institute of Experimental Diagnosis and Therapy, and Institute of Carcinogenesis is a major academic, research, and patient care center in the areas of oncology and with interests similar to those of the U. T. M.D. Anderson Cancer Center.

The proposed agreement encourages cooperation between the U. T. M.D. Anderson Cancer Center and the All-Union Cancer Center by providing the basis for the negotiation and implementation of joint educational and research programs in oncology and related disciplines for physicians, scientists, and health care providers.

## AGREEMENT TO COOPERATE

**THIS AGREEMENT** is made and entered into by and between The University of Texas M. D. Anderson Cancer Center, and a component of The University of Texas System, and All-Union Cancer Center comprised of the Institute of Clinical Oncology, Institute of Experimental Diagnosis and Therapy, and Institute of Carcinogenesis and is effective \_\_\_\_\_, 1990.

**WHEREAS**, The University of Texas M. D. Anderson Cancer Center is an accredited academic component of The University of Texas System charged with the responsibility for establishing and maintaining highest quality interdisciplinary programs of patient care, research and education leading to the successful understanding, treatment, and ultimate prevention of cancer and allied diseases; and

**WHEREAS**, All-Union Cancer Center in Moscow, Russia, is operating in the health sector with an integrated program that involves both patient care, clinical and basic science research programs in oncology.

**NOW, THEREFORE**, recognizing that collaborative efforts will be of benefit to the communities served and will contribute to an enduring institutional linkage for technical cooperation and assistance, the institutions described above do execute and enter into this **AGREEMENT TO COOPERATE**, formalizing their intent to establish joint educational and research programs in oncology and related disciplines for physicians, scientists, and health care providers to better serve the needs of their patients and the community. This **AGREEMENT TO COOPERATE** is intended to provide broad linkages through which and within which individual program agreements can be negotiated and activated. Such programs include, but are not restricted to:

### Exchange Educational Programs for Faculty, Staff and Students:

Training and skills updating of faculty and staff in disciplines of mutual interest and need.

Training of paramedical and allied health personnel in areas related to health care delivery for cancer patients.

Organization and execution of faculty and allied medical personnel exchanges, as determined by the two institutions for mutual interest and benefit.

Establishment of joint/collaborative research programs of either basic or clinical nature.

Agreement to Cooperate  
UTMDACC/All-Union Cancer Center

### Joint/Cross Appointments of Faculty and Staff:

In order to facilitate and/or enhance programs established in the above areas the institutions, under this AGREEMENT TO COOPERATE and within the requirements of the individual institutions and subject to the particular demands of the institutions, may elect to jointly appoint faculty or staff. Joint/Cross appointments shall be approved in writing by the Executive Vice Chancellor for Health Affairs of The University of Texas System prior to implementation and approved by the Board of Regents of The University of Texas System.

### Program Affiliations:

This general AGREEMENT TO COOPERATE shall be identified as the parent document for any program affiliation executed between the two parties. Future agreements concerning any program shall provide details concerning the specific commitments being made by each party and shall not become effective until they have been reduced to writing, executed by the duly authorized representatives of the parties, and approved in writing by the Executive Vice Chancellor for Health Affairs of The University of Texas System. The scope of activities under this AGREEMENT TO COOPERATE shall be determined by the funds regularly available at both institutions for the types of collaboration undertaken and by financial assistance as may be obtained by either institution from external sources.

### Use of Institutional Names and Logos

Except as otherwise required by law or regulation, neither party shall use, release, or distribute any materials or information containing the name or logo of the other party or any of its employees without the prior written approval of an authorized representative of the non-releasing party, such approval not to be unreasonably withheld. For purposes of this Agreement, the authorized representative of the Cancer Center shall be Dr. Charles A. LeMaistre, President and the authorized representative of All-Union Cancer Center shall be Acad. Nikolai N. Trapeznikov, President.

### Term and Termination:

Upon approval by each institution, this AGREEMENT TO COOPERATE shall remain in effect until terminated by either institution. Such termination by one institution shall be effected by giving the other institution at least ninety (90) days advance written notice of its intention to terminate. Termination shall be without penalty. If this AGREEMENT TO COOPERATE is terminated, neither The University of Texas M. D. Anderson Cancer Center nor All-Union Cancer Center shall be liable to the other for any monetary losses that may result.

OTHERWISE, the terms and provisions of the original Agreement by and between the parties hereto shall remain in full force and effect.

Agreement to Cooperate  
UTMDACC/All-Union Cancer Center

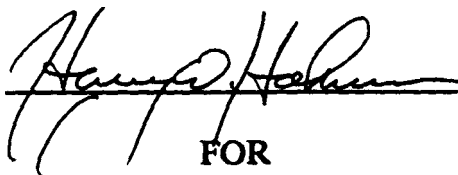
In keeping with the missions established by the individual institutions and with the intent of enhancing services provided by both institutions, this AGREEMENT TO COOPERATE is established by both institutional officials as indicated by authorizations and signatures below.

EXECUTED on this \_\_\_\_\_ day of \_\_\_\_\_, 1990, effective as of the date first written above.

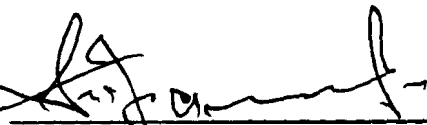
ATTEST:

  
FOR

ALL-UNION CANCER CENTER

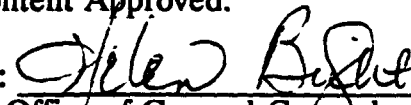
  
FOR

THE UNIVERSITY OF TEXAS  
M. D. ANDERSON CANCER CENTER

By:   
Acad. Nikolai N. Trapeznikov  
President

By:   
Dr. Charles A. LeMaistre  
President

Content Approved:

By:   
Office of General Counsel  
The University of Texas System  
Date: 12/27/90

Approved:

By: \_\_\_\_\_  
Charles B. Mullins, M.D.  
Executive Vice Chancellor  
for Health Affairs  
The University of Texas System  
Date: \_\_\_\_\_

Agreement to Cooperate  
UTMDACC/All-Union Cancer Center

**Finance and  
Facilities Com.**

FINANCE AND FACILITIES COMMITTEE

Date: February 14, 1991  
Time: Following the meeting of the Health Affairs Committee  
Place: Lobby, Commons Building  
Balcones Research Center, U. T. Austin

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F&F

I. FINANCE MATTER

U. T. System: Recommendation to Approve  
Chancellor's Docket No. 56 3

II. FACILITIES MATTERS

1. U. T. Austin - Balcones Research Center -  
Warehouse Building: Request for Project  
Authorization; Submission to Coordinating  
Board; Authorization to Prepare Final  
Plans, Advertise for Bids and Award of  
Contract by U. T. Austin Administration;  
and Appropriation Therefor 3

2. U. T. Austin - Texas Union Building - Ren-  
ovation (Project No. 102-727): Request  
for Approval of Final Plans and Authori-  
zation to Advertise for Bids and for  
Executive Committee to Award Contracts,  
and Request for Approval of Use of Revenue  
Financing System Parity Debt, Receipt of  
Certificate, and Finding of Fact with  
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3. U. T. Dallas - Cecil and Ida Green Center  
for the Study of Science and Society  
(Project No. 302-717): Request for  
Approval of Final Plans; Authorization  
to Advertise for Bids; Commitment of  
Permanent University Fund Bond Proceeds;  
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4. U. T. El Paso - Burges Hall - Renovation  
for Institute for Manufacturing and  
Materials Management (Project No. 201-759):  
Presentation of Preliminary Plans; Autho-  
rization to Prepare Final Plans; Authori-  
zation to Advertise for Bids and Award  
Contracts; and Additional Appropriation  
Therefor 8

5. U. T. San Antonio - Academic Building One (Project No. 401-756) and Academic Building Two (Project No. 401-757): Request for Project Authorization for Academic Building One and Advance Project Design for Academic Building Two; and Appointment of Project Architect to Prepare Preliminary Plans 9
6. U. T. San Antonio - Baseball Park/Athletic Facility: Request for Project Authorization; Authorization to Prepare Final Plans, Advertise for Bids and Award of Contract by U. T. San Antonio Administration; and Appropriation Therefor 11
7. U. T. San Antonio - Student Apartments (Project No. 401-721): Recommend Authorization of Project and Approval to Solicit Proposals from Developers 12
8. U. T. Southwestern Medical Center - Dallas - Research Building - Phase I North Campus Expansion (Project No. 303-702): Appropriation of Additional Funds to Increase the Total Project Cost for Award of Certain Alternate Bids; and Request for Approval of Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Finding of Fact with Regard to Financial Capacity 13
9. U. T. Medical Branch - Galveston - Texas Department of Corrections Hospital - Renovation and Completion of Shelled Space on Fourth and Eighth Floors (Project No. 601-743): Request for Approval of Final Plans and Authorization to Advertise for Bids and for the Executive Committee to Award Contracts 19
10. U. T. M.D. Anderson Cancer Center - Jesse H. Jones Rotary House International (Project No. 703-740): Request for Approval of Final Plans and Authorization to Advertise for Bids and for Executive Committee to Award Contracts; and Request for Approval of Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Finding of Fact with Regard to Financial Capacity 20

III. INFORMATION ITEM

- U. T. System: Preliminary Report on the Systemwide Study of Deferred Maintenance and Repair 23



I. FINANCE MATTER

U. T. System: Recommendation to Approve Chancellor's Docket No. 56.--

RECOMMENDATION

It is recommended that Chancellor's Docket No. 56 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.

II. FACILITIES MATTERS

1. U. T. Austin - Balcones Research Center - Warehouse Building: Request for Project Authorization; Submission to the Coordinating Board; Authorization to Prepare Final Plans, Advertise for Bids and Award of Contract by U. T. Austin Administration; and Appropriation Therefor.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that the U. T. Board of Regents:

- a. Authorize a project for construction of a warehouse building at U. T. Austin Balcones Research Center at an estimated total project cost of \$1,600,000
- b. Authorize submission of the project to the Texas Higher Education Coordinating Board
- c. Subject to approval of the Coordinating Board, authorize preparation of final plans, 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
- d. Appropriate \$1,600,000 from General Fee Balances for total project funding.

This item requires the concurrence of the Academic Affairs Committee.

## BACKGROUND INFORMATION

U. T. Austin Administration has recommended the construction of a warehouse building at Balcones Research Center to provide needed storage and workroom space for the Texas Memorial Museum and for high density storage for General Libraries. The estimated total project cost is \$1,600,000 to be funded from General Fee Balances. Storage for the Museum and General Libraries is now housed in the Education Annex Building. The Education Annex is to be remodeled to accommodate academic space needs for the School of Social Work. U. T. Austin had planned to include this project in the FY 1991-92 Capital Improvement Program update. The need for earlier transfer of materials now stored in the Education Annex results in this request being presented at this time.

It is recommended that U. T. Austin Administration, through the Department of Physical Plant, with consulting architectural/engineering services as necessary, be authorized to manage the project.

Approval of this request will amend the Capital Improvement Program approved by the U. T. Board of Regents in June 1989 and the FY 1991 Capital Budget.

2. U. T. Austin - Texas Union Building - Renovation (Project No. 102-727): Request for Approval of Final Plans and Authorization to Advertise for Bids and for Executive Committee to Award Contracts; and Request for Approval of Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Finding of Fact with Regard to Financial Capacity.--

## RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that the U. T. Board of Regents:

- a. Approve final plans for the renovation of the Texas Union Building at U. T. Austin at an estimated total project cost of \$8,000,000
- 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.

The Chancellor also concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Asset Management, the Vice Chancellor for Business Affairs, and President Cunningham that in compliance with Section 5 of the Master Resolution Establishing The

University of Texas System Revenue Financing System approved by the U. T. Board of Regents in April 1990, and the delivery of the Certificate of an Authorized Representative as set out on Page F&F - 6, the U. T. Board of Regents resolve that:

- a. Parity Debt shall be issued to pay the project's cost
- b. Sufficient funds will be available to meet the financial obligations of the U. T. System including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System
- c. U. T. Austin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its Direct Obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of Parity Debt in the amount of \$8,000,000 for the renovation of the Texas Union Building.

#### BACKGROUND INFORMATION

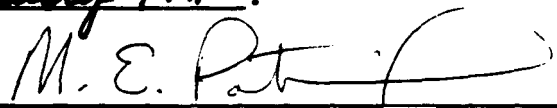
In accordance with the authorization of the U. T. Board of Regents in August 1990, final plans and specifications for the renovation of the Texas Union Building at U. T. Austin have been prepared by the Project Engineer, Friberg Associates Inc., Fort Worth, Texas.

This project includes the modification, upgrading and replacement of mechanical, electrical, and plumbing systems in the Texas Union Building at an estimated total project cost of \$8,000,000. Total project funding will be from Revenue Financing System Debt Proceeds to be repaid from Student Union fees. This project is included in the U. T. System Capital Improvement Program approved by the U. T. Board of Regents in June 1989 and the FY 1991 Capital Budget.

PARITY DEBT CERTIFICATE OF U.T. SYSTEM REPRESENTATIVE

I, the undersigned Executive Vice Chancellor for Asset Management of The University of Texas System, a U.T. System Representative under the Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the Board of April 12, 1990 (the "Master Resolution"), do hereby execute this certificate for the benefit of the Board of Regents pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" pursuant to the Master Resolution to finance the cost of the renovation of the Texas Union Building at The University of Texas at Austin, and do certify that to the best of my knowledge the Board of Regents is in compliance with all covenants contained in the Master Resolution and in the First Supplemental Resolution Establishing an Interim Financing Program and is not in default of any of the terms, provisions and conditions in said Master Resolution or First Supplemental Resolution.

EXECUTED this 24<sup>th</sup> day of January 1991.

  
\_\_\_\_\_  
Executive Vice Chancellor for  
Asset Management

3. U. T. Dallas - Cecil and Ida Green Center for the Study of Science and Society (Project No. 302-717): Request for Approval of Final Plans; Authorization to Advertise for Bids; Commitment of Permanent University Fund Bond Proceeds; and Authorization for Executive Committee to Award Contracts.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Rutford that the U. T. Board of Regents:

- a. Approve the final plans and specifications for the Cecil and Ida Green Center for the Study of Science and Society at U. T. Dallas at an estimated total project cost of \$2,433,000
- b. Authorize the Office of Facilities Planning and Construction to advertise for bids upon completion of final review
- c. Approve the commitment of \$2,433,000 in Permanent University Fund Bond Proceeds to finance this project from Capital Improvement Program funds reserved for a Founders Hall renovation project
- d. Authorize the Executive Committee to award all contracts associated with this project within the authorized total project cost.

#### BACKGROUND INFORMATION

In accordance with the authorization by the U. T. Board of Regents in October 1990, final plans for the Cecil and Ida Green Center for the Study of Science and Society at U. T. Dallas have been completed by the Project Architect, F&S Partners Incorporated, Dallas, Texas.

The facility will be a two-story building of approximately 18,000 gross square feet and will serve as an archive for the papers, books, slides, and other memorabilia of Cecil and Ida Green. The facility will also house exhibit space, a faculty commons for general group meetings, seminars and workshops, and administrative space for operations and visiting fellows.

Approval of this item effects an amendment to the Capital Improvement Program and Capital Budget. It is anticipated that the Permanent University Fund Bond Proceeds previously earmarked for Founders Hall renovation will be replaced with gift and/or grant funds. A grant application to the National Science Foundation has already passed the first stage review.

Authorizing the transfer of the Permanent University Fund Bond Proceeds from the Founders Hall project will permit the University to expedite the construction of the Center and also allow greater flexibility in this fundraising campaign for the two projects.

The project was approved by the Texas Higher Education Coordinating Board at the October 25, 1990 meeting.

4. U. T. El Paso - Burges Hall - Renovation for Institute for Manufacturing and Materials Management (Project No. 201-759): Presentation of Preliminary Plans; Authorization to Prepare Final Plans; Authorization to Advertise for Bids and Award Contracts; and Additional Appropriation Therefor.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Natalicio that the U. T. Board of Regents:

- a. Approve preliminary plans and specifications for renovation of Burges Hall at U. T. El Paso for the Institute for Manufacturing and Materials Management at an estimated total project cost of \$2,275,000
- b. Authorize the Project Architect to prepare final plans and specifications
- c. Appropriate \$2,155,000 from federal grant funds for project funding. Previous appropriations have been \$120,000 from the same source
- d. Subject to approval by the Coordinating Board, authorize the Office of Facilities Planning and Construction to advertise for bids and the Executive Committee to award all contracts related to this project within authorized total project cost.

