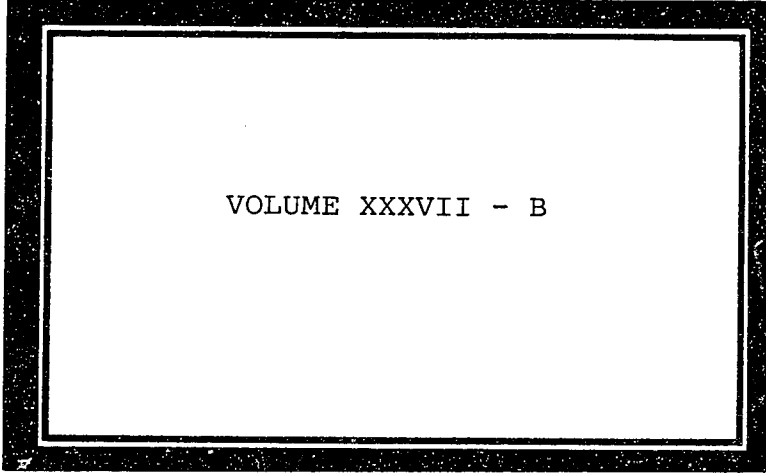


Meeting No. 845

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



VOLUME XXXVII - B

Pages 1 - 89

December 7, 1989

San Antonio, Texas

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 OF
 THE UNIVERSITY OF TEXAS SYSTEM
 DECEMBER 7, 1989
 SAN ANTONIO, TEXAS

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MEETING NO. 845

THURSDAY, DECEMBER 7, 1989.--The members of the Board of Regents of The University of Texas System convened in regular session at 12:00 p.m. on Thursday, December 7, 1989, in Room 1.208 of the Nursing School Building at The University of Texas Health Science Center at San Antonio, San Antonio, Texas, with the following in attendance:

ATTENDANCE.--

<u>Present</u>	<u>Absent</u>
Chairman Beecherl, presiding	
Vice-Chairman Barshop	
Vice-Chairman Roden	
Regent Blanton	
Regent Cruikshank	
Regent Loeffler	
Regent Moncrief	
Regent Ramirez	
Regent Ratliff (excused prior to adjournment)	
Executive Secretary Dilly	
Chancellor Mark	
Executive Vice Chancellor Duncan	
Executive Vice Chancellor Mullins	
Executive Vice Chancellor Patrick	

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

RECESS TO EXECUTIVE SESSION.--Chairman Beecherl announced that the Board would recess to 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 in the Material Supporting the Agenda: litigation, land acquisition and personnel matters.

RECONVENE.--At 1:55 p.m., the Board reconvened in open session.

WELCOME BY JOHN P. HOWE III, M.D., PRESIDENT OF THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT SAN ANTONIO.--Chairman Beecherl stated that the Board was pleased to be meeting in San Antonio and called on John P. Howe III, M.D., President of The University of Texas Health Science Center at San Antonio, for any welcoming remarks on behalf of the host institution.

On behalf of the faculty, staff and students of the U. T. Health Science Center - San Antonio, President Howe welcomed the members of the Board and other guests to San Antonio and to the campus.

U. T. BOARD OF REGENTS: APPROVAL OF MINUTES OF REGULAR MEETING HELD ON OCTOBER 13, 1989.--Upon motion of Regent Ratliff, seconded by Regent Moncrief, the Minutes of the regular meeting of the Board of Regents of The University of Texas System held on October 13, 1989, in Richardson, Texas, were approved as distributed by the Executive Secretary. The official copy of these Minutes is recorded in the Permanent Minutes, Volume XXXVII, Pages 3 - 607.

SPECIAL ITEM

U. T. Board of Regents: Adoption of Resolution Approving and Authorizing Issuance of Permanent University Fund Variable Rate Notes in an Aggregate Principal Amount at Any One Time Outstanding Not to Exceed \$250,000,000 (Except for a Promissory Note Under the Credit Agreement); Approval of an Amended and Restated Credit Agreement with Morgan Guaranty Trust Company, New York, New York; and Reappointment of McCall, Parkhurst & Horton, Dallas, Texas, as Bond Counsel, Goldman Sachs & Co., New York, New York, as Dealer/Remarketing Agent, and Morgan Guaranty Trust Company, New York, New York, as Paying Agent/Registrar.--Chairman Beecherl called on Executive Vice Chancellor for Asset Management Patrick to review the recommendations related to the proposed issuance of Board of Regents of The University of Texas System Permanent University Fund Variable Rate Notes.

Following a detailed presentation, the Board:

- a. Adopted a Resolution (Attachment A)
 1. Amending and restating the Resolution adopted by the Board of Regents of The University of Texas System on December 5, 1985, as amended on December 4, 1986, and on February 11, 1988, establishing an interim financing program for Permanent University Fund capital improvement projects
 2. Approving and authorizing the issuance of notes in an aggregate principal amount at any one time outstanding not to exceed \$250,000,000 except for a promissory note under the credit agreement to refinance principal and accrued interest which may not exceed \$269,000,000
 3. Authorizing such notes to be issued, sold and delivered in various forms, including commercial paper notes, variable rate notes and a revolving note, and prescribing the terms of such instruments
 4. Authorizing certain officers and employees of the U. T. System to act on behalf of the Board in the selling and delivery of such notes and to approve and execute a Paying Agent/Registrar Agreement, a Trust Agreement with the Texas State Treasurer, Official Statements and a Remarketing Agreement within the limitations and procedures specified in the Resolution
 5. Making certain covenants and agreements and resolving other matters related to the issuance, sale, security and delivery of the Notes.

- b. Approved the Amended and Restated Credit Agreement with Morgan Guaranty Trust Company, New York, New York (substantially in the form set forth in Attachment B)

NOTE: Attachments A and B, which were before the Board, are not included in the Minutes but are on file in the Office of the Board of Regents.

- c. Reappointed McCall, Parkhurst & Horton, Dallas, Texas, as Bond Counsel
- d. Reappointed Goldman Sachs & Co., New York, New York, as Dealer/Remarketing Agent
- e. Reappointed Morgan Guaranty Trust Company, New York, New York, as Paying Agent/Registrar.

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 (CIP). 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 the February 1988 meeting, the U. T. Board of Regents increased the aggregate amount of notes outstanding at any one time not to exceed \$125 million.

As of October 31, 1989, there were \$75 million of Permanent University Fund Variable Rate Notes, Series A, outstanding with \$10.8 million of unexpended Note proceeds remaining. It is anticipated that an additional \$191.9 million will be needed through fiscal year 1991 to fund expenditures under the current Capital Improvement Program.

RECESS FOR COMMITTEE MEETINGS AND COMMITTEE REPORTS TO THE BOARD.--At 2:15 p.m., the Board recessed for the meetings of the Standing Committees and Chairman Beecherl announced that at the conclusion of each committee meeting, the Board would reconvene to approve the report and recommendations of that committee.

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

REPORTS AND RECOMMENDATIONS OF STANDING COMMITTEES

REPORT OF EXECUTIVE COMMITTEE (Page 4).--In compliance with Section 7.14 of Chapter I of Part One of the Regents' Rules and Regulations, Chairman Beecherl reported to the Board for ratification and approval all actions taken by the Executive Committee since the last meeting. Unless otherwise indicated, the recommendations of the Executive Committee were in all things approved as set forth below:

1. U. T. Dallas: Approval to Name New Garden Area in Front of the Multipurpose and Engineering Start-Up Facility the Charlotte Bowling Garden (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings) (Exec. Com. Letter 90-3).--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, the Board named the new garden area in front of the Multipurpose and Engineering Start-Up Facility at The University of Texas at Dallas the Charlotte Bowling Garden.

The naming of this garden is in memory of Mrs. Bowling's 25 years of devoted service to U. T. Dallas.

2. U. T. Health Center - Tyler: Transfer of Funds Requiring Advance Regental Approval Under Budget Rules and Procedures No. 2 (Exec. Com. Letter 90-3).--Upon recommendation of the Executive Committee, the Board approved the following transfer of funds at The University of Texas Health Center at Tyler:

Educational and General Funds

Amount of Transfer - \$550,000

From:	Unappropriated Balance via Estimated Income	\$550,000
To:	Institutional Programs:	
	1. Medicare Refund Reserve	\$250,000
	2. Income Enhancement Project	200,000
	3. Clinic Repair, Refurbishing and Renovation	<u>100,000</u>
	Total	<u>\$550,000</u>

(RBC #120)

REPORT AND RECOMMENDATIONS OF THE PERSONNEL AND AUDIT COMMITTEE (Page 5).--Committee Chairman Roden reported that there were no items to be considered by the Personnel and Audit Committee at this meeting.

REPORT AND RECOMMENDATIONS OF THE ACADEMIC AFFAIRS COMMITTEE (Pages 5 - 11).--Committee Chairman Barshop reported that the Academic Affairs Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Academic Affairs Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. Austin: Appointment of Mr. Martin Blumenson as Initial Holder of The Chancellor's Council Visiting Professorship for the Spring Semester 1990 Only, Effective January 16, 1990.--Upon recommendation of the Academic Affairs Committee, the Board appointed Mr. Martin Blumenson, a distinguished military historian, as the initial holder of The Chancellor's Council Visiting Professorship at The University of Texas at Austin for the Spring Semester 1990 only, effective January 16, 1990.

2. U. T. Austin: Approval to Name Room 3.140 in Townes Hall in the School of Law the John Jeffers Courtroom (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings).--In accordance with the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, relating to the naming of facilities other than buildings, approval was given to name Room 3.140 in Townes Hall in the School of Law at The University of Texas at Austin the John Jeffers Courtroom.

The naming of this room is in recognition of the late Mr. John L. Jeffers, Jr. who received his J.D. degree from the U. T. Austin School of Law in 1967 and was a partner in the law firm of Baker & Botts, Houston, Texas.

See Page 31 related to establishment of the John Jeffers Research Chair in Law.

3. U. T. Austin: Authorization to Amend Paragraph 1 of the Resolutions for the Longhorn Foundation of the Department of Intercollegiate Athletics for Men and the Longhorn Associates for Excellence in Women's Athletics Foundation of the Department of Intercollegiate Athletics for Women.--To allow for greater flexibility of foundation support and to expand the permissible use of funds consistent with approved business procedures, the Board amended Paragraph 1 of the resolutions for the Longhorn Foundation of the Department of Intercollegiate Athletics for Men and the Longhorn Associates for Excellence in Women's Athletics Foundation of the Department of Intercollegiate Athletics for Women at The University of Texas at Austin as adopted by the Board in December 1987.

The resolutions, as amended, are set forth in their entirety on Pages 7 - 8.

Resolution of the Board of Regents
of The University of Texas System

WHEREAS, There exists a clear and specific need for means to finance the program of the Department of Intercollegiate Athletics for Men of The University of Texas at Austin, in addition to the regular budgetary provisions; and

WHEREAS, It is the desire of interested persons to set up the facilities to encourage and assist in such financing;

IT IS NOW RESOLVED, That the Board of Regents of The University of Texas System hereby establishes the Longhorn Foundation of the Department of Intercollegiate Athletics for Men of The University of Texas at Austin.

AND FURTHER, That the purpose of the said Foundation shall be to foster the understanding and development of the programs of the Department of Intercollegiate Athletics for Men at The University of Texas at Austin, and to encourage the making of gifts to the Foundation by deed, grant, will or otherwise for any purpose appropriate to the work of the Foundation.

AND FINALLY, That all donations to and assets of the Foundation shall be accepted and managed subject to the following conditions:

1. The funds of the Foundation shall be devoted solely to the enrichment of all men's varsity sports of the Department of Intercollegiate Athletics of The University of Texas at Austin consistent with approved business procedures and National Collegiate Athletic Association requirements.
2. A donation to the Foundation may be made for a specific purpose and may be given in the name of the donor or other designation specified by the donor or may be given as unrestricted funds.
3. The Board of Regents shall hold, manage, control, sell, exchange, lease, convey, mortgage or otherwise encumber, invest or reinvest, and generally shall have the power to dispose of in any manner and for any consideration and on any terms the said gifts, funds, or property in their discretion and shall from time to time pay out of the income, or if the income be insufficient, out of the principal, all expenses of the trust and all expenditures incurred in furthering the purposes of the trust.
4. Neither any donation to the Longhorn Foundation nor any fund or property arising therefrom in whatever form it may take shall ever be any part of the Permanent University Fund nor shall the Legislature have power to be in any way authorized to change the purposes thereof or to divert such donation, fund or property from those designated purposes.
5. As in the case of other funds, authorization for expenditure of all funds from the Foundation shall be vested in the Board of Regents and recommendations for such expenditures shall be made by the President of The University of Texas at Austin to the Office of the Chancellor and by the Office of the Chancellor to the Board of Regents of The University of Texas System.

Resolution of the Board of Regents
of The University of Texas System

WHEREAS, There exists a clear and specific need for means to finance the program of the Department of Intercollegiate Athletics for Women of The University of Texas at Austin, in addition to the regular budgetary provisions; and

WHEREAS, It is the desire of interested persons to set up the facilities to encourage and assist in such financing;

IT IS NOW RESOLVED, That the Board of Regents of The University of Texas System hereby establishes the Longhorn Associates for Excellence in Women's Athletics Foundation of the Department of Intercollegiate Athletics for Women of The University of Texas at Austin.

AND FURTHER, That the purpose of the said Foundation shall be to foster the understanding and development of the programs of the Department of Intercollegiate Athletics for Women at The University of Texas at Austin, and to encourage the making of gifts to the Foundation by deed, grant, will or otherwise for any purpose appropriate to the work of the Foundation.

AND FINALLY, That all donations to and assets of the Foundation shall be accepted and managed subject to the following conditions:

1. The funds of the Foundation shall be devoted solely to the enrichment of all women's varsity sports of the Department of Intercollegiate Athletics for Women of The University of Texas at Austin consistent with approved business procedures and National Collegiate Athletic Association requirements.
2. A donation to the Foundation may be made for a specific purpose and may be given in the name of the donor or other designation specified by the donor or may be given as unrestricted funds.
3. The Board of Regents shall hold, manage, control, sell, exchange, lease, convey, mortgage or otherwise encumber, invest or reinvest, and generally shall have the power to dispose of in any manner and for any consideration and on any terms the said gifts, funds, or property in their discretion and shall from time to time pay out of the income, or if the income be insufficient, out of the principal, all expenses of the trust and all expenditures incurred in furthering the purposes of the trust.
4. Neither any donation to the Longhorn Associates for Excellence in Women's Athletics Foundation nor any fund or property arising therefrom in whatever form it may take shall ever be any part of the Permanent University Fund nor shall the Legislature have power to be in any way authorized to change the purposes thereof or to divert such donation, fund or property from those designated purposes.
5. As in the case of other funds, authorization for expenditure of all funds from the Foundation shall be vested in the Board of Regents and recommendations for such expenditures shall be made by the President of The University of Texas at Austin to the Office of the Chancellor and by the Office of the Chancellor to the Board of Regents of The University of Texas System.

4. U. T. Pan American and U. T. Pan American (Brownsville): Establishment of Student Property Deposit Endowment Funds.--The Board established The University of Texas - Pan American Student Property Deposit Endowment Fund and The University of Texas - Pan American at Brownsville Student Property Deposit Endowment Fund to be funded with proceeds from any student's general property deposits that are unclaimed for four years.

Each Fund will be administered in accordance with the "Policy for Student Deposit Endowment Fund" adopted by the U. T. Board of Regents at its February 1989 meeting, and U. T. Pan American and U. T. Pan American (Brownsville) will be directed to develop an institutional policy related to the administration of these endowment funds, consistent with U. T. Board of Regents' general policy guidelines, for prior administrative approval and inclusion in the institutional Handbook of Operating Procedures.

5. U. T. Pan American (Brownsville): Adoption of Role and Scope Table of Programs and Authorization for Submission to the Coordinating Board for Approval.--The Academic Affairs Committee recommended and the Board adopted the Role and Scope Table of Programs for The University of Texas - Pan American at Brownsville set out on Page 10 and authorized submission to the Texas Higher Education Coordinating Board for approval.

The Role and Scope Table of Programs describes the broad discipline categories (level and range) in which U. T. Pan American (Brownsville) may consider offering degree programs. Approval of specific degree programs must still meet all the appropriate tests of need/demand, cost and quality and are subject to prior approval by the U. T. Board of Regents and the Coordinating Board.

The Table of Programs for U. T. Pan American (Brownsville) will permit the institution to develop several new masters-level programs in the liberal arts to complement its existing masters-level programs in teacher education and business. It will also permit the institution to comply with Section 13.036 of the Texas Education Code which requires students who seek public school teaching certificates to obtain bachelor's degrees with academic majors other than education.

In addition to the complete programs contained in the table for U. T. Pan American (Brownsville), individual courses from programs offered at U. T. Pan American in Edinburg can be taught on the Brownsville campus. As the Brownsville community grows, the need for additional educational services will be met initially by teaching courses from the Edinburg course inventory in Brownsville. Consequently, only a few new complete degree programs other than those in the liberal arts and sciences, business and education are anticipated.

INSTITUTION: U. T. Pan American (Brownsville)

DATE: December 1989

PUBLIC SENIOR COLLEGES AND UNIVERSITIES
TABLE OF PROGRAMS

		Bacc.	Mast.	Doct.	Special Prof.
Agriculture	(01, 02, & 03)				
Arch & Environ Design	(04)				
Area & Ethnic Studies	(05)				
Business	(06, 07, & 08)	1	1		
Communications	(09 & 10)				
Computer and Information Scis	(11)	2			
Education	(13)	1	1		
Engineering	(14)				
Engineering Related Techs	(15)				
Foreign Languages	(16)	3 _A	2 _A		
Allied Health	(17)				
Health Sciences	(18)	2 _B			
Home Economics	(19 & 20)				
Law	(22)				
Letters	(23)	1	2		
Liberal/General Studies	(24)	2 _C			
Library & Archival Sciences	(25)				
Life Sciences	(26)	2 _D			
Mathematics	(27)	2 _E			
Multi/Interdisc Studies	(30)	3 _F	3 _G		
Health Activities	(34)	2 _H	2 _H		
Philosophy	(38)				
Physical Sciences	(40 & 41)	2 _I			
Psychology	(42)	2 _J			
Protective Services	(43)	3 _K			
Public Affairs	(44)	2 _L			
Social Sciences	(45)	1	2		
Trade & Indust	(46, 47, 48 & 49)				
Visual Performing Arts	(50)	2 _M			

Explanation of Codes

- 1 Entire category in role and scope; some programs currently exist.
- 2 Entire category in role and scope, unless limited by footnote; no programs currently exist.
- 3 Only part of the category in role and scope, as defined by footnote; some programs currently exist.

Table of Programs: Footnotes

- A Spanish
- B Nursing
- C Liberal Arts
- D Biology
- E Mathematics
- F Interdisciplinary Studies and combinations of approved programs only
- G Interdisciplinary Studies and combinations of previously approved programs plus MSIS with Mathematics as an area of concentration
- H Kinesiology
- I Chemistry and Physics
- J Psychology
- K Corrections & Police Administration
- L Public Administration
- M Art

6. U. T. San Antonio: Approval to Establish the U. T. San Antonio/San Antonio Alliance for Education and to Accept Related Gift of Assets from Target '90/Goals for San Antonio, San Antonio, Texas.--Following opening remarks by President Designate Kirkpatrick, approval was given to establish The University of Texas at San Antonio/San Antonio Alliance for Education and to accept a related gift of the assets of Target '90/Goals for San Antonio, San Antonio, Texas, a Texas not-for-profit corporation, consisting of office furnishings, equipment and cash assets, with a total value of approximately \$165,000.

