TABLE OF CONTENTS FOR FINANCE AND PLANNING COMMITTEE

Committee Meeting: 8/21/2013

Board Meeting: 8/22/2013
Austin, Texas

Paul L. Foster, Chairman
Alex M. Cranberg
Wallace L. Hall, Jr.
Jeffery D. Hildebrand
Brenda Pejovich

1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration

The proposed Consent Agenda is located at the back of the book.

2. U. T. System: Key Financial Indicators Report and Monthly Financial Report

INTRODUCTION

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Key Financial Indicators Report, as set forth on Pages 55 - 62 and the June Monthly Financial Report on Pages 63 - 87. The reports represent the consolidated and individual operating detail of the U. T. System institutions.

REPORT

The Key Financial Indicators Report compares the Systemwide quarterly results of operations, key revenues and expenses, reserves, and key financial ratios in a graphical presentation from Fiscal Year 2009 through May 2013. Ratios requiring balance sheet data are provided for Fiscal Year 2008 through Fiscal Year 2012.

THE UNIVERSITY OF TEXAS SYSTEM

KEY FINANCIAL INDICATORS REPORT

3RD QUARTER FY 2013

KEY

Actual Annual Amounts
(SOURCE: Annual Financial Reports)

Adjustment to Actual Annual Amounts to exclude the Increase in Net OPEB Obligation
(SOURCE: Annual Financial Reports)

Budget amounts
(SOURCE: Operating Budget Summary)

Projected Amounts based on the average change of the previous three years of data

Monthly Financial Report Year-to-Date Amounts

Annual State Net Revenue Collections
(SOURCE: Texas Revenue History by Source and Texas Net Revenue by Source, State Comptroller's Office)

Year-to-Date State Net Revenue Collections
(SOURCE: State Comptroller's Office)

Estimated State Revenue Collections
(SOURCE: Biennial Revenue Estimate, State Comptroller's Office)

Annual and Quarterly Average of FTEs
(SOURCE: State Auditor's Office Quarterly FTE Report)

Year-to-Date Margin
(SOURCE: Monthly Financial Report)

Projected Amounts based on Monthly Financial Report

Year-to-Date Margin
(SOURCE: Monthly Financial Report)

Target Normalized Rates

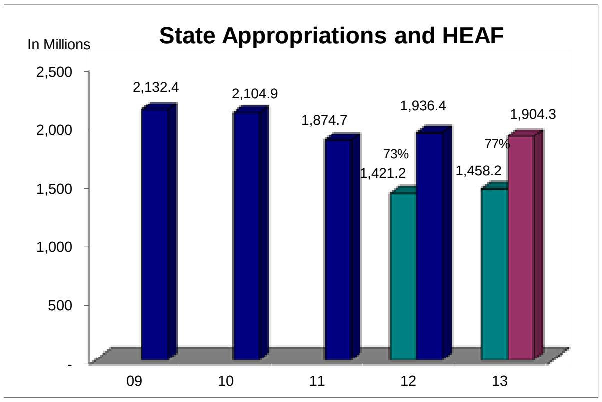
Aaa Median
(SOURCE: Moody's)

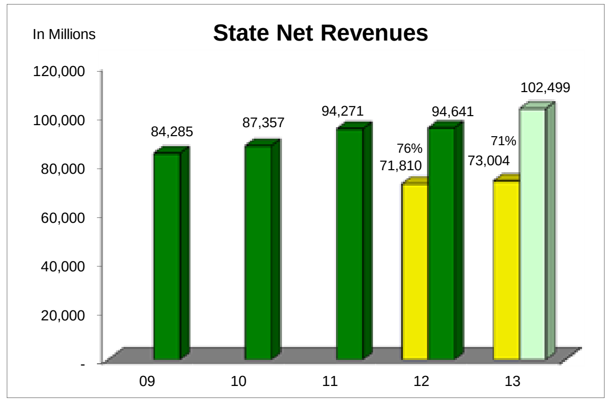
A2 Median
(SOURCE: Moody's)

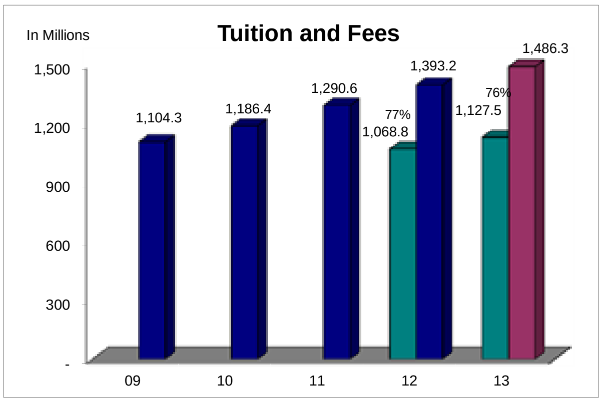
Good Facilities Condition Index (Below 5%)

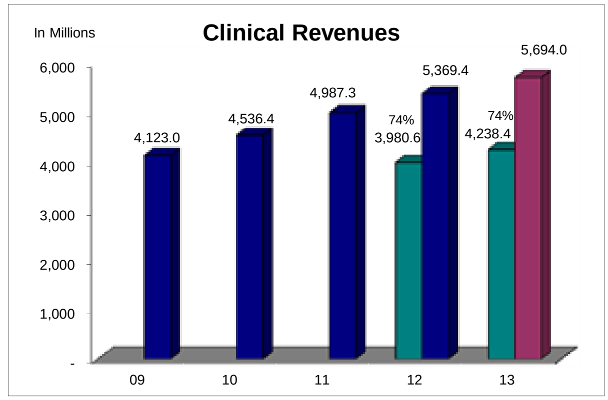
Fair Facilities Condition Index (5% - 10%)

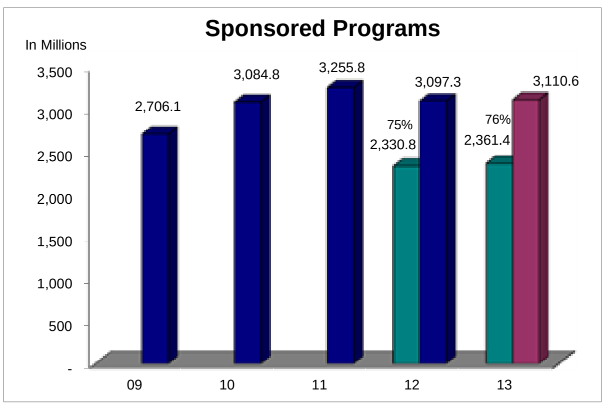
KEY INDICATORS OF REVENUES
ACTUAL 2009 THROUGH 2012
PROJECTED 2013
YEAR-TO-DATE 2012 AND 2013 FROM MAY MONTHLY FINANCIAL REPORT

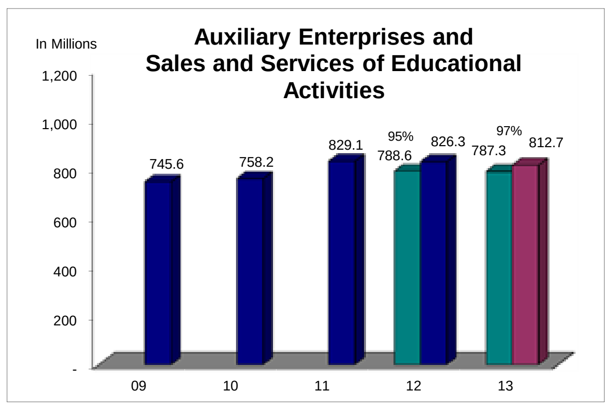


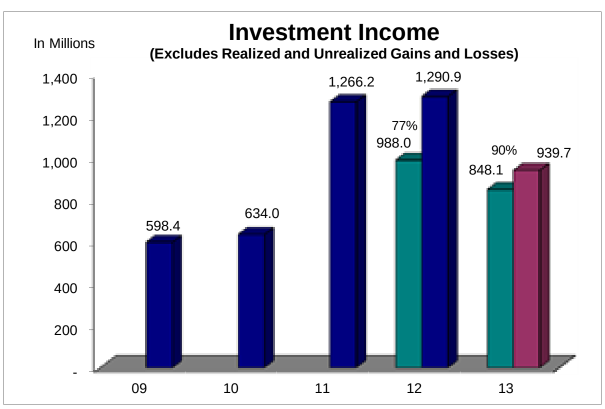


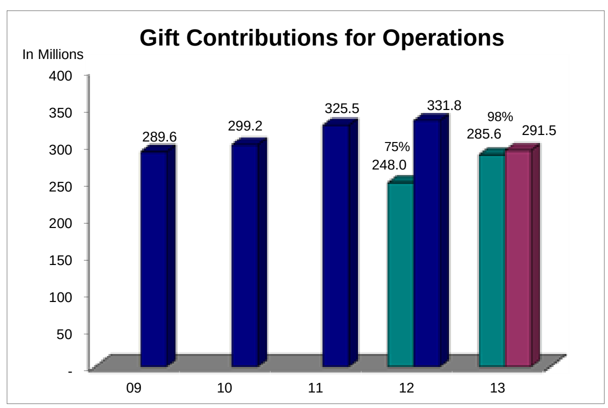




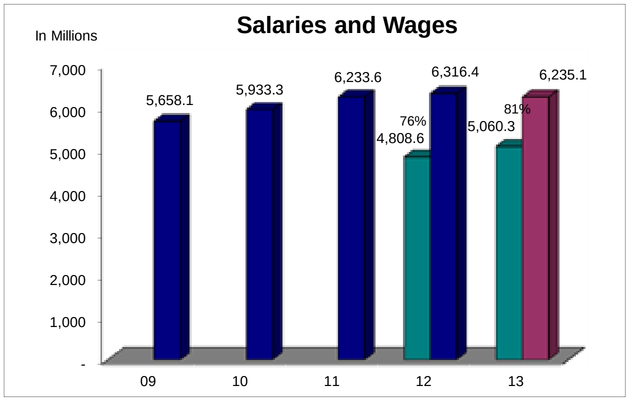


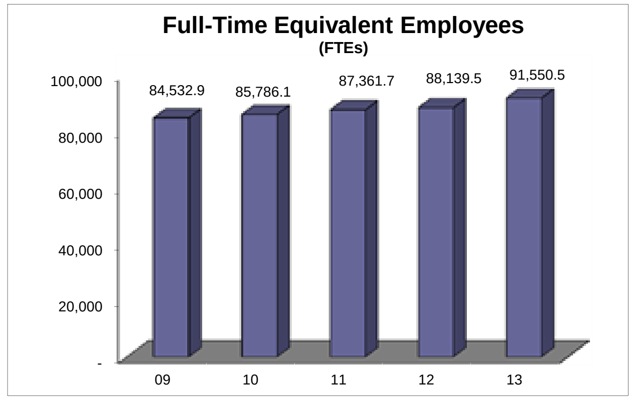


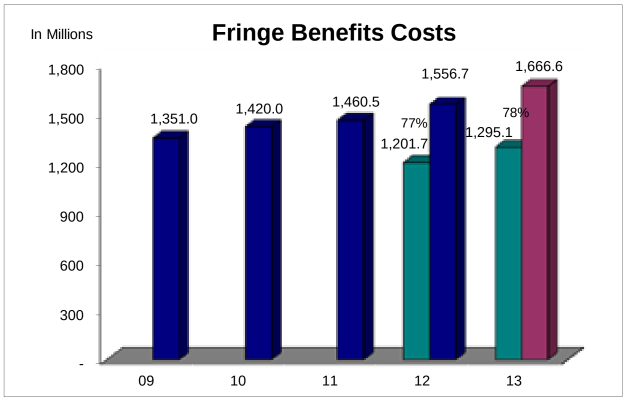


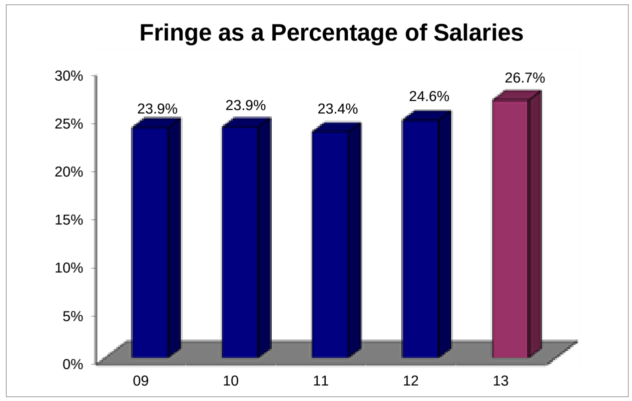


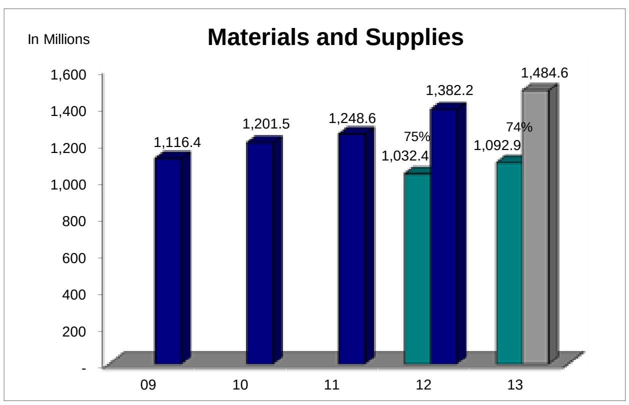
KEY INDICATORS OF EXPENSES
ACTUAL 2009 THROUGH 2012
PROJECTED 2013
YEAR-TO-DATE 2012 AND 2013 FROM MAY MONTHLY FINANCIAL REPORT

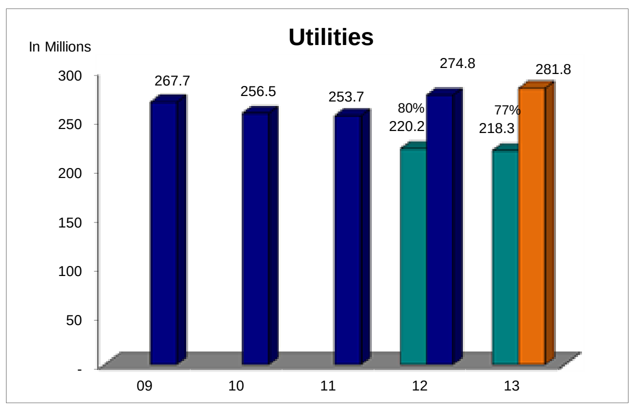


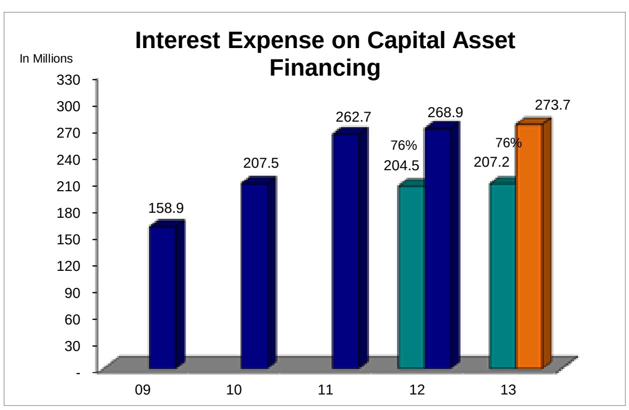


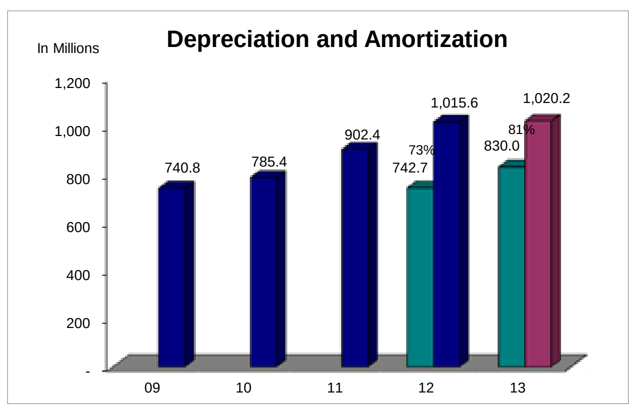




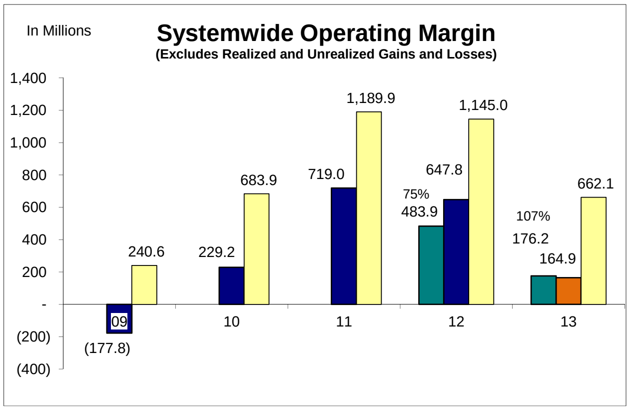


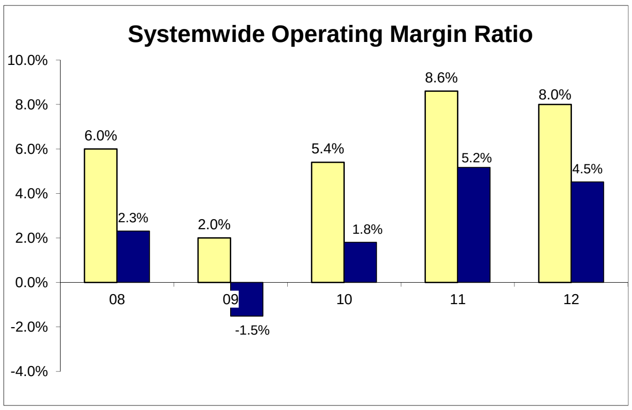


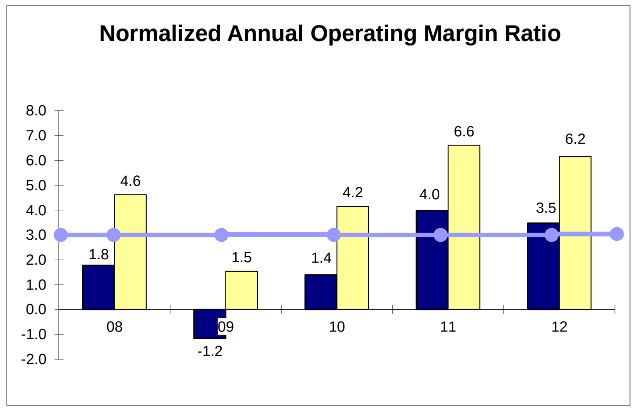


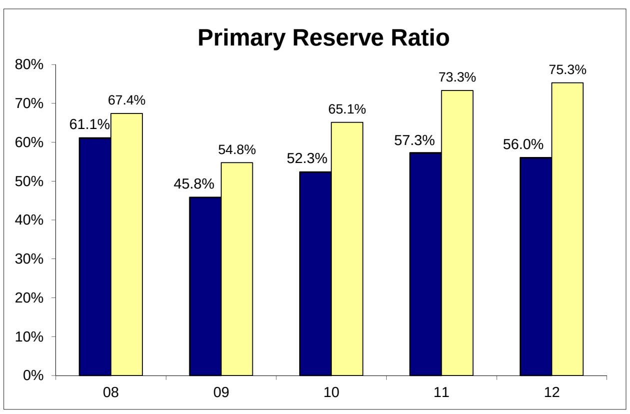


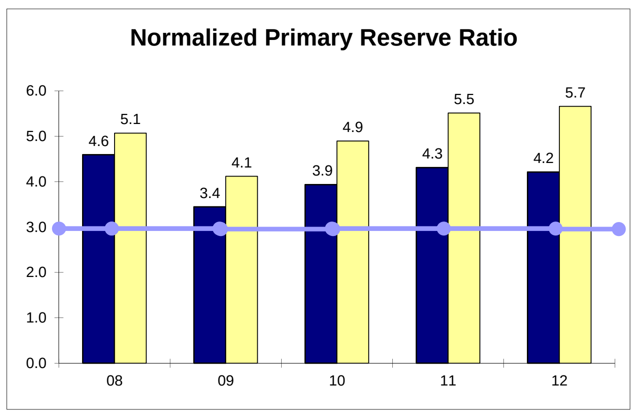
KEY INDICATORS OF RESERVES
ACTUAL 2008 THROUGH 2012
PROJECTED 2013
YEAR-TO-DATE 2012 AND 2013 FROM MAY MONTHLY FINANCIAL REPORT