#### BACKGROUND INFORMATION

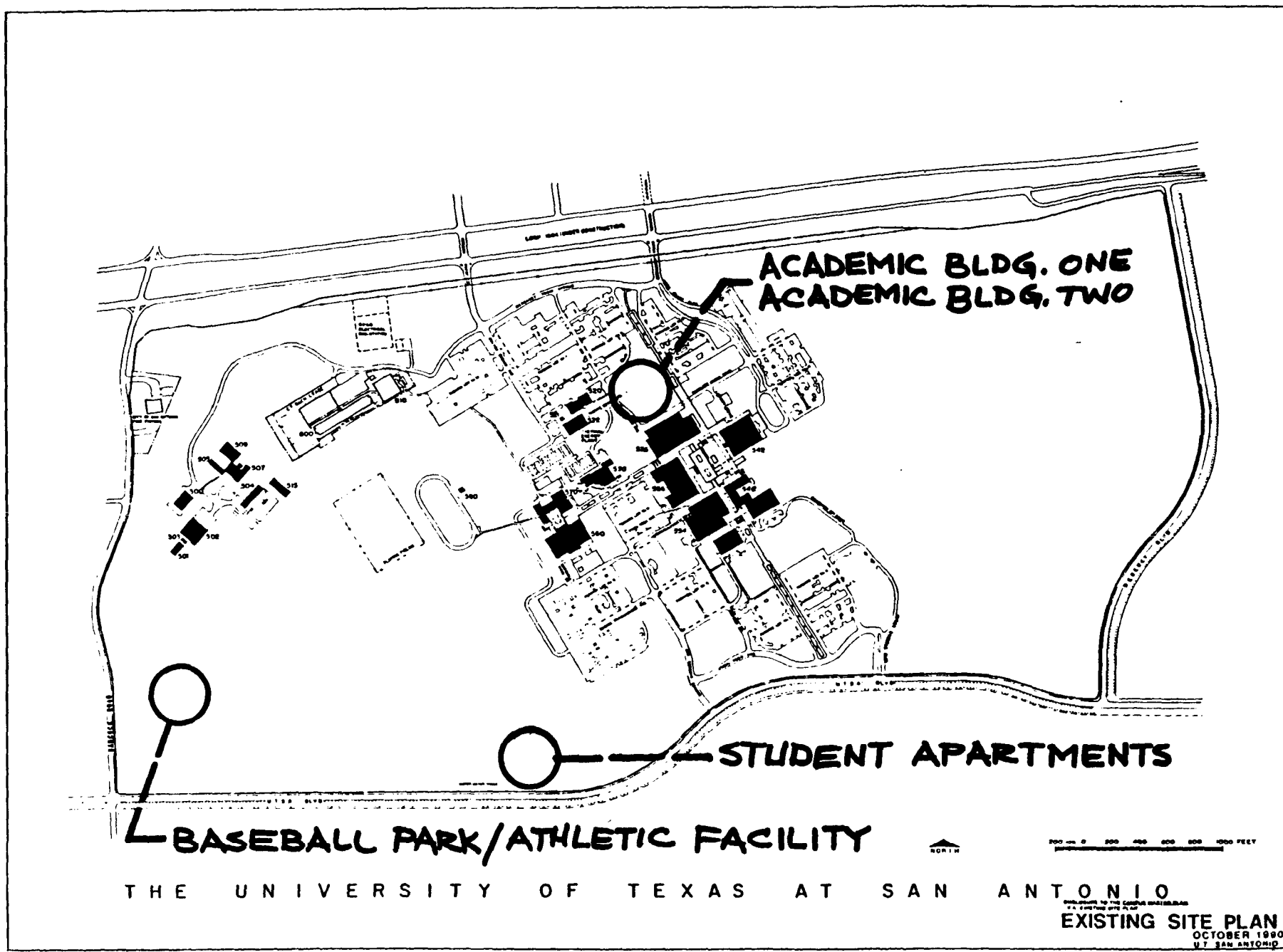
At the October 1990 meeting, the U. T. Board of Regents authorized a project for Renovation of Burges Hall, a currently vacant dormitory, at U. T. El Paso to house the Institute for Manufacturing and Materials Management. In accordance with that authorization, the firm of Fouts, Gomez Architects, Inc., El Paso, Texas, has completed preliminary plans and cost estimates for renovation of approximately 40,000 gross square feet of space at an estimated construction cost of \$1,755,000 and a total project cost of \$2,275,000.

The Institute for Manufacturing and Materials Management at U. T. El Paso is a catalyst and facilitator for combining resources of the University and the community to support industrial development through technical support, technology transfer, materials research, and related activities. The project will be funded from federal grant funds. The U. T. Board of Regents amended the current Capital Improvement Program and the FY 1991 Capital Budget with authorization of this project in October 1990.

The project was submitted to the Texas Higher Education Coordinating Board for presentation in January 1991 and final approval in April 1991.

### BUILDING INDEX

- 500 CENTRAL RECEIVING & WAREHOUSE
- 501 GREENHOUSE
- 502 LIBRARY PROCESSING BUILDING
- 503 CONCRETE MECHANICS & SOIL LABORATORIES
- 504 SCULPTURE & CERAMICS STUDIO
- 505 SMALL ANIMAL BUILDING
- 507 LIFE SCIENCE BUILDING
- 509 PHYSICAL SCIENCE BUILDING
- 515 POWER & DYNAMIC SYSTEMS LABORATORY
- 520 PHYSICAL PLANT BUILDING
- 521 VEHICLE MAINTENANCE
- 522 THERMAL ENERGY PLANT
- 526 HUMANITIES/BUSINESS BUILDING
- 530 UNIVERSITY CENTER
- 542 JOHN PEACE LIBRARY/ADMINISTRATION
- 548 ARTS BUILDING
- 554 SCIENCE BUILDING
- 556 MULTIDISCIPLINARY STUDIES BUILDING
- 560 CONVOCATION CENTER
- 570 PHYSICAL EDUCATION BUILDING
- 580 GROUNDS BUILDING
- 800 DORMITORY "CHISHOLM HALL" (LEASE)
- 810 ACTIVITY CENTER (LEASE)
- \*X\* ENGINEERING BLDG - PHASE I (UNDER CONSTRUCTION)



THE UNIVERSITY OF TEXAS AT SAN ANTONIO  
 EXISTING SITE PLAN  
 OCTOBER 1990  
 UT SAN ANTONIO

5. U. T. San Antonio - Academic Building One (Project No. 401-756) and Academic Building Two (Project No. 401-757): Request for Project Authorization for Academic Building One and Advance Project Design for Academic Building Two; and Appointment of Project Architect to Prepare Preliminary Plans.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Kirkpatrick that the U. T. Board of Regents:

- a. Authorize the project for Academic Building One at U. T. San Antonio at an estimated total project cost of \$16,475,000
- b. Authorize Advance Project Design for Academic Building Two at U. T. San Antonio at a cost of \$200,000 for fees and administrative expenses
- c. Appoint a Project Architect from the list set forth on Page F&F - 10 to prepare preliminary plans and specifications for Academic Building One and Advance Project Design for Academic Building Two to be presented to the U. T. Board of Regents for consideration at a future meeting.

#### BACKGROUND INFORMATION

The University of Texas at San Antonio continues to be the most crowded general academic campus in Texas. The need for additional space is well-documented with a space deficit exceeding 45 assignable square feet per full-time student equivalent and projections of continued growth in enrollment and programs throughout this decade.

Based upon the evaluation of the U. T. San Antonio Building Advisory Committee, President Kirkpatrick has recommended that a general purpose academic building of approximately 115,000 gross square feet be constructed and available for occupancy and classes not later than August 1994. This building has previously been designated as Academic Building One and will contain lecture halls, classrooms, seminar and case study rooms, faculty offices and space for college administration. The primary users of the building will be the students, faculty, and administration of the College of Business. The estimated total project cost is \$16,475,000.

Rapid enrollment growth at U. T. San Antonio indicates that it would be extremely prudent to consider the design within a master plan that allows for future expansion of an additional 85,000 gross square feet. Accordingly, the FY 1991 Capital Budget includes \$200,000 for Advance Project Design for Academic Building Two.

Academic Building One and Advance Project Design for Academic Building Two are included in the U. T. System Capital Improvement Program approved by the U. T. Board of Regents in June 1989 and the FY 1991 Capital Budget.



List of Firms for Consideration

Project Architect

Ford, Powell & Carson  
Architects & Planners, Inc.  
San Antonio, TX

Chumney and Associates  
San Antonio, TX

Phelps/Garza/Bomberger  
San Antonio, TX

Marmon Barclay Souter Foster  
Hays, San Antonio, TX

Representative Projects

U. T. San Antonio: Campus  
Master Plan; Phase I  
Buildings (Joint Venture)  
U. T. Medical Branch:  
Library  
Trinity University: Life  
Science; Library;  
Auditorium  
St. Philips College:  
Sciences; Fine Arts  
Skidmore College, N.Y.:  
Learning Center  
Washington and Lee University,  
VA: Performing Arts

U. T. Health Science Center -  
San Antonio: Clinical  
Science Teaching  
Palo Alto College: Classroom  
Building  
Trinity University: Student  
Center  
University of Arkansas:  
Dining Facilities  
San Antonio Museum of Art:  
Museum Offices  
H.E.B. Company: Corporate  
Headquarters

U. T. Health Science Center -  
San Antonio: Nursing and  
Dental Schools (Joint  
Venture); Basic Science Level  
U. T. Austin: Perry-Castaneda  
Library  
Texas State Aquarium, Corpus  
Christi, TX  
Santa Rosa Medical Center,  
San Antonio

U. T. Health Science Center -  
San Antonio: Research Building  
Trinity University: Chemistry  
Renovation  
St. Mary's University:  
Student Center; Business  
Administration  
Texas A&M: Chemistry  
Renovation  
Texas Lutheran: Auditorium;  
Dining

6. U. T. San Antonio - Baseball Park/Athletic Facility: Request for Project Authorization; Authorization to Prepare Final Plans, Advertise for Bids and Award of Contract by U. T. San Antonio Administration; and Appropriation Therefor.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Kirkpatrick that the U. T. Board of Regents:

- a. Authorize a project for construction of a Baseball Park/Athletic Facility at U. T. San Antonio at an estimated total project cost of \$250,000
- b. Authorize preparation of final plans, advertisement for bids, award of a construction contract and completion of the project 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
- c. Appropriate \$120,040 from Plant Funds and \$129,960 from gifts and/or grants for total project funding.

This item requires the concurrence of the Academic Affairs Committee.

#### BACKGROUND INFORMATION

U. T. San Antonio has changed athletic conference affiliation to the Southland Conference effective with the start of the next academic year. One of the requirements of this new conference affiliation is participation in intercollegiate men's baseball and women's softball. While U. T. San Antonio currently has a softball facility which will allow the women's softball program to begin, they do not have an on-campus baseball field which can support the men's baseball program.

Proposed construction includes a fenced, lighted baseball field with a dugout for team members, bleachers, restroom facilities, and a concession stand. The field will also be used for physical education classes and intramural baseball.

U. T. San Antonio had planned to submit a request for a Baseball Park/Athletic Facility at an estimated cost of \$250,000 as part of the FY 1991-92 Capital Improvement Program update. Timing of the project now requires that the request be considered at this time. This action will amend the Capital Improvement Program approved in June 1989, and will amend the FY 1991 Capital Budget.

Estimated funding requirements for this project are as follows:

\$120,040 Plant Funds from Sale of Right-of-way  
to Texas Highway Department

\$129,960 Gifts and/or Grants

\$250,000 Total Estimated Cost

7. U. T. San Antonio - Student Apartments (Project No. 401-721): Recommend Authorization of Project and Approval to Solicit Proposals from Developers.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Kirkpatrick that the U. T. Board of Regents:

- a. Authorize initiation of Phase I of a project for a student apartment complex on the U. T. San Antonio campus to consist of approximately 120 units on a 20-acre tract
- b. Approve U. T. San Antonio solicitation of proposals from developers to construct and possibly manage the Phase I complex.

This item requires the concurrence of the Academic Affairs Committee.

#### BACKGROUND INFORMATION

Since enrolling its first students in 1973, U. T. San Antonio has become a major regional university with over 14,000 students. It now serves many students who live beyond commuting distance of the campus. Consequently, there is a growing demand for housing on and near the campus. There are only a few privately owned apartments near the campus and the only on-campus housing is a 500 bed dormitory owned and operated by a private developer pursuant to a long-term ground lease. It has been fully occupied for the past three years and in August 1990 there was a waiting list for space in the dormitory of 170 students.

In June 1989, the U. T. Board of Regents approved the addition of a Student Apartment project to the Capital Improvement Program. The project as included in the Capital Budget anticipated accommodation for 160 students at an estimated total cost of \$1,750,000 and was to be financed from revenue bonds. The University now proposes to develop in Phase I sixty two-bedroom units and sixty one-bedroom units plus a commons building. The Phase I development would have a capacity to serve 360 students with a future Phase II project of similar capacity. A very tentative estimate of cost for Phase I as proposed is \$6,000,000. A more precise estimate is dependent on proposals from developers.

Because U. T. San Antonio does not have an adequate cash reserve in its Auxiliary Enterprise fund, traditional revenue bond financing of such a project does not appear to be feasible. Consequently, U. T. San Antonio seeks authority to request proposals from developers to build and possibly manage the facility pursuant to a long-term ground lease. The preparation of the request for proposals will be coordinated with the Offices of General Counsel and Facilities Planning and Construction. No contractual obligations will be incurred until the analysis of proposals is complete and a formal proposal, including necessary revisions in the Capital Improvement Program and Capital Budget, are approved by the U. T. Board of Regents.

8. U. T. Southwestern Medical Center - Dallas - Research Building - Phase I North Campus Expansion (Project No. 303-702): Appropriation of Additional Funds to Increase the Total Project Cost for Award of Certain Alternate Bids; and Request for Approval of Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Finding of Fact with Regard to Financial Capacity.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Wildenthal that the U. T. Board of Regents appropriate additional funds to increase the total project cost for award of certain alternate bids for Bid Package Three - General Construction - Research Building - Phase I North Campus Expansion at the U. T. Southwestern Medical Center at Dallas as follows:

- a. Appropriate \$8,500,000 of additional funds to increase the total project cost from \$52,500,000 to \$61,000,000
- b. Award Alternate Bids No. 1, 2, 4, 7, 8 and authorize an increase of \$110,000 in the construction contingency allowance thereby increasing the construction contract of the lowest responsive and responsible bidder, Dal-Mac Construction Company, Richardson, Texas, by the amount of \$5,739,000.

The Chancellor also concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Asset Management, the Vice Chancellor for Business Affairs, and President Wildenthal that, in compliance with Section 5 of the Master Resolution Establishing The University of Texas System Revenue Financing System, approved by the U. T. Board of Regents in April 1990, and the delivery of the Certificate of an Authorized Representative as set out on Page F&F - 16, the U. T. Board of Regents resolve that:

- a. Parity Debt shall be issued to pay the project's cost
- b. Sufficient funds will be available to meet the financial obligations of the U. T. System including sufficient Pledged Revenues as defined in the Master Resolution to satisfy

the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System

- c. U. T. Southwestern Medical Center - Dallas, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its Direct Obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of Parity Debt in the amount of \$36,000,000 for the construction of Research Building - Phase I North Campus Expansion.

This item requires the concurrence of the Health Affairs Committee.

#### BACKGROUND INFORMATION

In accordance with authorization of the U. T. Board of Regents as set forth in Executive Committee Letter No. 91-7 (Item 7, Page Ex.C - 10), a contract award for Bid Package Three - General Construction of the Research Building - Phase I North Campus Expansion at the U. T. Southwestern Medical Center - Dallas was made to the lowest responsive and responsible bidder, Dal-Mac Construction Company, Richardson, Texas, for the Base Bid and Alternate Bid Nos. 3, 5, and 6 in the amount of \$42,305,000 as indicated on the bid tabulation on Pages F&F 17 - 18. A contract award of additional Alternate Bid Nos. 1, 2, 4, 7 and 8 was subject to future appropriation of funds therefor by the U. T. Board of Regents and approval by the Texas Higher Education Coordinating Board.

Alternate Bid No. 1 provides a 350-seat lecture facility, Alternate Bids No. 2 and No. 4 finish out laboratory support space, and Alternate Bids No. 7 and No. 8 finish out shell laboratory floors. The total construction cost of these additional alternate bids is \$5,629,000, and a construction contingency allowance increase in the amount of \$110,000 is recommended for construction administrative activities.

Therefore, the recommended increase in construction cost is \$5,739,000 and can be accomplished within a total project cost increase of \$8,500,000. Approval of this recommendation will increase the construction contract from \$42,305,000 to \$48,044,000 and the total project cost from \$52,500,000 to \$61,000,000. The increase in the total project cost of \$8,500,000 is funded from Revenue Bond Proceeds.

The revised total project cost is composed of the following elements:

First Stage of Construction - Civil Construction	\$ 1,007,040
Second Stage of Construction - Thermal Energy Plant Equipment	1,176,090
Third Stage of Construction - General Construction	48,044,000
Fees and Administrative Expenses	4,370,600
Furniture, Furnishings and Equipment	2,681,360

Future Work (Testing and Air-Balancing, Temporary Signalization, Electric Switchgear and Complete Laboratory Floor Levels 4 and 9)	2,379,910
Entrance Bridge from Harry Hines Boulevard	400,000
Miscellaneous Expenses	115,000
Project Contingency	<u>826,000</u>
 Total Project Cost	 \$61,000,000

The Research Building is the first laboratory research facility constructed on the North Campus at U. T. Southwestern Medical Center - Dallas. A 1968 space utilization study completed by the four U. T. Health Science Centers identified research space as a critical need. Finish out of shell space in the Research Building and construction of the lecture facility will provide an additional 78,000 square feet of research and research support space. Research funding at U. T. Southwestern Medical Center - Dallas has grown from just under \$20 million in 1979 to almost \$100 million in 1990. This growth is expected to continue and is projected to accelerate with the addition of North Campus research space.

The appropriation of \$8,500,000 in additional funds to increase the total project cost from \$52,500,000 to \$61,000,000 will amend the Capital Improvement Program approved in June 1989, and will amend the FY 1991 Capital Budget. The increase in the total project cost will be submitted to the Texas Higher Education Coordinating Board for approval in April 1991.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Executive Vice Chancellor for Asset Management of The University of Texas System, a U. T. System Representative under the Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the Board on April 12, 1990 (the "Master Resolution"), do hereby execute this certificate for the benefit of the Board of Regents pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" pursuant to the Master Resolution to finance the cost of the Research Building - Phase I North Campus Expansion at The University of Texas Southwestern Medical Center at Dallas, and do certify that to the best of my knowledge the Board of Regents is in compliance with all covenants contained in the Master Resolution and in the First Supplementary Resolution Establishing an Interim Financing Program and is not in default of any of the terms, provisions and conditions in said Master Resolution or First Supplemental Resolution.

EXECUTED this 21st day of January, 1991.

  
\_\_\_\_\_  
Executive Vice Chancellor for  
Asset Management

BID PACKAGE THREE - GENERAL CONSTRUCTION  
RESEARCH BUILDING - PHASE I NORTH CAMPUS EXPANSION  
THE UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL CENTER AT DALLAS  
Bids Received December 5, 1990

<u>BIDDER</u>	<u>Hensel Phelps Construction Co. Austin, TX</u>	<u>Clark-Morris Company, Inc. Dallas, TX</u>	<u>Spaw-Glass General Contracting, Inc. Irving, TX</u>	<u>Austin Commercial, Inc. Dallas, TX</u>
BASE BID	\$39,877,000	\$40,300,000	\$40,150,000	\$40,590,000
Alt. #1 - Lecture Facility	1,750,000	1,630,000	1,750,000	1,741,000
Alt. #2 - Animal Resource Center/Barrier Facility	700,000	693,000	685,000	780,000
Alt. #3 - Watchdog System for Base Bid	160,000	150,000	170,000	178,422
Alt. #4 - Watchdog System for Alt. #2	70,000	75,000	76,000	81,302
Alt. #5 - Finish Out Level 5	1,350,000	1,483,000	1,570,000	1,677,000
Alt. #6 - Finish Out Level 8	1,250,000	1,407,000	1,496,000	1,645,000
Alt. #7 - Finish Out Level 10	1,300,000	1,466,000	1,570,000	1,625,000
Alt. #8 - Finish Out Level 11	<u>1,300,000</u>	<u>1,404,000</u>	<u>1,498,000</u>	<u>1,699,000</u>
Total Base Bid and Alternate Bids	\$47,757,000*	\$48,608,000*	\$48,965,000	\$50,016,724
Recommended Award Base Bid Plus Alt. Bid Nos. 3, 5, and 6	\$42,637,000*	\$43,340,000*	\$43,386,000	\$44,090,422

\*Bids were reviewed by the Office of General Counsel.  
Bids denoted by asterisks were determined to be  
nonresponsive.



