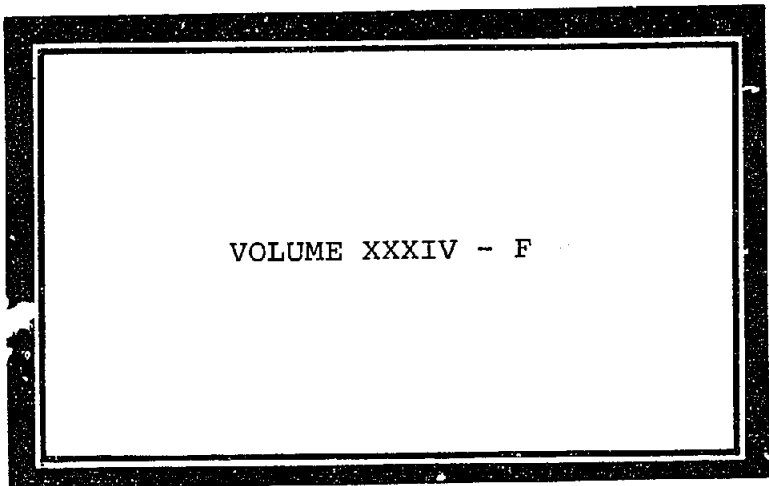


Meeting No. 828

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



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Austin, Texas

TABLE OF CONTENTS
 THE MINUTES OF THE BOARD OF REGENTS
 OF
 THE UNIVERSITY OF TEXAS SYSTEM
 AUGUST 13, 1987
 AUSTIN, TEXAS

MEETING NO. 828

I.	Attendance	1
II.	U. T. Board of Regents: Approval of Minutes of Regular Meeting Held on June 11, 1987	1
III.	SPECIAL ITEMS	2
1.	U. T. Board of Regents - Regents' <u>Rules and Regulations</u> , Part One: Amendment to Chapter I, Section 7, Subsection 7.112 (Committee Structure) and Authorization for the Executive Secretary to the Board to Make Appropriate Editorial Changes Therein	2
2.	U. T. Board of Regents - Regents' <u>Rules and Regulations</u> , Part One: Amendments to Chapter VI, Section 3 (Student Conduct and Discipline) and Authorization for the Executive Secretary to the Board to Make Appropriate Editorial Changes Therein	2
3.	U. T. Board of Regents: Authorization for Office of Asset Management to Restructure the Board of Regents of The University of Texas System General Revenue Refunding Bonds, Series 1986, Escrow Fund; Approval of Sale of Escrow Fund Securities to J. P. Morgan Securities, Inc., New York, New York; Appointment of McCall, Parkhurst & Horton, Dallas, Texas, as Legal and Tax Counsel; and Appointment of Ernst & Whinney, Tucson, Arizona, as Escrow Verification Agent	4
4.	U. T. Board of Regents: Adoption of Resolution Authorizing the Issuance of Up to \$20,000,000 of General Revenue Subordinate Lien Notes; Appointment of Vinson & Elkins, Austin, Texas, as Bond Counsel; Appointment of J. P. Morgan Securities, Inc., New York, New York, as Placement Agent; Authorization for Payment of Costs from Residual Funds in General Revenue Refunding Bonds, Series 1986, Miscellaneous Costs Account; Declaration of Purchase of Key's Apartments by U. T. Arlington to be an Eligible Project; and Authorization to Pay Any Costs for Purchase of Key's Apartments from Note Proceeds	5
5.	U. T. System: Adoption of Laboratory Fee Policy and General Property Deposit Policy	90

6.	U. T. System: Authorization to Amend Policy Adopted June 13, 1985, Related to the Percentage of Tuition to be Used for Texas Public Educational Grants and Emergency Loans	91
7.	U. T. System: Adoption of Policy Regarding Jurisdiction of Commissioned Peace Officers	92
IV.	REPORTS AND RECOMMENDATIONS OF STANDING COMMITTEES	95
A.	REPORT OF EXECUTIVE COMMITTEE	95
	U. T. SYSTEM	
1.	Authorization for Comprehensive Crime Policy (Formerly Comprehensive Dishonesty, Disappearance and Destruction Policy) with Arkwright Mutual Insurance Company, Waltham, Massachusetts, Effective June 1, 1987 Through June 1, 1988 (Replacement of Policy with National Union Fire Insurance Company, Pittsburgh, Pennsylvania) (Exec. Com. Letter 87-15)	95
2.	Acceptance of Health Maintenance Organization (HMO) Contracts Effective September 1, 1987 (Exec. Com. Letter 87-16)	95
	U. T. EL PASO	
3.	Josephine Clardy Fox Fund: Disapproval of Contract for the Sale of Real Estate at 5118 East Paisano, El Paso, Texas, to Ms. Doris Pryzant, Houston, Texas (Exec. Com. Letter 87-17)	98
B.	REPORT AND RECOMMENDATIONS OF THE FINANCE AND AUDIT COMMITTEE	99
	U. T. SYSTEM	
1.	Approval of <u>Docket No. 35 of the Office of the Chancellor</u> (Catalog Change)	99
2.	Authorization to Renew Automobile Liability Insurance Policy with Cigna Insurance Company of Philadelphia, Pennsylvania, for Officers and Employees' Use and Operation of University-owned and Operated Motor Vehicles for the Period September 1, 1987 Through August 31, 1988	99

3.	Approval of 1987-88 Budget Policies and Limitations for General Operating Budgets, Auxiliary Enterprises, Contracts and Grants, Restricted Current Funds, Designated Funds, and Service and Revolving Funds Activities and Calendar for Budget Operations	100
4.	Permanent University Fund (PUF) Bond Proceeds Capital Improvement Program - Approval for Redesignation of Funds and Advanced Allocation of Equipment Reserves for U. T. Arlington	102
U. T. SYSTEM AND U. T. CANCER CENTER		
5.	Authorization for the Temporary Fund Advance Source to Become the Permanent Funding Source for Acquisition of the Houston Main Building (Formerly Prudential Building)	103
U. T. AUSTIN		
6.	Report by Chancellor Mark on Legislative Authorization for the Use of Available University Fund Resources to Match Private Gifts for Scholarships	103
C.	REPORT AND RECOMMENDATIONS OF THE ACADEMIC AFFAIRS COMMITTEE	104
U. T. ARLINGTON		
1.	Approval to Accept Gifts from Fort Worth Chamber Foundation, Inc., Fort Worth, Texas, Consisting of Real Property (Including an 18-Acre Tract of Land and a Research Building Complete with Furnishings and Equipment) and Cash from Various Donors to Create an Endowment, All for the Establishment and Support of the Automation and Robotics Research Institute (ARRI) (Formerly the Advanced Robotics Research Institute)	104
U. T. AUSTIN		
2.	Permission for Dr. Raymond Loehr to Serve as a Member of the Policy Board of the Hazardous Waste Research Center	105
3.	Appointments to Endowed Academic Positions in the (a) College of Business Administration and the Graduate School of Business, (b) College of Education, (c) College of Engineering, (d) School of Law, (e) College of Liberal Arts, (f) Lyndon B. Johnson School of Public Affairs, (g) College of Natural Sciences, (h) College of Pharmacy and (i) Institute of Latin American Studies Effective as Indicated	106

4. Approval of an Exception to Part One, Chapter III, Section 31, Subsection 31.1 of the Regents' Rules and Regulations (Retirement and Modified Service) and Appointment of Lord Robert Blake to the C. L. and Henriette F. Cline Centennial Visiting Professorship in the Humanities in the College of Liberal Arts for the 1987-88 Fall Semester Only 110
 5. Approval of an Exception to Part One, Chapter III, Section 31, Subsection 31.1 of the Regents' Rules and Regulations (Retirement and Modified Service) to Allow the Full-Time Employment of Dr. William W. Cooper for the 1987-88 Academic Year Only 110
 6. Approval to Name Room 3.142 in Townes Hall in the School of Law the Professor A. W. Walker Room (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings) 111
 7. Approval to Name the Area Known as Little Campus the Heman Sweatt Campus (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings) 111
- U. T. DALLAS
8. Development Board - Approval of Nominee Thereto 111
 9. Approval of Changes in Parking Fees Effective with the Fall Semester 1987 (Catalog Change) 111
- U. T. EL PASO
10. Authorization to Name Room 212 in Quinn Hall the William S. Strain Memorial Lecture Hall (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings) 112
 11. Approval of Memorandum of Agreement with The Technological Institute of Ciudad Juarez, Chihuahua, Mexico, and Authorization for the Executive Vice Chancellor for Academic Affairs to Execute Agreement 113
- U. T. PERMIAN BASIN
12. Approval of Amendments to Constitution of the Student Body and the Student Senate (Previously Referred to as Constitution of the Student Association and Student Senate) 115

U. T. SAN ANTONIO	
13. Establishment of a Requirement That Residence Hall Students Maintain Hospitalization Insurance Effective for the Fall Semester 1987 (Catalog Change)	122
U. T. TYLER	
14. Approval of Special Private Fund Development Campaign (Regents' <u>Rules and Regulations</u> , Part One, Chapter VII, Section 2, Subsection 2.44) for Construction of a Liberal Arts and Performance Complex Including Naming of Facilities Other Than Buildings (Regents' <u>Rules and Regulations</u> , Part One, Chapter VIII, Section 1, Subsection 1.2)	122
U. T. AUSTIN	
15. Report by President Cunningham on Special Items of Interest	123
D. REPORT AND RECOMMENDATIONS OF THE HEALTH AFFAIRS COMMITTEE	124
U. T. SYSTEM	
1. Approval of Standard Memorandum of Affiliation (VA Form 10-0094 Dated September 1985) for Use with Veterans Administration Medical Centers	124
U. T. HEALTH SCIENCE CENTER - DALLAS	
2. Approval of Affiliation Agreement with the Clinical Center, National Institutes of Health, Bethesda, Maryland	126
U. T. MEDICAL BRANCH - GALVESTON	
3. Appointment of Edward V. Hannigan, M.D., as Initial Holder of the Frances Eastland Connally Professorship in Gynecological Oncology Effective Immediately	130
4. Authorization for Executive Vice Chancellor for Health Affairs to (a) Execute Letter of Understanding with The Sealy & Smith Foundation for the John Sealy Hospital, Galveston, Texas, and Help Us Give Support, Inc. (HUGS), Galveston, Texas, (b) Accept Hospital House and Land, and (c) Negotiate and Execute Lease of Hospital House to HUGS; Acceptance of Gift from The Sealy & Smith Foundation for the John Sealy Hospital and Establishment of the UTMB Hospital House Endowment (Internal); Authorization for Executive Vice Chancellor for Asset Management to Negotiate and Execute an Endowment Agreement; Acknowledgement of Establishment of an External Endowment by HUGS; and Authorization to Negotiate and Execute Endowment Agreement for External Endowment	130

U. T. HEALTH SCIENCE CENTER - HOUSTON	
5.	Appointment of R. Palmer Beasley, M.D., as Initial Holder of the Allan King Professorship in Public Health Effective September 1, 1987 139
6.	Approval of Memorandum of Agreement with The Veterans Administration Medical Center, Houston, Texas 139
U. T. HEALTH SCIENCE CENTER - SAN ANTONIO	
7.	Dr. Wealtha McGurn Appointed Initial Holder of the Hugh Roy Cullen Professorship in Nursing Effective Immediately 144
E.	REPORT AND RECOMMENDATIONS OF THE BUILDINGS AND GROUNDS COMMITTEE 145
U. T. BOARD OF REGENTS	
1.	Regents' <u>Rules and Regulations</u> , Part Two: Proposed Amendments to Chapter VIII, Section 2 (Minor New Building Construction) (Withdrawn) 145
U. T. ARLINGTON	
2.	Domestic Water Supply System: Authorization for Project Analysis; Appointment of Friberg Associates, Fort Worth, Texas, Project Engineer to Prepare Project Analysis; and Appropriation Therefor 145
U. T. AUSTIN	
3.	Recreational Sports Facilities - Phase I (Project No. 102-596): Approval of Preliminary Plans; Authorization to Prepare Final Plans; and Additional Appropriation Therefor 145
U. T. SAN ANTONIO - U. T. INSTITUTE OF TEXAN CULTURES - SAN ANTONIO	
4.	Renovation of Public Areas, Second Segment: Authorization for Project; Submission to Coordinating Board; Appointment of O'Neill Conrad Oppelt, San Antonio, Texas, Project Architect to Prepare Final Plans; and Appropriation Therefor 146
U. T. MEDICAL BRANCH - GALVESTON	
5.	Administration Annex II Renovation (Project No. 601-615): Approval of Final Plans and Authorization to Advertise for Bids and for Executive Committee to Award Contracts 147

U. T. HEALTH SCIENCE CENTER - SAN ANTONIO		
6.	Expansion of Clinical Science Teaching Space (Project No. 402-609): Approval of Final Plans; Authorization to Advertise for Bids and for Executive Committee to Award Contracts; and Additional Appropriation Therefor	148
F.	REPORT AND RECOMMENDATIONS OF THE LAND AND INVESTMENT COMMITTEE	149
1.	Permanent University Fund	
	<u>Investment Matters</u>	
	Report on Clearance of Monies to Permanent University Fund for May and June 1987 and Report on Oil and Gas Development as of June 30, 1987	150
2.	Trust and Special Funds	
	A. Gifts, Bequests and Estates	
	U. T. SYSTEM	
1.	Approval to Accept Gift from Mr. and Mrs. Charles L. Wensley, Garland, Texas, and Establishment of the Neva McMurry Riedel Endowment	151
	U. T. AUSTIN	
2.	Acceptance of Transfer of Funds and Establishment of the Art Enrichment Fund in the College of Fine Arts	151
3.	Acceptance of Gift from Mrs. Pauline Moss Crouch, Houston, Texas, and Establishment of the Pauline Moss Crouch Scholarship in the College of Liberal Arts	151
4.	RepublicBank Corporation Centennial Professorship in Commercial Banking & Trust in the College of Business Administration and the Graduate School of Business - Approval to Redesignate as the First RepublicBank Corporation Centennial Professorship in Business Administration and to Amend the Professorship Charter	151
5.	Isabel McCutcheon Harte Centennial Professorship in Astronomy in the College of Natural Sciences: Recommendation to Accept Additional Pledge and Redesignate as the Isabel McCutcheon Harte Centennial Chair in Astronomy and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program (Withdrawn)	152

U. T. AUSTIN

6. Acceptance of Gifts and Pledges from Various Donors and Establishment of the Karl Kamrath Lectureship in Architecture in the School of Architecture and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program 152
7. Acceptance of Bequest from the Estate of William E. Lake, Jr., Houston, Texas, and Establishment of the William E. Lake, Jr. Excellence Fund for Architecture in the School of Architecture 152
8. Liddell, Sapp, Zivley & LaBoon Professorship in Banking, Financial, Commercial and Corporate Law in the School of Law - Approval to Redesignate as the Liddell, Sapp & Zivley Professorship in Banking, Financial, Commercial and Corporate Law 153
9. Approval to Accept Gifts from Dr. and Mrs. Jackson B. Reid, Austin, Texas, and to Establish the Jackson B. and Avis B. Reid Educational Psychology Fund in the College of Education 153
10. Acceptance of Gift from Dr. Lorraine I. Stengl, Wimberley, Texas, and Establishment of the Lorraine I. Stengl Endowment Fund in the College of Natural Sciences 153
11. Jack G. Taylor Regents Visiting Professorship in Business in the College of Business Administration and the Graduate School of Business - Acceptance of Additional Gift from Mr. Jack G. Taylor, Austin, Texas, and Redesignation as the Jack G. Taylor Regents Professorship in Business Administration and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program to Establish the Jack G. Taylor Regents Professorship in Fine Arts in the College of Fine Arts 153
12. Texas Centennial Lectureship in Astronomy and Astrophysics in the College of Natural Sciences - Approval to Carry Forward Reserved Funds from The Regents' Endowed Teachers and Scholars Program 154
13. Acceptance of Gifts and Pledges from the College of Business Administration Class of 1984-85 and Challenge Grant from the Abell-Hanger Foundation, Midland, Texas, and Establishment of The 1984-85 CBA Students' Endowed Presidential Scholarship(s) in the College of Business Administration 154

U. T. AUSTIN

14. Acceptance of Gifts and Pledges from the College of Business Administration Class of 1985-86 and Establishment of The 1985-86 CBA Students' Endowed Presidential Scholarship(s) in the College of Business Administration 154
 15. Acceptance of Gifts and Pledges from the Graduate School of Business Class of 1986-87 and Establishment of The 1986-87 Graduate Business Students' Endowed Presidential Scholarship(s) in the Graduate School of Business 155
 16. Acceptance of Gift and Pledge from Mr. Ralph B. Thomas, Houston, Texas, and Establishment of the Ralph B. Thomas Regents Professorship in International Studies in Business in the College of Business Administration and the Graduate School of Business and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program and Establishment of the Ralph B. Thomas Regents Professorship in Asian Studies in the College of Liberal Arts 155
- U. T. EL PASO
17. Acceptance of Gift from the Alumni Association of El Paso High School, El Paso, Texas, and Establishment of the C. D. Jarvis Tribute Scholarship Fund 155
 18. Acceptance of Transfer of Funds from the President's Associates, El Paso, Texas, and Pledge from Southwestern Bell Foundation, St. Louis, Missouri, and Establishment of the Dr. Haskell M. Monroe, Jr. Library Fund 156
 19. Acceptance of Gifts from Various Donors and Establishment of the Dr. Howard E. Quinn Memorial Fund 156
 20. Acceptance of Gifts from Various Donors and Establishment of the Dr. Walter R. Roser Memorial Scholarship Fund 156
 21. Approval to Accept Gift from Mr. and Mrs. Leo M. Van Reet, El Paso, Texas, and to Establish the Richard E. Van Reet, M.D. Memorial Scholarship Fund 156
 22. Authorization to Accept Transfer of Funds and to Establish the Sister Aloysius Williams Endowed Fund 157

U. T. SAN ANTONIO		
23.	Approval to Accept Transfer of Funds and to Establish The UTSA Library Endowment Fund	157
U. T. HEALTH SCIENCE CENTER - DALLAS		
24.	Acceptance of Bequest from the Estate of Dennis Allen Guild, Dallas, Texas, and Establishment of the Dennis Allen Guild Research Fund	157
25.	Robert S. Sternberg Endowment Fund - Redesignated as the Robert S. Sternberg Endowment Fund for Emergency Cardiac Care	157
U. T. MEDICAL BRANCH - GALVESTON		
26.	Acceptance of Gift of Securities from Mr. and Mrs. W. H. Bauer, La Ward, Texas, and Establishment of the Bill and Louise Bauer Chair in Cancer Research and the Joseph H. Stjepceovich Scholarship/Loan Fund for Medical Students and Eligibility for Matching Funds Under the Texas Eminent Scholars Program	157
27.	J. F. Seinsheimer, Jr. and Jessie Lee Seinsheimer Lectureship in Otolaryngology - Acceptance of Additional Gifts from Mr. and Mrs. J. F. Seinsheimer, Jr., Galveston, Texas, and Redesignation as the J. F. Seinsheimer, Jr. and Jessie Lee Seinsheimer Professorship in Otolaryngology and Eligibility for Matching Funds Under the Texas Eminent Scholars Program	158
U. T. HEALTH SCIENCE CENTER - HOUSTON		
28.	Approval to Accept Pledge from the President's Development Fund and to Establish the Allan King Professorship in Public Health	158
B. Real Estate Matters		
U. T. ARLINGTON		
1.	C. J. and Clara Earle Student Scholarship and/or Loan Fund - Report of Sale of Two Cemetery Spaces Located at 2301 N. Sylvania Avenue, Rose Garden Section of Mount Olivet Cemetery, Fort Worth, Texas, to Mr. Billy Smith, Benbrook, Texas	158

U. T. AUSTIN	
2. Archer M. Huntington Museum Fund - Authorization for Oil and Gas Lease Covering 545.16 Acres Out of the H. B. Littlefield Survey, A-143, Galveston County, Texas, to Cities Service Oil and Gas Corporation, Houston, Texas	159
U. T. EL PASO	
3. Josephine Clardy Fox Fund - Approval to Sell Real Estate Located at 5030-5040 East Paisano, El Paso, Texas, to Circle K Convenience Stores, Inc., Phoenix, Arizona	159
3. Intellectual Property	
U. T. BOARD OF REGENTS	
1. Recommendation for Approval of Revisions to the Regents' <u>Rules and Regulations</u> , Part Two, Chapter V, Section 2.4 (Intellectual Property Policy) (Withdrawn)	159
U. T. ARLINGTON	
2. Approval of Patent License Agreement with Humetrics Group, Fort Worth, Texas, Related to Human Performance Measurement and Assessment Technology	159
V. EXECUTIVE SESSION OF THE BOARD OF REGENTS	167
U. T. MEDICAL BRANCH - GALVESTON	
1. Settlement of Medical Malpractice Litigation - Mable Brooks, et al	167
U. T. SYSTEM AND U. T. AUSTIN	
2. (Hogg Foundation for Mental Health and Mike Hogg Fund): Authorization to Reject All Prior Offers to Purchase the Land and Improvements Located at 720 Fannin Street in Houston, Harris County, Texas, and Authorization for Office of Asset Management to Sell the Property at a Sealed Bid Sale	167
U. T. AUSTIN	
3. Approval of Sale of 1.42 Acres Located at 2408 Sweetbrush (Scott House - Sweetbrush) in Austin, Travis County, Texas, to Mr. and Mrs. David Bland, Jr., Austin, Texas	168

	U. T. DALLAS	
4.	Authorization for Executive Vice Chancellor for Asset Management to Finalize Negotiations for the Sale of Land in Synergy Park to the Convex Computer Corporation, Dallas, Texas, and to Execute the Necessary Documents Related Thereto and Authorization for Senior Vice President to Execute Closing Statements	168
	U. T. SAN ANTONIO	
5.	Lutcher Center: Consideration of Negotiated Sale of Real Estate Located in Bexar County, Texas	168
VI.	FOUNDATION MATTERS	169
	Ima Hogg Foundation, The Robertson-Poth Foundation, and Winedale Stagecoach Inn Fund: Election of Officers and Approval of Minutes	169
VII.	REPORT OF BOARD FOR LEASE OF UNIVERSITY LANDS	169
VIII.	OTHER MATTERS	170
	U. T. Board of Regents: Certificate of Appreciation to William C. Levin, M.D., President of The University of Texas Medical Branch at Galveston	170
IX.	ITEM FOR THE RECORD	171
	U. T. Board of Regents: Report of Membership - (1) Standing Committees, (2) Board for Lease of University Lands, (3) Special Committees, and (4) Other Regental Representatives	171
X.	SCHEDULED MEETINGS	173

MEETING NO. 828

THURSDAY, AUGUST 13, 1987.--The members of the Board of Regents of The University of Texas System convened in regular session at 11:45 a.m. on Thursday, August 13, 1987, in the Regents' Meeting Room on the ninth floor of Ashbel Smith Hall, Austin, Texas, with the following in attendance:

ATTENDANCE.--

<u>Present</u>	<u>Absent</u>
Chairman Blanton, presiding	
Vice-Chairman Ratliff	
Vice-Chairman Roden	
Regent Baldwin	
Regent Barshop	
Regent Beecherl	
Regent Hay	
Regent Moncrief	
Regent Yzaguirre	

Executive Secretary Dilly

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

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

RECESS TO EXECUTIVE SESSION.--Chairman Blanton 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 2:05 p.m., the Board reconvened in open session. Chairman Blanton welcomed the faculty and student representatives from the several components and stated that he hoped their attendance would enhance their understanding and appreciation of the size and complexity of the U. T. System.

U. T. BOARD OF REGENTS: APPROVAL OF MINUTES OF REGULAR MEETING HELD ON JUNE 11, 1987.--Upon motion of Regent Hay, seconded by Vice-Chairman Ratliff and Regent Beecherl, the Minutes of the regular meeting of the Board of Regents of The University of Texas System held on June 11, 1987, in Tyler, Texas, were approved as distributed by the Executive Secretary. The official copy of these Minutes is recorded in the Permanent Minutes, Volume XXXIV, Pages 2962 - 3837.

SPECIAL ITEMS

1. U. T. Board of Regents - Regents' Rules and Regulations, Part One: Amendment to Chapter I, Section 7, Subsection 7.112 (Committee Structure) and Authorization for the Executive Secretary to the Board to Make Appropriate Editorial Changes Therein.--Approval was given to amend Part One, Chapter I, Section 7, Subsection 7.112 (Committee Structure) of the Regents' Rules and Regulations to read as set out below:

7.112 Each standing committee, other than the Executive Committee, is composed of not less than three members of the Board appointed by the Chairman.

Further, approval was granted for the Executive Secretary to the U. T. Board of Regents, in consultation with the Office of General Counsel, to make such editorial changes in the remainder of the Regents' Rules and Regulations as may be necessary in order to conform to the foregoing change related to committee structure and such other editorial changes as are necessary to ensure that Chapter I is not gender specific.

2. U. T. Board of Regents - Regents' Rules and Regulations, Part One: Amendments to Chapter VI, Section 3 (Student Conduct and Discipline) and Authorization for the Executive Secretary to the Board to Make Appropriate Editorial Changes Therein.--In order to comply with legislation passed by the 70th Legislature, Regular Session, 1987, approval was given to amend Part One, Chapter VI, Section 3 (Student Conduct and Discipline), Subsections 3.2, 3.8, 3.(13), and 3.(15) and Subdivision 3.(10)2 of the Regents' Rules and Regulations as set out below:

- 3.2 All students are expected and required to obey the law, to show respect for properly constituted authority, and to observe correct standards of conduct.
 - 3.21 Gambling, immoral conduct, dishonesty, or the excessive use of intoxicating liquors renders the student subject to discipline.
 - 3.22 Any student who is guilty of the illegal use, possession, and/or sale of a drug or narcotic on the campus of a component institution of the System is subject to discipline, including expulsion, pursuant to the procedures set out in Subsection 3.(10) and 3.(11) of this Chapter. If a student is found guilty of the illegal use, possession, and/or sale of a drug or narcotic on campus, the minimum penalty shall be suspension for one calendar year.
 - 3.23 Each component institution of the U. T. System that enrolls students shall amend its Handbook of Operating Procedures to provide for the imposition of the minimum penalty set out in Subdivision 3.22 of this Section.

- 3.8 Any student who engages in speech, either orally or in writing, that is directed to inciting or producing imminent lawless action and is likely to incite or produce such action, is subject to discipline.
- 3.(10)2 In any case where the accused student does not dispute the facts upon which the charges are based and executes a written waiver of the hearing procedures specified in Subsection 3.(11), the Dean of Students shall assess a penalty pursuant to Subsection 3.(13) that is appropriate to the charges and inform the student of such action in writing. The minimum penalty that the Dean may assess when a student admits illegal use, possession, and/or sale of a drug or narcotic on campus is the penalty prescribed in Subdivision 3.22 of this Section. Except in cases involving the assessment of the minimum penalty prescribed in Subdivision 3.22 of this Section, the decision of the Dean of Students on penalty may be appealed as in the case of a decision rendered subsequent to a hearing in accordance with Subsection 3.(11). The appeal is limited to the issue of penalty and no transcript will be required.
- 3.(13) (a) The Hearing Officer shall render and send to both parties a written decision which shall contain findings of facts and conclusions as to the guilt or innocence of the accused student and shall assess a penalty or penalties in accordance with the published disciplinary penalties of the institution or in accordance with the following prescribed penalties:
- 3.(13)1 Disciplinary probation.
 - 3.(13)2 Withholding of grades, official transcript or degree.
 - 3.(13)3 Bar against readmission.
 - 3.(13)4 Restitution or reimbursement for damage to or misappropriation of institutional property.
 - 3.(13)5 Suspension of rights and privileges, including participation in athletic or extracurricular activities.
 - 3.(13)6 Failing grade.
 - 3.(13)7 Denial of degree.
 - 3.(13)8 Suspension from the institution for a period of time not to exceed one calendar year.
 - 3.(13)9 Expulsion from the institution for a specific period of time not less than one year. Expulsion may be permanent.
 - 3.(13)10 Revocation of degree and withdrawal of diploma.
 - 3.(13)11 Other penalty as deemed appropriate under the circumstances.
- (b) If a Hearing Officer finds a student guilty of the illegal use, possession, and/or sale of a drug or narcotic on campus, the Hearing Officer must assess a minimum penalty of suspension for one calendar year as provided in Subdivision 3.22 of this Section.

- 3.(15) The chief administrative officer of the institution may approve, reject, or modify the decision in question, or may require that the original hearing be reopened for the presentation of additional evidence and reconsideration of the decision. It is provided, however, that if the finding as to guilt is upheld in a case involving the illegal use, possession, and/or sale of a drug or narcotic on campus, the penalty may not be reduced below the minimum penalty prescribed by Subdivision 3.22 of this Section.

The action of each reviewing authority shall be communicated in writing to the accused student and the Dean of Students. The decision of the chief administrative officer shall be the final appellate review.

Further, the Executive Secretary to the U. T. Board of Regents, in consultation with the Office of General Counsel, was authorized to make such editorial changes in the remainder of the Regents' Rules and Regulations as may be necessary in order to conform to the foregoing changes related to student services and activities and such other editorial changes as are necessary to ensure that Chapter VI is not gender specific.

House Resolution 235 and Senate Resolution 645 passed by the 70th Legislature, Regular Session, require that universities provide for a mandatory penalty of suspension of attendance or enrollment for a specified period of time if a student is found guilty of possessing illegal drugs on campus.

The amendments to Subsections 3.2, 3.(13), and 3.(15) and Subdivision 3.(10)2 implement the resolutions by including a minimum mandatory penalty of suspension for one calendar year in the current Regents' Rules and Regulations on student discipline.

The amendment to Subsection 3.8 is an additional correction related to prior U. T. Board of Regents action concerning permissible speech on campus.

3. U. T. Board of Regents: Authorization for Office of Asset Management to Restructure the Board of Regents of The University of Texas System General Revenue Refunding Bonds, Series 1986, Escrow Fund; Approval of Sale of Escrow Fund Securities to J. P. Morgan Securities, Inc., New York, New York; Appointment of McCall, Parkhurst & Horton, Dallas, Texas, as Legal and Tax Counsel; and Appointment of Ernst & Whinney, Tucson, Arizona, as Escrow Verification Agent.-- Chairman Blanton called on Executive Vice Chancellor for Asset Management Patrick to review the recommendations related to restructuring the Board of Regents of The University of Texas System General Revenue Refunding Bonds, Series 1986, Escrow Fund.

Following a detailed presentation, the Board unanimously:

- a. Authorized the Office of Asset Management to restructure the Board of Regents of The University of Texas System General Revenue Refunding Bonds, Series 1986, Escrow Fund by substituting currently escrowed securities with U. S. Treasury Obligations - State and Local Government Series (SLGS)

- b. Authorized the simultaneous sale of Escrow Fund securities to J. P. Morgan Securities, Inc., New York, New York, and, from sale proceeds, purchase of the substitute SLGS from the Federal Revenue Reserve Bank, provided that the net realized gain from the transaction exceeds \$1,000,000
- c. Appointed McCall, Parkhurst & Horton, Dallas, Texas, as legal and tax counsel
- d. Appointed Ernst & Whinney, Tucson, Arizona, as escrow verification agent.

In the majority of bond refunding transactions, the escrow is funded with SLGS subscriptions rather than U. S. Treasury obligations purchased in the open market. This is due to the fact that SLGS provides a perfect matching of investment maturities with the debt service requirements of the refunded bonds. At the time of issuance of the General Revenue Refunding Bonds in August 1986, however, interest rates were such that it was to the U. T. System's advantage to use higher yielding open market Treasuries in the Escrow Fund. This position in turn created the future opportunity (given certain rate differentials between the SLGS market and the open market) to trade into SLGS at a profit. The net realizable gain from escrow restructuring is estimated to be between \$1.0 million to \$1.5 million.

- 4. U. T. Board of Regents: Adoption of Resolution Authorizing the Issuance of Up to \$20,000,000 of General Revenue Subordinate Lien Notes; Appointment of Vinson & Elkins, Austin, Texas, as Bond Counsel; Appointment of J. P. Morgan Securities, Inc., New York, New York, as Placement Agent; Authorization for Payment of Costs from Residual Funds in General Revenue Refunding Bonds, Series 1986, Miscellaneous Costs Account; Declaration of Purchase of Key's Apartments by U. T. Arlington to be an Eligible Project; and Authorization to Pay Any Costs for Purchase of Key's Apartments from Note Proceeds.--At the request of Chairman Blanton, Executive Vice Chancellor for Asset Management Patrick reviewed the recommendations related to the adoption of a resolution authorizing the issuance of up to \$20,000,000 of General Revenue Subordinate Lien Notes.

Based upon this presentation, the Board:

- a. Adopted the resolution set out on Pages 7 - 89 authorizing the issuance of up to \$20,000,000 of General Revenue Subordinate Lien Notes ("Notes") to provide interim financing for non-PUF eligible capital projects within The University of Texas System.

In adopting this resolution, the Board (1) authorized certain designated representatives to fix dates, prices, interest rates, interest payment periods and other procedures for any Notes and (2) authorized the Chancellor or any Executive Vice Chancellor on behalf of the Board to execute and deliver any Notes, provided that proceeds of the Notes are used to fund projects approved by the Board and that the aggregate principal amount of all Notes outstanding at any time shall not exceed \$20,000,000.

- b. Appointed Vinson & Elkins, Austin, Texas, as bond counsel

- c. Appointed J. P. Morgan Securities, Inc., New York, New York, as placement agent
- d. Authorized the payment of the costs of establishing the Note program from residual funds in General Revenue Refunding Bonds, Series 1986, Miscellaneous Costs Account # [REDACTED]
- e. Declared the purchase of the Key's Apartments by The University of Texas at Arlington (approved by the Board at its June 1987 meeting) to be an Eligible Project for purposes of the Resolution
- f. Authorized the payment of any costs and expenses attributable to the purchase of the Key's Apartments (net of the \$700,000 appropriation from U. T. Arlington General Fee balances) from Note proceeds.

The purpose of the Note program is to provide the U. T. System with the ability to issue Notes on an interim basis as needed and to refinance periodically aggregate Notes outstanding with a single long-term fixed rate bond issue. Issuance of the Notes will enable the System to tailor small borrowings to the individual needs of the components at low cost short-term interest rates. The ability to refinance subsequently several Notes with a single permanent bond issue will allow for the realization of administrative efficiency through economies of scale.

It is anticipated that all Notes will be privately placed with T. Rowe Price & Associates, Baltimore, Maryland, for their Tax Exempt Money Fund.

A RESOLUTION approving and authorizing the issuance of obligations in an aggregate principal amount at any one time outstanding of not to exceed \$20,000,000 to provide interim financing to pay Project Costs for Eligible Projects; authorizing such obligations to be issued, sold and delivered from time to time and prescribing the terms, features and characteristics of such obligations; approving and authorizing certain authorized officers and employees to act on behalf of the Board of Regents of The University of Texas System in the selling and delivery of such obligations, within the limitations and procedures specified herein; making certain covenants and agreements in connection therewith; authorizing instruments and resolving other matters incident and related to the issuance, sale, security and delivery of such obligations; and providing an effective date.

TABLE OF CONTENTS

ARTICLE I: DEFINITIONS

1.01	Definitions.....	3
1.02	Construction of Terms Utilized in this Resolution.....	17

ARTICLE II: AUTHORIZATION OF NOTES

2.01	General Authorization.....	18
2.02	Designation, Form, Numbers, Note Date, Denomination and Manner of Sale of the Notes.	18
2.03	Interest Payment Dates, Interest Rates and Maturity of the Notes.....	19
2.04	Redemption of the Notes Prior to Maturity....	19
2.05	Demand Purchase Option.....	21
2.06	Form of Notes.....	23
2.07	Issuance and Sale of Notes.....	32
2.08	Execution and Authentication of the Notes....	36
2.09	Issuing Agent, Paying Agent and Registrar of the Notes.....	37
2.10	Notes Mutilated, Lost, Destroyed or Stolen.....	38
2.11	Negotiability, Registration and Exchangeability; Ownership of Notes.....	38
2.12	Cancellation.....	40
2.13	Fiscal and Other Agents.....	41

ARTICLE III: SECURITY AND SOURCE OF
PAYMENT FOR NOTES

3.01	Pledge and Source of Payment.....	41
3.02	Pledged General Fee.....	43
3.03	Pledged Tuition Fee.....	45
3.04	Student Union Fees.....	45
3.05	Gross Revenues.....	46
3.06	No Additional Prior Encumbrances.....	46
3.07	Excess Pledged Revenues.....	46

ARTICLE IV: CREATION OF FUNDS;
INITIAL DEPOSITS AND APPLICATION OF PROCEEDS

4.01	Note Payment Fund.....	46
4.02	Note Construction Fund.....	47

4.03	Revenue Fund.....	48
4.04	Initial Deposits and Application of Note Proceeds.....	49
4.05	Investments.....	50

ARTICLE V: COVENANTS OF THE BOARD

5.01	General Covenants.....	50
5.02	Limitation on Issuance.....	55
5.03	Payment of Priority Obligations and Notes....	56
5.04	Notes to Remain Tax Exempt.....	56
5.05	Supplemental Resolutions.....	58
5.06	Opinion of Bond Counsel.....	58
5.07	Compliance with Bond Resolutions and Other Documents.....	58
5.08	Reservation of Right to Issue Obligations of Superior, Equal and Inferior Lien.....	58
5.09	Available Funds.....	59

ARTICLE VI: REMEDIES OF NOTEHOLDERS

6.01	Remedies of Noteholders.....	59
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ARTICLE VII: MISCELLANEOUS

7.01	Amendments or Modifications Without Consent of Holders.....	59
7.02	Additional Actions.....	60
7.03	Resolution to Constitute a Contract; Equal Security.....	61
7.04	Severability of Invalid Provisions.....	61
7.05	Payment and Performance on Business Days....	61
7.06	Defeasance.....	62
7.07	Limitation of Benefits With Respect to the Resolution.....	62
7.08	Approval of Attorney General.....	63
7.09	Form of Written Notice; Waiver of Notice.....	63

EXHIBITS

Exhibit A	Form of Investment Certificate
Exhibit B	Form of Issuing and Paying Agent/Registrar Agreement

A RESOLUTION approving and authorizing the issuance of obligations in an aggregate principal amount at any one time outstanding of not to exceed \$20,000,000 to provide interim financing to pay Project Costs for Eligible Projects; authorizing such obligations to be issued, sold and delivered from time to time and prescribing the terms, features and characteristics of such obligations; approving and authorizing certain authorized officers and employees to act on behalf of the Board of Regents of The University of Texas System in the selling and delivery of such obligations, within the limitations and procedures specified herein; making certain covenants and agreements in connection therewith; authorizing instruments and resolving other matters incident and related to the issuance, sale, security and delivery of such obligations; and providing an effective date.