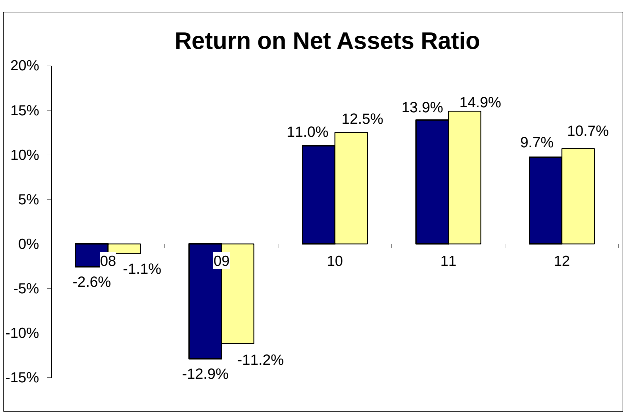


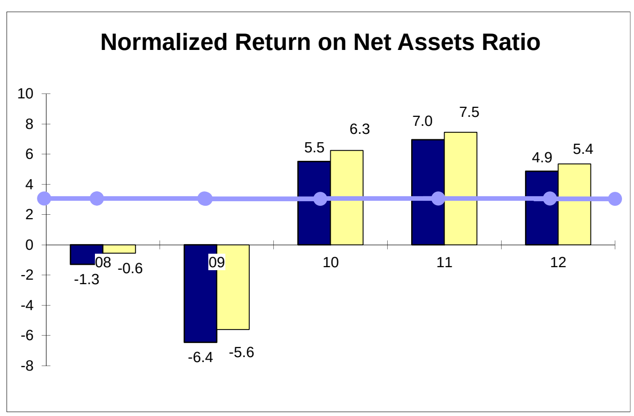




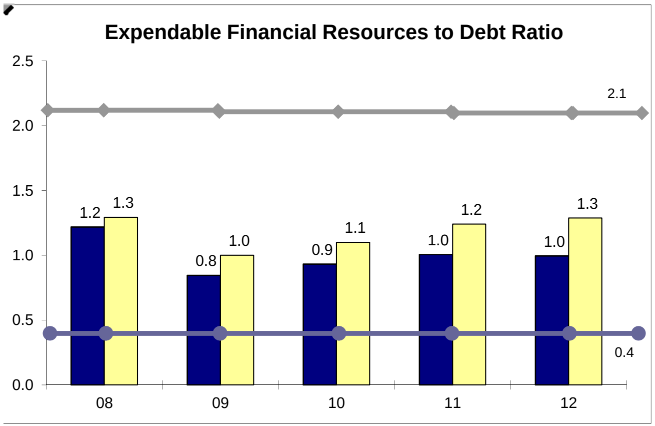


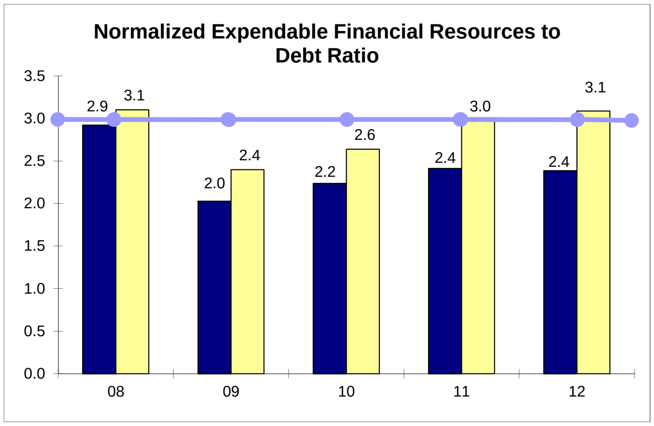


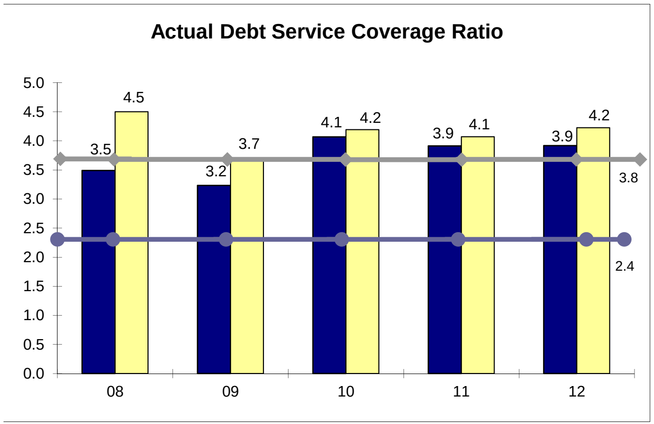


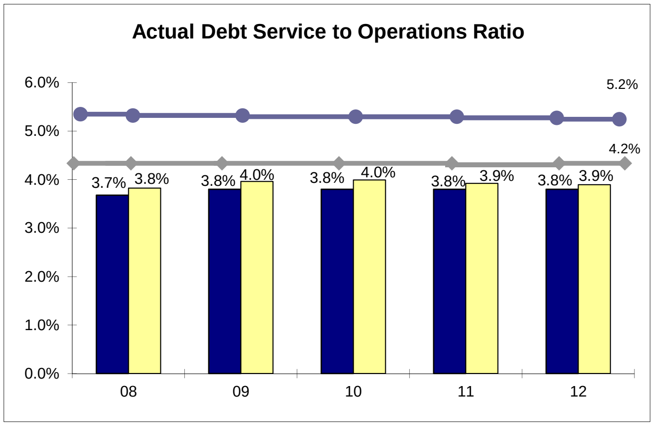


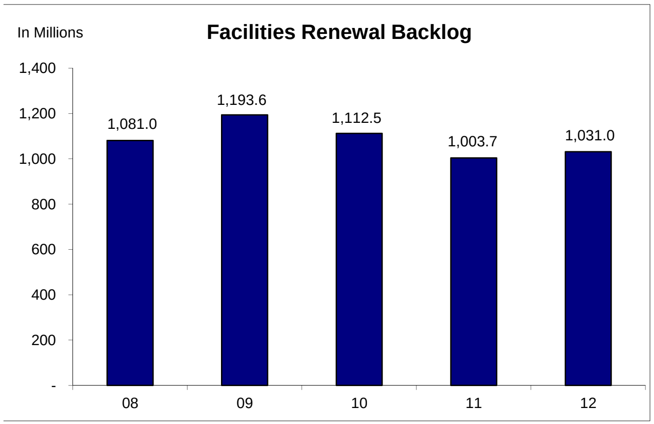
KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY
2008 THROUGH 2012

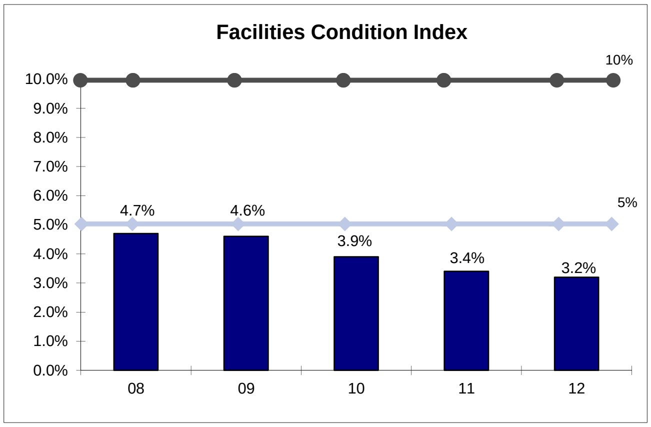




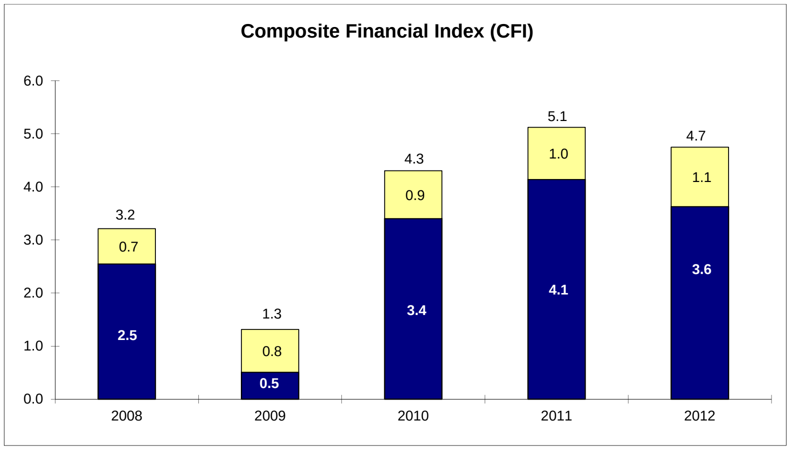




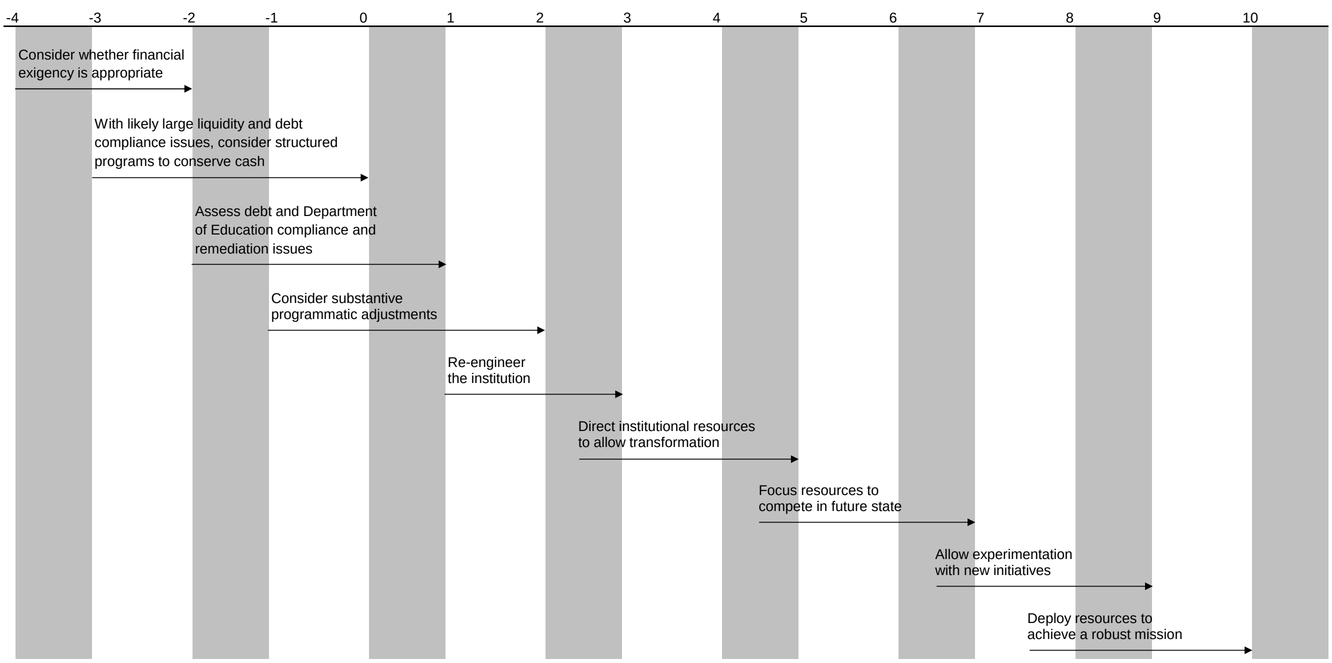




KEY INDICATORS OF FINANCIAL HEALTH
2008 THROUGH 2012

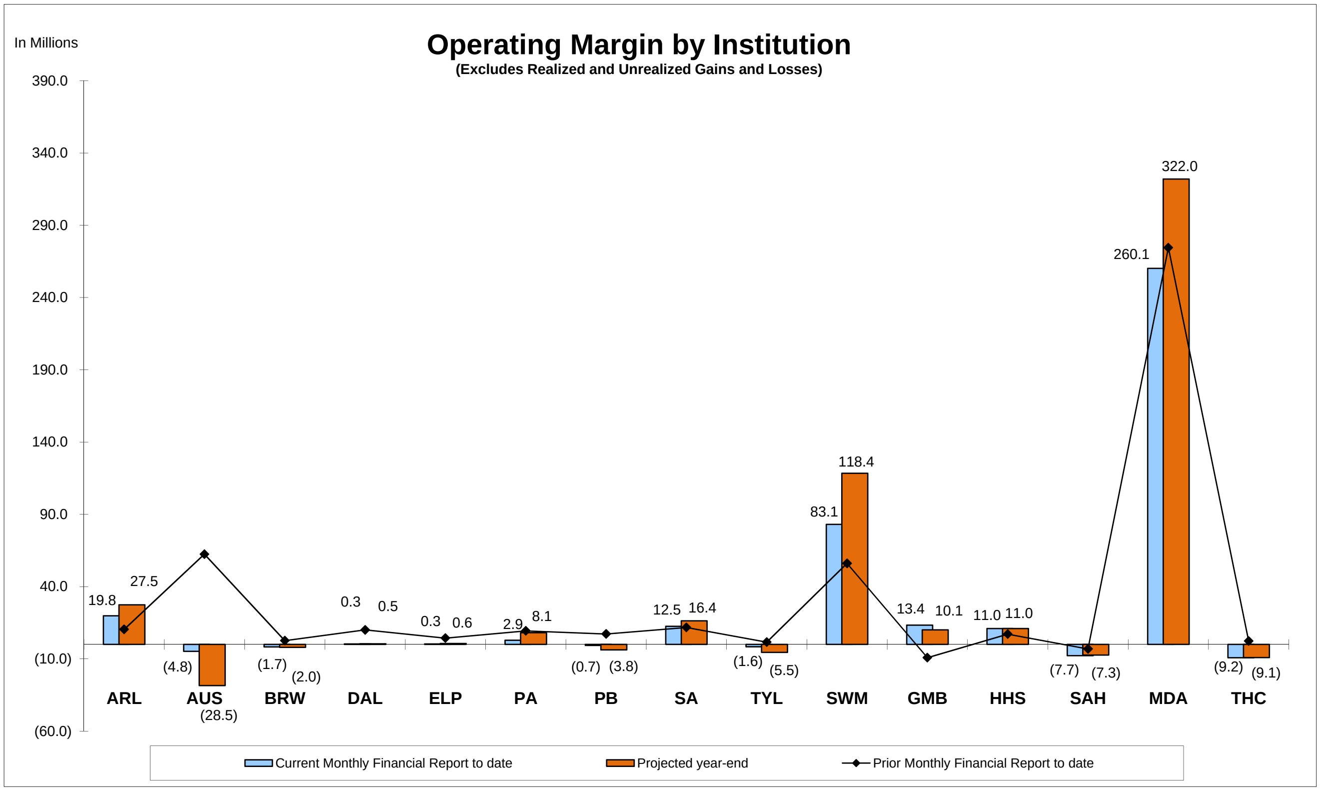


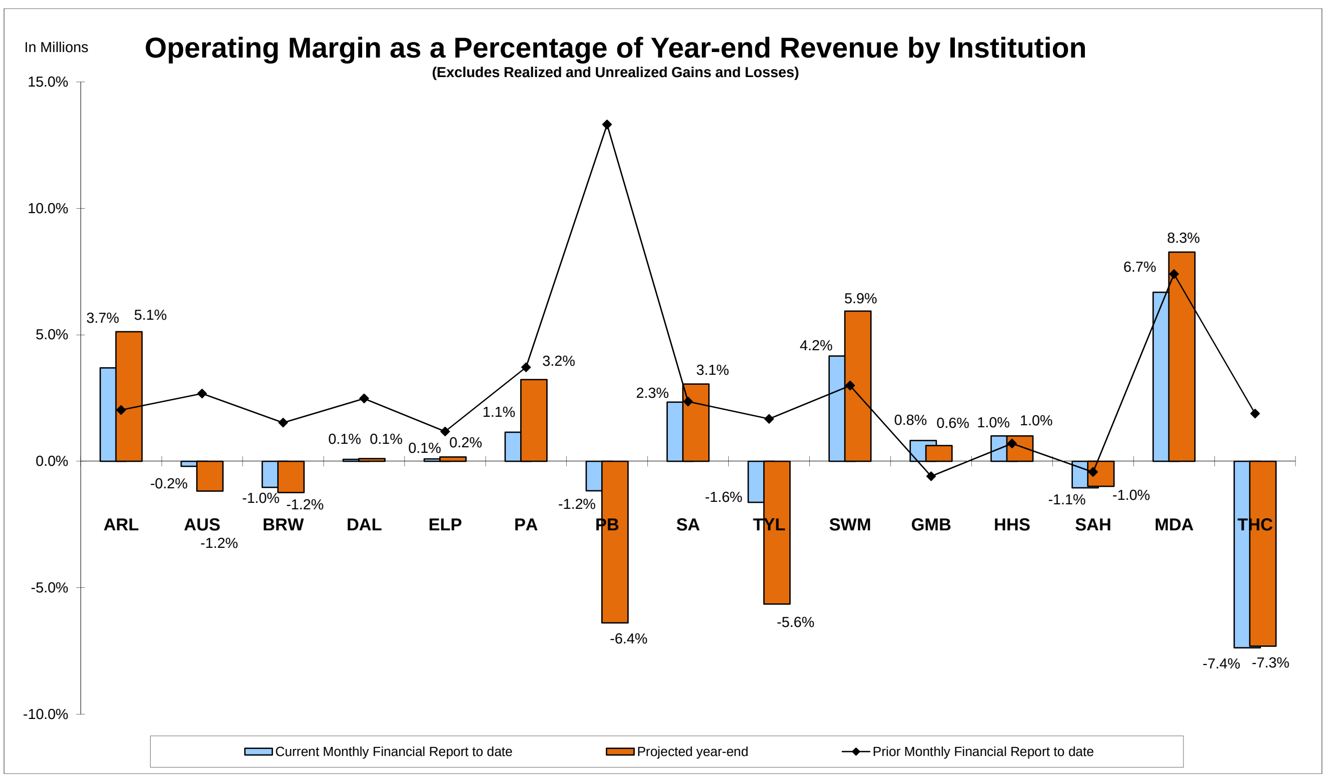
Scale for Charting CFI Performance



Source: Strategic Financial Analysis for Higher Education, Seventh Edition

KEY INDICATORS OF RESERVES
YEAR-TO-DATE 2012 AND 2013 FROM MAY MONTHLY FINANCIAL REPORT
PROJECTED 2013 YEAR-END MARGIN





THE UNIVERSITY OF TEXAS SYSTEM
OFFICE OF THE CONTROLLER

MONTHLY FINANCIAL REPORT

(unaudited)

JUNE 2013

201 Seventh Street, ASH 5th Floor
Austin, Texas 78701
512.499.4527
www.utsystem.edu/cont

THE UNIVERSITY OF TEXAS SYSTEM
MONTHLY FINANCIAL REPORT
(Unaudited)
FOR THE TEN MONTHS ENDING
JUNE 30, 2013

The University of Texas System
Monthly Financial Report

Foreword

The Monthly Financial Report (MFR) compares the results of operations between the current year-to-date cumulative amounts and the prior year-to-date cumulative amounts. Explanations are provided for institutions having the largest variances in Adjusted Income (Loss) year-to-date as compared to the prior year, both in terms of dollars and percentages. In addition, although no significant variance may exist, institutions with losses may be discussed.

