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August 1, 1969

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3a. Regents' Rules and Regulations, Part Two: Amendment to Chapter IX (Investments Trusts and Lands). --It is recommended by the Administration that the Regents' Rules and Regulations, Part Two, Chapter IX be amended to read as follows:

Sec. 1. Certain Specific Authorizations to the Vice-Chancellor for [EXECUTIVE DIRECTOR OF] Investments, Trusts and Lands and the Endowment Officer.

- 1.1 Authority to Sell, Assign, and Transfer Securities Held by the Permanent University Fund.--The Vice-Chancellor for [EXECUTIVE DIRECTOR OF] Investments, Trusts and Lands (or the Endowment Officer) and the Treasurer of the State of Texas (or the Acting Treasurer of the State of Texas) are jointly authorized to sell, assign, and transfer any and all of the bonds, stocks, notes, and other evidences of indebtedness and ownership of any description whatsoever owned by the Permanent University Fund of The University of Texas System (formerly the University of Texas) and registered in the name of "The University of Texas", "The University of Texas System", "The University of Texas for Permanent University Fund, a State Endowment Fund, Austin, Texas", "The University of Texas System for Permanent University Fund, a State Endowment Fund, Austin, Texas", "Permanent University Fund of The University of Texas", "Permanent University Fund of The University of Texas System", or in any other form of registration of such securities held for the account of the Permanent University Fund of The University of Texas System.
- 1.2. Authority to Sell, Assign, and Transfer Securities Held by the Board of Regents of The University of Texas System.--The Vice-Chancellor for [EXECUTIVE DIRECTOR OF] Investments, Trusts and Lands and/or the Endowment Officer are each authorized to sell, assign, and transfer any and all bonds, stocks, notes, and other evidences of indebtedness and ownership of any description whatsoever registered in the name of the Board of Regents of The University of Texas System (formerly the Board of Regents of The University of Texas) in whatever manner, including all fiduciary capacities, and including those registered in the names of trusts or foundations managed and controlled by said Board of Regents.
- 1.3. Authority to Execute Instruments Relating to Land and Mineral Interests.--The Chairman of the Board of Regents, the Vice-Chairman, and the Vice-Chancellor for [EXECUTIVE DIRECTOR OF] Investments, Trusts and Lands, 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 interests held or controlled by the Board of Regents of The University of Texas System as a part of the Permanent University Fund or as a part of any trust or special fund.

- 1.4 Authority to Receive and Collect Money and/or Property.-- The Vice-Chancellor for [EXECUTIVE DIRECTOR OF] Investments, Trusts and Lands and/or the Endowment Officer are each authorized and empowered to ask, demand, collect, recover and receive any and all sums of money, debts, dues, rights, property, effects, or demands whatsoever due, payable or belonging or that may become due, payable or belonging to any of the above funds, from any person or persons whatsoever, and to execute any and all necessary or proper receipts, releases, and discharges therefore.
- 1.5 Authority to Execute Proxies.--The Vice-Chancellor for [EXECUTIVE DIRECTOR OF] Investments, Trusts and Lands and/or the Endowment Officer are each authorized to execute proxies within the approved investment policies.

Sec. 2. Investment Policy for Permanent University Fund.--[THE FOLLOWING STATEMENT OF POLICIES WAS ADOPTED BY THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM ON MARCH 11, 1967, AS THE GOVERNING PRINCIPLES TO BE OBSERVED IN THE INVESTMENT OF FUNDS AND MANAGEMENT OF ASSETS OF THE PERMANENT UNIVERSITY FUND OF THE UNIVERSITY OF TEXAS SYSTEM. THIS STATEMENT OF POLICIES WAS INTENDED TO, AND DID, REPLACE ALL DECLARATIONS OF POLICY THERETOFORE ADOPTED BY SUCH BOARD. (PROVISIONS DESIGNATED * ARE REQUIRED BY THE SECTIONS 11 AND 11a, ARTICLE VII OF THE CONSTITUTION OF THE STATE OF TEXAS).]