BID PACKAGE THREE - GENERAL CONSTRUCTION  
RESEARCH BUILDING - PHASE I NORTH CAMPUS EXPANSION  
THE UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL CENTER AT DALLAS  
Bids Received December 5, 1990

<u>BIDDER</u>	<u>J. W. Bateson Company, Inc. Dallas, TX</u>	<u>Dal-Mac Construction Company Richardson, TX</u>	<u>Manhattan Construction Company Dallas, TX</u>	<u>Kajima International, Inc., Dallas, TX</u>
BASE BID	\$39,277,000	\$39,000,000	\$39,000,000	\$39,549,000
Alt. #1 - Lecture Facility	1,712,000	1,685,000	1,942,000	1,746,000
Alt. #2 - Animal Resource Center/Barrier Facility	664,000	749,000	765,000	735,000
Alt. #3 - Watchdog System for Base Bid	168,400	169,000	230,000	168,000
Alt. #4 - Watchdog System for Alt. #2	75,800	77,000	78,000	77,000
Alt. #5 - Finish Out Level 5	1,469,000	1,610,000	1,580,000	1,485,000
Alt. #6 - Finish Out Level 8	1,389,000	1,526,000	1,500,000	1,400,000
Alt. #7 - Finish Out Level 10	1,453,000	1,591,000	1,580,000	1,466,000
Alt. #8 - Finish Out Level 11	<u>1,455,000</u>	<u>1,527,000</u>	<u>1,510,000</u>	<u>1,396,000</u>
Total Base Bid and Alternate Bids	\$47,663,200*	\$47,934,000	\$48,185,000	\$48,022,000
Recommended Award Base Bid Plus Alt. Bid Nos. 3, 5, and 6	\$42,303,400*	\$42,305,000	\$42,310,000	\$42,602,000

\*Bids were reviewed by the Office of General Counsel.  
Bids denoted by asterisks were determined to be  
nonresponsive.

9. U. T. Medical Branch - Galveston - Texas Department of Corrections Hospital - Renovation and Completion of Shelled Space on Fourth and Eighth Floors (Project No. 601-743): Request for Approval of Final Plans and Authorization to Advertise for Bids and for the Executive Committee to Award Contracts.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President James that the U. T. Board of Regents:

- a. Approve the final plans for renovation and completion of shelled space on the fourth and eighth floors of the Texas Department of Corrections Hospital at the U. T. Medical Branch - Galveston at an estimated total project cost of \$5,458,915, to be funded by the Texas Department of Corrections
- 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.

#### BACKGROUND INFORMATION

In accordance with the authorization of the U. T. Board of Regents in April 1990, final plans for renovation and completion of shelled space on the fourth and eighth floors of the Texas Department of Corrections Hospital at the U. T. Medical Branch - Galveston have been completed by the Project Architect Jessen Inc., Austin, Texas.

The Texas Department of Corrections, through an interagency agreement, has requested the U. T. Medical Branch - Galveston and the U. T. System Office of Facilities Planning and Construction to manage the project in the same manner as the original design and construction of the existing hospital building.

This project is legislatively approved and does not require submission to the Texas Higher Education Coordinating Board. Amendments to the Capital Improvement Program or the Capital Budget will not be required since funds for the project and all project expenses will be paid directly by the Texas Department of Corrections.

10. U. T. M.D. Anderson Cancer Center - Jesse H. Jones Rotary House International (Project No. 703-740): Request for Approval of Final Plans and Authorization to Advertise for Bids and for Executive Committee to Award Contracts; and Request for Approval of Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Finding of Fact with Regard to Financial Capacity.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President LeMaistre that the U. T. Board of Regents:

- a. Approve final plans and specifications for the construction of the Jesse H. Jones Rotary House International at the U. T. M.D. Anderson Cancer Center at an estimated total project cost of \$17,638,000 (\$8,000,000 from Gift Funds and \$9,638,000 from Revenue System Proceeds)
- 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.

The Chancellor also concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Asset Management, the Vice Chancellor for Business Affairs, and President LeMaistre that, in compliance with Section 5 of the Master Resolution Establishing The University of Texas System Revenue Financing System, approved by the U. T. Board of Regents in April 1990, and the delivery of the Certificate of an Authorized Representative as set out on Page F&F - 22, the U. T. Board of Regents resolve that:

- a. Parity Debt shall be issued to pay the project's cost
- b. Sufficient funds will be available to meet the financial obligations of the U. T. System including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System
- c. The U. T. M.D. Anderson Cancer Center, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its Direct Obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of Parity Debt in the amount of \$9,638,000 for the construction of the Jesse H. Jones Rotary House International (the "Project").

## BACKGROUND INFORMATION

In accordance with authorization of the U. T. Board of Regents in October 1990, final plans and specifications for the construction of the Jesse H. Jones Rotary House International at the U. T. M.D. Anderson Cancer Center have been prepared by the Project Architect, Morris Architects, Houston, Texas.

This facility will be an eleven-story, 168,500 gross square foot patient hotel structure with two public levels and nine floors of 22 units each. Total capacity will be 198 units composed of 144 single bay efficiencies and 54 bedroom/sitting room suites with 18 efficiencies designed to combine with suites to provide 18 two-bedroom suites. The project will have an all-weather connection from the second floor to the existing overhead walkway across Holcombe Boulevard. Surface parking for approximately 220 cars will be provided.

The project was approved by the Texas Higher Education Coordinating Board at its October 25, 1990 meeting.

This project is included in both the Capital Improvement Program and the FY 1991 Capital Budget.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Executive Vice Chancellor for Asset Management of The University of Texas System, a U. T. System Representative under the Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the Board on April 12, 1990 (the "Master Resolution"), do hereby execute this certificate for the benefit of the Board of Regents pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" pursuant to the Master Resolution to finance the cost of the Jesse H. Jones Rotary House International at The University of Texas M. D. Anderson Cancer Center, and do certify that to the best of my knowledge the Board of Regents is in compliance with all covenants contained in the Master Resolution and in the First Supplementary Resolution Establishing an Interim Financing Program and is not in default of any of the terms, provisions and conditions in said Master Resolution or First Supplemental Resolution.

EXECUTED this the 21st day of January, 1991.



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Executive Vice Chancellor for  
Asset Management

III. INFORMATION ITEM

U. T. System: Preliminary Report on the System-wide Study of Deferred Maintenance and Repair.--

Chancellor Mark will present a preliminary report on the recently completed study of deferred maintenance and repair projects throughout the U. T. System.

**Land and  
Investment Comm.**

LAND AND INVESTMENT COMMITTEE

Date: February 14, 1991  
Time: Following the meeting of the Finance and  
Facilities Committee  
Place: Lobby, Commons Building  
Balcones Research Center, U. T. Austin

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I. PERMANENT UNIVERSITY FUND

INVESTMENT MATTER

Report on Clearance of Monies to the Permanent University Fund for November and December 1990 and Report on Oil and Gas Development as of December 31, 1990.--The following reports with respect to (a) certain monies cleared to the Permanent University Fund for November and December 1990 and (b) Oil and Gas Development as of December 31, 1990, are submitted by the Vice Chancellor for Business Affairs:

	<u>November 1990</u>	<u>December 1990</u>	<u>Cumulative Through December of this Fiscal Year (1990-1991)</u>	<u>Cumulative Through December of Preceding Fiscal Year (1989-1990)</u>	<u>Per Cent Change</u>
Permanent University Fund					
Royalty					
Oil	\$ 7,237,244.84	\$ 8,919,305.52	\$ 26,738,078.99	\$ 16,853,124.65	58.65%
Gas	1,562,386.03	1,831,175.30	6,984,791.86	6,089,076.55	14.71%
Sulphur	0.00	0.00	0.00	163,919.75	--
Water	27,904.51	40,166.22	210,197.46	294,230.89	-28.56%
Brine	6,070.72	5,899.62	23,205.87	21,547.33	7.70%
Trace Minerals	0.00	0.00	0.00	0.00	--
Rental					
Oil and Gas Leases	61,563.60	70,290.30	300,073.72	580,040.96	-48.27%
Other	300.00	300.00	1,500.00	1,950.00	-23.08%
Sale of Sand, Gravel, Etc.	2,088.00	0.00	8,477.75	1,151.10	636.49%
Total University Lands Receipts Before Bonuses	<u>8,897,557.70</u>	<u>10,867,136.96</u>	<u>34,266,325.65</u>	<u>24,005,041.23</u>	<u>42.75%</u>
Bonuses					
Oil and Gas Lease Sales	0.00	0.00	0.00	2,160,415.16	--
Amendments and Extensions to Mineral Leases	<u>66,674.76</u>	<u>(5,958.56)</u>	<u>83,822.64</u>	<u>160.00</u>	<u>--</u>
Total University Lands Receipts	<u>8,964,232.46</u>	<u>10,861,178.40</u>	<u>34,350,148.29</u>	<u>26,165,616.39</u>	<u>31.28%</u>
Gain or (Loss) on Sale of Securities	<u>(18,625,936.37)</u>	<u>(1,605,080.77)</u>	<u>(51,574,455.59)</u>	<u>26,749,721.59</u>	<u>-292.80%</u>
TOTAL CLEARANCES	<u>\$ (9,661,703.91)</u>	<u>\$ 9,256,097.63</u>	<u>\$ (17,224,307.30)</u>	<u>\$ 52,915,337.98</u>	<u>-132.55%</u>

Oil and Gas Development - December 31, 1990

Acreage Under Lease - 659,850

Number of Producing Acres - 538,343

Number of Producing Leases - 2,144

II. COMMON TRUST FUND

U. T. System: Recommendation to Increase the Annual Guideline Distribution Amount Per Unit of The University of Texas System Common Trust Fund Effective September 1, 1991.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Asset Management that the annual guideline distribution amount per unit for The University of Texas System Common Trust Fund be increased from 17¢ per unit to 17.5¢ per unit as of September 1, 1991.

BACKGROUND INFORMATION

The Charter of the U. T. System Common Trust Fund states that the per unit distribution amount of the Common Trust Fund shall be the lesser of (a) the per unit cash income received plus the per unit amount available in an income reserve or (b) the annual guideline amount per unit established by the U. T. Board of Regents.

At the February 1990 meeting, the U. T. Board of Regents established the annual guideline distribution amount per unit at 17¢ per unit effective September 1, 1990. Based on financial reviews of the Common Trust Fund, the increased distribution level should continue to allow the Common Trust Fund to grow at least with the rate of inflation while helping to address the compelling need for revenue to support the purposes of these endowments at the campuses.

III. TRUST AND SPECIAL FUNDS

Gifts, Bequests and Estates

1. U. T. System: Recommendation to Accept Gift to Establish the Richard B. Hamm Endowment.--

RECOMMENDATION

The Chancellor recommends that a \$10,000 gift from Mr. Richard B. Hamm, Tyler, Texas, be accepted to establish the Richard B. Hamm Endowment at the U. T. System.

Ninety percent of the income earned from the endowment will be for the unrestricted use of the Chancellor and his successors. The remaining ten percent of earned income will be reinvested in the endowment corpus.

## BACKGROUND INFORMATION

Mr. Richard B. Hamm, Tyler, Texas, is currently a member of The Chancellor's Council and received his B.B.A. from U. T. Austin in 1950.

2. U. T. Arlington: Recommendation to Accept Gift to Establish the Texas Chapter of the Society of Allied Weight Engineers Undergraduate Scholarship.--

## RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Nedderman that a \$10,000 gift from the Texas Chapter of the Society of Allied Weight Engineers, Inc., Arlington, Texas, be accepted to establish the Texas Chapter of the Society of Allied Weight Engineers Undergraduate Scholarship at U. T. Arlington.

Income earned from the endowment will be awarded to a junior or senior student who has a declared major in Aerospace Engineering and who is a citizen or a permanent resident of the U. S. and a legal resident of the State of Texas. The annual award is intended to be used for tuition and fee payments for the awardee. In the event the amount available for the award exceeds the student's costs for tuition and fees, the additional funds may be made available for books and supplies.

## BACKGROUND INFORMATION

The Society of Allied Weight Engineers (SAWE) is a non-profit organization incorporated in 1941 for the purpose of uniting those involved in Mass Properties Engineering. Throughout its existence, the SAWE has worked with the academic community in a variety of activities including course material development and guest lectures. The purpose of this Scholarship is to involve the Texas Chapter of SAWE with a local university to encourage students pursuing an engineering or technical degree.

3. U. T. Arlington: Recommendation to Accept Specific Bequest and Trust Distribution to Establish The G. Irene Torgerson and Fernando G. Torgerson Graduate Studies Advancement Fund.--

## RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Nedderman that a \$50,000 specific bequest from the Estate of Fernando G. Torgerson, Arlington, Texas, and trust distributions totaling \$30,329.05 from the Gertrude Irene Torgerson Trust for a total of \$80,329.05 be accepted to establish The G. Irene Torgerson and Fernando G. Torgerson Graduate Studies Advancement Fund at U. T. Arlington.



Income earned from the endowment is to be reinvested with no expenditures for a period of five years. Future income will be administered by a committee composed of the President of U. T. Arlington or his or her designated representative, the Vice President for Academic Affairs and the Dean of the Graduate School and will be used to improve the standards of the graduate program and to attract exceptional scholars and faculty for academic programs.

#### BACKGROUND INFORMATION

Dr. Fernando G. Torgerson, deceased, joined U. T. Arlington in 1967 to direct the establishment of the Graduate School of Social Work. Upon his retirement in 1977, he was named the School's first Dean Emeritus.

4. U. T. Austin: Recommendation to Accept Gift, Corporate Matching Funds, and Pledges to Establish the Janet Guthrie Andrews Endowed Presidential Scholarship in English in the College of Liberal Arts.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that a \$4,380 gift from Mr. Bolivar C. Andrews, Houston, Texas, \$8,760 in corporate matching funds from Panhandle Eastern Corporation, Houston, Texas, and \$11,860 in pledges, payable by August 31, 1993, from Mr. Andrews and from corporate matching funds provided by Panhandle Eastern Corporation, Houston, Texas, for a total of \$25,000 be accepted to establish the Janet Guthrie Andrews Endowed Presidential Scholarship in English in the Department of English, College of Liberal Arts, at U. T. Austin.

Income earned from the endowment will be used to award scholarships to qualified students in the Department of English, with preference given to students of English Literature.

#### BACKGROUND INFORMATION

Mr. Bolivar C. Andrews, Houston, Texas, is funding this endowment in honor of his wife, Janet Guthrie Andrews, who attended U. T. Austin in the late 1950s. Mr. Andrews, a partner in the law firm of McGinnis, Lochridge & Kilgore, received his B.A. in 1959 and his LL.B. in 1961 from U. T. Austin. Mr. and Mrs. Andrews are members of The President's Associates.

5. U. T. Austin: Morris and Rita Atlas Family Centennial Professorship in Law in the School of Law - Recommendation to Accept Additional Gift and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that a \$10,000 gift from Mr. Morris Atlas, McAllen, Texas, be accepted for addition to the Morris and Rita Atlas Family Centennial Professorship in Law in the School of Law at U. T. Austin. The funds will be held and administered by The University of Texas Law School Foundation (an external foundation) in accordance with the Regents' Rules and Regulations.

It is further recommended that \$5,000 in matching funds be allocated under The Regents' Endowed Teachers and Scholars Program and used to increase the Professorship. Upon approval of the matching allocation, the U. T. Law School Foundation will transfer this contribution to the U. T. Board of Regents.

#### BACKGROUND INFORMATION

The Morris and Rita Atlas Family Centennial Professorship in Law was established at the August 1983 meeting of the U. T. Board of Regents with gifts and pledges totalling \$100,000 to be held and administered by The University of Texas Law School Foundation.

Mr. Morris Atlas received his B.B.A. in 1948 and his LL.B. in 1950 from U. T. Austin. He is Senior Partner and Managing Partner of the McAllen law firm of Atlas & Hall. He is Trustee Emeritus of the U. T. Law School Foundation and a member of The Chancellor's Council and The President's Associates.

6. U. T. Austin: Recommendation to Accept Gift to Establish the Betty Yarnell Brown Endowed Presidential Scholarship in English in the College of Liberal Arts.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that a \$25,000 gift from Mrs. Barbara Brown Munford, Dallas, Texas, be accepted to establish the Betty Yarnell Brown Endowed Presidential Scholarship in English in the Department of English, College of Liberal Arts, at U. T. Austin.

Income earned from the endowment will be used to award scholarships to undergraduate students in the Department of English. The donor requests that preference be given to undergraduate women who demonstrate intellectual promise and an interest in teaching English at the secondary school level.

## BACKGROUND INFORMATION

Mrs. Barbara Brown Munford, Dallas, Texas, is funding this endowment in memory of her sister, Ms. Betty Yarnell Brown, who received her B.A. in English in 1967 from U. T. Austin. Mrs. Munford, who received her B.A. in Government in 1969 from U. T. Austin, is active in several Dallas civic organizations and is a Life Member of The Ex-Students' Association.

7. U. T. Austin: The Robert W. Calvert Faculty Fellowship in Law in the School of Law - Recommendation to Accept Additional Gift and Transfer of Funds and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--

## RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that a \$10,000 gift from Mr. Robert W. Calvert, Austin, Texas, and a \$5,000 transfer of previously reported gifts from current restricted funds for a total of \$15,000 be accepted for addition to The Robert W. Calvert Faculty Fellowship in Law in the School of Law at U. T. Austin.

It is further recommended that \$5,000 in matching funds be allocated under The Regents' Endowed Teachers and Scholars Program and used to increase the endowment to a total of \$70,000.

## BACKGROUND INFORMATION

Mr. Robert W. Calvert, Austin, Texas, received his LL.B. in 1931 from U. T. Austin and has been named a Distinguished Alumnus. Mr. Calvert served in the Texas House of Representatives from 1933 to 1939 and as Speaker of the House from 1937 to 1939. He also served as Chief Justice of the Texas Supreme Court from 1961 to 1972.

8. U. T. Austin: Recommendation to Accept Gift and Pledge to Establish a Challenge Grant and to Establish the Thrust 2000 Graduate Fellowships.--

## RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that a \$500,000 gift and a \$3,500,000 pledge, payable by August 31, 1995, from an anonymous donor for a total of \$4,000,000 be accepted to establish a challenge grant in the College of Engineering at U. T. Austin. In accordance with the terms of the challenge grant, it is the intent of U. T. Austin to raise \$8,000,000 in private funds and/or

matching funds under The Regents' Endowed Teachers and Scholars Program for a total endowment of \$12,000,000. A recommendation regarding the request for matching funds will be submitted at a later date.