The data is reported in three sections: (1) Operating Revenues, (2) Operating Expenses, and (3) Other Nonoperating Adjustments. Presentation of state appropriation revenues are required under GASB 35 to be reflected as nonoperating revenues, so all institutions will report an Operating Loss prior to this adjustment. The MFR provides an Adjusted Income (Loss), which takes into account the nonoperating adjustments associated with core operating activities. An Adjusted Margin (as a percentage of operating and nonoperating revenue adjustments) is calculated for each period and is intended to reflect relative operating contributions to financial health.

UNAUDITED

The University of Texas System Consolidated
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2013

	June Year-to-Date FY 2013	June Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	1,244,827,530.66	1,181,967,312.03	62,860,218.63	5.3%
Sponsored Programs	2,271,456,603.44	2,276,518,804.51	(5,062,201.07)	-0.2%
Net Sales and Services of Educational Activities	443,369,866.18	466,946,904.19	(23,577,038.01)	-5.0%
Net Sales and Services of Hospitals	3,641,662,524.28	3,417,921,877.38	223,740,646.90	6.5%
Net Professional Fees	1,072,174,048.03	1,010,671,513.28	61,502,534.75	6.1%
Net Auxiliary Enterprises	415,029,550.99	396,321,615.30	18,707,935.69	4.7%
Other Operating Revenues	223,205,464.18	132,995,685.01	90,209,779.17	67.8%
Total Operating Revenues	**9,311,725,587.76**	**8,883,343,711.70**	**428,381,876.06**	**4.8%**
Operating Expenses				
Salaries and Wages	5,613,266,202.23	5,340,312,797.99	272,953,404.24	5.1%
Payroll Related Costs	1,436,538,794.12	1,333,072,927.08	103,465,867.04	7.8%
Cost of Goods Sold	93,764,695.86	80,003,265.67	13,761,430.19	17.2%
Professional Fees and Services	333,435,110.19	288,955,354.45	44,479,755.74	15.4%
Other Contracted Services	519,752,267.58	459,398,247.79	60,354,019.79	13.1%
Travel	116,559,686.29	108,201,089.96	8,358,596.33	7.7%
Materials and Supplies	1,215,344,758.25	1,156,019,201.51	59,325,556.74	5.1%
Utilities	248,277,167.66	247,736,552.74	540,614.92	0.2%
Communications	103,473,451.63	99,304,455.13	4,168,996.50	4.2%
Repairs and Maintenance	208,440,281.03	199,728,609.19	8,711,671.84	4.4%
Rentals and Leases	111,889,928.99	112,515,083.04	(625,154.05)	-0.6%
Printing and Reproduction	27,444,430.99	25,456,096.82	1,988,334.17	7.8%
Bad Debt Expense	561,034.16	1,245,423.00	(684,388.84)	-55.0%
Claims and Losses	8,823,827.84	10,262,770.10	(1,438,942.26)	-14.0%
Increase in Net OPEB Obligation	414,345,462.50	392,407,443.33	21,938,019.17	5.6%
Scholarships and Fellowships	387,347,351.62	386,124,456.08	1,222,895.54	0.3%
Depreciation and Amortization	921,905,201.56	819,124,491.32	102,780,710.24	12.5%
Federal Sponsored Program Pass-Through to Other State Agencies	18,439,187.38	21,772,880.53	(3,333,693.15)	-15.3%
State Sponsored Program Pass-Through to Other State Agencies	1,742,501.60	1,480,248.88	262,252.72	17.7%
Other Operating Expenses	296,230,347.74	280,219,926.95	16,010,420.79	5.7%
Total Operating Expenses	**12,077,581,689.22**	**11,363,341,321.56**	**714,240,367.66**	**6.3%**
Operating Loss	**(2,765,856,101.46)**	**(2,479,997,609.86)**	**(285,858,491.60)**	**-11.5%**
Other Nonoperating Adjustments				
State Appropriations	1,615,776,304.05	1,580,412,977.58	35,363,326.47	2.2%
Nonexchange Sponsored Programs	327,229,910.00	307,076,822.40	20,153,087.60	6.6%
Gift Contributions for Operations	357,498,672.82	270,709,077.32	86,789,595.50	32.1%
Net Investment Income	946,829,536.12	1,068,811,180.24	(121,981,644.12)	-11.4%
Interest Expense on Capital Asset Financings	(229,095,527.89)	(223,920,757.04)	(5,174,770.85)	-2.3%
Net Other Nonoperating Adjustments	**3,018,238,895.10**	**3,003,089,300.50**	**15,149,594.60**	**0.5%**
Adjusted Income (Loss) including Depreciation & Amortization	**252,382,793.64**	**523,091,690.64**	**(270,708,897.00)**	**-51.8%**
Adjusted Margin % including Depreciation & Amortization	**2.0%**	**4.3%**		
Investment Gain (Losses)	1,322,978,616.43	(62,864,633.28)	1,385,843,249.71	2,204.5%
Adj. Inc. (Loss) with Investment Gains (Losses)	**1,575,361,410.07**	**460,227,057.36**	**1,115,134,352.71**	**242.3%**
Adj. Margin % with Investment Gains (Losses)	**11.3%**	**3.8%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**1,174,287,995.20**	**1,342,216,181.96**	**(167,928,186.76)**	**-12.5%**
Adjusted Margin % excluding Depreciation & Amortization	**9.4%**	**11.1%**		

The University of Texas System
Comparison of Adjusted Income (Loss)
For the Ten Months Ending June 30, 2013

	Including Depreciation and Amortization Expense				
	June Year-to-Date FY 2013	June Year-to-Date FY 2012	Variance		Fluctuation Percentage
U. T. System Administration	$ 2,885,942.34	$ 191,702,343.39	(188,816,401.05)	(1)	-98.5%
U. T. Arlington	21,296,153.95	11,056,978.57	10,239,175.38	(2)	92.6%
U. T. Austin	(19,363,206.19)	63,540,548.15	(82,903,754.34)	(3)	-130.5%
U. T. Brownsville	(1,214,512.16)	1,984,284.59	(3,198,796.75)	(4)	-161.2%
U. T. Dallas	2,511,318.89	11,190,344.27	(8,679,025.38)	(5)	-77.6%
U. T. El Paso	717,710.47	5,543,189.61	(4,825,479.14)	(6)	-87.1%
U. T. Pan American	3,978,154.48	11,781,507.22	(7,803,352.74)	(7)	-66.2%
U. T. Permian Basin	(497,969.40)	7,308,567.93	(7,806,537.33)	(8)	-106.8%
U. T. San Antonio	13,793,491.47	13,318,191.40	475,300.07		3.6%
U. T. Tyler	(2,371,044.71)	(277,437.37)	(2,093,607.34)	(9)	-754.6%
U. T. Southwestern Medical Center	92,344,472.70	68,871,811.83	23,472,660.87	(10)	34.1%
U. T. Medical Branch - Galveston	6,982,686.64	(9,797,565.02)	16,780,251.66	(11)	171.3%
U. T. Health Science Center - Houston	7,502,492.70	6,568,562.88	933,929.82	(12)	14.2%
U. T. Health Science Center - San Antonio	(8,804,799.71)	(3,038,887.19)	(5,765,912.52)	(13)	-189.7%
U. T. M. D. Anderson Cancer Center	319,258,666.70	289,514,975.78	29,743,690.92		10.3%
U. T. Health Science Center - Tyler	(11,972,597.86)	3,457,607.93	(15,430,205.79)	(14)	-446.3%
Elimination of AUF Transfer	(174,664,166.67)	(149,633,333.33)	(25,030,833.34)		-16.7%
Total Adjusted Income (Loss)	252,382,793.64	523,091,690.64	(270,708,897.00)		-51.8%
Investment Gains (Losses)	1,322,978,616.43	(62,864,633.28)	1,385,843,249.71		2,204.5%
Total Adjusted Income (Loss) with Investment Gains (Losses) Including Depreciation and Amortization	**$ 1,575,361,410.07**	**$ 460,227,057.36**	**$ 1,115,134,352.71**		**242.3%**

	Excluding Depreciation and Amortization Expense			
	June Year-to-Date FY 2013	June Year-to-Date FY 2012	Variance	Fluctuation Percentage
U. T. System Administration	$ 9,046,197.35	$ 197,979,136.73	(188,932,939.38)	-95.4%
U. T. Arlington	52,164,311.66	39,962,847.08	12,201,464.58	30.5%
U. T. Austin	240,636,793.81	261,148,463.44	(20,511,669.63)	-7.9%
U. T. Brownsville	5,539,232.14	8,525,084.93	(2,985,852.79)	-35.0%
U. T. Dallas	37,004,180.59	42,584,605.38	(5,580,424.79)	-13.1%
U. T. El Paso	22,575,858.37	26,092,693.06	(3,516,834.69)	-13.5%
U. T. Pan American	16,379,566.39	23,571,828.99	(7,192,262.60)	-30.5%
U. T. Permian Basin	9,252,030.60	16,266,901.26	(7,014,870.66)	-43.1%
U. T. San Antonio	49,316,324.33	47,290,109.94	2,026,214.39	4.3%
U. T. Tyler	6,862,589.44	9,079,804.28	(2,217,214.84)	-24.4%
U. T. Southwestern Medical Center	183,846,715.69	154,997,226.43	28,849,489.26	18.6%
U. T. Medical Branch - Galveston	86,740,373.01	60,518,949.57	26,221,423.44	43.3%
U. T. Health Science Center - Houston	54,587,418.41	49,666,730.65	4,920,687.76	9.9%
U. T. Health Science Center - San Antonio	32,028,533.62	35,294,446.14	(3,265,912.52)	-9.3%
U. T. M. D. Anderson Cancer Center	547,392,048.31	508,090,656.72	39,301,391.59	7.7%
U. T. Health Science Center - Tyler	(4,420,011.85)	10,780,030.69	(15,200,042.54)	-141.0%
Elimination of AUF Transfer	(174,664,166.67)	(149,633,333.33)	(25,030,833.34)	-16.7%
Total Adjusted Income (Loss)	1,174,287,995.20	1,342,216,181.96	(167,928,186.76)	-12.5%
Total Adjusted Income (Loss) Excluding Depreciation and Amortization	**$ 1,174,287,995.20**	**$ 1,342,216,181.96**	**$ (167,928,186.76)**	**-12.5%**

THE UNIVERSITY OF TEXAS SYSTEM
EXPLANATION OF VARIANCES ON THE MONTHLY FINANCIAL REPORT
For the Ten Months Ending June 30, 2013

Explanations are provided for institutions having the largest variances in adjusted income (loss) year-to-date as compared to the prior year, both in terms of dollars and percentages. Explanations are also provided for institutions with a current year-to-date adjusted loss and/or a projected year-to-date loss.

(1) *U. T. System Administration* - The $188.8 million (98.5%) decrease in adjusted income over the same period last year was primarily due to a decrease in net investment income. While oil royalties have increased, this increase was offset by a decrease in oil and gas lease bonus sales as most of the prime acreage was leased in the two prior years. Excluding depreciation and amortization expense, *U. T. System Administration's* adjusted income was $9.0 million or 1.6%. *U. T. System Administration* anticipates ending the year with a $16.2 million loss, which represents -2.4% of projected revenues and includes an accrual of $497.2 million for OPEB expense for the entire *U. T. System*.

(2) *U. T. Arlington* - The $10.2 million (92.6%) increase in adjusted income over the same period last year was primarily attributable to an increase in gift contributions for operations for the Institute of Research Technologies. Excluding depreciation and amortization expense, *U. T. Arlington's* adjusted income was $52.2 million or 11.8%.

(3) *U. T. Austin* - The $82.9 million (130.5%) increase in adjusted loss as compared to adjusted income for the same period last year was primarily attributable to an increase in materials and supplies and depreciation and amortization. The increase in materials and supplies was due to furniture and equipment purchased for newly opened or renovated buildings on campus, as well as an increase in telecommunications equipment for the systemwide area networking project. Prior to March 2013, *U. T. Austin* included cost of goods sold in materials and supplies. Therefore, the prior year amount for materials and supplies includes cost of goods sold which conceals the true variance on materials and supplies. The increase in depreciation and amortization is due to an error in the acquisition date in the inventory system for four very large gifted software licenses and a software license that was gifted in 2011, but was not recorded in the inventory system. As a result, amortization expense is larger to increase accumulated amortization up to the correct level in 2013. Additionally, gift contributions for operations decreased primarily due to a reduction in pledges and decreases in gifts received for the Institute for Computational Engineering and Sciences (ICES) Excellence Fund, the Texas Advanced Computing Center, and the Center for American History as compared to the prior year. *U. T. Austin* incurred a year-to-date loss of $19.4 million. Excluding depreciation and amortization expense, *U. T. Austin's* adjusted income was $240.6 million or 11.3%. *U. T. Austin* anticipates ending the year with a $25.2 million loss which represents -1.0% of projected revenues and includes $312.0 million of depreciation and amortization expense.

(4) *U. T. Brownsville* - The $3.2 million (161.2%) increase in adjusted loss as compared to adjusted income for the same period last year was primarily due to a decrease in the Texas Southmost College (TSC) contract revenue and one-time separation costs, all related to the separation from TSC. Additionally, PeopleSoft project costs contributed to the decrease in margin. *U. T. Brownsville* incurred a year-to-date loss of $1.2 million. Excluding depreciation and amortization expense, *U. T. Brownsville's* adjusted income was $5.5 million or 3.9%. *U. T. Brownsville* anticipates ending the year with a $1.5 million loss which represents -0.9% of projected revenues and includes $8.1 million of depreciation and amortization expense.

(5) *U. T. Dallas* - The $8.7 million (77.6%) decrease in adjusted income over the same period last year was primarily attributable to an increase in salaries and wages expense and payroll related costs due to overall growth and an increase in the number of faculty. Excluding depreciation and amortization expense, *U. T. Dallas'* adjusted income was $37.0 million or 9.9%.

(6) *U. T. El Paso* - The $4.8 million (87.1%) decrease in adjusted income over the same period last year was primarily attributable to a decrease in gifts for operations due a large gift received in 2012 which was initially recorded as an operating gift and was later correctly reclassified as an endowment. Also contributing to the variance were increases in the following expenses: depreciation and amortization expense increased as a result of the Physical Sciences/Engineering Core Facility, Chemistry and Computer Science building, and the Schuster Parking Garage, which were placed into service in 2012; and repairs and maintenance increased as a result of repairs across campus, combined with an increase in the renewal of software licenses and equipment service agreements. Excluding depreciation and amortization expense, *U. T. El Paso's* adjusted income was $22.6 million or 7.0%.

(7) *U. T. Pan American* - The $7.8 million (66.2%) decrease in adjusted income over the same period last year was primarily attributable to an increase in salaries and wages, and payroll related expense as a result of the one-time merit that was paid with local fund balances. Also contributing were increases in professional fees and depreciation and amortization expense. Additionally, gifts for operations decreased primarily due to timing differences. Excluding depreciation and amortization expense, *U. T. Pan American's* adjusted income was $16.4 million or 7.5%.

(8) *U. T. Permian Basin* - The $7.8 million (106.8%) increase in adjusted loss as compared to adjusted income for the same period last year was primarily due to increases in salaries and wages, payroll related costs, and scholarship and fellowship expense, and a decrease in net student tuition, all related to errors made in 2011 that were identified and corrected in 2012. *U. T. Permian Basin* incurred a year-to-date loss of $498,000. Excluding depreciation and amortization expense, *U. T. Permian Basin's* adjusted income was $9.3 million or 17.7%. *U. T. Permian Basin* anticipates ending the year with a $3.3 million loss which represents -5.5% of projected revenues and includes $11.7 million of depreciation and amortization expense.