WHEREAS, the Board of Regents of The University of Texas System (the "Board"), pursuant to a resolution adopted by the Board on August 14, 1986, has heretofore issued its Board of Regents of The University of Texas System General Revenue Refunding Bonds, Series 1986 pursuant to Articles 717k and 717q, Vernon's Ann. Tex. Civ. Stat., as amended, and other applicable laws, being payable from and secured by a first lien and pledge of certain Pledged Revenues (hereinafter defined) (such bonds, together with any other obligations of the Board secured by a prior lien on such Pledged Revenues are referred to herein as the "Priority Obligations"); and

WHEREAS, Chapter 55 of the Texas Education Code, as amended, authorizes the Board to issue its revenue bonds from time to time and in one or more issue or series for the purpose of providing funds to acquire, purchase, construct, improve, enlarge and/or equip any property, buildings, structures, activities, services, operations or other facilities for and on behalf of its institutions or any branch or branches thereof, such bonds to be payable from and secured by liens on and pledges of all or any part of the revenues, income or receipts of the Board and its

institutions, or any branch or branches thereof, and to refund or otherwise refinance such bonds or notes; and

WHEREAS, Section 65.46 of the Texas Education Code, as amended, authorizes the Board among other things, (i) to authorize bonds or notes to bear interest at rates determined under a resolution of the Board, which may provide a formula, index, or contractual arrangement for the periodic determination of interest rates and which may delegate to authorized officers, employees or agents the authority to act on behalf of the Board in fixing dates, prices, interest rates, interest payment periods and other specified procedures, and (ii) to enter into financing programs under which the Board may issue notes and provide for their refinancing, renewal or refunding by the issuance of additional notes; and

WHEREAS, Section 65.46 of the Texas Education Code also authorizes the Board to exercise any other rights and powers granted to issuers of short term obligations under Article 717q, Vernon's Ann. Tex. Civ. Stat., as amended, which permits the issuance, sale and delivery of obligations to finance project costs of eligible projects and authorizes the issuer thereof to designate one or more officers to act on its behalf of the Board from time to time in the selling, delivering and fixing certain terms of such obligations; and

WHEREAS, the Board hereby determines to issue obligations pursuant to the provisions of Article 717q, Vernon's Ann. Tex. Civ. Stat., as amended, and Chapter 55 and Section 65.46, Texas Education Code, as amended (collectively, the "Acts"), and other applicable laws, to provide interim financing for Eligible Projects (hereinafter defined), such obligations to be payable from and secured by a subordinate lien on and pledge of the Pledged Revenues securing the Priority Obligations; and

WHEREAS, the Board intends to fund or refund the interim obligations authorized herein through the issuance of its bonds or notes pursuant to the Acts and other applicable laws; and

WHEREAS, arrangements relating to such interim financing have been settled and the Board hereby finds and determines that the issuance of obligations subject to the terms, conditions, and limitations hereinafter prescribed, should be approved and authorized at this time;

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

ARTICLE I

DEFINITIONS

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

"Acts" shall mean, collectively, Article 717q, Vernon's Ann. Tex. Civ. Stat., as amended; Chapter 55, Texas Education Code, as amended; and Section 65.46, Texas Education Code, as amended.

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

"Authorized Representative" shall mean one or more of the following officers or employees of the System, to-wit: the Executive Vice Chancellor for Asset Management, the Vice Chancellor and General Counsel, the Director of Asset Strategy and Planning, the Manager of Debt Administration, or such other officer or employee of the System authorized by the Board to act as an Authorized Representative.

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

"Bond Counsel" shall mean the law firm of Vinson & Elkins.

"Bond Resolutions" shall mean, collectively, the Series 1986 Bond Resolution and any other resolutions authorizing the issuance of any Priority Obligations, as such resolutions may be amended from time to time.

"Business Day" shall mean any day of the year other than a day on which banking institutions are authorized to close under the laws of the State of Texas or the State of New York.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

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

"Current Expenses" shall mean all necessary operating and maintenance expenses of the Revenue System, including all expenses of reasonable upkeep and repair, the properly allocated share of insurance, and all other expenses incident to the operation and maintenance thereof, but shall exclude depreciation and all general administrative expenses of the Board, the System, and each institution and branch thereof.

"Debt Service Requirements" shall mean an amount equal to the debt service requirements with respect to outstanding Priority Obligations, Notes and Additional Notes, as limited and calculated in the following manner:

(i) the debt service requirements with respect to outstanding Priority Obligations shall be calculated based on the following assumptions:

(A) Debt service requirements shall be deemed to be the principal of and interest on outstanding Priority Obligations, other than any Credit Agreement, and with respect to any Credit Agreement, shall be deemed to be the Payment Obligations relating thereto;

(B) Annual debt service requirements shall be calculated on the basis of a Fiscal Year;

(C) In the event any Priority Obligations issued hereafter bear interest at a variable rate of interest but are not governed by (D) below, the interest rate on such Priority Obligations shall be assumed to be the lesser of the maximum rate allowed by law or the maximum rate allowed by the resolution authorizing such Priority Obligations;

(D) When the Priority Obligations to be issued are Short Term Obligations that are secured, in whole or in part, by a Credit Agreement, the debt service requirements of such Short Term Obligations shall be calculated as of the date of adoption of the resolution authorizing the issuance of such Short Term Obligations based on a determination made as of such date by the Executive Vice Chancellor for Asset Management or any other designated financial or accounting officer of the System, subject to the approval of the Board, of:

(1) the maturity schedule of the Priority Obligations that would have been issued in lieu of the Short Term Obligations had the Board determined to issue, as of the proposed date of issuance of such Short Term Obligations, Priority Obligations bearing interest at fixed rates that are not Short Term Obligations, under market conditions as of such date, and

(2) if the Short Term Obligations bear interest at a variable rate of interest, the fixed interest rate that would have been applicable to such obligations under market conditions at that time had such Short Term Obligations been issued and delivered on such maturity schedule,

and the debt service requirements of such Short Term Obligations based on such determination shall thereafter be considered as the debt service requirements with respect to such Short Term Obligations; provided, however, with respect to the issuance of additional Priority Obligations, Notes or Additional Notes when such Short Term Obligations are considered as outstanding Priority

Obligations for the purposes of paragraph (A) of this definition, the calculation shall be made as of no earlier than 60 days prior to the proposed date of issuance of additional Priority Obligations, Notes or Additional Notes; and provided, further, if and when the Credit Agreement referred to in this subparagraph (D) has a term of less than one year, in making such determinations the Short Term Obligations will be deemed to mature on the earlier of their scheduled maturity date or date of mandatory sinking fund redemption or on the earliest date the owners of such Short Term Obligations may tender the Short Term Obligations for payment or redemption after termination of the Credit Agreement, and the interest rate will be deemed to be the higher of the rate then in effect or the average rate paid on such Short Term Obligations in the immediately preceding 12 months.

(ii) the debt service requirements with respect to Notes and Additional Notes shall be calculated based on the following assumptions:

(A) Debt service requirements shall be deemed to be the principal of and interest on outstanding Notes and Additional Notes, except to the extent provision has been made for the payment of interest on such Notes or Additional Notes by depositing to the credit of a fund or account (including the Note Construction Fund or the Note Payment Fund), from the proceeds of such Notes or Additional Notes from other funds of the System other than Pledged Revenues, or from a combination of such sources, amounts sufficient to provide for the full and timely payment of such interest and that are required to be applied as needed for such purposes;

(B) Annual debt service requirements shall be calculated on the basis of a Fiscal Year;

(C) each Note and Additional Note bearing interest at a variable or floating rate of interest shall be assumed to bear interest during the term thereof at the rate of interest that such Note or Additional Note would bear, based on

market conditions on the date of calculation, if such Note or Additional Note bore interest to maturity at a fixed rate, as determined by an Authorized Representative; and

(D) The principal amount of each Note and Additional Note shall be assumed to be payable solely on the basis of the amortization schedule for such Note or Additional Note as fixed pursuant to Section 2.03 of this Resolution or pursuant to the resolution authorizing any such Additional Notes, and no principal payable as the result of a tender for purchase shall be taken into account.

"Eligible Project" shall mean any property, buildings, structures, activities, services, operations or other facilities authorized by resolution of the Board to be acquired, purchased, constructed, improved, enlarged and/or equipped for and on behalf of any one or more of the institutions or branches thereof operated by or under the jurisdiction of the Board.

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

"Gross Revenues" shall mean all revenues, income, receipts, rentals, rates and charges of every type derived by the Board and the System and each institution and branch thereof from any sources due to or on account of the ownership or operation of the Revenue System and each part thereof including, with respect to the Utility Plant System, all legislative appropriations and utility revolving fund payments and reimbursements authorized in connection with the Utility Plant System.

"Health Institutions" shall mean The University of Texas Health Science Center at Dallas, The University of Texas Medical Branch at Galveston, The University of Texas Health Science Center at Houston, The University of Texas Health Science Center at San Antonio, The University of Texas System Cancer Center, and The University of Texas Health Center at Tyler.

"Holder" or "Noteholder" shall mean, with respect to any Note, the Registered Owner of such Note.

"Housing System" shall mean (i) the below-listed facilities of The University of Texas at Austin: Blanton Hall and the dining facilities contained therein, Simkins Hall, Moore Hall, Varsity Cafeteria, Kinsolving Dormitory and the dining facilities contained therein, Andrews Dormitory and the dining facilities contained therein, Carothers Dormitory and the dining facilities contained therein, Brackenridge Hall, Roberts Hall, Prather Hall, Littlefield Dormitory and the dining facilities contained therein, Texas Union Dining Services (formerly known as University Cafeteria, Chuck Wagon, Faculty-Staff Dining Room, and Law School Snack Bar), and Jester Center Hall and the dining facilities contained therein, all such facilities being located on the campus, and the Gateway Apartments at 1624 West 6th Street, Austin, Texas, Brackenridge I and II Apartments at 3501 Lake Austin Boulevard, Austin, Texas, and the Colorado Apartments at 2500 Lake Austin Boulevard, Austin, Texas; (ii) the below listed facilities of The University of Texas at Arlington: Brazos House, Pahl Hall, Lipscomb Hall, and Trinity House, all such facilities being located on the campus, and the Border West Apartments, at 312 W. Border, Arlington, Texas, Cooper South Apartments, at 402 S. Cooper, Arlington, Texas, West Apartments, at 415 West, Arlington, Texas, the Pisces Apartment Complex, at 400 Yates, Arlington, Texas, the Capricorn Apartment Complex, at 400 S. Oak, Arlington, Texas, the Warwick I Apartments at 1001 S. Oak, Arlington, Texas, the Warwick II Apartments at 1008 S. Oak, Arlington, Texas, the Warwick III Apartments at 1010 S. Pecan, Arlington, Texas, and the Warwick V Apartments, at 408 S. Oak, Arlington, Texas; (iii) the below listed facilities located on the campus of The University of Texas at El Paso: Barry Hall, Kelly Hall, University Commons and TWC Village; and (iv) the University Housing complex at 7900 Cambridge, Houston, Texas located at The University of Texas Health Science Center at Houston; and (v) any additional facilities which may hereafter, at the option of the Board, be made a part of the Housing System hereunder or under any Bond Resolution.

"Interest Payment Date" shall mean, with respect to any series of Notes, the first date on which interest shall be due and payable on such Notes, as determined by an Authorized Representative pursuant to and in accordance with Section 2.03 hereof, and the 15th day of each February, May, August and November thereafter (or if such day is not a Business Day, the next succeeding Business Day) while any Notes of such series are outstanding.

"Investment Company" shall mean an investment company that is regulated under the Investment Company Act of 1940.

"Investment Securities" shall mean the following securities or contracts to acquire the following securities:

(i) any bonds or other obligations that as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including U.S. Treasury receipts evidencing ownership of future interest and principal payments due on direct obligations of the United States of America;

(ii) bonds, participation certificates or other obligations of any agency or instrumentality of the United States of America, including obligations of the Federal National Mortgage Association, Government National Mortgage Association, Federal Financing Bank, Federal Intermediate Credit Banks, Federal Farm Credit System, Federal Home Loan Banks, and Federal Home Loan Mortgage Corporation;

(iii) new housing authority bonds issued by public agencies of any state of the United States of America or of any municipality thereof and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America;

(iv) direct and general obligations of any state of the United States of America, or of any municipality or school district of the State of Texas, to the payment of the principal of and interest on which the full faith and credit of such state or municipality, as the case may be, is pledged, provided that such obligations are rated, at the time of purchase, in either of the two highest rating categories, without regard to rating sub-categories, by a nationally recognized municipal or corporate credit rating agency;

(v) certificates of deposit, whether negotiable or non-negotiable, issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association, provided that such certificates of deposit shall be

purchased directly from such bank, trust company, or national banking association and shall be either (A) continuously and fully insured by the Federal Deposit Insurance Corporation, or (B) continuously and fully secured by such securities as are described above in clauses (i) through (iv), inclusive, which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with or as directed by the Board, by the bank, trust company, or national banking association issuing such certificates of deposit;

(vi) uncollateralized certificates of deposit of financial institutions, which certificates of deposit are rated, at the time of purchase, in one of the two highest rating categories, without regard to rating sub-categories, by any nationally recognized municipal or corporate rating agency;

(vii) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described in clauses (i), (ii), or (iii) above; and with the securities lodged with or as directed by the Board;

(viii) banker's acceptances, eurodollar deposits and certificates of deposit (in addition to the certificates of deposit provided for by clauses (v) and (vi) above) of the domestic branches of foreign banks having a capital and surplus of \$3,000,000,000 or more, or any bank or trust company organized under the laws of the United States of America or Canada, or any state or province thereof, having capital and surplus, if located in the State of Texas, in the amount of \$200,000,000, and, if located outside of the State of Texas, in the amount of \$3,000,000,000; provided that the aggregate maturity value of all such banker's acceptances and certificates of deposit held at any time as investments of funds under this Resolution with respect to any particular bank, trust company, or national association located in the State of Texas shall not exceed 10% of the amount of its capital and

surplus and with respect to any particular bank, trust company, or national association located outside of the State of Texas shall not exceed 5% of its capital and surplus; and provided further that any such bank, trust company, or national association shall be rated in one of the two highest rating categories, without regard to rating sub-categories, by any nationally recognized municipal or corporate credit rating agency;

(ix) any reverse repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described in clauses (i), (ii), or (iii) above, and with the securities lodged with or as directed by the Board;

(x) municipal or corporate commercial paper rated, at the time of purchase, either A-1 or P-1 or higher, or municipal or corporate bonds or notes rated, at the time of purchase, in one of the two highest rating categories, without regard to rating sub-categories, by any nationally recognized municipal or corporate credit rating agency;

(xi) other unsubordinated securities or obligations issued or guaranteed (including a guarantee in the form of a bank standby letter of credit) by any domestic corporation (including a bank or trust company) that has outstanding, at the time of investment, debt securities rated in one of the two highest rating categories, without regard to rating sub-categories, by any nationally recognized municipal or corporate credit rating agency;

(xii) investments of any type described and permitted by any law of the State of Texas applicable to the Board and The University of Texas System, including, without limitation, investments authorized by Article 717k-6, Vernon's Texas Civil Statutes, as the same now exists or is hereafter amended; and

(xiii) money market funds that invest in any of the above-listed obligations.

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

"Maximum Maturity Date" shall mean August 15, 2017.

"Net Revenues" shall mean the Gross Revenues after deduction of the Current Expenses.

"Note" or "Notes" shall mean the evidences of indebtedness authorized to be issued and at any time outstanding pursuant to this Resolution.

"Note Construction Fund" shall mean the General Revenue Subordinate Lien Construction Fund created and established by Section 4.01 of this Resolution.

"Note Date" shall have the meaning given to such term in Section 2.02 hereof.

"Note Payment Fund" shall mean the General Revenue Subordinate Lien Note Payment Fund created and established by Section 4.01 of this Resolution.

"Note Resolutions" shall mean, collectively, this Resolution authorizing the issuance of the Notes and any other resolutions authorizing the issuance of any Additional Notes, as such resolutions may be amended from time to time.

"Parking System" shall mean all existing revenue producing parking facilities on the campus of The University of Texas at Austin, all as described in the "Parking and Traffic Regulations Information" for The University of Texas at Austin, effective September 1, 1986 and consisting of approximately 10,268 permit surface spaces and approximately 213 metered surface spaces, a multi-level 1,025 car parking structure, and any additional facilities which may hereafter, at the option of the Board, be made a part of the Parking System hereunder or under any Bond Resolution.

"Paying Agent," "Registrar," "Issuing Agent," "Paying Agent/Registrar" and "Issuing and Paying Agent/Registrar" shall mean the agent appointed pursuant to Section 2.09 hereof, or any successor to such agent.

"Paying Agent Agreement" shall mean the Issuing and Paying Agent/Registrar Agreement by and between the Board and the Paying Agent relating to the Notes authorized by Section 2.09 hereof, as from time to time amended and supplemented.

"Payment Obligations" shall mean all amounts payable by the Board under a Credit Agreement less any amounts of principal or interest payable with respect to any Priority Obligations issued after the date hereof pledged under a Credit Agreement as collateral for the amounts due thereunder.

"Pledged General Fee" shall mean the gross collections of a student use fee to be fixed, charged and collected from the students (excepting any student in a category now exempt by law from paying fees) regularly enrolled at the institutions and branches thereof now or hereafter constituting a part of the System, respectively, in the manner and amounts, at the times, and to the extent provided in this Resolution, and including, subject to the provisions of the Prior Encumbered Obligations, the Prior Encumbered General Fee.

"Pledged Revenues" shall mean collectively: (i) the Pledged Tuition Fee, (ii) the Pledged General Fee, (iii) the Net Revenues, (iv) all interest, income, and earnings derived from the deposit and investment of the Priority Obligations Interest and Sinking Fund and the Reserve Fund established pursuant to the Series 1986 Bond Resolution, (v) all interest, income and earnings derived from the deposit and investment of the Note Construction Fund and the Note Payment Fund and (vi) any additional revenues, income, receipts or other resources hereafter pledged by the Board to the payment of the Priority Obligations or the Notes.

"Pledged Tuition Fee" shall mean the following specified amounts out of the tuition charges now or hereafter required or permitted by law to be imposed on each tuition-paying student enrolled at each and every institution or branch thereof now or hereafter constituting a part of the System (excepting the Health Institutions, until and unless the Board authorizes the pledge of such tuition charges at any such institution to the payment of the Priority Obligations), and including, subject to the provisions of the Prior Encumbered Obligations, the Prior Encumbered Tuition Fees, respectively:

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

"Prior Encumbered General Fee" shall mean that portion of the student use fee charged and collected at an institution that becomes a component of the System after the date of adoption of the Series 1986 Bond Resolution and that are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a component of the System.

"Prior Encumbered Tuition Fee" shall mean that portion of the tuition charges, in the maximum amount permitted in the definition set forth in this Section 1.01 of Pledged Tuition Fee, charged and collected at an institution that becomes a component of the System after the date of adoption of the Series 1986 Bond Resolution and that are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a component of the System.

"Prior Encumbered Obligations" shall mean those bonds or other obligations of an institution that are outstanding on the date such institution becomes a component of the System and that are secured by a lien on and pledge of the Prior Encumbered General Fee and/or the Prior Encumbered Tuition Fee charged and collected at such institution.

"Priority Obligations" shall mean the Series 1986 Bonds and any other obligations issued by the Board that are secured by and payable from a lien on and pledge of all or any portion of the Pledged Revenues, which lien and pledge is prior in rank and dignity to the lien and pledge securing the payment of the Notes.

"Priority Obligations Interest and Sinking Fund" shall mean the fund established on the books of the Board by Section 10 of the Series 1986 Bond Resolution known as "General Revenue Bonds Interest and Sinking Fund," which fund is pledged to the payment of the Series 1986 Bonds and additional bonds on a parity therewith (with respect to the Pledged Revenues) issued pursuant to the provisions of Section 19 of the Series 1986 Bond Resolution.

"Priority Obligations Revenue Fund" shall mean the fund established on the books of the Board by Section 8 of the

Series 1986 Bond Resolution known as "General Revenue Bonds Revenue Fund," which fund is pledged to the payment of the Series 1986 Bonds and additional bonds on a parity therewith (with respect to the Pledged Revenues) issued pursuant to the provisions of Section 19 of the Series 1986 Bond Resolution.

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

"Purchase Date" shall mean the 15th day of any month while the Notes are outstanding, or if any such day is not a Business Day, the next succeeding Business Day.

"Registered Owner" shall mean, with respect to any Note, the person or entity in whose name such Note is registered in the Registration Books.

"Registration Books" shall mean the books or records relating to the registration, payment and transfer or exchange of the Notes maintained by the Paying Agent/Registrar on behalf of the Board pursuant to Section 2.11 hereof.

"Regular Record Date" shall mean, with respect to an Interest Payment Date, the close of business on the last day of the month immediately preceding the month in which such Interest Payment Date falls.

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

"Revenue Fund" shall mean the fund or funds required to be maintained by the Board to the credit of which Pledged

Revenues are required to be deposited pursuant to Section 4.03 of this Resolution.

"Revenue System" shall mean collectively the following facilities: the Housing System, the Student Union System, the Utility Plant System, and the Parking System and any additional facilities, which hereafter, at the option of the Board, may be made a part of the Revenue System hereunder or under any of the Bond Resolutions.

"Series 1986 Bond Resolution" shall mean the resolution adopted by the Board on August 14, 1986 authorizing the issuance of the Series 1986 Bonds.

"Series 1986 Bonds" shall mean The Board of Regents of The University of Texas System General Revenue Refunding Bonds, Series 1986, dated July 15, 1986, and issued in the aggregate principal amount of \$222,040,000.

"Short Term Obligations" shall mean Priority Obligations issued after the date hereof that have a term to their scheduled maturity or mandatory sinking fund redemption of two years or less or with respect to which the owners thereof have the right to demand payment or redemption prior to the scheduled maturity or mandatory sinking fund redemption date.

"Student Union System" shall mean the Texas Union Building located on the campus of The University of Texas at Austin, Texas; the Student Center Building located on the campus of The University of Texas at Arlington; the Student Union or Student Activities Building and facilities (including, but not limited to, the book store and cafeteria and snack bar therein) located on The University of Texas at El Paso campus; and the student union building and The University Book Store located on The University of Texas at San Antonio campus and any additional facilities which may hereafter, at the option of the Board, be made a part of the Student Union System hereunder or under the Bond Resolutions.

"System" shall mean The University of Texas System, which includes the following existing and operating institutions:

The University of Texas at Arlington;
The University of Texas at Austin;

The University of Texas at Dallas;
The University of Texas at El Paso;
The University of Texas of the Permian Basin;
The University of Texas at San Antonio;
The University of Texas at Tyler;
The University of Texas Health Science Center at
Dallas;
The University of Texas Medical Branch at Galveston;
The University of Texas Health Science Center at
Houston;
The University of Texas Health Science Center at San
Antonio;
The University of Texas System Cancer Center;
The University of Texas Health Center at Tyler; and
The University of Texas Institute of Texan Cultures at
San Antonio,

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

"Utility Plant System" shall mean the Hal C. Weaver Heating and Power Station and the Central Cooling Station, on the campus of The University of Texas at Austin; the central utility plant located on the campus of The University of Texas at San Antonio; and the central utility plant located on the campus of The University of Texas at Dallas, all of which produce and supply chilled water and steam to the buildings and facilities of The University of Texas System, together with all equipment, distribution lines, and other facilities appurtenant thereto, all improvements and additions thereto, and all extensions and replacements thereof, and all additional facilities which may hereafter, at the option of the Board, be made a part of the Utility Plant System hereunder or under the Bond Resolutions.

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

ARTICLE II

AUTHORIZATION OF NOTES

Section 2.01. General Authorization. Pursuant to authority conferred by and in accordance with the provisions of the Constitution and laws of the State of Texas, particularly the Acts, Notes shall be and are hereby authorized to be issued in an aggregate principal amount not to exceed TWENTY MILLION DOLLARS (\$20,000,000) at any one time outstanding for the purpose of financing Project Costs of Eligible Projects and to refinance, renew, or refund Notes, including interest thereon, all in accordance with and subject to the terms, conditions, and limitations contained herein. For purposes of this Section 2.01, any portion of outstanding Notes to be paid from money on deposit in the Note Payment Fund or from the proceeds of Notes, Additional Notes, Priority Obligations or other obligations of the Board available for such purpose on the day of calculation shall not be considered outstanding.

Section 2.02. Designation, Form, Numbers, Note Date, Denomination and Manner of Sale of the Notes. Under and pursuant to the authority granted by the Acts and hereby and subject to the limitations contained herein, the Board hereby authorizes Notes to be issued, sold and delivered from time to time in one or more series, in such principal amounts as determined by an Authorized Representative. Each series of Notes issued hereunder shall be designated "Board of Regents of The University of Texas System General Revenue Subordinate Lien Notes", shall have a designation identifying the series, and may have such further designation as may be determined by an Authorized Representative. The Notes shall be issuable solely in registered form, without coupons. The Notes shall be issued in denominations of \$5,000 or any integral multiple thereof and shall be numbered in ascending consecutive numerical order within each series in the order of their issuance. Subject to the limitations contained herein, Notes herein authorized shall be dated as of their date of issuance or prior thereto, but within 30 days of the date of issuance as determined herein or as otherwise determined by the Board or by an Authorized Representative (the "Note Date").

Subject to applicable terms, limitations, and procedures contained herein and to the provisions of Article III hereof, and subject to the requirements of applicable law,

Notes may be sold in such manner, at public or private sale and at par or at such discount or premium (within the interest rate and yield restrictions provided herein) as an Authorized Representative shall approve at the time of the sale thereof.

Section 2.03. Interest Payment Dates, Interest Rates and Maturity of the Notes. Each Note issued hereunder shall bear interest from its Note Date at such rate or rates (either fixed, variable, floating, adjustable or otherwise) per annum, computed for actual days elapsed on the basis of a 365-day year, as may be determined by an Authorized Representative; provided, however, that in no event shall the Notes ever bear interest at a rate in excess of the Maximum Interest Rate. Each Note shall mature and become due and payable on the earlier of a date that is at least 19 years after the Note Date of such Note, as determined by an Authorized Representative at the time of sale, or the Maximum Maturity Date. An Authorized Representative shall determine the first date following the issuance of each series of Notes on which interest shall be due and payable on such Notes, which shall be the 15th day of a February, May, August or November (or if the 15th day of the applicable month is not a Business Day, on the next succeeding Business Day). Interest on each series of Notes shall be payable on such date and on each subsequent Interest Payment Date, at maturity and upon redemption of any Note prior to maturity. Principal of each Note shall be amortized in annual or semiannual installments payable on designated Interest Payment Dates beginning no later than the sixth year following the Note Date of such Note, as determined by an Authorized Representative at the time of sale.

Section 2.04. Redemption of the Notes Prior to Maturity. The Notes shall be subject to redemption prior to maturity under the terms and conditions and at the redemption price or prices as may be determined by an Authorized Representative pursuant to Section 2.03 hereof and as set forth in this Section 2.04 and in the Form of Note appearing in Section 2.06 hereof.

The Notes shall be subject to redemption prior to maturity and shall be redeemed on any Business Day at the option of the Board, in whole or in part, at a price equal to the principal amount of the Notes so called for redemption plus interest accrued thereon to the date of

redemption, upon no less than 30 days' written notice on behalf of the Board given in accordance with this Section 2.04.

To exercise its option to redeem Notes, the Authorized Representative shall deliver to the Paying Agent, at least 35 days prior to the proposed redemption date, written notice of its intention to redeem the Notes then outstanding or a portion thereof. Such notice shall: (i) specify the principal amount of the Notes to be redeemed, which shall be an integral multiple of \$25,000, (ii) (if less than all of the Notes are to be redeemed, identify the Notes or portions thereof to be redeemed and (iii) specify the redemption date, which shall be a Business Day not less than 35 days following the date of such notice. The Paying Agent immediately shall cause notice of such redemption of Notes to be mailed to each Registered Owner of Notes to be redeemed at the respective addresses appearing in the Registration Books, which notice shall be irrevocable during the five Business Days immediately preceding the date fixed for such redemption in such notice. If (a) such notice shall (1) be mailed at least 30 days prior to the redemption date, (2) identify the Notes or portions thereof to be redeemed, (3) specify the redemption date, the redemption price, which price shall equal 100% of the principal amount of the Notes or portions thereof to be redeemed, plus interest accrued thereon to the date of redemption, and (4) state that (A) on the redemption date the Notes or portions thereof called for redemption will be payable by wire transfer to any account in the United States designated prior to such redemption date by the Holder of such Note, upon its surrender and (B) from the redemption date interest will cease to accrue on such Note or portion thereof, (b) such notice shall not have been revoked by notice in writing delivered to each Registered Owner at least five Business Days prior to the redemption date, and (c) due provision for the payment of the redemption price, meeting the requirements of Section 7.06 hereof, is made, then the Notes or portions thereof that are to be redeemed thereby automatically shall be deemed to have been redeemed prior to their scheduled maturities, they shall not bear interest after the redemption date, and they shall not be regarded as being outstanding except for the right of the Registered Owner thereof to receive the redemption price from the Paying Agent upon surrender thereof at the principal corporate office of the Paying Agent. No defect affecting the giving of notice of redemption of any Notes, whether in the notice of redemption

or mailing thereof (including any failure to mail such notice) shall affect the validity of the redemption provisions for any other Notes.

Section 2.05. Demand Purchase Option. The Notes shall be subject to purchase, upon the demand of such Holders of the Notes as are Investment Companies, under the terms and conditions and at the purchase price or prices set forth in this Section 2.05.

(a) Each Note shall be subject to purchase and shall be purchased on any Purchase Date upon the demand of the Holder thereof, but only if such Holder is an Investment Company, in whole, at a price equal to the principal amount of such Note plus interest accrued thereon to the date of purchase, upon no less than 30 days' written notice from the Holder given in accordance with this Section 2.05(a).

To exercise its option to tender any Note for purchase hereunder, the Holder thereof shall deliver to the Paying Agent, at least 30 days prior to the proposed Purchase Date, written notice of its intention to tender the Notes held by such Holder for purchase hereunder. Such notice shall (i) identify by number and stated principal amount each Note to be tendered for purchase and (ii) specify the proposed date of purchase of such Note, which shall be a Purchase Date not less than 30 days following the delivery date of such notice. Immediately upon receipt of any such notice, the Paying Agent shall notify any Authorized Representative by telephone and shall promptly send copies of such notice to the Executive Vice Chancellor for Asset Management of the System and the Manager of Debt Administration of the System. Any such notice given as set forth in this Section 2.05(a) shall be irrevocable during the five Business Days immediately preceding the proposed Purchase Date specified in such notice. If notice is given by an eligible Noteholder in accordance with this Section 2.05(a) and such Noteholder has not revoked such notice by subsequent notice in writing actually received by the Paying Agent no later than five Business Days immediately preceding the proposed Purchase Date, and if such Noteholder delivers the Note owned by such Holder to the Paying Agent, by no later than the proposed Purchase Date specified in such notice, then the Paying Agent shall purchase the Notes so tendered on the proposed Purchase Date, from Pledged Revenues, from the proceeds of Priority Obligations, Notes, Additional Notes or other obligations of the Board issued for such purpose, or from

other moneys lawfully available to the Board for such purpose that are provided to the Paying Agent therefor.

(b) Each Note shall be subject to purchase and shall be purchased upon the demand of the Holder thereof, but only if such Holder is an Investment Company, on any date hereafter declared by the Board in accordance with Section 5.08 hereof to be a date on which the Board expects to issue and deliver Priority Obligations under the Bond Resolutions, in whole, at a price equal to the principal amount of such Note plus interest accrued thereon to the date of purchase, upon no less than five Business Days' written notice from the Holder given in accordance with this Section 2.05(b).

Upon receipt of notice by the Board, given in accordance with Section 5.08 hereof, of its intention to issue Priority Obligations under the Bond Resolutions, the Holder of each Note may exercise its option to tender all Notes owned by such Holder for purchase hereunder by delivering to the Paying Agent, at least five Business Days prior to the proposed date of issuance of such Priority Obligations (as specified in the notice from the Board of such issuance), written notice of its intention to tender such Notes for purchase hereunder. Such notice shall (i) identify by number and stated principal amount each Note to be tendered for purchase and (ii) state that the Holder will tender such Notes for purchase as of the proposed date of issuance by the Board of Priority Obligations under the Bond Resolutions. Immediately upon receipt of any such notice, the Paying Agent shall notify an Authorized Representative by telephone and shall promptly send copies of such notice to the Executive Vice Chancellor for Asset Management of the System and the Manager of Debt Administration of the System. Any such notice given as set forth in this Section 2.05(b) shall be irrevocable during the five Business Days immediately preceding the proposed date of issuance by the Board of Priority Obligations. If (1) notice is given by a Noteholder in accordance with this Section 2.05(b) and such Noteholder has not revoked such notice by subsequent notice in writing actually received by the Paying Agent no later than five Business Days immediately preceding the proposed date of issuance by the Board of Priority Obligations, (2) the Board has not revoked its notice to issue Priority Obligations by sending written notice to each Holder that has tendered Notes for purchase hereunder, received by such Holder by no later than five Business Days prior to the proposed issuance date specified in the original notice, and

(3) such Noteholder delivers the Note owned by such Holder to the Paying Agent, by no later than the proposed issuance date of Priority Obligations specified in notice from the Board, then the Paying Agent shall purchase the Notes so tendered on the proposed date of issuance of Priority Obligations specified in the notice from the Board, from Pledged Revenues, from the proceeds of Priority Obligations, Notes, Additional Notes or other obligations of the Board issued for such purpose, or from other moneys available to the Board for such purpose that are provided to the Paying Agent therefor.

Section 2.06. Form of Notes. The Notes and the Certificate of Authentication to appear on each of the Notes shall be in substantially the form set forth in this Section 2.06, with such appropriate insertions, omissions, substitutions and other variations as are permitted or required by this Resolution, and may have such letters, numbers or other marks of identification and such legends and endorsements thereon as may be approved, consistently herewith, by an Authorized Representative. Any portion of the text of any Note may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Note.

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

[Form of Note]

UNITED STATES OF AMERICA
STATE OF TEXAS
BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM
GENERAL REVENUE SUBORDINATE LIEN NOTE,
SERIES _____

Note Note Maturity
Number _____ Date _____ Date: _____ \$ _____

REGISTERED OWNER:

THE BOARD OF REGENTS (the "Board") OF THE UNIVERSITY OF TEXAS SYSTEM (the "System"), being an agency and political subdivision of the State of Texas, FOR VALUE RECEIVED, hereby promises to pay, solely from the sources hereinafter

identified and as hereinafter stated, to the order of the registered owner set forth above, or the assignee thereof, on the Maturity Date specified above or earlier redemption date as provided herein, the principal amount specified above and to pay interest, if any, on said principal amount from the above specified Note Date to said Maturity Date or earlier redemption date at the rate determined as herein provided from the most recent Interest Payment Date (as defined below) to which interest has been paid or duly provided for or from the Note Date if no interest has been paid, such payments of interest to be made on _____ and on the fifteenth of each February, May, August and November thereafter (or if such day is not a Business Day, as defined below, on the next succeeding Business Day) (each an "Interest Payment Date") until the principal hereof has been paid or provided for as aforesaid.

THIS NOTE SHALL BEAR INTEREST [insert interest rate provisions] In no event, however, shall this Note ever bear interest at a rate in excess of the Maximum Interest Rate, which shall be the lesser of (i) 15% per annum and (ii) the maximum net effective interest rate permitted by law to be paid on obligations issued or incurred by the Board in the exercise of its borrowing powers (prescribed by Article 717k-2, Vernon's Annotated Texas Civil Statutes, as amended, or any successor provisions) as in effect on the date of issuance of this Note (the "Maximum Interest Rate"). Both principal of and interest on this Note are payable in lawful money of the United States of America. The principal and purchase price hereof and the interest accrued hereon but unpaid at the maturity or prior redemption or purchase of this Note is payable upon presentation and surrender of this Note at the designated corporate office of the Paying Agent/Registrar executing the Certificate of Authentication appearing hereon, or its successor. The interest accrued hereon and payable prior to the maturity hereof (other than interest payable at the time of any required purchase hereof) is payable to the registered owner hereof whose name appears on the registration and transfer books (the "Registration Books") kept by the Paying Agent/Registrar as of the close of business on the record date. All amounts payable under and pursuant to this Note shall be payable by wire transfer within the continental United States to the account designated in writing by the registered owner to the Paying Agent/Registrar. The regular record date for any Interest Payment Date shall be the close of business on the last day of the calendar month immediately preceding the month in

which such Interest Payment Date falls. "Business Day," as used herein, means any day of the year other than a day on which banking institutions are authorized to close under the laws of the State of Texas or the State of New York.

THIS NOTE IS ONE OF AN ISSUE of notes that, together with any other obligations issued under the Resolution described below from time to time on a parity therewith (collectively, the "Notes"), has been duly authorized and issued in accordance with the provisions of a resolution (the "Resolution") passed by the Board, an agency and political subdivision of the State of Texas, for the purpose of financing Project Costs of Eligible Projects (each as defined in the Resolution) and to refinance, renew, or refund the Notes issued pursuant to the provisions of the Resolution; all in accordance and in strict conformity with the provisions of Chapter 55 and Section 65.46, Texas Education Code and Article 717q, Vernon's Ann. Tex. Civ. Stat., as amended.