The U. T. San Antonio/San Antonio Alliance for Education will be an outreach partnership with local public schools to expand and enhance educational programs and initiatives begun under the Target '90 program in which U. T. San Antonio has been an active participant. The Alliance is consistent with U. T. San Antonio's commitment in the area of teacher preparation. Specific program initiatives of Target '90 have included school/business partnerships, dropout prevention collaboration, science and mathematics collaboration, Project 2061 - science and math education programs and teacher mini grants for classroom innovation projects.

In line with a desire to move Target '90 to a goal-setting rather than a programmatic organization, the Board of Trustees of Target '90 approved a Resolution dated October 31, 1989, transferring all educational fund activities and assets to U. T. San Antonio effective January 1, 1990.

Faculty and staff of the College of Sciences and Engineering and the College of Social and Behavioral Sciences will support the programs of the Alliance. External funding to U. T. San Antonio from governmental agencies, private foundations and businesses will continue to be available through grant proposals from the institution.

REPORT AND RECOMMENDATIONS OF THE HEALTH AFFAIRS COMMITTEE (Pages 12 - 18).--Committee Chairman Blanton reported that the Health Affairs Committee had met in open session to consider those items on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Health Affairs Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. System - Plan for Professional Medical Liability Self-Insurance: Approval to Amend Article VI (Limits of Liability) Effective Immediately.--Upon recommendation of the Health Affairs Committee, the Board amended Article VI (Limits of Liability) of The University of Texas System Plan for Professional Medical Liability Self-Insurance by increasing the annual aggregate for claims to be paid in any annual period from \$10,000,000 to \$15,000,000 effective immediately.

With this amendment, the Limits of Liability Schedule will read as set forth below:

Staff Physician	\$ 400,000 per claim \$ 1,200,000 aggregate per participant
Resident, Intern, Fellow	\$ 100,000 per claim \$ 300,000 aggregate per participant
Student	\$ 25,000 per claim \$ 75,000 aggregate per participant
Annual Aggregate	\$15,000,000

The Self-Insurance Plan is funded by the payment of premiums from the Medical Service, Research and Development Plans (MSRDP) of the health-related components of the U. T. System.

2. U. T. Southwestern Medical Center - Dallas: Johann Deisenhofer, Ph.D., Appointed Initial Holder of the Distinguished Chair in Biomolecular Science Effective Immediately.--The Board appointed Johann Deisenhofer, Ph.D., Investigator at the Howard Hughes Medical Institute and Professor in the Department of Biochemistry, as initial holder of the Distinguished Chair in Biomolecular Science at The University of Texas Southwestern Medical Center at Dallas effective immediately.

Dr. Deisenhofer will retain his appointment as Regental Professor.

See Page 34 related to the establishment of this Chair.

3. U. T. Southwestern Medical Center - Dallas: Authorization to Change the Division of Orthopedic Surgery within the Department of Surgery to the Department of Orthopedic Surgery and to Submit the Proposal to the Coordinating Board for Approval (Catalog Change).--Authorization was given to change the Division of Orthopedic Surgery within the Department of Surgery to the Department of Orthopedic Surgery in the U. T. Southwestern Medical School - Dallas at The University of Texas Southwestern Medical Center at Dallas and to submit the proposal to the Texas Higher Education Coordinating Board for approval. If approved by the Coordinating Board, implementation will occur immediately.

It was noted that neither new nor additional resources beyond those already available to the Division of Orthopedic Surgery will be required.

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

4. U. T. Medical Branch - Galveston: Appointment of Melvyn H. Schreiber, M.D., as Initial Holder of the Robert N. Cooley Distinguished Professorship in Radiology Effective Immediately.--The Health Affairs Committee recommended and the Board approved the appointment of Melvyn H. Schreiber, M.D., Professor and Chairman of the Department of Radiology, as initial holder of the Robert N. Cooley Distinguished Professorship in Radiology at The University of Texas Medical Branch at Galveston effective immediately.
5. U. T. Health Science Center - Houston (U. T. G.S.B.S. - Houston): Establishment of a Specialized M.S. Degree Program in Genetic Counseling within the Framework of the Existing Program in Genetics and Authorization to Submit the Proposal to the Coordinating Board for Approval (Catalog Change).--To address the need for qualified and properly trained professionals in genetic counseling, the Board established a specialized M.S. degree program in Genetic Counseling within the framework of the existing program in Genetics at the U. T. G.S.B.S. - Houston of The University of Texas Health Science Center at Houston. This proposal will be submitted to the Texas Higher Education Coordinating Board for approval and, if approved, will be implemented in the Spring or Fall 1990.

The objectives of this program are to train genetic counselors in: (a) classical principles and practice of human genetics, (b) molecular genetic methods and interpretation of results and (c) human genetic research. The program has been certified by the American Board of Medical Genetics and M.S. candidates will be board-eligible upon graduation.

Development of this program will utilize existing funds and resources that are available for the support of activities that complement this program. Additional funds will be sought from external funding sources which are available to support professional training in genetics.

Upon Coordinating Board approval, the next appropriate catalog published at the U. T. Health Science Center - Houston will be amended to reflect this action.

6. U. T. M.D. Anderson Cancer Center: Approval of Agreement of Affiliation with the Ministry of Health of the Republic of Chile, Santiago, Chile, and Authorization for President LeMaistre to Execute Agreement.--Approval was given to the Agreement of Affiliation set out on Pages 15 - 18 by and between The University of Texas M.D. Anderson Cancer Center and the Ministry of Health of the Republic of Chile, Santiago, Chile, and President LeMaistre was authorized to execute this agreement on behalf of the U. T. Board of Regents.

The purpose of this agreement is to establish an international program of mutual collaboration and information exchange in the area of oncology for physicians, nurses, allied health professionals and other members of the health care team for the prevention, diagnosis, treatment and rehabilitation of cancer. No funding from the State of Texas or from The University of Texas System will be required to support this program.

Under this program, the Chilean Ministry of Health will recommend trainees who shall be placed at the U. T. M.D. Anderson Cancer Center to receive instruction in reducing the morbidity and mortality from cancer and related diseases in Chile. The parties will approve written guidelines which may be attached to the agreement as Exhibit A.

AGREEMENT OF AFFILIATION

9
Ad.
THIS AGREEMENT of AFFILIATION made the 7th day of December, 1981, by and between THE UNIVERSITY OF TEXAS M. D. ANDERSON CANCER CENTER of Houston, Texas, United States of America (hereinafter "CANCER CENTER"), a component institution of THE UNIVERSITY OF TEXAS SYSTEM of Austin, Texas, (hereinafter "SYSTEM"), and the MINISTRY OF HEALTH of The Republic of Chile (hereinafter "MINISTRY OF HEALTH") having its principal place of business at the International Affairs Office, Ministry of Health, Santiago, Chile.

RECITALS

WHEREAS, CANCER CENTER now operates patient care, teaching and research facilities located at 1515 Holcombe Boulevard in the City of Houston, State of Texas, U.S.A., and therein provides health care services for patients with cancer and other neoplastic diseases; and

WHEREAS, MINISTRY OF HEALTH provides several graduate level academic programs with respect to health services education and research in the area of oncology at various regional institutions located in the Republic of Chile; and

WHEREAS, it is agreed by the parties that the purpose of this Agreement is to establish an international program of mutual collaboration and information exchange in the area of oncology for the physicians, nurses, allied health professionals and other members of the health care team in the areas of prevention, diagnosis, treatment and rehabilitation of cancer;

AGREEMENT

NOW, THEREFORE, it is mutually agreed by the CANCER CENTER and the Chilean MINISTRY OF HEALTH as follows:

Section 1. Objectives and Activities

The Parties agree that it is to their mutual interest and advantage that the trainees of MINISTRY OF HEALTH be given the opportunity to utilize the facilities of CANCER CENTER to learn ways to achieve the following objectives and activities:

- (1) to reduce the morbidity and mortality by cancer in Chile, attempting to provide complete care to the affected patient where possible;
- (2) to contribute to the decrease of the incidence of those types of cancer with identifiable and preventable risk factors;
- (3) to contribute to the decrease of mortality from those types of cancer with possibilities of early screening and opportune treatment;
- (4) to amplify and intensify the means of prevention;

- (5) to promote activities oriented towards basic prevention through health education tending to modify unhealthy lifestyles and to encourage the adoption of habits beneficial to health, especially stressing self-care;
- (6) to encourage the screening of those types of cancer whose development permits one to study the beginning of precancerous stages;
- (7) to encourage the development of an early detection consult;
- (8) to identify those diagnostic procedures which are most appropriate and have a high margin of specificity;
- (9) to select therapeutic methods known to be effective in trial investigations on the use of new drugs;
- (10) to rehabilitate the patient in the early phase of treatment and according to the treatment utilized; and
- (11) to employ simple, adequate palliative treatments to mitigate pain in the care of the terminal patient in collaboration with the family and community.

Section 2. Responsibilities of MINISTRY OF HEALTH

The MINISTRY OF HEALTH agrees to:

- (1) designate a representative, to serve as the Coordinator responsible for the program's progress who will maintain appropriate communication with the CANCER CENTER during the training period;
- (2) recommend trainees who shall be placed at the CANCER CENTER, subject to the approval of the CANCER CENTER;
- (3) designate a subcommittee within the Chilean National Cancer Commission which will evaluate the Coordinator's progress in developing the program;
- (4) provide information, upon request, regarding the background, experience and educational needs of each trainee to the CANCER CENTER prior to the trainee's placement;
- (5) prohibit the Coordinator from performing any service of the CANCER CENTER except in the course of performance of the field instruction, unless otherwise contracted for in writing;
- (6) respect the mission of the CANCER CENTER and both expect and require trainees to accept patients, staff, and administrators, regardless of race, ethnic origin, sex, age, religion or political belief; and
- (7) withdraw, upon written request to the Internship Supervisor, any trainee whose performance is unsatisfactory or whose conduct is unacceptable to the CANCER CENTER.

Section 3. Responsibilities of the CANCER CENTER

The CANCER CENTER agrees to:

- (1) accept trainees nominated by the MINISTRY OF HEALTH to participate in overall CANCER CENTER programs and activities as appropriate;
- (2) accept trainees without regard to race, ethnic origin, sex, age, religion, or political belief;
- (3) provide appropriate instruction by a qualified CANCER CENTER representative, hereinafter know as the Trainee Preceptor;
- (4) inform the MINISTRY OF HEALTH of changes in CANCER CENTER policy, procedures, and staffing that affect the trainee program; and
- (5) accept the withdrawal of any trainee by the MINISTRY OF HEALTH when the placement is found not to be in the best interest of the trainee, CANCER CENTER or MINISTRY OF HEALTH.

Section 4. Guidelines

It is agreed and understood by the MINISTRY OF HEALTH and the CANCER CENTER that, prior to the exchange of trainees, written guidelines will be set up with the approval of both Parties. These guidelines may be attached as to this Agreement as Exhibit A.

Section 5. No Employment

It is understood and agreed that, by the terms of this Agreement, no agent or employee of MINISTRY OF HEALTH shall, for any purpose, be deemed an agent or employee of CANCER CENTER.

Section 6. Financial Matters of Trainees

It is understood and agreed that MINISTRY OF HEALTH shall be responsible for insurance (including medical, dental and professional responsibility insurance), salary and fringe benefits of the trainees while at CANCER CENTER.

Section 7. Separate Jurisdictions

It is understood that the autonomy of each Party to this Agreement remains intact. Neither Party shall assume any liabilities of the other. Nothing contained herein shall be construed as establishing or constituting a partnership or joint venture between the parties.

Section 8. Amendments

It is understood and agreed that the Parties to this Agreement may revise or modify this Agreement by written amendment hereto, provided such revision or modification is mutually agreed upon and signed by the authorized representatives of MINISTRY OF HEALTH and CANCER CENTER and approved by the Office of the Chancellor of The University of Texas System.

REPORT AND RECOMMENDATIONS OF THE FINANCE AND FACILITIES COMMITTEE (Pages 19 - 23).--Committee Chairman Moncrief reported that the Finance and Facilities Committee had met in open session to consider those items on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, all actions set forth in the Minute Orders which follow were recommended by the Finance and Facilities Committee and approved in open session and without objection by the U. T. Board of Regents:

I. FINANCE MATTER

U. T. System: Approval of Chancellor's Docket No. 49 (Catalog Change).--Upon recommendation of the Finance and Facilities Committee, the Board approved Chancellor's Docket No. 49 in the form distributed by the Executive Secretary. It is attached following Page 89 in the official copies of the Minutes and is made a part of the record of this meeting.

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

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

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

II. FACILITIES MATTERS

1. U. T. Arlington - Science Building Phase I Expansion (Project No. 301-706): Authorization for Project and Appointment of Vestal, Loftis, Kalista Architects, Inc., Arlington, Texas, as Project Architect to Prepare Preliminary Plans.--The Finance and Facilities Committee recommended and the Board:

- a. Authorized a project for expansion of the Science Building at The University of Texas at Arlington with an estimated total project cost of \$12,500,000 for Phase I
- b. Appointed the firm of Vestal, Loftis, Kalista Architects, Inc., Arlington, Texas, as Project Architect to prepare preliminary plans and a detailed cost estimate and phasing plan to be presented to the U. T. Board of Regents for consideration at a future meeting.

The Science Building Phase I expansion at U. T. Arlington will be a new facility with approximately 50,000 gross square feet containing teaching and research laboratories to replace outdated laboratories in the existing Science Building which

cannot be economically remodeled. The new facility will be designed within a master plan that allows for expansion in future phases to a facility of approximately 150,000 gross square feet.

The Phase I project is included in the U. T. System Capital Improvement Program approved in June 1989 and the FY 1990 Capital Budget approved in August 1989 by the U. T. Board of Regents.

2. U. T. San Antonio - Small Animal Building Expansion (Project No. 401-728): Authorization for Project; Approval for Submission to the Coordinating Board; and Authorization for Completion of Final Plans by U. T. San Antonio Administration in Consultation with the Office of Facilities Planning and Construction.--The Board, upon recommendation of the Finance and Facilities Committee:
 - a. Authorized a project for the expansion of the Small Animal Building at The University of Texas at San Antonio at an estimated total project cost of \$400,000
 - b. Authorized submission of the project to the Texas Higher Education Coordinating Board
 - c. Authorized completion of final plans and specifications by the 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, to be presented to the U. T. Board of Regents for consideration at a future meeting.

The existing Small Animal Building, located on the West Campus at U. T. San Antonio, contains deficiencies including the lack of adequate cage washing capability, the absence of a quarantine area and the absence of a segregated area for food storage. This expansion will provide additional building area of approximately 4,600 gross square feet for the above required features as well as for safe and sanitary circulation.

Funding for this project will be \$300,000 from Permanent University Fund Bond Proceeds and is included in the Capital Improvement Program approved by the U. T. Board of Regents in June 1989 and the FY 1990 Capital Budget approved in August 1989. Grant funds in the amount of \$75,000 and U. T. San Antonio Unexpended Plant Funds in the amount of \$25,000 will provide \$400,000 for total project funding.

3. U. T. San Antonio - Campus Infrastructure Expansion, Phase I (Project No. 401-715): Authorization for Project; Appointment of Silber & Associates Consulting Engineers, Inc., San Antonio, Texas, as Project Engineer to Prepare Final Plans; and Authorization for Submission to the Coordinating Board.--Upon recommendation of the Finance and Facilities Committee, the Board:
- a. Authorized a project for the first phase of expansion of the Campus Infrastructure at The University of Texas at San Antonio at an estimated total project cost of \$1,200,000
 - b. Appointed the firm of Silber & Associates Consulting Engineers, Inc., San Antonio, Texas, as Project Engineer to prepare final plans and specifications to be submitted to the U. T. Board of Regents for consideration at a future meeting
 - c. Authorized submission of the project to the Texas Higher Education Coordinating Board.

Phase I of the Campus Infrastructure Expansion will provide for the campus primary electrical distribution system to the west campus buildings. During the original construction of these west campus buildings in 1974-75, a temporary overhead electrical distribution system was installed to a substation sized for the electrical needs known at that time. West campus electrical power requirements now exceed that electrical service capacity and a new expanded underground primary electrical service is required. Engineering design work will be required for expanding the main campus substation, underground electrical cable and for construction of a new west campus substation.

This project is included in the Capital Improvement Program and the FY 1990 Capital Budget.

4. U. T. Tyler - Liberal Arts Complex (Project No. 802-719): Appointment of C/A Architects, Inc., Longview and Houston, Texas, as Project Architect to Prepare a Project Analysis and Conceptual Design.--In October 1985, the U. T. Board of Regents adopted a Capital Improvement Program which included \$12,000,000 from Permanent University Fund Bond Proceeds and \$5,000,000 from gifts and locally generated funds for a Liberal Arts Complex at The University of Texas at Tyler. Upon request from U. T. Tyler students, the 71st Legislature authorized a student fee increase which will generate between \$1,000,000 and \$1,200,000 for the project. Thus, the total project, initially conceived as a \$17,000,000 project, could be enlarged to as much as an \$18,200,000 project depending on need and upon the University's ability to raise the full \$5,000,000 in gifts. The FY 1990 Capital Budget includes \$200,000 from the \$12,000,000 Permanent University Fund Bond Proceeds for a project analysis and conceptual design of these facilities to firmly establish the scope of the project and undergird the fund-raising campaign.

In accordance therewith, the Board, upon recommendation of the Finance and Facilities Committee, appointed the firm of C/A Architects, Inc., Longview and Houston, Texas, as Project Architect to prepare a detailed project analysis and conceptual design for a Liberal Arts Complex at U. T. Tyler to be submitted to the U. T. Board of Regents for consideration at a future meeting.

This analysis should refine the project concept, propose a budget, estimate operating costs and identify appropriate construction phases consistent with availability of private gift monies. While the needs of the University include a multiple purpose institutional facility, priority has been established for specialized academic facilities for art, theatre and music, including practice rooms, an art gallery and a recital hall/theatre.

Included in this project is proposed space capable of seating large groups for lectures, musical performances, theatrical productions, student activities and official university events, including commencements and faculty convocations. Presently, the largest room on campus is a physical education teaching facility which is smaller than a regulation basketball court and has no permanent seating. Maximum fixed seating on campus accommodates fewer than 150 people. To coordinate with the University's fund-raising efforts, it may be necessary for individual elements of the facility to be constructed separately as funds become available.

5. U. T. Medical Branch - Galveston - Renovation of Brackenridge Hall (Project No. 601-687): Approval of Final Plans and Authorization to Advertise for Bids and for Executive Committee to Award Contracts.-- Upon recommendation of the Finance and Facilities Committee, the Board:
- a. Approved final plans and specifications for the renovation of Brackenridge Hall at The University of Texas Medical Branch at Galveston at an estimated total project cost of \$2,500,000
 - b. Authorized the Office of Facilities Planning and Construction to advertise for bids upon completion of final review
 - c. Authorized the Executive Committee to award all contracts associated with this project within the authorized total project cost.

This project consists of remodeling 14,497 gross square feet of space on the first and second floors of Brackenridge Hall.

Funds for this project have been previously appropriated from Unappropriated Educational and General Funds Balance.

This project was approved by the Texas Higher Education Coordinating Board in January 1989, and is included in the FY 1990 Capital Budget.