(9) *U. T. Tyler* - The $2.1 million (754.6%) increase in adjusted loss over the same period last year was primarily attributable to an increase in salaries and wages expense and payroll related costs due to increased personnel for the newly acquired Discovery Science Place, Innovation Academy, and charter schools, as well as one-time merit salary increases awarded in December. In addition, one-time Information Technology (IT) projects and purchases of computer equipment resulted in an increase in materials and supplies. *U. T. Tyler* incurred a year-to-date loss of $2.4 million. Excluding depreciation and amortization expense, *U. T. Tyler's* adjusted income was $6.9 million or 8.3%. *U. T. Tyler* anticipates ending the year with a $5.6 million loss which represents -5.7% of projected revenues and includes $11.3 million of depreciation and amortization expense. The projected loss is the result of an increase in personnel across the campus, merit salary increases and building renovations. *U. T. Tyler's* use of prior year balances was approved by *U. T. System Administration* for 2013 for one-time nonrecurring expenses.

(10) *U. T. Southwestern Medical Center* - The $23.5 million (34.1%) increase in adjusted income over the same period last year was primarily attributable to an increase in investment income due to stock dividends received from a start-up company and an increase in gift contributions for operations primarily due to distributions received from the Southwestern Medical Foundation. Excluding depreciation and amortization expense, *Southwestern's* adjusted income was $183.8 million or 11.1%.

(11) *U. T. Medical Branch - Galveston* - The $16.8 million (171.3%) increase in adjusted income as compared to adjusted loss for the same period last year was primarily attributable to higher state appropriations. State appropriations increased as a result of the recognition for both Hurricane *Ike* recovery expenditures, including the reimbursement of operating expenses incurred in the prior year, and the remainder of the 2012 House Bill 4 supplemental funding in 2013. Excluding depreciation and amortization expense, *UTMB's* adjusted income was $86.7 million or 6.4%. *UTMB* now expects to end the year with a positive margin of $10.1 million, which represents 0.6% of projected revenues and includes depreciation and amortization expense of $96.3 million, principally due to the increase in appropriations for Hurricane *Ike* recovery.

(12) *U. T. Health Science Center - San Antonio* - The $5.8 million (189.7%) increase in adjusted loss over the same period last year was primarily due to an increase in salaries and wages attributable to faculty incentive payments as a result of continued efforts to adjust performance-based compensation per the XYZ plan, as well as a 2.5% merit salary increase enacted for both faculty and staff. In addition, clinical fee for service revenue collections experienced a timing difference in the revenue reported for 2013 compared to 2012, which *UTHSC-San Antonio* anticipates will normalize by fiscal year end. Also contributing to the variance were unfunded costs associated with the Pediatrics transition from CHRISTUS Santa Rosa in preparation of the new Children's Hospital and an increase in depreciation and amortization expense. As a result, *UTHSC-San Antonio* incurred a year-to-date loss of $8.8 million. Excluding depreciation and amortization expense, *UTHSC-San Antonio's* adjusted income was $32.0 million or 5.3%. *UTHSC-San Antonio* anticipates ending the year with a $7.0 million loss, which is primarily attributable to increased depreciation and amortization expense as a result of capital expansions, unfunded transition costs in preparation of the upcoming pediatric hospital, and targeted investments in support of the strategic plan through the end of the fiscal year. The projected loss of $7.0 million represents -1.0% of projected revenues, includes $49.0 million of depreciation and amortization expense, and is supported by $223.9 million of unrestricted net assets.

(13) *U. T. Health Science Center - Tyler* - The $15.4 million (446.3%) increase in adjusted loss as compared to adjusted income for the same period last year was primarily attributable to a decrease in state appropriations as all additional revenue from House Bill 4 was recognized in 2012. Also contributing to the variance was an increase in salaries and wages due to the addition of several physicians and staff related to medical and academic program expansion. As a result of these factors, *UTHSC-Tyler* incurred a year-to-date loss of $12.0 million. Excluding depreciation and amortization expense, *UTHSC-Tyler* had an adjusted loss of $4.4 million or -4.4%. *UTHSC-Tyler* anticipates ending the year with a $14.4 million loss which represents -11.9% of projected revenues and includes $9.1 million of depreciation and amortization expense. The projected loss is the result of start-up costs related to new academic programs and the expansion of medical programs to include pediatric rehabilitation, cardiology, pulmonology, internal medicine, and oncology.

GLOSSARY OF TERMS

OPERATING REVENUES:

NET STUDENT TUITION - All student tuition and fee revenues earned at the UT institution for educational purposes, net of tuition discounting.

SPONSORED PROGRAMS - Funding received from local, state and federal governments or private agencies, organizations or individuals, excluding Federal Pell Grant Program which is reported as nonoperating. Includes amounts received for services performed on grants, contracts, and agreements from these entities for current operations. This also includes indirect cost recoveries and pass-through federal and state grants.

NET SALES AND SERVICES OF EDUCATIONAL ACTIVITIES - Revenues that are related to the conduct of instruction, research, and public service and revenues from activities that exist to provide an instructional and laboratory experience for students that create goods and services that may be sold.

NET SALES AND SERVICES OF HOSPITALS - Revenues (net of discounts, allowances, and bad debt expense) generated from UT health institution's daily patient care, special or other services, as well as revenues from health clinics that are part of a hospital.

NET PROFESSIONAL FEES - Revenues (net of discounts, allowances, and bad debt expense) derived from the fees charged by the professional staffs at UT health institutions as part of the Medical Practice Plans. These revenues are also identified as Practice Plan income. Examples of such fees include doctor's fees for clinic visits, medical and dental procedures, professional opinions, and anatomical procedures, such as analysis of specimens after a surgical procedure, etc.

NET AUXILIARY ENTERPRISES - Revenues derived from a service to students, faculty, or staff in which a fee is charged that is directly related to, although not necessarily equal to the cost of the service (e.g., bookstores, dormitories, dining halls, snack bars, inter-collegiate athletic programs, etc.).

OTHER OPERATING REVENUES - Other revenues generated from sales or services provided to meet current fiscal year operating expenses, which are not included in the preceding categories (e.g., certified nonprofit healthcare company revenues, donated drugs, interest on student loans, etc.) Other receipts for settlements, judgments and lawsuits are considered nonoperating revenues.

OPERATING EXPENSES:

SALARIES AND WAGES - Expenses for all salaries and wages of individuals employed by the institution including full-time, part-time, longevity, hourly, seasonal, etc. Includes salary augmentation and incentive compensation.

PAYROLL RELATED COSTS - Expenses for all employee benefits paid by the institution or paid by the state on behalf of the institution. Includes supplemental retirement annuities.

COST OF GOODS SOLD - Purchases of goods for resale and raw materials purchased for use in the manufacture of products intended for sale to others.

PROFESSIONAL FEES AND SERVICES - Payments for services rendered on a fee, contract, or other basis by a person, firm, corporation, or company recognized as possessing a high degree of learning and responsibility. Includes such items as services of a consultant, legal counsel, financial or audit fees, medical contracted services, guest lecturers (not employees) and expert witnesses.

OTHER CONTRACTED SERVICES - Payments for services rendered on a contractual basis by a person, firm, corporation or company that possess a lesser degree of learning and responsibility than that required for Professional Fees and Services. Includes such items as temporary employment expenses, janitorial services, dry cleaning services, etc.

TRAVEL - Payments for travel costs incurred by employees and board members for meetings and training.

MATERIALS AND SUPPLIES - Payments for consumable items. Includes, but is <u>not</u> limited to: computer consumables, office supplies, paper products, soap, lights, plants, fuels and lubricants, chemicals and gasses, medical supplies and copier supplies. Also includes postal services, and subscriptions and other publications not for permanent retention.

UTILITIES - Payments for the purchase of electricity, natural gas, water, and thermal energy.

COMMUNICATIONS - Electronically transmitted communications services (telephone, internet, computation center services, etc.).

REPAIRS AND MAINTENANCE - Payments for the maintenance and repair of equipment, furnishings, motor vehicles, buildings and other plant facilities, and waste disposal. Includes, but is <u>not</u> limited to repair and maintenance to copy machines, furnishings, equipment - including medical and laboratory equipment, office equipment and aircraft.

RENTALS AND LEASES - Payments for rentals or leases of furnishings and equipment, vehicles, land and office buildings (all rental of space).

PRINTING AND REPRODUCTION - Printing and reproduction costs associated with the printing/copying of the institution's documents and publications.

BAD DEBT EXPENSE - Expenses incurred by the university related to nonrevenue receivables such as non-payment of student loans.

CLAIMS AND LOSSES - Payments for claims from self-insurance programs. Other claims for settlements, judgments and lawsuits are considered nonoperating expenses.

INCREASE IN NET OPEB OBLIGATION - The change in the actuarially estimated liability of the cost of providing healthcare benefits to UT System's employees after they separate from employment (retire).

SCHOLARSHIPS AND FELLOWSHIPS - Payments made for scholarship grants to students authorized by law, net of tuition discounting.

FEDERAL SPONSORED PROGRAM PASS-THROUGHS TO OTHER STATE AGENCIES - Pass-throughs to other Texas state agencies, including other universities, of federal grants and contracts.

STATE SPONSORED PROGRAM PASS-THROUGHS TO OTHER STATE AGENCIES - Pass-throughs to other Texas state agencies, including Texas universities.

DEPRECIATION AND AMORTIZATION - Depreciation on capital assets and amortization expense on intangible assets.

OTHER OPERATING EXPENSES - Other operating expenses not identified in other line items above (e.g., certified non-profit healthcare company expenses, property taxes, insurance premiums, credit card fees, hazardous waste disposal expenses, meetings and conferences, etc.). Other claims for settlements, judgments and lawsuits are considered nonoperating expenses.

OPERATING LOSS - Total operating revenues less total operating expenses before other nonoperating adjustments like state appropriations.

OTHER NONOPERATING ADJUSTMENTS:

STATE APPROPRIATIONS - Appropriations from the State General Revenue fund, which supplement the UT institutional revenue in meeting operating expenses, such as faculty salaries, utilities, and institutional support.

NONEXCHANGE SPONSORED PROGRAMS - Funding received for the Federal Pell Grant Program, the portion of "state appropriations" funded by the American Recovery and Reinvestment Act, Texas Research Incentive Program (TRIP) and Enrollment Growth funding.

GIFT CONTRIBUTIONS FOR OPERATIONS - Consist of gifts from donors received for use in current operations, excluding gifts for capital acquisition and endowment gifts. Gifts for capital acquisition which can only be used to build or buy capital assets are excluded because they cannot be used to support current operations. Endowment gifts must be held in perpetuity and cannot be spent. The distributed income from endowment gifts must be spent according to the donor's stipulations.

NET INVESTMENT INCOME (on institutions' sheets) - Interest and dividend income on treasury balances, bank accounts, Short Term Fund, Intermediate Term Fund and Long Term Fund. It also includes distributed earnings from the Permanent Health Fund and patent and royalty income.

NET INVESTMENT INCOME (on the consolidated sheet) - Interest and dividend earnings of the Permanent University Fund, Short Term Fund, Intermediate Term Fund, Long Term Fund and Permanent Health Fund. This line item also includes the Available University Fund surface income, oil and gas royalties, and mineral lease bonus sales.

INTEREST EXPENSE ON CAPITAL ASSET FINANCINGS - Interest expenses associated with bond and note borrowings utilized to finance capital improvement projects by an institution. This consists of the interest portion of mandatory debt service transfers under the Revenue Financing System, Tuition Revenue bond and Permanent University Fund (PUF) bond programs. PUF interest expense is reported on System Administration as the debt legally belongs to the Board of Regents.

ADJUSTED INCOME (LOSS) including Depreciation and Amortization - Total operating revenues less total operating expenses including depreciation and amortization expense plus net other nonoperating adjustments.

ADJUSTED MARGIN % including Depreciation and Amortization - Percentage of Adjusted Income (Loss) including depreciation and amortization expense divided by Total Operating Revenues plus Net Nonoperating Adjustments less Interest Expense on Capital Asset Financings.

AVAILABLE UNIVERSITY FUND TRANSFER - Includes Available University Fund (AUF) transfer to System Administration for Educational and General operations and to UT Austin for Excellence Funding. These transfers are funded by investment earnings from the Permanent University Fund (PUF), which are required by law to be reported in the PUF at System Administration. On the MFR, investment income for System Administration has been reduced for the amount of the System Administration transfer so as not to overstate investment income for System Administration. The AUF transfers are eliminated at the consolidated level to avoid overstating System-wide revenues, as the amounts will be reflected as transfers at year-end.

INVESTMENT GAINS (LOSSES) - Realized and unrealized gains and losses on investments.

ADJUSTED INCOME (LOSS) excluding Depreciation and Amortization - Total operating revenues less total operating expenses excluding depreciation and amortization expense plus net other nonoperating adjustments.

ADJUSTED MARGIN % excluding Depreciation and Amortization - Percentage of Adjusted Income (Loss) excluding depreciation and amortization expense divided by Total Operating Revenues plus Net Nonoperating Adjustments less Interest Expense on Capital Asset Financings.

UNAUDITED

The University of Texas System Administration
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2013

	June Year-to-Date FY 2013	June Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Sponsored Programs	6,217,972.62	14,767,048.43	(8,549,075.81)	-57.9%
Net Sales and Services of Educational Activities	24,278,240.41	36,098,036.29	(11,819,795.88)	-32.7%
Other Operating Revenues	30,150,074.93	18,416,422.65	11,733,652.28	63.7%
Total Operating Revenues	**60,646,287.96**	**69,281,507.37**	**(8,635,219.41)**	**-12.5%**
Operating Expenses				
Salaries and Wages	31,129,258.25	27,993,173.45	3,136,084.80	11.2%
Payroll Related Costs	7,978,069.91	6,921,487.19	1,056,582.72	15.3%
Professional Fees and Services	9,086,656.61	5,542,276.83	3,544,379.78	64.0%
Other Contracted Services	18,840,022.69	8,434,848.65	10,405,174.04	123.4%
Travel	1,214,970.01	1,106,851.90	108,118.11	9.8%
Materials and Supplies	6,046,079.45	8,809,616.42	(2,763,536.97)	-31.4%
Utilities	510,902.05	444,704.30	66,197.75	14.9%
Communications	3,271,672.74	2,980,373.77	291,298.97	9.8%
Repairs and Maintenance	2,706,159.95	11,568,366.42	(8,862,206.47)	-76.6%
Rentals and Leases	717,059.25	613,275.49	103,783.76	16.9%
Printing and Reproduction	195,832.66	153,467.75	42,364.91	27.6%
Claims and Losses	8,823,827.84	10,262,710.10	(1,438,882.26)	-14.0%
Increase in Net OPEB Obligation	414,345,462.50	392,407,443.33	21,938,019.17	5.6%
Scholarships and Fellowships	778,350.00	836,550.00	(58,200.00)	-7.0%
Depreciation and Amortization	6,160,255.01	6,276,793.34	(116,538.33)	-1.9%
State Sponsored Program Pass-Through to Other State Agencies	1,704,809.98	1,480,248.88	224,561.10	15.2%
Other Operating Expenses	13,119,969.21	26,337,314.30	(13,217,345.09)	-50.2%
Total Operating Expenses	**526,629,358.11**	**512,169,502.12**	**14,459,855.99**	**2.8%**
Operating Loss	**(465,983,070.15)**	**(442,887,994.75)**	**(23,095,075.40)**	**-5.2%**
Other Nonoperating Adjustments				
State Appropriations	1,288,305.02	1,378,772.30	(90,467.28)	-6.6%
Nonexchange Sponsored Programs	16,963,780.42	17,172,022.21	(208,241.79)	-1.2%
Gift Contributions for Operations	899,139.37	887,871.22	11,268.15	1.3%
Net Investment Income	451,481,322.07	631,215,594.76	(179,734,272.69)	-28.5%
Interest Expense on Capital Asset Financings	(51,020,758.49)	(51,584,004.02)	563,245.53	1.1%
Net Other Nonoperating Adjustments	**419,611,788.39**	**599,070,256.47**	**(179,458,468.08)**	**-30.0%**
Adjusted Income (Loss) including Depreciation & Amortization	**(46,371,281.76)**	**156,182,261.72**	**(202,553,543.48)**	**-129.7%**
Adjusted Margin % including Depreciation & Amortization	**-8.7%**	**21.7%**		
Available University Fund Transfer	49,257,224.10	35,520,081.67	13,737,142.43	38.7%
Adjusted Income (Loss) with AUF Transfer	**2,885,942.34**	**191,702,343.39**	**(188,816,401.05)**	**-98.5%**
Adjusted Margin % with AUF Transfer	**0.5%**	**25.4%**		
Investment Gain (Losses)	920,550,304.98	319,414,849.92	601,135,455.06	188.2%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**$923,436,247.32**	**$511,117,193.31**	**$412,319,054.01**	**80.7%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**61.5%**	**47.6%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization	**9,046,197.35**	**197,979,136.73**	**(188,932,939.38)**	**-95.4%**
Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization	**1.6%**	**26.2%**		

UNAUDITED

The University of Texas at Arlington
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2013