It is further recommended that the funds be used to establish an endowment to be known as the Thrust 2000 Graduate Fellowships in the College of Engineering at U. T. Austin. All funds received for the Thrust 2000 Graduate Fellowships will be deposited to one endowment account with income to be used to support 120 graduate fellowships for doctoral students in the College of Engineering in accordance with the terms and conditions of the challenge grant.

#### BACKGROUND INFORMATION

The purpose of this challenge grant and fund-raising effort is to establish 120 graduate fellowships of \$100,000 each in the College of Engineering. The fellowships are intended to provide individual stipends to teaching assistants, graduate research assistants, or fellowship holders in the College of Engineering at U. T. Austin.

9. U. T. Austin: Gibbs & Ratliff Endowed Mock Trial Competition in the School of Law - Recommendation to Redesignate as the Gibbs & Ratliff Endowed Moot Court Competition.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that the Gibbs & Ratliff Endowed Mock Trial Competition in the School of Law at U. T. Austin be redesignated as the Gibbs & Ratliff Endowed Moot Court Competition.

This recommendation is being made in accordance with the donor's request.

#### BACKGROUND INFORMATION

The Gibbs & Ratliff Endowed Mock Trial Competition was established at the October 1990 meeting of the U. T. Board of Regents. Funding for the endowment is held and administered by The University of Texas Law School Foundation (an external foundation) in accordance with the Regents' Rules and Regulations. The endowment title originally submitted to the U. T. Board of Regents for approval was stated in error.

10. U. T. Austin: Recommendation to Accept Gift, Pledge, and Transfer of Funds to Establish the Eli Goldstein Endowed Presidential Scholarship in Law in the School of Law.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that a \$6,640 gift and a \$23,360 pledge, payable by December 31, 1992, from Mr. Gerald H. Goldstein, San Antonio, Texas, and a \$15,000 transfer of previously reported gifts from current restricted funds for a total of \$45,000 be accepted to establish the Eli Goldstein Endowed Presidential Scholarship in Law in the School of Law at U. T. Austin. Funds in the amount of \$30,000 will be held and administered by The University of Texas Law School Foundation (an external foundation) in accordance with the Regents' Rules and Regulations, and \$15,000 will be held and administered by the U. T. Board of Regents.

Income earned from the endowment will be used to award scholarships to deserving minority students, selected by the Dean of the School of Law or the Dean's designee.

BACKGROUND INFORMATION

Mr. Eli Goldstein received his B.A. in 1932 and his LL.B. in 1933 from U. T. Austin. His son, Gerald H. Goldstein, received his LL.B. from U. T. Austin in 1968 and is an Adjunct Professor in the School of Law.

11. U. T. Austin: Recommendation to Accept Gift to Establish the John W. Halsey, Jr./Diane Shaughnessy Schlecte Endowed Scholarship.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that a \$10,000 gift from Dr. and Mrs. M. Charles Schlecte, Waco, Texas, be accepted to establish the John W. Halsey, Jr./Diane Shaughnessy Schlecte Endowed Scholarship at U. T. Austin.

Income earned from the endowment will be used to provide scholarship support for students in the Colleges of Pharmacy, Natural Sciences, or Engineering. The Office of Student Financial Services will administer scholarship selection and awards.

### BACKGROUND INFORMATION

This endowment is being funded in appreciation for the education Mrs. Diane Shaughnessy Schlecte received from the College of Pharmacy and for the assistance Mr. John W. Halsey, Jr. gave her during her college years. Mrs. Schlecte received her B.S. in Pharmacy from U. T. Austin in 1971. Mr. Halsey received his B.S. in Pharmacy in 1955 from U. T. Austin. He is the Owner/Manager and Chief Pharmacist of John Halsey Drug Stores, Lubbock, Texas.

12. U. T. Austin: Recommendation to Accept Gift and Pledge to Establish the Terrell H. Hamilton Endowed Graduate Fellowship in the College of Natural Sciences.--

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that a \$16,000 gift and a \$34,000 pledge, payable by August 31, 1993, from Ms. Rebecca E. Hamilton, Dallas, Texas, and Mr. Rowan T. Hamilton, Cambridge, Massachusetts, for a total of \$50,000 be accepted to establish the Terrell H. Hamilton Endowed Graduate Fellowship in the Department of Zoology, College of Natural Sciences, at U. T. Austin.

Income earned from the endowment will be used to award one or more fellowships to qualified graduate students in the Department of Zoology.

### BACKGROUND INFORMATION

This endowment is being funded in memory of Ms. Rebecca E. Hamilton's and Mr. Rowan T. Hamilton's father, Dr. Terrell H. Hamilton. Dr. Hamilton retired from U. T. Austin in 1988 as a Professor of Zoology, having served that department for 27 years. He was given a Career Development Award for the five-year interval, 1967 to 1972, by the National Institute of General Medical Science, U. S. Public Health Service. Ms. Rebecca E. Hamilton received her J.D. from U. T. Austin in 1987.

13. U. T. Austin: Viola Smith Hoffman Lectureship in Liberal Arts and Fine Arts in the Colleges of Liberal Arts and Fine Arts - Recommendation to Redesignate as the Viola S. Hoffman and George W. Hoffman Lectureship in Liberal Arts and Fine Arts.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that the Viola Smith Hoffman Lectureship in Liberal Arts and Fine Arts in the Colleges of Liberal Arts and Fine Arts at U. T. Austin be redesignated as the Viola S. Hoffman and George W. Hoffman Lectureship in Liberal Arts and Fine Arts.

This recommendation is being made in accordance with a request from the donor's daughter.

#### BACKGROUND INFORMATION

The Viola Smith Hoffman Lectureship in Liberal Arts and Fine Arts was established at the February 1986 meeting of the U. T. Board of Regents with a gift and pledge totaling \$20,000 from Dr. George W. Hoffman, Austin, Texas. Dr. Hoffman funded the Lectureship in memory of his wife, Viola, who was especially interested in the field of international studies and the history of fine arts and music. Their daughter, Mrs. Jeane Hoffman Pendery, has requested that the endowment be renamed to memorialize both her parents.

Dr. George Hoffman joined the U. T. Austin faculty in 1949 as an assistant professor of geography and became a professor in 1961. He served as Chairman of the Department in 1978 and was appointed Professor Emeritus upon his retirement in 1984.

14. U. T. Austin: John Jeffers Research Chair in Law in the School of Law - Recommendation to Redesignate Income Use.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that income earned from the John Jeffers Research Chair in Law in the School of Law at U. T. Austin be redesignated for exclusive use by the Dean of the School of Law. Appointment of the Dean to the Chair will be in addition to the endowment he or she holds as a faculty member. Income will be used for salary supplementation, research assistants, travel, fringe benefits, and other general support for the Dean.

### BACKGROUND INFORMATION

The John Jeffers Research Chair in Law was established at the December 1989 meeting of the U. T. Board of Regents with gifts and pledges totalling \$666,955 from various donors. Matching funds in the amount of \$333,477.50 from The Regents' Endowed Teachers and Scholars Program were approved for addition to the endowment. Mrs. Susan Jeffers, Houston, Texas, has recently agreed that this endowment, honoring the memory of her husband, would be best utilized by designating it exclusively for the Dean of the School of Law.

15. U. T. Austin: Lloyd A. Jeffress Memorial Fellowship Fund in the College of Liberal Arts - Recommendation to Accept Bequest.--

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that a bequest of twenty percent of the residual Estate of Harl H. Young, Jr., Denver, Colorado, in the amount of \$3,557.30 be accepted for addition to the Lloyd A. Jeffress Memorial Fellowship Fund in the Department of Psychology, College of Liberal Arts, at U. T. Austin.

### BACKGROUND INFORMATION

Dr. Harl H. Young, Jr. received his M.A. in Psychology in 1952 and his Ph.D. in Psychology in 1957 from U. T. Austin. Under the terms of Dr. Young's Last Will and Testament, twenty percent of his residual estate was named to benefit the "Scholarship Fund for Graduate Students in Psychology." The Lloyd A. Jeffress Memorial Fellowship Fund is currently the only endowed Fund which benefits graduate students in psychology.

The Lloyd A. Jeffress Memorial Fellowship Fund was established at the August 1986 meeting of the U. T. Board of Regents with a \$10,000 bequest from the Estate of Lloyd A. Jeffress and a \$29,980.71 transfer of previously reported gifts from current restricted funds for a total of \$39,980.71.



16. U. T. Austin: Recommendation to Accept Gifts to Establish the Margaret B. Kennedy and Ernest C. Kennedy Scholarship in Liberal Arts in the College of Liberal Arts.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that a \$6,635 gift from Mrs. Margaret B. Kennedy, Arlington, Texas, and \$3,365 in gifts from various donors for a total of \$10,000 be accepted to establish the Margaret B. Kennedy and Ernest C. Kennedy Scholarship in Liberal Arts in the College of Liberal Arts at U. T. Austin.

Income earned from the endowment will be used to award scholarships to undergraduate students in the College of Liberal Arts, based on merit and need.

BACKGROUND INFORMATION

Funding for this endowment began with gifts from family and friends of Mr. and Mrs. Kennedy, in recognition of Mrs. Margaret B. Kennedy's ninetieth birthday and in memory of Dr. Ernest C. Kennedy. Mrs. Kennedy received her B.A. in History from U. T. Austin in 1926. Dr. Kennedy received his E.M. in Engineering in 1921 and his M.A. in Mathematics in 1926 from U. T. Austin.

17. U. T. Austin: Recommendation to Accept Gifts to Establish the Charles Ely Lankford Memorial Scholarship Fund in the College of Natural Sciences.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that \$10,000 in gifts from various donors be accepted to establish the Charles Ely Lankford Memorial Scholarship Fund in the Department of Microbiology, College of Natural Sciences, at U. T. Austin.

Income earned from the endowment will be used to provide scholarship support for students in the Department of Microbiology.

BACKGROUND INFORMATION

This endowment is being funded in memory of Dr. Charles Ely Lankford. Dr. Lankford received his B.A. in 1935, his M.A. in 1943, and his Ph.D. in 1948 in Bacteriology from U. T. Austin. He was on the faculty of the U. T. Medical Branch - Galveston from 1940 to 1948, then served on the faculty of

U. T. Austin as an associate professor in the Department of Bacteriology from 1949 to 1955. From 1955 to 1978, he was a professor in the Department of Microbiology. He was then named Professor Emeritus, a title he held until his death in 1989.

18. U. T. Austin: Recommendation to Accept Gift and Corporate Matching Funds to Establish the David A. Lingle Endowed Scholarship in Engineering in the College of Engineering.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that a \$2,500 gift from Mr. David A. Lingle, Midland, Texas, and \$7,500 in corporate matching funds from the Exxon Education Foundation, Florham Park, New Jersey, for a total of \$10,000 be accepted to establish the David A. Lingle Endowed Scholarship in Engineering in the College of Engineering at U. T. Austin.

Income earned from the endowment will be used to provide scholarship support for undergraduate students.

#### BACKGROUND INFORMATION

Mr. David A. Lingle is a financial analyst for Exxon Company, U.S.A., Houston, Texas. He received his B.S.P.E. in 1983 and his M.B.A. in 1985 from U. T. Austin.

19. U. T. Austin: Recommendation to Establish the Margaret McKean Love Chair in Nutrition, Cellular and Molecular Sciences in the College of Natural Sciences with Previously Reserved Matching Funds from The Regents' Endowed Teachers and Scholars Program.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that the Margaret McKean Love Chair in Nutrition, Cellular and Molecular Sciences in the College of Natural Sciences at U. T. Austin be established with \$500,000 in previously reserved matching funds from The Regents' Endowed Teachers and Scholars Program.

Income earned from the endowment will be used to support the Chair.

### BACKGROUND INFORMATION

At the February 1990 meeting of the U. T. Board of Regents, a \$1,000,000 pledge from Houston Endowment Inc., Houston, Texas, was accepted to establish the Ben F. Love Chair in Bank Management in the College of Business Administration and the Graduate School of Business at U. T. Austin. Matching funds of \$500,000 from The Regents' Endowed Teachers and Scholars Program were reserved for designation at a later date. The donor's intent was that the gift honor both Mr. Ben F. Love and his wife, Mrs. Margaret McKean Love. Mrs. Love received her B.A. in Home Economics in 1947 from U. T. Austin. She is a member of The President's Associates and The Chancellor's Council.

20. U. T. Austin: Recommendation to Accept Gifts and Transfer of Funds to Establish the Gilbert I. Low 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 Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that a \$25,000 gift from the law firm of Orgain, Bell & Tucker, Beaumont, Texas, a \$25,000 gift from Mr. Gilbert I. Low, Beaumont, Texas, and a \$25,000 transfer of previously reported gifts from current restricted funds for a total of \$75,000 be accepted to establish the Gilbert I. Low Endowed Presidential Scholarship in Law in the School of Law at U. T. Austin. Funds in the amount of \$50,000 will be held and administered by The University of Texas Law School Foundation (an external foundation) in accordance with the Regents' Rules and Regulations, and \$25,000 will be held and administered by the U. T. Board of Regents.

It is further recommended that \$25,000 in matching funds be allocated under The Regents' Endowed Student Fellowship and Scholarship Program and used to increase the endowment to a total of \$100,000. Upon approval of the matching allocation, the U. T. Law School Foundation will transfer these contributions to the U. T. Board of Regents.

Income earned from the endowment will be used to award scholarships to deserving students, selected at the discretion of the Dean of the School of Law or the Dean's designee, based on merit or need. Preference will be given to student editors of the Texas Law Review.

### BACKGROUND INFORMATION

Mr. Gilbert I. Low, Beaumont, Texas, received his LL.B. in 1960 from U. T. Austin. He is a partner with the law firm of Orgain, Bell & Tucker.

21. U. T. Austin: Recommendation to Accept Gifts to Establish the Rodney W. Ludwig Endowed Scholarship in the College of Engineering.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that \$10,062 in gifts from various donors be accepted to establish the Rodney W. Ludwig Endowed Scholarship in the Department of Civil Engineering, College of Engineering, at U. T. Austin.

Income earned from the endowment will be used to provide scholarship support for junior, senior, or graduate students in the Civil Engineering or Architectural Engineering degree program.

BACKGROUND INFORMATION

The Rodney W. Ludwig Endowed Scholarship in the College of Engineering is being funded in memory of Mr. Rodney W. Ludwig by his widow, Mrs. Betty H. Ludwig, San Antonio, Texas, friends and family. Mr. Ludwig received his B.S. in 1956 and his M.S. in 1957 in Architectural Engineering at U. T. Austin.

22. U. T. Austin: The Michener 1990 Charitable Trust - Recommendation to Approve Distribution of Income.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that the U. T. Board of Regents, as Trustee of The Michener 1990 Charitable Trust at U. T. Austin, approve income distributions for the 1990-91 academic year as follows:

- a. The University of Iowa: \$16,000 for two Paul Engle Fellowships
- b. The University of Houston: \$8,000 for the Donald Barthelme Fellowship.

BACKGROUND INFORMATION

At its August 1990 meeting, the U. T. Board of Regents accepted a gift and pledge from Mr. and Mrs. James A. Michener to establish The Michener 1990 Charitable Trust at U. T. Austin and accepted appointment as Trustee of the Trust. The Trust provides that all income of the Trust is to be paid out, at least annually, to one or more institutions of higher education which conduct established writing

programs. The donative instrument provides that recommendations related to potential institutional recipients will be forwarded to the Trustee by the President of U. T. Austin. President Cunningham joins in the recommendation of U. T. Austin's Texas Center for Writers that the established writing programs at The University of Iowa and The University of Houston receive Trust income distributions for 1990-91. U. T. Austin and other U. T. System component institutions are not eligible to receive trust income during the term of the Trust, but upon termination of the Trust (ten years after the date of death of the second to die of Mr. and Mrs. James A. Michener), the entire corpus is to be distributed to the U. T. Board of Regents for the benefit of U. T. Austin.

Beginning with the 1991-92 academic year, the recommendation with respect to annual distribution will be made prior to September of each year.

23. U. T. Austin: Recommendation to Accept Gifts to Establish the Wes Ogden Memorial Scholarship in Geophysics in the College of Natural Sciences.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that a \$4,800 gift from Mr. William W. Ogden, Jr., Houston, Texas, and \$5,965 in gifts from various donors for a total of \$10,765 be accepted to establish the Wes Ogden Memorial Scholarship in Geophysics in the Department of Geological Sciences, College of Natural Sciences, at U. T. Austin.

Income earned from the endowment will be used to provide scholarships for either undergraduate or graduate students majoring in geophysics in the Department of Geological Sciences. Recipients will be selected on the basis of merit and financial need, with preference given to students who express interest in practical applications of their geophysical training within the oil and gas industry.

#### BACKGROUND INFORMATION

This endowment is being funded in memory of Mr. W. Wesley (Wes) Ogden who received his B.A. in Mathematics in 1937 from U. T. Austin. He retired from Shell Oil Company with forty years of service in mid-continent exploration. Mr. Ogden opened a private geophysical consulting service after his retirement from Shell Oil Company. His son, William W. Ogden, Jr., received his B.A. in Mathematics in 1973 and his J.D. in 1977 from U. T. Austin.



24. U. T. Austin: Recommendation to Accept Gift and Pledge to Establish The Ben H. and Kitty King Powell Chair in Business and Commercial Law in the School of Law and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that a \$60,000 gift and a \$440,000 pledge, payable by August 31, 1994, from the Powell Foundation, Houston, Texas, for a total of \$500,000 be accepted to establish The Ben H. and Kitty King Powell Chair in Business and Commercial Law in the School of Law at U. T. Austin. The funds will be held and administered by The University of Texas Law School Foundation (an external foundation) in accordance with the Regents' Rules and Regulations.

It is further recommended that \$195,000 in matching funds be allocated under The Regents' Endowed Teachers and Scholars Program and used to increase the Chair. Upon approval of the matching allocation, the U. T. Law School Foundation will transfer these contributions to the U. T. Board of Regents.

Income earned from the endowment will be used to support the Chair.

BACKGROUND INFORMATION

The Powell Foundation, Houston, Texas, is funding this endowment in memory of Mr. Benjamin H. Powell, Jr., who received his LL.B. in 1939 from U. T. Austin, and to honor Mrs. Kitty King Corbett Powell, who received her B.A. in 1938 from U. T. Austin. Mr. Powell was a member of The Chancellor's Council and The President's Associates and a Life Member of The Ex-Students' Association. Mrs. Powell is also a member of The Chancellor's Council.