2.1 Investments Authorized for Purchase.

- 2.11 Bonds of the United States, the State of Texas or counties of said State, or in school bonds of municipalities, or in bonds of any city of said State, or in bonds issued under and by virtue of the Federal Farm Loan Act approved by the President of the United States, July 17, 1916, and amendments, thereto.
- 2.12 Bonds or other obligations issued, insured, or [FIRST LIEN REAL ESTATE MORTGAGE SECURITIES] guaranteed in any manner [IN WHOLE] by the United States Government or any of its agencies [AGENCY THEREOF].
- 2.13 Bonds, debentures, or obligations, and preferred and common stocks issued by corporations, associations, or other institutions. [CORPORATION BONDS, PREFERRED STOCKS AND COMMON STOCKS]
- [2.14 BONDS ISSUED BY CORPORATIONS OPERATED AS INSTRUMENTALITIES OF THE UNITED STATES GOVERNMENT (WHICH SHALL BE CONSIDERED AS FALLING WITHIN THE CLASSIFICATION SET OUT IN PARAGRAPH 2.13 ABOVE.)]
- 2.14 [2.15] Convertible securities, of all kinds, issued by corporations on the approved list. [APPROVED LIST "A", PROVIDED ADVANCE APPROVAL IS OBTAINED FROM THE CHAIRMAN OF THE LAND AND INVESTMENT COMMITTEE, OR IN THE EVENT OF HIS UNAVAILABILITY, THE CHAIRMAN OF THE BOARD, PLUS ANY TWO OTHER MEMBERS OF THE BOARD.]

2.2 Standards as to Quality.

2.21 Corporate Stocks:

- 2.211 Stocks eligible for purchase shall be restricted to stocks of companies incorporated within the United States which have paid dividends for five (5) [TEN (10)] consecutive years or longer immediately prior to the date of purchase.
- 2.212 Except for bank and insurance shares, stock must be listed upon an exchange registered with the Securities and Exchange Commission or its successors.
- 2.213 To be eligible for purchase, preferred and common stocks and convertible securities must be issued by corporations that have been formally approved by the Board of Regents.

- 2.22 Corporate Bonds: Corporate Bonds must be rated "A" or better by a nationally recognized rating service [MOODY'S OR STANDARD & POOR'S]. Bonds offered by private placement, or which for other reasons are not rated by such agencies, may be purchased if they bear a rating of equivalent quality by the University's Investment Counsel. Convertible debentures issued by companies on the approved list shall not be subject to this rating requirement.
- 2.23 FHA Mortgage Loans:
- 2.231 Loan Standards:
- 2.2311 The security for the loans shall be single family, owner occupied residences of good design and construction, in good condition, and comparable in value to other homes in the neighborhood.
- 2.2312 Borrower must have a good credit rating and have adequate income to support the loan.
- 2.2313 Loans shall be for \$10,000 or more and shall be fully insured by the FHA to the maximum extent permitted under the law.
- 2.2314 Title and hazard insurance policies, written by companies acceptable to the Board of Regents, shall be furnished with respect to each loan purchased. Hazard insurance policies must be written by companies having a Best's rating of A-BBB or better.
- 2.2315 No loan shall be purchased from any Seller-servicer until a formal contract has been entered into with such Seller-servicer on a form approved by the Board of Regents.
- 2.232 Minimum standards for Seller-servicers from which FHA loans are purchased:
- 2.2321 The Seller-servicer must be an approved FHA Mortgagee, and must have satisfactory credit rating, and an unimpaired capital and surplus of at least \$250,000.
- 2.2322 It must have been actively engaged for at least five years in the mortgage loan business, and except for commercial banks the mortgage loan business must be its principal business, and must have a capable and experienced organization, together with the necessary equipment to furnish timely accountings on a block basis.
- 2.2323 It must be servicing at least \$25,000,000 of loans, and its clients (other than Federal National Mortgage Association) must include at least three institutional investors, and must have a capability of producing not less than \$1,000,000 per year in FHA loans.
- 2.2324 It must carry a Mortgage Bankers Blanket Bond in an amount not less than \$250,000.