	June Year-to-Date FY 2013	June Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	175,309,368.64	152,273,195.71	23,036,172.93	15.1%
Sponsored Programs	59,805,483.02	62,502,051.58	(2,696,568.56)	-4.3%
Net Sales and Services of Educational Activities	14,872,869.96	15,979,471.97	(1,106,602.01)	-6.9%
Net Auxiliary Enterprises	29,991,738.77	24,175,678.90	5,816,059.87	24.1%
Other Operating Revenues	9,983,455.84	4,487,864.96	5,495,590.88	122.5%
Total Operating Revenues	**289,962,916.23**	**259,418,263.12**	**30,544,653.11**	**11.8%**
Operating Expenses				
Salaries and Wages	191,411,817.14	181,613,618.04	9,798,199.10	5.4%
Payroll Related Costs	47,273,320.33	44,230,658.28	3,042,662.05	6.9%
Cost of Goods Sold	2,690.66	12,815.03	(10,124.37)	-79.0%
Professional Fees and Services	7,144,884.12	4,248,251.11	2,896,633.01	68.2%
Other Contracted Services	34,863,830.42	31,338,895.78	3,524,934.64	11.2%
Travel	6,172,676.98	5,693,638.82	479,038.16	8.4%
Materials and Supplies	21,941,623.63	22,047,449.10	(105,825.47)	-0.5%
Utilities	7,561,441.25	7,338,171.52	223,269.73	3.0%
Communications	6,858,252.89	5,632,788.81	1,225,464.08	21.8%
Repairs and Maintenance	13,090,338.43	9,392,041.92	3,698,296.51	39.4%
Rentals and Leases	3,694,021.76	3,510,680.95	183,340.81	5.2%
Printing and Reproduction	2,443,811.32	2,131,246.59	312,564.73	14.7%
Bad Debt Expense	383,899.32	100,230.50	283,668.82	283.0%
Scholarships and Fellowships	26,709,030.53	25,357,736.40	1,351,294.13	5.3%
Depreciation and Amortization	30,868,157.71	28,905,868.51	1,962,289.20	6.8%
Federal Sponsored Program Pass-Through to Other State Agencies	1,673,008.08	1,471,732.28	201,275.80	13.7%
State Sponsored Program Pass-Through to Other State Agencies	37,691.62	-	37,691.62	100.0%
Other Operating Expenses	8,168,350.49	7,569,689.42	598,661.07	7.9%
Total Operating Expenses	**410,298,846.68**	**380,595,513.06**	**29,703,333.62**	**7.8%**
Operating Loss	**(120,335,930.45)**	**(121,177,249.94)**	**841,319.49**	**0.7%**
Other Nonoperating Adjustments				
State Appropriations	95,331,994.17	94,599,900.83	732,093.34	0.8%
Nonexchange Sponsored Programs	37,500,000.00	35,000,000.00	2,500,000.00	7.1%
Gift Contributions for Operations	10,368,365.00	2,843,611.95	7,524,753.05	264.6%
Net Investment Income	10,174,617.83	9,426,970.53	747,647.30	7.9%
Interest Expense on Capital Asset Financings	(11,742,892.60)	(9,636,254.80)	(2,106,637.80)	-21.9%
Net Other Nonoperating Adjustments	**141,632,084.40**	**132,234,228.51**	**9,397,855.89**	**7.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**21,296,153.95**	**11,056,978.57**	**10,239,175.38**	**92.6%**
Adjusted Margin % including Depreciation & Amortization	**4.8%**	**2.8%**		
Investment Gain (Losses)	11,937,223.95	(11,578,811.01)	23,516,034.96	203.1%
Adj. Inc. (Loss) with Investment Gains (Losses)	**33,233,377.90**	**(521,832.44)**	**33,755,210.34**	**6,468.6%**
Adj. Margin % with Investment Gains (Losses)	**7.3%**	**-0.1%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**52,164,311.66**	**39,962,847.08**	**12,201,464.58**	**30.5%**
Adjusted Margin % excluding Depreciation & Amortization	**11.8%**	**10.0%**		

UNAUDITED

The University of Texas at Austin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2013

	June Year-to-Date FY 2013	June Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	408,333,333.33	404,166,666.67	4,166,666.66	1.0%
Sponsored Programs	447,379,553.50	419,025,503.29	28,354,050.21	6.8%
Net Sales and Services of Educational Activities	304,359,616.30	322,274,590.52	(17,914,974.22)	-5.6%
Net Auxiliary Enterprises	230,534,875.46	222,735,479.36	7,799,396.10	3.5%
Other Operating Revenues	7,321,408.88	4,489,642.07	2,831,766.81	63.1%
Total Operating Revenues	**1,397,928,787.47**	**1,372,691,881.91**	**25,236,905.56**	**1.8%**
Operating Expenses				
Salaries and Wages	932,974,716.99	901,563,243.53	31,411,473.46	3.5%
Payroll Related Costs	238,323,370.67	226,620,441.03	11,702,929.64	5.2%
Cost of Goods Sold	19,947,302.97	-	19,947,302.97	100.0%
Professional Fees and Services	30,174,652.63	28,996,181.80	1,178,470.83	4.1%
Other Contracted Services	118,535,750.43	111,916,925.99	6,618,824.44	5.9%
Travel	40,029,037.69	38,300,699.13	1,728,338.56	4.5%
Materials and Supplies	107,572,499.33	112,634,971.62	(5,062,472.29)	-4.5%
Utilities	75,621,641.83	76,060,113.31	(438,471.48)	-0.6%
Communications	45,250,322.84	47,109,685.11	(1,859,362.27)	-3.9%
Repairs and Maintenance	41,087,721.42	40,533,059.33	554,662.09	1.4%
Rentals and Leases	14,759,664.64	14,160,476.80	599,187.84	4.2%
Printing and Reproduction	6,730,400.46	8,659,044.13	(1,928,643.67)	-22.3%
Bad Debt Expense	(275.12)	502,734.56	(503,009.68)	-100.1%
Claims and Losses	-	60.00	(60.00)	-100.0%
Scholarships and Fellowships	96,666,666.67	100,083,333.33	(3,416,666.66)	-3.4%
Depreciation and Amortization	260,000,000.00	197,607,915.29	62,392,084.71	31.6%
Federal Sponsored Program Pass-Through to Other State Agencies	3,058,658.93	2,532,109.96	526,548.97	20.8%
Other Operating Expenses	80,185,241.69	74,178,211.00	6,007,030.69	8.1%
Total Operating Expenses	**2,110,917,374.07**	**1,981,459,205.92**	**129,458,168.15**	**6.5%**
Operating Loss	**(712,988,586.60)**	**(608,767,324.01)**	**(104,221,262.59)**	**-17.1%**
Other Nonoperating Adjustments				
State Appropriations	248,978,925.18	245,914,447.83	3,064,477.35	1.2%
Nonexchange Sponsored Programs	46,921,518.39	46,390,141.96	531,376.43	1.1%
Gift Contributions for Operations	99,642,833.40	112,848,698.57	(13,205,865.17)	-11.7%
Net Investment Income	163,887,313.67	156,341,744.77	7,545,568.90	4.8%
Interest Expense on Capital Asset Financings	(40,469,376.90)	(38,820,494.30)	(1,648,882.60)	-4.2%
Net Other Nonoperating Adjustments	**518,961,213.74**	**522,674,538.83**	**(3,713,325.09)**	**-0.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**(194,027,372.86)**	**(86,092,785.18)**	**(107,934,587.68)**	**-125.4%**
Adjusted Margin % including Depreciation & Amortization	**-9.9%**	**-4.5%**		
Available University Fund Transfer	174,664,166.67	149,633,333.33	25,030,833.34	16.7%
Adjusted Income (Loss) with AUF Transfer	**(19,363,206.19)**	**63,540,548.15**	**(82,903,754.34)**	**-130.5%**
Adjusted Margin % with AUF Transfer	**-0.9%**	**3.0%**		
Investment Gain (Losses)	132,157,873.03	(142,799,358.90)	274,957,231.93	192.5%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**$112,794,666.84**	**(79,258,810.75)**	**$192,053,477.59**	**242.3%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**5.0%**	**-4.1%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization	**240,636,793.81**	**261,148,463.44**	**(20,511,669.63)**	**-7.9%**
Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization	**11.3%**	**12.5%**		

UNAUDITED

The University of Texas at Brownsville
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2013

	June Year-to-Date FY 2013	June Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	30,920,500.45	18,622,944.83	12,297,555.62	66.0%
Sponsored Programs	44,007,645.40	62,183,083.48	(18,175,438.08)	-29.2%
Net Sales and Services of Educational Activities	2,416,311.95	1,870,529.66	545,782.29	29.2%
Net Auxiliary Enterprises	1,811,280.01	1,898,891.22	(87,611.21)	-4.6%
Other Operating Revenues	13,768.98	13,769.74	(0.76)	-
Total Operating Revenues	**79,169,506.79**	**84,589,218.93**	**(5,419,712.14)**	**-6.4%**
Operating Expenses				
Salaries and Wages	56,045,025.73	57,914,003.38	(1,868,977.65)	-3.2%
Payroll Related Costs	15,590,444.22	15,968,460.97	(378,016.75)	-2.4%
Professional Fees and Services	1,160,252.01	427,177.60	733,074.41	171.6%
Other Contracted Services	706,911.18	843,562.92	(136,651.74)	-16.2%
Travel	889,651.01	1,027,154.47	(137,503.46)	-13.4%
Materials and Supplies	1,985,730.79	2,823,688.14	(837,957.35)	-29.7%
Utilities	3,202,191.65	3,133,952.81	68,238.84	2.2%
Communications	1,095,685.07	907,584.23	188,100.84	20.7%
Repairs and Maintenance	1,637,990.07	2,126,108.36	(488,118.29)	-23.0%
Rentals and Leases	1,726,399.99	1,829,798.18	(103,398.19)	-5.7%
Printing and Reproduction	197,376.04	262,455.09	(65,079.05)	-24.8%
Scholarships and Fellowships	43,001,172.69	47,521,094.00	(4,519,921.31)	-9.5%
Depreciation and Amortization	6,753,744.30	6,540,800.34	212,943.96	3.3%
Federal Sponsored Program Pass-Through to Other State Agencies	39,885.65	167,656.30	(127,770.65)	-76.2%
Other Operating Expenses	5,242,110.23	5,301,093.25	(58,983.02)	-1.1%
Total Operating Expenses	**139,274,570.63**	**146,794,590.04**	**(7,520,019.41)**	**-5.1%**
Operating Loss	**(60,105,063.84)**	**(62,205,371.11)**	**2,100,307.27**	**3.4%**
Other Nonoperating Adjustments				
State Appropriations	30,236,707.77	29,640,392.74	596,315.03	2.0%
Nonexchange Sponsored Programs	29,217,173.96	35,099,704.06	(5,882,530.10)	-16.8%
Gift Contributions for Operations	538,194.80	415,228.78	122,966.02	29.6%
Net Investment Income	1,239,838.55	1,128,567.12	111,271.43	9.9%
Interest Expense on Capital Asset Financings	(2,341,363.40)	(2,094,237.00)	(247,126.40)	-11.8%
Net Other Nonoperating Adjustments	**58,890,551.68**	**64,189,655.70**	**(5,299,104.02)**	**-8.3%**
Adjusted Income (Loss) including Depreciation & Amortization	**(1,214,512.16)**	**1,984,284.59**	**(3,198,796.75)**	**-161.2%**
Adjusted Margin % including Depreciation & Amortization	**-0.9%**	**1.3%**		
Investment Gain (Losses)	756,180.95	(1,134,951.34)	1,891,132.29	166.6%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(458,331.21)**	**849,333.25**	**(1,307,664.46)**	**-154.0%**
Adj. Margin % with Investment Gains (Losses)	**-0.3%**	**0.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**5,539,232.14**	**8,525,084.93**	**(2,985,852.79)**	**-35.0%**
Adjusted Margin % excluding Depreciation & Amortization	**3.9%**	**5.7%**		

UNAUDITED

The University of Texas at Dallas
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2013

	June Year-to-Date FY 2013	June Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	171,454,753.59	158,645,689.84	12,809,063.75	8.1%
Sponsored Programs	44,129,690.27	46,286,055.35	(2,156,365.08)	-4.7%
Net Sales and Services of Educational Activities	9,186,512.33	6,988,611.68	2,197,900.65	31.4%
Net Auxiliary Enterprises	12,465,073.76	10,622,781.37	1,842,292.39	17.3%
Other Operating Revenues	6,216,149.06	2,743,121.71	3,473,027.35	126.6%
Total Operating Revenues	**243,452,179.01**	**225,286,259.95**	**18,165,919.06**	**8.1%**
Operating Expenses				
Salaries and Wages	188,130,132.82	166,935,922.03	21,194,210.79	12.7%
Payroll Related Costs	42,684,861.73	36,248,035.14	6,436,826.59	17.8%
Professional Fees and Services	9,279,297.50	8,234,826.23	1,044,471.27	12.7%
Other Contracted Services	8,998,327.03	7,270,285.68	1,728,041.35	23.8%
Travel	4,901,986.72	4,597,218.26	304,768.46	6.6%
Materials and Supplies	19,211,459.85	17,270,314.00	1,941,145.85	11.2%
Utilities	7,466,370.69	8,186,686.99	(720,316.30)	-8.8%
Communications	903,555.89	469,686.89	433,869.00	92.4%
Repairs and Maintenance	3,352,701.70	3,948,702.09	(596,000.39)	-15.1%
Rentals and Leases	2,821,606.35	2,656,073.39	165,532.96	6.2%
Printing and Reproduction	1,448,406.62	1,402,148.34	46,258.28	3.3%
Scholarships and Fellowships	26,044,984.85	31,828,971.94	(5,783,987.09)	-18.2%
Depreciation and Amortization	34,492,861.70	31,394,261.11	3,098,600.59	9.9%
Federal Sponsored Program Pass-Through to Other State Agencies	69,812.23	289,239.24	(219,427.01)	-75.9%
Other Operating Expenses	12,453,925.65	10,795,586.24	1,658,339.41	15.4%
Total Operating Expenses	**362,260,291.33**	**331,527,957.57**	**30,732,333.76**	**9.3%**
Operating Loss	**(118,808,112.32)**	**(106,241,697.62)**	**(12,566,414.70)**	**-11.8%**
Other Nonoperating Adjustments				
State Appropriations	83,705,709.03	83,633,902.64	71,806.39	0.1%
Nonexchange Sponsored Programs	25,364,465.34	17,475,708.40	7,888,756.94	45.1%
Gift Contributions for Operations	8,187,374.77	12,182,456.54	(3,995,081.77)	-32.8%
Net Investment Income	14,506,116.87	13,243,008.61	1,263,108.26	9.5%
Interest Expense on Capital Asset Financings	(10,444,234.80)	(9,103,034.30)	(1,341,200.50)	-14.7%
Net Other Nonoperating Adjustments	**121,319,431.21**	**117,432,041.89**	**3,887,389.32**	**3.3%**
Adjusted Income (Loss) including Depreciation & Amortization	**2,511,318.89**	**11,190,344.27**	**(8,679,025.38)**	**-77.6%**
Adjusted Margin % including Depreciation & Amortization	**0.7%**	**3.2%**		
Investment Gain (Losses)	13,496,990.12	(15,727,849.62)	29,224,839.74	185.8%
Adj. Inc. (Loss) with Investment Gains (Losses)	**16,008,309.01**	**(4,537,505.35)**	**20,545,814.36**	**452.8%**
Adj. Margin % with Investment Gains (Losses)	**4.1%**	**-1.4%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**37,004,180.59**	**42,584,605.38**	**(5,580,424.79)**	**-13.1%**
Adjusted Margin % excluding Depreciation & Amortization	**9.9%**	**12.1%**		

UNAUDITED

The University of Texas at El Paso
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2013

	June Year-to-Date FY 2013	June Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	88,880,380.87	91,484,301.04	(2,603,920.17)	-2.8%
Sponsored Programs	62,764,392.94	60,831,108.15	1,933,284.79	3.2%
Net Sales and Services of Educational Activities	5,220,734.32	4,023,939.95	1,196,794.37	29.7%
Net Auxiliary Enterprises	21,211,501.84	21,661,907.09	(450,405.25)	-2.1%
Other Operating Revenues	95,248.39	100,856.37	(5,607.98)	-5.6%
Total Operating Revenues	**178,172,258.36**	**178,102,112.60**	**70,145.76**	**-**
Operating Expenses				
Salaries and Wages	138,229,492.38	131,797,268.68	6,432,223.70	4.9%
Payroll Related Costs	34,810,843.49	33,005,615.92	1,805,227.57	5.5%
Professional Fees and Services	2,118,899.48	1,221,873.89	897,025.59	73.4%
Other Contracted Services	16,747,910.67	15,854,861.87	893,048.80	5.6%
Travel	6,754,242.94	6,286,176.27	468,066.67	7.4%
Materials and Supplies	18,066,670.97	19,711,816.04	(1,645,145.07)	-8.3%
Utilities	5,629,797.45	5,699,618.98	(69,821.53)	-1.2%
Communications	492,154.64	477,747.36	14,407.28	3.0%
Repairs and Maintenance	3,754,465.58	2,956,644.23	797,821.35	27.0%
Rentals and Leases	2,995,525.17	2,752,045.30	243,479.87	8.8%
Printing and Reproduction	1,251,024.15	748,107.83	502,916.32	67.2%
Scholarships and Fellowships	57,191,713.27	64,507,433.02	(7,315,719.75)	-11.3%
Depreciation and Amortization	21,858,147.90	20,549,503.45	1,308,644.45	6.4%
Federal Sponsored Program Pass-Through to Other State Agencies	1,299,832.52	1,217,515.00	82,317.52	6.8%
Other Operating Expenses	5,043,035.99	4,867,615.57	175,420.42	3.6%
Total Operating Expenses	**316,243,756.60**	**311,653,843.41**	**4,589,913.19**	**1.5%**
Operating Loss	**(138,071,498.24)**	**(133,551,730.81)**	**(4,519,767.43)**	**-3.4%**
Other Nonoperating Adjustments				
State Appropriations	77,531,766.00	74,357,078.00	3,174,688.00	4.3%
Nonexchange Sponsored Programs	51,090,449.79	49,527,719.01	1,562,730.78	3.2%
Gift Contributions for Operations	6,591,561.01	11,478,392.18	(4,886,831.17)	-42.6%
Net Investment Income	10,688,977.51	9,964,361.73	724,615.78	7.3%
Interest Expense on Capital Asset Financings	(7,113,545.60)	(6,232,630.50)	(880,915.10)	-14.1%
Net Other Nonoperating Adjustments	**138,789,208.71**	**139,094,920.42**	**(305,711.71)**	**-0.2%**
Adjusted Income (Loss) including Depreciation & Amortization	**717,710.47**	**5,543,189.61**	**(4,825,479.14)**	**-87.1%**
Adjusted Margin % including Depreciation & Amortization	**0.2%**	**1.7%**		
Investment Gain (Losses)	12,366,233.14	(11,466,270.72)	23,832,503.86	207.8%
Adj. Inc. (Loss) with Investment Gains (Losses)	**13,083,943.61**	**(5,923,081.11)**	**19,007,024.72**	**320.9%**
Adj. Margin % with Investment Gains (Losses)	**3.9%**	**-1.9%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**22,575,858.37**	**26,092,693.06**	**(3,516,834.69)**	**-13.5%**
Adjusted Margin % excluding Depreciation & Amortization	**7.0%**	**8.1%**		

UNAUDITED

The University of Texas-Pan American
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2013