25. U. T. Austin: Tom Sealy Centennial Research Professorship in Energy Law and the Tom Sealy Centennial Research Professorship in Energy Law (No. 2) in the School of Law - Recommendation to Redesignate as the Tom Sealy Centennial Research Professorship in Energy and Environmental Law and the Tom Sealy Centennial Research Professorship in Energy and Environmental Law (No. 2).--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that the Tom Sealy Centennial Research Professorship in Energy Law and the Tom Sealy Centennial Research Professorship in Energy Law (No. 2) in the School of Law at U. T. Austin be redesignated as the Tom Sealy Centennial Research

Professorship in Energy and Environmental Law and the Tom Sealy Centennial Research Professorship in Energy and Environmental Law (No. 2).

This recommendation is being made in accordance with the donor's request.

#### BACKGROUND INFORMATION

At the request of The University of Texas Law School Foundation (an external foundation), the Tom Sealy Centennial Research Professorship in Energy Law was established at the April 1982 meeting of the U. T. Board of Regents with a \$100,000 gift from the Atlantic Richfield Foundation, Los Angeles, California. The funds for the Professorship are held and administered by The University of Texas Law School Foundation. Matching funds from The Centennial Teachers and Scholars Program in the amount of \$100,000 were approved to establish the Tom Sealy Centennial Research Professorship in Energy Law (No. 2). The matching allocation is held and administered by the U. T. Board of Regents.

26. U. T. Austin: Recommendation to Accept Gift to Establish the Helen and Milton Smith/Moshana Foundation Endowed Presidential Scholarship.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that a \$25,000 gift from the Moshana Foundation, Austin, Texas, be accepted to establish the Helen and Milton Smith/Moshana Foundation Endowed Presidential Scholarship at U. T. Austin.

Income earned from the endowment will be used to provide scholarship support for a student athlete who will finish his or her academic requirement during his or her fourth or fifth academic year. The Scholarship will be awarded in alternate years to a female athlete and a male athlete.

#### BACKGROUND INFORMATION

Mr. Milton T. Smith, Austin, Texas, serves as Chairman and President of the Moshana Foundation, Austin, Texas, and his wife, Mrs. Helen G. Smith, serves as Secretary and Treasurer of the Moshana Foundation. Mrs. Smith attended the School of Law at U. T. Austin.

27. U. T. Austin: Robert C. Strong, Jr. Memorial Scholarship in the Liberal Arts in the College of Liberal Arts - Recommendation to Amend Scholarship Guidelines.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that the scholarship guidelines for the Robert C. Strong, Jr. Memorial Scholarship in the Liberal Arts in the College of Liberal Arts at U. T. Austin be amended to include undergraduates of any classification who are residents of Shelby County, Texas, and have a 3.0 grade point average. Entering freshmen and transfer students will be given equal consideration with applicants already in residence at U. T. Austin. A student receiving an award in one year shall be given selection preference in the following year, as long as the academic requirement is met. Financial need may be a consideration in recipient selection.

BACKGROUND INFORMATION

The Robert C. Strong, Jr. Memorial Scholarship in the Liberal Arts was established at the August 1988 meeting of the U. T. Board of Regents with \$10,460 in gifts from Mr. and Mrs. R. C. Strong, Joaquin, Texas, and friends. Guidelines approved at that time restricted scholarship eligibility to students who are residents of Shelby County, Texas, are of junior or senior classification, and have at least a 3.0 grade point average. Mr. and Mrs. Strong have requested that the scholarship guidelines be amended in order to make the scholarship available to more students.

28. U. T. Austin: Recommendation to Accept Gift to Establish the Stowbridge Classroom Endowment in the College of Engineering.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that a \$10,000 gift from Mr. and Mrs. Fred J. Stowbridge, Jr., Houston, Texas, be accepted to establish the Stowbridge Classroom Endowment in the College of Engineering at U. T. Austin.

Income earned from the endowment will be used to maintain and improve equipment and for activities and facilities necessary for research and teaching functions in the Petroleum Engineering Building.



BACKGROUND INFORMATION

Mr. Fred J. Strowbridge, Jr. received his B.S. in Chemical Engineering in 1942 from U. T. Austin. Mrs. Lou B. Strowbridge attended U. T. Austin in 1943.

See Item 5 on Page AAC - 8 related to naming a room in the Petroleum Engineering Building.

29. U. T. Austin: Recommendation to Establish Three Endowments in the College of Engineering; Allocation of Funds from the College of Engineering Challenge Grant; and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that three endowments in the College of Engineering at U. T. Austin be established with a \$218,025 payment on a previously accepted pledge from the T. L. L. Temple Foundation, Lufkin, Texas.

It is further recommended that \$313,950 of previously reserved funds from the College of Engineering Challenge Grant received from an anonymous donor be combined with the \$218,025 pledge payment for a total of \$531,975 to be used to fund the new endowments.

Additionally, it is recommended that \$218,025 in matching funds be allocated under The Regents' Endowed Teachers and Scholars Program and used to further increase the three new endowments to a total of \$750,000.

A list of the three new endowments and their funding structures including, respectively, the Temple Foundation pledge payment, Challenge Grant, and matching funds from The Regents' Endowed Teachers and Scholars Program are set out below:

a.	Temple Foundation Endowed Professorship #2	\$ 72,675 104,650 <u>72,675</u> \$ 250,000
b.	Temple Foundation Endowed Professorship #3	\$ 72,675 104,650 <u>72,675</u> \$ 250,000
c.	Temple Foundation Endowed Professorship #4	\$ 72,675 104,650 <u>72,675</u> \$ 250,000

## BACKGROUND INFORMATION

The T. L. L. Temple Foundation was established in 1962 by Mrs. Georgie Temple Munz, T. L. L. Temple's daughter. Mr. Temple founded Southern Pine Lumber Company in 1894 which became Temple Industries, Inc. The Foundation supports hospitals, education, child welfare, community funds, and libraries.

These endowments are being established under the College of Engineering Challenge for Excellence Program as set out in the Minutes of the June 1988 meeting of the U. T. Board of Regents whereby a challenge grant of \$4,500,000 was accepted from an anonymous donor to enhance and achieve a high level of excellence in the four areas of advanced research and teaching which relate closely to the mission of SEMATECH and the Microelectronics and Computer Technology Corporation (MCC).

A \$1,565,260 pledge from the T. L. L. Temple Foundation was accepted and Challenge Grant funds and matching funds from The Regents' Endowed Teachers and Scholars Program were reserved against the pledge at the August 1989 meeting of the U. T. Board of Regents with allocations to be requested at a later date.

30. U. T. Austin: Recommendation to Accept Gift and Pledge to Establish the Clark W. Thompson, Jr. Chair in Accounting 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 Clark W. Thompson, Jr. Professorship in Accounting Education in the College of Business Administration and the Graduate School of Business.--

## RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that a \$100,000 gift and a \$400,000 pledge, payable by December 31, 1995, from Mr. Clark W. Thompson, Jr., Houston, Texas, for a total of \$500,000 be accepted to establish the Clark W. Thompson, Jr. Chair in Accounting in the College of Business Administration and the Graduate School of Business at U. T. Austin.

Additionally, it is recommended that \$200,000 in matching funds be allocated under The Regents' Endowed Teachers and Scholars Program and used to establish the Clark W. Thompson, Jr. Professorship in Accounting Education in the College of Business Administration and the Graduate School of Business at U. T. Austin.

## BACKGROUND INFORMATION

Mr. Clark W. Thompson, Jr., Houston, Texas, received his B.B.A. in 1947 from U. T. Austin. He is also a member emeritus of the Accounting Advisory Committee and a member of The Chancellor's Council.

31. U. T. Austin: J. Neils Thompson Graduate Fellowship in Structural Engineering in the College of Engineering - Recommendation to Amend Fellowship Guidelines.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that the Fellowship Guidelines for the J. Neils Thompson Graduate Fellowship in Structural Engineering in the Department of Civil Engineering, College of Engineering, at U. T. Austin be amended to include a preference for students who meet one of the following requirements:

- a. Show evidence of having had a course with a substantial engineering ethics component
- b. Show evidence of having fully reviewed the codes of ethics of the National Society of Professional Engineers, the American Society of Civil Engineers, and the Texas Engineers Registration Board
- c. Prepare an essay which reflects that he or she understands the importance of ethical conduct in the practice of Civil Engineering.

#### BACKGROUND INFORMATION

The Centennial Structural Engineering Graduate Fellowship in Civil Engineering was established at the October 1983 meeting of the U. T. Board of Regents. The endowment was redesignated as the J. Neils Thompson Graduate Fellowship in Structural Engineering at the December 1984 meeting of the U. T. Board of Regents. New gifts totalling \$18,248.68 have recently been received honoring J. Neils Thompson and are being added to the endowment.

Mr. J. Neils Thompson, Austin, Texas, received his B.S.C.E. in 1935 and his M.S.C.E. in 1944 from U. T. Austin. Mr. Thompson has served on the faculty at the College of Engineering at U. T. Austin since 1941, where he currently serves as Professor of Civil Engineering. Mr. Thompson has requested the amendment of Fellowship Guidelines pertaining to recipient selection.

32. U. T. Austin: Vinson & Elkins Professorship in Law in the School of Law - Recommendation to Accept Additional Gift and Redesignate as the Vinson & Elkins Chair in Law and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program and Recommendation to Accept Transfer of Funds to Establish Four Endowed Presidential Scholarships in the School of Law.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that a \$400,000 gift from the law firm of Vinson & Elkins, Houston, Texas, be accepted for addition to the Vinson & Elkins Professorship in Law in the School of Law at U. T. Austin and that the Professorship be redesignated as the Vinson & Elkins Chair in Law. The funds will be held and administered by The University of Texas Law School Foundation (an external foundation) in accordance with the Regents' Rules and Regulations.

It is further recommended that \$200,000 in matching funds be allocated under The Regents' Endowed Teachers and Scholars Program and used to increase the endowment for the Chair. Upon approval of the matching allocation, the U. T. Law School Foundation will transfer this contribution to the U. T. Board of Regents.

Additionally, it is recommended that a \$100,000 transfer of previously reported gifts from current restricted funds be accepted to establish four quasi-endowments in the School of Law at U. T. Austin as follows:

- a. Vinson & Elkins Endowed Presidential Scholarship in Advocacy Skills
- b. Vinson & Elkins Endowed Presidential Scholarship in Legal Writing and Research
- c. Vinson & Elkins Endowed Presidential Scholarship in Litigation Research
- d. Vinson & Elkins Endowed Presidential Scholarship in International Law.

Income earned from these endowments will be used, respectively, to provide an award to the Chairperson of the Board of Advocates, the Coordinator of the Teaching Quizmasters, the Editor-in-Chief of the Texas Review of Litigation, and the Editor-in-Chief of the Texas International Law Journal.

#### BACKGROUND INFORMATION

The Vinson, Elkins, Weems and Searls Professorship in Law was established at the May 1968 meeting of the U. T. Board of Regents with a \$100,000 pledge to be held and administered by The University of Texas Law School Foundation. In February 1985, the endowment was redesignated as the Vinson & Elkins Professorship in Law.



The law firm of Vinson & Elkins has previously made contributions to two chairs, two professorships, one visiting professorship, and one Endowed Presidential Scholarship in the School of Law. In recognition of the new gift from Vinson & Elkins, the Dean of the School of Law agreed to allocate funds to establish four new scholarship endowments.

33. U. T. Austin: G. Rollie White Centennial Research Professorship in Law in the School of Law - Recommendation to Accept Additional Gift, Pledge, and Transfer of Funds and to Allocate Funds from the Sheffield Challenge Fund Endowment Program to Redesignate as the G. Rollie White Teaching Excellence Chair in Law and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program for Addition to the Fred and Emily Marshall Wulff Centennial Research Professorship in Law and Redesignate as the Fred and Emily Marshall Wulff Centennial Chair in Law.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that a \$125,000 gift and a \$225,000 pledge, payable by August 31, 1993, from the G. Rollie White Trust, Fort Worth, Texas, and a \$130,000 transfer of previously reported gifts from current restricted funds, to be transferred as the donor's pledge is received, for a total of \$480,000 be accepted for addition to the G. Rollie White Centennial Research Professorship in Law in the School of Law at U. T. Austin. Funds in the amount of \$350,000 will be held and administered by The University of Texas Law School Foundation (an external foundation) in accordance with the Regents' Rules and Regulations, and \$130,000 will be held and administered by the U. T. Board of Regents.

It is further recommended that \$261,250.82 and payments on a \$150,770 promissory note be allocated from the Sheffield Challenge Fund Endowment Program and used to increase the endowment to a total in excess of \$1,000,000 and that the Professorship be redesignated as the G. Rollie White Teaching Excellence Chair in Law.

Additionally, it is recommended that \$328,240.91 in matching funds be allocated under The Regents' Endowed Teachers and Scholars Program and used to increase the Fred and Emily Marshall Wulff Centennial Research Professorship in Law in the School of Law at U. T. Austin and that the Professorship be redesignated as the Fred and Emily Marshall Wulff Centennial Chair in Law. Upon approval of the matching allocation, the U. T. Law School Foundation will transfer the \$125,000 in gifts and the \$225,000 in pledge payments, as received, to the U. T. Board of Regents.

### BACKGROUND INFORMATION

The G. Rollie White Centennial Faculty Fellowship in Law was established at the August 1983 meeting of the U. T. Board of Regents with a \$50,000 pledge to be held and administered by The University of Texas Law School Foundation. Matching funds of \$50,000 from The Centennial Teachers and Scholars Program were allocated to establish the Emily Marshall Wulff Centennial Faculty Fellowship in the School of Law. At the October 1986 meeting of the U. T. Board of Regents, an additional \$50,000 gift from the G. Rollie White Trust was approved and matched with funds from the Sheffield Challenge Fund Endowment Program. The Sheffield Challenge funds were added to the Emily Marshall Wulff Centennial Faculty Fellowship and the Fellowship was redesignated as the Fred and Emily Marshall Wulff Centennial Faculty Fellowship in Law.

At the December 1987 meeting, the U. T. Board of Regents accepted a \$50,000 gift from the G. Rollie White Trust and allocated \$50,000 from the Sheffield Challenge Fund Endowment Program for addition to the Fred and Emily Marshall Wulff Centennial Faculty Fellowship in Law and redesignated it as the Fred and Emily Marshall Wulff Centennial Research Professorship in Law.

34. U. T. Austin: Recommendation to Accept Gifts to Establish the James W. Winkel Memorial Endowed Presidential Scholarship in the College of Business Administration and Eligibility for Matching Funds Under The Regents' Endowed Student Fellowship and Scholarship Program.--

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cunningham that a \$10,000 gift from Mrs. Carol Carpenter Winkel, Midland, Texas, a \$15,000 gift from Mr. and Mrs. Frank H. Carpenter, Jr., Austin, Texas, and \$770 in gifts from various donors for a total of \$25,770 be accepted to establish the James W. Winkel Memorial Endowed Presidential Scholarship in the College of Business Administration at U. T. Austin.

It is further recommended that \$12,885 in matching funds be allocated under The Regents' Endowed Student Fellowship and Scholarship Program and used to increase the endowment to a total of \$38,655.

Income earned from the endowment will be used to award scholarships to qualified students in the College of Business Administration.

### BACKGROUND INFORMATION

This endowment is being funded in memory of Mr. James W. "Jamie" Winkel, who received his B.B.A. in Accounting in 1971 from U. T. Austin. Mr. Winkel was Chief Executive Officer of Clayton W. Williams, Jr., Companies, Midland, Texas, and Chairman of the Board of ClayDesta National Bank, Midland, Texas.

35. U. T. Dallas: Estate of Dr. Robert Plant Armstrong - Recommendation to Establish the Robert Plant Armstrong Endowed Scholarship Fund.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Rutford that the Robert Plant Armstrong Endowed Scholarship Fund at U. T. Dallas be established with a previously approved bequest from the Estate of Dr. Robert Plant Armstrong, Dallas, Texas.

Income earned from the endowment will be used to provide scholarships to students pursuing a major course of study in the humanities.

BACKGROUND INFORMATION

A bequest of approximately \$200,000 from the Estate of Dr. Robert Plant Armstrong was accepted on behalf of the School of Arts and Humanities at U. T. Dallas at the October 1988 meeting of the U. T. Board of Regents. Dr. Armstrong, deceased, served with distinction on the faculty of U. T. Dallas for nearly a decade.

36. U. T. Dallas: Recommendation to Accept Gift to Establish an Endowed Scholarship Fund in the Eric Jonsson School of Engineering and Computer Science.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Rutford that a \$750,000 gift from an anonymous donor be accepted to establish an endowed scholarship fund in the Eric Jonsson School of Engineering and Computer Science at U. T. Dallas. The endowment title will be designated at a later date.

Income earned from the endowment will be used for merit-based scholarships, awarded to undergraduate or graduate students majoring in engineering, based on academic achievement.

BACKGROUND INFORMATION

The purpose of this gift is to enable U. T. Dallas to award scholarships in amounts large enough to attract the very best engineering students, with the emphasis being on the quality of students, rather than the number of scholarships awarded.

37. U. T. Southwestern Medical Center - Dallas: The Abe (Brunky), Morris, and William Zale Distinguished Professorship in Neurology - Recommendation to Accept Additional Gift and Redesignate as The Abe (Brunky), Morris and William Zale Chair in Neurology and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Wildenthal that a \$250,000 gift from The Zale Foundation, Dallas, Texas, be accepted for addition to The Abe (Brunky), Morris, and William Zale Distinguished Professorship in Neurology at the U. T. Southwestern Medical Center - Dallas for a total endowment of \$500,000. It is also recommended that the Professorship be redesignated as The Abe (Brunky), Morris and William Zale Chair in Neurology.

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 \$250,000 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 February 1990 meeting, the U. T. Board of Regents accepted a \$250,000 gift from The Zale Foundation, Dallas, Texas, to honor three brothers of the Zale family. The Zale family has supported the U. T. Southwestern Medical Center - Dallas for many years. They were instrumental in the establishment of the new Zale Lipshy University Hospital.

38. U. T. Medical Branch - Galveston: Recommendation to Accept Gift and Corporate Matching Funds to Establish the Mary Alice Beaver Collerain Dean's Academic Advancement Fund for Nursing Students.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President James that a \$5,000 gift from Mr. Joseph B. Collerain, Houston, Texas, and \$15,000 in corporate matching funds from the Exxon Education Foundation, Florham Park, New Jersey, for a total of \$20,000 be accepted to establish an endowment at the U. T. Medical Branch - Galveston to be named the Mary Alice Beaver Collerain Dean's Academic Advancement Fund for Nursing Students.