6. U. T. Health Science Center - San Antonio - Central Energy Plant Modification/Expansion - Phase II: Authorization for Project; Appointment of Wm. E. Wallis & Associates, San Antonio, Texas, as Project Engineer to Prepare Final Plans; Submission to Coordinating Board; and Appropriation Therefor (Amendments to Capital Improvement Program and FY 1990 Capital Budget).--
The Board, upon recommendation of the Finance and Facilities Committee:
- a. Amended the Capital Improvement Program by authorizing a project for the second phase of modification and expansion of the Central Energy Plant at The University of Texas Health Science Center at San Antonio at an estimated total project cost of \$6,100,000
 - b. Appointed the firm of Wm. E. Wallis & Associates, San Antonio, Texas, as Project Engineer to prepare final plans and specifications to be presented to the U. T. Board of Regents for consideration at a future meeting
 - c. Authorized submission of the project to the Texas Higher Education Coordinating Board
 - d. Amended the 1990 Capital Budget by appropriating \$350,000 from U. T. Health Science Center - San Antonio Unexpended Plant Funds for fees and administrative expenses through completion of final plans with the understanding that these funds would be reimbursed from the final source for project funding.

In February 1988, the U. T. Board of Regents authorized preparation of a project analysis to study the heating and cooling capacity of the Central Energy Plant at the U. T. Health Science Center - San Antonio. The completed study recommended the plant be modified and expanded to meet current and future needs and that the work be accomplished in two phases. The Phase I modifications are included in the current Capital Improvement Program and the FY 1990 Capital Budget and are presently in progress. The \$350,000 appropriation is in addition to the \$2.6 million already included in the 1990 Capital Budget for Phase I.

Phase II will provide for expansion of the Central Energy Plant to accommodate load increases past 1991 and provide the equipment redundancy to meet the plant service reliability required. This work will include a three-bay addition to the plant building, the provision of new water chillers, a new cooling tower, new chilled water and condenser water pumps, expansion of existing electrical systems, modification of emergency electrical power and the expansion of plant auxiliary systems and support functions to accommodate the increased plant capabilities. Completion of the plans and specifications at this time will allow construction to begin early in the 1991 Fiscal Year.

Total funding for this project is still under review and consideration and a source of funds will be recommended in the FY 1991 Capital Budget when it is considered by the U. T. Board of Regents.

REPORT AND RECOMMENDATIONS OF THE LAND AND INVESTMENT COMMITTEE (Pages 24 - 85).--Committee Chairman Ratliff reported that the Land and Investment Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, all actions set forth in the Minute Orders which follow were recommended by the Land and Investment Committee and approved in open session and without objection by the U. T. Board of Regents.

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

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

I. PERMANENT UNIVERSITY FUND

INVESTMENT MATTERS

1. Report on Clearance of Monies to the Permanent University Fund for September and October 1989 and Report on Oil and Gas Development as of October 31, 1989.--The following reports with respect to (a) certain monies cleared to the Permanent University Fund for September and October 1989 and (b) Oil and Gas Development as of October 31, 1989, were submitted by the Executive Vice Chancellor for Asset Management:

	<u>September 1989</u>	<u>October 1989</u>	<u>Cumulative Through October of this Fiscal Year (1989-1990)</u>	<u>Cumulative Through October of Preceding Fiscal Year (1988-1989)</u>	<u>Per Cent Change</u>
Permanent University Fund					
Royalty					
Oil	\$ 4,177,585.99	\$ 4,158,111.32	\$ 8,335,697.31	\$ 7,035,389.65	18.48%
Gas	1,426,013.63	1,761,720.65	3,187,734.28	2,884,241.18	10.52%
Sulphur	21,637.75	16,179.00	37,816.75	0.00	--
Water	124,299.59	68,531.54	192,831.13	161,400.47	19.47%
Brine	5,096.28	6,279.62	11,375.90	6,949.25	63.70%
Trace Minerals	0.00	0.00	0.00	0.00	--
Rental					
Oil and Gas Leases	366,503.56	93,893.20	460,396.76	514,223.11	-10.47%
Other	1,550.00	240.70	1,790.70	1,420.00	--
Sale of Sand, Gravel, Etc.	0.00	0.00	0.00	34,887.45	--
Total University Lands Receipts Before Bonuses	<u>6,122,686.80</u>	<u>6,104,956.03</u>	<u>12,227,642.83</u>	<u>10,638,511.11</u>	<u>14.94%</u>
Bonuses					
Oil and Gas Lease Sales	0.00	0.00	0.00	0.00	--
Amendments and Extensions to Mineral Leases	0.00	0.00	0.00	0.00	--
Total University Lands Receipts	<u>6,122,686.80</u>	<u>6,104,956.03</u>	<u>12,227,642.83</u>	<u>10,638,511.11</u>	<u>14.94%</u>
Gain or (Loss) on Sale of Securities	<u>5,307,676.38</u>	<u>7,272,853.18</u>	<u>12,580,529.5</u>	<u>20,703,756.11</u>	<u>-39.24%</u>
TOTAL CLEARANCES	<u>\$11,430,363.18</u>	<u>\$13,377,809.21</u>	<u>\$24,808,172.39</u>	<u>\$31,342,267.22</u>	<u>-20.85%</u>

Oil and Gas Development - October 31, 1989
Acreage Under Lease - 679,003

Number of Producing Acres - 541,369

Number of Producing Leases - 2,164

2. Permanent University Fund: Report on Investments for the Fiscal Year Ended August 31, 1989.--Each member of the U. T. Board of Regents received prior to the meeting a report on Permanent University Fund investments for the fiscal year ended August 31, 1989. Upon motion of Regent Ratliff, seconded by Regent Blanton, the Board approved this report and directed its distribution to the Governor, members of the Legislature and other State Officials as required by Section 66.05 of the Texas Education Code.

It was reported that the Permanent University Fund experienced significant gains in book value and earnings during the year as shown below:

	<u>Fiscal Year Ended 8/31</u>		<u>Increase</u>	
	<u>1988</u>	<u>1989</u>	<u>Amount</u>	<u>%</u>
Book Value	\$3,082,118,711	\$3,294,392,324	\$212,273,613	6.88%
Investment Income	236,873,982	254,333,926	17,459,944	7.37%

3. Permanent University Fund: Reappointment of Mr. Edward Randall III, Houston, Texas, and Mr. John T. Stuart III, Dallas, Texas, to the Investment Advisory Committee for Terms Ending August 31, 1992.--Approval was given to reappoint Mr. Edward Randall III, Houston, Texas, and Mr. John T. Stuart III, Dallas, Texas, to the Investment Advisory Committee for the Permanent University Fund of The University of Texas System for three-year terms to expire August 31, 1992.

With these reappointments, the membership of the Investment Advisory Committee is as follows:

	<u>Term Expires</u>
Michael J. C. Roth	8/31/90
E. L. Wehner	8/31/90
Jack T. Trotter	8/31/91
Edward Randall III	8/31/92
John T. Stuart III	8/31/92
Unfilled	8/31/91

II. TRUST AND SPECIAL FUNDS

Gifts, Bequests and Estates

1. U. T. Austin: Acceptance of Gifts from Mrs. L. T. Barrow and Mr. Thomas D. Barrow, Both of Houston, Texas, Corporate Matching Funds from Exxon Education Foundation, Florham Park, New Jersey, and BP America, Inc., Cleveland, Ohio; and Establishment of the Laura Thomson Barrow Graduate Fellowship in the College of Natural Sciences.--Upon recommendation of the Land and Investment Committee, the Board accepted a \$25,000 gift from Mrs. L. T. Barrow, Houston, Texas, a \$5,000 gift from Mr. Thomas D. Barrow, Houston, Texas, \$15,000 in requested corporate matching funds from Exxon Education Foundation, Florham Park, New Jersey, and \$5,000 in requested corporate matching funds from BP America, Inc., Cleveland, Ohio, for a total of \$50,000 and established the Laura Thomson Barrow Graduate Fellowship in the Department of Geological Sciences, College of Natural Sciences, at The University of Texas at Austin.

Income earned from the endowment will be used to support graduate students specializing in the area of natural resources, with preference given to female students and to students concentrating in field oriented studies.

2. U. T. Austin: Approval to Accept Gifts from the Australian Bicentennial Authority, Sydney, Australia, and Mr. Benno C. Schmidt, New York, New York, for Addition to the Jack S. Blanton, Sr. Chair in Australian Studies in the College of Liberal Arts and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--The Board accepted a \$39,075 gift from the Australian Bicentennial Authority, Sydney, Australia, and a gift of Sage Software, Inc. common stock valued at \$9,843.75 from Mr. Benno C. Schmidt, New York, New York, for a total of \$48,918.75 for addition to the Jack S. Blanton, Sr. Chair in Australian Studies in the College of Liberal Arts at The University of Texas at Austin.

Further, \$24,459.38 in matching funds will be allocated under The Regents' Endowed Teachers and Scholars Program and will be used to increase the endowment to a total of \$573,378.13.

3. U. T. Austin: Acceptance of Gifts from C. J. Wrightsman Educational Fund, Inc. and Cantey & Hanger, Both of Fort Worth, Texas, and Establishment of the Ira Butler Endowed Presidential Scholarship in Law in the School of Law.--The Land and Investment Committee recommended and the Board accepted a \$15,000 gift from the C. J. Wrightsman Educational Fund, Inc., Fort Worth, Texas, a \$10,000 gift from the law firm of Cantey & Hanger, Fort Worth, Texas, and a \$12,500 transfer of previously reported gifts from current restricted funds for a total of \$37,500 and established the Ira Butler Endowed Presidential Scholarship in Law in the School of Law at The University of Texas at Austin. Funds in the amount of \$25,000 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 \$12,500 will be held and administered by the U. T. Board of Regents. When matching funds become available under The Regents' Endowed Student Fellowship and Scholarship Program, the U. T. Law School Foundation will transfer funds held for the endowment to the U. T. Board of Regents.

Income earned from the endowment will be used to award scholarships to students based on need or merit at the discretion of the Dean of the Law School.

4. U. T. Austin: Acceptance of Gift from Mr. Whitfield J. Collins, Fort Worth, Texas, and Establishment of the Whitfield J. Collins Endowed Presidential Scholarship in Law in the School of Law.--Approval was given to accept a \$25,000 gift from Mr. Whitfield J. Collins, Fort Worth, Texas, and a \$12,500 transfer of previously reported gifts from current restricted funds for a total of \$37,500 and to establish the Whitfield J. Collins Endowed Presidential Scholarship in Law in the School of Law at The University of Texas at Austin. Funds in the amount of \$25,000 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 \$12,500 will be held and administered by the U. T. Board of Regents. When matching funds become available under The Regents' Endowed Student Fellowship and Scholarship Program, the U. T. Law School Foundation will transfer funds held for the endowment to the U. T. Board of Regents.

Income earned from the endowment will be used to award scholarships to students based on need or merit at the discretion of the Dean of the Law School.

5. U. T. Austin: Approval to Accept Pledge from Butler & Binion, Houston, Texas, and to Establish the Cecil N. Cook-William C. Perry Endowed Presidential Scholarship in Law in the School of Law.--The Board, upon recommendation of the Land and Investment Committee, accepted a \$12,500 pledge, payable by August 31, 1991, from the law firm of Butler & Binion, Houston, Texas, and a \$12,500 transfer of previously reported gifts from current restricted funds for a total of \$25,000 and established the Cecil N. Cook-William C. Perry Endowed Presidential Scholarship in Law in the School of Law at The University of Texas at Austin. Funds in the amount of \$12,500 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 \$12,500 will be held and administered by the U. T. Board of Regents.

Income earned from the endowment will be used to award scholarships to first-year law students based on need or merit at the discretion of the Dean of the Law School or his designated representative.

6. U. T. Austin: Acceptance of Gift and Pledge from U. T. Austin Dads' Association and Establishment of the Dads' Association's Patron Endowed Presidential Scholarship.-- Upon recommendation of the Land and Investment Committee, the Board accepted a \$13,000 gift and a \$12,000 pledge, payable by August 31, 1993, from the U. T. Austin Dads' Association for a total of \$25,000 and established the Dads' Association's Patron Endowed Presidential Scholarship at The University of Texas at Austin.

Income earned from the endowment will be used to award scholarships to students of any academic major in accordance with the guidelines for the Endowed Presidential Scholarship program.

7. U. T. Austin: Establishment of the Jaime Davila Endowed Scholarship in Law in the School of Law.--At the request of the Law School Foundation (an external foundation), the Jaime Davila Endowed Scholarship in Law was established in the School of Law at The University of Texas at Austin in accordance with the Regents' Rules and Regulations. The funding for this Scholarship (\$10,555) will be retained by the Law School Foundation and will be administered per the agreement between the Foundation and the U. T. Board of Regents.

Income earned from the endowment will be used to award scholarships to students based on need or merit at the discretion of the Dean of the Law School, with preference given to students of Hispanic descent.

8. U. T. Austin: Acceptance of Gifts from Various Donors and the Law School Foundation and Establishment of the Lois Donaldson Endowed Presidential Scholarship in Law in the School of Law.--The Board accepted \$10,954 in gifts from various donors, a \$2,705 gift from The University of Texas Law School Foundation, and a \$12,500 transfer of previously reported gifts from current restricted funds for a total of \$26,159 and established the Lois Donaldson Endowed Presidential Scholarship in Law in the School of Law at The University of Texas at Austin. Funds in the amount of \$13,659 will be held and administered by the Law School Foundation (an external foundation) in accordance with the Regents' Rules and Regulations, and \$12,500 will be held and administered by the U. T. Board of Regents. When matching funds become available under The Regents' Endowed Student Fellowship and Scholarship Program, the U. T. Law School Foundation will transfer funds held for the endowment to the U. T. Board of Regents.

Income earned from the endowment will be used to award scholarships to students based on need or merit at the discretion of the Dean of the Law School.

9. U. T. Austin: Acceptance of Bequests from the Estate of Mary Ellen Durrett, Austin, Texas; Establishment of the Mary Ellen Durrett Scholarship in Child Development; and Addition to the Phyllis Richards Professional Development Fund in the College of Natural Sciences.--The Land and Investment Committee recommended and the Board accepted a \$50,000 specific bequest from the Estate of Mary Ellen Durrett, Austin, Texas, and established the Mary Ellen Durrett Scholarship in Child Development in the Department of Home Economics, College of Natural Sciences, at The University of Texas at Austin.

Income earned from the endowment will be used to support graduate students who have a bachelor's degree in Home Economics and are admitted in good standing to the graduate program in the Department of Home Economics. Preference shall be given to students from Texas or Louisiana.

Further, a \$2,000 specific bequest was accepted for addition to the Phyllis Richards Professional Development Fund restricted account at U. T. Austin, as specified by Dr. Durrett in her Last Will and Testament.

10. U. T. Austin: Approval to Accept Gift from an Anonymous Donor and to Establish the Engineering Foundation Endowed Undergraduate Scholarship Fund in the College of Engineering, and Eligibility for Matching Funds Under The Regents' Endowed Student Fellowship and Scholarship Program.--Approval was given to accept a \$100,000 gift from an anonymous donor and to establish the Engineering Foundation Endowed Undergraduate Scholarship Fund in the College of Engineering at The University of Texas at Austin.

Further, \$50,000 in matching funds will be allocated under The Regents' Endowed Student Fellowship and Scholarship Program and will be used to increase the endowment to a total of \$150,000.

Income earned from the endowment will be used to award 15 or more annual scholarships based on academic merit to undergraduate engineering students who are U. S. citizens.

11. U. T. Austin: Acceptance of Gifts and Pledges from Various Donors and Establishment of the Judge Joe J. Fisher Chief Judge Emeritus Endowed Presidential Scholarship in Law in the School of Law.--Upon recommendation of the Land and Investment Committee, the Board accepted \$40,925.67 in gifts, \$332.33 in pledges, payable by August 31, 1993, from various donors and a \$27,213 transfer of previously reported gifts from current restricted funds for a total of \$68,471 and established the Judge Joe J. Fisher Chief Judge Emeritus Endowed Presidential Scholarship in Law in the School of Law at The University of Texas at Austin. Funds in the amount of \$41,258 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 \$27,213 will be held and administered by the U. T. Board of Regents. When matching funds become available under The Regents' Endowed Student Fellowship and Scholarship Program, the U. T. Law School Foundation will transfer funds held for the endowment to the U. T. Board of Regents.

Income earned from the endowment will be used to award scholarships at the discretion of the Dean of the Law School. Preference shall be given to law students with financial need who are from East Texas.

12. U. T. Austin: Acceptance of Additional Gift and Pledge from Ms. Harriet Halsell, Dallas, Texas, for Addition to the Bettie Johnson Halsell Endowed Scholarship in Liberal Arts in the College of Liberal Arts and Redesignation as the Bettie Johnson Halsell Endowed Presidential Scholarship in Liberal Arts.--The Board, upon recommendation of the Land and Investment Committee, accepted a \$5,000 gift and a \$10,000 pledge, payable by August 31, 1991, from Ms. Harriet Halsell, Dallas, Texas, for a total of \$15,000 for addition to the Bettie Johnson Halsell Endowed Scholarship in Liberal Arts in the College of Liberal Arts at The University of Texas at Austin and redesignated the Scholarship as the Bettie Johnson Halsell Endowed Presidential Scholarship in Liberal Arts.

13. U. T. Austin: Authorization to Accept Gifts and Pledges from Various Donors and to Establish the John Jeffers Research Chair in Law in the School of Law and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--Authorization was granted to accept \$478,928.33 in gifts and \$188,026.67 in pledges, payable by August 31, 1993, from various donors for a total of \$666,955 and to establish the John Jeffers Research Chair in Law in the School of Law at The University of Texas at Austin.

Further, \$333,477.50 in matching funds will be allocated under The Regents' Endowed Teachers and Scholars Program and will be used to increase the endowment to a total of \$1,000,432.50.

Income earned from the endowment will be used to fund faculty salary supplementation and research support upon recommendation of the Dean of the Law School and approval by the President of U. T. Austin.

See Page 5 related to naming a room in Townes Hall at U. T. Austin.

14. U. T. Austin: Redesignation of Six Kozmetsky Family Endowed Research Fellowships in the IC² Institute - (a) Henry E. Singleton Endowed Research Fellowship, (b) George A. Roberts Endowed Research Fellowship, (c) Gerhard J. Fonken Endowed Research Fellowship, (d) Jack S. Blanton Endowed Research Fellowship, (e) Cynthia Hendrick Kozmetsky Endowed Research Fellowship and (f) Michael Scott Endowed Research Fellowship.--In accordance with the donors' request, the six endowments titled Kozmetsky Family Endowed Research Fellowships in the IC² Institute at The University of Texas at Austin were redesignated as follows:

- a. Henry E. Singleton Endowed Research Fellowship
- b. George A. Roberts Endowed Research Fellowship
- c. Gerhard J. Fonken Endowed Research Fellowship

- d. Jack S. Blanton Endowed Research Fellowship
- e. Cynthia Hendrick Kozmetsky Endowed Research Fellowship
- f. Michael Scott Endowed Research Fellowship.

15. U. T. Austin: Acceptance of Gift from an Anonymous Donor; Establishment of the Regents Endowed Graduate Fellowships in Mathematics in the College of Natural Sciences; and Eligibility for Matching Funds Under The Regents' Endowed Student Fellowship and Scholarship Program.--The Board accepted a \$400,000 gift from an anonymous donor and established the Regents Endowed Graduate Fellowships in Mathematics in the Department of Mathematics, College of Natural Sciences, at The University of Texas at Austin.

Further, \$200,000 in matching funds will be allocated under The Regents' Endowed Student Fellowship and Scholarship Program and will be used to increase the endowment to a total of \$600,000.

Income earned from the endowment will be used to award fellowships based on academic merit to graduate students in the Department of Mathematics who are U. S. citizens. No more than ten Fellowships will be awarded in any year in order to ensure sufficient award amounts to attract the best students.