	June Year-to-Date FY 2013	June Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	52,074,595.01	49,621,039.37	2,453,555.64	4.9%
Sponsored Programs	39,030,781.18	42,295,606.62	(3,264,825.44)	-7.7%
Net Sales and Services of Educational Activities	4,015,850.52	4,697,365.09	(681,514.57)	-14.5%
Net Auxiliary Enterprises	5,647,199.53	6,115,595.33	(468,395.80)	-7.7%
Other Operating Revenues	2,722,991.02	1,348,734.20	1,374,256.82	101.9%
Total Operating Revenues	**103,491,417.26**	**104,078,340.61**	**(586,923.35)**	**-0.6%**
Operating Expenses				
Salaries and Wages	90,919,335.08	88,784,445.53	2,134,889.55	2.4%
Payroll Related Costs	24,742,228.20	24,197,981.47	544,246.73	2.2%
Cost of Goods Sold	308,971.27	490,582.35	(181,611.08)	-37.0%
Professional Fees and Services	1,593,741.47	1,166,330.97	427,410.50	36.6%
Other Contracted Services	1,797,792.10	3,484,719.96	(1,686,927.86)	-48.4%
Travel	3,383,384.74	3,373,000.95	10,383.79	0.3%
Materials and Supplies	9,394,011.35	10,083,471.13	(689,459.78)	-6.8%
Utilities	4,541,902.24	3,816,904.36	724,997.88	19.0%
Communications	789,851.19	856,189.68	(66,338.49)	-7.7%
Repairs and Maintenance	2,207,486.56	2,311,473.50	(103,986.94)	-4.5%
Rentals and Leases	653,293.48	809,234.71	(155,941.23)	-19.3%
Printing and Reproduction	382,768.21	202,369.74	180,398.47	89.1%
Bad Debt Expense	90,496.04	85,388.95	5,107.09	6.0%
Scholarships and Fellowships	48,313,266.01	47,187,722.54	1,125,543.47	2.4%
Depreciation and Amortization	12,401,411.91	11,790,321.77	611,090.14	5.2%
Federal Sponsored Program Pass-Through to Other State Agencies	146,044.07	236,880.64	(90,836.57)	-38.3%
Other Operating Expenses	8,341,149.88	2,591,529.41	5,749,620.47	221.9%
Total Operating Expenses	**210,007,133.80**	**201,468,547.66**	**8,538,586.14**	**4.2%**
Operating Loss	**(106,515,716.54)**	**(97,390,207.05)**	**(9,125,509.49)**	**-9.4%**
Other Nonoperating Adjustments				
State Appropriations	62,344,153.15	58,500,275.89	3,843,877.26	6.6%
Nonexchange Sponsored Programs	45,668,847.94	47,583,706.12	(1,914,858.18)	-4.0%
Gift Contributions for Operations	1,932,092.48	2,842,267.74	(910,175.26)	-32.0%
Net Investment Income	4,019,226.85	3,396,221.82	623,005.03	18.3%
Interest Expense on Capital Asset Financings	(3,470,449.40)	(3,150,757.30)	(319,692.10)	-10.1%
Net Other Nonoperating Adjustments	**110,493,871.02**	**109,171,714.27**	**1,322,156.75**	**1.2%**
Adjusted Income (Loss) including Depreciation & Amortization	**3,978,154.48**	**11,781,507.22**	**(7,803,352.74)**	**-66.2%**
Adjusted Margin % including Depreciation & Amortization	**1.8%**	**5.4%**		
Investment Gain (Losses)	(1,364,315.12)	(1,853,651.95)	489,336.83	26.4%
Adj. Inc. (Loss) with Investment Gains (Losses)	**2,613,839.36**	**9,927,855.27**	**(7,314,015.91)**	**-73.7%**
Adj. Margin % with Investment Gains (Losses)	**1.2%**	**4.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**16,379,566.39**	**23,571,828.99**	**(7,192,262.60)**	**-30.5%**
Adjusted Margin % excluding Depreciation & Amortization	**7.5%**	**10.9%**		

UNAUDITED

The University of Texas of the Permian Basin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2013

	June Year-to-Date FY 2013	June Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	12,058,943.82	14,782,379.30	(2,723,435.48)	-18.4%
Sponsored Programs	4,108,983.78	1,409,429.55	2,699,554.23	191.5%
Net Sales and Services of Educational Activities	327,905.43	80,963.87	246,941.56	305.0%
Net Auxiliary Enterprises	4,538,294.08	4,026,810.96	511,483.12	12.7%
Other Operating Revenues	316,622.02	1,050,689.47	(734,067.45)	-69.9%
Total Operating Revenues	**21,350,749.13**	**21,350,273.15**	**475.98**	**-**
Operating Expenses				
Salaries and Wages	18,094,130.92	15,684,413.48	2,409,717.44	15.4%
Payroll Related Costs	5,093,481.07	4,569,978.70	523,502.37	11.5%
Professional Fees and Services	1,613,683.02	1,181,742.65	431,940.37	36.6%
Other Contracted Services	2,659,246.75	2,630,642.53	28,604.22	1.1%
Travel	1,043,127.75	958,488.32	84,639.43	8.8%
Materials and Supplies	2,586,836.13	1,981,806.89	605,029.24	30.5%
Utilities	1,801,368.60	2,010,620.22	(209,251.62)	-10.4%
Communications	521,655.54	505,532.21	16,123.33	3.2%
Repairs and Maintenance	740,980.79	681,735.91	59,244.88	8.7%
Rentals and Leases	244,536.97	224,781.84	19,755.13	8.8%
Printing and Reproduction	115,447.36	43,981.57	71,465.79	162.5%
Bad Debt Expense	-	45,753.27	(45,753.27)	-100.0%
Scholarships and Fellowships	3,574,663.88	520,292.38	3,054,371.50	587.0%
Depreciation and Amortization	9,750,000.00	8,958,333.33	791,666.67	8.8%
Other Operating Expenses	573,749.97	881,525.03	(307,775.06)	-34.9%
Total Operating Expenses	**48,412,908.75**	**40,879,628.33**	**7,533,280.42**	**18.4%**
Operating Loss	**(27,062,159.62)**	**(19,529,355.18)**	**(7,532,804.44)**	**-38.6%**
Other Nonoperating Adjustments				
State Appropriations	23,143,456.67	25,340,145.83	(2,196,689.16)	-8.7%
Nonexchange Sponsored Programs	4,433,969.07	3,685,937.99	748,031.08	20.3%
Gift Contributions for Operations	1,324,958.63	1,039,651.52	285,307.11	27.4%
Net Investment Income	2,056,450.25	1,182,872.27	873,577.98	73.9%
Interest Expense on Capital Asset Financings	(4,394,644.40)	(4,410,684.50)	16,040.10	0.4%
Net Other Nonoperating Adjustments	**26,564,190.22**	**26,837,923.11**	**(273,732.89)**	**-1.0%**
Adjusted Income (Loss) including Depreciation & Amortization	**(497,969.40)**	**7,308,567.93**	**(7,806,537.33)**	**-106.8%**
Adjusted Margin % including Depreciation & Amortization	**-1.0%**	**13.9%**		
Investment Gain (Losses)	1,521,673.34	(1,934,593.04)	3,456,266.38	178.7%
Adj. Inc. (Loss) with Investment Gains (Losses)	**1,023,703.94**	**5,373,974.89**	**(4,350,270.95)**	**-81.0%**
Adj. Margin % with Investment Gains (Losses)	**1.9%**	**10.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**9,252,030.60**	**16,266,901.26**	**(7,014,870.66)**	**-43.1%**
Adjusted Margin % excluding Depreciation & Amortization	**17.7%**	**30.9%**		

UNAUDITED

The University of Texas at San Antonio
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2013

	June Year-to-Date FY 2013	June Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	176,084,588.30	167,130,077.42	8,954,510.88	5.4%
Sponsored Programs	59,029,729.36	61,797,309.46	(2,767,580.10)	-4.5%
Net Sales and Services of Educational Activities	8,644,970.12	8,285,638.63	359,331.49	4.3%
Net Auxiliary Enterprises	28,776,111.80	25,966,954.71	2,809,157.09	10.8%
Other Operating Revenues	4,670,641.68	2,218,229.72	2,452,411.96	110.6%
Total Operating Revenues	**277,206,041.26**	**265,398,209.94**	**11,807,831.32**	**4.4%**
Operating Expenses				
Salaries and Wages	185,864,879.66	180,248,415.71	5,616,463.95	3.1%
Payroll Related Costs	47,546,897.98	44,731,127.01	2,815,770.97	6.3%
Cost of Goods Sold	541,666.67	666,666.67	(125,000.00)	-18.7%
Professional Fees and Services	5,159,718.09	4,693,506.27	466,211.82	9.9%
Other Contracted Services	10,489,603.33	11,914,808.50	(1,425,205.17)	-12.0%
Travel	8,938,851.20	8,280,701.07	658,150.13	7.9%
Materials and Supplies	25,413,824.64	25,374,297.89	39,526.75	0.2%
Utilities	10,254,166.67	9,667,896.67	586,270.00	6.1%
Communications	2,900,750.19	2,708,676.50	192,073.69	7.1%
Repairs and Maintenance	8,764,563.43	6,590,783.43	2,173,780.00	33.0%
Rentals and Leases	3,547,216.58	3,801,086.51	(253,869.93)	-6.7%
Printing and Reproduction	1,124,614.66	1,103,829.74	20,784.92	1.9%
Bad Debt Expense	86,830.10	507,809.06	(420,978.96)	-82.9%
Scholarships and Fellowships	61,614,751.50	44,185,653.84	17,429,097.66	39.4%
Depreciation and Amortization	35,522,832.86	33,971,918.54	1,550,914.32	4.6%
Federal Sponsored Program Pass-Through to Other State Agencies	2,664,299.57	2,519,508.53	144,791.04	5.7%
Other Operating Expenses	9,353,483.27	10,724,434.07	(1,370,950.80)	-12.8%
Total Operating Expenses	**419,788,950.40**	**391,691,120.01**	**28,097,830.39**	**7.2%**
Operating Loss	**(142,582,909.14)**	**(126,292,910.07)**	**(16,289,999.07)**	**-12.9%**
Other Nonoperating Adjustments				
State Appropriations	93,390,026.34	93,357,507.01	32,519.33	-
Nonexchange Sponsored Programs	58,817,916.67	43,103,503.13	15,714,413.54	36.5%
Gift Contributions for Operations	5,896,236.20	6,132,232.36	(235,996.16)	-3.8%
Net Investment Income	11,967,881.50	9,826,642.17	2,141,239.33	21.8%
Interest Expense on Capital Asset Financings	(13,695,660.10)	(12,808,783.20)	(886,876.90)	-6.9%
Net Other Nonoperating Adjustments	**156,376,400.61**	**139,611,101.47**	**16,765,299.14**	**12.0%**
Adjusted Income (Loss) including Depreciation & Amortization	**13,793,491.47**	**13,318,191.40**	**475,300.07**	**3.6%**
Adjusted Margin % including Depreciation & Amortization	**3.1%**	**3.2%**		
Investment Gain (Losses)	6,333,130.52	(8,441,527.68)	14,774,658.20	175.0%
Adj. Inc. (Loss) with Investment Gains (Losses)	**20,126,621.99**	**4,876,663.72**	**15,249,958.27**	**312.7%**
Adj. Margin % with Investment Gains (Losses)	**4.4%**	**1.2%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**49,316,324.33**	**47,290,109.94**	**2,026,214.39**	**4.3%**
Adjusted Margin % excluding Depreciation & Amortization	**11.0%**	**11.3%**		

UNAUDITED

The University of Texas at Tyler
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2013

	June Year-to-Date FY 2013	June Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	25,364,690.00	23,166,673.33	2,198,016.67	9.5%
Sponsored Programs	9,406,641.31	10,089,121.90	(682,480.59)	-6.8%
Net Sales and Services of Educational Activities	4,542,929.55	2,657,729.57	1,885,199.98	70.9%
Net Auxiliary Enterprises	3,918,531.03	3,908,167.13	10,363.90	0.3%
Other Operating Revenues	798,760.42	175,818.20	622,942.22	354.3%
Total Operating Revenues	**44,031,552.31**	**39,997,510.13**	**4,034,042.18**	**10.1%**
Operating Expenses				
Salaries and Wages	39,162,881.78	36,931,840.14	2,231,041.64	6.0%
Payroll Related Costs	10,986,975.57	9,702,916.06	1,284,059.51	13.2%
Cost of Goods Sold	28,891.35	22,722.32	6,169.03	27.1%
Professional Fees and Services	1,196,320.31	962,992.08	233,328.23	24.2%
Other Contracted Services	4,337,533.05	4,050,924.21	286,608.84	7.1%
Travel	1,627,885.79	1,593,834.83	34,050.96	2.1%
Materials and Supplies	4,513,230.55	3,330,556.45	1,182,674.10	35.5%
Utilities	1,254,462.04	1,291,341.80	(36,879.76)	-2.9%
Communications	1,013,318.08	847,334.88	165,983.20	19.6%
Repairs and Maintenance	1,803,946.11	1,477,631.52	326,314.59	22.1%
Rentals and Leases	229,348.20	280,402.70	(51,054.50)	-18.2%
Printing and Reproduction	537,628.88	595,076.63	(57,447.75)	-9.7%
Bad Debt Expense	83.82	-	83.82	100.0%
Scholarships and Fellowships	4,635,502.23	4,425,036.58	210,465.65	4.8%
Depreciation and Amortization	9,233,634.15	9,357,241.65	(123,607.50)	-1.3%
Other Operating Expenses	1,714,938.86	2,055,094.84	(340,155.98)	-16.6%
Total Operating Expenses	**82,276,580.77**	**76,924,946.69**	**5,351,634.08**	**7.0%**
Operating Loss	**(38,245,028.46)**	**(36,927,436.56)**	**(1,317,591.90)**	**-3.6%**
Other Nonoperating Adjustments				
State Appropriations	26,378,585.13	26,729,212.96	(350,627.83)	-1.3%
Nonexchange Sponsored Programs	8,465,104.00	8,614,035.65	(148,931.65)	-1.7%
Gift Contributions for Operations	1,121,429.88	802,668.93	318,760.95	39.7%
Net Investment Income	3,001,482.84	3,776,565.65	(775,082.81)	-20.5%
Interest Expense on Capital Asset Financings	(3,092,618.10)	(3,272,484.00)	179,865.90	5.5%
Net Other Nonoperating Adjustments	**35,873,983.75**	**36,649,999.19**	**(776,015.44)**	**-2.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**(2,371,044.71)**	**(277,437.37)**	**(2,093,607.34)**	**-754.6%**
Adjusted Margin % including Depreciation & Amortization	**-2.9%**	**-0.3%**		
Investment Gain (Losses)	4,993,714.88	(5,068,147.57)	10,061,862.45	198.5%
Adj. Inc. (Loss) with Investment Gains (Losses)	**2,622,670.17**	**(5,345,584.94)**	**7,968,255.11**	**149.1%**
Adj. Margin % with Investment Gains (Losses)	**3.0%**	**-7.1%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**6,862,589.44**	**9,079,804.28**	**(2,217,214.84)**	**-24.4%**
Adjusted Margin % excluding Depreciation & Amortization	**8.3%**	**11.4%**		

UNAUDITED

The University of Texas Southwestern Medical Center
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2013

	June Year-to-Date FY 2013	June Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	14,675,241.46	15,068,746.89	(393,505.43)	-2.6%
Sponsored Programs	395,943,832.40	389,453,369.13	6,490,463.27	1.7%
Net Sales and Services of Educational Activities	9,620,295.82	10,314,110.50	(693,814.68)	-6.7%
Net Sales and Services of Hospitals	608,247,359.62	551,262,108.00	56,985,251.62	10.3%
Net Professional Fees	350,704,781.62	332,136,367.58	18,568,414.04	5.6%
Net Auxiliary Enterprises	13,974,476.34	14,797,865.90	(823,389.56)	-5.6%
Other Operating Revenues	31,482,640.41	14,268,508.47	17,214,131.94	120.6%
Total Operating Revenues	**1,424,648,627.67**	**1,327,301,076.47**	**97,347,551.20**	**7.3%**
Operating Expenses				
Salaries and Wages	831,223,154.93	798,974,578.33	32,248,576.60	4.0%
Payroll Related Costs	185,813,120.93	167,398,810.63	18,414,310.30	11.0%
Cost of Goods Sold	1,854,579.20	1,579,352.62	275,226.58	17.4%
Professional Fees and Services	30,553,509.52	29,989,155.75	564,353.77	1.9%
Other Contracted Services	81,540,525.10	77,448,119.29	4,092,405.81	5.3%
Travel	8,711,094.39	7,931,663.68	779,430.71	9.8%
Materials and Supplies	230,310,269.45	205,480,717.84	24,829,551.61	12.1%
Utilities	22,615,126.25	25,286,160.42	(2,671,034.17)	-10.6%
Communications	9,767,226.03	3,669,896.54	6,097,329.49	166.1%
Repairs and Maintenance	6,377,286.23	9,415,391.49	(3,038,105.26)	-32.3%
Rentals and Leases	4,102,009.02	4,939,589.80	(837,580.78)	-17.0%
Printing and Reproduction	2,462,782.68	391,651.60	2,071,131.08	528.8%
Scholarships and Fellowships	604,743.33	602,678.33	2,065.00	0.3%
Depreciation and Amortization	91,502,242.99	86,125,414.60	5,376,828.39	6.2%
Federal Sponsored Program Pass-Through to Other State Agencies	2,117,475.39	1,111,332.75	1,006,142.64	90.5%
Other Operating Expenses	35,778,928.62	26,219,980.87	9,558,947.75	36.5%
Total Operating Expenses	**1,545,334,074.06**	**1,446,564,494.54**	**98,769,579.52**	**6.8%**
Operating Loss	**(120,685,446.39)**	**(119,263,418.07)**	**(1,422,028.32)**	**-1.2%**
Other Nonoperating Adjustments				
State Appropriations	127,125,439.63	131,106,998.58	(3,981,558.95)	-3.0%
Nonexchange Sponsored Programs	10,700.00	34,305.00	(23,605.00)	-68.8%
Gift Contributions for Operations	32,097,463.26	15,518,301.78	16,579,161.48	106.8%
Net Investment Income	77,085,446.00	65,903,437.54	11,182,008.46	17.0%
Interest Expense on Capital Asset Financings	(23,289,129.80)	(24,427,813.00)	1,138,683.20	4.7%
Net Other Nonoperating Adjustments	**213,029,919.09**	**188,135,229.90**	**24,894,689.19**	**13.2%**
Adjusted Income (Loss) including Depreciation & Amortization	**92,344,472.70**	**68,871,811.83**	**23,472,660.87**	**34.1%**
Adjusted Margin % including Depreciation & Amortization	**5.6%**	**4.5%**		
Investment Gain (Losses)	40,650,044.41	(59,406,498.15)	100,056,542.56	168.4%
Adj. Inc. (Loss) with Investment Gains (Losses)	**132,994,517.11**	**9,465,313.68**	**123,529,203.43**	**1,305.1%**
Adj. Margin % with Investment Gains (Losses)	**7.8%**	**0.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**183,846,715.69**	**154,997,226.43**	**28,849,489.26**	**18.6%**
Adjusted Margin % excluding Depreciation & Amortization	**11.1%**	**10.1%**		

UNAUDITED

The University of Texas Medical Branch at Galveston
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2013