Income earned from the endowment will be used to promote academic advancement and excellence among nursing students in both the undergraduate and graduate programs.



### BACKGROUND INFORMATION

Mr. Joseph B. Collerain, Houston, Texas, is funding this endowment in memory of his wife, Mrs. Mary Alice Beaver Collerain. Valedictorian of the U. T. Nursing School - Galveston class of 1938, she served the nursing profession for twenty-five years as a staff nurse and a surgical nursing supervisor.

39. U. T. Health Science Center - Houston: Recommendation to Accept Gifts to Establish the Daniel C. Kamas, D.D.S. Endowed Scholarship Fund.--

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Low that an \$11,348.85 gift from the Greater Houston Dental Society, Houston, Texas, and \$475 in gifts from various donors for a total of \$11,823.85 be accepted to establish the Daniel C. Kamas, D.D.S. Endowed Scholarship Fund at the U. T. Health Science Center - Houston.

Income earned from the endowment will be used to provide two annual scholarships, in an amount not less than \$200 each, one to a female and one to a male freshman dental student who demonstrates financial need, an outstanding scholastic record, and is a qualified Texas resident.

### BACKGROUND INFORMATION

Dr. Daniel C. Kamas, deceased, received his D.D.S. from the U. T. Dental Branch - Houston in 1957. He joined the U. T. Dental Branch - Houston on a part-time basis in 1957 as Clinical Professor of Oral Biomaterials. Dr. Kamas held that position until 1984 when he was appointed Director of Continuing Education on a full-time basis.

As a member of the Greater Houston Dental Society (GHDS), Houston, Texas, and a faculty member of the U. T. Dental Branch - Houston for over 30 years, Dr. Kamas developed a strong relationship with the members of the GHDS. Many of the GHDS members are U. T. Dental Branch - Houston alumni.

40. U. T. Health Science Center - Houston: Recommendation to Accept Gifts to Establish the A. G. McNeese, Jr. Professorship in Ophthalmology and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Low that a \$50,000 gift from the M. D. Anderson Foundation, Houston, Texas, and a \$50,000 gift from the Hermann Eye Fund, Houston, Texas, for a total of \$100,000 be accepted to establish the A. G. McNeese, Jr. Professorship in Ophthalmology at the U. T. Health Science Center - Houston.

It is further recommended that the actual income which will be earned on \$100,000 in gifts 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.

Income earned from the endowment will be used to support the Professorship.

#### BACKGROUND INFORMATION

This endowment is being funded in memory of Mr. A. G. McNeese, Jr., to acknowledge a long and productive association with the Department of Ophthalmology at the U. T. Health Science Center - Houston. Mr. McNeese received his B.A. in 1933 and his LL.B. in 1937 from U. T. Austin. Mr. McNeese served two terms on the U. T. Board of Regents and served as Chairman from 1973 to 1975.

The M. D. Anderson Foundation, Houston, Texas, was established in 1936 to add support for hospitals, homes, and institutions within the State of Texas that care for the sick, young, aged, incompetent, and helpless.

41. U. T. Health Science Center - Houston: Estate of Helen Y. Sherwood, Houston, Texas -- Final Report.--

#### REPORT

The Chancellor reports that the final distribution from the Estate of Helen Y. Sherwood, Houston, Texas, has been received for a total bequest of \$275,705.30 to be used to support research in cardiovascular and arthritic diseases at the U. T. Health Science Center - Houston. The U. T. Board of Regents accepted the initial bequest in May 1980.

### BACKGROUND INFORMATION

Although Mrs. Sherwood had no known affiliation with the U. T. Health Science Center - Houston, she was interested in the discovery of treatments and cures for various diseases as evidenced by her generous bequest.

42. U. T. M.D. Anderson Cancer Center: Recommendation to Accept Gift to Establish the June and Richard Anderson Endowment for Melanoma Research.--

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President LeMaistre that a \$15,000 gift from Mrs. Richard Anderson, Houston, Texas, be accepted to establish the June and Richard Anderson Endowment for Melanoma Research at the U. T. M.D. Anderson Cancer Center.

Income earned from the endowment will be used to support melanoma research under the direction of Dr. Isaiah J. Fidler.

### BACKGROUND INFORMATION

Mrs. Richard Anderson, Houston, Texas, is funding this endowment in memory of her husband, who died of cancer. Mrs. Anderson is a member of The Cancer League, Inc., Houston, Texas, and plans to make future contributions to this endowment.

43. U. T. M.D. Anderson Cancer Center: Recommendation to Accept Transfer of Funds to Establish the Nylene Eckles Professorship in Breast Cancer Research.--

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President LeMaistre that a \$300,000 transfer of previously reported gifts from current restricted funds be accepted to establish a quasi-endowment to be named the Nylene Eckles Professorship in Breast Cancer Research at the U. T. M.D. Anderson Cancer Center.

Income earned from the endowment will be used to support the Professorship.

### BACKGROUND INFORMATION

This endowment is being funded in honor of Dr. Nylene Eckles' outstanding work in the treatment of and research in cancer of the breast. Dr. Eckles, who served for 20 years as a member of the faculty of the U. T. M.D. Anderson Cancer Center, was an Associate Professor of Medicine who specialized in the treatment of breast cancer and was recognized as a leading authority in the field. During her tenure, the U. T. M.D. Anderson Cancer Center received a number of donations in support of the Medical Breast Program which were accumulated in a fund with a current balance in excess of \$300,000 and from which this transfer will be made.

44. U. T. M.D. Anderson Cancer Center: Recommendation to Accept Gift to Establish the Theodore N. Law Endowment for Scientific Achievement.--

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President LeMaistre that a \$1,000,000 gift from Mrs. Caroline Wiess Law, Houston, Texas, be accepted to establish the Theodore N. Law Endowment for Scientific Achievement at the U. T. M.D. Anderson Cancer Center.

Income earned from the endowment will be used to attract and retain the finest young scientists in academic oncology.

### BACKGROUND INFORMATION

Mrs. Caroline Wiess Law, Houston, Texas, is making this gift in memory of her husband, Mr. Theodore N. Law. A long-time supporter of the U. T. M.D. Anderson Cancer Center, he served as a member of the University Cancer Foundation Board of Visitors since 1964 and was a Life Member.

IV. INTELLECTUAL PROPERTY MATTERS

1. U. T. Health Science Center - San Antonio: Recommendation for Approval of Patent License Agreements with Avox Systems, Inc., San Antonio, Texas.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Howe that the U. T. Board of Regents approve two Patent License Agreements for and on behalf of the U. T. Health Science Center - San Antonio with Avox Systems, Inc., San Antonio, Texas, for the licensing of technology for hemoglobin measurement, as set out on Pages L&I 39 - 56.

BACKGROUND INFORMATION

Each of the two license agreements grants Avox Systems, Inc. ("Avox") the exclusive, worldwide, royalty-bearing license to manufacture, have manufactured, use and/or sell products useful for the measurement of hemoglobin developed by A. P. Shepherd, Ph.D., Department of Physiology at the U. T. Health Science Center - San Antonio. One agreement licenses Avox under a pending patent application entitled "Method and Apparatus for Direct Measurement of Hemoglobin Species In Whole Blood," Serial No. 07/313,911 filed February 23, 1989. The other agreement licenses Avox under a pending patent application entitled "A Capillary Tube Hemoglobinometer and Oximeter," Serial No. 304,744 filed January 31, 1989. Under each agreement, Avox will pay a running royalty of five percent (5%) of net sales of licensed products and half of net revenues received from sublicensees.

The terms and conditions of both license agreements are consistent with the Intellectual Property Policy of the U. T. System. However, the agreements are submitted for approval as an agenda item because Professor Shepherd is the president and principal stockholder in Avox as well as a member of the board of directors of Avox. The agreements are the type contemplated by Section 51.912, Texas Education Code, and related provisions of the U. T. System Intellectual Property Policy. Pursuant to Subsections 2.462 and 2.471, Chapter V, Part Two of the Regents' Rules and Regulations, Board approval is necessary for Professor Shepherd's officer and director positions and equity ownership in Avox concurrent with approval of the license agreements between the U. T. Board of Regents and Avox.

## PATENT LICENSE AGREEMENT

THIS AGREEMENT is made by and between the BOARD OF REGENTS (BOARD) OF THE UNIVERSITY OF TEXAS SYSTEM (SYSTEM), an agency of the State of Texas, whose address is 201 West Seventh Street, Austin, Texas 78701, and AVOX SYSTEMS, INC. (LICENSEE), a Texas corporation having a principal place of business located at 15315 Grey Fox, San Antonio, Texas 78255.

### W I T N E S S E T H :

Whereas BOARD owns certain PATENT RIGHTS and TECHNOLOGY RIGHTS related to LICENSED SUBJECT MATTER, which were developed at The University of Texas Health Science Center at San Antonio, a component institution of The University of Texas System;

Whereas BOARD desires to have the LICENSED SUBJECT MATTER developed and used for the benefit of LICENSEE, the inventor, BOARD, and the public as outlined in the Intellectual Property Policy promulgated by the BOARD; and

Whereas LICENSEE wishes to obtain a license from BOARD to practice LICENSED SUBJECT MATTER;

NOW, THEREFORE, in consideration of the mutual covenants and premises herein contained, the parties hereto agree as follows:

### I. EFFECTIVE DATE

This agreement shall be effective as of July 1, 1990, subject to approval by BOARD.

### II. DEFINITIONS

As used in this Agreement, the following terms shall have the meanings indicated:

2.1 LICENSED SUBJECT MATTER shall mean inventions and discoveries covered by PATENT RIGHTS or TECHNOLOGY RIGHTS which is within LICENSED FIELD.

2.2 PATENT RIGHTS shall mean BOARD'S rights in information or discoveries described in patents and/or patent applications, whether domestic or foreign, and all divisions, continuations, continuations-in-part, reissues, reexaminations or extensions thereof, and any letters patent that issue thereon, which name A. P. Shepherd, Ph.D. and John M. Stainke as either sole or joint inventors and which relate to the manufacture, use, or sale of "Method and Apparatus for Direct Measurement of Hemoglobin Species in Whole Blood", as described in the patent application by the same title, Serial No. 07/313,911 filed February 23, 1989.

2.3 TECHNOLOGY RIGHTS shall mean BOARD'S rights in any technical information, know-how, process, procedure, composition, device, method, formula, protocol, technique, software, design, drawing or data relating to "Method and Apparatus for Direct Measurement of Hemoglobin Species in Whole Blood" which is not covered by PATENT RIGHTS but which is necessary for practicing the invention at any time covered by PATENT RIGHTS.

2.4 LICENSED FIELD shall mean all fields of possible use.

2.5 LICENSED TERRITORY shall mean the world.

2.6 LICENSED PRODUCT shall mean products covered by one or more valid claims of letters patent owned by BOARD SOLD by LICENSEE comprising LICENSED SUBJECT MATTER pursuant to this Agreement.

2.7 SALE or SOLD shall mean the transfer or disposition of a LICENSED PRODUCT for value to a party other than LICENSEE or a SUBSIDIARY.

2.8 SUBSIDIARY shall mean any business entity more than 50% owned by LICENSEE, any business entity which owns more than 50% of LICENSEE, or any business entity that is more than 50% owned by a business entity that owns more than 50% of LICENSEE.

2.9 NET SALES shall mean the gross revenues received by LICENSEE from the SALE of LICENSED PRODUCTS less sales and/or use tax actually paid, import and/or export duties actually paid, outbound transportation prepaid or allowed, and amounts allowed or credited due to returns (not to exceed the original billing or invoice amount).

### III. WARRANTY; SUPERIOR-RIGHTS

BOARD represents and warrants its belief that it is the owner of the entire right, title, and interest in and to LICENSED SUBJECT MATTER, and that it has the sole right to grant licenses thereunder, and that it has not knowingly granted licenses thereunder to any other entity that would restrict rights granted hereunder except as stated herein.

### IV. LICENSE

4.1 BOARD hereby grants to LICENSEE a royalty-bearing, exclusive license under LICENSED SUBJECT MATTER to manufacture, have manufactured, use and/or sell LICENSED PRODUCTS and to practice any processes within the LICENSED SUBJECT MATTER within LICENSED TERRITORY for use within LICENSED FIELD. This grant shall be subject to the payment by LICENSEE to BOARD of all consideration as provided in this Agreement, and shall be further subject to rights retained by BOARD to:

(a) Publish the general scientific findings from research related to LICENSED SUBJECT MATTER; and

(b) Use any information contained in LICENSED SUBJECT MATTER for research, teaching, and other noncommercial, educationally-related purposes.

4.2 LICENSEE shall have the right to extend the license granted herein to any SUBSIDIARY provided that such SUBSIDIARY consents to be bound by this Agreement to the same extent as LICENSEE.

4.3 LICENSEE shall have the right to grant sublicenses consistent with this Agreement provided that LICENSEE shall be responsible for the operations of its sublicenses relevant to this Agreement as if such operations were carried out by LICENSEE, including the payment of royalties whether or not paid to LICENSEE by the sublicensee. LICENSEE further agrees to deliver to BOARD a true and correct copy of each sublicense granted by LICENSEE, and any modification or termination thereof, within thirty (30) days after execution, modification, or termination. Upon termination of this Agreement, any and all existing sublicenses granted by LICENSEE shall be assigned to BOARD.

4.4 BOARD shall have the right at any time after four (4) years from the date of this Agreement in the USA, and eight (8) years for the remaining LICENSED TERRITORY, to terminate the exclusivity of the license granted herein in any national political jurisdiction within LICENSED TERRITORY if LICENSEE, within ninety (90) days after written notice from BOARD as to such intended termination of exclusivity, fails to provide written evidence that it has commercialized or is actively attempting to commercialize an invention hereunder within such jurisdiction. BOARD agrees to negotiate in good faith with LICENSEE for adjusting terms under such a non-exclusive arrangement. BOARD shall have the right at any time after five (5) years from the date of this Agreement to terminate the license completely in any national political jurisdiction if LICENSEE, within ninety (90) days after written notice from BOARD of such intended termination, fails to provide written evidence that it has commercialized or is actively attempting to commercialize an invention licensed hereunder within such jurisdiction. Evidence provided by LICENSEE that it has an ongoing and active research, development, manufacturing, marketing, or licensing program as appropriate, directed toward production and sale of products based on the invention disclosed and claimed in PATENTS or incorporating TECHNOLOGY within such jurisdiction shall be deemed satisfactory evidence.



## V. PAYMENTS AND REPORTS

5.1 In consideration of rights granted by BOARD to LICENSEE under this Agreement, LICENSEE agrees to pay BOARD the following:

(a) A nonrefundable license documentation fee in the amount of \$1.00, which shall be due and payable when this Agreement is executed by LICENSEE;

(b) A running royalty equal to five percent (5%) of NET SALES for LICENSED PRODUCTS;

(c) One half of the net revenues received by LICENSEE from any sublicensee.

5.2 LICENSEE shall keep complete and accurate records of its and its sublicensee's SALES and NET SALES of LICENSED PRODUCTS under the license granted in this Agreement in sufficient detail to enable the royalties payable hereunder to be determined. LICENSEE shall permit BOARD or its representatives, at BOARD'S expense, to periodically examine its books, ledgers, and records during regular business hours for the purpose of and to the extent necessary to verify any report required under this Agreement. Such books and records will be preserved for not less than three (3) years from the date of the royalty payment to which they pertain. The results of such examinations will be held in confidence. In the event that the amounts due to BOARD are determined to have been underpaid by more than five percent (5%) calculated on an annual basis, LICENSEE shall pay the cost of such examination, and accrued interest on the unpaid amount at the highest allowable rate.

5.3 Once per year LICENSEE shall deliver to BOARD a true and accurate report, giving such particulars of the business conducted by LICENSEE and its sublicensees, if any exist, during the preceding twelve (12) calendar months under this Agreement as are pertinent to an account for payments hereunder. Such report shall include at least (a) the quantities of LICENSED SUBJECT MATTER that it has produced; (b) the total SALES; (c) the calculation of royalties thereon; and (d) the total royalties so computed and due BOARD. Simultaneously with the delivery of each such report, LICENSEE shall pay to BOARD the amount, if any, due for the period of such report. If no payments are due, it shall be so reported.

5.4 Upon the request of BOARD but not more often than once per calendar year, LICENSEE shall deliver to BOARD a written report as to LICENSEE'S efforts and accomplishments during the preceding year in commercializing LICENSED SUBJECT MATTER in various parts of the LICENSED TERRITORY and its commercialization plans for the upcoming year.

5.5 All reports provided under paragraphs 5.3 and 5.4 shall be held in confidence except to the extent that disclosure is required by law.

5.6 All amounts payable hereunder by LICENSEE shall be payable in United States funds without deductions for taxes, assessments, fees, or charges of any kind other than elsewhere provided in this Agreement. Checks shall be made payable to BOARD OF REGENTS, The University of Texas System.

5.7 BOARD shall have the responsibility for diligently prosecuting and maintaining any and all patents or patent applications included in PATENT RIGHTS and any additional patents or patent applications deemed advisable by BOARD or requested by LICENSEE covering all or part of the LICENSED SUBJECT MATTER.

5.8 LICENSEE may also request that BOARD obtain patent protection on the LICENSED SUBJECT MATTER in foreign countries. LICENSEE must notify BOARD within ten (10) months (or within four (4) months in the case of design applications) of the filing of the corresponding United States application of its decision to request foreign patents. The absence of a decision in writing from the LICENSEE to BOARD shall be considered an election not to secure foreign rights.

5.9 LICENSEE shall pay the actual out-of-pocket expenses incurred for the filing, prosecuting and maintenance/annuity of all patent applications and patents. LICENSEE shall make such payments either when LICENSEE grants a sublicense for LICENSED SUBJECT MATTER or within 30 days of the first SALE, whichever shall occur first. If LICENSEE notifies BOARD that it does not wish to pay the continuing costs of an application or patent, then BOARD may continue such payment at BOARD'S expense, and LICENSEE shall have no further rights therein.

5.10 LICENSEE'S obligations to underwrite and pay filing, prosecution and maintenance/annuity costs for an application filed at its request shall continue for so long as the License granted by this Agreement remains in effect; provided, however, that the LICENSEE may terminate its future obligations under paragraph 5.9 with respect to any patent application or patent upon three (3) months' written notice to BOARD.