- 2.233 Implementation of FHA Mortgage Loan purchase program: The Vice-Chancellor for EXECUTIVE DIRECTOR OF Investments, Trusts and Lands and/or the Endowment Officer, are each authorized:
- 2.2331 To recommend the Seller-servicers with which Purchase and Servicing Agreements should be made, and after approval by the Board of Regents, to execute the Purchase and Servicing Agreements on the approved forms.
- 2.2332 To perform such acts and execute such documents as may be necessary from time to time in carrying out the provisions of any such Purchase and Servicing Agreement, including authority to accept or reject loans tendered under such agreements, to execute releases of the liens securing any loan or loans when paid in full, and to execute assignments of any notes and liens when appropriate to do so.
- 2.2333 To take any and all steps as may be considered necessary or advisable to protect the interest of the Permanent University Fund in event of default occurring with respect to any FHA Insured First Mortgage note held by such Fund. Not by way of limitation, but by way of illustration only, such authority shall include power to acquire title on behalf of the Board of Regents to the property securing any such note, by Trustees sale, foreclosure, or otherwise; to execute on behalf of the Board of Regents the necessary deeds conveying the properties so acquired to the Federal Housing Administration; to handle any properties so acquired pending conveyance to the Federal Housing Administration; and to incur and pay such reasonable expenses as may be necessary in the acquisition and care of any such properties.

2.3 Diversification.

- 2.31 NOT MORE THAN 50% OF THE PERMANENT UNIVERSITY FUND SHALL BE INVESTED AT ANY GIVEN TIME IN CORPORATION BONDS, PREFERRED STOCKS AND COMMON STOCKS (DESCRIBED IN PARAGRAPHS 2.13 AND 2.14 ABOVE).
- 2.32 THE BALANCE OF THE FUND NOT INVESTED AS PROVIDED IN PARAGRAPH 2.31 ABOVE SHALL BE INVESTED IN THOSE SECURITIES DESCRIBED IN PARAGRAPHS 2.11 AND 2.12.]
- 2.31 2.33 Not more than 5% of the voting stock of any one (1) corporation shall be owned at any given time by the Permanent University Fund.
- 2.32 2.34 Not more than 1% of the book value of the Permanent University Fund shall be invested at any given time in securities issued by any one (1) corporation.
- 2.35 THE PERCENTAGE LIMITATIONS SET OUT IN PARAGRAPHS 2.31 AND 2.34 ABOVE RELATE TO BOOK VALUES OF THE PERMANENT UNIVERSITY FUND.]

2.4 Standard of Care.

- 2.41 Prudent Man Rule: In making or retaining each and all investments for the Permanent University Fund, and in

the management, purchase, and sale of such investments from time to time, there shall be exercised the judgment and care under the circumstances then prevailing that men of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital.

2.42 Consistent with the foregoing it is contemplated that:

2.421 Investment of funds in corporate securities shall be reasonably diversified among the various industries operating in our economy, and among the outstanding corporations operating within the respective industry groups.

2.422 Ours is a dynamic and ever-changing economy. Therefore, a proper observance of the Prudent Man Rule requires that changes be made in the diversification of the Fund from time to time as conditions change the earnings outlook or the relative market level for a particular company. Accordingly, in keeping with the duty to be prudent, purchases and sales of Fund assets shall be made from time to time when circumstances dictate the prudence of doing so.

2.423 WITH A MONTHLY INFLOW OF FUNDS AVAILABLE FOR INVESTMENT, AN OPPORTUNITY IS AFFORDED TO PURCHASE INVESTMENTS IN EACH MONTH OF EVERY YEAR, THUS PROVIDING THE PERMANENT UNIVERSITY FUND WITH A REASONABLE DOLLAR COST AVERAGING EXPERIENCE.]

2.5 Policies with Respect to Stock Rights, Fractional Shares, and Proxies.

2.51 As a general rule, stock rights received are to be exercised. In each instance, exercise or sale of the rights is to be made at the discretion of the Vice-Chancellor for [EXECUTIVE DIRECTOR OF] Investments, Trusts and Lands [, AFTER CONSULTATION WITH THE STAFF INVESTMENT COMMITTEE].

2.52 As a general rule, fractional shares received from stock dividends, etc., are to be sold. In each instance, the decision to round out fractional shares or to sell will be made by the Vice-Chancellor for [EXECUTIVE DIRECTOR OF] Investments, Trusts and Lands [, AFTER CONSULTATION WITH THE STAFF INVESTMENT COMMITTEE].

2.53 With few exceptions, voting stocks held are to be voted by returning proxies to present management. Exceptions require approval of the Board of Regents.