16. U. T. Austin: Acceptance of Gifts from Dr. Gerard de Vaucouleurs, Austin, Texas, and Various Donors for Addition to the Texas Centennial Lectureship in Astronomy and Astrophysics in the College of Natural Sciences; Redesignation as the Antoinette de Vaucouleurs Centennial Lectureship in Astronomy; and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--In accordance with the donors' request, the Board accepted gifts totalling \$29,400 from Dr. Gerard de Vaucouleurs, Austin, Texas, and various donors for addition to the Texas Centennial Lectureship in Astronomy and Astrophysics in the College of Natural Sciences at The University of Texas at Austin. This amount combined with the proceeds from the sale of previously accepted real estate in the net amount of \$5,602.33 creates an endowment of \$35,002.33, and the Board redesignated the Lectureship as the Antoinette de Vaucouleurs Centennial Lectureship in Astronomy.

Further, \$35,000 in matching funds will be allocated under The Regents' Endowed Teachers and Scholars Program and will be used to increase the endowment to a total of \$70,002.33.

17. U. T. Austin: Approval to Accept Gifts from Members of the College of Natural Sciences Foundation Advisory Council and to Establish the James W. Vick Endowed Presidential Scholarship in Natural Sciences in the College of Natural Sciences.--Approval was given to accept a \$25,000 gift from members of the College of Natural Sciences Foundation Advisory Council and to establish the James W. Vick Endowed Presidential Scholarship in Natural Sciences in the College of Natural Sciences at The University of Texas at Austin.

Income earned from this endowment will be used to award scholarships to junior and senior level students based upon scholastic accomplishment.

18. U. T. Austin: Acceptance of Gift from Mrs. Clare "Pat" Y. Whaley, Austin, Texas, and Establishment of the W. Gordon Whaley Graduate Fellowship.--Upon recommendation of the Land and Investment Committee, the Board accepted a \$50,000 gift from Mrs. Clare "Pat" Y. Whaley, Austin, Texas, and established the W. Gordon Whaley Graduate Fellowship at The University of Texas at Austin.

Income earned from the endowment will be used for support of outstanding advanced graduate students who are doctoral candidates.

19. U. T. Austin: Authorization to Establish the Carl W. Wilson Endowed Mock Trial Competition in the School of Law.--At the request of the Law School Foundation (an external foundation), the Carl W. Wilson Endowed Mock Trial Competition was established in the School of Law at The University of Texas at Austin in accordance with the Regents' Rules and Regulations. The funding for this endowment (\$100,000) will be retained by the Law School Foundation and administered per the agreement between the Foundation and the U. T. Board of Regents.

Income earned from the endowment will be used for general support of advocacy programs in the School of Law.

20. U. T. San Antonio - U. T. Institute of Texan Cultures - San Antonio: Acceptance of Grant from the Edwina and O. Scott Petty Charitable Trust of the San Antonio Area Foundation, San Antonio, Texas, and Establishment of The Cultural Heritage Endowment.--The Board, upon recommendation of the Land and Investment Committee, accepted a \$177,953.25 grant from the Edwina and O. Scott Petty Charitable Trust of the San Antonio Area Foundation, San Antonio, Texas, and established The Cultural Heritage Endowment at the U. T. Institute of Texan Cultures - San Antonio of The University of Texas at San Antonio.

Ninety percent of the income earned from the endowment will be used to underwrite research, educational programming, publishing of books, constructing exhibits, and for other programs, projects and services of the Institute. The remaining ten percent of the income is to be reinvested in the endowment corpus.

21. U. T. Tyler: Acceptance of Gift from Mrs. Jean Wilkinson, Bullard, Texas, and Establishment of the Harry Loyd and Jean Wilkinson Academic Endowed Scholarship in Fine Arts.--Authorization was granted to accept a \$12,640.50 gift from Mrs. Jean Wilkinson, Bullard, Texas, and to establish the Harry Loyd and Jean Wilkinson Academic Endowed Scholarship in Fine Arts at The University of Texas at Tyler.

Income earned from the endowment will be used to award scholarships to meritorious students in the Department of Fine Arts.

22. U. T. Southwestern Medical Center - Dallas: Acceptance of Gift from an Anonymous Donor and Establishment of the Distinguished Chair in Biomolecular Science and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--The Land and Investment Committee recommended and the Board accepted a \$1,000,000 gift from an anonymous donor and established the Distinguished Chair in Biomolecular Science at The University of Texas Southwestern Medical Center at Dallas.

Further, the actual income which will be earned on the \$1,000,000 gift will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I of the Texas Education Code.

See Page 12 related to the initial appointment to this Chair.

23. U. T. Southwestern Medical Center - Dallas: Establishment of The Guy-Evans Scholarship Fund for Medical Laboratory Sciences.--Approval was given to accept a \$10,017 transfer of previously reported gifts from the Medical Technology Emergency Loan Fund and to establish The Guy-Evans Scholarship Fund for Medical Laboratory Sciences at The University of Texas Southwestern Medical Center at Dallas.

Income earned from the endowment will be used to award two scholarships each year to medical technology students. One award is to be named the L. Ruth Guy Professional Development Award and is to be presented to the best all-around departmental student who is in his or her senior year. The second award is to be presented to a medical technology student based on need and scholastic ability.

24. U. T. Southwestern Medical Center - Dallas: Authorization to Accept Gift and Pledge from Mr. and Mrs. Carl J. Thomsen, Dallas, Texas, and to Establish the Carl J. and Hortense M. Thomsen Seven Percent Trust and the Carl J. and Hortense M. Thomsen Eight Percent Trust.--Authorization was given to accept a \$900,000 gift comprised of cash and securities and a \$100,000 pledge, payable by January 31, 1990, for a total of \$1,000,000, from Mr. and Mrs. Carl J. Thomsen, Dallas, Texas, and to establish the Carl J. and Hortense M. Thomsen Seven Percent Trust and the Carl J. and Hortense M. Thomsen Eight Percent Trust and a fund for unrestricted purposes at The University of Texas Southwestern Medical Center at Dallas.

The Carl J. and Hortense M. Thomsen Seven Percent Trust will be funded with \$400,000 of Mr. and Mrs. Thomsen's gift. The trust agreement provides for the payment of seven percent of the annual net fair market value of the trust assets to be paid annually to Mr. and Mrs. Carl J. Thomsen for a term of ten years or until their deaths. In any year when the income is more than seven percent of the market value, excess income will be added to the corpus of the trust.

The Carl J. and Hortense M. Thomsen Eight Percent Trust will be funded with \$500,000 of the gift. The trust agreement provides for the payment of eight percent of the annual net fair market value of the trust assets or the actual income, whichever is less, to be paid quarterly to Mr. and Mrs. Thomsen for a term of ten years or

until their deaths. If the trust income for any year exceeds eight percent, the payment to the donors shall include such excess income to the extent that the total amounts paid to the donors in prior years is less than eight percent. In any year when income is more than eight percent of the market value, excess income will be added to the corpus of the trust.

Upon the termination of the trusts, the corpus and any accumulated or undistributed income of the trusts shall be distributed to the U. T. Southwestern Medical Center - Dallas and the President of that component shall designate the disposition of the gift and may direct that the funds be placed in a permanent endowment, temporary endowment fund or be expended for the benefit of the U. T. Southwestern Medical Center - Dallas. The funds may not be used for the construction of any facilities.

The \$100,000 pledge as received will be used for unrestricted purposes designated by the President of the U. T. Southwestern Medical Center - Dallas.

25. U. T. Medical Branch - Galveston: Acceptance of Land and Improvements Located at 1118 Market Street, Galveston, Texas, from The Sealy & Smith Foundation for the John Sealy Hospital, Galveston, Texas, and a Pledge from Dr. Harry K. Davis, Houston, Texas, and Establishment of the Dr. Harry K. Davis Endowed Professorship in Psychiatry and Behavioral Sciences.--Upon recommendation of the Land and Investment Committee, the Board:
- a. Accepted from The Sealy & Smith Foundation for the John Sealy Hospital, Galveston, Texas, land and improvements which consist of nine condominiums located at 1118 Market Street, Galveston, Texas, for the benefit of The University of Texas Medical Branch at Galveston
 - b. Accepted from The Sealy & Smith Foundation land and improvements which consist of three condominiums located at 1118 Market Street, Galveston, Texas, and valued at \$100,000. These condominiums were donated by Dr. Harry K. Davis, Houston, Texas, to fund an endowed professorship.
 - c. Authorized the U. T. Medical Branch - Galveston to use \$46,000 of auxiliary funds to reimburse The Sealy & Smith Foundation for the payments advanced in retiring the note on the Davis condominiums
 - d. Accepted a pledge from Dr. Davis of \$46,000 secured by a lien on real estate located in Friendswood, Harris County, Texas
 - e. Established the Dr. Harry K. Davis Endowed Professorship in Psychiatry and Behavioral Sciences by transferring \$100,000 from the auxiliary funds upon the fulfillment of Dr. Davis' pledge.

This gift by The Sealy & Smith Foundation and Dr. Davis will be used by the U. T. Medical Branch - Galveston as part of its auxiliary enterprise operation and the property will continue to be occupied and well maintained until such time as the land is needed for campus expansion. The twelve-unit condominium is valued at \$435,400.

26. U. T. M.D. Anderson Cancer Center: Acceptance of Gift from the John S. Dunn Research Foundation, Houston, Texas; Allocation of Funds from the Physicians Referral Service; and Establishment of the John S. Dunn, Sr. Fellowship in Neuro-Oncology.--Authorization was granted to accept a \$250,000 gift from the John S. Dunn Research Foundation, Houston, Texas, and a \$250,000 allocation of funds from the Physicians Referral Service for a total of \$500,000 and to establish the John S. Dunn, Sr. Fellowship in Neuro-Oncology at The University of Texas M.D. Anderson Cancer Center.

Income earned from the endowment will be used to support the Fellowship.

27. U. T. M.D. Anderson Cancer Center: Approval to Accept Remainder Interest from the C. P. Simpson Testamentary Trust, Houston, Texas, and the Estate of Anna Crouchet Simpson, Houston, Texas, and to Establish the Anna Crouchet and C. P. Simpson Quasi-Endowment Fund.--Approval was given to accept the proceeds from the termination of the C. P. Simpson Testamentary Trust, Houston, Texas, as established under the Last Will and Testament of Cecil P. Simpson, valued at approximately \$18,000,000, and the residual Estate of Anna Crouchet Simpson, Houston, Texas, valued at approximately \$6,000,000, for the benefit of The University of Texas M.D. Anderson Cancer Center.

All of the proceeds from the C. P. Simpson Testamentary Trust will be used to establish the Anna Crouchet and C. P. Simpson Quasi-Endowment Fund to be held at The University of Texas System for investment purposes until needed for expenditures for acquiring real estate, funding capital improvements and other discretionary purposes as they are approved. Additionally, U. T. M.D. Anderson Cancer Center was authorized to withdraw any part or all of these funds as needed for the approved purposes.

All of the funds received from the residual Estate of Anna Crouchet Simpson will be held at the U. T. M.D. Anderson Cancer Center as the Anna Crouchet and C. P. Simpson Fund to be used for discretionary purposes.

Additionally, the specific bequest of proceeds from the sale of jewelry from the Estate of Anna Crouchet Simpson was accepted and the proceeds will be used for care and treatment of children at the U. T. M.D. Anderson Cancer Center. A final report will be made at a later date.

28. U. T. M.D. Anderson Cancer Center: Acceptance of Remainder Interest in the Estate of Joseph E. Wells, Eureka Springs, Arkansas.--The Land and Investment Committee recommended and the Board accepted a remainder interest in the Estate of Joseph E. Wells, Eureka Springs, Arkansas, comprised of \$27,809 in cash and 73 shares of stock in the Frank L. Wells Company, Kenosha, Wisconsin, valued at approximately \$45,771 for a total of \$73,580 for general institutional purposes at The University of Texas M.D. Anderson Cancer Center.

III. INTELLECTUAL PROPERTY MATTERS

1. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Approval of Amendments to Chapter V, Section 2, Subsection 2.4, Subdivision 2.49 (Approval of Agreements Relating to Rights in Intellectual Property).--Committee Chairman Ratliff called on Vice Chancellor and General Counsel Farabee for background information on the proposed amendments to the Regents' Rules and Regulations, Part Two, Chapter V, Section 2 related to intellectual property rights in agreements. Vice Chancellor Farabee pointed out that the proposed amendments would allow sponsored research agreements (including research participation agreements, conditional gifts, extensions of or modifications to previously approved agreements, and consulting agreements) containing language in technical non-conformance with the Intellectual Property Policy or the Guidelines to be processed more expeditiously upon a finding that the potential benefits from the level of funding for the proposed research and/or other consideration from the sponsor outweigh potential disadvantages related to the policy deviation.

Mr. Farabee then introduced Mr. Dudley R. Dobie, Jr., Section Manager of Intellectual Property in the Office of General Counsel, who addressed certain matters relating to sponsored research agreements, corporate attitudes regarding policies of The University of Texas System concerning sponsored research, and positions taken by other major research universities with respect to similar issues. A copy of Mr. Dobie's report is on file in the Office of the Board of Regents.

Following these presentations and a brief discussion, the Regents' Rules and Regulations, Part Two, Chapter V, Section 2, Subsection 2.4, Subdivision 2.49 (Approval of Agreements Relating to Rights in Intellectual Property) were amended as set forth below to allow sponsored research agreements containing language in technical nonconformance with the Intellectual Property Policy or Guidelines to be processed more expeditiously:

Sec. 2. General Personnel.

2.49 Approval of Agreements Relating to Rights in Intellectual Property.

2.491 Agreements relating to rights in intellectual property shall ordinarily be approved by the Board on the institutional docket following review by the Office of General Counsel and approval by the chief administrative officer of the component institution, the appropriate Executive Vice Chancellor and the Chancellor.

2.492

Any agreement altering substantially the basic intellectual property policy of the System as set out in the preceding sections and other policies and guidelines that may be adopted by the Board shall have the advance approval of the chief administrative officer, the appropriate Executive Vice Chancellor, the Chancellor, and the Board as an agenda item. Such an alteration in a sponsored research agreement shall not be considered substantial and may be approved by the Board on the institutional docket if, in the judgment of the chief administrative officer and with the concurrence of the appropriate Executive Vice Chancellor, the benefits from the level of funding for the proposed research and/or other consideration from the sponsor outweigh any potential disadvantage that may result from the policy deviation.

2. U. T. Dallas: Approval of Patent and Technology License and Development Agreement with Research Applications, Inc. (RAI), Austin, Texas.--The Board, upon recommendation of the Land and Investment Committee, approved the Patent and Technology License and Development Agreement set out on Pages 39 - 57 by and between the U. T. Board of Regents, for and on behalf of The University of Texas at Dallas, and Research Applications, Inc. (RAI), Austin, Texas, for the development and licensing of a method and apparatus for producing a layer of material with laser ablation.

Research Applications, Inc. (RAI), a Texas corporation, was established to assist universities in the commercialization of technologies. Under the agreement, RAI will receive a royalty-bearing, exclusive, worldwide license under U. T. Dallas' currently existing patent and technology rights in inventions by Dr. Carl B. Collins, Professor, Department of Physics; Dr. Farzin Davanloo, Research Associate, Department of Mathematics and Natural Sciences; and Dr. Suhas S. Wagal, former Research Associate, Department of Physics.

Under the license agreement, RAI is granted the right to manufacture, use and sell the technology and to grant sublicenses to others in specific fields of use.

PATENT AND TECHNOLOGY LICENSE
AND DEVELOPMENT 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 7th Street, Austin, Texas 78701, on behalf of THE UNIVERSITY OF TEXAS AT DALLAS (UNIVERSITY) and RESEARCH APPLICATIONS, INC. (LICENSEE), a Texas corporation having its principal place of business at 400 West 15th Street, Suite 1003, Austin, Texas 78701.

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 UNIVERSITY, a component institution of SYSTEM;

Whereas BOARD desires to have the LICENSED SUBJECT MATTER developed and used for the benefit of LICENSEE, the inventor(s), BOARD, UNIVERSITY 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 December 7, 1989.

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.

2.2 PATENT RIGHTS shall mean BOARD'S rights in presently existing information or discoveries and all future improvements and discoveries covered by patents and/or patent applications whether domestic or foreign, docketed in BOARD'S files (UT System Office of General Counsel) as UTSP# 018/020, and all divisions,

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continuations, continuations-in-part, reissues, reexaminations or extensions thereof, and any letters patent that issue thereon, which name Professor Carl Collins, Jr. or Dr. Farzin Davanloo as either sole or joint inventors and which relate to the hybrid ion beam apparatus and related diamond-like structures developed by the Center for Quantum Electronics at UNIVERSITY and partially identified in the patent applications entitled "Method and Apparatus for Producing a Layer of Material from a Laser Ion Source" and "Method and Apparatus for Producing a Layer of Material with Laser Ablation," pending in the United States Patent and Trademark Office.

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 hybrid ion beam apparatus and related diamond-like structures 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 uses and applications of the PATENT RIGHTS and the TECHNOLOGY RIGHTS within a field of use designated as a LICENSED FIELD by the ADVISORY BOARD after the use and application of the PATENT RIGHTS and the TECHNOLOGY RIGHTS in such field of use shall have been clearly demonstrated.

2.5 LICENSED TERRITORY shall mean the entire world.

2.6 LICENSED PRODUCT OR PROCESS shall mean any product or process comprising LICENSED SUBJECT MATTER.

2.7 ADVISORY BOARD shall mean a board established by UNIVERSITY and LICENSEE to advise LICENSEE pursuant to this Agreement. The ADVISORY BOARD shall have five members: three members shall be appointed by UNIVERSITY and two members shall be appointed by LICENSEE. Each member of the ADVISORY BOARD will serve at the pleasure of the party who appointed such member. UNIVERSITY and LICENSEE may at any time by written notice to the other, remove any member and fill any vacancy caused by the removal, resignation or death of any member, appointed by LICENSEE or UNIVERSITY respectively.

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.

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IV. LICENSE

4.1 BOARD hereby grants to LICENSEE an exclusive license under LICENSED SUBJECT MATTER to manufacture, have manufactured, and/or sell LICENSED PRODUCTS OR PROCESSES within LICENSED TERRITORY. This grant shall be 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 educationally-related purposes.

4.2 LICENSEE shall have the right to grant sublicenses within LICENSED FIELDS consistent with this Agreement provided that each sublicensee has been approved by the ADVISORY BOARD. 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 30 days after execution, modification, or termination.

4.3 (a) BOARD shall have the right after 12 months from the date a LICENSED FIELD shall have been designated in the manner provided herein, to terminate the exclusivity of the license granted herein with respect (and only with respect) to such LICENSED FIELD if LICENSEE, within 90 days after written notice from BOARD as to such intended termination, fails to demonstrate significant progress toward sublicensing LICENSED SUBJECT MATTER in such LICENSED FIELD.

(b) BOARD shall have the right after 18 months from the date a LICENSED FIELD shall have been designated in the manner provided herein, to terminate the exclusivity of the license granted herein with respect (and only with respect) to such LICENSED FIELD if LICENSEE, within 90 days after written notice from BOARD as to such intended termination, fails to grant a sublicense within such LICENSED FIELD.