## VI. TERM AND TERMINATION

6.1 The Term of this Agreement shall extend from the Effective Date set forth hereinabove to the full end of the term or terms for which PATENT RIGHTS have not expired and if only TECHNOLOGY RIGHTS are licensed and no PATENT RIGHTS are applicable, for a term of fifteen (15) years.

6.2 This Agreement will earlier terminate:

(a) automatically if LICENSEE shall file bankruptcy or become insolvent and unable to meet its obligations under this Agreement and/or if the business of LICENSEE shall be placed in the hands of a receiver or trustee, whether by voluntary act of LICENSEE or otherwise, and such receiver or trustee is not dismissed within ninety (90) days;

(b) upon ninety (90) days' written notice if LICENSEE shall breach or default on any obligation under this License Agreement; provided, however, LICENSEE may avoid such termination if before the end of such period LICENSEE notifies BOARD that such breach has been cured and states the manner of such cure;

(c) under the provisions of paragraph 4.4 if invoked.

6.3 Upon termination of this Agreement for any cause, nothing herein shall be construed to release either party of any continuing obligation matured prior to the effective date of such termination. LICENSEE may, after the effective date of such termination, sell all LICENSED PRODUCT and parts therefor that it may have on hand, or in the process of manufacture, or in use, or in inventory at the date of termination, provided that it pays earned royalty thereon as provided in this Agreement.

#### VII. INFRINGEMENT BY THIRD PARTIES

7.1 LICENSEE shall have the obligation of enforcing at its expense any patent exclusively licensed hereunder against infringement by third parties and shall be entitled to retain recovery from such enforcement. After recovery of all costs, and provided BOARD provides the assistance covered in paragraph 7.2 below at no cost to LICENSEE, LICENSEE shall pay BOARD the royalty provided in paragraph 5.1(c) on any monetary recovery to the extent that such monetary recovery by LICENSEE is calculated on the basis of a reasonable royalty or actual damages paid by the infringer for the unauthorized making, using or selling of LICENSED PRODUCT. In the event that LICENSEE does not file suit against a substantial infringer of such patents within six (6) months of knowledge thereof, then BOARD shall have the right to enforce any patent licensed hereunder on behalf of itself and LICENSEE and/or reduce the license granted hereunder to non-exclusive.

7.2 In any suit or dispute involving an infringer, the parties shall cooperate fully, and upon the request of the party bringing suit, the other party shall make available to the party bringing suit at reasonable times and under appropriate conditions all relevant personnel, records, papers, information, samples, specimens, and the like which are in its possession.

7.3 In the event a court of competent jurisdiction from which no appeal has or can be taken determines that one or more claims of PATENT RIGHTS is invalid or unenforceable, no royalties shall be due or owing for LICENSED PRODUCTS falling within such invalid or unenforceable claims of PATENT RIGHTS or any patentably indistinct claims as of the date of such decision.

7.4 In the event that the making, having made, using or selling of the LICENSED PRODUCT is determined by a court of competent jurisdiction to infringe one or more claims of a valid subsisting patent owned by a third party, no royalty payments with respect to said product shall be due BOARD from the time such lawsuit is filed.

#### VIII. ASSIGNMENT

This Agreement may not be assigned by LICENSEE without the prior written consent of BOARD.

#### IX. PATENT MARKING

LICENSEE agrees to mark permanently and legibly all products and documentation manufactured or sold by it under this Agreement with such patent notice as may be permitted or required under Title 35, United States Code.

#### X. INDEMNIFICATION

LICENSEE shall hold harmless and indemnify BOARD, SYSTEM, UNIVERSITY, its Regents, officers, employees and agents from and against any claims, demands, or causes of action whatsoever, including without limitation those arising on account of any injury or death of persons or damage to property caused by, or arising out of, or resulting from, the exercise or practice of the license granted hereunder by LICENSEE or its officers, employees, agents, or representatives, except for claims, demands or causes of action arising due to the BOARD'S, SYSTEM'S or UNIVERSITY'S own actions or misrepresentations or the negligence or actions of its officers, employees or agents.

#### XI. USE OF BOARD AND COMPONENT'S NAME

LICENSEE shall not use the name of UNIVERSITY, SYSTEM, BOARD, or Regents without express written consent.

#### XII. GENERAL

12.1 This Agreement constitutes the entire and only agreement between the parties for LICENSED SUBJECT MATTER and all other 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.

12.2 Any notice required by this License Agreement shall be given by prepaid, first class, certified mail, return receipt requested, addressed in the case of BOARD to:

Board of Regents  
The University of Texas System  
201 West 7th Street  
Austin, TX 78701  
ATTENTION: System Intellectual Property Office

or in the case of LICENSEE to:

Avox Systems, Inc.  
15315 Grey Fox  
San Antonio, TX 78255  
ATTENTION: A. P. Shepherd, Ph.D.

or such other addresses as may be given from time to time under the terms of this notice provision.

12.3 LICENSEE shall comply with all applicable federal, state and local laws and regulations in connection with its activities pursuant to this Agreement.

12.4 This License Agreement shall be construed and enforced in accordance with the laws of the United States of America and of the State of Texas.

12.5 Failure of either party to enforce a right under this Agreement shall not act as a waiver of that right or the ability to later assert that right relative to the particular situation involved.

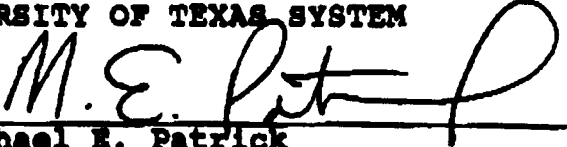
12.6 Headings included herein are for convenience only and shall not be used to construe this Agreement.

12.7 If any provision of this Agreement shall be found by a court to be void, invalid or unenforceable, the same shall be reformed to comply with applicable law or stricken if not so conformable, so as not to affect the validity or enforceability of this Agreement.

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


BOARD OF REGENTS OF THE  
UNIVERSITY OF TEXAS SYSTEM

By

  
Michael E. Patrick  
Executive Vice Chancellor for  
Asset Management

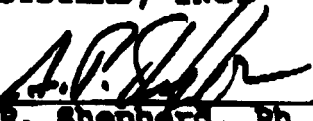
APPROVED AS TO CONTENT:

By

  
R. B. Price  
Executive Vice President  
for Administration and  
Business Affairs

AVOX SYSTEMS, INC.

By

  
A. P. Shepard, Ph.D.  
President

## PATENT LICENSE AGREEMENT

THIS AGREEMENT is made by and between the BOARD OF REGENTS (BOARD) OF THE UNIVERSITY OF TEXAS SYSTEM (SYSTEM), an agency of the State of Texas, whose address is 201 West Seventh Street, Austin, Texas 78701, and AVOX SYSTEMS, INC. (LICENSEE), a Texas corporation having a principal place of business located at 15315 Grey Fox, San Antonio, Texas 78255.

### W I T N E S S E T H :

Whereas BOARD owns certain PATENT RIGHTS and TECHNOLOGY RIGHTS related to LICENSED SUBJECT MATTER, which were developed at The University of Texas Health Science Center at San Antonio, a component institution of The University of Texas System;

Whereas BOARD desires to have the LICENSED SUBJECT MATTER developed and used for the benefit of LICENSEE, the inventor, BOARD, and the public as outlined in the Intellectual Property Policy promulgated by the BOARD; and

Whereas LICENSEE wishes to obtain a license from BOARD to practice LICENSED SUBJECT MATTER;

NOW, THEREFORE, in consideration of the mutual covenants and premises herein contained, the parties hereto agree as follows:

#### I. EFFECTIVE DATE

This agreement shall be effective as of July 1, 1990, subject to approval by BOARD.

#### II. DEFINITIONS

As used in this Agreement, the following terms shall have the meanings indicated:

2.1 LICENSED SUBJECT MATTER shall mean inventions and discoveries covered by PATENT RIGHTS or TECHNOLOGY RIGHTS which is within LICENSED FIELD.

2.2 PATENT RIGHTS shall mean BOARD'S rights in information or discoveries described in patents and/or patent applications, whether domestic or foreign, and all divisions, continuations, continuations-in-part, reissues, reexaminations or extensions thereof, and any letters patent that issue thereon, which name A. P. Shepherd, Ph.D. as either sole or joint inventor and which relate to the manufacture, use, or sale of "A Capillary Tube Hemoglobinometer and Oximeter", as described in the patent application by the same title, Serial No. 304,744 filed January 31, 1989.

2.3 TECHNOLOGY RIGHTS shall mean BOARD'S rights in any technical information, know-how, process, procedure, composition, device, method, formula, protocol, technique, software, design, drawing or data relating to "A Capillary Tube Hemoglobinometer and Oximeter" which is not covered by PATENT RIGHTS but which is necessary for practicing the invention at any time covered by PATENT RIGHTS.

2.4 LICENSED FIELD shall mean all fields of possible use.

2.5 LICENSED TERRITORY shall mean the world.

2.6 LICENSED PRODUCT shall mean products covered by one or more valid claims of letters patent owned by BOARD SOLD by LICENSEE comprising LICENSED SUBJECT MATTER pursuant to this Agreement.

2.7 SALE or SOLD shall mean the transfer or disposition of a LICENSED PRODUCT for value to a party other than LICENSEE or a SUBSIDIARY.

2.8 SUBSIDIARY shall mean any business entity more than 50% owned by LICENSEE, any business entity which owns more than 50% of LICENSEE, or any business entity that is more than 50% owned by a business entity that owns more than 50% of LICENSEE.

2.9 NET SALES shall mean the gross revenues received by LICENSEE from the SALE of LICENSED PRODUCTS less sales and/or use tax actually paid, import and/or export duties actually paid, outbound transportation prepaid or allowed, and amounts allowed or credited due to returns (not to exceed the original billing or invoice amount).

### III. WARRANTY; SUPERIOR-RIGHTS

BOARD represents and warrants its belief that it is the owner of the entire right, title, and interest in and to LICENSED SUBJECT MATTER, and that it has the sole right to grant licenses thereunder, and that it has not knowingly granted licenses thereunder to any other entity that would restrict rights granted hereunder except as stated herein.

### IV. LICENSE

4.1 BOARD hereby grants to LICENSEE a royalty-bearing, exclusive license under LICENSED SUBJECT MATTER to manufacture, have manufactured, use and/or sell LICENSED PRODUCTS and to practice any processes within the LICENSED SUBJECT MATTER within LICENSED TERRITORY for use within LICENSED FIELD. This grant shall be subject to the payment by LICENSEE to BOARD of all consideration as provided in this Agreement, and shall be further subject to rights retained by BOARD to:



(a) Publish the general scientific findings from research related to LICENSED SUBJECT MATTER; and

(b) Use any information contained in LICENSED SUBJECT MATTER for research, teaching, and other noncommercial, educationally-related purposes.

4.2 LICENSEE shall have the right to extend the license granted herein to any SUBSIDIARY provided that such SUBSIDIARY consents to be bound by this Agreement to the same extent as LICENSEE.

4.3 LICENSEE shall have the right to grant sublicenses consistent with this Agreement provided that LICENSEE shall be responsible for the operations of its sublicensee relevant to this Agreement as if such operations were carried out by LICENSEE, including the payment of royalties whether or not paid to LICENSEE by the sublicensee. LICENSEE further agrees to deliver to BOARD a true and correct copy of each sublicense granted by LICENSEE, and any modification or termination thereof, within thirty (30) days after execution, modification, or termination. Upon termination of this Agreement, any and all existing sublicenses granted by LICENSEE shall be assigned to BOARD.

4.4 BOARD shall have the right at any time after four (4) years from the date of this Agreement in the USA, and eight (8) years for the remaining LICENSED TERRITORY, to terminate the exclusivity of the license granted herein in any national political jurisdiction within LICENSED TERRITORY if LICENSEE, within ninety (90) days after written notice from BOARD as to such intended termination of exclusivity, fails to provide written evidence that it has commercialized or is actively attempting to commercialize an invention hereunder within such jurisdiction. BOARD agrees to negotiate in good faith with LICENSEE for adjusting terms under such a non-exclusive arrangement. BOARD shall have the right at any time after five (5) years from the date of this Agreement to terminate the license completely in any national political jurisdiction if LICENSEE, within ninety (90) days after written notice from BOARD of such intended termination, fails to provide written evidence that it has commercialized or is actively attempting to commercialize an invention licensed hereunder within such jurisdiction. Evidence provided by LICENSEE that it has an ongoing and active research, development, manufacturing, marketing, or licensing program as appropriate, directed toward production and sale of products based on the invention disclosed and claimed in PATENTS or incorporating TECHNOLOGY within such jurisdiction shall be deemed satisfactory evidence.

## V. PAYMENTS AND REPORTS

5.1 In consideration of rights granted by BOARD to LICENSEE under this Agreement, LICENSEE agrees to pay BOARD the following:

(a) A nonrefundable license documentation fee in the amount of \$1.00, which shall be due and payable when this Agreement is executed by LICENSEE;

(b) A running royalty equal to five percent (5%) of NET SALES for LICENSED PRODUCTS;

(c) One half of the net revenues received by LICENSEE from any sublicensee.

5.2 LICENSEE shall keep complete and accurate records of its and its sublicensee's SALES and NET SALES of LICENSED PRODUCTS under the license granted in this Agreement in sufficient detail to enable the royalties payable hereunder to be determined. LICENSEE shall permit BOARD or its representatives, at BOARD'S expense, to periodically examine its books, ledgers, and records during regular business hours for the purpose of and to the extent necessary to verify any report required under this Agreement. Such books and records will be preserved for not less than three (3) years from the date of the royalty payment to which they pertain. The results of such examinations will be held in confidence. In the event that the amounts due to BOARD are determined to have been underpaid by more than five percent (5%) calculated on an annual basis, LICENSEE shall pay the cost of such examination, and accrued interest on the unpaid amount at the highest allowable rate.

5.3 Once per year LICENSEE shall deliver to BOARD a true and accurate report, giving such particulars of the business conducted by LICENSEE and its sublicensees, if any exist, during the preceding twelve (12) calendar months under this Agreement as are pertinent to an account for payments hereunder. Such report shall include at least (a) the quantities of LICENSED SUBJECT MATTER that it has produced; (b) the total SALES; (c) the calculation of royalties thereon; and (d) the total royalties so computed and due BOARD. Simultaneously with the delivery of each such report, LICENSEE shall pay to BOARD the amount, if any, due for the period of such report. If no payments are due, it shall be so reported.

5.4 Upon the request of BOARD but not more often than once per calendar year, LICENSEE shall deliver to BOARD a written report as to LICENSEE'S efforts and accomplishments during the preceding year in commercializing LICENSED SUBJECT MATTER in various parts of the LICENSED TERRITORY and its commercialization plans for the upcoming year.

5.5 All reports provided under paragraphs 5.3 and 5.4 shall be held in confidence except to the extent that disclosure is required by law.

5.6 All amounts payable hereunder by LICENSEE shall be payable in United States funds without deductions for taxes, assessments, fees, or charges of any kind other than elsewhere provided in this Agreement. Checks shall be made payable to BOARD OF REGENTS, The University of Texas System.

5.7 BOARD shall have the responsibility for diligently prosecuting and maintaining any and all patents or patent applications included in PATENT RIGHTS and any additional patents or patent applications deemed advisable by BOARD or requested by LICENSEE covering all or part of the LICENSED SUBJECT MATTER.

5.8 LICENSEE may also request that BOARD obtain patent protection on the LICENSED SUBJECT MATTER in foreign countries. LICENSEE must notify BOARD within ten (10) months (or within four (4) months in the case of design applications) of the filing of the corresponding United States application of its decision to request foreign patents. The absence of a decision in writing from the LICENSEE to BOARD shall be considered an election not to secure foreign rights.

5.9 LICENSEE shall pay the actual out-of-pocket expenses incurred for the filing, prosecuting and maintenance/annuity of all patent applications and patents. LICENSEE shall make such payments either when LICENSEE grants a sublicense for LICENSED SUBJECT MATTER or within 30 days of the first SALE, whichever shall occur first. If LICENSEE notifies BOARD that it does not wish to pay the continuing costs of an application or patent, then BOARD may continue such payment at BOARD'S expense, and LICENSEE shall have no further rights therein.

5.10 LICENSEE'S obligations to underwrite and pay filing, prosecution and maintenance/annuity costs for an application filed at its request shall continue for so long as the License granted by this Agreement remains in effect; provided, however, that the LICENSEE may terminate its future obligations under paragraph 5.9 with respect to any patent application or patent upon three (3) months' written notice to BOARD.

## VI. TERM AND TERMINATION

6.1 The Term of this Agreement shall extend from the Effective Date set forth hereinabove to the full end of the term or terms for which PATENT RIGHTS have not expired and if only TECHNOLOGY RIGHTS are licensed and no PATENT RIGHTS are applicable, for a term of fifteen (15) years.

6.2 This Agreement will earlier terminate:

(a) automatically if LICENSEE shall file bankruptcy or become insolvent and unable to meet its obligations under this Agreement and/or if the business of LICENSEE shall be placed in the hands of a receiver or trustee, whether by voluntary act of LICENSEE or otherwise, and such receiver or trustee is not dismissed within ninety (90) days;

(b) upon ninety (90) days' written notice if LICENSEE shall breach or default on any obligation under this License Agreement; provided, however, LICENSEE may avoid such termination if before the end of such period LICENSEE notifies BOARD that such breach has been cured and states the manner of such cure;

(c) under the provisions of paragraph 4.4 if invoked.

6.3 Upon termination of this Agreement for any cause, nothing herein shall be construed to release either party of any continuing obligation matured prior to the effective date of such termination. LICENSEE may, after the effective date of such termination, sell all LICENSED PRODUCT and parts therefor that it may have on hand, or in the process of manufacture, or in use, or in inventory at the date of termination, provided that it pays earned royalty thereon as provided in this Agreement.

## VII. INFRINGEMENT BY THIRD PARTIES

7.1 LICENSEE shall have the obligation of enforcing at its expense any patent exclusively licensed hereunder against infringement by third parties and shall be entitled to retain recovery from such enforcement. After recovery of all costs, and provided BOARD provides the assistance covered in paragraph 7.2 below at no cost to LICENSEE, LICENSEE shall pay BOARD the royalty provided in paragraph 5.1(c) on any monetary recovery to the extent that such monetary recovery by LICENSEE is calculated on the basis of a reasonable royalty or actual damages paid by the infringer for the unauthorized making, using or selling of LICENSED PRODUCT. In the event that LICENSEE does not file suit against a substantial infringer of such patents within six (6) months of knowledge thereof, then BOARD shall have the right to enforce any patent licensed hereunder on behalf of itself and LICENSEE and/or reduce the license granted hereunder to non-exclusive.