	June Year-to-Date FY 2013	June Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	27,178,898.81	26,149,314.23	1,029,584.58	3.9%
Sponsored Programs	168,933,639.38	186,162,927.40	(17,229,288.02)	-9.3%
Net Sales and Services of Educational Activities	16,323,050.84	12,606,712.65	3,716,338.19	29.5%
Net Sales and Services of Hospitals	675,336,685.97	623,065,091.05	52,271,594.92	8.4%
Net Professional Fees	115,457,411.65	112,128,831.24	3,328,580.41	3.0%
Net Auxiliary Enterprises	5,307,114.56	5,485,760.99	(178,646.43)	-3.3%
Other Operating Revenues	26,059,779.23	10,515,268.91	15,544,510.32	147.8%
Total Operating Revenues	**1,034,596,580.44**	**976,113,906.47**	**58,482,673.97**	**6.0%**
Operating Expenses				
Salaries and Wages	671,307,771.89	654,714,033.04	16,593,738.85	2.5%
Payroll Related Costs	178,382,393.68	168,602,934.98	9,779,458.70	5.8%
Cost of Goods Sold	53,498,262.18	53,335,438.71	162,823.47	0.3%
Professional Fees and Services	31,673,758.37	30,560,506.61	1,113,251.76	3.6%
Other Contracted Services	81,366,332.18	65,475,201.98	15,891,130.20	24.3%
Travel	5,734,426.57	5,427,932.29	306,494.28	5.6%
Materials and Supplies	108,229,194.95	102,490,683.14	5,738,511.81	5.6%
Utilities	34,992,631.14	26,720,696.28	8,271,934.86	31.0%
Communications	7,181,093.63	10,864,369.62	(3,683,275.99)	-33.9%
Repairs and Maintenance	35,700,376.93	30,093,519.03	5,606,857.90	18.6%
Rentals and Leases	19,587,650.10	19,577,615.60	10,034.50	0.1%
Printing and Reproduction	1,090,343.02	1,192,997.22	(102,654.20)	-8.6%
Scholarships and Fellowships	7,535,583.09	7,155,528.71	380,054.38	5.3%
Depreciation and Amortization	79,757,686.37	70,316,514.59	9,441,171.78	13.4%
Federal Sponsored Program Pass-Through to Other State Agencies	2,472,376.09	2,471,070.39	1,305.70	0.1%
Other Operating Expenses	31,471,795.31	28,574,135.61	2,897,659.70	10.1%
Total Operating Expenses	**1,349,981,675.50**	**1,277,573,177.80**	**72,408,497.70**	**5.7%**
Operating Loss	**(315,385,095.06)**	**(301,459,271.33)**	**(13,925,823.73)**	**-4.6%**
Other Nonoperating Adjustments				
State Appropriations	295,292,453.41	263,527,589.56	31,764,863.85	12.1%
Nonexchange Sponsored Programs	827,632.00	399,096.25	428,535.75	107.4%
Gift Contributions for Operations	4,622,844.71	7,688,394.98	(3,065,550.27)	-39.9%
Net Investment Income	28,064,128.68	26,538,945.54	1,525,183.14	5.7%
Interest Expense on Capital Asset Financings	(6,439,277.10)	(6,492,320.02)	53,042.92	0.8%
Net Other Nonoperating Adjustments	**322,367,781.70**	**291,661,706.31**	**30,706,075.39**	**10.5%**
Adjusted Income (Loss) including Depreciation & Amortization	**6,982,686.64**	**(9,797,565.02)**	**16,780,251.66**	**171.3%**
Adjusted Margin % including Depreciation & Amortization	**0.5%**	**-0.8%**		
Investment Gain (Losses)	23,111,944.07	(22,621,539.40)	45,733,483.47	202.2%
Adj. Inc. (Loss) with Investment Gains (Losses)	**30,094,630.71**	**(32,419,104.42)**	**62,513,735.13**	**192.8%**
Adj. Margin % with Investment Gains (Losses)	**2.2%**	**-2.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**86,740,373.01**	**60,518,949.57**	**26,221,423.44**	**43.3%**
Adjusted Margin % excluding Depreciation & Amortization	**6.4%**	**4.7%**		

UNAUDITED

The University of Texas Health Science Center at Houston
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2013

	June Year-to-Date FY 2013	June Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	33,474,572.63	32,121,314.96	1,353,257.67	4.2%
Sponsored Programs	413,261,463.68	380,871,200.31	32,390,263.37	8.5%
Net Sales and Services of Educational Activities	20,378,350.48	21,569,468.58	(1,191,118.10)	-5.5%
Net Sales and Services of Hospitals	53,622,383.94	56,271,493.76	(2,649,109.82)	-4.7%
Net Professional Fees	163,136,405.42	133,368,160.83	29,768,244.59	22.3%
Net Auxiliary Enterprises	19,808,790.79	18,866,946.54	941,844.25	5.0%
Other Operating Revenues	16,361,229.33	13,489,851.75	2,871,377.58	21.3%
Total Operating Revenues	**720,043,196.27**	**656,558,436.73**	**63,484,759.54**	**9.7%**
Operating Expenses				
Salaries and Wages	513,927,603.61	458,963,844.05	54,963,759.56	12.0%
Payroll Related Costs	112,188,846.63	100,987,160.47	11,201,686.16	11.1%
Cost of Goods Sold	13,958,343.61	19,748,307.71	(5,789,964.10)	-29.3%
Professional Fees and Services	36,517,724.16	36,596,610.81	(78,886.65)	-0.2%
Other Contracted Services	42,152,417.90	38,900,415.51	3,252,002.39	8.4%
Travel	6,988,729.32	6,319,111.41	669,617.91	10.6%
Materials and Supplies	43,251,911.01	42,238,420.89	1,013,490.12	2.4%
Utilities	13,791,246.68	14,955,052.73	(1,163,806.05)	-7.8%
Communications	3,605,790.57	3,323,850.78	281,939.79	8.5%
Repairs and Maintenance	6,632,085.39	6,036,606.86	595,478.53	9.9%
Rentals and Leases	16,747,370.53	16,118,722.82	628,647.71	3.9%
Printing and Reproduction	4,207,371.86	3,812,304.64	395,067.22	10.4%
Bad Debt Expense	-	3,506.66	(3,506.66)	-100.0%
Scholarships and Fellowships	4,500,713.56	3,737,423.48	763,290.08	20.4%
Depreciation and Amortization	47,084,925.71	43,098,167.77	3,986,757.94	9.3%
Federal Sponsored Program Pass-Through to Other State Agencies	2,871,882.65	6,292,117.50	(3,420,234.85)	-54.4%
Other Operating Expenses	26,585,995.29	24,764,177.23	1,821,818.06	7.4%
Total Operating Expenses	**895,012,958.48**	**825,895,801.32**	**69,117,157.16**	**8.4%**
Operating Loss	**(174,969,762.21)**	**(169,337,364.59)**	**(5,632,397.62)**	**-3.3%**
Other Nonoperating Adjustments				
State Appropriations	147,356,657.01	145,471,224.19	1,885,432.82	1.3%
Nonexchange Sponsored Programs	597,225.42	747,236.38	(150,010.96)	-20.1%
Gift Contributions for Operations	16,619,979.47	15,852,042.09	767,937.38	4.8%
Net Investment Income	27,862,899.21	22,582,180.81	5,280,718.40	23.4%
Interest Expense on Capital Asset Financings	(9,964,506.20)	(8,746,756.00)	(1,217,750.20)	-13.9%
Net Other Nonoperating Adjustments	**182,472,254.91**	**175,905,927.47**	**6,566,327.44**	**3.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**7,502,492.70**	**6,568,562.88**	**933,929.82**	**14.2%**
Adjusted Margin % including Depreciation & Amortization	**0.8%**	**0.8%**		
Investment Gain (Losses)	9,599,970.32	(17,214,844.55)	26,814,814.87	155.8%
Adj. Inc. (Loss) with Investment Gains (Losses)	**17,102,463.02**	**(10,646,281.67)**	**27,748,744.69**	**260.6%**
Adj. Margin % with Investment Gains (Losses)	**1.9%**	**-1.3%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**54,587,418.41**	**49,666,730.65**	**4,920,687.76**	**9.9%**
Adjusted Margin % excluding Depreciation & Amortization	**6.0%**	**5.9%**		

UNAUDITED

The University of Texas Health Science Center at San Antonio
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2013

	June Year-to-Date FY 2013	June Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	27,733,185.83	27,454,590.00	278,595.83	1.0%
Sponsored Programs	236,464,696.53	241,984,424.27	(5,519,727.74)	-2.3%
Net Sales and Services of Educational Activities	16,038,953.27	16,382,374.30	(343,421.03)	-2.1%
Net Professional Fees	123,361,480.14	126,459,675.24	(3,098,195.10)	-2.4%
Net Auxiliary Enterprises	4,868,081.97	5,484,450.77	(616,368.80)	-11.2%
Other Operating Revenues	14,734,980.91	8,728,359.21	6,006,621.70	68.8%
Total Operating Revenues	**423,201,378.65**	**426,493,873.79**	**(3,292,495.14)**	**-0.8%**
Operating Expenses				
Salaries and Wages	333,306,591.66	325,339,229.27	7,967,362.39	2.4%
Payroll Related Costs	87,030,958.36	87,034,524.25	(3,565.89)	-
Professional Fees and Services	13,648,645.70	13,820,504.57	(171,858.87)	-1.2%
Other Contracted Services	17,012,261.85	15,200,082.23	1,812,179.62	11.9%
Travel	4,590,999.33	4,676,235.61	(85,236.28)	-1.8%
Materials and Supplies	33,489,592.07	36,293,809.02	(2,804,216.95)	-7.7%
Utilities	14,095,223.33	15,862,606.67	(1,767,383.34)	-11.1%
Communications	10,516,329.35	10,040,948.45	475,380.90	4.7%
Repairs and Maintenance	3,841,088.33	3,692,324.43	148,763.90	4.0%
Rentals and Leases	4,400,228.74	4,679,765.32	(279,536.58)	-6.0%
Printing and Reproduction	1,784,163.61	1,763,742.72	20,420.89	1.2%
Scholarships and Fellowships	5,169,994.93	4,980,107.79	189,887.14	3.8%
Depreciation and Amortization	40,833,333.33	38,333,333.33	2,500,000.00	6.5%
Federal Sponsored Program Pass-Through to Other State Agencies	1,479,166.67	1,458,333.33	20,833.34	1.4%
Other Operating Expenses	29,994,939.27	30,269,380.37	(274,441.10)	-0.9%
Total Operating Expenses	**601,193,516.53**	**593,444,927.36**	**7,748,589.17**	**1.3%**
Operating Loss	**(177,992,137.88)**	**(166,951,053.57)**	**(11,041,084.31)**	**-6.6%**
Other Nonoperating Adjustments				
State Appropriations	136,871,813.33	134,426,660.00	2,445,153.33	1.8%
Nonexchange Sponsored Programs	1,375,000.00	1,250,000.00	125,000.00	10.0%
Gift Contributions for Operations	11,634,999.96	10,162,062.97	1,472,936.99	14.5%
Net Investment Income	27,516,178.28	26,709,458.81	806,719.47	3.0%
Interest Expense on Capital Asset Financings	(8,210,653.40)	(8,636,015.40)	425,362.00	4.9%
Net Other Nonoperating Adjustments	**169,187,338.17**	**163,912,166.38**	**5,275,171.79**	**3.2%**
Adjusted Income (Loss) including Depreciation & Amortization	**(8,804,799.71)**	**(3,038,887.19)**	**(5,765,912.52)**	**-189.7%**
Adjusted Margin % including Depreciation & Amortization	**-1.5%**	**-0.5%**		
Investment Gain (Losses)	23,492,287.07	(24,677,707.86)	48,169,994.93	195.2%
Adj. Inc. (Loss) with Investment Gains (Losses)	**14,687,487.36**	**(27,716,595.05)**	**42,404,082.41**	**153.0%**
Adj. Margin % with Investment Gains (Losses)	**2.4%**	**-4.8%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**32,028,533.62**	**35,294,446.14**	**(3,265,912.52)**	**-9.3%**
Adjusted Margin % excluding Depreciation & Amortization	**5.3%**	**5.9%**		

UNAUDITED

The University of Texas M. D. Anderson Cancer Center
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2013

	June Year-to-Date FY 2013	June Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	1,251,666.56	1,280,378.44	(28,711.88)	-2.2%
Sponsored Programs	269,311,472.16	285,948,886.83	(16,637,414.67)	-5.8%
Net Sales and Services of Educational Activities	1,960,811.67	1,817,012.95	143,798.72	7.9%
Net Sales and Services of Hospitals	2,267,683,581.14	2,149,755,180.50	117,928,400.64	5.5%
Net Professional Fees	311,020,075.66	297,036,357.10	13,983,718.56	4.7%
Net Auxiliary Enterprises	32,025,618.58	30,449,084.65	1,576,533.93	5.2%
Other Operating Revenues	65,337,790.09	49,950,630.48	15,387,159.61	30.8%
Total Operating Revenues	**2,948,591,015.86**	**2,816,237,530.95**	**132,353,484.91**	**4.7%**
Operating Expenses				
Salaries and Wages	1,339,742,558.45	1,266,238,427.94	73,504,130.51	5.8%
Payroll Related Costs	382,343,248.07	349,209,814.17	33,133,433.90	9.5%
Cost of Goods Sold	3,561,001.87	4,091,337.44	(530,335.57)	-13.0%
Professional Fees and Services	145,554,664.55	115,525,693.56	30,028,970.99	26.0%
Other Contracted Services	73,449,991.15	59,816,495.02	13,633,496.13	22.8%
Travel	15,102,848.19	12,135,839.20	2,967,008.99	24.4%
Materials and Supplies	570,466,744.35	534,152,618.54	36,314,125.81	6.8%
Utilities	42,453,890.21	45,165,854.17	(2,711,963.96)	-6.0%
Communications	8,752,933.54	8,256,755.53	496,178.01	6.0%
Repairs and Maintenance	73,447,435.95	66,851,465.58	6,595,970.37	9.9%
Rentals and Leases	34,802,346.62	35,740,686.31	(938,339.69)	-2.6%
Printing and Reproduction	3,384,679.16	2,538,935.84	845,743.32	33.3%
Scholarships and Fellowships	946,062.72	3,179,904.24	(2,233,841.52)	-70.2%
Depreciation and Amortization	228,133,381.61	218,575,680.94	9,557,700.67	4.4%
Federal Sponsored Program Pass-Through to Other State Agencies	356,994.21	1,630,210.09	(1,273,215.88)	-78.1%
Other Operating Expenses	26,021,239.23	23,444,457.88	2,576,781.35	11.0%
Total Operating Expenses	**2,948,520,019.88**	**2,746,554,176.45**	**201,965,843.43**	**7.4%**
Operating Loss	**70,995.98**	**69,683,354.50**	**(69,612,358.52)**	**-99.9%**
Other Nonoperating Adjustments				
State Appropriations	135,761,097.65	134,156,351.00	1,604,746.65	1.2%
Nonexchange Sponsored Programs	(23,873.00)	993,706.24	(1,017,579.24)	-102.4%
Gift Contributions for Operations	155,222,208.37	69,370,778.92	85,851,429.45	123.8%
Net Investment Income	60,294,691.80	48,618,853.72	11,675,838.08	24.0%
Interest Expense on Capital Asset Financings	(32,066,454.10)	(33,308,068.60)	1,241,614.50	3.7%
Net Other Nonoperating Adjustments	**319,187,670.72**	**219,831,621.28**	**99,356,049.44**	**45.2%**
Adjusted Income (Loss) including Depreciation & Amortization	**319,258,666.70**	**289,514,975.78**	**29,743,690.92**	**10.3%**
Adjusted Margin % including Depreciation & Amortization	**9.7%**	**9.4%**		
Investment Gain (Losses)	121,155,495.36	(56,035,350.60)	177,190,845.96	316.2%
Adj. Inc. (Loss) with Investment Gains (Losses)	**440,414,162.06**	**233,479,625.18**	**206,934,536.88**	**88.6%**
Adj. Margin % with Investment Gains (Losses)	**12.9%**	**7.7%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**547,392,048.31**	**508,090,656.72**	**39,301,391.59**	**7.7%**
Adjusted Margin % excluding Depreciation & Amortization	**16.6%**	**16.6%**		

UNAUDITED

The University of Texas Health Science Center at Tyler
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2013

	June Year-to-Date FY 2013	June Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	32,811.36	-	32,811.36	100.0%
Sponsored Programs	11,660,625.91	10,911,678.76	748,947.15	6.9%
Net Sales and Services of Educational Activities	1,182,463.21	1,300,347.98	(117,884.77)	-9.1%
Net Sales and Services of Hospitals	36,772,513.61	37,568,004.07	(795,490.46)	-2.1%
Net Professional Fees	8,493,893.54	9,542,121.29	(1,048,227.75)	-11.0%
Net Auxiliary Enterprises	150,862.47	125,240.38	25,622.09	20.5%
Other Operating Revenues	6,939,922.99	997,917.10	5,942,005.89	595.4%
Total Operating Revenues	**65,233,093.09**	**60,445,309.58**	**4,787,783.51**	**7.9%**
Operating Expenses				
Salaries and Wages	51,796,850.94	46,616,341.39	5,180,509.55	11.1%
Payroll Related Costs	15,749,733.28	13,642,980.81	2,106,752.47	15.4%
Cost of Goods Sold	62,986.08	56,042.82	6,943.26	12.4%
Professional Fees and Services	6,958,702.65	5,787,723.72	1,170,978.93	20.2%
Other Contracted Services	6,253,811.75	4,817,457.67	1,436,354.08	29.8%
Travel	475,773.66	492,543.75	(16,770.09)	-3.4%
Materials and Supplies	12,865,079.73	11,294,964.40	1,570,115.33	13.9%
Utilities	2,484,805.58	2,096,171.51	388,634.07	18.5%
Communications	552,859.44	653,034.77	(100,175.33)	-15.3%
Repairs and Maintenance	3,295,654.16	2,052,755.09	1,242,899.07	60.5%
Rentals and Leases	861,651.59	820,847.32	40,804.27	5.0%
Printing and Reproduction	87,780.30	454,737.39	(366,957.09)	-80.7%
Scholarships and Fellowships	60,152.36	14,989.50	45,162.86	301.3%
Depreciation and Amortization	7,552,586.01	7,322,422.76	230,163.25	3.1%
Federal Sponsored Program Pass-Through to Other State Agencies	189,751.32	375,174.52	(185,423.20)	-49.4%
Other Operating Expenses	2,181,494.78	1,645,701.86	535,792.92	32.6%
Total Operating Expenses	**111,429,673.63**	**98,143,889.28**	**13,285,784.35**	**13.5%**
Operating Loss	**(46,196,580.54)**	**(37,698,579.70)**	**(8,498,000.84)**	**-22.5%**
Other Nonoperating Adjustments				
State Appropriations	31,039,214.56	38,272,518.22	(7,233,303.66)	-18.9%
Gift Contributions for Operations	798,991.51	644,416.79	154,574.72	24.0%
Net Investment Income	3,725,740.11	3,435,672.72	290,067.39	8.4%
Interest Expense on Capital Asset Financings	(1,339,963.50)	(1,196,420.10)	(143,543.40)	-12.0%
Net Other Nonoperating Adjustments	**34,223,982.68**	**41,156,187.63**	**(6,932,204.95)**	**-16.8%**
Adjusted Income (Loss) including Depreciation & Amortization	**(11,972,597.86)**	**3,457,607.93**	**(15,430,205.79)**	**-446.3%**
Adjusted Margin % including Depreciation & Amortization	**-11.9%**	**3.4%**		
Investment Gain (Losses)	2,219,865.41	(2,318,380.81)	4,538,246.22	195.8%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(9,752,732.45)**	**1,139,227.12**	**(10,891,959.57)**	**-956.1%**
Adj. Margin % with Investment Gains (Losses)	**-9.5%**	**1.1%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**(4,420,011.85)**	**10,780,030.69**	**(15,200,042.54)**	**-141.0%**
Adjusted Margin % excluding Depreciation & Amortization	**-4.4%**	**10.5%**		

3. U. T. System Board of Regents: Approval of annual distributions from the Permanent University Fund, the Permanent Health Fund, the Long Term Fund, and the Intermediate Term Fund

RECOMMENDATION

The Chancellor and the Executive Vice Chancellor for Business Affairs recommend that

a. the Fiscal Year 2014 distribution from the Permanent University Fund (PUF) to the Available University Fund (AUF) be $689,365,138. The distribution equates to 5.50% of the trailing 12-quarter average of the net asset value of the PUF;

b. the distribution rate for the Permanent Health Fund (PHF) be increased from $0.0573 per unit to $0.0585 per unit for Fiscal Year 2014 (effective with November 30, 2013 distribution);

c. the distribution rate for the U. T. System Long Term Fund (LTF) be increased from $0.3283 per unit to $0.3352 per unit for Fiscal Year 2014 (effective with November 30, 2013 distribution); and

d. the distribution rate for the U. T. System Intermediate Term Fund (ITF) remain at 3.0% per annum (paid monthly) for Fiscal Year 2014.