THIS NOTE, TOGETHER WITH THE OTHER NOTES, IS PAYABLE from and equally secured by (i) the proceeds from (a) the sale of Notes issued pursuant to the Resolution for such purpose and (b) the sale of other obligations of the Board issued for such purpose, (ii) the amounts held in certain funds and accounts established under the Resolution, and (iii) the Pledged Revenues (as defined in the Resolution). THE LIEN ON AND PLEDGE OF THE PLEDGED REVENUES SECURING THE NOTES IS IN ALL RESPECTS JUNIOR AND SUBORDINATE TO THE PRIOR AND SUPERIOR LIEN ON AND PLEDGE OF THE PLEDGED REVENUES SECURING THE PAYMENT OF CERTAIN PRIORITY LIEN OBLIGATIONS NOW OUTSTANDING AND HEREAFTER ISSUED BY THE BOARD.

THIS NOTE IS SUBJECT TO REDEMPTION prior to maturity and shall be redeemed on any Business Day at the option of the Board, in whole or in part, at a price equal to the principal amount of this Note or the portion thereof so called for redemption, upon notice on behalf of the Board given in accordance with the requirements of the Resolution. Written notice of any such redemption, identifying the Notes or portions thereof to be redeemed and specifying the redemption date, the redemption price and the place of payment of such Notes, is required to be mailed by the Paying Agent/Registrar to the registered owner of this Note at least 30 days prior to the redemption date. If such notice satisfies the requirements of the Resolution, is not revoked by notice in writing given in accordance with the

Resolution prior to such date of redemption, and if due provision for the payment of the redemption price is made as provided in the Resolution, then the Notes or portions thereof to be redeemed thereby shall not bear interest after the redemption date, and they shall not be regarded as being outstanding except for the right of the registered owner thereof to receive the redemption price from the Paying Agent/Registrar.

THIS NOTE IS SUBJECT TO PURCHASE and shall be purchased on the demand of the registered owner hereof, but only if such registered owner is an investment company regulated under the Investment Company Act of 1940, on the fifteenth day of each month while this Note is outstanding (or if such day is not a Business Day, on the next succeeding Business Day) (each a "Purchase Date"), in whole, at a price equal to the principal amount of this Note plus interest accrued hereon to the date of purchase, upon notice from the registered owner hereof given in accordance with the requirements of the Resolution. To exercise its option to tender this Note for purchase under the Resolution, the registered owner hereof shall deliver to the Paying Agent/Registrar, at least 30 days prior to the proposed purchase date, written notice of its intention to tender this Note for purchase. Such notice shall (i) identify by number and stated principal amount each Note to be tendered for purchase and (ii) specify the proposed date of purchase of such Notes, which shall be a Purchase Date not less than 30 days following the delivery date of such notice. Any such notice shall be irrevocable during the five Business Days immediately preceding the proposed Purchase Date specified in such notice. If notice is given by an eligible registered owner of this Note as set forth above and such registered owner has not revoked such notice by subsequent notice in writing actually received by the Paying Agent no later than five Business Days immediately preceding the proposed Purchase Date, and if such registered owner of this Note delivers this Note to the Paying Agent/Registrar, by no later than the proposed Purchase Date specified in such notice, then the Paying Agent/Registrar shall purchase this Note on the proposed Purchase Date, from Pledged Revenues (as defined in the Resolution), from the proceeds of obligations of the Board issued for such purpose, or from other moneys available to the Board for such purpose that are provided to the Paying Agent/Registrar therefor.

THIS NOTE IS ALSO SUBJECT TO PURCHASE and shall be purchased on the demand of the registered owner hereof, but only if such registered owner is an investment company regulated under the Investment Company Act of 1940, on any date after the date of this Note that is declared by the Board pursuant to the Resolution to be a date on which the Board expects to issue and deliver obligations that are secured by and payable from a lien on and pledge of the Pledged Revenues, which lien and pledge is prior in rank and dignity to the lien and pledge securing the payment of the Notes ("Priority Obligations"), in whole, at a price equal to the principal amount of this Note plus interest accrued thereon to the date of purchase, upon notice from the registered owner hereof given in accordance with the requirements of the Resolution. Under the Resolution, the Board is required to give the registered owner of this Note at least ten Business Days' advance written notice ("Notice") of its intention to issue Priority Obligations. Upon receipt of such Notice, an eligible registered owner of this Note may exercise its option to tender this Note for purchase by delivering to the Paying Agent/Registrar, at least five Business Days prior to the proposed date of issuance of such Priority Obligations (as specified in the Notice), written notice of its intention to tender such Notes for purchase. Such notice shall (i) identify by number and stated principal amount each Note to be tendered for purchase and (ii) state that the Holder will tender such Notes for purchase as of the proposed date of issuance by the Board of Priority Obligations. Any such notice given as set forth above shall be irrevocable during the five Business Days immediately preceding the proposed date of issuance by the Board of Priority Obligations. If (a) notice is given by an eligible registered owner of this Note as set forth above and such registered owner has not revoked such notice by subsequent notice in writing actually received by the Paying Agent no later than five Business Days immediately preceding the proposed date of issuance by the Board of Priority Obligations, (b) the Board has not revoked its notice to issue Priority Obligations by sending written notice to each registered owner of Notes that has tendered Notes for purchase, received by such registered owner by no later than five Business Days prior to the proposed issuance date specified in the Notice, and (c) such registered owner of this Note delivers this Note to the Paying Agent/Registrar, by no later than the proposed issuance date of Priority Obligations specified in the Notice, then the Paying Agent shall purchase the Notes so tendered on the

proposed date of issuance of Priority Obligations specified in the Notice, from Pledged Revenues (as defined in the Resolution), from the proceeds of obligations of the Board issued for such purpose, or from other moneys available to the Board for such purpose that are provided to the Paying Agent/Registrar therefor.

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

THIS NOTE OR ANY PORTION HEREOF IN ANY AUTHORIZED DENOMINATION may be assigned and shall be transferred only in the Registration Books kept by the Paying Agent/Registrar, upon the terms and conditions set forth in the Resolution. Among other requirements for such assignment and transfer, this Note must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Note or any portion hereof in any authorized denomination to the assignee in whose name this Note or any such portion hereof is to be transferred and registered. The form of Assignment printed or endorsed on this Note shall be executed by the registered owner or its duly authorized attorney or representative, to evidence the assignment hereof. A new Note payable to such assignee (which then will be the new registered owner of such new Note), and to the previous registered owner in the case of the assignment and transfer of only a portion of this Note, may be delivered by the Paying Agent/Registrar in conversion of and exchange for this Note, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other Notes. The Board shall pay the Paying Agent/Registrar's fees and charges, if any, for making such transfer, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of this Note or any portion hereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or

interest payment date, except any transfer required in connection with the purchase of a Note pursuant to Section 2.05 hereof or, (ii) with respect to any Note or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date. The registered owner of this Note shall be deemed and treated by the Board and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Note to the extent of such payment, and, to the extent permitted by law, the Board and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

ALL NOTES OF THIS SERIES are issuable solely as fully registered bonds, without interest coupons, in the denomination of \$5,000 or any integral multiple thereof. As provided in the Resolution, this Note, or any unredeemed portion hereof, may, at the request of the registered owner or the assignee or assignees hereof, be converted into and exchanged for a like aggregate principal amount of fully registered notes, without interest coupons, payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date, in the same form, and bearing interest at the same rate, in any authorized denomination as requested in writing by the appropriate registered owner, assignee, or assignees, as the case may be, upon surrender of this Note to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Resolution. The Board shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging any Note or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not be required to make any such conversion and exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Note or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

IN THE EVENT any Paying Agent/Registrar for the Notes is changed by the Board, resigns, or otherwise ceases to act as such, the Board has covenanted in the Resolution that it promptly will appoint a competent and legally qualified

substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owners of the Notes.

THE BOARD has reserved the right to issue additional Notes and other obligations, subject to the restrictions contained in the Resolution, which obligations may be secured by a lien prior and superior to, on a parity with, or subordinate and inferior to, the lien on the Pledged Revenues securing this Note and the series of which it is a part.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions, and things required by law and the Resolution to exist, to have happened, and to have been performed precedent to and in the issuance of this Note, do exist, have happened, and have been performed in regular and in due time, form, and manner as required by law and that the issuance of this Note, together with all other Notes, is not in excess of the principal amount of Notes permitted to be issued under the Resolution.

THIS NOTE HAS ALL THE QUALITIES and incidents of a negotiable instrument under the laws of the State of Texas.

THIS NOTE SHALL NOT BE ENTITLED to any benefit under the Resolution or be valid or become obligatory for any purpose until this Note shall have been authenticated by the execution by the Paying Agent/Registrar of the Certificate of Authentication hereon.

IN WITNESS WHEREOF, the Board has authorized and caused this Note to be executed on its behalf by the manual or facsimile signatures of [insert title of executing officer] and the [Executive] [Assistant] Secretary of the Board and its official seal impressed or a facsimile thereof to be printed hereon.

BOARD OF REGENTS OF THE UNIVERSITY
TEXAS SYSTEM

[Title]

ATTEST:

[Executive] [Assistant] Secretary

(SEAL)

PAYING AGENT/REGISTRAR'S
CERTIFICATE OF AUTHENTICATION

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

as Paying Agent/Registrar

Registered This Date: _____

By _____
Countersignature

FORM OF ASSIGNMENT:

ASSIGNMENT

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

(Assignee's Social
Security or Taxpayer
Identification Number)

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

and hereby irrevocably constitutes and appoints

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

Dated: _____

Signature Guaranteed:

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

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

Section 2.07. Issuance and Sale of Notes. The Notes shall be issued and sold from time to time in such manner, at public or private sale and at par or at such discount or premium (within the interest rate and yield restrictions provided herein), as an Authorized Representative shall approve at the time of the sale thereof, in accordance with this Section 2.07.

(a) In connection with the issuance of each series of Notes hereunder, an Authorized Representative shall file with the Issuing Agent a certificate specifying each of the following:

(i) such principal amounts, dates of issue, maturities, rates of discount or interest, and other terms and conditions that hereby are authorized and permitted to be fixed by any Authorized Representative at the time of sale of the Notes; and

(ii) the purchase price of the Notes.

(b) In connection with the issuance of each series of Notes hereunder, an Authorized Representative shall execute a certificate that sets forth the amounts of the proceeds of such issue of Notes that are to be deposited to the Note Payment Fund and the application of proceeds so deposited,

and the amounts of such proceeds to be transferred to the Note Construction Fund. Such certificate also shall contain each of the following representations:

(i) that, to the best knowledge of such Authorized Representative after due inquiry, no material default in connection with any covenant, agreement or condition contained in the Resolution, or default in the payment of principal or purchase price of or interest on the Notes or Additional Notes has occurred and is continuing as of the date of such certificate;

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

(iii) that, based upon the best available information, during either the immediately preceding Fiscal Year of the System, or any 12-consecutive-calendar-month period ending not more than 90 days prior to the date of such certificate, the amount of Pledged Revenues, together with any other amounts then pledged by the Board to the payment of all or a portion of outstanding Priority Obligations, Notes or Additional Notes, was equal to at least 1.25 times the average annual Debt Service Requirements of all Priority Obligations, Notes and Additional Notes outstanding during such Fiscal Year or period (not including the Priority Obligations, Notes or Additional Notes then proposed to be issued);

(iv) one of the following:

(1) that, based upon the best available information, during either the immediately preceding Fiscal Year of the System, or any 12-consecutive-calendar-month period ending not more than 90 days prior to the date of such certificate, the amount of Pledged Revenues, together with any other amounts then pledged by the Board to the payment of all or a portion of outstanding Priority Obligations, Notes or Additional Notes, was at least equal to 1.25 times the average annual Debt

Service Requirements of all then outstanding Priority Obligations, Notes or Additional Notes and the Notes then proposed to be issued, or

(2) that, based upon the best available information, during each of the five Fiscal Years following the Fiscal Year in which the then-proposed Notes are issued, the amount of the Pledged Revenues, together with any other amounts then pledged by the Board to the payment of all or a portion of outstanding Priority Obligations, Notes or Additional Notes, estimated to be received during each of said Fiscal Years, respectively, will be at least equal to 1.25 times the Debt Service Requirements of all Priority Obligations, Notes and Additional Notes scheduled to be outstanding after the issuance of the then-proposed Notes during each of said Fiscal Years, respectively; and

(v) that, based upon the projected monies to be deposited into funds and accounts under the Bond Resolutions from the Pledged Revenues, the payment by the Board of the interest on and/or principal of any Note from monies on deposit in any revenue fund for the Priority Obligations will not impair the obligation of the Board to pay the principal of and/or interest on any Priority Obligation as the same matures and comes due.

For purposes of the representations required by (iii) and (iv) above, any Pledged Revenues or other amounts pledged by the Board to the payment of less than all of the outstanding Priority Obligations, Notes and Additional Notes shall be taken into account only to the extent of the Debt Service Requirements of the Priority Obligations, Notes or Additional Notes to which such amounts are pledged.

(c) In connection with the issuance of each series of Notes hereunder, an Authorized Representative also shall provide the following:

(i) a No-Arbitrage Certificate, as described in Section 5.04 hereof;

(ii) an opinion of Bond Counsel substantially to the effect that (1) the Notes of such series constitute

valid and binding special obligations of the Board, subject to customary exceptions relating to bankruptcy, insolvency, and creditors rights, (2) interest on the Notes of such series is excludable from the gross income of the Holders thereof for federal income tax purposes under existing law, assuming compliance by the Board with the covenants of Section 5.04 of this Resolution, and (3) interest on the Notes of such series is not subject to the alternative minimum tax on individuals and corporations, subject to customary exceptions regarding the required inclusion of such interest in a corporate taxpayer's "adjusted net book income" for certain purposes; and

(iii) if the Notes of such series are being issued to pay Project Costs, a copy of the minute order by which the Board finds and declares the project to be financed to be an Eligible Project for purposes of this Resolution and authorizes the payment of Project Costs in connection therewith from Note proceeds for the acquisition, purchase, construction and/or equipping of such project.

(d) In connection with the issuance of each series of Notes hereunder, the Vice Chancellor and General Counsel of the System shall deliver an opinion for the benefit of the Holders of such Notes to the effect that all action on the part of the Board necessary for the valid issuance of the Notes then to be issued has been taken and that such Notes in the hands of the Holders thereof will be valid and enforceable special obligations of the Board according to their terms, subject to the exercise of judicial discretion in accordance with general principles of equity and bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that no action, suit, proceeding or investigation at law or in equity before or by any court public board or public body is pending or threatened against or affecting the Board or the System wherein an unfavorable decision, ruling or finding would have a material adverse effect upon the validity of the Notes or the transactions contemplated by this Resolution.

(e) All Notes, other than Notes sold at public sale in compliance with applicable securities laws governing public sales of securities, shall be sold by the Board only to

sophisticated investors. As a condition of the sale and delivery to the initial purchaser of any Note other than a Note sold at public sale in compliance with such applicable securities laws, and to the registration of any such Note on the Registration Books in the name of such purchaser, the Board shall receive written certification from such purchaser at the time of such purchase to the effect that such purchaser is purchasing such Note for investment and not with a view to, and no present intention of, distributing or reselling such Note (but without prejudice, however, to its right at all times to sell or otherwise dispose of such Note as permitted by law, subject to all applicable state and federal securities law, rules and regulation). Such certificate shall be in the form attached hereto as Exhibit A, with such appropriate insertions, omissions, substitutions and other variations as may be approved by an Authorized Representative.

(f) The Issuing and Paying Agent shall complete the Notes of each series to reflect the determinations set forth in the certificate described in subsection (a) of this Section 2.07 and in the manner specified in the Paying Agent Agreement, and shall authenticate such Notes by countersignature of its authorized officer or employee and deliver them to the initial purchasers thereof, upon receipt of the certificate required by subsection (a) of this Section 2.07 and the following:

(i) a written request from an Authorized Representative that the Issuing and Paying Agent complete the Notes to reflect the determinations set forth in the certificate required by Section 2.07(a) hereof;

(ii) the purchase price of the Notes, in the amount specified in the certificate required by Section 2.07(a) hereof; and

(iii) from each initial purchaser required to deliver an investment certificate pursuant to Section 2.07(e) hereof, such an investment certificate, in substantially the form attached hereto as Exhibit A, which shall be delivered to an Authorized Representative upon receipt.

Section 2.08. Execution and Authentication of the Notes. The Notes shall be executed on behalf of the Board by the Chairman of the Board or the Chancellor or any

Executive Vice Chancellor of the System, under the seal of the Board reproduced or impressed thereon and attested by the Executive Secretary or Assistant Secretary of the Board. The signature of said officers on the Notes may be manual or facsimile. Notes bearing the manual or facsimile signatures of individuals who are or were the proper officers of the Board or the System on the date of passage of this Resolution shall be deemed to be duly executed on behalf of the Board, notwithstanding that such individuals or either of them shall cease to hold such offices at the time of the initial sale and delivery of Notes authorized to be issued hereunder and with respect to Notes delivered in subsequent sales, exchanges and transfers, all as authorized and provided in Article 717k-6, Vernon's Ann. Tex. Civ. Stat., as amended.

No Note shall be entitled to any right or benefit under this Resolution, or be valid or obligatory for any purpose, unless there appears on such Note a certificate of authentication substantially in the form provided in Section 2.06 hereof, executed by the Issuing and Paying Agent/Registrar by manual signature, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly certified or registered and delivered.

Section 2.09. Issuing Agent, Paying Agent and Registrar of the Notes. The selection and appointment of First City National Bank of Austin to serve as Issuing Agent, Paying Agent and Registrar for the Notes hereby is confirmed. The Board agrees to maintain the Registration Books at the principal corporate office of the Paying Agent/Registrar, all as provided herein and pursuant to such reasonable rules and regulations as the Paying Agent/Registrar may prescribe. The Board covenants to engage and maintain a Paying Agent/Registrar at all times while any Notes are outstanding, which shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any state and authorized under such laws to exercise trust powers. Should a change in the Paying Agent/Registrar for the Notes occur, the Board agrees to cause a written notice thereof to be sent to each Registered Owner of the Notes then outstanding by United States mail, first class, postage prepaid. Such notice shall give the address of the successor Paying Agent/Registrar. A

successor Paying Agent/Registrar may be appointed without the consent of the Noteholders.

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

Section 2.10. Notes Mutilated, Lost, Destroyed, or Stolen. If any Note shall become mutilated, the Board, at the expense of the Holder of said Note, shall execute and the Issuing and Paying Agent/Registrar shall authenticate and deliver a new Note of like tenor and number in exchange and substitution for the Note so mutilated, but only upon surrender to the Issuing and Paying Agent/Registrar of the Note so mutilated. If any Note shall be lost, destroyed, or stolen, evidence of such loss, destruction, or theft may be submitted to the Board and if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, the Board, at the expense of the Holder, shall execute and the Issuing and Paying Agent/Registrar shall authenticate and deliver a new Note of like tenor in lieu of and in substitution for the Note so lost, destroyed, or stolen. In the event any such Note shall have matured the Paying Agent, instead of issuing a duplicate Note, may pay the same without surrender thereof after making such requirement as it deems fit for its protection, including a lost instrument bond. Neither the Board nor the Paying Agent/Registrar shall be required to treat both the original Note and any duplicate Note as being outstanding for the purpose of determining the principal amount of Notes that may be issued hereunder, but both the original and the duplicate Note shall be treated as one and the same. The Board and the Paying Agent/Registrar may charge the Holder of such Note with their reasonable fees and expenses for such service.

Section 2.11. Negotiability, Registration and Exchangeability; Ownership of Notes. The Notes issued hereunder shall be, and shall have all of the qualities and

incidents of, negotiable instruments under the laws of the State of Texas, and each successive Holder, in accepting any of the obligations, shall be conclusively deemed to have agreed that such Notes shall be and have all of the qualities and incidents of negotiable instruments under the laws of the State of Texas.

The Board covenants to cause Registration Books relating to the registration, payment, and transfer or exchange of the Notes to be maintained at the principal corporate office of the Registrar at all times while any Notes are outstanding. The Board shall cause the Registrar to obtain, record, and maintain in the Registration Books the name and, to the extent provided by or on behalf of such Registered Owner, the address of each Registered Owner of the Notes issued under and pursuant to the provisions of this Resolution. The Board and the Paying Agent/Registrar may treat the Registered Owner of any Note as the absolute owner thereof for the purpose of receiving payment thereof and for all other purposes, and the Board and the Paying Agent/Registrar shall not be affected by any notice or knowledge to the contrary.

Any Note may be transferred, in accordance with its terms and the terms hereof, upon the Registration Books by the Holder thereof in person or by his duly authorized agent, upon surrender of such Note to the Registrar for cancellation, accompanied by a written instrument of transfer duly executed by the Holder thereof or by his duly authorized agent, in form satisfactory to the Registrar. Upon surrender for transfer of any Note at the designated corporate office of the Registrar, the Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Notes, executed on behalf of and furnished by the Board, of like tenor and character and of authorized denominations, and having the same maturity, bearing interest at the same rate, and of a like aggregate principal amount as the Note or Notes surrendered for transfer.

Furthermore, Notes may be exchanged for other Notes of like tenor and character and of authorized denominations and having the same maturity, bearing the same rate of interest, and of like aggregate principal amount as the Notes surrendered for exchange, upon surrender of the Notes to be exchanged at the designated corporate office of the Registrar. Whenever any Notes are so surrendered for exchange,

accompanied by a written request for exchange duly executed by the Holder thereof or by his duly authorized agent, in form satisfactory to the Registrar, the Registrar shall register and deliver new Notes of like tenor and character as the Notes exchanged, executed on behalf of, and furnished by, the Board to the Holder thereof requesting the exchange. Upon surrender of any Note pursuant to Section 2.04 hereof for redemption in part, the Registrar shall register and deliver to the Holder of such Note new Notes of like tenor and character, having the same maturity and bearing the same rate of interest as the Note surrendered for redemption in part, in an aggregate principal amount equal to the portion of such Note not redeemed at the time of such surrender.

The Board may require payment from the Holder of a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation thereto. Such charges shall be paid before any such new Note shall be delivered.

The Board and the Registrar shall not be required to transfer or exchange any Note selected, called or being called for redemption in whole or in part.

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

The Board reserves the right to change the above registration and transferability provisions with respect to Notes issued on any date at any time on or prior to the initial delivery of such Notes in order to comply with applicable laws and regulations of the United States of America in effect at the time of issuance thereof.

Section 2.12. Cancellation. All Notes that at maturity are surrendered to the Paying Agent/Registrar for the collection of the principal and interest thereof or are surrendered for transfer or exchange pursuant to the provisions hereof, upon payment or issuance of new Notes, shall be cancelled by the Paying Agent/Registrar and forthwith transmitted to the Board, and the Board thereafter shall have the custody of all such Notes.

Section 2.13. Fiscal and Other Agents. In furtherance of the purposes of this Resolution, the Board may from time to time appoint and provide for the payment of such additional fiscal, paying or other agents or trustees as it may deem necessary or appropriate in connection with the Notes.

ARTICLE III

SECURITY AND SOURCE OF PAYMENT FOR NOTES

Section 3.01. Pledge and Source of Payment. The Notes are special obligations of the Board payable solely from and secured solely by the funds pledged therefor pursuant to this Resolution. The Board hereby agrees to make payments to the credit of the funds and accounts established hereunder at such times and in such amounts and to take such other actions as may be necessary or permitted hereunder to provide for (i) the full payment when due, of the principal of, premium, if any, and the interest on the Notes whether due by reason of maturity or prior redemption, and (ii) the payment when due of the purchase price, as described in Section 2.05(b) hereof, of any Note tendered hereunder for purchase by the Holder thereof. Payments from the Note Payment Fund shall be made from the first moneys deposited to the credit of the Note Payment Fund. Unless paid from the proceeds from the sale of Priority Obligations, Notes, Additional Notes or other obligations of the Board issued for such purpose or other funds available to the Board for such purpose, such payments are to be made from the amounts required to be credited to the Note Payment Fund.

To provide security for the payment of the principal of and interest on the Notes as the same shall become due and payable and the payment of the purchase price of Notes tendered for purchase hereunder, there is hereby pledged, subject only to the prior and superior lien of the Prior Obligations on the Pledged Revenues and to the provisions of this Resolution permitting the application thereof for purposes and on the terms and conditions set forth herein, (i) the proceeds from (a) the sale of Notes issued pursuant to this Resolution for such purpose, and (b) the sale of additional Priority Obligations, Additional Notes or other obligations of the Board issued hereafter for such purpose, (ii) the amounts held in the funds and accounts established hereunder, and (iii) the Pledged Revenues, such pledge of the Pledged Revenues, however, being subordinate to the pledge thereof securing the payment of Priority Obligations

as described below, and it is hereby resolved and declared that the principal of and interest on the Notes and the purchase price of Notes tendered for purchase pursuant to the provisions hereof shall be and are equally and ratably secured by and payable from a lien on and pledge of the sources hereinabove identified in clauses (i), (ii) and (iii), subject and subordinate only to the exceptions noted therein.

Notwithstanding anything to the contrary contained herein, it is recognized that certain institutions may be added to the System and that such institutions, at such time, may have outstanding obligations secured by the Prior Encumbered General Fee and/or the Prior Encumbered Tuition Fee. The lien on and pledge of such fees established pursuant to this Resolution and effective when the institution becomes a component of the System will be subject and subordinate to such institution's outstanding Prior Encumbered Obligations, as well as to the lien created by the Bond Resolutions. It is further provided that no additional bonds or obligations may be issued or incurred by the Board on a parity with the Prior Encumbered Obligations.

There heretofore have been established pursuant to the Series 1986 Bond Resolution certain funds to the credit of which Pledged Revenues and certain other amounts are required to be deposited and from which Priority Obligations and certain other obligations of the Board are required to be paid. Subject to making the required deposits under the Bond Resolutions, including the Series 1986 Bond Resolution, when and as such deposits are required to be made thereby, excess Pledged Revenues are available to the Board to be used for any lawful purpose. Subject to the provisions of the Bond Resolutions governing the use of Pledged Revenues (including but not limited to Sections 8, 13, 14, 16 and 17 of the Series 1986 Bond Resolution as currently in effect), and taking into account any deposits or payments required to be made with respect to Priority Obligations from Pledged Revenues as received, the balance of the Pledged Revenues available to the Board in excess of those required for such deposits or payments with respect to the Priority Obligations shall be deposited to the credit of the Note Payment Fund to the extent necessary to pay the interest on and/or the principal, the premium, if any, and the purchase price of the Notes not paid from the proceeds of Notes, Additional Notes, Priority Obligations, other obligations of the Board issued for such purpose or other moneys available to the

Board for such purpose. If on any occasion there are not sufficient Pledged Revenues to make the deposits required by this Resolution to the credit of the Note Payment Fund, then such deficiency shall be made up as soon as possible from the next Pledged Revenues available for such purpose, subject to the requirements of the Bond Resolutions.

Section 3.02. Pledged General Fee. (a) Subject to the provisions of the resolutions authorizing Prior Encumbered Obligations, the Board covenants and agrees, so long as any Priority Obligations, Notes or Additional Notes are outstanding, to fix, levy, charge, and collect the Pledged General Fee from each student (excepting any student in a category now exempt by law from paying fees) enrolled at each institution and branch thereof constituting a part of the System, respectively, at each regular fall and spring semester and at each term of each summer session, for the use and availability of such institution or branch thereof, respectively, in such amounts, without any limitation whatsoever, as will be at least sufficient at all time to provide, together with other Pledged Revenues and any other revenues or amounts pledged to the payment of such Priority Obligations, Notes or Additional Notes, the money for making when due all deposits required to be made pursuant to the Bond Resolutions and the Note Resolutions, and to pay the principal, premium, if any, and purchase price of and interest on the Priority Obligations, Notes and Additional Notes when and as required. Notwithstanding the foregoing, for so long as all deposits are made as required by the Bond Resolutions and the Note Resolutions, the Board may fix, levy, charge, and collect the Pledged General Fee in any manner it may determine within its discretion, and in different amounts from students enrolled in different institutions and branches thereof constituting the System, respectively, and in addition it may totally suspend the collection of the Pledged General Fee from the students enrolled in any institution or branch.

(b) If, however, for any reason whatsoever, the deposits required to be made by the Bond Resolutions or the Note Resolutions have not been made in full, or if for any other reason whatsoever there are, or appear to be, no other Pledged Revenues or other revenues or amounts pledged to the payment of Priority Obligations, Notes or Additional Notes available to pay the principal of and interest on the Priority Obligations, the Notes or any Additional Notes as the same mature and come due, then the Board shall fix,

levy, charge, and collect the Pledged General Fee, as provided in subsection (c) of this section 3.02, effective at the next succeeding regular semester or semesters or summer term or terms, in amounts sufficient to provide and make the deposits required by the Bond Resolutions and the Note Resolutions, and in such event the amounts so required to be deposited shall be so deposited to the extent required from collections of the Pledged General Fee, as provided and required in subsection (c) of this Section 3.02, on or before the next succeeding interest payment date or dates on the Priority Obligations, Notes or Additional Notes, and the Board shall not be considered to be in default with respect to this Resolution, or on the Priority Obligations, Notes or Additional Notes, if such deposits are so made, unless there has been a default in the payment when due of the principal, premium, if any, or purchase price of or the interest on any Priority Obligations, Notes or Additional Notes.

(c) When and as required by subsection (b) of this Section 3.02, and subject only to the provisions of the resolutions authorizing Prior Encumbered Obligations, the Board covenants and agrees to fix, levy, charge, and collect the Pledged General Fee on a uniformly applied basis from each student (excepting any student in a category now exempt by law from paying fees) regularly enrolled at each institution and branch thereof constituting a part of the System, respectively, at each regular fall and spring semester and at each term of each summer session, for the use and availability of such institution or branch thereof, respectively, in such amounts, uniformly applied to each student, without any limitation whatsoever, as will be at least sufficient to provide, together with other Pledged Revenues and other revenues or amounts pledged to the payment of Priority Obligations, Notes or Additional Notes, the money for making when due all deposits required to be made by the Bond Resolutions and the Note Resolutions and to pay the principal and premium, if any, of and the interest on the Priority Obligations, Notes and Additional Notes when and as required by the Bond Resolutions and the Note Resolutions.

(d) The Pledged General Fee shall be fixed, levied, charged, and collected pursuant to resolution of the Board when and as permitted or required by this Resolution, and shall be increased if and when permitted or required by this Resolution, and may be decreased or changed so long as Pledged Revenues are sufficient to provide the money for making when due all deposits required to be made under the

Bond Resolutions and the Note Resolutions. All changes in the Pledged General Fee shall be made by resolution of the Board, but such procedure shall not constitute or be regarded as an amendment of this Resolution, but merely the carrying out of the provisions and requirements hereof.

(e) On each March 1 and November 1 the Executive Vice Chancellor for Asset Management of the System shall deliver to the Chairman of the Board a certificate setting forth his estimate as to whether the Pledged Revenues and other revenues or amounts pledged to the payment of Priority Obligations, Notes or Additional Notes anticipated to be available through the following May 15 or December 31, respectively, will be adequate to pay the principal and premium, if any, of and interest on Priority Obligations, Notes and Additional Notes coming due on or prior to the interest payment dates on such obligations in the succeeding six months. If such estimate indicates that the Pledged Revenues and other revenues or amounts pledged to the payment of Priority Obligations, Notes or Additional Notes to be collected in such periods, respectively, together with funds then on hand in revenue funds pertaining to the Priority Obligations, Notes or Additional Notes, will be insufficient to make the deposits required by the Bond Resolutions or the Note Resolutions, the Chairman shall convene a meeting of the Board within 45 days of the receipt of such certificate to consider adjustments in the Pledged General Fee.

Section 3.03. Pledged Tuition Fee. So long as any Priority Obligations, Notes or Additional Notes are outstanding, the Pledged Tuition Fee shall not be reduced, and the Board covenants and agrees to fix, charge, and collect the Pledged Tuition Fee hereby assigned and pledged, and to credit same as received as required by the Bond Resolutions and the Note Resolutions.

Section 3.04. Student Union Fees. It is recognized that the Board is now authorized by law to levy and collect student union fees on a per capita basis (rather than on a registered semester credit hour basis) from students enrolled at certain of its institutions, and that the student union facilities with respect to which such fees are imposed constitute parts of the Revenue System. It is specifically covenanted and agreed by the Board that henceforth, and while any Priority Obligations, Notes or Additional Notes are outstanding, it will impose, levy, and collect all such

student union fees in the full amounts, respectively, now authorized by law, and that it will apply the collections of such fees first to the payment of the Current Expenses of the student union facilities with respect to which they were collected, and second to the other purposes for which such fees now may be used pursuant to law.

Section 3.05. Gross Revenues. The Board covenants and agrees hereby that it will establish and maintain rates and charges for services, use, and availability of all parts of the Revenue System that will produce Gross Revenues sufficient to pay the Current Expenses of the Revenue System, after taking into account the amounts collected pursuant to Section 3.04 hereof, and sufficient, together with other Pledged Revenues and any other revenues or amounts pledged to the payment of Priority Obligations, Notes or Additional Notes, to pay the interest on and principal of the Priority Obligations, Notes and Additional Notes, and maintain any reserve funds required by the Bond Resolutions or the Note Resolutions.

Section 3.06. No Additional Prior Encumbrances. While any Priority Obligations, Notes and Additional Notes are outstanding and unpaid, the Board covenants and agrees that it will not additionally encumber the Pledged Revenues or the Student Union Fees described in Section 3.04 hereof in any manner, except as permitted by the Bond Resolutions and the Note Resolutions in connection with the issuance of additional Priority Obligations or Additional Notes, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of the Bond Resolutions and the Note Resolutions.

Section 3.07. Excess Pledged Revenues. Subject to making the deposits and payments required by the Bond Resolutions and the Note Resolutions, any excess Pledged Revenues shall be transferred and commingled with the general funds of the System and used for any lawful purpose.

ARTICLE IV
CREATION OF FUNDS; INITIAL DEPOSITS AND
APPLICATION OF PROCEEDS

Section 4.01. Note Payment Fund. There hereby is created and established on the books of the Board a separate

and special fund to be designated as the "General Revenue Subordinate Lien Note Payment Fund." Subject to making all deposits required to be made under the Bond Resolutions and satisfying all other payment obligations required under the Bond Resolutions to be met from Pledged Revenues, there shall be deposited to the credit of the Note Payment Fund, on or before each Interest Payment Date and each date on which principal or the purchase price of any Note is due and payable hereunder, from excess Pledged Revenues available under the Bond Resolutions, amounts sufficient, when added to amounts on deposit to the credit of the Note Payment Fund and available for such purposes, to pay when due the interest, principal and purchase price to become due and payable on the Notes on such date. Such deposits shall be made only to the extent such deposits will not impair the ability of the Board to make required payments on the Priority Obligations when due and payable. On or before each Interest Payment Date and each date on which principal or the purchase price of any Note is due and payable hereunder, the Board shall cause all amounts then due and payable with respect to the Notes on such date to be transferred to the Paying Agent. Amounts remaining in the Note Payment Fund following an Interest Payment Date or a date on which principal or the purchase price of any Note is due and payable hereunder that are not necessary for the purposes thereof, other than any such amounts consisting of Note proceeds, shall be transferred to the Revenue Fund. Any such amounts consisting of Note proceeds may be transferred to the Note Construction Fund upon request of an Authorized Representative.

Section 4.02. Note Construction Fund. There is hereby created and established on the books of the Board a separate fund or funds that individually or collectively is hereby designated as the "General Revenue Subordinate Lien Note Construction Fund." Moneys deposited to the credit of the Note Construction Fund shall be maintained by the Board in an official depository of the System and shall remain therein until expended from time to time for Project Costs, and shall not be used for any other purposes whatsoever, except as otherwise provided below, and for temporary investment thereof as provided in Section 4.05 hereof. All amounts specified pursuant to Section 4.04(iii) as to be applied for capitalized or accrued interest on the Notes shall be used solely for such purpose, to the extent needed therefor.

Any amounts remaining in the Note Construction Fund and not necessary for the payment of Project Costs shall be paid into the Note Payment Fund and used either for the payment of such maturities or purchases of the Notes coming due at such times as may be selected by the Authorized Representative. In the event no Notes are outstanding, any amounts in the Note Construction Fund not anticipated to be needed to pay Project Costs shall be transferred and commingled with the general funds of the System and used for any lawful purpose.

Section 4.03. Revenue Fund. The Series 1986 Bond Resolution heretofore has established the Priority Obligations Revenue Fund, to the credit of which all collections of Gross Revenues, the Pledged General Fee and the Pledged Tuition Fee are required to be deposited. In the event that, during any period while there are any Notes outstanding, either no Priority Obligations are outstanding or no fund is required by the Bond Resolutions to exist on the books of the Board or otherwise that is pledged to the payment of Priority Obligations and into which is required to be deposited collections of Gross Revenues, the Pledged General Fee and the Pledged Tuition Fee, the Board nevertheless shall maintain on its books a separate fund or funds that individually or collectively shall be known as the "General Revenue Fund," or by any other designation specified by an Authorized Representative. Subject to the provisions of the resolutions authorizing the Prior Obligations and any Prior Encumbered Obligations, all collections of Gross Revenues, the Pledged General Fee and the Pledged Tuition Fee shall be credited to the Revenue Fund immediately upon receipt. There shall be paid as a first charge against the Gross Revenues on deposit in the Revenue Fund the Current Expenses.

Subject to the limitations of Section 4.01 hereof and to any provisions of the Bond Resolutions governing use of Pledged Revenues, the Board shall transfer or cause to be transferred from the Pledged Revenues in the Revenue Fund and deposit, or cause to be deposited, to the credit of the Note Payment Fund, the following amounts, at the following times:

(i) on or before each interest payment date on the Notes, such amounts as will be sufficient, together with other amounts, if any, then on deposit in the Note Payment Fund and available for such purpose, to pay the

interest scheduled to accrue and come due on the Notes on such interest payment date;

(ii) on or before each interest payment date, an amount equal to the principal of the Notes scheduled to mature or to be redeemed prior to maturity, if any, on such interest payment date; and

(iii) on or before each date on which any Notes are required to be purchased hereunder, such amounts as will be sufficient, together with other amounts available to the Board for such purpose, to pay the purchase price of the Notes required to be purchased on such date.

Funds on deposit from time to time in the Note Revenue Fund shall be subject to transfer to any other fund pledged to Priority Obligations in accordance with the terms of any resolution of the Board authorizing the issuance of Priority Obligations.