(c) Upon written notice from BOARD to LICENSEE given within 45 days after June 30, 1992, BOARD may terminate the license granted herein with respect (and only with respect) to any of the fields of use of infrared windows, lenses and optical coatings or tribological applications if (i) BOARD reasonably determines that LICENSEE is unable to demonstrate reasonable prospects for licensing the LICENSED SUBJECT MATTER in such field of use and (ii) prior to that date, LICENSEE has failed to obtain research grants or other funding in an aggregate amount of at least \$150,000 for UNIVERSITY for the development of LICENSED SUBJECT MATTER.

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(d) At least two of the members of the ADVISORY BOARD appointed by UNIVERSITY shall concur in the decision of the BOARD to terminate the exclusivity of the license with respect to a LICENSED FIELD pursuant to subparagraphs (a) or (b) above or to terminate the license granted hereunder with respect to a field of use pursuant to subparagraph (c) above, and in order to be effective, the notice of termination given by the BOARD shall identify the members who have concurred in such decision.

V. PAYMENTS AND REPORTS

5.1 It is not contemplated that LICENSEE will manufacture or sell LICENSED PRODUCTS OR PROCESSES; instead it is contemplated that LICENSEE will sublicense one or more sublicensees to manufacture and sell LICENSED PRODUCTS OR PROCESSES within each LICENSED FIELD and will receive royalties from such sublicensees based on their sales or net sales. In consideration of rights granted by BOARD to LICENSEE under this Agreement, LICENSEE agrees to pay BOARD a percentage of royalties received pursuant to sublicenses granted hereunder, determined as follows:

(a) With respect to each sublicense granted hereunder, 60 percent of NET ROYALTIES shall be payable to BOARD until the aggregate amount of NET ROYALTIES pursuant to such sublicense equals \$500,000; and

(b) With respect to NET ROYALTIES pursuant to a sublicense in excess of \$500,000:

(i) 60 percent of such NET ROYALTIES shall be payable to BOARD until the aggregate amount of NET ROYALTIES pursuant to all sublicenses granted hereunder, including the first \$500,000 in NET ROYALTIES referred to in (a) above, (such aggregate amount being referred to herein as the "AGGREGATE NET ROYALTIES") equal \$1,000,000;

(ii) then, 70 percent of NET ROYALTIES shall be payable to BOARD until AGGREGATE NET ROYALTIES equal \$2,000,000;

(iii) then, 80 percent of NET ROYALTIES shall be payable to BOARD until AGGREGATE NET ROYALTIES equal \$5,000,000;

(iv) then, 90 percent of NET ROYALTIES shall be payable to BOARD until AGGREGATE NET ROYALTIES equal \$10,000,000; and

(v) thereafter, all NET ROYALTIES shall be payable to BOARD.

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As used herein, "NET ROYALTIES" mean royalty payments or other valuable consideration actually received pursuant to a sublicense, less amounts applied to reimburse expenses, pay fees or establish reserves for the payment or reimbursement of fees or expenses as provided in paragraph 5.2 below.

5.2 Expenses incurred by LICENSEE that are reasonably and directly related to the commercialization or licensing of LICENSED SUBJECT MATTER, expenses incurred by BOARD in searching, preparing, filing, prosecuting and maintaining patent applications and patents pursuant to part XV hereof, and consulting fees payable to Professor Collins and Dr. Davanloo as contemplated in part VI hereof shall be reimbursed or paid out of royalty payments received from sublicenses and from research grants and payments under sponsored research agreements obtained by LICENSEE for UNIVERSITY. Until all such expenses and fees have been reimbursed or paid, (a) one-third of all royalty payments received shall be applied to reimburse LICENSEE, one-third shall be applied to reimburse BOARD and one-third shall be applied to pay consulting fees earned by Professor Collins and Dr. Davanloo, and (b) if allowed by the grantor or sponsor, a fee equal to 20% of all payments received by UNIVERSITY pursuant to research grants and sponsored research agreements obtained by LICENSEE for UNIVERSITY shall be paid to LICENSEE to be applied to reimburse or pay such expenses and fees of LICENSEE, BOARD, Professor Collins and Dr. Davanloo. With the approval of the ADVISORY BOARD, LICENSEE may from time to time establish and fund out of such royalty payments and fees reserves for the payment or reimbursement of reasonably anticipated fees and expenses consistent with this paragraph 5.2 and may pay or reimburse such expenses and fees as they are incurred or paid. All amounts paid or reimbursed or reserved for payment or reimbursement out of royalty payments pursuant to this paragraph shall be deducted from royalty payments in determining NET ROYALTIES pursuant to paragraph 5.1 above at the time of such payment or reimbursement or the establishment of such reserves, and royalty payments in excess of the amounts applied to pay or reimburse such expenses and fees shall be distributed in accordance with paragraph 5.1 above.

5.3 During the term of this Agreement and for one year thereafter, LICENSEE shall require each sublicensee to keep complete and accurate records of such sublicensee's sales and net sales of LICENSED PRODUCTS OR PROCESSES under the sublicense granted in sufficient detail to enable the royalties payable to LICENSEE pursuant to such sublicense or to BOARD hereunder to be determined. LICENSEE shall permit BOARD, 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 hereunder. In the event any amounts due to BOARD are determined to have been underpaid, LICENSEE shall pay or cause its sublicensee(s) to pay the cost of such examination, and interest at the highest rate allowable by law on such underpayment. LICENSEE will contractually obligate each sublicensee to permit BOARD the right of examination specified herein.

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5.4 Within 30 days after each March 31, June 30, September 30 and December 31 during the term of any sublicense granted herein and commencing when LICENSEE first receives royalties from such sublicense and thereafter, LICENSEE shall deliver to BOARD a true and accurate report of the royalties received pursuant to such sublicense during the three-month period then ended, the fees and expenses paid or reimbursed or reserved for payment or reimbursement, a computation of NET ROYALTIES and AGGREGATE NET ROYALTIES and the amount, if any, payable to the BOARD. Simultaneously with the delivery of each such report, LICENSEE shall pay to BOARD the amount, if any, due for the period covered by such report. 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 LICENSED FIELDS and its commercialization plans for the upcoming year.

VI. CONSULTING SERVICES

LICENSEE intends to engage Professor Collins and Dr. Davanloo to consult with LICENSEE and sublicensees in commercializing and licensing the LICENSED SUBJECT MATTER. It is currently anticipated that each of them will be available at LICENSEE'S request to provide such consulting services for up to four days each calendar month as requested by LICENSEE and that the consulting fees initially payable will be \$1,000 per day to Professor Collins and \$750 per day to Dr. Davanloo, all as set forth in consulting agreements between LICENSEE and each of Professor Collins and Dr. Davanloo. BOARD and UNIVERSITY consent to such consulting arrangements, as set forth in the form of Attachment A hereto, and agree with LICENSEE that such arrangements do not violate any rules, policies or procedures of BOARD or UNIVERSITY.

VII. TERM AND TERMINATION

7.1 The term of this Agreement shall extend from the Effective Date set forth above 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 ten years from the Effective Date.

7.2 This Agreement will earlier terminate:

(a) automatically if LICENSEE shall become bankrupt or insolvent and/or if the business of LICENSEE shall be placed in the hands of a receiver, assignee, or trustee, whether by voluntary act of LICENSEE or otherwise;

(b) upon written notice from BOARD to LICENSEE within 45 days after December 31, 1992 if prior to that date, LICENSEE

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shall not have granted at least one sublicense hereunder pursuant to which there are reasonable prospects of receiving royalty payments on or before December 31, 1993;

(c) upon written notice from BOARD to LICENSEE within 45 days after December 31, 1994 if prior to that date, the aggregate of all royalty payments received pursuant to sublicenses granted hereunder do not at least equal \$350,000; and

(d) upon 90 days written notice from BOARD TO LICENSEE if LICENSEE shall breach or default on any obligation under this License Agreement; provided, however, that 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.

At least two of the members appointed to the ADVISORY BOARD by UNIVERSITY shall concur in the decision of UNIVERSITY to terminate this Agreement pursuant to subparagraph (b), (c) or (d) above and, in order to be effective, the notice of termination given by BOARD shall identify the members who have concurred in such decision.

7.3 Upon termination of this Agreement for any cause, nothing herein shall be construed to release either party of any obligation matured prior to the effective date of such termination. Without limiting the foregoing, the termination of this Agreement shall not terminate or affect the rights or obligations of LICENSEE in respect of any sublicense entered into prior to the effective date of termination, including the right of LICENSEE to receive royalty payments under each such sublicense.

VIII. INFRINGEMENT BY THIRD PARTIES

8.1 LICENSEE shall have the right, but not 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. LICENSEE shall be required to pay BOARD royalty on any monetary recovery actually received by LICENSEE (after deducting from such recovery all costs and expenses, including attorneys' fees) to the extent that such monetary recovery by LICENSEE is held to be a reasonable royalty or damages in lieu thereof. In the event that LICENSEE does not file suit against a substantial infringer of such patents within six months of knowledge thereof, then BOARD shall have the right to enforce any patent licensed herein on behalf of itself and LICENSEE (BOARD retaining all recoveries from such enforcement), and/or to reduce the license granted hereunder to nonexclusive. BOARD shall notify LICENSEE and LICENSEE shall notify BOARD of any infringement of

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PATENT RIGHTS which may come to the attention of BOARD or LICENSEE.

8.2 In any suit or dispute involving an infringer, the parties shall cooperate fully, and upon the request and at the expense 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.

IX. ASSIGNMENT

This Agreement may not be assigned by LICENSEE without the prior written consent of BOARD. This paragraph shall not be construed to require the consent of BOARD in order for LICENSEE to grant sublicenses consistent with this Agreement.

X. PATENT MARKING

All sublicenses granted hereunder will provide that the sublicensee will mark permanently and legibly all products and documentation manufactured or sold by it under the sublicense with such patent notice as may be permitted or required under Title 35, United States Code.

XI. SAMPLES

If LICENSEE and UNIVERSITY are not able to obtain from third parties research grants or other funding of at least \$20,000 per calendar quarter, LICENSEE shall pay the UNIVERSITY's Center for Quantum Electronics \$300 for each sample (provided the sample is small enough to allow simultaneous coating of four samples) as reimbursement for costs incurred to produce the samples. Any sample coating over 1.0 micron in thickness will require the approval for cost and delivery by the Director of the Center for Quantum Electronics at UNIVERSITY.

XII. 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.

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XIII. PUBLICITY; USE OF NAMES

No party to this Agreement shall use the name of any other party without the express written consent of such other party.

XIV. CONFIDENTIAL INFORMATION

14.1 BOARD and LICENSEE each agree that all information contained in documents marked "confidential" which are forwarded to one by the other shall be received in strict confidence, used only for the purposes of this Agreement, and not disclosed by the recipient party (except as required by law or court order), its agents or employees without the prior written consent of the other party, unless such information (a) was in the public domain at the time of disclosure, (b) later became part of the public domain through no act or omission of the recipient party, its employees, agents, successors or assigns, (c) was lawfully disclosed to the recipient party by a third party having the right to disclose it, (d) was already known by the recipient party at the time of disclosure, (e) was independently developed or (f) is required to be submitted to a government agency pursuant to any preexisting obligation.

14.2 Each party's obligation of confidence hereunder shall be fulfilled, by using at least the same degree of care with the other party's confidential information as it uses to protect its own confidential information. This obligation shall exist while this Agreement is in force and for a period of two (2) years thereafter.

XV. PATENTS AND INVENTIONS

BOARD shall pay all expenses in searching, preparing, filing, prosecuting and maintaining patent applications and patents relating to PATENT RIGHTS and shall be entitled to reimbursement of such expenses reasonably and actually incurred as and to the extent provided in paragraph 5.2 hereof. As of the date of this Agreement, BOARD has incurred \$19,925.00 in patent-related expenses, and LICENSEE agrees that all such expenses are eligible for reimbursement pursuant to paragraph 5.2. BOARD will furnish LICENSEE with a copy of any such applications, as well as copies of any documents received or filed during prosecution thereof.

XVI. GENERAL

16.1 This Agreement constitutes the entire and only agreement among the parties for LICENSED SUBJECT MATTER and all other prior negotiations, representations, agreements, and understandings are superseded hereby. No agreements altering or supplementing the

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terms hereof may be made except by means of a written document signed by the duly authorized representatives of the parties.

16.2 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, Texas 78701
ATTENTION: System Intellectual
Property Office

with a copy to:

THE UNIVERSITY OF TEXAS AT DALLAS
Box 830688
Richardson, Texas 75083-0688
ATTENTION: Vice President for Business
Affairs

or in the case of LICENSEE to:

Research Applications, Inc.
400 West 15th Street, Suite 1003
Austin, Texas 78701
ATTENTION: Dale M. Mosier, President

with a copy to:

Shapiro, Edens & Cook
2200 One American Center
600 Congress Avenue
Austin, Texas 78701
ATTENTION: William R. Volk

or such other address as may be given from time to time under the terms of this notice provision.

16.3 LICENSEE shall comply with all applicable federal, state and local laws and regulations in connection with its activities pursuant to this Agreement.

16.4 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.

16.5 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.

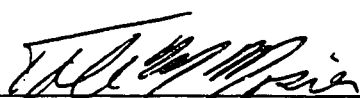
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16.6 Headings included herein are for convenience only and shall not be used to construe this Agreement.


16.7 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 the remainder of this Agreement.

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

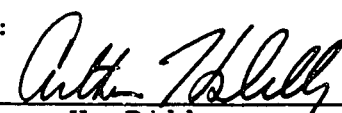
RESEARCH APPLICATIONS, INC.

By: 
Dale M. Mosier
President

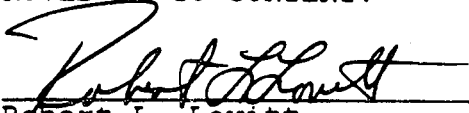
BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By: 
Michael E. Patrick
Executive Vice Chancellor
for Asset Management

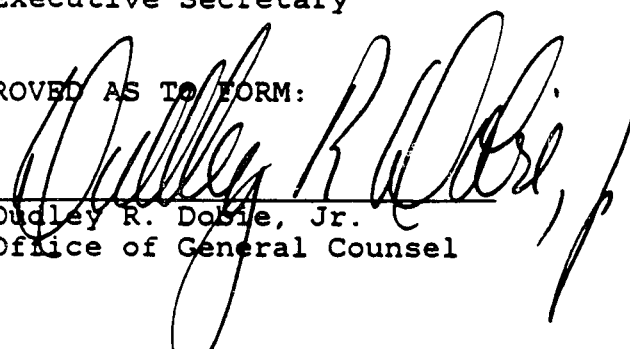
BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEMS

ATTEST:
By: 
Arthur H. Dilly
Executive Secretary

APPROVED AS TO CONTENT:

By: 
Robert L. Lovitt
Vice President for Business
Affairs
The University of Texas at
Dallas

APPROVED AS TO FORM:

By: 
Dudley R. Dobie, Jr.
Office of General Counsel

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ATTACHMENT A

CONSULTING AGREEMENT

This AGREEMENT is made as of December 7, 1989, by and between RESEARCH APPLICATIONS, INC., a Texas corporation ("Company"), and Professor Carl Collins, Jr. ("Consultant"), whose address is: _____

WITNESSETH:

WHEREAS, the Company has entered into a Patent and Technology License and Development Agreement (the "License Agreement") with the Board of Regents of The University of Texas System (the "Board") concerning the hybrid ion beam apparatus and related diamond-like structures developed by the Center for Quantum Electronics at the University of Texas at Dallas (the "Technology"); and

WHEREAS, Consultant is a creator of the Technology and Company desires to obtain the services of Consultant in commercializing and licensing the Technology;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements hereinafter set forth, Company and Consultant agree as follows:

1. Services. Consultant agrees to consult with the Company and sublicensees under the License Agreement as may be requested by the Company from time to time, provided that Consultant shall not be required to provide such services for more than four full working days during any calendar month. Consultant's services as principal investigator under any grant or research agreement relating to the Technology shall not be considered to be services performed under this Agreement.

2. Compensation. Company agrees to pay Consultant a fee for services performed at Company's request pursuant hereto at the rate of \$1,000 for the first year. Rates after the first year are subject to negotiation and to the approval of the Advisory Board established under the License Agreement. Consultant shall be entitled to receive minimum fees in each calendar quarter during the term of this Agreement in an amount equal to four and one-half days at the rates determined as set forth above. Notwithstanding any provision of this Agreement to the contrary, the Company shall be obligated to pay fees to Consultant only out of royalty payments and fees received by the Company pursuant to the License Agreement and only as and to the extent expressly provided in paragraph 5.2 of the License Agreement. Fees payable hereunder during any period (including the difference, if any, between the

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minimum fee and fees earned) in excess of such royalty payments and fees received by the Company shall accrue and be payable out of subsequent royalty payments and fees in the manner provided in paragraph 5.2 of the License Agreement. All reasonable expenses of Consultant incurred in rendering consulting services pursuant to this Agreement shall be reimbursed by Company within a reasonable time after receipt of a request for reimbursement accompanied by appropriate evidence of such expenses.

3. Term. This Agreement is effective on the date hereof and until the [fifth] anniversary of the date hereof (the "Initial Term"), unless terminated in accordance herewith, provided that this Agreement may be extended beyond the Initial Term for so long as Company requests services from Consultant pursuant to Paragraph 1. This Agreement may be terminated by either party, if at least 15 days prior written notice is given to the other party, provided, however, that the provisions of Paragraphs 4 and 6 shall survive such termination. In the event notice of termination is sent by mail, it shall be deemed to have been given three days after the date it is deposited, postage prepaid, in the U.S. mail. Upon termination, Consultant shall return to Company all drawings, prints, manuals, letters, reports, memoranda, and all other material of a restricted or confidential nature relating to or constituting Confidential Information (as defined below). This includes material generated as a result of Consultant's efforts on behalf of Company.

4. Licensed Technology. To the extent that the License Agreement does not convey all of the Technology created or developed by Consultant (whether before or after execution of this Agreement) and not owned by the Board of Regents of The University of Texas System pursuant to their Rules and Regulations, this Agreement shall constitute a fully paid up, exclusive license of the Technology by Consultant to Company on the same terms and conditions as the License Agreement. Any and all inventions not otherwise owned by the Board of Regents of The University of Texas System, whether or not deemed by the Consultant to be patentable, conceived, developed, or reduced to practice, whether solely by Consultant or jointly with others, while in the direct performance of his duties hereunder will constitute works made for hire. Consultant shall execute, without further consideration, such patent and copyright applications, registrations, and/or assignments, licenses and similar papers pertaining to any Technology that Company may perfect or transfer Company's rights therein. Consultant shall, at the expense of Company and at Company's request, give his applications based upon or arising out of the Technology, including work done by Consultant solely or jointly with others hereunder, it being understood and agreed that (1) as a part of such assistance, Consultant will maintain and make available, upon request, records of his activities in connection with conceptions, developments and/or reductions to practice, will execute such affidavits as are in accordance with

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facts that Company may prepare and request, and will fully cooperate in connection with any cause of action and the discovery process associated therewith including, but not limited to, serving as a witness, and (ii) Consultant shall be entitled to compensation in accordance with Paragraph 2 hereof only if such assistance relates to inventions or works made for hire owned by Company.

5. Independent Contractor. Nothing in this Agreement shall be considered to create the relationship of employer and employee between the parties hereto. consultant shall be deemed at all times to be an independent contractor and shall have no authority to act on behalf of or bind Company.