2.6 Implementation of Policies.

2.61 Approved List. A list of companies whose stocks are considered suitable for purchase or retention shall, after consultation with the Staff Investment Committee, the Investment Counsel, and the Investment Advisory Committee, be submitted by the Vice-Chancellor for Investments, Trusts and Lands for approval by the Board of Regents through the Regents' Land and Investment Committee. In similar manner, recommendations regarding additions to and deletions from such list shall be submitted for the Regents' approval.

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2.62 Authority regarding purchase and sale of securities.
Within the limitations of these Rules and Regulations,
the Vice-Chancellor for Investments, Trusts and Lands
is authorized to buy, sell or exchange, from time to
time, securities issued by the companies within the
approved list.

2.63 Exchange of Bonds. The Vice-Chancellor for Investments,
Trusts and Lands is authorized to exchange bonds owned
from time to time, on a par for par basis (with such
cash adjustments as may be required for other eligible
bonds or obligations. In any such exchange the cost
of the bonds exchanged out (plus or minus the cash
adjustment involved) shall be carried forward as the
cost of the bonds or obligations acquired, even though
the sale and purchase may be effected through different
brokers.

TWO APPROVED LISTS.--TWO LISTS OF COMPANIES WHOSE STOCKS
ARE CONSIDERED SUITABLE FOR PURCHASE OR RETENTION SHALL,
AFTER CONSULTATION WITH THE STAFF INVESTMENT COMMITTEE,
THE INVESTMENT COUNSEL, AND THE INVESTMENT ADVISORY
COMMITTEE, BE SUBMITTED BY THE EXECUTIVE DIRECTOR OF
INVESTMENTS, TRUSTS AND LANDS FOR APPROVAL BY THE BOARD
OF REGENTS THROUGH THE REGENTS' LAND AND INVESTMENT
COMMITTEE:

2.611 LIST "A" SHALL CONSIST OF THOSE COMPANIES
WHOSE STOCKS ARE APPROVED FOR PURCHASE.

2.612 LIST "B" SHALL CONSIST OF THOSE COMPANIES
WHOSE STOCKS ARE APPROVED FOR RETENTION ONLY.

2.62 RECOMMENDATIONS RE DIVERSIFICATION.--ANNUALLY, AND AT
SUCH OFTEN INTERVALS AS MAY BE CONSIDERED ADVISABLE,
THE EXECUTIVE DIRECTOR OF INVESTMENTS, TRUSTS AND LANDS,
AFTER CONSULTATION WITH THE STAFF INVESTMENT COMMITTEE,
THE INVESTMENT COUNSEL, AND THE INVESTMENT ADVISORY
COMMITTEE (WHERE POSSIBLE), SHALL RECOMMEND FOR APPROVAL
BY THE BOARD OF REGENTS THROUGH THE REGENTS' LAND AND
INVESTMENT COMMITTEE:

2.621 THE PERCENTAGE OF NEW MONIES WHICH SHALL,
DURING THE ENSUING PERIOD, BE INVESTED
IN FIXED INCOME SECURITIES AND IN COMMON
STOCKS.

2.622 THE PERCENTAGE OF NEW COMMON STOCK MONIES
TO BE INVESTED IN THE VARIOUS INDUSTRY GROUPS.

THE BASIS APPROVED BY THE BOARD OF REGENTS SHALL BE THE
GUIDELINES FOR THE EXECUTIVE DIRECTOR OF INVESTMENTS,
TRUSTS AND LANDS TO FOLLOW IN THE INVESTMENT OF FUNDS
UNTIL THE GUIDELINES ARE CHANGED BY SUBSEQUENT ACTION
BY THE BOARD OF REGENTS.