Section 4.04. Initial Deposits and Application of Note Proceeds. The proceeds of the sale of any Notes (net of all expenses and costs of sale and issuance) shall be deposited as follows and applied for any or all of the following purposes as directed by an Authorized Representative:

(i) to the Note Payment Fund, proceeds (if any) to be used for the payment and redemption or purchase of outstanding Notes at or before maturity, in an amount specified in writing by an Authorized Representative, which shall be expended for such purposes on the applicable payment, redemption and/or purchase dates.

(ii) to the Note Payment Fund, proceeds (if any) to be used for the payment of capitalized or accrued interest on such Notes, in an amount specified in writing by an Authorized Representative, which shall be applied for the payment of such interest on the applicable Interest Payment Dates.

(iii) to the Note Construction Fund all remaining Note proceeds, which shall be used and applied for the payment of Project Costs in accordance with the provisions of Section 4.02 hereof, including but not limited to any amount specified in writing by an Authorized

Representative to be applied for the payment of capitalized or accrued interest on such Notes.

Section 4.05. Investments. Money in any account or fund established pursuant to this Resolution may, at the option of the Board, be placed in time deposits secured by Investment Securities, or be invested in Investment Securities; provided, however, that all such deposits and investments shall be made in such manner that the money required to be expended from any such account or fund will be available when needed to make require disbursements from such fund or account. For all purposes of this Resolution, such investments shall be valued at their market value as of 30 days prior to the end of each Fiscal Year. Interest and income derived from such deposits and investments shall be credited as earned to the account or fund from which the deposit or investment was made and shall be used only for the purposes for which such account or fund is permitted to be used. Such investments shall be sold promptly when necessary to prevent any default in connection with the Notes or Additional Notes. Money in any such fund may be invested, together with money in other funds or with other money of the Board or the System, in common investments of the kind described above, or in a common pool of such investments that shall be kept or held at an official depository of the System, which shall not be deemed to be or constitute a commingling of such money or funds, provided that the separate accounts maintained on the books of the System for such funds clearly evidence the investment or investment pool in which such money is invested and the share thereof purchase with such money or owned by such fund or held by or on behalf of each such fund.

Money in all accounts and funds created by this Resolution, to the extent not invested as provided above, shall be secured in the manner prescribed by law for such fund of the Board, in principal amounts at all times not less than the amounts of money credited to such accounts and funds, respectively.

ARTICLE V

COVENANTS OF THE BOARD

Section 5.01. General Covenants. The Board further covenants and agrees that while any Priority Obligations,

Notes or Additional Notes or interest thereon are outstanding and unpaid:

(a) It faithfully will perform at all times any and all covenants, undertakings, stipulations, and provisions contained in the Bond Resolutions and the Note Resolutions and in each and every Priority Obligation, Note and Additional Note. It will promptly pay or cause to be paid from the Pledged Revenues and any other revenues or amounts pledged to the payment of Priority Obligations, Notes or Additional Notes the principal of and interest on every Priority Obligation, Note and Additional Note, on the dates and in the places and in the manner prescribed. It will, at the times and in the manner prescribed, deposit or cause to be deposited from the Pledged Revenues the amounts required to be deposited into the funds and accounts established by the Bond Resolutions and the Note Resolutions. It duly will cause to be called for redemption prior to maturity, and will cause to be redeemed prior to maturity, all Priority Obligations, Notes and Additional Notes that by their terms are mandatorily required to be redeemed prior to maturity, when and as so required. Any owner of the Priority Obligations, Notes or Additional Notes may require the Board, its officials and employees, and any appropriate official of the State of Texas, to carry out, respect, or enforce the covenants and obligations of the Bond Resolutions or the Note Resolutions, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the Board, its officials and employees, or any appropriate official of the State of Texas.

(b) It lawfully owns, has title to, and is lawfully possessed of the lands, buildings, and facilities now constituting the System and the Revenue System. It warrants that it will defend said title for the benefit of the owners of the Priority Obligations, Notes and Additional Notes against the claims and demands of all persons whomsoever, it is lawfully qualified to pledge the Pledged Revenues herein pledged in the manner prescribed herein, and has lawfully exercised such right. Notwithstanding anything to the contrary contained herein, it is recognized that certain institutions constituting a part of the System may be combined and that so long as such combined institution continues to be governed by the Board and the conditions below are satisfied such action shall not be in violation of the provisions of this Resolution. In addition, subject to

the conditions set forth below, any institutions may be closed and abandoned by law or may be removed from the System pursuant to law without violating the terms of this Resolution if the Board approves a certification by the Executive Vice Chancellor for Asset Management or other designated financial or accounting officer of the System to the effect that, to the best of his knowledge:

(1) the Pledged Revenues, together with other revenues or amounts pledged to the payment of all or a portion of the Priority Obligations, Notes or Additional Notes for either the preceding Fiscal Year or the 12-month period immediately preceding such combining, closing, abandonment, or removal would have been at least 100% of the average annual Debt Service Requirements, if such combining, closing, abandonment, or removal had occurred at the beginning of such Fiscal Year or 12-month period; and

(2) beginning with the Fiscal Year next following such combining, closing, abandonment, or removal, the Pledged Revenues, together with other revenues or amounts pledged to the payment of all or a portion of the Priority Obligations, Notes or Additional Notes for each Fiscal Year during the scheduled term of all outstanding Priority Obligations, Notes and Additional Notes are estimated, taking into account any revenues and expenses expected to be attributable to any institution to be added to the System and any property to be added to the Revenue System, to be at least 100% of the average annual Debt Service Requirements.

For purposes of the computations required to be made in connection with the above certification, any Pledged Revenues or other amounts pledged by the Board to the payment of less than all of the outstanding Priority Obligations, Notes and Additional Notes shall be taken into account only to the extent of the Debt Service Requirements of the Priority Obligations, Notes or Additional Notes to which such amounts are pledged.

(c) It will pay and discharge, from time to time and before the same become delinquent, all taxes, assessments, and governmental charges, if any, that shall be imposed lawfully upon it, the System, or upon the Revenue System. It will pay all lawful claims for rents, royalties, labor,

materials, and supplies that, if unpaid, by law might become a lien or charge upon them, or any part of them, the lien of which would be prior to or interfere with the lien hereof, so that the priority of the lien granted hereunder shall be fully preserved in the manner provided herein. It will not create or suffer to be created any mechanic's, laborer's, materialman's, or other lien or charge that might or could be prior to the lien hereof, or do or suffer any matter or thing whereby the lien hereof might or could be impaired; provided, however, that no such tax, assessment, or charge, and that no such claim that might be used as the basis of a mechanic's, laborer's, materialman's, or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the Board.

(d) It will not do or suffer any act or thing whereby the System or the Revenue System might or could be impaired. It will maintain, preserve, and keep the real and tangible property of the System and the Revenue System and every part thereof in good condition, repair, and working order at all times and will operate, maintain, preserve, and keep the facilities, buildings, structures, and equipment pertaining thereto in good condition, repair, and working order.

(e) While any Priority Obligations, Notes or Additional Notes are outstanding and unpaid, it will not sell, convey, mortgage, or in any manner transfer title to, or lease, or otherwise dispose of the property constituting the Revenue System, except that whenever the Board deems it necessary to dispose of any fixtures or equipment of such facilities, it may sell or otherwise dispose of such fixtures or equipment when it has made arrangements to replace the same or provide substitutes therefor, unless the Board finds that such replacement or substitution is unnecessary; provided however, that property constituting part of the Revenue System may be sold at fair market value, permanently abandoned, or otherwise removed from the Revenue System, if:

(i) The Executive Vice Chancellor for Asset Management or other designated financial or accounting officer of the System certifies that no default exists with respect to any covenant or undertaking in connection with all Priority Obligations, Notes and Additional Notes then outstanding or the resolution or resolutions authorizing same; and

(ii) The Board approves a certification by the Executive Vice Chancellor for Asset Management or other designated financial or accounting officer of the System that, to the best of his knowledge:

(1) the Pledged Revenues, together with any other revenues or amounts pledged to the payment of all or a portion of the Priority Obligations, Notes or Additional Notes, for either the preceding Fiscal Year or the 12-month period immediately preceding such sale, abandonment, or removal would have been at least 100% of the average annual Debt Service Requirements, if such sale, abandonment, or removal had occurred at the beginning of such Fiscal Year or 12-month period; and

(2) beginning with the Fiscal Year next following such sale, abandonment, or removal, the Pledged Revenues, together with any other revenues or amounts pledged to the payment of all or a portion of the Priority Obligations, Notes or Additional Notes, for each Fiscal Year during the scheduled term of all outstanding Priority Obligations, Notes or Additional Notes, are estimated, taking into account any revenues and expenses expected to be attributable to any property to be added to the Revenue System, to be at least 100% of the average annual Debt Service Requirements.

For purposes of the computations required to be made in connection with the above certification, any Pledged Revenues or other amounts pledged by the Board to the payment of less than all of the outstanding Priority Obligations, Notes and Additional Notes shall be taken into account only to the extent of the Debt Service Requirements of the Priority Obligations, Notes or Additional Notes to which such amounts are pledged.

(f) Proper books of record and account will be kept in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the Revenue System and the Pledged Revenues. Each year while any Priority Obligations, Notes or Additional Notes are outstanding, the Board will cause to be prepared from such books of record and account a preliminary financial report containing statements of (i) Gross Revenues, Current

Expenses, Net Revenues, and the student union fees described in Section 3.04 hereof and (ii) year-end balances in funds maintained pursuant to the Bond Resolutions and the Note Resolutions and changes in such fund balances from the previous Fiscal Year. Such preliminary reports shall be furnished to the principal municipal bond rating agencies and any owner of the Notes or Additional Notes who shall request same.

(g) Each year, commencing with the Fiscal Year ending August 31, 1987, while any of the Priority Obligations, Notes or Additional Notes are outstanding, an audit will be made of its books and accounts by the State Auditor of the State of Texas, or a certified public accountant, such audit to be based on the Fiscal Year of the Board beginning on September 1 of each year and ending on August 31 of the following year. As soon as practicable after the close of each such Fiscal Year, and when said audit has been completed and made available to the Board, a copy of such audit for the preceding Fiscal Year shall be mailed to all Holders of Notes and Additional Notes who shall so request. Such annual audit reports shall be open to the inspection of the bondholders and their agents and representatives at all reasonable times.

(h) Any owner or owners of 25% or more of the outstanding principal amount of the Notes at the time then outstanding, shall have the right at all reasonable times to inspect the Revenue System and all records, accounts, and data of the Board relating thereto.

Section 5.02. Limitation on Issuance. Unless this Resolution is amended and modified by the Board in accordance with the provisions of Section 7.01 hereof, the Board covenants that there will not be issued and outstanding at any time more than \$20,000,000 in principal amount of Notes. The Board, however, does reserve the right, subject to the limitations contained in Section 5.07 hereof, to issue Additional Notes in excess of said amount by resolution duly adopted by the Board. For purposes of this Section 5.02, any portion of outstanding Notes to be paid on the day of calculation from moneys available for such purpose on deposit in the Note Payment Fund and the proceeds of Notes, Additional Notes, Priority Obligations or other obligations of the Board issued and available for such purpose shall not be considered outstanding.

Section 5.03. Payment of Priority Obligations and Notes. The Board hereby covenants and reaffirms to the holders or owners of any Priority Obligations that the payment from time to time of the interest on and/or principal of the Notes shall not impair the ability or the obligation of the Board to pay the principal of and/or interest on any Priority Obligations.

Section 5.04. Notes to Remain Tax Exempt. The Board covenants that it will execute and deliver to the Issuing and Paying Agent a No-Arbitrage Certificate in the form prescribed by Bond Counsel in connection with the original issuance of the Notes, each issuance of Notes thereafter, and at the time of resale by the Board of any outstanding Note as to which the System or any component or fund thereof has become the Registered Owner. The Board represents and covenants that it will not expend, or permit to be expended, the proceeds of any Notes in any manner inconsistent with its reasonable expectations as certified in the No-Arbitrage Certificates to be executed from time to time with respect to the Notes; provided, however, that the Board may expend Note proceeds in any manner if the Board first obtains an unqualified opinion of Bond Counsel that such expenditure will not impair the exclusion from the gross income of the Holders of the Notes for federal income tax purposes of interest on the Notes. The Board represents that it has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is an issuer whose arbitrage certifications may not be relied upon.

The Board further covenants with the Holders of all Notes at any time outstanding that it will make such use of the proceeds of the Notes, regulate investments of the proceeds thereof and take such other and further actions as may be required by Sections 103 and 141-150 of the Code and all applicable temporary, proposed and final regulations and procedures promulgated thereunder or promulgated under the Internal Revenue Code of 1954, to the extent applicable to the Code, necessary to assure that interest on the Notes is excludable from gross income of the Holders of the Notes for federal income tax purposes. Without limiting the generality of the foregoing covenant, the Board hereby covenants as follows:

- (a) The Board will not use and will not permit the indirect use of the proceeds of the Notes (including any earnings from the investment of the proceeds of

the Notes) in a manner that would cause the Notes to be classified as "private activity bonds" within the meaning of Section 141(a) of the Code;

(b) The Board will not use and will not permit the indirect use of any proceeds of the Notes or any other funds of the Board, or take or omit to take any action that would cause the Notes to be "arbitrage bonds" within the meaning of Section 148(a) of the Code. To that end, the Board will comply with all requirements of Section 148 of the Code to the extent applicable to the Notes, including but not limited to any requirement under Section 148 of the Code that the yield on the investment of the proceeds of the Notes and moneys pledged to the repayment of the Notes be restricted to a yield that is not materially higher than the yield on the Notes;

(c) The Board will take all necessary steps to comply with the requirement that excess amounts earned on the investment of the "gross proceeds" of the Notes within the meaning of Section 148(f)(6)(B) of the Code, if any, be rebated to the federal government, and specifically, the Board will (i) maintain records regarding the investment of the gross proceeds of the Notes as may be required to calculate such excess amounts separately from records of amounts on deposit in the funds and accounts of the Board that are allocable to other issues of obligations of the Board or moneys that do not represent gross proceeds of any obligations of the Board, (ii) calculate, at such intervals as may be required by applicable regulations of the United States Treasury, the excess amounts, if any, earned from the investment of the gross proceeds of the Notes and (iii) pay, not less often than every fifth anniversary date of the delivery of the Notes, all amounts required to be rebated to the federal government;

(d) The Board will not cause or permit the Notes to be treated as "federally guaranteed" obligations within the meaning of Section 149(b) of the Code; and

(e) The Board timely will file a statement with the federal government setting forth the information required pursuant to Section 149(e) of the Code.

Section 5.05. Supplemental Resolutions. Other than as permitted in Section 5.08 hereof with respect to the issuance of additional obligations of the Board secured by the Pledged Revenues, the Board will not adopt any supplemental resolutions, pursuant to this Resolution or otherwise, that would affect materially and adversely the ability of the Board to make payments on the Notes when due.

Section 5.06. Opinion of Bond Counsel. The Board shall cause the legal opinion of Bond Counsel as to the validity of the Notes and as to the exclusion from the gross income of the Holders of the Notes for federal income tax purposes of interest on the Notes to be furnished to any Holder without cost.

Section 5.07. Compliance With Bond Resolutions and Other Documents. The Board will comply with the terms and provisions of the Bond Resolutions, and any other resolution or contract to which the Board is a party, the non-compliance with which would affect materially and adversely the ability of the Board to make payments on the Notes when due.

Section 5.08. Reservation of Right to Issue Obligations of Superior, Equal and Inferior Lien. The Board hereby expressly reserves the right to issue hereafter obligations payable from and secured by a lien on and pledge of the Pledged Revenues prior in right and claim to the lien on and pledge of the Pledged Revenues covering the payment of the Notes; provided, however, that the Board agrees that, while any Notes or Additional Notes are outstanding, it will issue Priority Obligations as permitted by Section 19 of the Series 1986 Bond Resolution only if the conditions set forth in such Section 19 are satisfied and if, at the time of such issuance, an Authorized Representative provides the certification required by Section 2.07(b) hereof. Furthermore, the Board expressly reserves the right to issue hereafter Additional Notes when and as the Board shall determine and authorize without any limitation as to principal amount or otherwise, which Additional Notes may be equally and ratably payable from and secured by a lien on and pledge of the Pledged Revenues of equal rank and dignity with the lien and pledge securing the payment of the Notes, provided that the requirements of Section 2.07 hereof are met in connection with the issuance of such Additional Notes. The Board agrees to give the Paying Agent at least 11 Business Days' advance notice of the proposed issuance of any additional

Priority Obligations, Notes or Additional Notes, and the Paying Agent then shall give prompt notice to Noteholders of such proposed issuance (delivered by no later than 10 Business Days prior to the proposed date of such issuance). The Board also retains the right to issue obligations or other evidences of indebtedness or to incur contractual obligations secured by a lien on and pledge of the Pledged Revenues junior and subordinate to the lien and pledge securing the Notes. Notwithstanding any of the above to the contrary, the Board covenants that the lien created by this Resolution will not be impaired in any manner as a result of any action or non-action on the part of the Board or officers of the System, and that the Board will, subject to the provisions hereof, continuously preserve and apply the Pledged Revenues as contemplated by this Resolution.

Section 5.09. Available Funds. The Board covenants to make its best efforts to issue, renew, refund or remarket the Notes and to sell Priority Obligations, Additional Notes or other obligations of the Board to the extent necessary in order to have funds available in an amount sufficient, together with Pledged Revenues and other moneys available therefor, to pay the principal of and interest on the Notes when due and payable, whether at maturity, by prior redemption or upon tender for purchase hereunder.

ARTICLE VI

REMEDIES OF NOTEHOLDERS

Section 6.01. Remedies of Noteholders. In the event of any default in connection with any covenant contained herein, or default in the payment of principal or purchase price of or interest on the Notes or Additional Notes, the Holder of any Note at the time outstanding shall be entitled to institute mandamus proceedings against the Board or any other necessary or appropriate party for the purpose of enforcing any covenant contained herein.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Amendments or Modifications Without Consent of Holders. This Resolution and the rights and

obligations of the Board and of the Holders may be modified or amended for any purpose at any time by a supplemental resolution, with the prior written consent of the Holders of not less than 51% in aggregate principal amount of the Notes then outstanding of each series affected by such amendment; provided, however, that nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions of this Resolution or in the Notes, without the prior written consent of the Holder of each Note so affected, in any way that would:

- (1) Make any change in the stated maturity of any of the outstanding Notes;
- (2) Reduce the rate of interest borne by any of the outstanding Notes;
- (3) Reduce the amount of the principal payable on any of the outstanding Notes;
- (4) Modify the terms of payment of principal of or interest on the outstanding Notes, or impose any conditions with respect to such payment;
- (5) Affect the rights of the Holders of less than all of the outstanding Notes; and
- (6) Reduce or restrict the pledge made in Section 3.01 hereof for payment of the Notes.

and provided, further, that, except as provided in Section 7.02 hereof, no change, modification or amendment shall be made in the Resolution or become valid and effective without the approval of such change, modification or amendment by the Attorney General of the State of Texas if, in the opinion of Bond Counsel, such approval is required by the Acts. Notwithstanding the foregoing, no such change, modification or amendment shall be effective unless the Holders of all outstanding Notes shall have received at least 60 days prior written notice thereof, including the final form thereof.

Section 7.02. Additional Actions. The Chairman of the Board, the Executive Secretary of the Board, any Assistant Secretary of the Board, the Authorized Representatives and the other officers of the Board hereby are authorized and directed, jointly and severally, to do any and all things

and to execute and deliver any and all documents they may deem necessary or advisable in order to consummate the issuance, sale, and delivery of the Notes and otherwise to effectuate the purposes of this Resolution. In addition, the Chairman of the Board, General Counsel to the System, the Executive Vice Chancellor for Asset Management and Bond Counsel hereby are authorized to approve, subsequent to the date of the adoption of this Resolution, any amendments to the documents attached hereto as exhibits.

Section 7.03. Resolution to Constitute a Contract; Equal Security. In consideration of the acceptance of the Notes, the issuance of which is authorized hereunder, by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Board and the Holders from time to time of the Notes and the pledge made in this Resolution by the Board and the covenants and agreements set forth in this Resolution to be performed by the Board shall be for the equal and proportionate benefit, security, and protection of all Holders, without preference, priority, or distinction as to security or otherwise of any of the Notes authorized hereunder over any of the others by reason of time of issuance, sale or maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by this Resolution.

Section 7.04. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions herein contained shall be held contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other provisions hereof or of the Notes issued hereunder.

Section 7.05. Payment and Performance on Business Days. Except as expressly provided otherwise herein, whenever, under the terms of this Resolution or the Notes, the performance date of any provision hereof or thereof shall occur on a day other than a Business Day, then the performance thereof need not be made on such day but may be performed or paid, as the case may be, on the next

succeeding Business Day with the same force and effect as if made on the date of performance.

Section 7.06. Defeasance. If, when all or any portion of the Notes shall have become due and payable in accordance with their terms or otherwise as provided in this Resolution, the entire principal and interest so due and payable upon said Notes shall be paid, or if at or prior to the date said Notes have become due and payable, sufficient moneys or direct obligations of, or obligations the timely payment of the principal and interest on which has been unconditionally guaranteed by, the United States of America the maturing principal of and interest on which will provide sufficient moneys without reinvestment for such payment upon maturity or to the date upon which the Notes have been called for redemption, and for payment of the purchase price pursuant to Section 2.05 hereof, shall have been irrevocably deposited with the Issuing and Paying Agent and dedicated to the payment of such amounts and provision satisfactory to the Issuing and Paying Agent shall also be made for paying all other sums payable hereunder by the Board with respect to said Notes, the rights, title and interest of the Holders of the Notes in the Pledged Revenues shall thereupon cease, terminate and become discharged and said Notes shall no longer be deemed outstanding for purposes of this Resolution and all the provisions of this Resolution, including all covenants, agreements, liens and pledges made herein, shall be deemed duly discharged, satisfied and released.

Section 7.07. Limitation of Benefits With Respect to the Resolution. With the exception of the rights or benefits herein expressly conferred, nothing expressed or contained herein or implied from the provisions of this Resolution or the Notes is intended or should be construed to confer upon or give to any person other than the Board, the Holders, the Issuing and Paying Agent/Registrar and the parties to the Agreement, any legal or equitable right, remedy or claim under or by reason of or with respect to this Resolution or any covenant, condition, stipulation, promise, agreement, or provision herein contained. This Resolution and all of the covenants, conditions, stipulations, promises, agreements, and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the Board, the Noteholders, the Issuing and Paying Agent/Registrar and the parties to the Agreement as herein and therein provided.

Section 7.08. Approval of Attorney General. No Notes herein authorized to be issued shall be sold or delivered by an Authorized Representative until the Attorney General of the State of Texas shall have approved this Resolution and other agreements and proceedings as may be required in connection therewith, and therefore the Notes to be issued in accordance with such proceedings, all as is required by the Acts.

Section 7.09. Form of Notice; Waiver of Notice. The respective addresses specified below, or such other addresses as may be designated in writing by the respective parties shall be the addresses to which any notice, authorization, request or demand required or permitted to be given hereunder to the Board or the Issuing and Paying Agent shall be sent:

Board: The University of Texas System
 201 West 7th Street
 Austin, Texas 78701
 Attention: Executive Vice Chancellor for
 Asset Management

Issuing First City National Bank of Austin
and 823 Congress Avenue
Paying First City Centre, 10th Floor
Agent: Austin, Texas 78701
 Attention: Trust Division

Any notice required hereunder to be given in writing may be given in any customary written form, including but not limited to writings transmitted by telecopy, telex or other telecommunication device. Notices so transmitted may be given in lieu of notices required to be mailed hereunder and shall be deemed to be given when actually received by the party to whom such notice is so transmitted.

Any notice given by a party hereunder that is effectively revoked as provided herein shall be null and void and shall have no force or effect hereunder.

Any notice required to be given under this Resolution and any requirements relating to the length of time prior to any action or event that any such notice must be given, may be waived by the party or parties to whom such notice is required hereunder to be given, by written waiver delivered to the party or on behalf of which such notice is required to be given. Any such waiver shall affect only such notice or notices (or notice periods) expressly waived thereby. The notice requirements of this Resolution shall continue in full force and effect with respect to any notice (any notice period) not expressly waived hereunder. In addition, in any case in which notice is required to be given 30 days or more prior to a specified date hereunder, both such specified date and the date on which notice is effectively given hereunder shall be included for purposes of computing the required notice period.

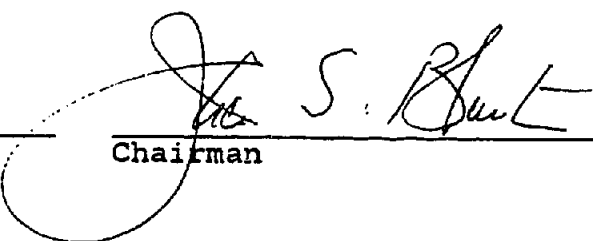
PASSED AND ADOPTED, this the 13th day of August, 1987.

ATTEST:



Executive Secretary

(Seal)



Chairman

EXHIBIT A
FORM OF
INVESTMENT CERTIFICATE

This certificate is being executed and delivered to the Board of Regents of The University of Texas System (the "Board") in connection with the issuance by the Board of \$ _____ of its General Revenue Subordinate Lien Notes, Series _____ dated as of _____ (the "Series _____ Notes"), issued pursuant to authority granted in a resolution adopted by the Board on August 13, 1987 (the "Resolution"), and the purchase by the undersigned of the Series _____ Notes. Capitalized terms used herein and not defined otherwise herein shall have the respective meanings set forth in the Resolution.

The undersigned understands that the Series _____ Notes are issued by the Board to provide financing for Project Costs of Eligible Projects and that the Series _____ Notes were not registered under the Securities Act of 1933 or the Texas Securities Act, on the basis of the exemptions provided therein, or under the securities act of any other jurisdiction. The undersigned understands that the Board will be relying upon the accuracy of the undersigned's representations contained in this letter. The undersigned hereby represents, warrants and agrees to and with the Board that:

1. It is a financial institution engaged in the business of, among other things, acquiring securities like the Series _____ Notes. It is familiar with and has experience in the purchase of debt obligations similar to the Series _____ Notes and is capable of evaluating the merits and economic risks that may be associated with the acquisition of the Series _____ Notes.

2. It has received copies of the Resolution, including the Exhibits attached thereto, and has had the opportunity to review such documents to its satisfaction. It has made an independent investigation of the financial position and business condition of the System, and has received such other information as it desires in order to enable it to make an informed decision regarding the acquisition of the Series _____ Notes. It hereby expressly waives any right to receive such information from the Board and relieves the

A-1

Board and its agents and representatives of any liability for failure to provide such information in connection with the acquisition of the Series ____ Notes; provided, however, that nothing in this certificate shall be deemed to waive any right granted by the Resolution or in any other written instrument executed on behalf of the Board to the undersigned as a registered owner of Series ____ Notes, to receive reports or other information to which registered owners of the Notes may be entitled thereunder. It understands that the holders of the Notes issued pursuant to the Resolution, including the Series ____ Notes, have no right to demand payment from the Board from any sources other than those described in the Resolution.

3. It is acquiring the Series ____ Notes for its own account, with the purpose of investment and not with a view to the distribution or resale thereof; provided, however, that the disposition of the Series ____ Notes shall be within the control of the undersigned. It agrees to comply with all applicable federal and state securities laws in connection with any disposition of the Series ____ Notes.

Yours very truly,

By _____
Title _____

EXHIBIT B
FORM OF ISSUING AND PAYING AGENT/REGISTRAR AGREEMENT

ISSUING AND
PAYING AGENT/REGISTRAR AGREEMENT

dated as of
August 13, 1987

between

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

and

FIRST CITY NATIONAL BANK OF AUSTIN

B-1

TABLE OF CONTENTS

<u>Section</u>		
	Recitals.....	1
ARTICLE I: DEFINITIONS AND INTERPRETATION		
1.01	Definitions.....	2
1.02	Recitals, Table of Contents, Titles and Headings.....	4
1.03	Construction of Terms Used in This Agreement.....	4
ARTICLE II: APPOINTMENT OF BANK AS ISSUING AGENT, PAYING AGENT AND REGISTRAR		
2.01	Appointment.....	4
2.02	Consideration.....	5
ARTICLE III: ISSUING AND PAYING AGENT		
3.01	Issuance of Notes.....	5
3.02	Payment of the Notes.....	5
ARTICLE IV: REGISTRAR		
4.01	Registration and Transfer of Notes; Form of Registration Books.....	6
4.02	Unauthenticated Notes.....	6
4.03	Reports.....	6
4.04	Cancelled Notes.....	7
ARTICLE V: THE BANK		
5.01	Duties of the Bank.....	7
5.02	Reliance on Documents, Etc.....	7
5.03	Recitals of Board.....	7
5.04	Bank May Own Notes.....	8
5.05	Money Held by Bank.....	8

ARTICLE VI: MISCELLANEOUS PROVISIONS

6.01	Amendment.....	8
6.02	Assignment.....	8
6.03	Notices.....	8
6.04	Successors and Assigns.....	9
6.05	Severability.....	9
6.06	Benefits of Agreement.....	9
6.07	Resolution Governs Conflicts.....	9
6.08	Counterparts.....	9
6.09	Term and Termination.....	9

EXHIBITS

EXHIBIT A - CONSIDERATION

ISSUING AND PAYING AGENT/REGISTRAR AGREEMENT

THIS ISSUING AND PAYING AGENT/REGISTRAR AGREEMENT (this "Agreement"), is entered into as of August 13, 1987, by and between the Board of Regents of The University of Texas System (the "Board"), and First City National Bank of Austin (the "Bank").

RECITALS OF THE ISSUER

Pursuant to a resolution adopted by the Board on August 13, 1987 (the "Resolution"), the Board has duly provided for the issuance, from time to time, of its notes, entitled "Board of Regents of The University of Texas System General Revenue Subordinate Lien Notes (the "Notes"), provided that the aggregate principal amount of the Notes at any one time outstanding pursuant to the Resolution may not exceed \$20,000,000;

Notes issued under the Resolution shall be in fully registered form, without coupons;

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

The Board and the Bank wish to provide the terms under which the Bank will act as Issuing Agent to issue the Notes from time to time at the direction of an authorized representative of the Board; as Paying Agent to pay the principal of and interest on the Notes when due and payable and to pay the purchase price of tendered Notes, all in accordance with the terms thereof; and as Registrar to keep records relating to the registration, payment, transfer and exchange of the Notes;

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

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE ONE

DEFINITIONS AND INTERPRETATION

Section 1.01. Definitions. For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

"Agreement" shall mean this Issuing and Paying Agent/Registrar Agreement, as amended or supplemented from time to time.

"Authorized Representative" shall mean one or more of the following officers or employees of the System, to-wit: the Executive Vice Chancellor for Asset Management, the Vice Chancellor and General Counsel, the Director of Asset Strategy and Planning, the Manager of Debt Administration, or such other officer or employee of the System authorized by the Board to act as an Authorized Representative of the Board.

"Bank" shall mean First City National Bank of Austin, a national banking association organized and doing business under the laws of the United States of America.

"Bank Office" shall mean the address of the designated corporate office of the Bank as indicated on the signature page of the Bank hereon or as changed from time to time by notice in writing from the Bank to the Board.

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

"Holder" or "Noteholder" shall mean, with respect to any Note, the person or entity in whose name any Note is registered in the Registration Books.

"Issuing Agent" shall mean the Bank acting hereunder in its capacity as issuing agent for the Notes.

"Notes" shall mean the evidences of indebtedness authorized to be issued and at any time outstanding pursuant to the Resolution.

"Paying Agent" shall mean the Bank acting hereunder in its capacity as paying agent for the Notes.

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

"Registrar" shall mean the Bank acting hereunder in its capacity as registrar for the Notes.

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

"Resolution" shall mean the resolution adopted by the Board on August 13, 1987, authorizing the issuance from time to time of the Notes, and any amendment, modification or supplement thereto as permitted by such resolution.

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

"System" shall mean The University of Texas System, which includes the following existing and operating institutions:

- The University of Texas at Arlington;
- The University of Texas at Austin;
- The University of Texas at Dallas;
- The University of Texas at El Paso;
- The University of Texas of the Permian Basin;
- The University of Texas at San Antonio;
- The University of Texas at Tyler;
- The University of Texas Health Science Center at Dallas;
- The University of Texas Medical Branch at Galveston;
- The University of Texas Health Science Center at Houston;
- The University of Texas Health Science Center at San Antonio;
- The University of Texas System Cancer Center;
- The University of Texas Health Center at Tyler; and
- The University of Texas Institute of Texan Cultures at San Antonio,

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

Section 1.02. Recitals, Table of Contents, Titles and Headings. The terms and phrases used in the recitals of this Agreement have been included for convenience of reference only and the meaning, construction and interpretation of such words and phrases for purposes of this Agreement shall be determined solely by reference to Section 1.01 hereof. The table of contents, titles and headings of the articles and section of this Agreement have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Agreement or any provisions hereof or in ascertaining intent, if any question of intent should arise.

Section 1.03. Construction of Terms Used in This Agreement. If appropriate in the context of this Agreement, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders. This Agreement and all the terms and provisions hereof shall be construed liberally to effectuate the purposes set forth herein and to sustain the validity of this Agreement.

ARTICLE TWO

APPOINTMENT OF BANK AS ISSUING AGENT, PAYING AGENT AND REGISTRAR

Section 2.01. Appointment. The Board hereby appoints the Bank to act as Issuing Agent with respect to the Notes, to issue and deliver the Notes from time to time at the direction of an Authorized Representative, all in accordance with the terms and provisions of this Agreement and the Resolution.

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

B-7

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

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

Section 2.02. Consideration. The consideration for the Bank being named and acting as Issuing Agent, Paying Agent and Registrar for the Notes is set forth in Exhibit A attached hereto.

ARTICLE THREE

ISSUING AND PAYING AGENT

Section 3.01. Issuance of Notes. Upon receipt of instructions from an Authorized Representative given in accordance with Sections 2.02 and 2.07 of the Resolution, and upon receipt of any other items required to be delivered to the Issuing Agent pursuant to Section 2.07 of the Resolution, the Bank, in its capacity as Issuing Agent, shall issue the Notes from time to time, inserting therein such dates, amounts and rates as shall be specified by the Authorized Representative at the time of sale of such Notes, and shall authenticate and deliver such Notes in accordance with Section 2.07 of the Resolution.

Section 3.02. Payment of the Notes. The Bank agrees to pay to the Holders of the Notes, but solely from funds furnished for such purpose by the Board, the principal of and interest on the Notes when due and payable, in immediately available funds, in accordance with the terms of the Resolution and the Notes. In addition, to the extent that any Note is subject to purchase by the Board at the option of the Holder thereof, the Bank agrees to pay to the Holders of such Notes, but solely from funds furnished for such purpose by the Board, the purchase price of such Note, in

immediately available funds, as described in Section 2.05(b) of the Resolution.

ARTICLE FOUR

REGISTRAR

Section 4.01. Registration and Transfer of Notes; Form of Registration Books. The Bank agrees to keep and maintain on behalf of the Board the Registration Books at the Bank Office, in accordance with the requirements of the Resolution and in accordance with the Bank's general practices and procedures in effect from time to time.

Section 4.02. Unauthenticated Notes. The Board shall provide an adequate inventory of unauthenticated Notes to facilitate transfers and exchanges. The Bank covenants that it will maintain such unauthenticated Notes in safekeeping and will use reasonable care in maintaining such Notes in safekeeping, which shall be not less than the care it maintains for debt securities of other government entities or corporations for which it serves as registrar, or which it maintains for its own bonds.

Section 4.03. Reports. From time to time at the request of the Board, the Bank will provide the Board reports that will describe in reasonable detail all transactions pertaining to the Notes and the Registration Books since the last such report. The Board also may inspect and make copies of the information in the Registration Books at any time the Bank customarily is open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form.

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

Section 4.04. Cancelled Notes. All Notes surrendered for payment, redemption, transfer, assignment, exchange, or replacement, if surrendered to the Bank, shall be cancelled

promptly by it and, if surrendered to the Board, shall be delivered to the Bank and, if not already cancelled, shall be cancelled promptly by the Bank. The Board at any time may deliver to the Bank for cancellation any Notes previously authenticated and delivered that the Board may have acquired in any manner whatsoever and may have determined to cancel, and all Notes so delivered shall be cancelled promptly by the Bank. All Notes so cancelled by the Bank shall be transmitted to the Board forthwith and the Board thereafter shall have the custody of all such Notes.

ARTICLE FIVE

THE BANK

Section 5.01. Duties of the Bank. The Bank undertakes to perform the duties of Issuing Agent, Paying Agent and Registrar for the Notes set forth herein and in the Resolution and agrees to use reasonable care in the performance thereof.

Section 5.02. Reliance on Documents, Etc.

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

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

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

Section 5.03. Recitals of Board. The recitals contained in the Resolution and the Notes shall be taken as the statements of the Board, and the Bank assumes no responsibility for their correctness.

Section 5.04. Bank May Own Notes. The Bank, in its individual or any other capacity, may become the owner or pledgee of Notes with the same rights it would have if it

were not the Issuing Agent, Paying Agent and Registrar for the Notes.

Section 5.05. Money Held by Bank. Money held by the Bank hereunder shall be held in trust for the benefit of the Holders of the Notes.

The Bank shall be under no obligation to pay interest on any money received by it hereunder, except as otherwise expressly agreed by the Bank and the Board.

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

ARTICLE SIX

MISCELLANEOUS PROVISIONS

Section 6.01. Amendment. This Agreement may be amended only by an agreement in writing signed by both of the parties hereof.

Section 6.02. Assignment. This Agreement may not be assigned by either party without the prior written consent of the other.

Section 6.03. Notices. Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the Board or the Bank shall be mailed or delivered to the Board or the Bank, respectively, at the addresses shown hereon, or such other address as may have been given by one party to the other by 15 days' written notice, except as provided otherwise in the Resolution.

Section 6.04. Successors and Assigns. All covenants and agreements herein by the Board and the Bank shall bind their successors and assigns, whether so expressed or not.

Section 6.05. Severability. If any provision of this Agreement shall be invalid or unenforceable, the validity and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

Section 6.06. Benefits of Agreement. Nothing herein, express or implied, shall give to any person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy or claim hereunder.

Section 6.07. Resolution Governs Conflicts. This Agreement and the Resolution constitute the entire agreement between the parties hereto relative to the Bank acting as Issuing and Paying Agent/Registrar and if any conflict exists between this Agreement and the Resolution, the Resolution shall govern.