6. Non-Competition/Confidentiality.

A. Except as otherwise provided herein, Consultant agrees that during the term hereof, he will not directly or indirectly engage, whether as a stockholder, director, officer, employee, owner, partner, or otherwise, in any business or venture which is engaged in using, developing, or otherwise exploiting the Technology in any manner in the [continental United States of America and Canada] except at the direction, or with the approval, of the Company. Nothing contained herein shall prevent Consultant from engaging in research regarding the Technology as an employee of the University of Texas at Dallas or any other nonprofit educational entity or owning any securities of any corporation actively traded on any recognized stock exchange or in the over-the-counter market so long as Consultant's holdings in such securities do not exceed five percent of the outstanding equity securities of any class in such corporation. Company and Consultant agree that these limitations are reasonably necessary to protect the business interests of Company and are reasonable in their scope. During the term hereof, Consultant (i) will not take any action inconsistent with his obligations hereunder or the rights and interests of Company under this Agreement or the License Agreement, (ii) shall not perform any work or services for any person or concern, supplying or competing with Company, without Company's written permission, and (iii) shall comply with the Board's policy on outside activities by faculty.

B. Consultant promises to keep confidential during and subsequent to the term hereof, except for disclosure to persons to whom Consultant's duties under this Agreement require such disclosure, all confidential information, including information relating to Company's business, its research or engineering activities, manufacturing processes, trade secrets, sources of supply, lists of customers, other information pertaining to customers and plans or contemplated actions ("Confidential Information"). Nothing in this Agreement shall be interpreted as placing any obligation of confidentiality on or restrictions on

use by Consultant with respect to any Confidential Information that:

(i) can be demonstrated to have been in the public domain as of the date of this Agreement or which comes into the public domain during the term of this Agreement through no fault of the Consultant; or

(ii) was not transferred to Company under this Agreement, the License Agreement or the Research Agreement, and which can be demonstrated to have been known to Consultant prior to execution of this Agreement and which was not acquired, directly or indirectly, under a continuing obligation of confidentiality.

7. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Texas.

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

CONSULTANT:

Carl Collins, Jr.

COMPANY:

RESEARCH APPLICATIONS, INC.

By: _____
Dale Mosier, President

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ATTACHMENT B

CONSULTING AGREEMENT

This AGREEMENT is made as of December 7, 1989, by and between RESEARCH APPLICATIONS, INC., a Texas corporation ("Company"), and Dr. Farzin Davanloo ("Consultant"), whose address is: _____

WITNESSETH:

WHEREAS, the Company has entered into a Patent and Technology License and Development Agreement (the "License Agreement") with the Board of Regents of The University of Texas System (the "Board") concerning the hybrid ion beam apparatus and related diamond-like structures developed by the Center for Quantum Electronics at the University of Texas at Dallas (the "Technology"); and

WHEREAS, Consultant is a creator of the Technology and Company desires to obtain the services of Consultant in commercializing and licensing the Technology;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements hereinafter set forth, Company and Consultant agree as follows:

1. Services. Consultant agrees to consult with the Company and sublicensees under the License Agreement as may be requested by the Company from time to time, provided that Consultant shall not be required to provide such services for more than four full working days during any calendar month. Consultant's services as principal investigator under any grant or research agreement relating to the Technology shall not be considered to be services performed under this Agreement.

2. Compensation. Company agrees to pay Consultant a fee for services performed at Company's request pursuant hereto at the rate of \$750 for the first year. Rates after the first year are subject to negotiation and to the approval of the Advisory Board established under the License Agreement. Consultant shall be entitled to receive minimum fees in each calendar quarter during the term of this Agreement in an amount equal to four and one-half days at the rates determined as set forth above. Notwithstanding any provision of this Agreement to the contrary, the Company shall be obligated to pay fees to Consultant only out of royalty payments and fees received by the Company pursuant to the License Agreement and only as and to the extent expressly provided in paragraph 5.2 of the License Agreement. Fees payable hereunder during any period (including the difference, if any, between the

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minimum fee and fees earned) in excess of such royalty payments and fees received by the Company shall accrue and be payable out of subsequent royalty payments and fees in the manner provided in paragraph 5.2 of the License Agreement. All reasonable expenses of Consultant incurred in rendering consulting services pursuant to this Agreement shall be reimbursed by Company within a reasonable time after receipt of a request for reimbursement accompanied by appropriate evidence of such expenses.

3. Term. This Agreement is effective on the date hereof and until the [fifth] anniversary of the date hereof (the "Initial Term"), unless terminated in accordance herewith, provided that this Agreement may be extended beyond the Initial Term for so long as Company requests services from Consultant pursuant to Paragraph 1. This Agreement may be terminated by either party, if at least 15 days prior written notice is given to the other party, provided, however, that the provisions of Paragraphs 4 and 6 shall survive such termination. In the event notice of termination is sent by mail, it shall be deemed to have been given three days after the date it is deposited, postage prepaid, in the U.S. mail. Upon termination, Consultant shall return to Company all drawings, prints, manuals, letters, reports, memoranda, and all other material of a restricted or confidential nature relating to or constituting Confidential Information (as defined below). This includes material generated as a result of Consultant's efforts on behalf of Company.

4. Licensed Technology. To the extent that the License Agreement does not convey all of the Technology created or developed by Consultant (whether before or after execution of this Agreement) and not owned by the Board of Regents of The University of Texas System pursuant to their Rules and Regulations, this Agreement shall constitute a fully paid up, exclusive license of the Technology by Consultant to Company on the same terms and conditions as the License Agreement. Any and all inventions not otherwise owned by the Board of Regents of The University of Texas System, whether or not deemed by the Consultant to be patentable, conceived, developed, or reduced to practice, whether solely by Consultant or jointly with others, while in the direct performance of his duties hereunder will constitute works made for hire. Consultant shall execute, without further consideration, such patent and copyright applications, registrations, and/or assignments, licenses and similar papers pertaining to any Technology that Company may perfect or transfer Company's rights therein. Consultant shall, at the expense of Company and at Company's request, give his applications based upon or arising out of the Technology, including work done by Consultant solely or jointly with others hereunder, it being understood and agreed that (1) as a part of such assistance, Consultant will maintain and make available, upon request, records of his activities in connection with conceptions, developments and/or reductions to practice, will execute such affidavits as are in accordance with

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facts that Company may prepare and request, and will fully cooperate in connection with any cause of action and the discovery process associated therewith including, but not limited to, serving as a witness, and (ii) Consultant shall be entitled to compensation in accordance with Paragraph 2 hereof only if such assistance relates to inventions or works made for hire owned by Company.

5. Independent Contractor. Nothing in this Agreement shall be considered to create the relationship of employer and employee between the parties hereto. consultant shall be deemed at all times to be an independent contractor and shall have no authority to act on behalf of or bind Company.

6. Non-Competition/Confidentiality.

A. Except as otherwise provided herein, Consultant agrees that during the term hereof, he will not directly or indirectly engage, whether as a stockholder, director, officer, employee, owner, partner, or otherwise, in any business or venture which is engaged in using, developing, or otherwise exploiting the Technology in any manner in the [continental United States of America and Canada] except at the direction, or with the approval, of the Company. Nothing contained herein shall prevent Consultant from engaging in research regarding the Technology as an employee of the University of Texas at Dallas or any other nonprofit educational entity or owning any securities of any corporation actively traded on any recognized stock exchange or in the over-the-counter market so long as Consultant's holdings in such securities do not exceed five percent of the outstanding equity securities of any class in such corporation. Company and Consultant agree that these limitations are reasonably necessary to protect the business interests of Company and are reasonable in their scope. During the term hereof, Consultant (i) will not take any action inconsistent with his obligations hereunder or the rights and interests of Company under this Agreement or the License Agreement, (ii) shall not perform any work or services for any person or concern, supplying or competing with Company, without Company's written permission, and (iii) shall comply with the Board's policy on outside activities by faculty.

B. Consultant promises to keep confidential during and subsequent to the term hereof, except for disclosure to persons to whom Consultant's duties under this Agreement require such disclosure, all confidential information, including information relating to Company's business, its research or engineering activities, manufacturing processes, trade secrets, sources of supply, lists of customers, other information pertaining to customers and plans or contemplated actions ("Confidential Information"). Nothing in this Agreement shall be interpreted as placing any obligation of confidentiality on or restrictions on

use by Consultant with respect to any Confidential Information that:

(i) can be demonstrated to have been in the public domain as of the date of this Agreement or which comes into the public domain during the term of this Agreement through no fault of the Consultant; or

(ii) was not transferred to Company under this Agreement, the License Agreement or the Research Agreement, and which can be demonstrated to have been known to Consultant prior to execution of this Agreement and which was not acquired, directly or indirectly, under a continuing obligation of confidentiality.

7. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Texas.

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

CONSULTANT:

Farzin Davanloo

COMPANY:

RESEARCH APPLICATIONS, INC.

By: _____
Dale Mosier, President

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3. U. T. San Antonio: Approval of Assignment of Patent and Know-How Rights with Photoprotective Technologies, Incorporated (PPT), San Antonio, Texas.--Upon recommendation of the Land and Investment Committee, the Board approved the Assignment of Patent and Know-How Rights set out on Pages 59 - 70 by and between the U. T. Board of Regents, for and on behalf of The University of Texas at San Antonio, and Photoprotective Technologies, Incorporated (PPT), San Antonio, Texas, for the assignment of patent rights.

Photoprotective Technologies, Incorporated (PPT), a Texas corporation, manufactures, distributes and licenses melanin or products incorporating melanin, a pigment that occurs naturally in the human body. Commercialization may include an optical lens system incorporating melanin as an absorbing pigment for protection against electromagnetic radiation.

Under the Assignment of Patent and Know-How Rights, the U. T. Board of Regents will assign all rights, title and interest in the patent applications to PPT. As consideration for the assignment, PPT will prosecute the patent applications and commercialize the technology at its expense and pay royalties to the U. T. Board of Regents.

ASSIGNMENT OF PATENT AND KNOW-HOW RIGHTS

This Assignment is entered into this 7TH day of December, 1989, by and between the Board of Regents of The University of Texas System, an agency of the State of Texas (hereinafter "Assignor" which term includes successors and assigns), James M. Gallas, an individual residing at 4934 Timberwind, San Antonio, Texas (hereinafter "Gallas") and Photoprotective Technologies Incorporated, a Texas corporation, having its principal place of business at 4934 Timberwind, San Antonio, Texas (hereinafter "Assignee", which term includes successors and assigns).

W I T N E S S E T H:

WHEREAS, by virtue of an assignment executed by Gallas on January 11, 1988 and which is attached hereto as Exhibit "A", Assignor is the owner of all right, title and interest in and to certain Patents (as hereinafter defined) in new and useful improvements relating to the preparation or use of a melanin or a hydrogen superoxide scavenging agent in hydrophilic contact lenses; and

WHEREAS, Assignor is the owner of all right, title and interest in and to certain Technology (as hereinafter defined) and Know-How (as hereinafter defined) relating to the preparation or use of a melanin or a hydrogen superoxide scavenging agent in hydrophilic contact lenses; and

WHEREAS, under the Rules and Regulations promulgated by the Assignor, Gallas has an interest in fifty percent (50%) of the royalties or other income received by Assignor from licensing or other transferring of the Patents, the Technology and the Know-How, after cost of licensing and obtaining a patent or other protection have first been recaptured by Assignor (hereinafter the "Gallas Interest") and Gallas has assigned such interest to Assignee; and

WHEREAS, Gallas desires to confirm the assignment of the Gallas Interest to Assignee; and

WHEREAS, Assignee desires to acquire all of Assignor's right, title and interest in, to and under the Patents, the Technology and the Know-How, and desires to confirm the assignment of the Gallas Interest to Assignee; and

WHEREAS, Assignor desires to assign, sell and convey the entire right, title and interest of Assignor in the Patents, the Technology and the Know-How to Assignee, its successors and assigns, in exchange for consideration hereinafter set forth;

NOW, THEREFORE, in consideration of the covenants and agreements herein contained and other good and valuable consideration, the sufficiency of which is hereby acknowledged,

the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

1.1. Technology. The term "Technology" as used herein shall mean all inventions, patents, patent applications and rights listed on Exhibit "B".

1.2. Patents. The term "Patents" as used herein shall mean all patents and patent applications listed on Exhibit "B".

1.3. Know-How. The term "Know-How" as used herein shall mean technology not claimed in patents, but nevertheless proprietary, valuable trade secrets, inventions, processes, procedures, methods, product codes, formulas, techniques, designs, drawings, technical and clinical data and other valuable and technical information relating to the incorporation of a melanin or a hydrogen superoxide scavenging agent into or onto a hydrophilic contact lens and any improvements relating to the incorporation of a melanin or a hydrogen superoxide scavenging agent into or onto a hydrophilic contact lens.

1.4. Licensed Products. The term "Licensed Products" as used herein shall mean hydrophilic contact lenses covered by one or more claims of the Patents or produced by methods covered by one or more claims of such Patents or utilizing or incorporating Technology or Know-How.

1.5. Licensed Processes. The term "Licensed Processes" as used herein shall mean all methods and procedures covered by one or more claims of the Patents or utilizing or incorporating Technology or Know-How for the manufacture or use of Licensed Products.

1.6. Income. The term "Income" as used herein shall mean all income received by Assignee from the sale or licensing of the Patents, the Technology or the Know-How to third parties.

1.7. Accumulated Expenses. The term "Accumulated Expenses" as used herein shall mean all expenses incurred by Assignee after November 1, 1989, in connection with the Patents, the Technology, the Know-How, the Licensed Products, and the Licensed Processes, including, but not limited to, the following:

(a) all reasonable legal or other costs and expenses relating to the prosecution or maintenance of the Patents;

(b) all reasonable research and development costs and expenses relating to the Licensed Products and the Licensed Processes including costs and expenses incurred after the

Patents, the Technology or the Know-How are sold or licensed to a third party or parties by Assignee:

(c) all reasonable overhead and administrative costs and expenses relating to the research and development, or licensing of the Licensed Products and the Licensed Processes including costs and expenses incurred after the Patents, the Technology or the Know-How are licensed to a third party or parties by Assignee; and

(d) all reasonable overhead and administrative costs and expenses relating to the collection of Income including costs and expenses incurred after the Patents, the Technology or the Know-How are licensed to a third party or parties by Assignee.

ARTICLE II ASSIGNMENT

2.1. Assignment by Assignor. Assignor hereby assigns, sells and conveys to Assignee, its successors and assigns, the entire right, title and interest throughout the world in and to the Patents, the Technology and the Know-How.

2.2 Assignment by Gallas. Gallas hereby confirms the assignment, sale and conveyance to Assignee, its successors and assigns, of the entire right, title and interest throughout the world in and to the Gallas Interest.

ARTICLE III CONSIDERATION

3.1. License to Third Party. Assignor, Gallas, and Assignee agree that, in the event the Patents, the Technology and/or the Know-How are sold or licensed to a third party or parties, Assignor and Assignee shall share equally in the Income derived from such sale or license after Accumulated Expenses incurred by Assignee are recaptured by Assignee. Accordingly, Assignee agrees to pay to Assignor one-half (1/2) of all Income received by Assignee from a third party or third parties which is in excess of the Accumulated Expenses. Such payment shall be made within thirty (30) days following the expiration of a calendar quarter.

3.2. Manufacture and Sale of Licensed Products by Assignee. In the event Assignee elects to manufacture or sell Licensed Products, Assignor and Assignee agree to negotiate the amount of royalties to be paid by Assignee.

ARTICLE IV
BOOKS AND RECORDS

4.1. Books. Assignee shall maintain true and complete books of account containing an accurate record of all data necessary for the proper computation of the Income, royalty payments, and Accumulated Expenses required hereunder. Assignor shall have the right, by an independent certified public accountant appointed by it and acceptable to Assignee (such acceptance shall not be unreasonably withheld), to examine such books, under terms of confidentiality with Assignee, at all reasonable times, upon ten (10) days prior written notice (but not more than once in each calendar year), for the sole purpose of verifying the accuracy of reports rendered by Assignee. Such examination shall be made during normal business hours at Assignee's principal place of business. The fees and expenses of the representatives performing such examination shall be borne by Assignor, except that, if the examination reveals an error to the Assignor's detriment greater than 5% of the actual amount due, Assignee shall pay the costs of the examination.

4.2. Payment and Report. Assignee shall submit to Assignor written reports for each fiscal quarter of Assignee accurately identifying Income and Accumulated Expenses in sufficient form and detail as to enable Assignor to determine the Income and royalties due. Such reports shall be due forty-five (45) days following each fiscal quarter. A report shall be submitted, even if no Income has been received, Accumulated Expenses have been incurred or Net Sales have been made during any reporting period.

ARTICLE V
CONSIDERATION RECEIVED BY GALLAS

5.1. Sufficiency of Consideration. Gallas acknowledges that he has received sufficient consideration for assigning his rights in the Patents, the Technology and the Know-How hereunder in the form of shares of common stock in Assignee and no further consideration shall be received by Gallas from either Assignor or Assignee in connection with this Assignment.

ARTICLE VI
REPRESENTATIONS

6.1. Representation. The parties hereto represent and warrant that they have the right and authority to enter into this Assignment and that they have not executed or entered into any other agreements inconsistent with the terms and provisions hereof.

6.2. Documents. Gallas and Assignor covenant that Gallas, Assignor, and their heirs, legal representatives, assigns, administrators, and executors, will, at the expense of Assignee, its successors and assigns, execute all papers and perform such other acts as may be reasonably necessary to give Assignee, its successors and assigns, the full benefit of this Assignment.

ARTICLE VII
USE OF NAME

7.1. Name. Assignee agrees to seek permission from The University of Texas before using the name of The University of Texas in any promotional material.

EXECUTED AT Austin, Texas on the date indicated below opposite the signatures of the parties hereto.

ATTEST:

By Arthur H. Dilly
Executive Secretary
Arthur H. Dilly

ASSIGNOR:

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By Michael E. Patrick
Michael E. Patrick
Executive Vice Chancellor
for Asset Management

APPROVED AS TO FORM:

By Dudley R. Dobie, Jr.
Dudley R. Dobie, Jr.
Office of General Counsel

APPROVED AS TO CONTENT:

By M. Dan Williams
M. Dan Williams
Vice President for Business
Affairs and Acting President
The University of Texas at
San Antonio

GALLAS

James M. Gallas
JAMES M. GALLAS

ASSIGNEE

PHOTOPROTECTIVE TECHNOLOGIES
INCORPORATED

By: Michael E. Patrick

THE STATE OF TEXAS
COUNTY OF TRAVIS

BEFORE ME, the undersigned Notary Public, on this day personally appeared Michael E. Patrick, Executive Vice Chancellor of Asset Management for the Board of Regents of The University of Texas System, an agency of the State of Texas, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 1 day of December, 1989.

(SEAL)



Enge Meier
Notary Public, State of Texas
My Commission Expires: 12/21/93
ENGE MEIER
Typed or Printed Name of Notary

THE STATE OF TEXAS

COUNTY OF BEXAR

BEFORE ME, the undersigned Notary Public, on this day personally appeared JAMES M. GALLAS, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 6th day of December, 1989.