2.63 AUTHORITY RE PURCHASE OF SECURITIES.--WITHIN THE RE-
VISED POLICIES AND IN CONFORMANCE WITH PARAGRAPHS 2.61
AND 2.62 ABOVE, IT SHALL BE THE RESPONSIBILITY OF THE
EXECUTIVE DIRECTOR OF INVESTMENTS, TRUSTS AND LANDS,
AFTER CONSULTATION WITH THE STAFF INVESTMENT COMMITTEE
AND INVESTMENT COUNSEL:

2.631 TO DETERMINE THE STOCKS TO BE PURCHASED FROM
TIME TO TIME AND THE TIMING OF THE PURCHASES
MADE.

2.632 TO DETERMINE THE BONDS TO BE PURCHASED FROM
TIME TO TIME AND THE TIMING OF THE PURCHASES
MADE.

2.633 TO EXECUTE ALL PURCHASES OF SECURITIES.

2.64 AUTHORITY RE SALE OF SECURITIES.--AFTER CONSULTING
WITH THE STAFF INVESTMENT COMMITTEE AND INVESTMENT
COUNSEL, THE EXECUTIVE DIRECTOR OF INVESTMENTS, TRUSTS,
AND LANDS IS AUTHORIZED:

2.641 TO SELL STOCKS FROM TIME TO TIME FROM LIST "B".
2.642 AFTER OBTAINING THE FURTHER APPROVAL OF THE CHAIRMAN OF THE LAND AND INVESTMENT COMMITTEE, OR IN THE EVENT OF HIS UNAVAILABILITY, THE CHAIRMAN OF THE BOARD, PLUS ANY TWO OTHER MEMBERS OF THE BOARD, TO SELL ANY OTHER SECURITIES AND PARTICULARLY TO SELL STOCKS FROM TIME TO TIME FROM LIST "A" FOR THE PURPOSE OF REINVESTING THE PROCEEDS IN CONVERTIBLE SECURITIES ISSUED BY THE COMPANY WHOSE STOCK IS SOLD; AND TO SELL OR CONVERT ANY CONVERTIBLE SECURITIES HEREAFTER ACQUIRED.]

2.64 [2.65] Advice of Investment Advisory Committee.--The Vice-Chancellor for [EXECUTIVE DIRECTOR OF] Investments, Trusts and Lands shall seek the advice and counsel of the Investment Advisory Committee at its regular quarterly meetings on all of the major matters involving the Permanent University Fund [, AND PARTICULARLY ON THE MATTERS SET OUT IN PARAGRAPHS 2.61 AND 2.62 ABOVE].

2.65 /2.66/ Reports of purchases, sales, and exchanges of investments.--All purchases, sales, and exchanges of investments shall be reported [BY THE EXECUTIVE DIRECTOR OF INVESTMENTS, TRUSTS AND LANDS] for ratification by the Board of Regents through the Regents' Land and Investment Committee at each meeting of the Board.

Sec. 3. Investment Policy for Trust and Special Funds.

3.1 Investments authorized for purchase:

3.11 Unless otherwise limited by the terms of the instrument by which the fund was created, trust and special funds under the control of the Board of Regents shall be invested and reinvested in such securities and investments as are permitted by the Texas Trust Act as legal investments for funds held by trustees.

3.12 Except as broadened by the foregoing Section 3.11, the general statement of policies outlined in Section 2 with respect to the Permanent University Fund shall likewise apply to the investment and management of any trust or special funds under the control of the Board of Regents.

3.2 Implementation of Policies.--The provisions of Section 2.6 with respect to the implementation of policies for the investment and management of the Permanent University Fund shall likewise apply to trust and special funds, provided that approval of the Board of Regents shall be required before any stock is purchased which is not on the approved list [A].

Sec. 4. Investment Policy for Common Trust Fund.--The policies for the investment and management of funds for The University of Texas System Common Trust Fund shall be the same as those outlined in Section 3 with respect to trust and special funds.

Sec. 5. Staff Investment Committee.

5.1 Membership.--The Staff Investment Committee shall consist of the Vice-Chancellor for [EXECUTIVE DIRECTOR OF] Investments, Trusts and Lands, the Endowment Officer, the Senior Investment Officer, the Investment Officer, the Mortgage Loan Officer [ASSISTANT TO THE ENDOWMENT OFFICER], and such other members as may be designated from time to time by the Vice-Chancellor for [EXECUTIVE DIRECTOR OF] Investments, Trusts and Lands.

5.2 Duties.--The Staff Investment Committee shall cooperate and advise with the Vice-Chancellor for [EXECUTIVE DIRECTOR OF] Investments, Trusts and Lands on matters relating to the management of investments for which he is responsible.