Section 6.08. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 6.09. Term and Termination. This Agreement shall be effective from and after its date for a term ending on the Stated Maturity date or Redemption Date of the last Note to mature or be redeemed, whichever first occurs, and may be terminated by the Board at any time upon 45 days' written notice to the Bank. In the event of early termination regardless of circumstances, the Bank shall deliver to the Board or its designee all books and records pertaining to the Bank's role as Paying Agent/Registrar with respect to the Bonds, including, but not limited to, the Registration Books.

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

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By _____
Executive Vice Chancellor
for Asset Management
The University of Texas System

ADDRESS: 201 W. 7th Street
Austin, Texas 78701

ATTEST:

[Executive] [Assistant] Secretary

(SEAL)

FIRST CITY NATIONAL BANK
OF AUSTIN

By _____
Title _____

ADDRESS: 823 Congress Avenue
First City Centre,
10th Floor
Austin, Texas 78701
Attn: Trust Division

ATTEST:

Title _____

(SEAL)

B-13

EXHIBIT A
CONSIDERATION

\$500 annual fee, incorporating all charges, payable in
arrears.

B-14

5. U. T. System: Adoption of Laboratory Fee Policy and General Property Deposit Policy.--In compliance with recent amendments to Sections 54.501 and 54.502 of the Texas Education Code which make the assessment and collection of laboratory fees and general property deposits mandatory, the Board adopted the following policies regarding the imposition and collection of laboratory fees and general property deposits within The University of Texas System:

Laboratory Fee Policy

Effective for the Fall Semester 1987, each component institution that enrolls students shall set and charge a laboratory fee for each laboratory offered. The fee shall be within the legislatively mandated parameter of not less than \$2.00 nor more than \$30.00 for any semester or summer term for any student in any laboratory course. The fees shall be in an amount sufficient to cover, but not in excess of, the cost of laboratory materials and supplies used by the student.

Following consultation with the appropriate Executive Vice Chancellor and the Office of General Counsel to ensure that the fees are harmonized between Texas Education Code Section 54.501 concerning laboratory fees and Section 54.504 concerning incidental fees, these laboratory fees will be reported to the Board for approval annually via docket procedures at the same time incidental fees are reported.

General Property Deposit Policy

Effective for the Fall Semester 1987, each academic component shall charge and collect a deposit not to exceed \$10.00 per student to insure against loss, damage and breakage in libraries and laboratories.

Effective with the Fall Semester 1987, each health component shall charge and collect a breakage or loss deposit of no greater than \$30.00 per student for students enrolled in schools of medicine, dentistry and allied health and a breakage or loss deposit of no greater than \$10.00 per student from all other students.

Following consultation with the appropriate Executive Vice Chancellor, these general property deposit charges will be reported annually to the Board for approval via docket procedures at the same time incidental fees are reported.

Prior to the amendment of Sections 54.501 and 54.502, Texas Education Code, by the 70th Legislature in House Bill 1831, the assessment and collection of laboratory fees and general property deposits were permissive. The recent amendments to Sections 54.501 and 54.502 make the assessment

and collection of laboratory fees and general property deposits mandatory. Therefore, while the precise amounts are not set, all U. T. System components are required to assess and collect laboratory fees and general property deposits beginning with the Fall Semester 1987.

6. U. T. System: Authorization to Amend Policy Adopted June 13, 1985, Related to the Percentage of Tuition to be Used for Texas Public Educational Grants and Emergency Loans.--The Board amended the policy adopted on June 13, 1985, related to the percentage of tuition to be used for Texas Public Educational Grants and Emergency Loans at The University of Texas System components as set out below:

Establishing the percentage of tuition to be set aside for Texas Public Educational Grants and Emergency Loans

The U. T. Board of Regents authorizes each degree-granting component institution to set aside from each resident student's tuition charge the percentage specified by the General Appropriations Act for the applicable academic year as provided by Section 56.033(a)(1) of the Texas Education Code and 3% of each nonresident's tuition charge beginning with the 1987-88 academic year for use as Texas Public Educational Grants and emergency loans. In allocating the set-aside funds, the allocation shall reflect the legislatively mandated parameter that "not more than 80 percent [of the set-aside funds] shall be used for Texas Public Educational Grants and not less than 20 percent [of the set-aside funds] shall be used for emergency loans...." Within this parameter, each institution may adjust the allocation in accordance with its needs after consultation with the appropriate Executive Vice Chancellor. Each institution shall establish administrative procedures to insure that Texas Public Educational Grants and emergency loans are awarded on the basis of projected set-aside revenues for each semester or annual academic term, beginning with the Fall Semester 1985.

This amendment deletes the temporary set-aside directive and implements the permanent set-aside required by Section 56.033 of the Texas Education Code.

7. U. T. System: Adoption of Policy Regarding Jurisdiction of Commissioned Peace Officers.--In order to comply with House Bill 391 passed by the 70th Legislature, Regular Session, 1987, the Board adopted the following policy regarding the jurisdiction of commissioned peace officers employed by The University of Texas System:

POLICY STATEMENT

- (a) Effective September 1, 1987, commissioned peace officers employed by The University of Texas System or any of its components shall confine their duties as peace officers to activities within the boundaries* of one of the campuses** of the U. T. System and within the boundaries of property owned, leased, or otherwise under the control of the U. T. System or one of the component institutions of the U. T. System, with the following exceptions:
- (1) The Chief of Police of each component institution within the U. T. System and the Director of Police for the U. T. System may, on a case by case basis, authorize commissioned peace officers employed by or temporarily assigned to that component institution to function outside the boundaries established by this Policy as peace officers on University business or in conjunction with a University sponsored event so long as the police officers remain within their area of primary jurisdiction (county) as established by Section 51.203, Texas Education Code. It is provided, however, that the provisions of the Hot Pursuit Policy (Policy No. II-86-14, as amended) promulgated by the Director of Police for the U. T. System are not affected by this Policy.
- (2) The Director of Police for the U. T. System may, on a case by case basis, authorize commissioned peace officers of the U. T. System or a component institution to function as peace officers outside their primary jurisdiction to assist another law enforcement agency in Texas, or to otherwise perform duties as a peace officer on

*For the purposes of this Policy, the term "boundary" is interpreted to mean a closed perimeter that encompasses all land, streets, buildings, and facilities located within the perimeter of a campus or within the perimeter of other property owned, leased, or controlled by the U. T. System, irrespective of whether a particular land area, street, building, or facility within that perimeter is owned or leased by the University or the U. T. System.

**For the purposes of this Policy, at U. T. Arlington, the term "campus" means the area encompassed by the perimeter of the land acquisition plan approved by the Texas Legislature (Acts 60th Leg. R.S. 1967, Ch. 73, p. 140; Acts 62nd Leg. R.S. 1971, Ch. 261, p. 1149; Acts 66th Leg. R.S. 1979, Ch. 523, p. 1107).

official University business outside the primary jurisdictional area established by Section 51.203, Texas Education Code.

- (b) The Chief Administrative Officer of each component institution within the U. T. System shall be responsible for providing to the Director of Police for the U. T. System for review and approval, as to police jurisdiction, a map(s) showing existing campus boundaries as defined by this Policy, and the boundaries (as defined by this Policy) of all property owned, leased, or otherwise controlled by a component institution and/or U. T. System property under the police control of a component institution. It is the continuing responsibility of the Chief Administrative Officer or other administrative official to whom this responsibility is delegated, to ensure that the maps on file with the System offices are kept current. The maps shall have denoted thereon all land areas, streets, buildings, and facilities located within the boundaries that are not owned, leased, or controlled by the component institution or the U. T. System. Similarly, the Executive Director for Finance and Administration shall prepare for the approval of the Chancellor a map(s) showing the boundaries of property owned, leased, or otherwise controlled by the U. T. System.
- (c) The Director of Police for the U. T. System and the Chief of Police for each component institution within the U. T. System shall distribute copies of this Policy and the relevant approved maps to the commissioned peace officers under their control.

In the interim between the 69th and 70th sessions of the Texas Legislature, decisions by the Court of Criminal Appeals and Opinions by the Texas Attorney General restricted the jurisdiction of commissioned peace officers. Under these rulings, an off-campus arrest by a U. T. police officer, under normal circumstances, would have been invalid. The 70th Legislature addressed this problem as to commissioned peace officers employed by institutions of higher education by passing House Bill 391, effective August 31, 1987. This act amends Section 51.203, Texas Education Code, to extend the primary jurisdiction of peace officers commissioned by institutions of higher education to include all counties in which property is owned, leased, rented, or otherwise under the control of the institution. House Bill 391 further provides that outside this area of primary jurisdiction, peace officers commissioned by institutions of higher education may assist other law enforcement agencies or otherwise perform their duties as peace officers for the institution of higher education.

RECESS FOR COMMITTEE MEETINGS AND COMMITTEE REPORTS TO THE BOARD.--At 2:20 p.m., the Board recessed for the meetings of the Standing Committees and Chairman Blanton announced that at the conclusion of each committee meeting, the Board would reconvene to approve the report and recommendations of that committee.

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

REPORTS AND RECOMMENDATIONS OF STANDING COMMITTEES

REPORT OF EXECUTIVE COMMITTEE (Pages 95 - 98).--In compliance with Section 7.14 of Chapter I of Part One of the Regents' Rules and Regulations, Chairman Blanton reported to the Board for ratification and approval all actions taken by the Executive Committee since the last meeting. Unless otherwise indicated, the recommendations of the Executive Committee were in all things approved as set forth below:

1. U. T. System: Authorization for Comprehensive Crime Policy (Formerly Comprehensive Dishonesty, Disappearance and Destruction Policy) with Arkwright Mutual Insurance Company, Waltham, Massachusetts, Effective June 1, 1987 Through June 1, 1988 (Replacement of Policy with National Union Fire Insurance Company, Pittsburgh, Pennsylvania) (Exec. Com. Letter 87-15).--Upon recommendation of the Executive Committee, authorization was given to secure a replacement Comprehensive Crime Policy (formerly Comprehensive Dishonesty, Disappearance and Destruction Policy) for The University of Texas System from the Arkwright Mutual Insurance Company of Waltham, Massachusetts, with a one-year premium of \$43,000 and a per loss occurrence deductible on all categories of coverage of \$15,000 effective June 1, 1987 through June 1, 1988.

The Systemwide Comprehensive Crime Policy is written in a continuous, non-expiring form, subject to annual rating reviews. The National Union Fire Insurance Company of Pittsburgh, Pennsylvania, who has underwritten the policy since June 1, 1985, notified U. T. System Administration that it would not continue to underwrite the Comprehensive Crime Policy unless the Employee Dishonesty Coverage (Agreement I) deductible was increased from \$10,000 to \$50,000 per loss occurrence.

This insurance coverage is commonly referred to as U. T.'s employee bond coverage and insurance against Employee Dishonesty (Agreement I), Loss Inside Premises (Agreement II), Loss Outside Premises (Agreement III) and Depositors Forgery (Agreement V). The premium charged for this policy is prorated among the component institutions of the U. T. System.

2. U. T. System: Acceptance of Health Maintenance Organization (HMO) Contracts Effective September 1, 1987 (Exec. Com. Letter 87-16).--Based upon the Procedures for Inclusion of Health Maintenance Organizations approved by the U. T. Board of Regents in February 1983, the Board accepted five (5) new Health Maintenance Organization (HMO) contracts between The University of Texas System and the following:

Equicor Health Plan, Inc., Dallas, Texas (Equicor, Dallas)
Equicor Health Plan, Inc., El Paso, Texas (Equicor, El Paso)
PacifiCare of Texas, Inc., San Antonio, Texas (PacifiCare, San Antonio)
Prudential Health Care Plan, Inc., Dallas, Texas (Prudential, Dallas)
Rio Grande HMO, Inc., El Paso, Texas (Rio Grande, El Paso)

Further, the Board approved renewal rates for existent HMO contracts with the following effective September 1, 1987:

- CIGNA Health Plan of Texas, Inc., Dallas, Texas
(CIGNA, Dallas)
- CIGNA Health Plan of Texas, Inc., Houston, Texas
(CIGNA, Houston)
- Equicor Health Plan, Inc., Houston, Texas
(Equicor, Houston)
- Kaiser Foundation Health Plan of Texas, Dallas,
Texas (Kaiser, Dallas)
- Maxicare North Texas, Inc., Dallas, Texas (Maxi-
care, Dallas)
- Maxicare Texas, Inc., Houston, Texas (Maxicare,
Houston)
- Maxicare San Antonio, Inc., San Antonio, Texas
(Maxicare, San Antonio)
- Prudential Health Care Plan, Inc., Austin, Texas
(Prudential, Austin)
- Prudential Health Care Plan, Inc., Houston, Texas
(Prudential, Houston)
- Prudential Health Care Plan, Inc., San Antonio,
Texas (Prudential, San Antonio)
- Sanus Texas Health Plan, Inc., Houston, Texas
(Sanus, Houston)
- Sanus Texas Health Plan, Inc., Irving, Texas
(Sanus, Irving)
- Share Health Plan of Texas, Inc., Austin, Texas
(Share, Austin)
- Southwest Health Plan, Inc., Dallas, Texas
(Southwest, Dallas)
- Texas Health Plans, Inc., Austin, Texas (Texas
Health Plans, Austin)
- Texas Health Plans, Inc., San Antonio, Texas
(Texas Health Plans, San Antonio)
- Travelers Health Network of Austin, Inc., Austin,
Texas (Travelers, Austin)
- Travelers Health Network of Texas, Inc., Houston,
Texas (Travelers, Houston)
- Travelers Health Network of Texas, Inc., San
Antonio, Texas (Travelers, San Antonio)

The monthly rates for 1987-88 for new contracts and renewals are as follows:

-New Contracts-
Monthly Rates

	Equicor (Dallas)	Equicor (El Paso)	Pacificare (San Antonio)
Employee	\$ 83.87	\$ 74.42	\$ 62.61
Employee/Spouse	171.94	179.49	139.17
Employee/Child(ren)	159.36	134.87	118.17
Employee/Family	255.81	223.05	181.97

	Prudential (Dallas)	Rio Grande (El Paso)
Employee	\$ 84.50	\$ 81.00
Employee/Spouse	145.66	191.00
Employee/Child(ren)	139.60	144.00
Employee/Family	206.76	239.00

-Renewal Contracts-
Monthly Rates

	CIGNA (Dallas)	CIGNA (Houston)	Equicor (Houston)
Employee	\$ 84.26	\$ 80.72	\$ 84.88
Employee/Spouse	200.54	186.98	178.24
Employee/Child(ren)	178.63	157.07	174.00
Employee/Family	254.47	261.92	263.12

	Kaiser (Dallas)	Maxicare (Dallas)	Maxicare (Houston)
Employee	\$ 87.74	\$ 90.93	\$ 86.73
Employee/Spouse	210.58	181.86	171.95
Employee/Child(ren)	175.48	173.46	165.06
Employee/Family	263.22	277.25	258.72

	Maxicare (San Antonio)	Prudential (Austin)	Prudential (Houston)
Employee	\$ 84.94	\$ 82.76	\$ 82.35
Employee/Spouse	155.44	172.25	177.96
Employee/Child(ren)	140.15	143.52	157.03
Employee/Family	240.38	224.80	252.65

	Prudential (San Antonio)	Sanus (Houston)	Sanus (Irving)
Employee	\$ 79.00	\$ 71.00	\$ 85.00
Employee/Spouse	170.00	150.00	173.10
Employee/Child(ren)	145.00	129.00	148.60
Employee/Family	250.00	222.00	256.20

	Share (Austin)	Southwest (Dallas)	Texas Health Plans (Austin)
Employee	\$ 82.50	\$ 72.72	\$ 79.76
Employee/Spouse	188.10	151.66	173.40
Employee/Child(ren)	171.05	138.16	169.93
Employee/Family	265.05	227.50	277.44

	Texas Health Plans (San Antonio)	Travelers (Austin)	Travelers (Houston)
Employee	\$ 81.16	\$ 80.29	\$ 80.62
Employee/Spouse	178.55	180.33	181.40
Employee/Child(ren)	175.24	164.05	163.65
Employee/Family	255.24	248.52	259.28

	Travelers (San Antonio)
Employee	\$ 79.19
Employee/Spouse	183.67
Employee/Child(ren)	150.18
Employee/Family	219.70

3. U. T. El Paso - Josephine Clardy Fox Fund: Disapproval of Contract for the Sale of Real Estate at 5118 East Paisano, El Paso, Texas, to Ms. Doris Pryzant, Houston, Texas (Exec. Com. Letter 87-17).--The Board, upon recommendation of the Executive Committee, agreed that the proposed contract to sell real estate located at 5118 East Paisano, El Paso, Texas (Josephine Clardy Fox Fund - The University of Texas at El Paso), to Ms. Doris Pryzant, Houston, Texas, for \$54,000, less sales commission and survey costs, not be approved due to the discovery of a material error in the size of the parcel which resulted in the contract price being less than the fair market value.

Upon receipt of the survey prepared in anticipation of closing, it was discovered that the tract contained 13,754.77 square feet rather than 12,000 square feet as reflected in the records for the Josephine Clardy Fox Fund. When asked to amend the contract to \$58,450 to reflect the appraised value of \$4.25 per square foot, the buyer declined.

REPORT AND RECOMMENDATIONS OF THE FINANCE AND AUDIT COMMITTEE (Pages 99 - 103).--Committee Chairman Roden reported that the Finance and Audit Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Finance and Audit Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. System: Approval of Docket No. 35 of the Office of the Chancellor (Catalog Change).--Upon recommendation of the Finance and Audit Committee, the Board approved Docket No. 35 of the Office of the Chancellor in the form distributed by the Executive Secretary. It is attached following Page 173 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.

Regents Hay and Ratliff abstained from voting on items within the Docket related to Exxon Corporation due to a possible conflict of interest. Regent Ratliff also abstained from matters related to Southwest Texas Electric Cooperative for the same reason.

Regent Yzaguirre abstained from voting on the U. T. Medical Branch - Galveston Docket item regarding contracts related to the Community Oriented Primary Care Demonstration Project (CO-PRIMA) due to a possible conflict of interest.

2. U. T. System: Authorization to Renew Automobile Liability Insurance Policy with Cigna Insurance Company of Philadelphia, Pennsylvania, for Officers and Employees' Use and Operation of University-owned and Operated Motor Vehicles for the Period September 1, 1987 Through August 31, 1988.--Authorization was given to renew The University of Texas System automobile liability insurance policy for officers and employees' use and operation of University-owned and operated motor vehicles with the Cigna Insurance Company of Philadelphia, Pennsylvania, for an additional one-year period beginning September 1, 1987 through August 31, 1988, with a renewal premium not to exceed \$191,987.

Premiums are applied to each institution in accordance with the vehicle inventory of that institution, and dividends received are apportioned to each institution according to the premium paid. Coverages provided by this policy are \$100,000/\$300,000 for bodily injury and \$150,000 for property damage.

3. U. T. System: Approval of 1987-88 Budget Policies and Limitations for General Operating Budgets, Auxiliary Enterprises, Contracts and Grants, Restricted Current Funds, Designated Funds, and Service and Revolving Funds Activities and Calendar for Budget Operations.--Upon recommendation of the Finance and Audit Committee, the original recommendation as set forth in the Material Supporting the Agenda related to a continuing budgetary resolution was withdrawn, and in its place, the Board approved the following Budget Policies and Limitations and Calendar for preparation of the 1987-88 Operating Budgets for The University of Texas System:

The University of Texas System

1987-88 Budget Policies and Limitations

for General Operating Budgets,
Auxiliary Enterprises, Contracts
and Grants, Restricted Current Funds,
Designated Funds, and Service and
Revolving Funds Activities.

In preparing the draft of the Fiscal 1988 operating budget, the Chief Administrative Officer of each component institution should adhere to the following guidelines and policies as detailed below. Overall budget totals, including reasonable reserves, must be limited to the funds available for the year from:

- ° General Revenue Appropriations
 - ° Estimates of Local Income
 - ° Limited Use of Institutional Unappropriated Balances
- a. The recommendations for salary increases for personnel are subject to the current regulations and directives included in the General Appropriations Bill. This Bill states in part:

"Sec. 22 SALARY PROVISIONS. c. It is expressly provided that institutional administrators may grant merit salary increases to employees whose job performance and productivity is consistently above that normally expected or required.

d. Salary Increases for faculty in the general academic universities and technical institutes; professional positions in the Texas A&M University Services; and faculty and professional positions in the health science centers and other medical education programs shall be awarded on the basis of merit and performance in accepted activities including teaching, research, and service."

b. General Salary Policy

Selective merit salary increases may be provided for the faculty, administrative/professional staff and classified staff subject to available resources. This policy applies to all fund sources.

(a) Faculty Salary Policy - Merit increases or advances in rank are to be on the basis of teaching effectiveness, research, and public service. Recognizing the expectations of the legislative leadership and the intent of the faculty compensation policies enacted in H.B. 2181, the institutions should provide

average merit faculty salary increases of 10% for filled and continuing positions of the tenure or tenure track ranks. The faculty salary goal is to equal the average of that provided by similar institutions nationwide having a similar role and mission. Faculty salary increases are the highest priority.

(b) Administrative and Professional Salary Policy - Merit salary increases for administrative/professional staff are to be based on evaluation of performance in areas appropriate to work assignments, and, subject to availability of funds, should approximate average increases available for classified personnel but not exceed those available for faculty.

(c) Classified Personnel Salary Policy - Merit salary increases for classified personnel in accordance with the Personnel Pay Plan policies approved by the U. T. Board of Regents may be given only to individuals who will have been employed by the institution for at least six months as of August 31, 1987, and should be given in full step increments in accordance with the institutional pay plan.

- c. New faculty positions are to be based on conservative estimates of enrollment increases. Total faculty staffing should be reviewed in terms of planned increases in work load.
- d. New Administrative/Professional positions are to be requested only when justified by increased work loads and from funds available after merit salary increases are granted.
- e. New classified positions are to be requested only when justified by increased work loads.
- f. Maintenance, Operation, and Equipment items can be increased only as justified by expanded work loads, inflation, or newly developing programs.
- g. Travel funds are to be shown as separate line items.
- h. Transfers and Allocations

To provide the resourcing necessary for the general academic institutions to implement these budget policies there is transferred from Interest on Permanent University Fund Variable Rate Notes the amount of \$9 million and from Permanent University Fund Bond Proceeds the amount of \$2.5 million for a total of \$11.5 million to be allocated as follows:

U. T. Arlington	\$ 2,500,000
U. T. Austin	2,000,000
U. T. Dallas	1,500,000
U. T. El Paso	2,000,000
U. T. Permian Basin	500,000
U. T. San Antonio	2,000,000
U. T. Tyler	500,000
U. T. System - Contingency for Future Allocation to the Gen- eral Academic Institutions	500,000
	<u>\$11,500,000</u>

Vouchering and appropriate documentation of the institutional expenditure of their allocations will be processed through the U. T. System Office of the Comptroller.

1987-88 OPERATING BUDGET CALENDAR

August 1987	U. T. Board of Regents' Approval of Budget Policies and Limitations
August 10, 1987	<u>Five</u> draft copies (bound) of Budgets due to System Administration (including 5 copies of supplemental data)
August 17-28, 1987	Budget Hearings with System Administration
September 4, 1987	<u>Fifteen</u> copies of Budgets (bound) due to System Administration (with 5 copies of adjusted supplemental data as applicable)
September 21, 1987	Executive Committee Letter - Budget Summaries
September 28, 1987	Budgets mailed to the U. T. Board of Regents
October 9, 1987	U. T. Board of Regents' Budget Meeting
October 16, 1987	<u>Forty-five</u> copies of Budgets (unbound) due to System Administration for binding

The approval of these budget policies and the related transfers and allocations set forth in Item h will permit a more timely execution of the budgetary process and provide a mechanism by which the 1987-88 budgets may be approved to be effective on September 1, 1987, without the payroll complications, increased processing costs and budgetary uncertainties associated with a continuing resolution.

4. U. T. System: Permanent University Fund (PUF) Bond Proceeds Capital Improvement Program - Approval for Redesignation of Funds and Advanced Allocation of Equipment Reserves for U. T. Arlington.--The Board, upon recommendation of the Academic Affairs and Finance and Audit Committees, approved the redesignation of \$216,900 in Capital Improvement Program funds allocated in January 1987 and the advance allocation of \$414,738 from the unallocated Capital Improvement Program reserve for equipment purchases in 1987-88 for a total of \$631,638 to purchase a DEC VAX 8700 computer as a replacement for the existing obsolete DEC 2060 at The University of Texas at Arlington. The redesignation of funds and advanced allocation at this time will enable U. T. Arlington to save an estimated \$145,000 on an equipment purchase anticipated for funding in fiscal year 1987-88.

This advance allocation request, which was necessitated by the delay in the legislative budget process, does not exceed the dollar amount anticipated to be available to U. T. Arlington.

Acquisition of this replacement computer is U. T. Arlington's highest priority project for PUF equipment funding.

5. U. T. System and U. T. Cancer Center: Authorization for the Temporary Fund Advance Source to Become the Permanent Funding Source for Acquisition of the Houston Main Building (Formerly Prudential Building).--Upon recommendation of the Finance and Audit Committee, the temporary fund advance of \$12,000,000 made by The University of Texas System Cancer Center from institutional funds for the acquisition of the Houston Main Building (formerly Prudential Building) was made the permanent funding source for the purchase of this property and the appropriation from Permanent University Fund (PUF) Bond Proceeds was reversed.

The University of Texas Cancer Foundation, Incorporated, purchased the Houston Main Building (formerly Prudential Building) from the Prudential Insurance Company of America in 1974, and the U. T. Board of Regents authorized the purchase of the land and improvements from the Cancer Foundation, subject to an \$18,000,000 Note and Deed of Trust Lien, in July 1974. The U. T. Board of Regents authorized payment of the note in February 1977 by the appropriation of \$18,000,000 from Permanent University Fund (PUF) Bond Proceeds. Included in the appropriation was the authority for temporary fund advances as necessary.

On February 14, 1977, the U. T. System Administration disbursed \$6,000,000 from PUF Bond Proceeds and U. T. Cancer Center disbursed \$12,000,000 from institutional funds to the Prudential Insurance Company in exchange for the release of the lien on the property. The \$12,000,000 advance made by the U. T. Cancer Center has been on the records of U. T. System Administration as a payable and U. T. Cancer Center as a receivable since that time.

The present action by the Board is in response to a recommendation by the State Auditor that this long-standing receivable/payable situation be resolved.

6. U. T. Austin: Report by Chancellor Mark on Legislative Authorization for the Use of Available University Fund Resources to Match Private Gifts for Scholarships.--Chancellor Mark reported that the Appropriations Bill passed by the 70th Legislature authorized the use of up to \$1.5 million per year of the Available University Fund at The University of Texas at Austin to match private gifts for endowed scholarships for students. He noted that the U. T. Austin staff and the Office of General Counsel are working on policy guidelines for implementation of this program, and it is anticipated that these guidelines as well as the necessary Available University Fund allocation will be presented to the Board at its October 1987 meeting.

REPORT AND RECOMMENDATIONS OF THE ACADEMIC AFFAIRS COMMITTEE (Pages 104 - 123).--Committee Chairman Baldwin reported that the Academic Affairs Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Academic Affairs Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. Arlington: Approval to Accept Gifts from Fort Worth Chamber Foundation, Inc., Fort Worth, Texas, Consisting of Real Property (Including an 18-Acre Tract of Land and a Research Building Complete with Furnishings and Equipment) and Cash from Various Donors to Create an Endowment, All for the Establishment and Support of the Automation and Robotics Research Institute (ARRI) (Formerly the Advanced Robotics Research Institute).--The Board, upon recommendation of the Academic Affairs Committee:
 - a. Authorized the Executive Vice Chancellor for Academic Affairs to accept a gift on behalf of the U. T. Board of Regents of an 18-acre tract of land and a completed building, including furnishings and equipment, donated by the Fort Worth Chamber Foundation, Inc., Fort Worth, Texas, to be used as the facility for the Automation and Robotics Research Institute (ARRI) at The University of Texas at Arlington, after approval by the Office of General Counsel of all gift instruments and after certification by the Office of Facilities Planning and Construction that the facilities are completed according to specifications and are ready for beneficial occupancy.
 - b. Authorized the Executive Vice Chancellor for Academic Affairs to accept on behalf of the U. T. Board of Regents a gift from the Fort Worth Chamber Foundation, Inc., of all cash received from donors on behalf of the ARRI which is on hand as of the date of acceptance of the completed facility (approximately \$750,000), as a partial payment of its pledge to solicit gifts and to donate \$2,000,000 to the U. T. Board of Regents to establish two endowment funds for the support of the ARRI at U. T. Arlington.

Recommendations regarding establishment of endowed academic positions will be made at a future date when remaining pledges are transferred.

Committee Chairman Baldwin called on President Nedderman for a brief report on the ARRI. President Nedderman reported that the research building is substantially completed as of this date and is expected to be ready for occupancy on or before September 1, 1987. He expressed gratitude for the way this project had developed and stated that there would be a formal dedication of the building at the end of the year or by the beginning of the new year. In response to the foregoing

action by the Board, President Nedderman presented to Chairman Blanton letters of appreciation from Mayor Bob Bolen of Fort Worth and Mr. Rice M. Tilley, Jr., Chairman of the Board, Fort Worth Chamber of Commerce.

President Nedderman then introduced Professor Jeff Collins, the new Director of ARRI, who reported on the magnitude of this project and the opportunities it offered to the U. T. System, U. T. Arlington, and the public and private sectors for cooperative efforts in economic improvement and industrial diversification. He emphasized the Institute would place the Fort Worth-Dallas Metroplex in the high tech path of some of the largest corporations in the field of technology.

Committee Chairman Baldwin expressed the Board's gratitude to Mayor Bolen, the Fort Worth Chamber Foundation, Inc., the Newells and all those contributing to make the Robotics Institute a reality in such a remarkably short time. He complimented President Nedderman, Professor Collins and other members of the U. T. Arlington team on a job well done and stated that the Board expects great things from this most outstanding example of cooperation between the University and the private sector.

Chairman Blanton stated that the U. T. System was very fortunate to be involved in such a program and emphasized the Board's satisfaction at the success of this project among the University, the community and the industrial/business sector of the State of Texas.

2. U. T. Austin: Permission for Dr. Raymond Loehr to Serve as a Member of the Policy Board of the Hazardous Waste Research Center.--Upon recommendation of the Academic Affairs Committee, the Board approved the appointment of Dr. Raymond Loehr, Hussein M. Alharthy Centennial Chair holder in Civil Engineering in the College of Engineering at The University of Texas at Austin, to the Policy Board of the Hazardous Waste Research Center, which was established by the 70th Legislature at Lamar University in Beaumont, Texas, under the authority of the Board of Regents of the Lamar University System.

The Hazardous Waste Research Center will provide coordination for the hazardous waste research activities of a consortium of Texas universities which initially includes U. T. Austin; Texas Engineering Experiment Station, a component of The Texas A&M University System; University of Houston-University Park; and Lamar University at Beaumont.

The Center is to carry out a program of research, evaluation, testing, development, and demonstration of alternative or innovative technologies to be used in minimization, destruction, or handling of hazardous wastes and the Policy Board is to determine the policies for these activities.

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

a. College of Business Administration and the Graduate School of Business effective September 1, 1987

1. Dr. Patrick L. Brockett, Professor, Department of Finance, as initial holder of the Paul V. Montgomery Centennial Memorial Professorship in Actuarial Science
2. Dr. John D. Martin, Professor, Department of Finance, as initial holder of the First RepublicBank Corporation Centennial Professorship in Business Administration

See related item on Page 151.

b. College of Education effective September 1, 1987

Dr. Lorrin Kennamer, Dean of the College of Education and Professor in the Departments of Curriculum and Instruction and Geography, as initial holder of the Ruth Knight Millikan Centennial Professorship

c. College of Engineering effective September 1, 1987

1. Dr. Joseph A. Yura, Warren S. Bellows Centennial Professor in Civil Engineering, to the Hussein M. Alharthy Centennial Professorship in Civil Engineering for the 1987-88 Fall Semester only

Dr. Yura will retain his appointment to the Warren S. Bellows Centennial Professorship in Civil Engineering during his one semester appointment to this Professorship.

2. Dr. Karl Johan Astrom, Professor, Department of Automatic Control, Lund Institute of Technology/University of Lund, Sweden, to the Dula D. Cockrell Centennial Chair in Engineering for October 16-31, 1987 only

Dr. Astrom will be a Visiting Professor in the College of Engineering during this period.

3. Dr. Willis A. Adcock, Senior Lecturer, Department of Electrical and Computer Engineering, as initial holder of the Sixth Cockrell Family Regents Chair in Engineering

It was noted that Dr. Adcock was incorrectly appointed to the Third Cockrell Family Regents Chair in Engineering in the Material Supporting the Agenda and Minutes for the June 11, 1987 meeting of the Board and this appointment is to correct the record.

4. Dr. John D. Borcharding, Professor, Department of Civil Engineering, as initial holder of the Josey Centennial Professorship in Energy Resources

d. School of Law

1. Mr. Stanley M. Johanson, Bryant Smith Chair in Law, as initial holder of the Fannie Coplin Regents Chair effective September 1, 1987
2. Mr. Douglas Laycock, Fulbright & Jaworski Professor in Law, as initial holder of the A. Dalton Cross Professorship at Law effective September 1, 1987
3. Mr. Russell J. Weintraub, The John Connally Chair in Law, to the James R. Dougherty Chair for Faculty Excellence for the 1987-88 academic year only
4. Mr. Robert W. Hamilton, Benno C. Schmidt Chair of Business Law, as initial holder of the Minerva House Drysdale Regents Chair effective September 1, 1987
5. Ms. Zipporah B. Wiseman, Professor, School of Law, Northeastern University, Boston, Massachusetts, as initial holder of the Kraft W. Eidman Centennial Visiting Professorship in Law for the 1987-88 academic year only

Ms. Wiseman will join U. T. Austin as a Visiting Professor effective September 1, 1987.

6. Mr. William C. Powers, Jr., Judge Benjamin Harrison Powell Professor in Law, to The Fondren Foundation Centennial Chair for Faculty Excellence for the 1987-88 academic year only

Professor Powers will retain his appointment to the Judge Benjamin Harrison Powell Professorship in Law during his one-year appointment to this Chair.

7. Mr. Alan S. Rau, Liddell, Sapp & Zivley Professor in Banking, Financial, Commercial and Corporate Law, to the Fulbright & Jaworski Professorship in Law for the 1987-88 academic year only

Mr. Rau was also reappointed to the Liddell, Sapp & Zivley Professorship in Banking, Financial, Commercial and Corporate Law for the 1987-88 academic year only.

See related item on Page 153.

8. Dr. Basil S. Markesinis, Denning Professor of Comparative Law, Queen Mary College, University of London, England, to The Florence Thelma Hall Visiting Centennial Professorship in Law for the 1987-88 Fall Semester only

Dr. Markesinis' appointment as Visiting Professor will be effective September 1, 1987, for the Fall Semester 1987 only.

9. Mr. Michael E. Tigar, The Thomas W. Gregory Professor, as initial holder of the Joseph D. Jamail Centennial Chair in Law for the 1987-88 academic year only

Professor Tigar will retain his appointment to The Thomas W. Gregory Professorship during his one-year appointment to this Chair.

10. Mr. Alan E. Boyle, Faculty of Laws, Queen Mary College, University of London, England, as initial holder of the Leroy Jeffers Centennial Visiting Professorship in Law for the 1987-88 Spring Semester only

Mr. Boyle will be a Visiting Professor in the School of Law effective January 16, 1988, for the 1987-88 Spring Semester only.

11. Mr. Harold H. Bruff, Thompson & Knight Centennial Professor in Law, to the John S. Redditt Professorship in State and Local Government effective September 1, 1987
12. Mr. David A. Anderson, Vinson & Elkins Professor in Law, to the Thompson & Knight Centennial Professorship in Law effective September 1, 1987
13. Mr. David M. Rabban, Professor of Law, to the Vinson & Elkins Professorship in Law effective September 1, 1987

e. College of Liberal Arts effective September 1, 1987

1. Dr. Wayne A. Rebhorn, Jr., Professor, Department of English, as initial holder of the Celanese Centennial Professorship
2. Dr. Niles M. Hansen, Professor, Department of Economics, as initial holder of the Leroy G. Denman, Jr. Regents Professorship in Economics

3. Dr. Don B. Graham, Professor, Department of English, as initial holder of the J. Frank Dobie Regents Professorship in American and English Literature
 4. Dr. Warwick P. Wadlington, Professor, Department of English, as initial holder of the Joan Negley Kelleher Centennial Professorship in Rhetoric and Composition
- f. Lyndon B. Johnson School of Public Affairs effective September 1, 1987
1. Mr. Robert S. Strauss to the Lloyd M. Bentsen, Jr., Chair in Government/Business Relations for the 1987-88 Fall Semester only

Mr. Strauss will join U. T. Austin as a Visiting Professor for the 1987-88 Fall Semester only.
 2. Dr. C. Michael Walton, Professor, Department of Civil Engineering, to the Bess Harris Jones Centennial Professorship in Natural Resource Policy Studies
 3. Mr. Brian Urquhart, Scholar-in-Residence, The Ford Foundation, New York, New York, to the Distinguished Visiting Tom Slick Professorship of World Peace for the 1987-88 Spring Semester only

Mr. Urquhart's appointment as Visiting Professor will become effective January 16, 1988.
- g. College of Natural Sciences effective September 1, 1987
1. Dr. Krznsztof R. Apt, Senior Research Scientist in Computer Science, CNRS, Paris University VII, France, as initial holder of the Professorship in Computer Sciences

To clarify the record, Dr. Apt is being appointed to the unnamed professorship in the Department of Computer Sciences that was funded by The West Foundation and Mr. William B. Blakemore II.