Linda L. Tidd
Notary Public, State of Texas

(SEAL)

My Commission Expires: 2/9/92

Linda L. Tidd
Typed or Printed Name of Notary

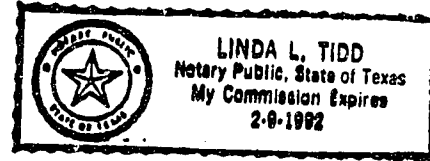


EXHIBIT "A"

ASSIGNMENT

FOR GOOD AND VALUABLE CONSIDERATION, the receipt, sufficiency and adequacy of which are hereby acknowledged, the undersigned, does hereby:

SELL, ASSIGN AND TRANSFER to the BOARD OF REGENTS, THE UNIVERSITY OF TEXAS SYSTEM (the "Assignee"), having a place of business at 201 West Seventh Street, Austin, Texas 78701, having a place of business at 201 West Seventh Street, Austin, Texas 78701, the entire right, title and interest for the United States and all foreign countries in and to any and all improvements which are disclosed in the application for United States Letters Patent Serial Number 07/105,631, and is entitled Melanin Hydrophilic Contact Lenses, such application and all divisional, continuing, substitute, renewal, reissue and all other applications for patent which have been or shall be filed in the United States and all foreign countries on any of such improvements; all original and reissued patents which have been or shall be issued in the United States and all foreign countries on such improvements; and specifically including the right to file foreign applications under the provisions of any convention or treaty and claim priority based on such application in the United States;

AUTHORIZE AND REQUEST the issuing authority to issue any and all United States and foreign patents granted on such improvements to the Assignee;

WARRANT AND COVENANT that no assignment, grant, mortgage, license or other agreement affecting the rights and property herein conveyed has been or will be made to others by the undersigned, and that the full right to convey the same as herein expressed is possessed by the undersigned;

COVENANT that, when requested and at the expense of the Assignee, to carry out in good faith the intent and purpose of this assignment, the undersigned will execute all divisional, continuing, substitute, renewal, reissue, and all other patent applications on any and all such improvements; execute all rightful oaths, declarations, assignments, powers of attorney and other papers; communicate to the Assignee all facts known to the undersigned relating to such improvements and the history thereof; and generally do everything possible which the Assignee shall consider desirable for securing, maintaining and enforcing proper patent protection for such improvements and for vesting title to such improvements in the Assignee;

TO BE BINDING on the heirs, assigns, representatives and successors of the undersigned and extend to the successors, assigns and nominees of the Assignee.

(Signature)
Name:


JAMES M. GALLAS

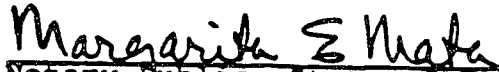
Date:

11 Jun 1988

THE STATE OF TEXAS §

COUNTY OF BEXAR §

BEFORE ME, the undersigned authority, on this 11th day of January, 1988, personally appeared James M. Gallas, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same of his own free will for the purposes and consideration therein expressed.


Notary Public, State of Texas

Commission Expires: 12-31-88

[SEAL]

Margarita E. Mata
Typed or Printed Name of Notary
for Bexar County, Texas.

ANTR59/D

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EXHIBIT "B"

- (a) The invention in a melanin or a scavenging agent being incorporated into or onto a hydrophilic contact lens; and
- (b) Currently pending U.S. Patent Application Serial No. 105,631
Date filed: October 5, 1987
Title: "MELANIN HYDROPHILIC CONTACT LENSES"; and
- (c) Currently pending International Application No. PCT/US88/02859
Date filed: August 18, 1988
Title: "MELANIN HYDROPHILIC CONTACT LENSES"; and
- (d) Currently pending Canadian Application Serial No. 579172
Date filed: October 3, 1988
Title: "MELANIN HYDROPHILIC CONTACT LENSES"; and
- (e) Currently pending Mexican Application File No. 13228
Date filed: September 30, 1988
Title: "MELANIN HYDROPHILIC CONTACT LENSES"; and
- (f) Currently pending European Patent Application No. 88308967.4
Date filed: September 28, 1988
Title: "MELANIN HYDROPHILIC CONTACT LENSES"; and
- (g) Currently pending Korean Patent Application No. 89-700656 corresponding to International Application No. PCT/US88/02859
Date filed: April 17, 1989
Title: "MELANIN HYDROPHILIC CONTACT LENSES"; and
- (h) All other applications for patent corresponding to International Application No. PCT/US88/02859 and European Patent Application 88308967.4; and
- (i) All other applications for patent or like protection, all past and future modifications or improvements and all other applications for patent or like protection on the past and future modifications or improvements on the invention disclosed in paragraph (a) and on the invention(s) disclosed in those patents and patent applications listed in paragraphs (b) - (h) above anywhere in the world; and

- (j) All patents ultimately issuing from, and all substitutions, divisions, continuations, continuations-in-part, renewals, reissues, extensions and the like of the inventions, patents, patent applications and like grants listed in paragraphs (a) - (i) above, including without limitation, those obtained or permissible under past, present and future law and statutes; and
- (k) All rights of action on account of past, present and future unauthorized use of the above invention and for infringement of the above patents and like protection; and
- (l) The right to file applications for patents and like protection for the above inventions in any country or countries foreign to the United States; and
- (m) All international rights of priority associated with the above invention, applications, patents and like protection.

IV. OTHER MATTER

U. T. System: Approval to (a) Adopt the Planned Giving Policy Guidelines and (b) Amend the Endowment Policy Guidelines.--In recognition of the increasing importance of planned giving development activities, the Board, upon recommendation of the Land and Investment Committee, adopted The University of Texas System Planned Giving Policy Guidelines set out on Pages 71 - 81 and amended the U. T. System Endowment Policy Guidelines presented on Pages 82 - 85.

Upon approval of the Planned Giving Policy Guidelines, Committee Chairman Ratliff indicated that the guidelines were well constructed and in the best interests of the U. T. System. He cautioned that there were, on occasion, gifts offered that had conditions or expenses which the Board could not realistically accept. He observed that this Policy provided sufficient review and consultation with the components to ensure that the component interests were well served and that the Board's fiduciary responsibility was exercised.

U. T. SYSTEM PLANNED GIVING POLICY GUIDELINES

Planned giving provides a meaningful opportunity to expand donor support of The University of Texas System's drive to develop and maintain quality in faculty, students and facilities. A planned gift is a transfer of assets to charity, given outright or deferred, in forms such as charitable remainder trusts, charitable lead trusts, pooled income funds, bargain sales, gift annuities, gifts with retained life estates and bequests. The U. T. Board of Regents recognizes the importance of establishing policies and procedures to meet the planned giving development needs of the U. T. System and component institutions and of directing vigorous efforts to attract private fund support. This document, including the attached definitions, is designed to communicate the responsibility of the U. T. Board of Regents to donors and the goals for and the limitations upon planned giving activities. These guidelines state the preferences of the U. T. Board of Regents for the structure and management of planned gifts. Staff members are encouraged to work with potential donors to design planned gifts which are beneficial to donors and comply with these guidelines. When these guidelines do not indicate the appropriate course of action, or are inappropriate in light of all aspects of a specific situation, staff members are to work with the relevant offices or the Planned Giving Committee, as outlined in these guidelines, to establish the course of action to be recommended to the U. T. Board of Regents. These guidelines are intended to supplement, not replace, the U. T. System Endowment Policy Guidelines, the U. T. System Trust Fund Real Estate Policy Statement and the Regents' Rules and Regulations. These guidelines are further intended to provide direction solely to U. T. System employees working with planned gifts and should not be used or distributed as a planned giving brochure.

A. Responsibility to Donors

1. In all matters related to planned giving, the U. T. System, the component institutions and staff and representatives must be aware of and sensitive to the potential donor's financial needs and concerns.

2. All representatives of the U. T. System and the component institutions shall use their best judgment to help donors make appropriate gifts. Each representative should be knowledgeable about planned gifts and should disclose to the donor advantages and disadvantages that could reasonably be expected to influence the decision of the donor to make an agreement with the U. T. Board of Regents. In particular, items subject to variability (such as market value and income payments) should be discussed fully. Donors shall be advised in writing to seek legal and/or tax advice from their own counsel.
3. The U. T. Board of Regents will not knowingly accept a gift that is contrary to the donor's best interests.

B. Acceptance of Gifts

1. All planned gifts meeting the standards established in these guidelines may be submitted as a proposed agenda item directly to the appropriate Executive Vice Chancellor following routine procedures.
2. In order to create a consensus on the appropriate terms and conditions of planned gifts which do not conform to the standards established in these guidelines and related schedules of approved payout rates, a Planned Giving Committee ("PGC") is to be created. The PGC shall consist of designees of the Office of Asset Management ("OAM"), the Office of General Counsel ("OGC"), the Office of Health Affairs ("OHA"), the Office of Academic Affairs ("OAA"), the Office of Business Affairs ("OBA"), the U. T. System Development Office ("SDO") and a representative of the component institution proposing terms for the planned gift. In the event that a designee is unable to attend a meeting of the PGC, an alternate may be appointed.
3. All planned gifts with terms and conditions which vary in any substantial respect from the format of the sample agreements discussed below, or otherwise vary from the requirements of these guidelines, must be reviewed in advance by the PGC.
4. The PGC should make every effort to reach a decision concerning a component's proposal within one week after the component's proposal is received or within the time period requested. The PGC should either make a recommendation or request additional information within one week after the component requests a review.
5. Upon review of the terms and conditions of a proposed agreement, the PGC shall make a recommendation for acceptance or amendment of the agreement to the appropriate members of the Executive Staff for final recommendation to the U. T. Board of Regents.

C. Restrictions on Acceptance of Gifts and Donated Assets

1. State law prohibits the U. T. Board of Regents from accepting gift annuities and deferred gift annuities. Inquiries concerning gift annuities and deferred gift annuities will be referred to appropriate external foundations established to benefit the U. T. System and/or its component institutions.
2. The U. T. Board of Regents is willing to serve as trustee of trusts that are revocable by the donor, or where the donor retains the right to change the charitable beneficiary only if: (1) the U. T. System component institution will receive irrevocably at least 51% of the total funding of the trust; and (2) the value of the U. T. System component institution's irrevocable interest equals the minimum requirements established below in H.2. for accounts that cannot be pooled for investment purposes. These restrictions have been established to insure that Article III, Section 51 of the Texas Constitution is not violated. (Section 51 has been interpreted to prohibit the U. T. Board of Regents from providing trustee services to an individual without receiving a benefit in return.)
3. The U. T. Board of Regents is willing to serve as trustee of trusts which allow for invasions of principal based upon objective, non-discretionary standards only if: (1) the U. T. System component institution will receive irrevocably at least 51% of the total funding of the trust; and (2) the value of the U. T. System component institution's irrevocable interest equals the minimum requirements established below in H.2. for accounts that cannot be pooled for investment purposes. The U. T. Board of Regents should not be asked to serve as trustee of trusts which allow income beneficiaries to invade the principal of the trust at the discretion of the trustee because of the potential for conflicts of interest and the constitutional provision referred to in C.2. above.
4. The U. T. Board of Regents is willing to serve as trustee of a charitable remainder trust with multiple charitable remainder beneficiaries only if: (1) the U. T. System component institution will receive at least 51% of the remainder; (2) the value of the U. T. System component institution's interest will be at least the minimum trust gift levels established below in H.2.; and (3) the other charities agree to provisions deemed appropriate by OGC.
5. Because of the current tax laws and the potential for conflicts of interest, the U. T. Board of Regents will accept charitable lead trusts as a beneficiary, but should not be asked to serve as trustee of charitable lead trusts. Upon request, information may be provided the donor on institutions in his/her locale having the legal authority to act as a trustee.
6. Section 116 of the Texas Probate Code prohibits the U. T. Board of Regents from accepting a gift which would require the U. T. Board of Regents to serve as a guardian of the person or estate.

7. A planned gift that creates unrelated business income tax problems for a charitable remainder trust should not be proposed for acceptance because of potential adverse tax consequences that result to the trust and the income beneficiary. (In any year in which a charitable remainder trust has any unrelated business income, the trust loses its tax exempt status for the entire year.)
8. Stock in a Subchapter-S corporation is not to be proposed for acceptance without the written consent of all other shareholders to forfeit the corporation's Subchapter-S status.

D. Donated Assets Requiring Review

1. Planned gift assets other than cash or marketable securities must be reviewed by the OAM. Reviews to determine whether a planned gift asset should be recommended for acceptance shall include consideration of any required cash expenses, liabilities, contingent liabilities, unrelated business income taxes, donor requirements which may result in risk of loss, as well as any other source of funds available to cover such expenses and liabilities. The OAM shall determine whether the economic risks are appropriate prior to recommending acceptance of the gift to the Chancellor and appropriate Executive Vice Chancellor. The PGC may offer advisory opinions to the OAM concerning this decision. A decision or a request for additional information should be made within one week after the component requests a review.
2. All planned gifts of real estate must be reviewed by the OAM and are subject to the provisions of the U. T. System Trust Fund Real Estate Policy Statement.
3. Bequests and/or bargain sales involving assets creating unrelated business income tax should be reviewed by the OAM and the OBA for economic implications and by the OGC for legal implications.
4. Bequests of general partnerships, limited partnerships and working interests may be accepted, subject to a thorough legal and financial analysis by the OGC, the OAM and the OBA. Interests in general partnerships, limited partnerships and working interests will not be accepted as assets in a charitable remainder trust. Ownership of these assets could create unrelated business income tax problems and liability for the trust. (See C.7.)

E. Gifts of Real Property with Retained Life Estates

1. Gifts of real estate with retained life estates shall be reviewed and approved by the OAM, in consultation with the OGC, prior to recommendation for acceptance of the gift to the Chancellor and appropriate Executive Vice Chancellor. Acceptance of such gifts must also be in accordance with the guidelines for acceptance of outright gifts of real property as set forth in the U. T. System Trust Fund Real Estate Policy Statement.

2. Such gifts shall be proposed to the U. T. Board of Regents for acceptance only if adequate provision is made by the donor for any expense in connection with ownership, including payment of mortgages, taxes, insurance and utilities, unless a source of funds to cover such expenses has been identified by the component institution for whose benefit the gift is being made.

F. Wills and Bequests

1. Sample language approved by the OGC may be provided to an individual inquiring about naming the U. T. System or a component institution as a beneficiary.
2. If an individual provides a copy of his or her will naming the U. T. System or a component institution as a beneficiary, a copy of the will shall be sent to the Office of Endowments and Trusts ("OET") for review. The OET shall furnish copies to the OGC, the SDO and the component institution development office for further review. Any person to whom an individual's will is furnished must protect the confidentiality of its contents taking all possible precautions to protect the donor's right to privacy.
3. The U. T. Board of Regents should not be requested to serve as executor or administrator of an estate because of the potential for conflicts of interest and the scope of the required duties.
4. U. T. System and component institution employees who agree to serve as executor or administrator of a donor's estate which benefits a U. T. System component institution are immediately to notify the OET of their appointment. Upon notification, the employee will be furnished a statement advising of the potential for conflicts of interest and directing that all communications pertaining to the estate between the employee and any office of the U. T. System or the component institutions shall be in writing.
5. U. T. System and component institution employees will not knowingly act as witnesses to wills in which the U. T. System or a component institution is named as a beneficiary because their doing so may jeopardize the receipt of the bequest.

G. Life Insurance

1. Gifts of life insurance policies naming the U. T. Board of Regents as owner and/or beneficiary may be accepted in accordance with the Regents' Rules and Regulations for acceptance of gifts.
2. A component institution is responsible for preserving the value to the U. T. System component institution of a life insurance policy owned by the U. T. Board of Regents pursuant to institutional guidelines. The guidelines should cover situations in which the insurance policy is not paid-up and does not have any source of funds for payment of the premiums identified at the time of the gift or thereafter.

H. Charitable Trusts

1. Because of the potential for conflicts of interest, U. T. System and component institution employees who agree to serve as trustee of a trust benefiting a U. T. System component institution are immediately to notify the OET of their appointment. Upon notification, the employee will be furnished with a statement advising of the potential for conflicts of interest and directing that all communications pertaining to the trust between the employee and any office of the U. T. System or the component institutions shall be in writing.
2. Recommendations for acceptance of charitable remainder trusts of which the U. T. Board of Regents is proposed to be the trustee may be made to the U. T. Board of Regents only if the trust:
 - (1) meets all of the criteria outlined in these guidelines and related schedules of payout rates or
 - (2) has been reviewed and recommended by the PGC and the Executive Staff.

A life charitable remainder trust of which the U. T. Board of Regents is proposed to be trustee should have no more than two income beneficiaries, the youngest of which is at least 55 years of age. A term charitable remainder trust may have income beneficiaries of any age.

If the trust: (1) has acceptable terms, (2) is funded with cash or marketable securities, and (3) may be pooled for investment purposes, the trust should be initially funded at a minimum gift level of \$50,000.

If the trust: (1) has acceptable terms, (2) is funded with cash or marketable securities, and (3) may not be pooled for investment purposes, the trust should be initially funded at a minimum gift level of \$100,000.

If the trust is funded with assets other than cash or marketable securities, the terms of the agreement must be reviewed and approved by the OAM and, when necessary, the PGC. A unitrust with a net income payout or net income with make-up provision payout should be established for trusts funded with assets other than cash or marketable securities. Other acceptable terms depend upon the standard criteria plus the ability and length of time required to liquidate or manage the asset used to fund the trust. Such trusts shall be reviewed by the OAM and, when necessary, the PGC and approved by the Executive Staff prior to being recommended to the U. T. Board of Regents for acceptance.

I. Pooled Income Fund

1. Gifts to a Pooled Income Fund may be proposed for acceptance only for beneficiaries over the age of 55 if there are no more than two income beneficiaries for each account established in a Pooled Income Fund by a donor. The minimum gift needed

to enter a Pooled Income Fund is \$10,000, or a contribution of \$5,000 with a pledge that additional contributions will be made to bring the total dollar share in the Fund to \$10,000 within five years.

2. The Pooled Income Fund charter requires that all gifts must be made in cash or readily marketable securities.

J. Management and Investments

1. Multiple pooled funds for unitrusts and annuity trusts, allowing the generation of diverse yields through the selection of a growth or yield investment emphasis, are essential.
2. The OAM shall have primary responsibility for policies on the deposit, investment, custody and reporting of charitable trust funds and pooled income funds and for the negotiation and approval of agreements governing the provision of such services by outside parties.
3. The U. T. Board of Regents will not authorize the OAM to administer and manage life income charitable trusts of which the U. T. Board of Regents is not trustee.
4. Costs associated with the U. T. System staff's management of planned gifts will be borne by the U. T. System. However, the U. T. System may request reimbursement from the trust for any third party charges incurred by the trust. Such charges may include, but are not limited to, bank custodial fees, real estate expenses such as appraisals, surveys, environmental assessments, maintenance and repairs and extraordinary legal fees. In circumstances where it is deemed inappropriate for the affected trusts to bear such expenses, reimbursements may be requested from the component institution for whose benefit the trust is administered.

K. Use of Legal Counsel

1. A representative of the U. T. System or a component institution shall seek the advice of designated attorneys in the OGC or outside counsel, upon specific referral by the OGC, in all matters pertaining to the U. T. System planned giving program which may have adverse legal consequences to the U. T. System.
2. Negotiation, execution and acceptance of any planned gift shall follow procedures outlined in Section L. of this policy including review of any planned gift agreement by the OGC as to legal consequences. All agreements shall conform to the sample agreements approved by the OGC unless otherwise approved in accordance with the procedures set forth in these guidelines.
3. Each potential donor shall be advised to seek counsel from his/her own lawyer or accountant where applicable in matters relating to planned gifts, tax and estate planning.