7.2 In any suit or dispute involving an infringer, the parties shall cooperate fully, and upon the request of the party bringing suit, the other party shall make available to the party bringing suit at reasonable times and under appropriate conditions all relevant personnel, records, papers, information, samples, specimens, and the like which are in its possession.

7.3 In the event a court of competent jurisdiction from which no appeal has or can be taken determines that one or more claims of PATENT RIGHTS is invalid or unenforceable, no royalties shall be due or owing for LICENSED PRODUCTS falling within such invalid or unenforceable claims of PATENT RIGHTS or any patentably indistinct claims as of the date of such decision.

7.4 In the event that the making, having made, using or selling of the LICENSED PRODUCT is determined by a court of competent jurisdiction to infringe one or more claims of a valid subsisting patent owned by a third party, no royalty payments with respect to said product shall be due BOARD from the time such lawsuit is filed.

#### VIII. ASSIGNMENT

This Agreement may not be assigned by LICENSEE without the prior written consent of BOARD.

#### IX. PATENT MARKING

LICENSEE agrees to mark permanently and legibly all products and documentation manufactured or sold by it under this Agreement with such patent notice as may be permitted or required under Title 35, United States Code.

#### X. INDEMNIFICATION

LICENSEE shall hold harmless and indemnify BOARD, SYSTEM, UNIVERSITY, its Regents, officers, employees and agents from and against any claims, demands, or causes of action whatsoever, including without limitation those arising on account of any injury or death of persons or damage to property caused by, or arising out of, or resulting from, the exercise or practice of the license granted hereunder by LICENSEE or its officers, employees, agents, or representatives, except for claims, demands or causes of action arising due to the BOARD'S, SYSTEM'S or UNIVERSITY'S own actions or misrepresentations or the negligence or actions of its officers, employees or agents.

#### XI. USE OF BOARD AND COMPONENT'S NAME

LICENSEE shall not use the name of UNIVERSITY, SYSTEM, BOARD, or Regents without express written consent.

#### XII. GENERAL

12.1 This Agreement constitutes the entire and only agreement between the parties for LICENSED SUBJECT MATTER and all other 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.

12.2 Any notice required by this License Agreement shall be given by prepaid, first class, certified mail, return receipt requested, addressed in the case of BOARD to:

Board of Regents  
The University of Texas System  
201 West 7th Street  
Austin, TX 78701  
ATTENTION: System Intellectual Property Office

or in the case of LICENSEE to:

Avox Systems, Inc.  
15315 Grey Fox  
San Antonio, TX 78255  
ATTENTION: A. P. Shepherd, Ph.D.

or such other addresses as may be given from time to time under the terms of this notice provision.

12.3 LICENSEE shall comply with all applicable federal, state and local laws and regulations in connection with its activities pursuant to this Agreement.

12.4 This License Agreement shall be construed and enforced in accordance with the laws of the United States of America and of the State of Texas.

12.5 Failure of either party to enforce a right under this Agreement shall not act as a waiver of that right or the ability to later assert that right relative to the particular situation involved.

12.6 Headings included herein are for convenience only and shall not be used to construe this Agreement.

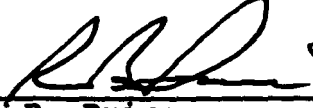
12.7 If any provision of this Agreement shall be found by a court to be void, invalid or unenforceable, the same shall be reformed to comply with applicable law or stricken if not so conformable, so as not to affect the validity or enforceability of this Agreement.

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

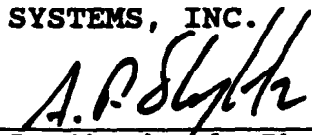
BOARD OF REGENTS OF THE  
UNIVERSITY OF TEXAS SYSTEM

By \_\_\_\_\_  
Michael E. Patrick  
Executive Vice Chancellor for  
Asset Management

APPROVED AS TO CONTENT:

By  \_\_\_\_\_  
R. B. Price  
Executive Vice President  
for Administration and  
Business Affairs

AVOX SYSTEMS, INC.

By  \_\_\_\_\_  
A. P. Shepherd, Ph.D.  
President

2. U. T. Health Science Center - San Antonio: Recommendation for Approval of Patent License Agreement with Kendall Labs Inc., Boerne, Texas.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Howe that the U. T. Board of Regents approve a Patent License Agreement for and on behalf of the U. T. Health Science Center - San Antonio with Kendall Labs Inc., Boerne, Texas, for the licensing of hemacytometer technology, as set out on Pages L&I 58 - 64.

#### BACKGROUND INFORMATION

The license agreement grants Kendall Labs Inc. a royalty-bearing, non-exclusive, worldwide license to manufacture, have manufactured, use, and sell hemacytometer devices that are the subject of U. S. Patent No. 4,950,455 granted to the U. T. Board of Regents on August 21, 1990. The term of the agreement is two years. The hemacytometer was developed by Kendall O. Smith, Ph.D., Department of Microbiology at the U. T. Health Science Center - San Antonio.

Kendall Labs Inc. will pay a royalty of six percent (6%) of its net sales of the licensed product after its sales reach approximately \$100,000 (the estimated cost of development of the commercial prototype). The primary market for the hemacytometer in the United States is the veterinary trade. More extensive use is anticipated in developing countries where state-of-the-art hospital equipment is not available.

The terms and conditions of the license agreement are consistent with the Intellectual Property Policy of the U. T. System. However, the agreement is submitted for approval as an agenda item because Professor Smith is the president and principal stockholder in Kendall Labs Inc. as well as a member of the board of directors of the company. The agreement is the type contemplated by Section 51.912, Texas Education Code, and related provisions of the U. T. System Intellectual Property Policy. Pursuant to Subsections 2.462 and 2.471, Chapter V, Part Two of the Regents' Rules and Regulations, Board approval is necessary for Professor Smith's officer and director positions and equity ownership in Kendall Labs Inc. concurrent with approval of the license agreement between the U. T. Board of Regents and Kendall Labs Inc.

The license agreement is non-exclusive and is limited to two years for several reasons: FDA approval is required; the device must be manufactured on large scale to establish its usefulness in the marketplace; and efforts are being made to find a larger entity to manufacture and market the device. In the meantime, Kendall Labs Inc. will market the device in Third World countries where there is a substantial need for it.



## PATENT LICENSE AGREEMENT

THIS AGREEMENT is made by and between the BOARD OF REGENTS (BOARD) OF THE UNIVERSITY OF TEXAS SYSTEM (SYSTEM), an agency of the State of Texas, whose address is 201 West Seventh Street, Austin, Texas 78701, and KENDALL LABS INC. (LICENSEE), a Texas corporation having a principal place of business located at 102 Fabra Road, Boerne, Texas 78006.

### W I T N E S S E T H :

Whereas BOARD owns certain PATENT RIGHTS and TECHNOLOGY RIGHTS related to LICENSED SUBJECT MATTER;

Whereas BOARD desires to have the LICENSED SUBJECT MATTER developed and used for the benefit of LICENSEE, the inventor, BOARD, and the public as outlined in the Intellectual Property Policy promulgated by the BOARD; and

Whereas LICENSEE wishes to obtain a license from BOARD to practice LICENSED SUBJECT MATTER;

NOW, THEREFORE, in consideration of the mutual covenants and premises herein contained, the parties hereto agree as follows:

### I. EFFECTIVE DATE

This agreement shall be effective as of January 1, 1991, subject to approval by BOARD.

### II. DEFINITIONS

As used in this Agreement, the following terms shall have the meanings indicated:

2.1 LICENSED SUBJECT MATTER shall mean inventions and discoveries covered by PATENT RIGHTS or TECHNOLOGY RIGHTS which is within LICENSED FIELD.

2.2 PATENT RIGHTS shall mean BOARD'S rights in information or discoveries described in patents and/or patent applications, whether domestic or foreign, and all divisions, continuations, continuations-in-part, reissues, reexaminations or extensions thereof, and any letters patent that issue thereon, which names Kendall O. Smith, Ph.D. as either sole or joint inventor and which relates to the manufacture, use, or sale of "Apparatus for Quantifying Components in Liquid Samples", as described in U.S. Patent No. 4,950,455.

2.3 TECHNOLOGY RIGHTS shall mean BOARD'S rights in any technical information, know-how, process, procedure, composition, device, method, formula, protocol, technique, software, design,

drawing or data relating to "Apparatus for Quantifying Components in Liquid Samples" which is not covered by PATENT RIGHTS but which is necessary for practicing the invention at any time covered by PATENT RIGHTS.

2.4 LICENSED FIELD shall mean all fields of possible use.

2.5 LICENSED TERRITORY shall mean the world.

2.6 LICENSED PRODUCT shall mean products covered by one or more valid claims of letters patent owned by BOARD SOLD by LICENSEE comprising LICENSED SUBJECT MATTER pursuant to this Agreement.

2.7 SALE or SOLD shall mean the transfer or disposition of a LICENSED PRODUCT for value to a party other than LICENSEE or a SUBSIDIARY.

2.8 SUBSIDIARY shall mean any entity more than 50% owned by LICENSEE, any entity which owns more than 50% of LICENSEE, or any entity that is more than 50% owned by an entity that owns more than 50% of LICENSEE.

2.9 NET SALES shall mean the gross revenues received by LICENSEE from the SALE of LICENSED PRODUCTS less sales and/or use tax actually paid, import and/or export duties actually paid, outbound transportation prepaid or allowed, cost of samples, and amounts allowed or credited due to returns (not to exceed the original billing or invoice amount).

### III. LICENSE

3.1 BOARD hereby grants to LICENSEE a royalty-bearing, non-exclusive license under LICENSED SUBJECT MATTER to manufacture, have manufactured, use and/or sell LICENSED PRODUCTS and to practice any processes within the LICENSED SUBJECT MATTER within LICENSED TERRITORY for use within LICENSED FIELD. This grant shall be subject to the payment by LICENSEE to BOARD of all consideration as provided in this Agreement, and shall be further subject to rights retained by BOARD to:

(a) Publish the general scientific findings from research related to LICENSED SUBJECT MATTER; and

(b) Use any information contained in LICENSED SUBJECT MATTER for research, teaching, and other noncommercial, educationally-related purposes.

3.2 LICENSEE shall have the right to extend the license granted herein to any SUBSIDIARY provided that such SUBSIDIARY consents to be bound by this Agreement to the same extent as LICENSEE.

#### IV. PAYMENTS AND REPORTS

4.1 In consideration of rights granted by BOARD to LICENSEE under this Agreement, LICENSEE agrees to pay BOARD the following:

(a) A nonrefundable license documentation fee in the amount of \$1.00, which shall be due and payable when this Agreement is executed by LICENSEE;

(b) A running royalty equal to zero percent (0%) of NET SALES for LICENSED PRODUCTS up to 300,000 units;

(c) A running royalty equal to six percent (6%) of NET SALES for LICENSED PRODUCTS in excess of 300,000 units.

4.2 LICENSEE shall keep complete and accurate records of its and its sublicensee's SALES and NET SALES of LICENSED PRODUCTS under the license granted in this Agreement in sufficient detail to enable the royalties payable hereunder to be determined. LICENSEE shall permit BOARD or its representatives, at BOARD'S expense, to periodically examine its books, ledgers, and records during regular business hours for the purpose of and to the extent necessary to verify any report required under this Agreement. Such books and records will be preserved for not less than three (3) years from the date of the royalty payment to which they pertain. The results of such examinations will be held in confidence. In the event that the amounts due to BOARD are determined to have been underpaid by more than five percent (5%) calculated on an annual basis, LICENSEE shall pay the cost of such examination, and accrued interest on the unpaid amount at the highest allowable rate.

4.3 LICENSEE shall deliver to BOARD a true and accurate report, giving such particulars of the business conducted by LICENSEE during the preceding twelve (12) calendar months under this Agreement as are pertinent to an account for payments hereunder. Such report shall include at least (a) the quantities of LICENSED SUBJECT MATTER that it has produced; (b) the total SALES; (c) the calculation of royalties thereon; and (d) the total royalties so computed and due BOARD. Simultaneously with the delivery of each such report, LICENSEE shall pay to BOARD the amount, if any, due for the period of such report. If no payments are due, it shall be so reported.

4.4 Upon the request of BOARD but not more often than once per calendar year, LICENSEE shall deliver to BOARD a written report as to LICENSEE'S efforts and accomplishments during the preceding year in commercializing LICENSED SUBJECT MATTER in various parts of the LICENSED TERRITORY and its commercialization plans for the upcoming year.

4.5 All reports provided under paragraphs 4.3 and 4.4 shall be held in confidence except to the extent that disclosure is required by law.

4.6 All amounts payable hereunder by LICENSEE shall be payable in United States funds without deductions for taxes, assessments, fees, or charges of any kind other than elsewhere provided in this Agreement. Checks shall be made payable to BOARD OF REGENTS, The University of Texas System.

4.7 BOARD shall have the responsibility for diligently prosecuting and maintaining any and all patents or patent applications included in PATENT RIGHTS.

#### V. TERM AND TERMINATION

5.1 The Term of this Agreement shall extend from the Effective Date set forth hereinabove for a term of two (2) years.

5.2 This Agreement will earlier terminate:

(a) automatically if LICENSEE shall file bankruptcy or become insolvent and unable to meet its obligations under this Agreement and/or if the business of LICENSEE shall be placed in the hands of a receiver or trustee, whether by voluntary act of LICENSEE or otherwise, and such receiver or trustee is not dismissed within ninety (90) days;

(b) upon ninety (90) days' written notice if LICENSEE shall breach or default on any obligation under this License Agreement; provided, however, LICENSEE may avoid such termination if before the end of such period LICENSEE notifies BOARD that such breach has been cured and states the manner of such cure.

5.3 Upon termination of this Agreement for any cause, nothing herein shall be construed to release either party of any continuing obligation matured prior to the effective date of such termination. LICENSEE may, after the effective date of such termination, sell all LICENSED PRODUCT and parts therefor that it may have on hand, or in the process of manufacture, or in use, or in inventory at the date of termination, provided that it pays earned royalty thereon as provided in this Agreement.

#### VI. INFRINGEMENT BY THIRD PARTIES

6.1 In any suit or dispute involving an infringer, the parties shall cooperate fully, and upon the request of the party bringing suit, the other party shall make available to the party bringing suit at reasonable times and under appropriate conditions all relevant personnel, records, papers, information, samples, specimens, and the like which are in its possession.

6.2 In the event a court of competent jurisdiction from which no appeal has or can be taken determines that one or more claims of PATENT RIGHTS is invalid or unenforceable, no royalties shall be due or owing for LICENSED PRODUCTS falling within such invalid or unenforceable claims of PATENT RIGHTS or any patentably indistinct claims as of the date of such decision.

6.3 In the event that the making, having made, using or selling of the LICENSED PRODUCT is determined by a court of competent jurisdiction to infringe one or more claims of a valid subsisting patent owned by a third party, no royalty payments with respect to said product shall be due BOARD from the time such lawsuit is filed.

#### VII. ASSIGNMENT

This Agreement may not be assigned by LICENSEE without the prior written consent of BOARD.

#### VIII. PATENT MARKING

LICENSEE agrees to mark permanently and legibly all products and documentation manufactured or sold by it under this Agreement with such patent notice as may be permitted or required under Title 35, United States Code.

#### IX. INDEMNIFICATION

LICENSEE shall hold harmless and indemnify BOARD, SYSTEM, UNIVERSITY, its Regents, officers, employees and agents from and against any claims, demands, or causes of action whatsoever, including without limitation those arising on account of any injury or death of persons or damage to property caused by, or arising out of, or resulting from, the exercise or practice of the license granted hereunder by LICENSEE or its officers, employees, agents, or representatives, except for claims, demands or causes of action arising due to the BOARD'S, SYSTEM'S or UNIVERSITY'S own actions or misrepresentations or the negligence or actions of its officers, employees or agents.

#### X. USE OF BOARD AND COMPONENT'S NAME

LICENSEE shall not use the name of UNIVERSITY, SYSTEM, BOARD, or Regents without express written consent.

#### XI. GENERAL

11.1 This Agreement constitutes the entire and only agreement between the parties for LICENSED SUBJECT MATTER and all other 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.

11.2 Any notice required by this License Agreement shall be given by prepaid, first class, certified mail, return receipt requested, addressed in the case of BOARD to:

Board of Regents  
The University of Texas System  
201 West 7th Street  
Austin, TX 78701  
ATTENTION: System Intellectual Property Office

or in the case of LICENSEE to:

Kendall Labs Inc.  
102 Fabra  
Boerne, TX 78006  
ATTENTION: Kendall O Smith, Ph.D.

or such other addresses as may be given from time to time under the terms of this notice provision.

11.3 LICENSEE shall comply with all applicable federal, state and local laws and regulations in connection with its activities pursuant to this Agreement.

11.4 This License Agreement shall be construed and enforced in accordance with the laws of the United States of America and of the State of Texas.

11.5 Failure of either party to enforce a right under this Agreement shall not act as a waiver of that right or the ability to later assert that right relative to the particular situation involved.

11.6 Headings included herein are for convenience only and shall not be used to construe this Agreement.

11.7 If any provision of this Agreement shall be found by a court to be void, invalid or unenforceable, the same shall be reformed to comply with applicable law or stricken if not so conformable, so as not to affect the validity or enforceability of this Agreement.

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

BOARD OF REGENTS OF THE  
UNIVERSITY OF TEXAS SYSTEM

By \_\_\_\_\_  
Michael E. Patrick  
Executive Vice Chancellor for  
Asset Management

APPROVED AS TO CONTENT:

By \_\_\_\_\_  
R. B. Price  
Executive Vice President  
for Administration and  
Business Affairs

KENDALL LABS INC.

By \_\_\_\_\_  
Kendall O. Smith, Ph.D.  
President and Chairman of the Board

**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 14, 1991

Time: Following the meeting of the Land and  
Investment Committee

Place: Room 1.130, Commons Building  
Balcones Research Center, U. T. Austin

1. Pending and/or Contemplated Litigation - Section 2(e)

U. T. Health Science Center - San Antonio:  
Proposed Settlement of Medical Liability  
Litigation

2. Land Acquisition, Purchase, Exchange, Lease or Value of  
Real Property and Negotiated Contracts for Prospective  
Gifts or Donations - Section 2(f)

U. T. Austin: Consideration of the Nego-  
tiated Acquisition of Approximately  
.5194 Acres of Land in Austin, Travis  
County, Texas

3. Personnel Matters [Section 2(g)] Relating to Appointment,  
Employment, Evaluation, Assignment, Duties, Discipline,  
or Dismissal of Officers or Employees