Dr. Apt will join U. T. Austin as a Professor effective September 1, 1987.
 2. Dr. David J. Saltman, Associate Professor, Department of Mathematics, to the Joe B. and Louise Cook Professorship in Mathematics
 3. Dr. William T. Guy, Professor, Department of Mathematics, to the Marian Harris Gilliam Centennial Professorship in Mathematics or Physics for the 1987-88 academic year only
 4. Dr. Cameron M. Gordon, Joe B. and Louise Cook Professor in Mathematics, to the Mildred Caldwell and Baine Perkins Kerr Centennial Professorship in Mathematics

5. Dr. William R. Jeffery, Professor, Department of Zoology, as initial holder of the Johann Friedrich Miescher Regents Professorship in Molecular Biology
 6. Dr. Yuichiro Hiraizumi, Professor, Department of Zoology, to the T. S. Painter Centennial Professorship in Genetics
 7. Dr. Haskell P. Rosenthal, Professor, Department of Mathematics, as initial holder of the John T. Stuart III Centennial Professorship in Mathematics
- h. College of Pharmacy effective September 1, 1987
- Dr. Jaime N. Delgado, Professor of Pharmacy, as initial holder of the Jacques P. Servier Regents Professorship in Pharmacy
- i. Institute of Latin American Studies effective January 16, 1988, for the 1987-88 Spring Semester only

Dr. Fernando A. Novais, Graduate Professor, School of Liberal Arts, University of Sao Paulo, Brazil, to the Edward Larocque Tinker Chair in Latin American Studies

Dr. Novais will be a Visiting Professor in the Department of History during this period.

4. U. T. Austin: Approval of an Exception to Part One, Chapter III, Section 31, Subsection 31.1 of the Regents' Rules and Regulations (Retirement and Modified Service) and Appointment of Lord Robert Blake to the C. L. and Henriette F. Cline Centennial Visiting Professorship in the Humanities in the College of Liberal Arts for the 1987-88 Fall Semester Only.--Upon recommendation of the Academic Affairs Committee, an exception was made to Part One, Chapter III, Section 31, Subsection 31.1 of the Regents' Rules and Regulations, relating to retirement and modified service, to permit the full-time appointment beyond the mandatory retirement age of Lord Robert Blake, retired Provost, Oxford University, to the C. L. and Henriette F. Cline Centennial Visiting Professorship in the Humanities in the College of Liberal Arts at The University of Texas at Austin for the 1987-88 Fall Semester only.

Lord Blake's appointment as Visiting Professor at U. T. Austin was tentatively approved for the 1987-88 Fall Semester only, pending approval of this exception to the Regents' Rules and Regulations.

5. U. T. Austin: Approval of an Exception to Part One, Chapter III, Section 31, Subsection 31.1 of the Regents' Rules and Regulations (Retirement and Modified Service) to Allow the Full-Time Employment of Dr. William W. Cooper for the 1987-88 Academic Year Only.--The Board approved an exception to Part One, Chapter III, Section 31, Subsection 31.1 of the Regents' Rules and Regulations (Retirement and Modified Service) to permit

the full-time employment beyond the mandatory retirement age of Dr. William W. Cooper, Acting Chairman of the Department of General Business at The University of Texas at Austin, for the 1987-88 academic year only.

Dr. Cooper, who is 73, will continue to serve as Acting Chairman of the Department of General Business during the search for a new Chairman.

6. U. T. Austin: Approval to Name Room 3.142 in Townes Hall in the School of Law the Professor A. W. Walker Room (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, the Board named Room 3.142 in Townes Hall in the School of Law at The University of Texas at Austin as the Professor A. W. Walker Room.

The naming of this classroom is in memory of Mr. A. W. Walker, a distinguished attorney and respected former professor of the School of Law.

7. U. T. Austin: Approval to Name the Area Known as Little Campus the Heman Sweatt Campus (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings).--Following a brief presentation by President Cunningham and upon recommendation of the Academic Affairs Committee, the Board named the area at the southwest corner of IH-35 and Martin Luther King Boulevard at The University of Texas at Austin commonly known as "Little Campus," and which encompasses John W. Hargis Hall and the Arno Nowotny Building, the Heman Sweatt Campus. This designation is in accordance with the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, relating to the naming of facilities other than buildings.

The naming of the "Little Campus" for Mr. Sweatt, who was the first Black American to enter U. T. Austin, is an appropriate recognition of his courage and accomplishments.

8. U. T. Dallas: Development Board - Approval of Nominee Thereto.--A nominee for membership to the Development Board at The University of Texas at Dallas was approved for a three-year term expiring in 1990.

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

9. U. T. Dallas: Approval of Changes in Parking Fees Effective with the Fall Semester 1987 (Catalog Change).--In order to adequately cover costs of parking lot operation, security and maintenance, the Board approved increases in The University of Texas at Dallas parking

fees and established a new student parking fee option as set out below effective with the Fall Semester 1987:

<u>Type Permit</u>	<u>1987-88 Cost/Year</u>
<u>Faculty/Staff Decals*</u>	
Green/Red (remote)	\$ 48.00
Gold (close-in)	83.00
Orange (most desirable)	148.00
<u>Student Decals**</u>	
Annual Permit (3 semesters)	40.50
Two Semester Permit	35.00
Single Semester Permit	20.00
Gold Decal (annual close-in parking option)	83.00
<u>Other Fees</u>	
Second and Third Decals Violations	5.00 5.00

*Rates listed include annual decal rate plus \$18 annual surcharge.

**Rates listed include decal rates plus surcharge for annual permit (\$18), and prorated surcharge for one semester (\$6), and two semester (\$12) permits.

The surcharge is a fee for all lot users (faculty, staff, and students) and is dedicated to parking lot construction and maintenance. Annual fees and the annual surcharge are levied on a proportional scale for shorter time periods. Rates for student decals for one and two semesters reflect proration of the surcharge.

The Parking and Security Committee at U. T. Dallas, a University-wide committee composed of faculty, staff, and students, approved these increases in accordance with appropriate provisions of the Texas Education Code.

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

10. U. T. El Paso: Authorization to Name Room 212 in Quinn Hall the William S. Strain Memorial Lecture Hall (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings).--Authorization was given to name Room 212 in Quinn Hall at The University of Texas at El Paso the William S. Strain Memorial Lecture Hall in recognition of Dr. Strain's distinguished service to U. T. El Paso.

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

11. U. T. El Paso: Approval of Memorandum of Agreement with The Technological Institute of Ciudad Juarez, Chihuahua, Mexico, and Authorization for the Executive Vice Chancellor for Academic Affairs to Execute Agreement.--The Academic Affairs Committee recommended and the Board approved the memorandum of agreement set out on Pages 113 - 114 by and between The University of Texas at El Paso and The Technological Institute of Ciudad Juarez, Chihuahua, Mexico.

Further, the Executive Vice Chancellor for Academic Affairs was authorized to execute, on behalf of the U. T. Board of Regents, this or a substantially equivalent agreement after its execution by the facility representative and by the President of U. T. El Paso with the understanding that any and all specific agreements arising from this general agreement are to be submitted for prior administrative review and subsequent approval as required by the Regents' Rules and Regulations.

MEMORANDUM OF AGREEMENT

The Board of Regents of The University of Texas System on behalf of The University of Texas at El Paso, a component institution of The University of Texas System, an agency of the State of Texas, United States of America, and El Instituto Tecnológico de Ciudad Juárez, Mexico enter into the following agreement on the date of execution of this MEMORANDUM OF AGREEMENT, as indicated below:

WHEREAS the two educational institutions are culturally and geographically linked and both institutions are concerned with scientific, and technical research, and

WHEREAS the academic resources of these institutions represent opportunities for cooperative and complementary exchange in a spirit of international cooperation.

IT IS MUTUALLY AGREED AS FOLLOWS:

Section 1. Goals

It is to the mutual benefit of each institution that an effort toward the realization of these opportunities be initiated, and therefore that the following general goals be established:

- (a) cooperation in fields of mutual interest which include, but are not limited to the physical and biological sciences, engineering, and administration;
- (b) exchange of faculty and researchers for defined periods of time;
- (c) team teaching of seminars, professional development or teaching methods courses, and specialized teaching training courses;
- (d) exchange of faculty, administrators, and students;
- (e) sharing of cultural and social experiences;
- (f) exchange of pedagogical equipment and materials;
- (g) reciprocal awarding of scholarships;
- (h) exchange of statistical, technical, and educational data;
- (i) cooperation in research related to problems common to both institutions and the border; and
- (j) other programs that would be mutually beneficial.

Section 2. Planning

Both institutions agree:

- (a) to assign to an administrative entity of each respective University the responsibility for the biennial renewal of this agreement or the negotiation of changes or additional agreements on the development of projects in specific areas of mutual interest, as appropriate and feasible; and
- (b) to plan ways to make available, to the extent possible, resources of the respective institutions for projects under the specific terms of future agreements.

Section 3. Future Agreements

- (a) Future agreements concerning any program agreed to by the two parties shall provide details concerning the specific commitments being made by each party and shall not become effective until they have been put in writing and executed by the duly authorized representatives of the two parties, and approved in writing by the Office of the Chancellor of The University of Texas System.
- (b) Such agreements may be cancelled by either party by giving written notice to the other of its intention to terminate the program.

EXECUTION

Executed on the _____ day of _____, 19____,
in duplicate originals.

ATTEST:

El Instituto Tecnológico de
Ciudad Juárez, Mexico

By: _____

Title: _____

The Board of Regents of The
University of Texas System
on behalf of The University
of Texas at El Paso

Recommend for Approval:

Diana Natalicio
Interim President

FORM APPROVED:

CONTENT APPROVED:



Office of General Counsel
The University of Texas System

James P. Duncan
Executive Vice Chancellor
for Academic Affairs

12. U. T. Permian Basin: Approval of Amendments to Constitution of the Student Body and the Student Senate (Previously Referred to as Constitution of the Student Association and Student Senate).--The Board, upon recommendation of the Academic Affairs Committee, approved amendments to the Constitution of the Student Body and the Student Senate (previously referred to as Constitution of the Student Association and Student Senate) at The University of Texas of the Permian Basin in order to reflect the development of the institution and provide additional detail regarding Student Senate authority, responsibilities and procedures.

The Constitution was endorsed by the U. T. Permian Basin Student Senate on February 25, 1987.

The revised Constitution is set forth in its entirety on Pages 115 - 122.

CONSTITUTION OF THE STUDENT BODY
AND THE STUDENT SENATE

The University of Texas of the Permian Basin

STATEMENT OF PURPOSE

It is the purpose of the Student Senate of The University of Texas of the Permian Basin to represent the student body and to provide a voice in student dealings with individuals and agencies outside of that body. This includes, but is not limited to, the following:

1. Providing an official student organization to receive student questions and to serve as a forum for the presentation of student interest and problems.
2. Providing an official voice through which student opinion may be expressed.
3. Providing a means for responsible student participation.
4. Advising the administration of student opinions of proposed university programs.

ARTICLE I
STUDENT GOVERNMENT

Section 1. Membership

- a. The Student Body shall consist of all students enrolled at The University of Texas of the Permian Basin.
- b. The Student Senate shall consist of two (2) representatives from each of the regularly constituted divisions and as many at large candidates as there are regularly constituted divisions.

- (1) Senators will be elected by the student constituencies of the individual divisions on Tuesday and Wednesday of the last complete week in September.
- (2) At large Senators will be elected at the same time as the division representatives. At large Senators shall not run within their respective divisions. They will be elected by the entire student body.
- (3) Senators will serve through the summer of the year following their election.
- (4) If a vacancy occurs in the Student Senate it shall be filled by the person receiving the next highest vote total from that division in the Student Senate elections. If this person declines, the next person with the most votes will take the position. This procedure will be followed until the position is filled. If the seat is not filled, it becomes the responsibility of the entire Senate to fill the vacancy, by secret ballot, from a list of candidates submitted by the Senator of the division from which the vacancy exists. If both Senators must be replaced then the entire Student Senate shall choose people to fill the vacancies. Vacancies occurring with at Large Senators will be filled by a vote of the entire Student Senate. No position shall be vacant for more than three (3) weeks.
- (5) All Senators must be in good academic standing, having a cumulative grade point average no less than 2.0 on a 4.0 = "A" scale per semester.
- (6) Write-in candidates shall be considered valid candidates provided they meet all qualifications for Student Senators.

Section 2. Executive Board

- a. The Executive Board of the Student Senate shall consist of the President, Vice-President, Secretary, Treasurer and the Chairpersons of the Standing Committees.
- b. The duties of the Executive Board shall include meeting as a group prior to the regular Student Senate Meeting to set the agenda.

Section 3. Election of Officers

- a. The President, Vice-President, Secretary, and Treasurer shall be elected from the Student Body at least four (4) weeks prior to the final day of classes of the spring semester. They will take office on the final day of the spring semester and serve for one (1) year.
- b. Qualifications: Candidates must be a student carrying nine (9) semester hours or more enrolled at The University of Texas of the Permian Basin and have a grade point average of at least 2.5 on a 4.0 = "A" scale per semester.

- c. Applications shall be submitted to the Director of Student Life for verification at least one (1) month prior to the election.
- d. The candidate receiving a majority of the total votes cast shall be declared the winner. If a candidate does not receive the required number of votes a run off election will be held within two (2) weeks between the two candidates with the largest percentage of votes cast.

ARTICLE II POWERS AND FUNCTIONS

Section 1. Powers and Responsibilities of the President

The President shall:

- a. Serve as the official representative of the Student Body and the Student Senate.
- b. Preside at all meetings of the Student Senate.
- c. Preside at all meetings of the Student Body.
- d. Appoint a Parliamentarian to be approved by the Student Senate by majority vote of the Senate. The term of the Parliamentarian is to conform to that of the President.
- e. Appoint committees that the President deems necessary to the business of the Student Senate.
- f. Exercise the option of voting in case of a tie.

Section 2. Powers and Responsibilities of the Vice-President

The Vice-President shall:

- a. Perform the duties of the President in the case of absence or disability, including exercising the option to vote in case of a tie vote.
- b. Assist the President in the execution of duties.
- c. Should the office of President become vacant, shall call a Senate meeting within two (2) weeks for the purpose of electing a new Vice-President.
- d. Exercise the option of voting on any proposal of the Student Senate.

Section 3. Powers and Responsibilities of the Secretary

The Secretary shall:

- a. Maintain a record of all proceedings of the Student Senate as well as the Student Body.
- b. Be responsible for all correspondence with other universities and organizations.
- c. Post in designated locations the minutes of each Senate meeting.

- d. Distribute a copy of the minutes of the Senate meetings to each Senator, to the office of all academic administrators, and to the Student Senate faculty advisor within seventy-two (72) hours of the meeting.
- e. Exercise the option of voting on any proposal of the Student Senate.

Section 4. Powers and Responsibilities of the Treasurer

The Treasurer shall:

- a. Report orally at each meeting of the Student Senate on the financial status of that organization.
- b. Shall be responsible for the financial transactions of the Student Senate.
- c. Exercise the option of voting on any proposal of the Student Senate.

Section 5. Powers and Responsibilities of the Parliamentarian

The Parliamentarian shall:

- a. Advise the President of the Student Senate of basic parliamentary procedures.
- b. Shall assist the President and Vice-President in their duties whenever necessary.
- c. At the request of the President, rule on any question of parliamentary procedure.

ARTICLE III
MEETINGS

Section 1. Student Senate

The Student Senate will meet at least twice a month. The President may call the Senate into emergency session when he has notified two-thirds (2/3) of the Senate membership, and has a two-thirds (2/3) quorum present for the meeting.

Section 2. Executive Board

The Executive Board meeting will be prior to each meeting of the Student Senate. The President may call the Executive Board into emergency session when less than one week is available to prepare for a Senate meeting.

ARTICLE IV
COMMITTEES

Section 1. Standing Committees

Standing Committees of the Student Senate shall be Public Relations, Student Affairs, and Community Affairs.

Section 2. Appointment of Chairpersons

Chairpersons of these committees shall be appointed by the President of the Student Senate and confirmed by a majority of the Student Senate.

Section 3. Executive Board

These Chairpersons shall be members of the executive board.

Section 4. Limitations

No member of the Student Senate shall serve on more than two (2) standing committees.

Section 5. Minimum Committee Membership

No standing committee shall be composed of less than four (4) members.

ARTICLE V
PUBLIC RELATIONS COMMITTEE

Section 1. Duties and Responsibilities

The Public Relations Committee shall be responsible for publicizing the student elections and community activities within the school.

Section 2. Composition

The Public Relations Committee shall be comprised of a chairperson from the Student Senate and committee members appointed by the chairperson.

ARTICLE VI
STUDENT AFFAIRS COMMITTEE

Section 1. Duties and Responsibilities

The Student Affairs Committee shall be responsible for investigating and improving the general welfare of the student body.

Section 2. Composition

The committee shall be comprised of a chairperson from the Student Senate and committee members appointed by the chairperson.

ARTICLE VII
COMMUNITY AFFAIRS COMMITTEE

Section 1. Duties and Responsibilities

The Community Affairs Committee shall be responsible for investigating and improving community relations with the local community.

Section 2. Composition

The committee shall be comprised of a chairperson from the Student Senate and committee members appointed by the chairperson.

ARTICLE VIII
ADMINISTRATION

Section 1. Faculty Advisor

One faculty advisor will be selected by the Student Senate to serve a term of one year, beginning with the last day of the spring semester. The faculty advisor may serve consecutive terms with the Student Senate. The faculty advisor may be removed by a two-thirds (2/3) vote of the total voting membership of the Student Senate.

ARTICLE IX
VOTING

Section 1. Voting shall be conducted by the accepted parliamentary procedure.

ARTICLE X
RULES OF ORDER

Section 1. Robert's Rules of Order shall be accepted as the parliamentary procedure.

ARTICLE XI
REMOVAL FROM OFFICE

Section 1. Any member of the Student Senate shall be removed from office by not meeting the qualifications of their respective office.

Section 2. Any Senator that misses four (4) regular meetings may be removed by two-thirds (2/3) vote of the Student Senate.

Section 3. The Senator has the right of appeal to the Director of Student Life. The appeal process must be completed within three (3) weeks of removal from office.

ARTICLE XII
STUDENT PROPOSALS AND REFERENDUMS

Section 1. Proposals

Any member of the Student Body may present a proposal to a Student Senator. The Senator is then required to take this proposal before the Student Senate.

Section 2. Referendum

Any referendum issue presented to the Student Senate, which is accompanied by a petition bearing the signatures and identification numbers of ten percent (10%) of the Student Body, must be placed on the ballot of the next student election.

ARTICLE XIII
RATIFICATION AND AMENDMENT

Section 1. Student Senate-Initiated Amendment

Any member of the Student Senate may propose amendments to this Constitution. The proposed amendment must lie on the table for thirty (30) days, after which the Student Senate must vote on the proposed amendment. If three-fourths (3/4) of the total membership of the Student Senate favor the amendment, it must be submitted to the Student Body for approval or disapproval of said amendment.

Section 2. Student Body-Initiated Amendment

If ten percent (10%) of the Student Body petition the Student Senate to amend the Constitution the Student Senate must call an election within thirty (30) days for approval or disapproval of said amendment.

Section 3. Ratification

- a. Amendments to this Constitution shall become effective after ratification by two-thirds (2/3) of the Student Body voting on said amendments in an election, after certification by the Chairman of the Election Committee that such amendments have been duly ratified. The change shall not become effective until transmitted to and acted upon by the chief student personnel officer, the President of the University, and the Executive Vice Chancellor for Academic Affairs and approved by the Board of Regents.
- b. The Board of Regents has power to amend or repeal any portion of the Constitution and laws of this Student Body when, in the judgment of the Board of Regents, the interest of the University shall require it. The Board of Regents shall notify the University and the Student Senate of any changes in this Constitution.
- c. The chief student personnel officer has the power, when in his judgment the interest of the University requires it, to amend or repeal any provision of the Constitution or laws of the particular association, but his actions shall be in force only until the next meeting of the Board of Regents when Section 3.b. above shall become applicable.

Section 4. Permanent Copy

Such Amendments shall be attached to the permanent copy of this Constitution preserved in the records of the Student Senate.

Section 5. Deletion and Substitution

Amendments by deletion and substitution are allowed.

Section 6. Ex-Post Facto

No proposed amendment or act of the Student Senate shall violate the rules of ex-post facto, concerning present individuals or organizations so named in this Constitution.

Section 7. Construction

All provisions of this Article shall be construed in accordance with all other provisions set forth in this Constitution.

13. U. T. San Antonio: Establishment of a Requirement That Residence Hall Students Maintain Hospitalization Insurance Effective for the Fall Semester 1987 (Catalog Change).--The Academic Affairs Committee recommended and the Board:

- a. Approved a requirement that students maintain hospitalization insurance while living in the residence hall at The University of Texas at San Antonio
- b. Authorized U. T. San Antonio to include this requirement in the residence hall contract effective for the Fall Semester 1987.

It is essential that residence hall students requiring hospitalization or emergency medical care at off-campus facilities be able to show proof of medical insurance in order to prevent unnecessary delays in securing needed care. In cases of extreme emergency, residence hall staff may be required to provide information concerning medical insurance to medical professionals on behalf of the resident.

It was ordered that the next residence hall contract approved by U. T. San Antonio as well as the next appropriate catalog be amended to conform to this action.

14. U. T. Tyler: Approval of Special Private Fund Development Campaign (Regents' Rules and Regulations, Part One, Chapter VII, Section 2, Subsection 2.44) for Construction of a Liberal Arts and Performance Complex Including Naming of Facilities Other Than Buildings (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2).--President Hamm reported that in October 1985 the U. T. Board of Regents approved, as a part of the Capital Improvement Program, a liberal arts complex at The University of Texas at Tyler to include teaching, performance, and related support space for speech, journalism, music, drama and art. In accordance therewith, the Board approved a special private fund

development campaign to raise funds for construction of a liberal arts and performance complex, pursuant to the Regents' Rules and Regulations, Part One, Chapter VII, Section 2, Subsection 2.44.

The campaign goal is \$5 million, and it is anticipated that certain facilities other than buildings within the complex will be named for donors, or individuals named by donors, making significant contributions through the fund development campaign. Receipt of specific gifts and recommended facility names will be subject to subsequent U. T. Board of Regents approval in accordance with the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2.

15. U. T. Austin: Report by President Cunningham on Special Items of Interest.--At the conclusion of the meeting of the Academic Affairs Committee, Committee Chairman Baldwin called on President Cunningham to brief the Board on special items of interest at The University of Texas at Austin.

President Cunningham stated that the last eighteen months had been very difficult for U. T. Austin but now that the legislative session had ended, the Administration was very excited about getting back to building a world-class university. With the aid of slides, President Cunningham presented a comprehensive overview on the following subjects and stated that it was very important for the Board to be aware of the direction that U. T. Austin is headed: students; national merit scholars; international programs; fraternal organizations; faculty; library; research programs, including the appointment of a committee to reevaluate plans for the Balcones Research Center, expanding research in molecular biology, and expanding gulf coast research efforts between Texas A&M University and U. T. Austin; academic programs; and technology transfer.

At this point, President Cunningham introduced Dr. Herbert Woodson of the U. T. Austin College of Engineering, Mr. Frank W. McBee, Jr., Chairman of the Board and Chief Executive Officer of Tracor, Inc., and Dr. Earnest Gloyna, Dean of the College of Engineering. Dr. Woodson presented a detailed report on the accomplishments of the Center for Technology Development and Transfer at U. T. Austin and the commercialization of such products as heart pumps and laser prototyping with powdered plastics. He emphasized that Mr. McBee and Dr. Gloyna were very instrumental in the development of technology commercialization and were available to answer any questions from the Board.

Chairman Blanton stated that the Board was tremendously pleased with the leadership, time, talent and energy that these individuals had given not only to the technology transfer project but throughout the U. T. System.

REPORT AND RECOMMENDATIONS OF THE HEALTH AFFAIRS COMMITTEE (Pages 124 - 144).--Committee Chairman Yzaguirre 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: Approval of Standard Memorandum of Affiliation (VA Form 10-0094 Dated September 1985) for Use with Veterans Administration Medical Centers.--Upon recommendation of the Academic Affairs and Health Affairs Committees, approval was given to the memorandum of affiliation (VA Form 10-0094 dated September 1985) set out on Page 125 as a standard form for the components of The University of Texas System to affiliate with Veterans Administration Medical Centers.

The use of the VA form as an alternative standard affiliation agreement will allow such agreements to be routinely reported to the U. T. Board of Regents through appropriate institutional dockets as is the current procedure when the Standard Affiliation Agreement Form No. 100 is used with other facilities.

MEMORANDUM OF AFFILIATION

BETWEEN

THE VETERANS ADMINISTRATION MEDICAL CENTER, _____
(City, State, Zip)

AND

(Educational Affiliate, City, State, Zip)

It is mutually agreed by _____ and the Veterans Administration Medical
(Affiliate)
Center _____ that educational experiences will be provided at the VA facility for students in the following pro-
grams(s): (City, State)

Program Name

Academic Degree Anticipated

The faculty of the _____ will assume responsibility, in coordi-
(Affiliate)
nation with the VA staff, for the assignment of students. There will be coordinated planning by the VA facility and the faculty
members. While in the VA facility, students will be subject to VA rules and regulations.

The facility will retain full responsibility for the care of patients and will maintain administrative and professional supervi-
sion of students insofar as their presence affects the operation of the facility and/or the direct and indirect care of patients. The
facility is responsible for the supervision of the education of undergraduate and graduate students and residents.

Students will receive an orientation to the facility. Faculty members and facility staff supervisors will evaluate the student's
performance in mutual consultation and according to the guidelines outlined in the approved curriculum.

The _____ complies with Title VI of the Civil Rights Act of 1964,
(Affiliate)
Title III of the Education Amendments of 1972, section 504 of the Rehabilitation Act of 1973, and Title II of the Older
Americans Amendments of 1975, and all related regulations, and assures that it does not, and will not, discriminate against
any person on the basis of race, color, sex, creed, national origin, age or handicap under any program or activity receiving
Federal financial assistance.

Nothing in the agreement is intended to be contrary to State or Federal laws. In the event of conflict between terms of this
agreement and any applicable State or Federal law, that State or Federal law will supersede the terms of this agreement. In the
event of conflict between State and Federal laws, Federal laws will govern.

Protection of faculty members and students of the affiliated institution from personal liability when furnishing professional
services covered by this agreement while at the VA health care facility will be that which is provided under the Federal Tort
Claims Act, as implemented by 38 U.S.C. 4116.

Periodic reviews of programs and policies will be conducted under the auspices of the Office of Academic Affairs.

This Memorandum of Affiliation may be terminated by either party on written notice to the other _____ in advance
of the next training experience. (Time period)

Date signed _____
Name (type): _____ Title _____
Name of Affiliate: _____
Date signed _____
Name (type): _____ Facility Director
VA Medical Center

2. U. T. Health Science Center - Dallas: Approval of Affiliation Agreement with the Clinical Center, National Institutes of Health, Bethesda, Maryland.--Approval was given to the affiliation agreement set out on Pages 126 - 129 by and between The University of Texas Health Science Center at Dallas and the Clinical Center, National Institutes of Health, Bethesda, Maryland.

This agreement, executed by the appropriate officials of the institution and facility to be effective upon approval by the U. T. Board of Regents, will allow students to integrate academic theory with training and instruction in the medical and surgical departments of the Clinical Center, National Institutes of Health, Bethesda, Maryland.

AGREEMENT

THIS AGREEMENT, made under authority of Section 327A of the Public Health Service Act (42 U.S. Code Section 254a), is by and between the Clinical Center, National Institutes of Health, Bethesda, Maryland (hereinafter called the Clinical Center) and

University of Texas
Health Science Center at Dallas
Southwestern Medical School

(hereinafter called the School).

The School wishes to affiliate with the Clinical Center in order to obtain suitable elective clinical experiences for its students

Because it has a particular capability to provide the requisite clinical instruction under informed and experienced direction, the Clinical Center seeks to affiliate with the School.

This affiliation represents a method to integrate the student's academic theory and knowledge with experience gained through training and instruction in a hospital's medical and surgical departments. It is therefore agreed to be of mutual interest and advantage that selected students of the School be provided quality clinical experiences in the Clinical Center.

RESPONSIBILITIES

1. The School shall:
 - A. Make known to third- and fourth-year students (or, in the case of schools with six-year curricula, the students in their clinical years) the availability of electives at the Clinical Center.
 - B. Upon request of the student, provide the Clinical Center with a transcript of the student's academic record and a letter of approval from the Office of the Dean.
 - C. Send only those students who will benefit from the assignment, and who are, to the School's knowledge, qualified at the time of reporting for their training.
 - D. Make arrangements to have the student covered under the School's professional liability insurance or an individual insurance policy which covers the activity of the student while at the Clinical Center.
 - E. Have the privilege of visiting the Clinical Center before, during, and/or after the instruction period for the purpose of evaluating the student's progress.
2. The Clinical Center shall:
 - A. Within the stated philosophies, missions, and objectives of the Clinical Center and the School, provide the highest possible quality clinical experience for the students consistent with their level of training and experience.
 - B. Offer, at specified times of the year, in-depth instruction in clinical subspecialties as described in the current Catalog of the Clinical Elective Program for Medical and Dental Students at the National Institutes of Health.
 - C. Provide a Clinical Electives Program Office to serve as a contact point for the students during the application process and as a source of information and assistance to those students who are in attendance at the Clinical Center.
 - D. Provide the physical facilities, supplies, and equipment necessary for the clinical experiences.
 - E. Provide the School with a written evaluation of the student's learning experience at the completion of the training period.
 - F. Orient the student concerning all applicable rules and regulations with which the student is expected to comply. Special emphasis will be given to the Privacy Act of 1974, particularly as it relates to the patient's right to privacy and the confidentiality of all records relating to patient care.
 - G. Provide emergency medical care to the student only for injury sustained in the course of training or duties, under the U.S. Employees' Compensation Act (REC). Routine medical care or follow-up treatment is the sole responsibility of the student, and with the exception of paragraph 3.G., will not be provided by the Clinical Center.
 - H. Require the School to withdraw a student from the assignment when his/her performance is unsatisfactory or when his/her behavior is disruptive or detrimental to the operation of the Clinical Center.
3. It is mutually understood between the School and the Clinical Center that the student shall:
 - A. Be responsible for satisfying all elements of the application process as delineated in the current edition of the Catalog of the Clinical Electives Program for Medical and Dental Students at the National Institutes of Health.
 - B. Comply with all rules and regulations of the Clinical Center. Failure to comply will constitute grounds for terminating the assignment.

- C. Keep confidential any information entrusted to him/her by a patient unless the nondisclosure would be harmful to the patient's treatment; in which case, the information must be given to the patient's attending physician.
- D. Be invited and encouraged to take part in educational activities of the Clinical Center, including such events as grand rounds, symposia, and conferences. The student shall have access to journals, books, and periodicals in the Clinical Center library.
- E. Be excused from work on all Federal holidays.
- F. Unless otherwise specified, have the responsibility for personal transportation to and from the Clinical Center and for all other personal expenses, including housing. A stipend will not be provided. The student will be permitted to use the cafeterias at the Clinical Center or elsewhere at the National Institutes of Health.
- G. Provide written evidence, prior to reporting to the Clinical Center, of: (1) a negative Mantoux test (intermediate strength PPD) done within the past three months, or a chest x-ray report made within twelve months for those with a positive Mantoux test; and (2) a diphtheria-tetanus booster injection within the past ten years. Those who cannot provide such evidence will have the procedure(s) done upon arrival at the Clinical Center.

GENERAL AGREEMENTS

- A. There will be no discrimination on the basis of race, religion, sex, color, age, handicap, or national origin in the acceptance of students in this program.
- B. The autonomy of the School and the Clinical Center will be observed at all times.
- C. It is understood and agreed that the parties hereto may revise or modify this Agreement by mutually-agreed, written amendments.
- D. This Agreement shall be in force when it is signed by appropriate representatives of the School and the Clinical Center. On January first of the following year and of each succeeding year it shall be deemed to be renewed for an additional one-year term unless either party to this Agreement notifies the other of its intention not to renew. This notification shall be made in writing no less than sixty days before the renewal date. If an agreement is terminated, any student from the School who is in training on the date of termination shall be allowed to complete his/her training as if the Agreement were still in effect.
- E. It is recognized that activities at the Clinical Center, a biomedical research facility at the National Institutes of Health, are subject to Federal laws and regulations. The Director, Clinical Center, has the authority to assure that all applicable Federal requirements are observed, and assumes full responsibility for all activities under his/her jurisdiction.

F. By signing this Agreement, the student agrees to abide by all rules and regulations of the Clinical Center and to all elements of this Agreement.

EXECUTION

Executed in duplicate originals.

SIGNATURES:

The Clinical Center
National Institutes of Health
Bethesda, Maryland

The University of Texas
Health Science Center at Dallas
Southwestern Medical School

by [Signature] 4/14/87
Director Date
The Clinical Center

by [Signature] 4/28/87
President Date

APPROVED AS TO CONTENT:

by [Signature] 4/15/87
Executive Officer Date
The Clinical Center

by [Signature]
Executive Vice Chancellor
for Health Affairs

APPROVED AS TO FORM:

by [Signature] 4/14/87
Associate Director Date
for Quality Assurance
and Medical Education
The Clinical Center

by [Signature]
John L. Darrouzet, Attorney
Office of General Counsel

CERTIFICATE OF APPROVAL

I hereby certify that the foregoing Agreement was approved by the Board of Regents of The University of Texas System on the 13th day of August, 1987, and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.

[Signature]
Executive Secretary, Board of Regents
The University of Texas System
ARTHUR H. DILLY

3. U. T. Medical Branch - Galveston: Appointment of Edward V. Hannigan, M.D., as Initial Holder of the Frances Eastland Connally Professorship in Gynecological Oncology Effective Immediately.--Authorization was given to appoint Edward V. Hannigan, M.D., Director of the Division of Gynecologic Oncology at The University of Texas Medical Branch at Galveston, as initial holder of the Frances Eastland Connally Professorship in Gynecological Oncology effective immediately.

4. U. T. Medical Branch - Galveston: Authorization for Executive Vice Chancellor for Health Affairs to (a) Execute Letter of Understanding with The Sealy & Smith Foundation for the John Sealy Hospital, Galveston, Texas, and Help Us Give Support, Inc. (HUGS), Galveston, Texas, (b) Accept Hospital House and Land, and (c) Negotiate and Execute Lease of Hospital House to HUGS; Acceptance of Gift from The Sealy & Smith Foundation for the John Sealy Hospital and Establishment of the UTMB Hospital House Endowment (Internal); Authorization for Executive Vice Chancellor for Asset Management to Negotiate and Execute an Endowment Agreement; Acknowledgement of Establishment of an External Endowment by HUGS; and Authorization to Negotiate and Execute Endowment Agreement for External Endowment.--President Levin reported that The Sealy & Smith Foundation for the John Sealy Hospital, Galveston, Texas, and Help Us Give Support, Inc. (HUGS), a nonprofit corporation based in Galveston, Texas, have committed to establish a new housing facility near The University of Texas Medical Branch at Galveston. The "Hospital House" facility will be leased to and operated by HUGS as an endorsed Ronald McDonald House to provide short-term housing for pediatric patients and their families who have traveled distances for outpatient treatment and for families during inpatient care.

To encourage and facilitate these joint efforts by The Sealy & Smith Foundation for the John Sealy Hospital and HUGS, the Board, upon recommendation of the Health Affairs Committee:

- a. Authorized the Executive Vice Chancellor for Health Affairs, following approval by the Office of General Counsel, to execute a Letter of Understanding among The Sealy & Smith Foundation for the John Sealy Hospital, HUGS, and the U. T. Board of Regents in substantially the form set out on Pages 132 - 135

- b. Authorized the Executive Vice Chancellor for Health Affairs to accept from The Sealy & Smith Foundation for the John Sealy Hospital the pediatric support facility and the land on which it is located, upon completion of construction

- c. Authorized the Executive Vice Chancellor for Health Affairs, the U. T. Medical Branch - Galveston Administration and the Office of General Counsel to negotiate and execute a lease of the new facility to HUGS, consistent with the terms agreed upon by the letter set out on Pages 136 - 138

- d. Authorized the Executive Vice Chancellor for Asset Management to accept and acknowledge with gratitude a gift of \$600,000 from The Sealy & Smith Foundation for the John Sealy Hospital, Galveston, Texas, to establish the UTMB Hospital House Endowment with the income to be directed

toward the support and maintenance of the facility, and authorized the Executive Vice Chancellor for Asset Management to negotiate and execute an Endowment Agreement on terms consistent with the Letter of Understanding, following approval by the Office of General Counsel

- e. Acknowledged with gratitude that HUGS has committed to establish an external endowment for the operation of the facility, to be funded initially with at least \$350,000 in cash and \$450,000 in pledges, to be augmented by annual fund raising; and authorized the Executive Vice Chancellor for Asset Management to negotiate and execute an Endowment Agreement on terms consistent with the Letter of Understanding, following approval by the Office of General Counsel.

HUGS has purchased land on the southwest corner of 14th and Mechanic Streets in Galveston as the site for the facility and has engaged architects to design a two-story, Victorian-style house with 20 bedrooms, a living room, communal dining room, meditation room, family room, kitchen, laundry facilities, two lounge areas, two outdoor patios, playgrounds, underground parking facilities, a central office and on-site manager's quarters. The building is expected to be completed in the early spring of 1988, at a construction cost of approximately \$1 million.

HUGS has committed \$800,000 (consisting of at least \$350,000 in cash and the remainder in pledges) as an initial external endowment to be augmented by annual fund raising to support the operation and maintenance of a pediatric support facility. The Sealy & Smith Foundation has committed at least \$1.6 million to support the construction and maintenance of the facility, \$600,000 of which is a grant for the benefit of U. T. Medical Branch - Galveston for the establishment of a permanent internal endowment, the UTMB Hospital House Endowment, under the control of the U. T. Board of Regents. Payout from the UTMB Hospital House Endowment is to be used primarily for the maintenance expenses of the pediatric support facility, including casualty insurance. If the facility ceases to be used as a pediatric care support facility, the Endowment and all income therefrom shall revert to The Sealy & Smith Foundation.

Upon completion of construction, the facility and the underlying land will be deeded to the U. T. Board of Regents by The Sealy & Smith Foundation, free and clear of liens and encumbrances, but subject to reversion if the property ceases to be used as a pediatric care support facility. If the facility is destroyed by casualty and the University decides not to rebuild, the casualty insurance proceeds will be paid over to the Foundation when the land reverts.

The U. T. Board of Regents will lease the facility to HUGS at nominal rent for an initial two-year term which shall automatically renew from year to year until HUGS decides that it no longer wishes to manage and operate, at its own expense, the pediatric support facility. Upon termination of the lease, the U. T. Board of Regents may elect to continue operating the facility for pediatric support and receive the income from the HUGS external endowment, or elect not to do so, triggering reversion (to The Sealy & Smith Foundation) of the land, improvements and the UTMB Hospital House Endowment.