Sec. 6. Investment Advisory Committee.--To assist and advise with the Vice-Chancellor for [EXECUTIVE DIRECTOR OF] Investments, Trusts and Lands on matters relating to the management of investments for which he is responsible, the Investment Advisory Committee, heretofore established, shall be continued. The following rules shall apply to such Committee:

- 6.1 Membership.--The four members of the Committee shall be selected because of their particular qualifications and experience in the field of investments, with primary emphasis being placed on their experience in bond and corporate stock investments.
- 6.2 Selection Procedure.--Appointments to such Committee shall be made by the Board of Regents after recommendation by the Vice-Chancellor for [EXECUTIVE DIRECTOR OF] Investments, Trusts and Lands.
- 6.3 Term of Office and Compensation.--Each member shall serve a four year term on a rotating basis, with the term of one member expiring each August 31, and shall be compensated at the rate of \$100 per meeting attended.
- 6.4 Meetings.--Meetings shall be held quarterly and at such other dates as may be considered advisable by the Vice-Chancellor for [EXECUTIVE DIRECTOR OF] Investments, Trusts and Lands.

Sec. 7. Brokerage Firms.

- 7.1 Approved List.--Normal purchase and sale transactions shall be effected through firms that have been approved by the Board of Regents after recommendation by the Vice-Chancellor for [EXECUTIVE DIRECTOR OF] Investments, Trusts and Lands.
- 7.2 Unlisted Securities.--Purchases and sales will generally be effected through brokers on the approved list. Where the best interests of The University of Texas System seem to require it, such transactions may be effected through such broker or brokers as the Vice-Chancellor for [EXECUTIVE DIRECTOR OF] Investments, Trusts and Lands may select. [ANY SUCH PURCHASE OR SALE FROM A BROKER NOT ON THE APPROVED LIST WILL BE REPORTED PROMPTLY IN WRITING TO THE BOARD OF REGENTS TOGETHER WITH A STATEMENT OF REASONS THEREFOR.]
- 7.3 Block Transactions.--Block purchases and sales will generally be effected through brokers on the approved list. Where the best interests of The University of Texas System seem to require it, such transactions may be effected through such broker or brokers as the Vice-Chancellor for [EXECUTIVE DIRECTOR OF] Investments, Trusts and Lands may select. [ANY SUCH PURCHASE OR SALE FROM A BROKER NOT ON THE APPROVED LIST WILL BE REPORTED PROMPTLY IN WRITING TO THE BOARD OF REGENTS TOGETHER WITH A STATEMENT OF REASONS THEREFOR.]

OFFICE OF INVESTMENTS, TRUSTS AND LANDS · THE UNIVERSITY OF TEXAS SYSTEM

DATE: August 21, 1968


TO : Miss Betty Anne Thedford, Secretary, Board of Regents

FROM : Floyd O. Shelton, Executive Director

SUBJECT: _____

Attached are proposed amendments to the Regents' Rules and Regulations. As indicated, the proposed amendments reflect action heretofore taken by the Regents.

Presume it will be in order for you to include this in Committee of the Whole material for the September 20-21 meeting.



Floyd O. Shelton

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Attachment

OFFICE MEMORANDUM

1. Regents' Rules and Regulations, Part Two: Amendments to Chapter IX, Sections 2.1, 2.2 and 2.6. --The Executive Director of Investments, Trusts and Lands recommends the adoption of the amendments hereafter set out, which reflect the action heretofore taken by the Board at meetings held July 28, 1967, May 31, 1968, and July 26, 1968.

2.1 "Investments Authorized for Purchase", is amended by adding the following subsection thereto:

2.15 Convertible securities, of all kinds, issued by corporations on Approved List "A", provided advance approval is obtained from the Chairman of the Land and Investment Committee, or in the event of his unavailability, the Chairman of the Board, plus any two other members of the Board.

2.2 "Standards as to Quality" is amended by adding the following subsections thereto:

2.23 FHA Mortgage Loans:

2.231 Loan Standards:

2.2311 The security for the loans shall be single family, owner occupied residences of good design and construction, in good condition, and comparable in value to other homes in the neighborhood.

2.2312 Borrower must have a good credit rating and have adequate income to support the loan.

2.2313 Loans shall be for \$10,000 or more and shall be fully insured by the FHA to the maximum extent permitted under the law.