L. Negotiation and Execution of Documents

1. The chief administrative officer of each U. T. System component institution shall designate in writing the staff members who are authorized to enter into negotiations concerning planned gift agreements with potential donors. All negotiations shall be conducted in accordance with these guidelines and the format of the sample agreements approved by the OGC.
2. It is the responsibility of each U. T. System or component institution representative to keep detailed written notes to supplement written correspondence as evidence of ethical practices in negotiations with each donor.
3. The representative working with a donor who desires to make a planned gift which deviates from these guidelines, the sample agreements or the schedule of approved payout rates, shall contact the OAM as soon as possible which will contact the OGC and/or the PGC as appropriate. A current list of the names of designated representatives of these offices shall be furnished to the component institution and U. T. System development offices.
4. The OAM shall furnish a regular schedule of approved payout rates to all U. T. System staff members authorized to enter into negotiations concerning planned gift agreements to assist them during discussions with donors.
5. Donors should be informed that approved payout rates may be adjusted if market conditions change significantly before an agreement is finalized. Requested payout rates for charitable trusts are to be approved immediately prior to finalization of the trust by the Executive Vice Chancellor for Asset Management or his/her designee(s). Any request to deviate from the schedule of approved payout rates established by the OAM shall be considered in the same manner as outlined above in Section B. for gifts that deviate from the standard criteria.
6. If the donor requests or requires that the donative instrument be signed by a representative of the U. T. Board of Regents, the document may be signed only after acceptance of the gift by the U. T. Board of Regents.
7. The Chancellor and the Executive Vice Chancellor for Asset Management or his/her designee(s) are each authorized to execute a donative instrument for a planned gift that has been accepted by the U. T. Board of Regents.

M. Administrative Policy

1. Component institution business offices and development offices, the OAM and the OGC should operate in a cooperative manner to insure prompt transmission of information on proposed planned gifts. Prompt internal notification of potential bequests and life insurance claims must occur to allow the U. T. System offices to monitor these situations.
2. All planned giving agreements will be deemed confidential to the extent permitted by law. However, a donor may authorize public announcement of any feature of an agreement. All files will be made available to agents of the Internal Revenue Service (IRS). All other requests for information will be honored only if the donor approves the release of information or if current law requires release of the information.
3. Any advertisement or planned giving brochure to be mailed or otherwise furnished to potential donors shall be sent to the OAA or the OHA, as appropriate, for administrative approval and coordinated review for compliance with policy statements by that office and the SDO, the OAM and the OGC, before distribution to donors. Every attempt should be made to complete the reviews and provide a definitive response within two weeks of receipt of the materials.

Appendix

Glossary of Terms

1. **Planned Giving:** A planned gift is a transfer of assets to charity, given outright or deferred, in forms such as charitable remainder trusts, charitable lead trusts, pooled income funds, bargain sales, gift annuities, gifts with retained life estates and bequests.
2. **Charitable Remainder Trust:** A charitable remainder trust is a type of trust arrangement whereby non-charitable entities or individuals are usually the income beneficiaries for a specified term of years ("term charitable remainder trust") or for a person's or persons' lifetime(s) ("life charitable remainder trust"). At the end of the applicable time period, the trust assets remaining (the "remainder") are transferred to a qualified charity. Two types of charitable remainder trusts allowed by the IRS are the charitable remainder unitrust and the charitable remainder annuity trust.
 - a. **Charitable remainder unitrust:** A charitable remainder unitrust is a charitable remainder trust from which the trustee is required to pay to the income beneficiaries a fixed percentage of the trust's fair market value each year. The amount paid to the income beneficiary may, or may not, be limited by the income earned by the trust.
 - b. **Charitable remainder annuity trust:** A charitable remainder annuity trust is a charitable remainder trust from which the trustee is required to pay to the income beneficiaries a fixed dollar amount each year.
3. **Charitable Lead Trust:** A charitable lead trust is a trust whereby a charity is the income beneficiary for a specified term or for a person's lifetime. At the end of the applicable time period, the remaining trust assets are transferred to non-charitable entities or individuals.
4. **Pooled Income Fund:** A pooled income fund is a trust:
 - a. To which each donor transfers property, contributing an irrevocable remainder in the property to the charity that manages the fund;
 - b. In which the property transferred by each donor is commingled with property contributed by other donors; and
 - c. From which each beneficiary of an income percentage receives a pro rata share of the income each year.
5. **Gift Annuity:** A gift annuity is an agreement whereby a donor gives property to a charity in exchange for the charity's promise to pay a guaranteed annual income for a person's lifetime. The promise to make the payments is usually considered to be a general obligation of the charity and is backed by all the assets of the organization.

6. Deferred Gift Annuity: A deferred gift annuity is essentially the same as a gift annuity with the exception that the donor picks a date in the future for payments to begin.
7. Bargain Sale: A bargain sale is a sale of an asset to a charity for less than its fair market value. The difference between the fair market value and the purchase price is treated as an outright gift for income tax purposes.
8. Gift of Real Property with Retained Life Estate: A gift of real property with a retained life estate is a gift of real property in which the donor reserves the right to use the property for a person's lifetime.

U. T. SYSTEM ENDOWMENT POLICY GUIDELINES

Endowments are a critical element in The University of Texas System's drive to develop and maintain quality in faculty, students and facilities. The U. T. Board of Regents is committed to insuring that these endowments provide, on a permanent basis, stable or growing purchasing power to support their dedicated activities. This goal may be achieved through judicious investment, payout, reinvestment and administrative policies which combine to promote the maintenance of the principal value of each gift in inflation-adjusted terms.

While these Endowment Policy Guidelines contain certain requirements, which are written in this statement using verbs such as "must" and "shall," other statements indicate the preference of the Board and generally are written using conditional verbs such as "should." The Board recognizes that each endowment is unique and that exceptions may, from time to time, be appropriate.

Administrative Policy

- (1) A written donative instrument should be obtained for each new endowment fund established. This instrument would preferably include language encouraged in the Investment Policy and Payout and Reinvestment Policy sections of these Guidelines as well as the following:
 - (a) a statement that these funds shall never become a part of the Permanent University Fund or the general funds
 - (b) a statement allowing any person or entity to make additions to the endowment provided that the additions are made subject to the provisions of the donative instrument, and
 - (c) a statement that if, in the opinion of the Board, future circumstances change so that the purposes for which the endowment is established become illegal, impractical or no longer able to be carried out to meet the needs of the component institution, the Board may designate an alternative use for the endowment payout to further the objectives and purposes of the component institution, giving consideration to the donor's special interest as evidenced by the original purpose of the endowment.

In cases where no donative instrument is obtained, the solicitation letter or document sent to the donor or donor(s) may be used as evidence of donative intent and purposes. Should the donor request or require that the donative instrument be signed by a representative of the Board (or anyone connected with the component or the System), the document may be signed only after acceptance of the endowment by the U. T. Board of Regents. As a practical matter, the assets donated to fund an endowment may be obtained and managed by the Office of Asset Management pending acceptance by the Board.

- (2) The U. T. System will not under any circumstances (a) furnish property appraisals or valuations to donors for tax purposes or (b) knowingly participate in a transaction in which the value of a gift is inflated above its true fair market value to obtain a tax advantage for a donor. It is the responsibility of the component business office to follow the appraisal and reporting requirements as detailed in the Internal Revenue Code. Proper records will be kept and information returns made on all property held for less than two years.
- (3) Component business offices and development offices, the Office of Asset Management, and the Office of General Counsel should operate in a cooperative manner to insure prompt transmission of information on endowments and of donations to fund endowments. Gifts of cash and marketable securities should be transmitted, in the prescribed manner, to the Office of Asset Management as soon as practicable. A cooperative effort should be made to obtain repurchase provisions in the donative instrument when securities are donated for which the donor or related parties are the primary market. Gifts of real estate are to be administered according to the U. T. System Trust Fund Real Estate Policy Statement. Planned gifts to fund an endowment should be established and administered following the procedures outlined in the U. T. System Planned Giving Policy Guidelines.
- (4) Reviews to determine whether an asset to fund an endowment should be recommended for acceptance shall include consideration of any required cash expenses, liabilities, contingent liabilities, and unrelated business income taxes as well as any donor requirements which may result in risk of loss such as use of a donor-selected custodian. The Office of Asset Management must concur that the economic risks are appropriate prior to recommendation to the Board for acceptance of the gift.

Investment Policy

- (1) The Office of Asset Management shall invest all endowment funds donated to U. T. System or its component institutions which are under the sole control of the Board of Regents of the U. T. System. The U. T. Board of Regents will not authorize the Office of Asset Management to administer and manage endowments of which the U. T. Board of Regents or another non-profit organization is not trustee. No matching funds or other funds of the U. T. System may be held or managed by a party selected by the donor unless specifically approved by the Board. No endowment shall be accepted in which the donor directs the investment transactions or holdings or may approve (other than by specific investment restrictions in the donative instrument) investment policy or strategy.
- (2) The primary and constant standard for making investment decisions for endowments is the "Prudent Person Rule" which states that the investment manager may trade and retain investments... "that persons of ordinary prudence, discretion, and intelligence, exercising the judgment and care under the circumstances then prevailing, acquire or retain for their own account in the

management of their affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital." Any investment restrictions established by the donor in the donative instrument shall be reviewed to determine if the authorized investments satisfy the prudent person standard. The Office of Asset Management shall have primary responsibility for policies on the deposit, investment, custody, and reporting of endowment funds and for the negotiation and approval of agreements governing the provision of such services by outside parties. Specific written investment policy statements shall be approved by the U. T. Board of Regents for all commingled investment funds of which the U. T. Board of Regents is trustee and which are managed by the Office of Asset Management.

- (3) It is the specific and strong preference of the Board that all endowment gifts be eligible for commingling for investment purposes with other endowment funds. The Board has established the U. T. System Common Trust Fund, governed by its charter and invested according to the U. T. System Common Trust Fund Investment Policy Statement, to provide for the collective investment of endowment and trust funds. This commingling permits enhancement of long-term investment programs, affords appropriate risk control through diversification, and provides for optimization of asset mix through time. It follows that specific language in the donative instrument which allows merging or commingling, for investment purposes, should be actively encouraged by all staff members. Any restrictive language precluding such commingling limits the diversification of investments and exposes an endowment to greater risk of loss or relatively poor investment performance. Furthermore, investment restrictions are not necessary in order for the donor to receive accounting and investment performance reports on the endowment fund. The Office of Asset Management shall review and make recommendations on the acceptance of any investment restriction.
- (4) Restrictions by the donor on the sale or timing of the sale of donated property should be viewed as an investment restriction (since they will affect investment performance) and should be actively discouraged. However, any such restrictions which are approved should be included specifically in the donative instrument in order to insure that the agreement is understood by all parties.

Payout and Reinvestment Policy

- (1) The payout from an endowment shall not exceed received cash income unless otherwise specified by the donative instrument. Income shall be defined as dividend, interest, and other income but shall exclude net appreciation, both realized and unrealized. Certain charitable remainder trusts and life income funds may be accepted, according to procedures outlined in the U. T. System Planned Giving Policy Guidelines, which do not comply with this policy during the period in which the payout recipient is not the U. T. System or its institutions.

(2) In order to insure that the Board has the ability to manage payout and reinvestment policies, wording in the donative instrument should be encouraged which specifically allows the following:

- (a) income earned and received during a year to be retained in the endowment and expended for the purposes of the endowment in subsequent years, and
- (b) the designation of some portion of income from the endowment as a permanent addition to the principal of the endowment at the discretion of the Board or component institution staff.

(3) The payout and reinvestment amounts, within any limitations imposed by the donative instrument, should be established at levels which attempt to produce expendable funds which are reasonably stable over time, address the needs of the established purpose, and permit the principal of the endowment to maintain or increase its value in inflation-adjusted terms over time. The Board annually establishes a payout level for endowments invested in the U. T. System Common Trust Fund. Most separately invested endowments have specified payout formulas established in the donative instrument. The diversity of payout levels on endowment funds result in the need for specific case-by-case establishment of appropriate reinvestment levels.

In keeping with the Board's commitment to protect and enhance the purchasing power derived from endowment funds, the Board directs U. T. System component institutions to adopt, for incorporation in each institution's Handbook of Operating Procedures, policies and programs to ensure the partial reinvestment of earned income into the corpus of endowment accounts to serve as an ongoing deterrent against erosion of the purchasing power of endowment funds due to inflation.

Specifically, it is the intent of the Board, subject to limits or restrictions set by donors and to the extent consistent with the purpose(s) and current income requirements of individual endowments, that these institutional reinvestment policies set as a goal reinvestment of at least ten percent of the earnings on all institutional endowment accounts collectively, with an expectation that reinvested earnings on individual endowments will range considerably in a particular year due to varying expenditure requirements for each endowment.

Additionally, the Executive Vice Chancellor for Asset Management is instructed to provide to the Board annually a report of the actual performance of institutional endowments, individually and collectively, to provide a measure of the success of this reinvestment requirement and institutionally adopted policies.

(4) All payout from endowments supporting unfilled academic positions should be reinvested except for amounts necessary to fund costs relating to recruitment activities.

RECONVENE.--At 2:40 p.m., the Board reconvened as a committee of the whole to consider those items remaining on the agenda.

ITEMS FOR THE RECORD

1. U. T. Arlington - School of Nursing Advisory Council: Acceptance of Membership.--At the October 1989 U. T. Board of Regents' meeting, Mr. Thomas Dwyer, Dallas, Texas, was approved for membership to The University of Texas at Arlington School of Nursing Advisory Council for a one-year term to expire August 31, 1990. Mr. Dwyer's acceptance of membership is herewith reported for the record.

2. U. T. Austin - Montopolis Research Center: Electric Easements with City of Austin, Texas.--It was reported for the record that agreements to provide required electric service to The University of Texas at Austin Montopolis Research Center and the SEMATECH facility were made between the City of Austin and U. T. Austin in June 1988. These agreements set aside an electrical service site of approximately 3.5 acres on the southeast corner of the Montopolis Research Center. As part of the agreement, the City of Austin agreed to waive applicable fees to construct the Grove Electric Substation which was to be built on the site. U. T. Austin agreed to maintain the distribution system on the load side of the U. T. Austin owned switchgear while the City of Austin agreed to own, operate and maintain the Grove Substation with U. T. Austin providing the City access at all times for this purpose.

Temporary electric easements were executed October 26, 1988, and filed in Travis County Deed Records in Volume 10831, Pages 0202-0211. These temporary easements extended for a primary term to August 31, 1989, subject to automatic renewal in yearly increments if construction activity continued on the premises.

Permanent easements for the Grove Electric Substation and the transmission corridor servicing the Montopolis Research Center and SEMATECH were executed August 10, 1989, and are filed in Travis County Deed Records in Volume 11013, Pages 0760-0766. All responsibilities for funding and construction management were fulfilled in October 1989, when the electric distribution system was completed at a net cost of approximately \$274,609 to U. T. Austin.

EXECUTIVE SESSION OF THE BOARD OF REGENTS

Chairman Beecherl reported that the Board had met in Executive Session in Room 1.228 of the Nursing School Building to discuss matters in accordance with Article 6252-17, Sections 2(e), (f) and (g) of Vernon's Texas Civil Statutes. In response to Chairman Beecherl's inquiry regarding the wishes of the Board, the following actions were taken:

1. U. T. Health Science Center - San Antonio: Settlement of Medical Liability Litigation - Miguel Pineda.--Upon motion of Regent Blanton, seconded by Regent Moncrief, the Chancellor and the Office of General Counsel were authorized to settle on behalf of The University of Texas Health Science Center at San Antonio the medical liability claim brought by Miguel Pineda in accordance with the proposal presented in Executive Session.

2. U. T. Austin - Archer M. Huntington Museum Fund: Authorization to Finalize Negotiations for an Oil and Gas Lease Covering 625 Acres Out of Approximately 3,000 Mineral Acres in the Samuel C. Bundick and H. B. Littlefield Surveys, Galveston County, Texas, to Mobil Oil Exploration & Producing U. S. Inc., Houston, Texas, and Authorization for Executive Vice Chancellor for Asset Management to Execute All Documents Related Thereto.--Vice-Chairman Roden moved that the Office of Lands and Endowment Real Estate be authorized to finalize negotiations for an oil and gas lease covering 625 acres out of approximately 3,000 mineral acres in the Samuel C. Bundick and H. B. Littlefield Surveys, Galveston County, Texas, to Mobil Oil Exploration & Producing U. S. Inc., Houston, Texas, for the benefit of The University of Texas at Austin (Archer M. Huntington Museum Fund) under the following terms and conditions:
 - a. \$200 per mineral acre bonus
 - b. \$10 per mineral acre annual rental
 - c. 1/4th royalty
 - d. 5 year term
 - e. Drill sites will be reserved prior to the sale of the surface interest to USA Offshore Industries Corporation, dba Texas Copper Corporation, Texas City, Texas.

Vice-Chairman Roden further moved that the Executive Vice Chancellor for Asset Management be authorized to execute all documents concerning this lease following the approval of the Office of General Counsel.

Regent Moncrief seconded the motions which carried by unanimous vote.

3. U. T. M.D. Anderson Cancer Center: Authorization to Complete Negotiations to Purchase Approximately 10.6 Acres of Land and Improvements Located in the Institute and University Park Addition in Houston, Harris County, Texas, and Authorization for Executive Vice Chancellor for Asset Management to Execute All Documents Pertaining Thereto.--Regent Blanton moved that the Manager of Trust Real Estate be authorized to complete negotiations to purchase on behalf of The University of Texas M.D. Anderson Cancer Center approximately 10.6 acres of land and the improvements located thereon in the Institute and University Park Addition in Houston, Harris County, Texas, under the terms and conditions outlined in Executive Session and that upon the successful completion of negotiations, the Executive Vice Chancellor for Asset Management (or his delegate) be authorized to execute all documents pertaining to the sale following review and approval by the President of U. T. M.D. Anderson Cancer Center, the Executive Vice Chancellor for Health Affairs and the Office of General Counsel.

Vice-Chairman Barshop seconded the motion which prevailed without objection.

REPORT OF BOARD FOR LEASE OF UNIVERSITY LANDS

Regent Ramirez, Vice-Chairman of the Board for Lease of University Lands, submitted the following report on behalf of that Board:

Report

The Board for Lease of University Lands will meet in Midland, Texas, on Wednesday, December 13, 1989, to hold its 79th Oil and Gas Lease Sale.

The Board will offer for sale 44,490 acres located in Andrews, Cooke, Crane, Crockett, Gaines, Irion, Martin, Pecos, Reagan, Upton, Ward and Winkler Counties, Texas.

Results of the sale will be reported to the U. T. Board of Regents in February 1990.

FOUNDATION MATTER

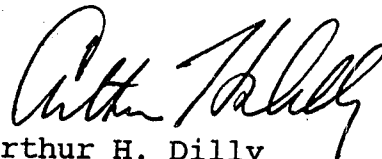
The Robertson-Poth Foundation: Approval to Grant Oil and Gas Lease on Five Acres, Being Lot 23, Block 225, Burton and Danforth Subdivision, Aransas County, Texas, to Charlie Hudson and Associates, Inc., Houston, Texas.--
In accordance with Section 5 of Chapter VII, Part One of the Regents' Rules and Regulations, the U. T. Board of Regents recessed its meeting to allow the Chairman of the Board and the Chairmen of the Health Affairs and Land and Investment Committees to meet independently in their capacity as the Board of Trustees for The Robertson-Poth Foundation and accepted a proposal from Charlie Hudson and Associates, Inc., Houston, Texas, for an oil and gas lease on five (5) acres, being Lot 23, Block 225, Burton and Danforth Subdivision, Aransas County, Texas.

The lease provides for a 1/4 royalty and a \$65 per acre bonus for a paid-up term of three years.

NOTE: Regent Ratliff, Chairman of the Land and Investment Committee, had been excused from the meeting, and the action was taken by the other two trustees.

SCHEDULED MEETING.--Chairman Beecherl announced that the next meeting of the U. T. Board of Regents would be held on February 8, 1990, at The University of Texas - Pan American in Edinburg, Texas.

ADJOURNMENT.--There being no further business, the meeting was adjourned at 2:47 p.m.



Arthur H. Dilly
Executive Secretary

December 13, 1989