LETTER OF UNDERSTANDING

THIS LETTER OF UNDERSTANDING is entered into by and among the Board of Regents of The University of Texas System (the "University") for and on behalf of The University of Texas Medical Branch at Galveston, and Help Us Give Support, Inc., a Texas nonprofit corporation ("HUGS"), and The Sealy & Smith Foundation for The John Sealy Hospital, a charitable corporation organized under the laws of the State of Texas (the "Foundation").

I. Mutual Goals

The parties to this Agreement are in accord that a facility in close proximity to The University of Texas Medical Branch at Galveston Child Health Center providing a homelike atmosphere for overnight stay for the benefit of pediatric patients and their families, who often travel several hundred miles to take their children for repeated treatment during months of continuing outpatient care after the initial hospital stay, would be a significant benefit in providing necessary medical care and attention and parental support during continuing outpatient treatment. Toward this end, the parties to this agreement desire to encourage the establishment of such a pediatric support facility.

In 1982, HUGS initiated fundraising efforts for a pediatric support facility and subsequently obtained Ronald McDonald House endorsement and financial support, purchased land on the southwest corner of 14th and Mechanic Streets in Galveston as a site for the Ronald McDonald House, and engaged architects to design a two-story, Victorian-style house with 20 bedrooms, living room, communal dining room, meditation room, family room, kitchen, laundry facilities, two lounge areas, two outdoor patios, playgrounds, underground parking facilities, a central office, and on-site manager's quarters. The building is expected to be completed in the early spring of 1988, at a construction cost of approximately \$1 million dollars and donated by the Foundation to the University for the use and benefit of the John Sealy Hospital and its related hospitals. The University has agreed to lease the facility to HUGS, which will manage and operate it for pediatric support.

II. Commitments of Help Us Give Support, Inc.

HUGS' campaign has raised approximately \$900,000 to-date toward the construction and operation of the Hospital House, and HUGS has committed to:

(1) Convey free and clear fee title to the site at 14th and Mechanic Streets, Galveston, Texas, to The Sealy & Smith Foundation; and

(2) Cooperate with the Foundation and the University in planning and supervising the construction of a first quality facility; and

(3) Lease the facility from the University and operate it as a pediatric support facility at HUGS expense, to be known initially as the "Ronald McDonald House of Galveston"; and

(4) Establish an external endowment consisting of \$800,000 or more in cash and pledges, at least \$350,000 of which will be cash. The external endowment will be held in trust for the benefit of the pediatric support facility, the income from which is to be used for the operating and maintenance expenses of the facility for so long as it is used as a pediatric support facility, to be paid out to HUGS for so long as HUGS operates the facility and thereafter to the University if the University opts to operate the facility as a pediatric support facility. HUGS has also committed to carry out an annual fundraising drive to augment the external endowment.

III. Commitments of The Sealy & Smith Foundation

The Foundation has committed to:

(1) Construct the Hospital House at a maximum cost of \$1.0 million dollars and at no cost to the University on the site donated to the Foundation by HUGS, and to plan and supervise the construction of the Hospital House in cooperation with HUGS and the University; and

(2) Donate to the University upon completion of construction, the facility and the underlying real property, in fee simple free and clear of any liens or encumbrances, subject to reversion of the property and improvements if the facility ceases to be used as a pediatric care support facility; and

(3) Provide a grant to the University of \$600,000 for the establishment of a permanent endowment, the UTMB Hospital

House Endowment, under the control of the Board of Regents, all income to be used for the operating and maintenance expenses of the pediatric support facility. If the facility ceases to be operated as a pediatric care support facility, the endowment and all income therefrom shall revert to the Foundation.

(4) The Foundation's commitment is subject to the execution of a satisfactory agreement between the Foundation and HUGS.

IV. Commitments of The University of Texas System

The administrations of The University of Texas Medical Branch - Galveston and The University of Texas System will use their best efforts to:

(1) Cooperate with HUGS and the Foundation in supervising the construction of the pediatric support facility; and

(2) Lease the facility to HUGS in consideration of the benefit conferred for treatment of pediatric patients at the UTME - Galveston Child Health Center, for operation solely at HUGS' direction and expense, except that the University shall maintain the structure and grounds at an annual cost not to exceed the payout from the UTMB Hospital House Endowment; and

(3) Use the payouts from the HUGS' Hospital House external endowment, and the UTMB Hospital House Endowment in accordance with the terms of those endowments; and

(4) If HUGS decides to discontinue operating the pediatric support facility, thus terminating the lease, the University will provide notice to HUGS and the Foundation if the University decides not to operate the facility as a pediatric support facility.

V. Conditions of Performance

All parties to this Letter of Understanding condition performance of the commitments made herein on requisite approvals, if any, by the Texas Higher Education Coordinating Board, and the Legislature of the State of Texas, and on condition that the donations, grants and endowments by HUGS and the Foundation, and the income and any proceeds thereof, shall not become a part of the Permanent University Fund, the Available University Fund, or the general funds of the State of Texas, and that no purchaser or grantee of any of the donated real estate shall be obliged to be concerned with the use or application made of any funds or other property paid or delivered by him or it to the Board of Regents of The University of Texas System for any of said real estate.

The Board of Regents of The University of Texas System further conditions its performance on the prior establishment of the endowments and donation of the property free and clear of any liens or any obligation except as expressly provided herein; on the commitments that all costs, including maintenance and operation, of the facility will be provided for by HUGS and the Foundation endowments or by third parties and that the University will have no obligation for payment of any expenses whatsoever except those expenses paid for by the UTMB Hospital House Endowment; on the University's participation in the planning and supervision of construction of the facility, including the right of prior approval of those plans by The University of Texas System Office of Facilities Planning and Construction, or other designate.

Without limiting the foregoing, Help Us Give Support, Inc. and The Sealy & Smith Foundation expressly understand, recognize and agree that the Board of Regents of The University of Texas System will not have any obligation to accept the gifts outlined above until and unless the conditions of the University's performance are met.

Executed by the parties hereto, to be effective as of May 17, 1987.

ATTEST:

HELP US GIVE SUPPORT, INC.

By: _____
Secretary

By: _____
President

ATTEST:

THE SEALY & SMITH FOUNDATION
for THE JOHN SEALY HOSPITAL

By: _____
Secretary

By: _____
Ballinger Mills, President

ATTEST:

BOARD OF REGENTS
THE UNIVERSITY OF TEXAS SYSTEM

By: _____
Arthur H. Dilly
Executive Secretary

By: _____
Charles B. Mullins, M.D.
Executive Vice Chancellor
for Health Affairs

Approved as to Form:

Approved as to Content:

Patricia H. Burrall
University Attorney

E. J. Pederson
Executive Vice President for
Administration and Business
Affairs, The University of
Texas Medical Branch at
Galveston

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



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

THE UNIVERSITY OF TEXAS SYSTEM

Office of General Counsel

201 WEST 7TH STREET AUSTIN, TEXAS 78701

TELEPHONE (512) 499-4462

July 10, 1987

Patricia H. Burrall
Attorney

Mr. Buddy Herz
Greer, Foutch, Herz, & Adams
One Moody Plaza
14th Floor
Galveston, Texas 77550

RE: Lease at 14th and Mechanic Streets, Galveston, Texas

Dear Buddy:

Enclosed is a re-draft of the Letter of Understanding, amended to include the Foundation's revisions and the lease structure to satisfy HUGS' and McDonald's licensing requirements. It now includes reference to "Ronald McDonald House of Galveston" as the initial operating name.

Though it may be premature to execute the lease before the building is finished and deeded over, we need to confirm agreement upon the following essential terms at the outset:

The University will lease the land and improvements to HUGS in consideration of the benefit to be conferred by HUGS to pediatric patients of the UTMB-Galveston Child Health Center, for an initial term of 2 years, the lease to be automatically renewed from year to year for such time as HUGS, at its sole option, continues to manage and operate the premises as a pediatric support facility, whether called the Ronald McDonald House of Galveston, or otherwise. The lease shall automatically terminate upon (1) thirty-days' notice by HUGS that HUGS no longer wishes to operate the premises as a pediatric support facility, or (2) notice by the University that the facility is being inadequately managed or utilized, and sixty days' opportunity for HUGS to cure.

The management and operation of the premises shall be solely at HUGS direction and expense, except those property maintenance costs expressly agreed to in the lease. In no event shall HUGS and the University be represented to be joint venturers, the relationship being merely that of lessor and lessee.

Mr. Buddy Herz
July 10, 1987
Page Two

Subject to the expenditure ceiling herein, The University will maintain the structure and the yard, specifically including all replacement parts and labor costs to maintain in good repair the plumbing and electrical systems, heating and cooling, exterior and interior paint, roof, windows, mirrors and glass, floor and floor tiles, damage to ceilings and doors, trash collection, maintenance replacement of appliances, and yard maintenance, but excluding, without limitation, lock changes, extermination, general housekeeping, and replacement costs of entire systems.

The University as beneficiary will maintain all risk casualty insurance for full value on the improvements. This insurance will not include insurance coverage of contents, which coverage will be maintained by HUGS.

HUGS will include the University as a named additional insured on the insurance policies required by McDonald's Inc., to be maintained by HUGS as a licensing prerequisite. HUGS will require that copies of the policies and all amendments, or certificates of such insurance, be sent to the University prior to the opening of the facility and be kept current thereafter.

HUGS shall indemnify, defend, and hold harmless the University and its Regents, officers, employees and agents, from and against any and all liabilities, judgments, settlements, losses, damages and expenses, including court costs and reasonable attorney fees, incurred or suffered by these parties, which arise out of the lease or in connection with the operation of the premises and facility.

The University's total obligation for all expenditures whatsoever under the lease shall never exceed the annual income paid out from the UTMB Hospital House Endowment (the "Endowment") established by the Sealy & Smith Foundation and any quasi-endowment established by income reserve from the Endowment.

To the extent any annual income pay-out from the Endowment exceeds the University's annual maintenance expenses as agreed under the lease, the excess will be held in a quasi-endowment and applied as directed by the Sealy & Smith Endowment Agreement for the UTMB Hospital House Endowment.

Mr. Buddy Herz
July 10, 1987
Page Three

All utilities will be in HUGS name, or its operating name and paid for by HUGS.

HUGS will permit no liens of any kind to be placed on the leasehold, the property, or the improvements; HUGS will not permit waste of the property, reasonable wear and tear excepted.

HUGS will not sub-let or assign the lease without the University's prior written consent.

In the event of major casualty to the improvements, the decision to re-build will be solely in the University's discretion.

Any proposed improvements to the property must have the University's prior written approval.

The University and HUGS will cooperate to prevent the imposition of taxes on the property, but if any become due, HUGS will pay all taxes.

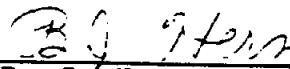
The University will have no obligation to provide security to the premises. If any is provided, it will be solely to protect the University's interests in the property and cannot be relied upon by HUGS nor represented by HUGS to be available to or provided to the facility for the benefit of the management or the visitors.

If these terms are satisfactory to HUGS, please obtain HUGS' counter-signature on this letter and return a copy for submission on the Regents' agenda for the August meeting.

Sincerely,


Patricia H. Burrall

Agreed as above:

By: 
B. J. Herz, President
Help Us Give Support, Inc.
Date: July 10, 1987

PHB:gb
Attachment
xc: Mr. Ballinger Mills
Mr. Marc Cuenod
Mr. Jere Pederson
Ms. Maria M. Tabaracci
Mr. James L. Crowson
Mr. W. O. Shultz II

5. U. T. Health Science Center - Houston: Appointment of R. Palmer Beasley, M.D., as Initial Holder of the Allan King Professorship in Public Health Effective September 1, 1987.--The Board appointed R. Palmer Beasley, M.D., currently Professor of Medicine and Head of the Division of Communicable Disease Epidemiology at the University of California at San Francisco, as initial holder of the Allan King Professorship in Public Health at The University of Texas Health Science Center at Houston effective September 1, 1987.

Dr. Beasley will join the U. T. Public Health School - Houston as Dean and Professor of Public Health on September 1, 1987.

See Page 158 related to the establishment of this Professorship.

6. U. T. Health Science Center - Houston: Approval of Memorandum of Agreement with The Veterans Administration Medical Center, Houston, Texas.--Approval was given to the memorandum of agreement set out on Pages 139 - 143 by and between The University of Texas Health Science Center at Houston and The Veterans Administration Medical Center, Houston, Texas.

This agreement, executed by the appropriate officials of the institution and facility to be effective upon approval by the U. T. Board of Regents, will provide educational and training opportunities for students enrolled at the U. T. Dental Branch - Houston.

MEMORANDUM OF AGREEMENT (AFFILIATION)

B E T W E E N

THE VETERANS ADMINISTRATION MEDICAL CENTER, HOUSTON, TEXAS,

and

THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER - HOUSTON

This Agreement, when approved by the United States Veterans Administration and The University of Texas Health Science Center, Houston, shall authorize the Houston Veterans Administration Medical Center to affiliate with the Dental Branch at Houston for the purpose of education and training. The Dental Branch accepts responsibility with the Veterans Administration Medical Center for the education and training programs conducted with the Veterans Administration Medical Center. The Veterans Administration Medical Center will retain full responsibility for the care of patients and will maintain administrative and professional supervision of students insofar as their presence affects the operation of the facility and/or the direct and indirect care of patients. The faculty is responsible for the supervision of the education of undergraduate and graduate students and residents at the University of Texas Dental Branch.

Students will receive an orientation to the facility. Faculty members and facility staff supervisors will evaluate the student's performance in mutual consultation and according to the guidelines outlined in the approved curriculum.

Responsibilities shall be divided as follows:

1. The University of Texas Health Science Center at Houston, Dental Branch:

a. Will be represented on the Dean's Committee by the Dean of the Dental Branch (or his designee).

b. Will nominate to the Veterans Administration Medical Center Director on an annual basis a staff of consulting and attending specialists in the number and with the qualifications agreed upon by the Dean's Committee and the Veterans Administration.

c. Will participate, through the Director and the staff of consulting and attending specialists, in the supervision of the integrated education and training programs of the Veterans Administration and such programs as are operated jointly by the Veterans Administration and the schools affiliated with the Veterans Administration health care facility. VA staff members who are also faculty members will be responsible for student and house staff supervision for educational purposes, but can delegate responsibility to nonfaculty VA staff members under unusual circumstances.

d. Will share the responsibility with the Veterans Administration Medical Center for the nomination of all dentists for residency or other graduate education and training programs in the numbers and with the qualifications agreed upon by the Dean's Committee and the Veterans Administration.

2. The Veterans Administration:

a. Will operate and administer the Veterans Administration Medical Center.

b. Will appoint qualified physicians and dentists to full-time and regular part-time staff of the Medical Center. Nominations to the Medical Center Director by the Dean's Committee for full-time and regular part-time positions shall be welcomed. The regularly appointed staff, including Chiefs of Services, shall be fully responsible to their immediate superiors in the Veterans Administration.

c. Will consider for appointment the attending and consulting staff and the dentist trainees nominated by the Dental Branch and recommended by the Dean's Committee.

d. Will cooperate with The University of Texas Dental Branch in the conduct of appropriate programs of education, training, and research.

3. The Director, Veterans Administration Medical Center:

a. Will be fully responsible for the operation of the Veterans Administration Medical Center.

b. Will cooperate with the Dean's Committee in the conduct of education and training programs and in evaluation of all participating individuals and groups.

4. The VA Chief of Staff:

a. Will be responsible to the Director for the professional health care operations of the facility.

b. Will cooperate with the Dean's Committee and the affiliated educational institutions in the direction and conduct of the education and training programs.

5. Chiefs of Service:

a. Will be responsible to their superiors in the Veterans Administration for the conduct of their service.

b. Will, in cooperation with consulting and attending staff, supervise the education and training programs within their respective services.

6. The Attending Staff:

a. Will be responsible to the Chief, Dental Service.

b. Will accept responsibility for the proper care and treatment of patients in their charge upon delegation by the Medical Center Director or his designee.

c. Will provide adequate training to house staff assigned to their service.

d. Will hold faculty appointment in The University of Texas Dental Branch or will be outstanding members of the profession with equivalent professional qualifications acceptable to the Veterans Administration.

7. Consultants:

a. Will be members of the faculty, above the rank of instructor, in The University of Texas Dental Branch, or equivalent professional qualifications acceptable to the Veterans Administration, and subject to VA regulations concerning consultants.

b. Will, as representatives of The University of Texas Dental Branch, participate in and take responsibility for the education and training programs of the Veterans Administration Medical Center, subject to VA policy and regulations.

c. Will afford to the Medical Center Director, Chief of Staff, and the Chief, Dental Service, the benefit of their professional advice and counsel.

TERMS OF AGREEMENT:

1. The University of Texas Dental Branch complies with Title VI of the Civil Rights Act of 1964, Title IX of the Education Amendments of 1972, section 504 of the Rehabilitation Act of 1973, and Title II of the Older Americans Amendments of 1975, and all related regulations, and assures that it does not, and will not discriminate against any person on the basis of race, color, sex, creed, national origin, age or handicap under any program or activity receiving Federal financial assistance.

2. Nothing in the agreement is intended to be contrary to State or Federal laws. In the event of conflict between terms of this agreement and any applicable State or Federal law, that State or Federal law will supersede the terms of this agreement. In the event of conflict between State and Federal laws, Federal laws will govern.

3. Protection of faculty members and students of the affiliated institution from personal liability when furnishing professional services covered by this agreement while at the VA health care facility will be

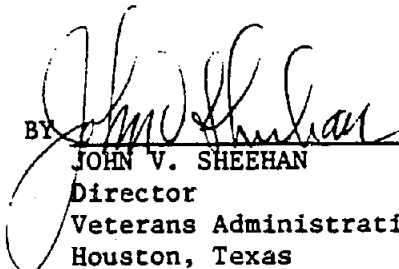
that which is provided under the Federal Tort Claims Act, as implemented by 38 U.S.C. 4116.

4. Periodic reviews of programs and policies will be conducted under the auspices of the Office of Academic Affairs.

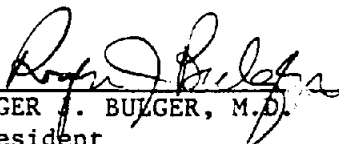
5. This Memorandum of Affiliation may be terminated by either party on written notice to the other six (6) months in advance of the next training experience.

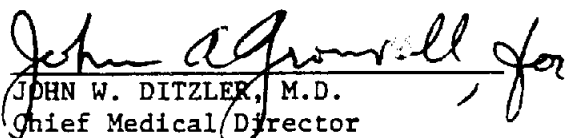
EXECUTED THIS 5th day of June, 1986.

VETERANS ADMINISTRATION MEDICAL CENTER

BY 
JOHN V. SHEEHAN
Director
Veterans Administration Medical Center
Houston, Texas

THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER - HOUSTON


BY 
ROGER J. BULGER, M.D.
President
The University of Texas
Health Science Center - Houston

APPROVED BY  for DATE 7-22-86
JOHN W. DITZLER, M.D.
Chief Medical Director


ATTEST:

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By 
Arthur Dilly
Executive Secretary

By 
Charles B. Mullins, M.D.
Executive Vice Chancellor
for Health Affairs

APPROVED AS TO FORM:

By 
John L. Darrouzet, Attorney
Office of General Counsel

7. U. T. Health Science Center - San Antonio: Dr. Wealtha McGurn Appointed Initial Holder of the Hugh Roy Cullen Professorship in Nursing Effective Immediately.--Upon recommendation of the Health Affairs Committee, the Board appointed Dr. Wealtha McGurn, Director of Nursing Research at the U. T. Nursing School - San Antonio of The University of Texas Health Science Center at San Antonio, as initial holder of the Hugh Roy Cullen Professorship in Nursing effective immediately.

REPORT AND RECOMMENDATIONS OF THE BUILDINGS AND GROUNDS COMMITTEE (Pages 145 - 148).--Committee Chairman Hay reported that the Buildings and Grounds Committee had met in open session to consider those items on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, all actions set forth in the Minute Orders which follow were recommended by the Buildings and Grounds Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Proposed Amendments to Chapter VIII, Section 2 (Minor New Building Construction) (Withdrawn).--Committee Chairman Hay reported that the item related to proposed amendments to the Regents' Rules and Regulations, Part Two, Chapter VIII, Section 2 (Minor New Building Construction) was withdrawn for consideration at a later date.

2. U. T. Arlington - Domestic Water Supply System: Authorization for Project Analysis; Appointment of Friberg Associates, Fort Worth, Texas, Project Engineer to Prepare Project Analysis; and Appropriation Therefor.--Upon recommendation of the Buildings and Grounds Committee, the Board:
 - a. Authorized a project analysis for improvements to the domestic water supply system on The University of Texas at Arlington campus
 - b. Appointed Friberg Associates, Fort Worth, Texas, as Project Engineer to prepare the project analysis and a detailed cost estimate of recommended improvements
 - c. Appropriated \$38,060 from U. T. Arlington Unexpended Plant Funds for preparation of the project analysis.

A comprehensive engineering study of the total campus domestic water supply system is needed because the City of Arlington has requested that U. T. Arlington assume ownership and maintenance responsibilities for water lines in campus expansion areas. The study will also consolidate the 60 existing water meters on campus to reduce costs, insure correct routing and pipe sizes, correct water pressure variance to some campus buildings and help relocate City-owned and University-owned water mains for the planned widening and lowering of Cooper Street.

3. U. T. Austin - Recreational Sports Facilities - Phase I (Project No. 102-596): Approval of Preliminary Plans; Authorization to Prepare Final Plans; and Additional Appropriation Therefor.--Mr. Pat Spillman and Ms. Anita Picozzi Moran, representing the Project Architect, F & S Partners, Dallas, Texas, presented the preliminary plans and specifications for the Recreational Sports Facilities - Phase I at The University of Texas at Austin to the Buildings and Grounds Committee.

Based upon this presentation and the recommendation of the Finance and Audit and Buildings and Grounds Committees, the Board:

- a. Approved the preliminary plans and specifications for the Recreational Sports Facilities - Phase I at U. T. Austin at an estimated total project cost of \$12,460,000 (not including cost of Project Analysis)
- b. Authorized the Project Architect to prepare final plans and specifications to be presented to the U. T. Board of Regents at a future meeting
- c. Appropriated \$260,000 from Auxiliary Enterprise Balances for fees and administrative expenses through completion of final plans. Previous appropriations had been \$270,000 from the same source.

This project is the first phase of a proposed long-range program that will be accomplished in four phases to provide the recreational sports needs of the students, faculty and staff at U. T. Austin. This phase will provide a facility of approximately 120,000 gross square feet containing basketball, free weight, stationary weight, aerobics and handball courts.

This project is not part of the Capital Improvement Program.

4. U. T. San Antonio - U. T. Institute of Texan Cultures - San Antonio - Renovation of Public Areas, Second Segment: Authorization for Project; Submission to Coordinating Board; Appointment of O'Neill Conrad Oppelt, San Antonio, Texas, Project Architect to Prepare Final Plans; and Appropriation Therefor.--The Board, upon recommendation of the Buildings and Grounds Committee:

- a. Authorized a project for the second segment of Renovation of Public Areas at The University of Texas Institute of Texan Cultures at San Antonio at an estimated total project cost of \$679,000
- b. Authorized submission of the project to the Texas Higher Education Coordinating Board
- c. Appointed the firm of O'Neill Conrad Oppelt, San Antonio, Texas, Project Architect to prepare final plans and specifications and a detailed cost estimate to be presented to the U. T. Board of Regents at a future meeting
- d. Appropriated \$679,000 from Permanent University Fund Bond Proceeds for total project funding.

In October 1985, the U. T. Board of Regents approved as part of the Capital Improvement Program projects totaling \$2,130,000 at the U. T. Institute of Texan Cultures - San Antonio. In February 1986, the first segment of this work was authorized at an estimated total project cost of \$250,000 to improve security, clean exterior surfaces, improve accessibility for handicapped persons and replace a greenhouse.

The second segment of the renovation work will include conversion of an apartment area into conference and classroom space and renovation of other areas within the building which are inadequate to meet program needs of the institution including the storage of a rapidly growing collection of photographic archives.

With the first two segments funded at \$250,000 and \$679,000, respectively, the unallocated project funds will amount to \$1,201,000. These remaining funds will be used in order of priority to (1) replace projection screens and equipment, (2) replace carpet, (3) replace the roof, (4) enlarge the parking area and (5) install catering support equipment. Each of these tasks was included in the original project definition. Savings from any given task or segment of the project may be used to cover excess costs in another segment or task. However, total project cost and scope remain unchanged from that approved in October 1985.

5. U. T. Medical Branch - Galveston - Administration Annex II Renovation (Project No. 601-615): Approval of Final Plans and Authorization to Advertise for Bids and for Executive Committee to Award Contracts.--The Buildings and Grounds Committee recommended and the Board:

- a. Approved the final plans and specifications for the Administration Annex II Renovation at The University of Texas Medical Branch at Galveston at an estimated total project cost of \$3,000,000
- 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.

The estimated total project cost for the Administration Annex II Renovation is \$3,000,000. This amount was previously appropriated from U. T. Medical Branch - Galveston Unappropriated Balances.

This project was approved by the Texas Higher Education Coordinating Board in July 1986.

6. U. T. Health Science Center - San Antonio - Expansion of Clinical Science Teaching Space (Project No. 402-609): Approval of Final Plans; Authorization to Advertise for Bids and for Executive Committee to Award Contracts; and Additional Appropriation Therefor.--Upon recommendation of the Buildings and Grounds Committee, the Board:

- a. Approved final plans and specifications for the Expansion of Clinical Science Teaching Space at The University of Texas Health Science Center at San Antonio at an estimated total project cost of \$15,500,000
- 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
- d. Appropriated \$14,600,000 from Permanent University Fund Bond Proceeds for total project funding. Previous appropriations had been \$900,000 from the same source.

This expansion is a fifth-level addition to the U. T. Health Science Center - San Antonio facility, horizontally contiguous to other medical school departments. To avoid a long-term shutdown of Dental Clinic operations on level four, an interstitial chase will collect and distribute extensive laboratory utilities between the fourth and fifth floors. The project includes approximately 86,000 gross square feet of offices, research laboratories and teaching space; an equivalent of 29,000 gross square feet of interstitial chase; and 15,000 gross square feet of new penthouse construction for mechanical equipment.

The estimated total project cost is \$15,500,000 and within the scope of the Capital Improvement Program approved by the U. T. Board of Regents in October 1985.

This project was approved by the Texas Higher Education Coordinating Board in January 1987.

REPORT AND RECOMMENDATIONS OF THE LAND AND INVESTMENT COMMITTEE (Pages 149 - 166).--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

Report on Clearance of Monies to Permanent University Fund for May and June 1987 and Report on Oil and Gas Development as of June 30, 1987.--The following reports with respect to (a) certain monies cleared to the Permanent University Fund for May and June 1987, and (b) Oil and Gas Development as of June 30, 1987, were submitted by the Executive Vice Chancellor for Asset Management:

	<u>May 1987</u>	<u>June 1987</u>	<u>Cumulative Through June of this Fiscal Year (1986-1987)</u>	<u>Cumulative Through June of Preceding Fiscal Year (1985-1986)</u>	<u>Per Cent Change</u>
Permanent University Fund					
Royalty					
Oil	\$ 4,442,641.50	\$ 4,805,145.08	\$ 40,823,798.71	\$ 71,617,476.67	-43.00%
Gas	2,136,505.20	2,049,605.53	18,865,602.59	25,285,259.46	-25.39%
Sulphur	10,000.00	10,000.00	100,000.00	194,561.84	
Water	39,995.54	41,945.03	447,484.00	583,097.34	
Brine	4,086.56	928.76	26,339.08	73,175.24	
Trace Minerals	0.00	0.00	0.00	0.00	
Rental					
Oil and Gas Leases	11,654.41	73.97	457,049.96	806,739.97	
Other	334.00	8,180.00	14,078.28	10,666.00	
Sale of Sand, Gravel, Etc.	400.00	3,165.30	4,823.90	37,318.70	
Gain or (Loss) on Sale of Securities	9,610,456.09	17,540,978.38	187,722,894.50	140,576,055.08	
Sub-Total	<u>16,256,073.30</u>	<u>24,460,022.05</u>	<u>248,462,071.02</u>	<u>239,184,350.30</u>	<u>3.88%</u>
Bonuses					
Oil and Gas Lease Sales	0.00	0.00	3,007,941.58	5,942,458.05	
Amendments and Extensions to Mineral Leases	0.00	0.00	(6,293.56)	196,916.66	
Total Bonuses	<u>0.00</u>	<u>0.00</u>	<u>3,001,648.02</u>	<u>6,139,374.71</u>	
TOTAL CLEARANCES	<u>\$16,256,073.30</u>	<u>\$24,460,022.05</u>	<u>\$251,463,719.04</u>	<u>\$245,323,725.01</u>	<u>2.50%</u>

Oil and Gas Development - June 30, 1987
Acreage Under Lease - 650,425

Number of Producing Acres - 556,598

Number of Producing Leases - 2,229

II. TRUST AND SPECIAL FUNDS

A. GIFTS, BEQUESTS AND ESTATES

1. U. T. System: Approval to Accept Gift from Mr. and Mrs. Charles L. Wensley, Garland, Texas, and Establishment of the Neva McMurry Riedel Endowment.--Upon recommendation of the Land and Investment Committee, the Board accepted a \$10,000 gift from Mr. and Mrs. Charles L. Wensley, Garland, Texas, and established the Neva McMurry Riedel Endowment at The University of Texas System for the benefit of The University of Texas at Arlington and The University of Texas at Austin.

Income earned from the endowment is to be paid to the Neva McMurry Riedel Scholarship Fund and will be used to award scholarships to students majoring in journalism at U. T. Arlington and U. T. Austin.

2. U. T. Austin: Acceptance of Transfer of Funds and Establishment of the Art Enrichment Fund in the College of Fine Arts.--Authorization was given to accept a \$13,631.64 transfer of previously reported gifts from current restricted funds and to establish the Art Enrichment Fund in the College of Fine Arts at The University of Texas at Austin.

Income earned from the endowment will be used to support salaries and general operational expenses needed to implement the Archer M. Huntington Art Gallery's Art Enrichment Program and any branch programs created.

3. U. T. Austin: Acceptance of Gift from Mrs. Pauline Moss Crouch, Houston, Texas, and Establishment of the Pauline Moss Crouch Scholarship in the College of Liberal Arts.--The Board, upon recommendation of the Land and Investment Committee, accepted a \$10,000 gift from Mrs. Pauline Moss Crouch, Houston, Texas, and established the Pauline Moss Crouch Scholarship in the College of Liberal Arts at The University of Texas at Austin.

Income earned from the endowment will be used to provide scholarships to deserving undergraduate students enrolled in the College of Liberal Arts.

4. U. T. Austin: RepublicBank Corporation Centennial Professorship in Commercial Banking & Trust in the College of Business Administration and the Graduate School of Business - Approval to Redesignate as the First RepublicBank Corporation Centennial Professorship in Business Administration and to Amend the Professorship Charter.--In accordance with the donor's request, the Board redesignated the RepublicBank Corporation Centennial Professorship in Commercial Banking & Trust in the College of Business Administration and the Graduate School of Business at The University of Texas at Austin as the First RepublicBank Corporation Centennial Professorship in Business Administration.

Further, the professorship charter was amended to read as follows:

"The First RepublicBank Corporation Centennial Professorship in Business Administration can be used in any area of business administration if all eligible banking professors already hold endowments."

See Page 106 related to an appointment to this Professorship.

5. U. T. Austin - Isabel McCutcheon Harte Centennial Professorship in Astronomy in the College of Natural Sciences: Recommendation to Accept Additional Pledge and Redesignate as the Isabel McCutcheon Harte Centennial Chair in Astronomy and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program (Withdrawn).--The item related to the proposed acceptance of a pledge for addition to the Isabel McCutcheon Harte Centennial Professorship in Astronomy in the College of Natural Sciences at The University of Texas at Austin and to the redesignation as the Isabel McCutcheon Harte Centennial Chair in Astronomy was withdrawn for consideration at a later date.

6. U. T. Austin: Acceptance of Gifts and Pledges from Various Donors and Establishment of the Karl Kamrath Lectureship in Architecture in the School of Architecture and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--Upon recommendation of the Land and Investment Committee, the Board accepted \$29,935 in gifts and \$15,750 in pledges, payable prior to August 31, 1987, from various donors for a total endowment of \$45,685 and established the Karl Kamrath Lectureship in Architecture in the School of Architecture at The University of Texas at Austin.

Further, \$22,842.50 of the gifts and pledges will be matched under The Regents' Endowed Teachers and Scholars Program and used to increase the endowment to a total of \$68,527.50.

7. U. T. Austin: Acceptance of Bequest from the Estate of William E. Lake, Jr., Houston, Texas, and Establishment of the William E. Lake, Jr. Excellence Fund for Architecture in the School of Architecture.--The Board accepted a \$130,000 bequest from the Estate of William E. Lake, Jr., Houston, Texas, and established with \$100,000 the William E. Lake, Jr. Excellence Fund for Architecture in the School of Architecture at The University of Texas at Austin with the balance of \$30,000 to be placed in the School of Architecture Excellence Fund.

Income earned from the endowment and \$30,000 of the bequest will be used at the discretion of the Dean of the School of Architecture to strengthen the School's academic excellence.

8. U. T. Austin: Liddell, Sapp, Zivley & LaBoon Professorship in Banking, Financial, Commercial and Corporate Law in the School of Law - Approval to Redesignate as the Liddell, Sapp & Zivley Professorship in Banking, Financial, Commercial and Corporate Law.--At the request of the Law School Foundation (an external foundation), the Liddell, Sapp, Zivley & LaBoon Professorship in Banking, Financial, Commercial and Corporate Law in the School of Law at The University of Texas at Austin was redesignated as the Liddell, Sapp & Zivley Professorship in Banking, Financial, Commercial and Corporate Law.

The endowment was redesignated in accordance with the donor's request.

See Page 108 related to an appointment to this Professorship.

9. U. T. Austin: Approval to Accept Gifts from Dr. and Mrs. Jackson B. Reid, Austin, Texas, and to Establish the Jackson B. and Avis B. Reid Educational Psychology Fund in the College of Education.--The Land and Investment Committee recommended and the Board accepted gifts in excess of \$11,000 from Dr. and Mrs. Jackson B. Reid, Austin, Texas, and established the Jackson B. and Avis B. Reid Educational Psychology Fund in the Department of Educational Psychology, College of Education, at The University of Texas at Austin.

Income earned from the endowment will be used to enhance the educational psychology program through the support of research, instruction, recruitment and other beneficial activities.

10. U. T. Austin: Acceptance of Gift from Dr. Lorraine I. Stengl, Wimberley, Texas, and Establishment of the Lorraine I. Stengl Endowment Fund in the College of Natural Sciences.--The Board accepted a \$25,000 gift from Dr. Lorraine I. Stengl, Wimberley, Texas, and established the Lorraine I. Stengl Endowment Fund in the Department of Zoology, College of Natural Sciences, at The University of Texas at Austin.

Income earned from the endowment will be used to provide support for travel expenses of students and faculty, faculty recruitment expenses, health insurance coverage for graduate students and other emergency needs which may arise.

11. U. T. Austin: Jack G. Taylor Regents Visiting Professorship in Business in the College of Business Administration and the Graduate School of Business - Acceptance of Additional Gift from Mr. Jack G. Taylor, Austin, Texas, and Redesignation as the Jack G. Taylor Regents Professorship in Business Administration and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program to Establish the Jack G. Taylor Regents Professorship in Fine Arts in the College of Fine Arts.--Authorization was given to accept a \$100,000 gift from Mr. Jack G. Taylor, Austin, Texas, for addition to the Jack G. Taylor Regents Visiting Professorship in Business in the College of Business Administration and the

Graduate School of Business at The University of Texas at Austin for a total endowment of \$150,000 and to redesignate as the Jack G. Taylor Regents Professorship in Business Administration.

Further, the gift will be matched under The Regents' Endowed Teachers and Scholars Program and funds used to establish the Jack G. Taylor Regents Professorship in Fine Arts in the College of Fine Arts.

12. U. T. Austin: Texas Centennial Lectureship in Astronomy and Astrophysics in the College of Natural Sciences - Approval to Carry Forward Reserved Funds from The Regents' Endowed Teachers and Scholars Program.--The Board authorized that \$35,000 reserved for the biennium ending August 31, 1987, under The Regents' Endowed Teachers and Scholars Program to match the projected value of the sale of real estate donated for the Texas Centennial Lectureship in Astronomy and Astrophysics in the College of Natural Sciences at The University of Texas at Austin be carried forward to the biennium ending August 31, 1989, and reserved for the same purpose.

13. U. T. Austin: Acceptance of Gifts and Pledges from the College of Business Administration Class of 1984-85 and Challenge Grant from the Abell-Hanger Foundation, Midland, Texas, and Establishment of The 1984-85 CBA Students' Endowed Presidential Scholarship(s) in the College of Business Administration.--Upon recommendation of the Land and Investment Committee, the Board accepted \$13,877.70 in gifts, \$26,622.30 in pledges, payable by June 30, 1988, from the members of the College of Business Administration class of 1984-85 at The University of Texas at Austin and a \$12,500.00 matching challenge grant from the Abell-Hanger Foundation, Midland, Texas, for a total of \$53,000.00 and established The 1984-85 CBA Students' Endowed Presidential Scholarship(s) in the College of Business Administration at U. T. Austin.

Further, as the total fund amount increases beyond the initial \$25,000 and in \$25,000 increments thereafter, additional scholarships of the same name will be awarded as funds permit.

Income earned from the endowment will be used to award one or more scholarships annually to student(s) seeking a B.B.A. degree.

14. U. T. Austin: Acceptance of Gifts and Pledges from the College of Business Administration Class of 1985-86 and Establishment of The 1985-86 CBA Students' Endowed Presidential Scholarship(s) in the College of Business Administration.--The Land and Investment Committee recommended and the Board accepted \$4,300 in gifts and \$38,700 in pledges, payable by June 30, 1989, for a total of \$43,000 from the members of the College of Business Administration class of 1985-86 at The University of Texas at Austin and established The 1985-86 CBA Students' Endowed Presidential Scholarship(s) in the College of Business Administration at U. T. Austin.