2.2314 Title and hazard insurance policies, written by companies acceptable to the Board of Regents, shall be furnished with respect to each loan purchased. Hazard insurance policies must be written by companies having a Best's rating of A-BBB or better.

2.2315 No loan shall be purchased from any Seller-servicer until a formal contract has been entered into with such Seller-servicer on a form approved by the Board of Regents.

2.232 Minimum standards for Seller-servicers from which FHA loans are purchased:

2.2321 The Seller-servicer must be an approved FHA Mortgagee, and must have satisfactory credit rating, and an unimpaired capital and surplus of at least \$250,000.

2.2322 It must have been actively engaged for at least five years in the mortgage loan business, and, except for commercial banks, the mortgage loan business must be its principal business, and must have a capable and experienced organization, together with the necessary equipment to furnish timely accountings on a block basis.

2.2323 It must be servicing at least \$25,000,000 of loans, and its clients (other than Federal National Mortgage Association) must include at least three institutional investors, and must have a capability of producing not less than \$1,000,000 per year in FHA loans.

2.2324 It must carry a Mortgage Bankers Blanket Bond in an amount not less than \$250,000.

2.233 Implementation of FHA Mortgage Loan purchase program: The Executive Director of Investments, Trusts and Lands and/or the Endowment Officer, are each authorized:

2.2331 To recommend the Seller-servicers with which Purchase and Servicing Agreements should be made, and, after approval by the Board of Regents, to execute the Purchase and Servicing Agreements on the approved forms.

- 2.2332 To perform such acts and execute such documents as may be necessary from time to time in carrying out the provisions of any such Purchase and Servicing Agreement, including authority to accept or reject loans tendered under such agreements, to execute releases of the liens securing any loan or loans when paid in full, and to execute assignments of any notes and liens when appropriate to do so.
- 2.2333 To take any and all steps as may be considered necessary or advisable to protect the interests of the Permanent University Fund in event of default occurring with respect to any FHA Insured First Mortgage note held by such Fund. Not by way of limitation, but by way of illustration only, such authority shall include power to acquire title on behalf of the Board of Regents to the property securing any such note, by Trustees sale, foreclosure, or otherwise; to execute on behalf of the Board of Regents the necessary deeds conveying the properties so acquired to the Federal Housing Administration; to handle any properties so acquired pending conveyance to the Federal Housing Administration; and to incur and pay such reasonable expenses as may be necessary in the acquisition and care of any such properties.

2.6 "Implementation of Policies", is amended as follows:

2.64 Authority re sale of securities.--After consulting with the Staff Investment Committee and Investment Counsel, the Executive Director of Investments, Trusts and Lands is authorized:

2.641 To sell stocks from time to time from List "B";

2.642 After obtaining the further approval of the Chairman of the Land and Investment Committee, or in the event of his unavailability, the Chairman of the Board, plus any two other members of the Board, to sell stocks from time to time from List "A" for the purpose of reinvesting the proceeds in convertible securities issued by the company whose stock is sold; and to sell or convert any convertible securities hereafter acquired.

2.64 has heretofore read as follows:

2.64 Authority re sale of securities.--It is contemplated that from time to time the best interests of The University of Texas System and the Permanent University Fund may best be served by the sale of certain securities (stocks or bonds), and the reinvestment of the proceeds in other securities (whether similar or dissimilar). It is likewise contemplated that some such sales may be advisable even though they might result in some loss in book value of the Fund. In any such transaction, it is recognized that time is of importance. A requirement that such sale or exchange transactions be first approved at a meeting of the Board of Regents would be impractical because of the time involved in obtaining such approval. Accordingly, the Executive Director of Investments, Trusts and Lands, after consultation with the Staff Investment Committee and Investment Counsel and the approval of at least five members of the Board of Regents (whose vote may be obtained by telephone), is hereby authorized.

2.641 To sell stocks from time to time from List "B" and effect delivery thereto to the purchaser or purchasers.

2.642 With the proceeds of any such sale or sales, to purchase other securities (stocks or bonds authorized for purchase under the revised policies), even though the investment so made may represent some deviation from the general investment pattern authorized as set out in paragraph 2.62 above.