Further, as the total fund amount increases beyond the initial \$25,000 and in \$25,000 increments thereafter, additional scholarships of the same name will be awarded as funds permit.

Income earned from the endowment will be used to award one or more scholarships annually to student(s) seeking a B.B.A. degree.

15. U. T. Austin: Acceptance of Gifts and Pledges from the Graduate School of Business Class of 1986-87 and Establishment of The 1986-87 Graduate Business Students' Endowed Presidential Scholarship(s) in the Graduate School of Business.--The Board accepted \$26,206.25 in gifts and \$67,793.75 in pledges, payable by June 30, 1990, from the members of the Graduate School of Business class of 1986-87 at The University of Texas at Austin for a total of \$94,000 and established The 1986-87 Graduate Business Students' Endowed Presidential Scholarship(s) in the Graduate School of Business at U. T. Austin.

Further, as the total fund amount increases beyond the initial \$25,000 and in \$25,000 increments thereafter, additional scholarships of the same name will be awarded as funds permit.

Income earned from the endowment will be used to award one or more scholarships annually to student(s) seeking M.B.A or M.P.A. degrees.

16. U. T. Austin: Acceptance of Gift and Pledge from Mr. Ralph B. Thomas, Houston, Texas, and Establishment of the Ralph B. Thomas Regents Professorship in International Studies in Business in the College of Business Administration and the Graduate School of Business and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program and Establishment of the Ralph B. Thomas Regents Professorship in Asian Studies in the College of Liberal Arts.--Approval was given to accept a \$25,000 gift and \$75,000 pledge, payable by August 31, 1989, for a total of \$100,000 from Mr. Ralph B. Thomas, Houston, Texas, and to establish the Ralph B. Thomas Regents Professorship in International Studies in Business in the College of Business Administration and the Graduate School of Business at The University of Texas at Austin.

Further, the gift and pledge, as received, will be matched under The Regents' Endowed Teachers and Scholars Program and funds will be used to establish the Ralph B. Thomas Regents Professorship in Asian Studies in the College of Liberal Arts.

17. U. T. El Paso: Acceptance of Gift from the Alumni Association of El Paso High School, El Paso, Texas, and Establishment of the C. D. Jarvis Tribute Scholarship Fund.--The Board, upon recommendation of the Land and Investment Committee, accepted a \$10,000 gift from the Alumni Association of El Paso High School, El Paso, Texas, and established the C. D. Jarvis Tribute Scholarship Fund at The University of Texas at El Paso.

Income earned from the endowment will be used to provide scholarships for qualified students at U. T. El Paso who were outstanding graduates of El Paso High School.

18. U. T. El Paso: Acceptance of Transfer of Funds from the President's Associates, El Paso, Texas, and Pledge from Southwestern Bell Foundation, St. Louis, Missouri, and Establishment of the Dr. Haskell M. Monroe, Jr. Library Fund.--Authorization was given to accept a \$30,000 transfer of funds from the U. T. El Paso President's Associates, a \$4,124.76 transfer of funds from previously reported gifts from current restricted funds, and a \$20,000 pledge, payable by August 31, 1989, from Southwestern Bell Foundation, St. Louis, Missouri, for a total endowment of \$54,124.76 and to establish the Dr. Haskell M. Monroe, Jr. Library Fund at The University of Texas at El Paso.

Income earned from the endowment will be used to purchase books each year for the University library.

19. U. T. El Paso: Acceptance of Gifts from Various Donors and Establishment of the Dr. Howard E. Quinn Memorial Fund.--The Land and Investment Committee recommended and the Board accepted gifts totaling \$54,307.81 from alumni, friends, colleagues, and corporations and established the Dr. Howard E. Quinn Memorial Fund at The University of Texas at El Paso.

Income earned from the endowment will be used to promote the Department of Geological Sciences and to encourage additional funding so that a minimum goal of \$100,000 can be reached to endow a professorship.

20. U. T. El Paso: Acceptance of Gifts from Various Donors and Establishment of the Dr. Walter R. Roser Memorial Scholarship Fund.--Upon recommendation of the Land and Investment Committee, the Board accepted gifts totaling \$10,000 from friends, relatives, colleagues, and corporations and established the Dr. Walter R. Roser Memorial Scholarship Fund at The University of Texas at El Paso.

Income earned from the endowment will be used to award an annual scholarship to an outstanding junior in the Department of Metallurgical Engineering. The Scholarship will be awarded to a new student each year.

21. U. T. El Paso: Approval to Accept Gift from Mr. and Mrs. Leo M. Van Reet, El Paso, Texas, and to Establish the Richard E. Van Reet, M.D. Memorial Scholarship Fund.--Approval was given to accept a \$10,000 gift from Mr. and Mrs. Leo M. Van Reet, El Paso, Texas, and to establish the Richard E. Van Reet, M.D. Memorial Scholarship Fund at The University of Texas at El Paso.

Income earned from the endowment will be used to provide an annual scholarship of \$750 or more to a worthy and qualified student from the College of Science with preference to students classified as pre-medical or doing research in the sciences.

22. U. T. El Paso: Authorization to Accept Transfer of Funds and to Establish the Sister Aloysius Williams Endowed Fund.--Authorization was given to accept a \$10,636 transfer of previously reported gifts from current restricted funds and to establish the Sister Aloysius Williams Endowed Fund at The University of Texas at El Paso.

Income earned from the endowment will be used to provide an annual lecturer of interest to the nursing community in El Paso, Texas.

23. U. T. San Antonio: Approval to Accept Transfer of Funds and to Establish The UTSA Library Endowment Fund.--Approval was given to accept a \$40,000 transfer of previously reported gifts from current restricted funds and to establish The UTSA Library Endowment Fund at The University of Texas at San Antonio.

Income earned from the endowment will be used for collection enrichment in the library.

24. U. T. Health Science Center - Dallas: Acceptance of Bequest from the Estate of Dennis Allen Guild, Dallas, Texas, and Establishment of the Dennis Allen Guild Research Fund.--The Board, upon recommendation of the Land and Investment Committee, accepted a bequest of \$41,712.82 composed of cash in the amount of \$29,012.82 and 500 shares of Carrington Laboratories, Inc. common stock valued at \$12,700 from the Estate of Dennis Allen Guild, Dallas, Texas, and established the Dennis Allen Guild Research Fund at The University of Texas Health Science Center at Dallas.

Income earned from the endowment will be used to fund research projects.

25. U. T. Health Science Center - Dallas: Robert S. Sternberg Endowment Fund - Redesignated as the Robert S. Sternberg Endowment Fund for Emergency Cardiac Care.--The Land and Investment Committee recommended and the Board redesignated the Robert S. Sternberg Endowment Fund as the Robert S. Sternberg Endowment Fund for Emergency Cardiac Care at The University of Texas Health Science Center at Dallas.

This redesignation was made in accordance with the donor's request.

26. U. T. Medical Branch - Galveston: Acceptance of Gift of Securities from Mr. and Mrs. W. H. Bauer, La Ward, Texas, and Establishment of the Bill and Louise Bauer Chair in Cancer Research and the Joseph H. Stjepceovich Scholarship/Loan Fund for Medical Students and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--Upon recommendation of the Land and Investment Committee, the Board accepted a gift of 5,000 shares of American National Insurance Company common stock valued at \$173,250 to be added to previously accepted cash gifts of \$800,000, plus interest, for a total of \$1,100,000 from Mr. and Mrs. W. H. Bauer, La Ward, Texas, and established the Bill and Louise Bauer Chair in Cancer Research with \$1,000,000

and the Joseph H. Stjepceovich Scholarship/Loan Fund for Medical Students with \$100,000 at The University of Texas Medical Branch at Galveston.

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.

27. U. T. Medical Branch - Galveston: J. F. Seinsheimer, Jr. and Jessie Lee Seinsheimer Lectureship in Otolaryngology - Acceptance of Additional Gifts from Mr. and Mrs. J. F. Seinsheimer, Jr., Galveston, Texas, and Redesignation as the J. F. Seinsheimer, Jr. and Jessie Lee Seinsheimer Professorship in Otolaryngology and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.-- The Board accepted 300 shares of Federated Department Stores common stock valued at \$25,122.50, 500 shares of Borg-Warner Corporation common stock valued at \$24,309.18, and 775 shares of Morton Thiokol, Inc. common stock valued at \$32,925.77, from Mr. and Mrs. J. F. Seinsheimer, Jr., Galveston, Texas, for a total addition of \$82,357.45 to the J. F. Seinsheimer, Jr. and Jessie Lee Seinsheimer Lectureship in Otolaryngology at The University of Texas Medical Branch at Galveston, for a total endowment of \$101,857.45, and redesignated the Lectureship as the J. F. Seinsheimer, Jr. and Jessie Lee Seinsheimer Professorship in Otolaryngology.

Further, the actual income which will be earned on the gift of \$82,357.45 will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I of the Texas Education Code.

28. U. T. Health Science Center - Houston: Approval to Accept Pledge from the President's Development Fund and to Establish the Allan King Professorship in Public Health.--Approval was given to accept a \$50,000 transfer of previously reported gifts from current restricted funds and a \$50,000 pledge from the President's Development Fund, payable by August 31, 1988, for a total endowment of \$100,000, and to establish the Allan King Professorship in Public Health at The University of Texas Health Science Center at Houston.

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

See Page 139 related to an appointment to this Professorship.

B. REAL ESTATE MATTERS

1. U. T. Arlington: C. J. and Clara Earle Student Scholarship and/or Loan Fund - Report of Sale of Two Cemetery Spaces Located at 2301 N. Sylvania Avenue, Rose Garden Section of Mount Olivet Cemetery, Fort Worth, Texas, to Mr. Billy Smith, Benbrook, Texas.--It was reported that the two cemetery spaces located at 2301 N. Sylvania Avenue (Plot #115, Spaces 5 and 6) in the Rose Garden Section of Mount Olivet Cemetery, Fort Worth, Texas, had been sold to Mr. Billy Smith, Benbrook, Texas, for \$900 less \$25 in transfer fees for a net amount of \$875. These cemetery spaces were accepted by the U. T. Board

of Regents at its December 1985 meeting from the Estate of Mary Elizabeth Earle Aucutt, Fort Worth, Texas. The net proceeds of the sale will go toward the C. J. and Clara Earle Student Scholarship and/or Loan Fund at The University of Texas at Arlington.

2. U. T. Austin: Archer M. Huntington Museum Fund - Authorization for Oil and Gas Lease Covering 545.16 Acres Out of the H. B. Littlefield Survey, A-143, Galveston County, Texas, to Cities Service Oil and Gas Corporation, Houston, Texas.--The Board authorized an oil and gas lease on 545.16 acres out of the H. B. Littlefield Survey, A-143, Galveston County, Texas, to Cities Service Oil and Gas Corporation, Houston, Texas. This mineral interest is held in trust as part of the Archer M. Huntington Museum Fund for The University of Texas at Austin. The three-year lease provides for a 1/5th royalty, a \$10 per acre rental with a bonus of \$75 per acre. Proceeds from this lease will be added to the Archer M. Huntington Museum Fund for support of the Archer M. Huntington Art Gallery.

3. U. T. El Paso: Josephine Clardy Fox Fund - Approval to Sell Real Estate Located at 5030-5040 East Paisano, El Paso, Texas, to Circle K Convenience Stores, Inc., Phoenix, Arizona.--Upon recommendation of the Land and Investment Committee, the Board approved the sale of real estate located at 5030-5040 East Paisano, El Paso, Texas, to Circle K Convenience Stores, Inc., Phoenix, Arizona, for \$170,000 less sales commission and survey costs. This property is held in trust as part of the Josephine Clardy Fox Fund for The University of Texas at El Paso. The five percent sales commission will be paid to Rogers & Belding, Inc., El Paso, Texas. The net proceeds from the sale of this property will be added to the Josephine Clardy Fox Fund for U. T. El Paso.

III. INTELLECTUAL PROPERTY

1. U. T. Board of Regents: Recommendation for Approval of Revisions to the Regents' Rules and Regulations, Part Two, Chapter V, Section 2.4 (Intellectual Property Policy) (Withdrawn).--The item related to proposed amendments to the Regents' Rules and Regulations, Part Two, Chapter V, Section 2.4 (Intellectual Property Policy) was withdrawn for consideration at a later date.

2. U. T. Arlington: Approval of Patent License Agreement with Humetrics Group, Fort Worth, Texas, Related to Human Performance Measurement and Assessment Technology.--The Board approved the patent license agreement set out on Pages 160 - 166 by and between The University of Texas at Arlington and Humetrics Group, Fort Worth, Texas, for technology relating to human performance measurement and assessment.

In return for the rights granted, the U. T. Board of Regents will receive a six percent (6%) royalty on sales of licensed products and one-half of the gross revenues received by Humetrics Group from any sublicensee. The Humetrics Group partners will further release the U. T. Board of Regents and U. T. Arlington from any claim for

a percentage of royalties paid to the Board notwithstanding the provisions of paragraph 2.4523 of the Regents' Rules and Regulations respecting a sharing of royalty with inventors of intellectual property.

The primary term of the license is fifteen (15) years or the life of the patent, whichever last expires. The license is terminable by The University of Texas System at any time after two (2) years from the effective date if Humetrics Group fails to produce royalty-bearing sales in any two (2) consecutive calendar quarters.

The terms and conditions of the agreement are consistent with the Intellectual Property Policy of The University of Texas System.

PATENT LICENSE AGREEMENT

THIS AGREEMENT is made by and between the BOARD OF REGENTS (BOARD) OF THE UNIVERSITY OF TEXAS SYSTEM (SYSTEM), an agency of the State of Texas, whose address is 201 West 7th Street, Austin, Texas 78701, and HUMETRICS GROUP (LICENSEE), a general partnership formed under the laws of the State of Texas and having a principal place of business located at 3828 Collingwood, Fort Worth, TX 76107.

W I T N E S S E T H:

Whereas BOARD owns certain PATENT RIGHTS and TECHNOLOGY RIGHTS related to LICENSED SUBJECT MATTER, which were developed at The University of Texas at Arlington, a component institution of The University of Texas System;

Whereas LICENSEE wishes to sponsor further research at The University of Texas at Arlington which is related to LICENSED SUBJECT MATTER;

Whereas BOARD desires to have the LICENSED SUBJECT MATTER developed and used for the benefit of LICENSEE, the inventor, BOARD, and the public as outlined in the Intellectual Property Policy promulgated by the BOARD; and

Whereas LICENSEE wishes to obtain a license from BOARD to practice LICENSED SUBJECT MATTER;

NOW, THEREFORE, in consideration of the mutual covenants and premises herein contained, the parties hereto agree as follows:

I. EFFECTIVE DATE

This agreement shall be effective as of September 1, 1987, subject to approval by BOARD.

II. DEFINITIONS

As used in this Agreement, the following terms shall have the meanings indicated:

2.1 LICENSED SUBJECT MATTER shall mean inventions and discoveries covered by PATENT RIGHTS or TECHNOLOGY RIGHTS within LICENSED FIELD.

2.2 PATENT RIGHTS shall mean BOARD'S rights in information or discoveries covered by patents and/or patent applications, whether domestic or foreign, and all divisions, continuations, continuations-in-part, reissues, reexaminations or extensions thereof, and any letters patent that issue thereon, which name Dr. George V. Kondraske as either sole or joint inventor and which relate to the manufacture, use or sale of equipment for measuring or assessing human performance.

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 acquisition, processing, or analysis of human performance measurements developed by Dr. Kondraske or his University staff 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 the field of human performance measurement and assessment.

2.5 LICENSED TERRITORY shall mean the United States of America.

2.6 LICENSED PRODUCT shall mean any product SOLD by LICENSEE which is covered by the license granted to LICENSEE under this Agreement.

2.7 SALE or SOLD shall mean the transfer or disposition of a LICENSED PRODUCT for value to a party other than LICENSEE or a SUBSIDIARY.

2.8 SUBSIDIARY shall mean any business entity more than 50% owned by LICENSEE, any business entity which owns more than 50% of LICENSEE, or any business entity that is more than 50% owned by a business entity that owns more than 50% of LICENSEE.

2.9 NET SALES shall mean the gross revenues received by LICENSEE from the SALE of LICENSED PRODUCTS less sales and/or use tax actually paid, import and/or export duties actually paid, outbound transportation prepaid or allowed, and amounts allowed or credited due to returns (not to exceed the original billing or invoice amount).

III. PREEXISTING RIGHTS

3.1 Except for the rights, if any, of the Government of the United States, as referred to below, BOARD believes 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.

3.2 LICENSEE understands that the LICENSED SUBJECT MATTER may have been developed under a funding agreement with the Government of the United States of America and, if so, that the Government may have certain rights relative thereto. This Agreement is explicitly made subject to the Government's rights under any such agreement and any applicable law or regulation. To the extent that there is a conflict between any such agreement, applicable law or regulation and this Agreement, the terms of such Government agreement, applicable law or regulation shall prevail.

IV. LICENSE

4.1 Subject to the provisions of paragraph 4.5 below, BOARD hereby grants to LICENSEE a royalty-bearing license under LICENSED SUBJECT MATTER to manufacture, have manufactured, and/or sell LICENSED PRODUCTS within LICENSED TERRITORY for use within LICENSED FIELD. This grant shall be subject to the payment by LICENSEE to BOARD of all consideration as provided in this Agreement, and shall be further subject to rights retained by BOARD to:

(a) Publish the general scientific findings from research related to LICENSED SUBJECT MATTER; and

(b) Use any information contained in LICENSED SUBJECT MATTER for research, teaching and other educationally-related purposes.

4.2 LICENSEE shall have the right to extend the license granted herein to any SUBSIDIARY provided that such SUBSIDIARY consents to be bound by this Agreement to the same extent as LICENSEE.

4.3 LICENSEE shall have the right to grant sublicenses consistent with this Agreement provided that LICENSEE shall be responsible for the operations of its sublicensee relevant to this Agreement as if such operations were carried out by LICENSEE, including the payment of royalties whether or not paid to LICENSEE by the sublicensee. LICENSEE further agrees to deliver to BOARD a true and correct copy of each sublicense granted by LICENSEE, and any modification or termination thereof, within thirty (30) days after execution, modification, or termination. Upon termination of this Agreement, any and all existing sublicenses granted by LICENSEE shall be assigned to BOARD.

4.4 BOARD shall have the right at any time after two (2) years from the date of this Agreement, to terminate the license granted herein if LICENSEE fails to produce royalty bearing SALES in any two (2) consecutive calendar quarters.

4.5 LICENSEE agrees not to introduce any product produced under or otherwise covered by the license granted herein into commerce until such time as:

- (A) Humetrics Group has been reorganized into a corporation registered to do business in the State of Texas, in which case this agreement shall be assigned in its entirety by the partners of Humetrics to such successor corporate entity; and
- (B) Such successor corporate entity has agreed to be bound to the other terms and conditions hereof to the same extent as LICENSEE.

V. PAYMENTS AND REPORTS

5.1. In consideration of rights granted by BOARD to LICENSEE under this Agreement, LICENSEE agrees to pay BOARD the following:

(a) A running royalty equal to six percent (6%) of NET SALES for LICENSED PRODUCTS:

(b) One half of the gross revenues received by LICENSEE from any sublicensee.

5.2 During the Term of this Agreement and for one (1) year thereafter, LICENSEE shall keep complete and accurate records of its and its sublicensee's SALES and NET SALES of LICENSED PRODUCTS under the license granted in this Agreement in sufficient detail to enable the royalties payable hereunder to be determined. LICENSEE shall permit BOARD or its representatives, at BOARD'S expense, to periodically examine its books, ledgers, and records during regular business hours for the purpose of and to the extent necessary to verify any report required under this Agreement. In the event that the amounts due to BOARD are determined to have been underpaid, LICENSEE shall pay the cost of such examination, and accrued interest at the highest allowable rate.

5.3 Within thirty (30) days after March 31, June 30, September 30, and December 31, LICENSEE shall deliver to BOARD a true and accurate report, giving such particulars of the business conducted by LICENSEE and its sublicensees, if any exist, during the preceding three (3) calendar months under this Agreement as are pertinent to an account for payments hereunder. Such report shall include at least (a) the quantities of LICENSED SUBJECT MATTER that it has produced; (b) the total SALES; (c) the calculation of royalties thereon; and (d) the total royalties so computed and due BOARD. Simultaneously with the delivery of each such report, LICENSEE shall pay to BOARD the amount, if any, due for the period of such report. If no payments are due, it shall be so reported.

5.4 Upon the request of BOARD but not more often than once per calendar year, LICENSEE shall deliver to BOARD written report as to LICENSEE'S efforts and accomplishments during the preceding year in commercializing LICENSED SUBJECT MATTER in various parts of the LICENSED TERRITORY and its commercialization plans for the upcoming year.

5.5 All amounts payable hereunder by LICENSEE shall be payable in United States funds without deductions for taxes, assessments, fees, or charges of any kind. Checks shall be made payable to BOARD OF REGENTS, The University of Texas System.

5.6 Within three (3) years from effective date, LICENSEE shall reimburse BOARD for all its out-of-pocket expenses thus far incurred in filing, prosecuting and enforcing PATENT RIGHTS exclusively licensed hereunder and all such future expenses incurred by SYSTEM for so long as and in such countries as its license remains exclusive.

5.7 Dr. George V. Kondraske and Travis Harrell hereby release the Board of Regents of The University of Texas System and The University of Texas at Arlington from any claim for a percentage of royalties paid to BOARD hereunder notwithstanding the provisions of paragraph 2.4523 of the Regents' Rules and Regulations respecting intellectual property.

VI. TERM AND TERMINATION

6.1 The Term of this Agreement shall extend from the Effective Date set forth hereinabove to the full end of the term or terms for which PATENT RIGHTS have not expired and if only TECHNOLOGY RIGHTS are licensed and no PATENT RIGHTS are applicable, for a term of fifteen (15) years.

6.2 This Agreement will earlier terminate:

(a) Automatically if LICENSEE shall 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; or

(b) Upon ninety (90) days written notice if LICENSEE shall breach or default on any obligation under this License Agreement; provided, however, LICENSEE may avoid such termination if before the end of such period LICENSEE notifies BOARD that such breach has been cured and states the manner of such cure; or

(c) Under the provisions of Paragraphs 4.4 or 4.5 if invoked; or

(d) Upon failure by LICENSEE to comply with the requirements of Paragraph 5.6.

6.3 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, LICENSEE may, after the effective date of such termination, sell all LICENSED PRODUCT and parts therefor that it may have on hand at the date of termination, provided that it pays earned royalty thereon as provided in this Agreement.

VII. INFRINGEMENT BY THIRD PARTIES

7.1 LICENSEE shall have the obligation of enforcing at its expense any patent exclusively licensed hereunder against infringement by third parties and shall be entitled to retain recovery from such enforcement. LICENSEE shall pay BOARD royalty on any monetary recovery 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 (6) months of knowledge thereof, then BOARD shall have the right to enforce any patent licensed hereunder on behalf of itself and LICENSEE and/or reduce the license granted hereunder to non-exclusive.

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

VIII. ASSIGNMENT

This Agreement may not be assigned by LICENSEE without the prior written consent of BOARD.

IX. PATENT MARKING

LICENSEE agrees to mark permanently and legibly all products and documentation manufactured or sold by it under this Agreement with such patent notice as may be permitted or required under Title 35, United States Code.

X. INDEMNIFICATION

LICENSEE shall hold harmless and indemnify BOARD, SYSTEM, UNIVERSITY, its Regents, officers, employees and agents from and against any claims, demands, or causes of action whatsoever, including without limitation those arising on account of any injury or death of persons or damage to property caused by, or arising out of, or resulting from, the exercise or practice of the license granted hereunder by LICENSEE or its officers, employees, agents or representatives.

XI. USE OF BOARD AND COMPONENT'S NAME

LICENSEE shall not use the name of UNIVERSITY, SYSTEM, BOARD or Regents without express written consent.

XII. CONFIDENTIAL INFORMATION

12.1 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 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.

12.2 Each party's obligation of confidence hereunder shall be fulfilled by using the at least same degree of care with the other party's confidential information it uses to protect its own confidential information. This obligation shall exist while this agreement is in force and for a period of three (3) years thereafter.

XIII. PATENTS AND INVENTIONS

13.1 Any invention or copyrightable work produced as a result of any research conducted of this agreement shall be the property of BOARD and shall fall within the scope of the license granted herein, subject to the payment of royalties.

13.2 In the event that an invention is conceived or reduced to practice during the term of this agreement by employees or agents of the BOARD, which invention relates to work under this agreement, BOARD agrees to report such invention to LICENSEE within sixty (60) days of the identification of such invention to the Patent Committee of UNIVERSITY. LICENSEE and BOARD will thereupon exert their best efforts in cooperation with each other to investigate, evaluate and determine to the mutual satisfaction of both parties whether any patent applications are to be filed.

13.3 If after consultation with LICENSEE it is agreed by BOARD and LICENSEE that a patent application should be filed, BOARD will prepare and file appropriate patent applications on inventions made during the course of the work under this agreement, and LICENSEE will pay the cost of filing and maintenance thereof. If LICENSEE notifies BOARD that it does not intend to pay the cost of an application, or if LICENSEE does not respond or make an effort to agree with BOARD on the disposition of rights to the invention, then BOARD may file such application at its own expense and LICENSEE shall have no rights to such invention. BOARD shall provide LICENSEE with a copy of the application filed for which LICENSEE has paid the cost of filing, as well as copies of any documents received or filed during prosecution thereof.

XIV. GENERAL

14.1 This Agreement constitutes the entire and only agreement between the parties for LICENSED SUBJECT MATTER and all other prior negotiations, representations, agreement, and understandings are superseded hereby. No agreements altering or supplementing the terms hereof may be made except by means of a written document signed by the duly authorized representatives of the parties.

14.2 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

or in the case of LICENSEE to:

Humetrics Group
3828 Collingwood
Fort Worth, TX 76107

ATTENTION: Dr. George V. Kondraske

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

14.3 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.

14.4 Failure of BOARD 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.

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

14.6 If any provision of this Agreement shall be found by a court to be void, invalid or unenforceable, the same shall be reformed to comply with applicable law or stricken if not so conformable, so as not to affect the validity or enforceability of this Agreement.

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

ATTEST:

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By Margaret Howell, Asst. Secy.
for Executive Secretary

By M. E. P. [Signature]

APPROVED AS TO FORM:

APPROVED AS TO CONTENT:

By [Signature]
Monty L. Ross
Office of General Counsel

By James P. Duncan
Dr. James P. Duncan

RECOMMENDED FOR APPROVAL:

HUMETRICS GROUP

By W. H. Nedderman
W. H. Nedderman

By: George V. Kondraske 7/16/87
Dr. George V. Kondraske

By: Travis Harrell
Travis Harrell

RECONVENE.--At 3:35 p.m., the Board reconvened as a committee of the whole to consider those items which were discussed earlier in Executive Session.

EXECUTIVE SESSION OF THE BOARD OF REGENTS

Chairman Blanton reported that the Board had met in Executive Session in the Regents' Conference Room 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 Blanton's inquiry regarding the wishes of the Board, the following actions were taken:

1. U. T. Medical Branch - Galveston: Settlement of Medical Malpractice Litigation - Mable Brooks, et al.--Regent Yzaguirre moved that the Office of the Chancellor and the Office of General Counsel be authorized to settle on behalf of The University of Texas Medical Branch at Galveston the medical malpractice lawsuit filed by Mable Brooks, et al, in accordance with the proposal presented in Executive Session.

Vice-Chairmen Ratliff and Roden seconded the motion which prevailed without objection.

2. U. T. System (Hogg Foundation for Mental Health) and U. T. Austin (Mike Hogg Fund): Authorization to Reject All Prior Offers to Purchase the Land and Improvements Located at 720 Fannin Street in Houston, Harris County, Texas, and Authorization for Office of Asset Management to Sell the Property at a Sealed Bid Sale.--Upon motion of Vice-Chairman Ratliff, seconded by Vice-Chairman Roden, the Board, on behalf of The University of Texas System and The University of Texas at Austin, rejected all prior offers to purchase the land and improvements located at 720 Fannin Street in Houston, Harris County, Texas, and authorized the Office of Asset Management to sell that property at a sealed bid sale according to the following guidelines:

- a. Minimum acceptable offer of \$1,200,000
- b. The land and improvements are to be sold in "as is" condition
- c. All cash sale with no contingencies to close within 90 days of the bid opening
- d. A sales commission of 3% will be paid to the buyer's agent by seller
- e. The Executive Vice Chancellor for Asset Management shall be authorized to execute all documents pertaining to the sale following review and approval by the Office of General Counsel

- f. The terms of the sale will be reported to the Board at a future meeting
 - g. Proceeds from the sale will be added to the Hogg Funds: 69% for the benefit of U. T. System (Hogg Foundation for Mental Health) and 31% for the benefit of U. T. Austin (Mike Hogg Fund).
3. U. T. Austin: Approval of Sale of 1.42 Acres Located at 2408 Sweetbrush (Scott House - Sweetbrush) in Austin, Travis County, Texas, to Mr. and Mrs. David Bland, Jr., Austin, Texas.--Vice-Chairman Ratliff moved that the Board, on behalf of The University of Texas at Austin, approve the sale of 1.42 acres located at 2408 Sweetbrush in Austin, Travis County, Texas, also known as "Scott House - Sweetbrush," to Mr. and Mrs. David Bland, Jr. of Austin, Texas, for \$500,500 cash.

Regent Beecherl seconded the motion which prevailed without objection.

A recommendation for use of the sale proceeds will be made to the Board at a future meeting.

4. U. T. Dallas: Authorization for Executive Vice Chancellor for Asset Management to Finalize Negotiations for the Sale of Land in Synergy Park to the Convex Computer Corporation, Dallas, Texas, and to Execute the Necessary Documents Related Thereto and Authorization for Senior Vice President to Execute Closing Statements.--Upon motion of Regent Beecherl, seconded by Regent Baldwin, the Board, on behalf of The University of Texas at Dallas:
- a. Authorized the Executive Vice Chancellor for Asset Management to finalize negotiations for the sale of land in Synergy Park to the Convex Computer Corporation, Dallas, Texas, pursuant to the parameters set in Executive Session and to execute the necessary documents after approval by the Office of General Counsel
 - b. Authorized the Senior Vice President of U. T. Dallas to execute the necessary closing statements.

Regent Beecherl, Chairman of the Special Committee on Endowment Lands in Collin and Dallas Counties, Texas, stated that in the future the Board should establish a policy that it will not sell the U. T. Dallas endowment lands but will lease those lands and requested that the administration bring such a policy recommendation to the Board for consideration at the October meeting.

5. U. T. San Antonio - Lutcher Center: Consideration of Negotiated Sale of Real Estate Located in Bexar County, Texas.--Chairman Blanton reported that the Board heard a report related to the negotiated sale of real estate (Lutcher Center) in Bexar County, Texas, on behalf of The University of Texas at San Antonio and that no action by the Board was necessary at this time.

FOUNDATION MATTERS

Ima Hogg Foundation, The Robertson-Poth Foundation, and Winedale Stagecoach Inn Fund: Election of Officers and Approval of Minutes.--In accordance with Section 5 of Chapter VII of Part One of the Regents' Rules and Regulations, the Board of Regents recessed its meeting to meet independently in its capacity as the Board of Trustees for the Ima Hogg Foundation, The Robertson-Poth Foundation and the Winedale Stagecoach Inn Fund for the purpose of electing officers and approving Minutes of the preceding meeting. The Minutes of these meetings and the officers elected at this meeting are recorded in the files of these foundations located in the Office of Investments and Trusts of the U. T. System Administration and in the Office of the Board of Regents.

REPORT OF BOARD FOR LEASE OF UNIVERSITY LANDS

Regent Yzaguirre, a member of the Board for Lease of University Lands, submitted the following report on behalf of that Board:

Report

The Board for Lease of University Lands met on Thursday, July 16, 1987, in Midland, Texas, and offered for lease 62,044 acres and awarded leases on 29,845 acres.

The acreage offered for lease was located in Crockett, Irion, Reagan, Schleicher and Upton Counties. The Board was encouraged with participation by several major companies and several small companies and independents.

Atlantic Richfield Company was the top bidder in the sale with a total high bonus of \$1,231,306 for 971 acres in Upton County. This included the high bid of \$809,912 on 323 acres for a per acre bonus of \$2,500.50. The second high bonus bid on this tract was \$76,126.

The total high bonuses received from the sale were \$3,973,097 and the average per acre bonus was \$136.79. All the tracts were leased for a one-fourth royalty and a five-year term.

The Board at its meeting announced a sale for October 29, 1987, at 1:00 p.m. in Midland, Texas, covering 19,088 acres located in Crane, Crockett, Irion, Reagan, Schleicher and Upton Counties. Minimum bonuses are from \$50 to \$300 per acre and all leases will carry a one-fourth royalty and five-year terms. Delay rentals are \$5.00 per acre to increase to \$10.00 per acre for the last two years of the lease term.

OTHER MATTERS

U. T. Board of Regents: Certificate of Appreciation to William C. Levin, M.D., President of The University of Texas Medical Branch at Galveston.--Chairman Blanton recognized Vice-Chairman Ratliff who noted Dr. William C. Levin's extraordinary role in the development of The University of Texas Medical Branch at Galveston -- academically, in health care innovation, in physical plant resources and in nurturing the community relationships so essential to the success of any campus. In recognition of Dr. Levin's many years of devoted service to The University of Texas System, Vice-Chairman Ratliff read and presented the following Certificate of Appreciation:

CERTIFICATE OF APPRECIATION

The Board of Regents
of
The University of Texas System

Expresses to

WILLIAM C. LEVIN, M.D.

Sincere Appreciation for His Leadership

and Distinguished Service as

President
of
The University of Texas Medical Branch at Galveston

1974 - 1987

Adopted by unanimous vote this 13th day of August 1987

(signed by all members of the Board)

Vice-Chairman Ratliff expressed the Board's best wishes to Dr. Levin as he returns on a part-time basis to academic medicine and patient care at the Medical Branch.

President Levin graciously accepted this accolade and expressed his sincere appreciation to the Board for the opportunity to serve The University of Texas System.

Chairman Blanton stated that Dr. Levin's thirteen years of distinguished leadership had given the U. T. Medical Branch - Galveston great momentum and noted that the accomplishments made during this period are impressive and staggering.

ITEM FOR THE RECORD

U. T. Board of Regents: Report of Membership - (1) Standing Committees, (2) Board for Lease of University Lands, (3) Special Committees, and (4) Other Regental Representatives.--Set forth below for the record are Chairman Blanton's appointments to Standing Committees, Board for Lease of University Lands, Special Committees and Other Liaison Responsibilities to be effective from June 1987 until the reorganization of the Board in 1989:

1. STANDING COMMITTEES

Executive Committee

Mr. Jack S. Blanton, Chairman
Mr. Shannon H. Ratliff, Vice-Chairman
Mr. Bill Roden, Vice-Chairman

Finance and Audit Committee

Mr. Bill Roden, Chairman
Mr. Sam Barshop
Mr. Louis A. Beecherl, Jr.

Academic Affairs Committee

Mr. Robert B. Baldwin III, Chairman
Mr. Louis A. Beecherl, Jr.
Mr. W. A. "Tex" Moncrief, Jr.

Health Affairs Committee

Mr. Mario Yzaguirre, Chairman
Mr. Sam Barshop
Mr. Jack S. Blanton
Mr. W. A. "Tex" Moncrief, Jr.

Buildings and Grounds Committee

Mr. Jess Hay, Chairman
Mr. Robert B. Baldwin III
Mr. Shannon H. Ratliff
Mr. Mario Yzaguirre

Land and Investment Committee

Mr. Shannon H. Ratliff, Chairman
Mr. Sam Barshop
Mr. Jess Hay
Mr. Bill Roden

2. BOARD FOR LEASE OF UNIVERSITY LANDS

Mr. Sam Barshop
Mr. Mario Yzaguirre

3. SPECIAL COMMITTEES

Endowment Lands - Collin County, Texas (U. T. Dallas)

Mr. Louis A. Beecherl, Jr., Chairman
Mr. Jess Hay
Mr. Shannon H. Ratliff

Joint Conference Committee of Board of Regents of The University of Texas System and Trustees of Hermann Hospital

Mr. Mario Yzaguirre, Chairman
Mr. Sam Barshop
Mr. Jack S. Blanton
Mr. W. A. "Tex" Moncrief, Jr.

Santa Rita Award

Mr. Jack S. Blanton, Chairman
Mr. Robert B. Baldwin III
Mr. Jess Hay
Mr. Mario Yzaguirre

4. REGENTAL REPRESENTATIVES

Association of Governing Boards

All Members of the Board of Regents

General Assembly of Inter-University Council - North Texas Region

Mr. Louis A. Beecherl, Jr.
Mr. Jess Hay

The University of Texas at Austin Development Board (Liaison)

Mr. Jack S. Blanton

Committee of Governing Boards, Texas Public Senior Colleges and Universities

Mr. Jack S. Blanton

Ex-Students' Association - The University of Texas at Austin (Liaison)

Mr. Shannon H. Ratliff

Joint Administrative Affairs Committee of Dallas County Hospital District (U. T. Health Science Center - Dallas)

Mr. Louis A. Beecherl, Jr.

Bexar County Hospital District, San Antonio, Texas (Liaison) (U. T. Health Science Center - San Antonio)

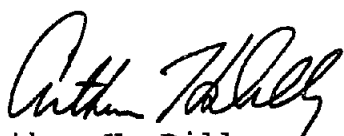
Mr. Sam Barshop

SCHEDULED MEETINGS.--It was ordered that the meetings of the U. T. Board of Regents for the calendar year 1988 be scheduled as set forth below:

<u>Dates</u>	<u>Locations/Hosts</u>
February 11, 1988	U. T. San Antonio
April 14, 1988	U. T. Medical Branch - Galveston
June 9, 1988	U. T. Austin
August 11, 1988	Austin (no host)
October 7, 1988	U. T. Arlington
December 1, 1988	U. T. El Paso

Chairman Blanton announced that the next meeting of the U. T. Board of Regents would be held on October 9, 1987, at The University of Texas at Dallas.

ADJOURNMENT.--There being no further business, the meeting was adjourned at 3:50 p.m.


Arthur H. Dilly
Executive Secretary

August 19, 1987