BACKGROUND INFORMATION

The PUF Investment Policy states that the annual distribution from the PUF to the AUF shall be an amount equal to 4.75% of the trailing 12-quarter average of the net asset value of the PUF for the quarter ending February of each fiscal year unless the average annual rate of return of the PUF investments over the trailing 12 quarters exceeds the Expected Return by 25 basis points or more, in which case the distribution shall be 5.0% of the trailing 12-quarter average. “Expected Return” is the Expected Annual Return or Benchmarks set out in Exhibit A to the PUF Investment Policy Statement.

As shown in the table below, the average annual return of the PUF investments for the trailing 12 quarters ending February 28, 2013, has exceeded the Expected Return by 25 basis points or more (≥.25%). Therefore, as outlined in the PUF Investment Policy, the “default” distribution rate for Fiscal Year 2013-2014 would be 5.0%, or $626,695,580.

	Trailing 12 Quarters Ending February 28, 2013	**Expected or Benchmarks**	**Excess (Deficit)**
Average Annual Rate of Return	9.06%	7.36%	1.70%

However, The University of Texas System Board of Regents (U. T. System Board) has the authority to distribute an amount that it deems appropriate up to a maximum rate of 7.0% (except as necessary to pay PUF bond debt service). Due to continued strong royalty income, strong investment performance by UTIMCO, and a desire of the U. T. System Board to provide assistance in reducing the need for resident undergraduate tuition increases, it is the recommendation of the Chancellor and the Executive Vice Chancellor for Business Affairs that the distribution from the PUF to the AUF for Fiscal Year 2014 be $689,365,138 or 5.50% of the trailing 12-quarter average of the net asset value of the PUF. This calculation is shown below:

Quarter Ended	Net Asset Value
5/31/2010	10,524,153,261
8/31/2010	10,724,962,438
11/30/2010	11,619,582,822
2/28/2011	12,338,732,852
5/31/2011	12,908,189,971
8/31/2011	12,687,945,718
11/30/2011	12,389,608,519
2/29/2012	12,971,283,084
5/31/2012	12,843,337,655
8/31/2012	13,470,262,684
11/30/2012	13,686,958,344
2/28/2013	14,241,921,929
	$ 150,406,939,277
Number of quarters	12
Average Net Asset Value	$ 12,533,911,606
Distribution Percentage	5.50%
FY 2013-14 Distribution	$ 689,365,138

Article VII, Section 18 of the *Texas Constitution* requires that the amount of distributions to the AUF be determined by the U. T. System Board in a manner intended to provide the AUF with a stable and predictable stream of annual distributions and to maintain over time the purchasing power of PUF investments and annual distributions to the AUF. The Constitution further limits the U. T. System Board's discretion to set annual PUF distributions to the satisfaction of three tests:

1. The amount of PUF distributions to the AUF in a fiscal year must be not less than the amount needed to pay the principal and interest due and owing in that fiscal year on PUF bonds and notes. The proposed distribution of $689,365,138 is substantially greater than PUF bond debt service of $250,800,000 projected for FY 2013-2014.

System	Debt Service
U. T.	$ 165,900,000
TAMU	84,900,000
Total	$ 250,800,000

Sources: U. T. System Office of Finance
Texas A&M University System Office of Treasury Services

2. The U. T. System Board may not increase annual PUF distributions to the AUF (except as necessary to pay PUF debt service) if the purchasing power of PUF investments for any rolling 10-year period has not been preserved. As the schedule below indicates, the average annual increase in the rate of growth of the value of PUF investments (net of expenses, inflation, and distributions) for the trailing 10-year period ended February 28, 2013, was 5.89%, which indicates that the purchasing power test was met.

Average Annual	**Percent**
Rate of Total Return, Net of Investment Manager Fees	9.19%
Mineral Interest Receipts	3.83%
UTIMCO Management Fees	(0.07)%
West Texas Lands Management Fees	(0.07)%
Other	(0.03)%
Inflation Rate	(2.40)%
Distribution Rate	(4.56)%
Net Real Return	**5.89%**

3. The annual distribution from the PUF to the AUF during any fiscal year made by the Board of Regents may not exceed an amount equal to 7% of the average net fair market value of PUF investment assets as determined by the U. T. System Board (except as necessary to pay PUF bond debt service). The annual distribution rate calculated using the trailing 12-quarter average value of the PUF is within the 7% maximum allowable distribution rate.

Value of PUF Investments (1)	**Proposed Distribution**	**Proposed Distribution as a % of Value of PUF Investments**	**Maximum Allowed Rate**
$12,533,911,606	$689,365,138	**5.50%**	7.00%

(1) Source: UTIMCO

The spending policy objectives of the PHF and LTF are to

a. provide a predictable stable stream of distributions over time;

b. ensure that the inflation-adjusted value of the distributions is maintained over the long term; and

c. ensure that the inflation-adjusted value of the assets of the PHF and the LTF, as appropriate after distributions, is maintained over the long term.

The spending formula under the PHF Investment Policy Statement and the LTF Investment Policy Statement increases distributions at the rate of inflation subject to a distribution range of 3.5% to 5.5% of the average market value of the PHF assets and LTF assets for each fund's respective trailing 12 fiscal quarters.

The recommended 2.1% increase in the PHF distribution rate of $0.0573 to $0.0585 per unit was based on the PHF's Investment Policy Statement to increase the distributions by the average rate of inflation for the trailing 12 quarters. The PHF's distribution rate calculated using the prior 12-quarter average value of the PHF is 5.0%, within the range of 3.5% to 5.5% set forth in the PHF Investment Policy Statement.

The recommended 2.1% increase in the LTF distribution rate from $0.3283 to $0.3352 per unit was based on the LTF's Investment Policy Statement to increase the distributions by the average rate of inflation for the trailing 12 quarters. The LTF's distribution rate calculated using the prior 12-quarter average value of the LTF is 5.2%, within the range of 3.5% to 5.5% set forth in the LTF Investment Policy Statement. The increase in the consumer price index for the prior three years as of November 30, 2012, was 2.1%.

The distribution rate for the ITF was originally set at 3.0% per annum for Fiscal Year 2007 by the U. T. System Board on May 11, 2006, and has continued at that rate for each succeeding fiscal year. The recommendation for Fiscal Year 2014 is to continue a distribution rate of 3.0%.

4. U. T. System Board of Regents: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the quarter ended May 31, 2013

REPORT

The May 31, 2013 UTIMCO Performance Summary Report is attached on Page 93.

The Investment Reports for the quarter ended May 31, 2013, are set forth on Pages 94 - 97.

Item I on Page 94 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the quarter was 2.44% versus its composite benchmark return of 1.65%. The PUF's net asset value increased by $389 million since the beginning of the quarter to $14,631 million. The increase was due to $255 million PUF Lands receipts, plus a net investment return of $339 million, less distributions made to the Available University Fund (AUF) of $205 million.

Item II on Page 95 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the quarter was 2.45% versus its composite benchmark return of 1.65%. The GEF's net asset value increased by $154 million during the quarter to $7,589 million.

Item III on Page 96 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the quarter was 1.41% versus its composite benchmark return of .22%. The net asset value increased during the quarter to $5,414 million due to net investment return of $72 million, plus net contributions of $139 million, less distributions of $40 million.

All exposures were within their asset class and investment type ranges. Liquidity was within policy.

Item IV on Page 97 presents book and market values of cash, debt, equity, and other securities held in funds outside of the PUF, GEF and ITF. Total cash and equivalents, consisting primarily of institutional operating funds held in the Dreyfus and Fidelity money market funds, decreased by $174 million to $2,024 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: $22 million versus $23 million at the beginning of the period; equities: $73 million versus $57 million at the beginning of the period; and other investments: $5 million versus $2 million at the beginning of the period.

UTIMCO Performance Summary

May 31, 2013

	Net Asset Value 5/31/2013 (in Millions)	Periods Ended May 31, 2013 (Returns for Periods Longer Than One Year are Annualized)							
		Short Term		**Year to Date**		**Historic Returns**			
ENDOWMENT FUNDS		**1 Mo**	**3 Mos**	**Fiscal**	**Calendar**	**1 Yr**	**3 Yrs**	**5 Yrs**	**10 Yrs**
Permanent University Fund	$ 14,631	0.59%	2.44%	8.88%	4.96%	12.92%	9.69%	3.20%	8.48%
General Endowment Fund		0.62	2.45	9.04	5.03	13.15	9.80	3.20	8.56
Permanent Health Fund	1,027	0.59	2.38	8.89	4.95	12.95	9.70	3.12	8.46
Long Term Fund	6,562	0.59	2.38	8.89	4.95	12.96	9.70	3.12	8.47
Separately Invested Funds	146	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Endowment Funds	22,366								
OPERATING FUNDS									
Intermediate Term Fund	5,414	(0.49)	1.41	6.05	2.95	10.64	8.04	3.23	N/A
Debt Proceeds Fund	368	0.01	0.03	0.12	0.05	0.16	N/A	N/A	N/A
Short Term Fund	1,610	0.01	0.03	0.09	0.04	0.14	0.18	0.51	1.95
Total Operating Funds	7,392								
Total Investments	$ 29,758								
VALUE ADDED (1) (Percent)									
Permanent University Fund		0.91%	0.79%	1.34%	1.08%	0.01%	1.20%	2.21%	2.13%
General Endowment Fund		0.94	0.80	1.50	1.15	0.24	1.31	2.21	2.21
Intermediate Term Fund		1.01	1.19	2.03	1.71	2.48	2.26	2.32	N/A
Debt Proceeds Fund		-	-	0.03	0.02	0.04	N/A	N/A	N/A
Short Term Fund		-	-	-	0.01	0.02	0.07	0.19	0.21
VALUE ADDED (1) ($ IN MILLIONS)									
Permanent University Fund		$ 133	$ 112	$ 180	$ 150	$ 2	$ 472	$ 1,454	$ 2,614
General Endowment Fund		72	60	106	84	15	280	812	1,478
Intermediate Term Fund		55	64	103	89	120	322	552	N/A
Total Value Added		$ 260	$ 236	$ 389	$ 323	$ 137	$ 1,074	$ 2,818	$ 4,092

Footnotes available upon request.

UTIMCO 6/28/2013

I. PERMANENT UNIVERSITY FUND

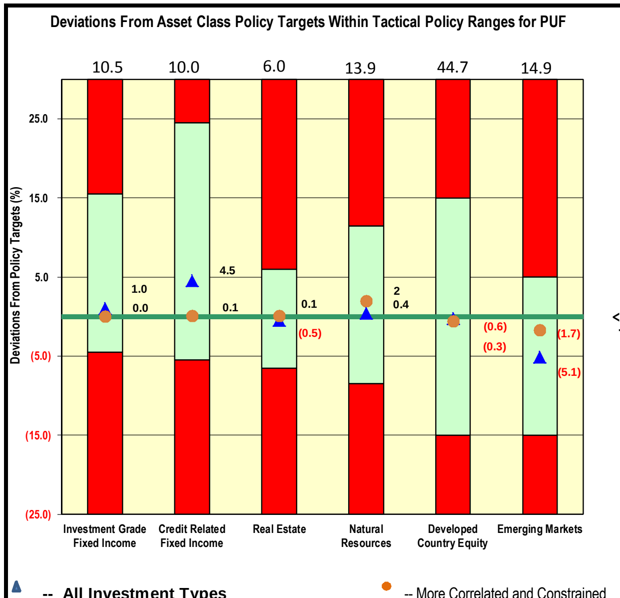
Investment Reports for Periods Ended May 31, 2013

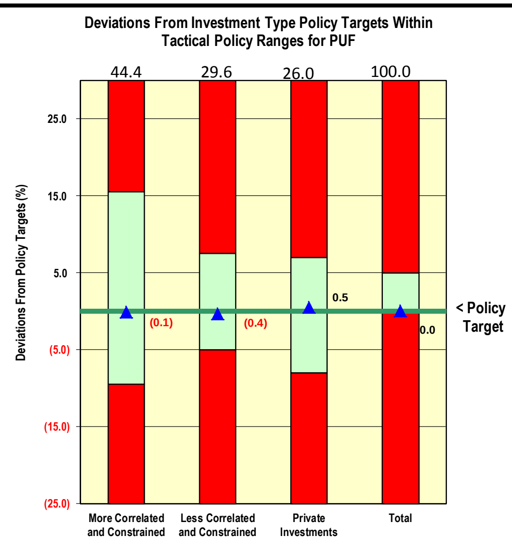
Prepared in accordance with *Texas Education Code* Sec. 51.0032

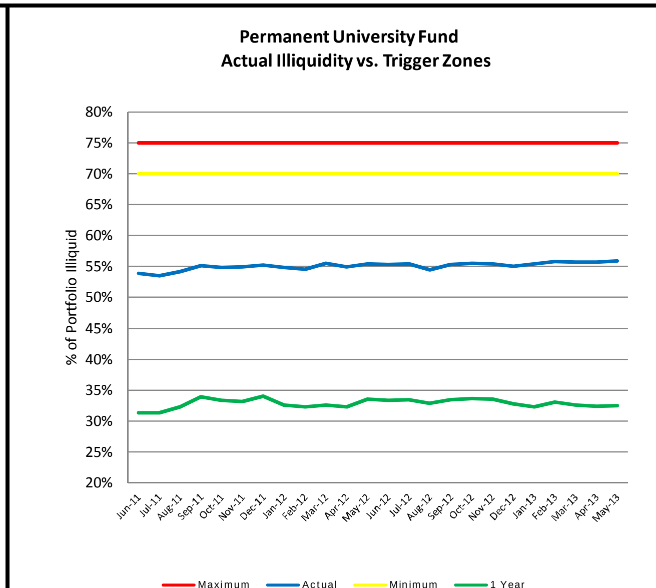
Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2012	Quarter Ended May 31, 2013	Fiscal Year to Date August 31, 2013
Beginning Net Assets	$ 12,688	$ 14,242	$ 13,470
PUF Lands Receipts	955	255	631
Investment Return (Net of Expenses)	403	339	1,174
Distributions to AUF	(576)	(205)	(644)
Ending Net Assets	$ 13,470	$ 14,631	$ 14,631

	Fiscal Year to Date				
	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	1.19%	-2.98%	-0.15%	0.34%	0.19%
Credit-Related	8.06%	9.91%	0.00%	0.00%	0.00%
Real Estate	9.52%	12.51%	0.00%	-0.10%	-0.10%
Natural Resources	-11.25%	-3.79%	-0.37%	-0.63%	-1.00%
Developed Country	23.97%	17.06%	-0.32%	0.94%	0.62%
Emerging Markets	9.08%	8.12%	-0.13%	0.10%	-0.03%
Total More Correlated and Constrained	**6.68%**	**7.32%**	**-0.97%**	**0.65%**	**-0.32%**
Less Correlated and Constrained	**11.04%**	**7.24%**	**0.51%**	**0.58%**	**1.09%**
Private Investments	**10.27%**	**8.21%**	**0.44%**	**0.13%**	**0.57%**
Total	**8.88%**	**7.54%**	**-0.02%**	**1.36%**	**1.34%**







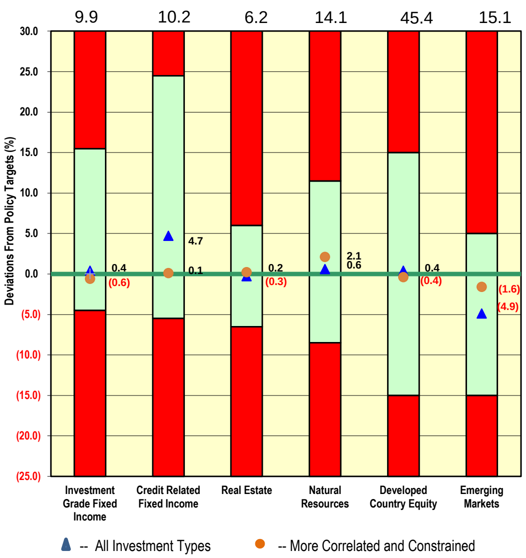
II. GENERAL ENDOWMENT FUND
Investment Reports for Periods Ended May 31, 2013
Prepared in accordance with *Texas Education Code* Sec. 51.0032

Summary of Capital Flows

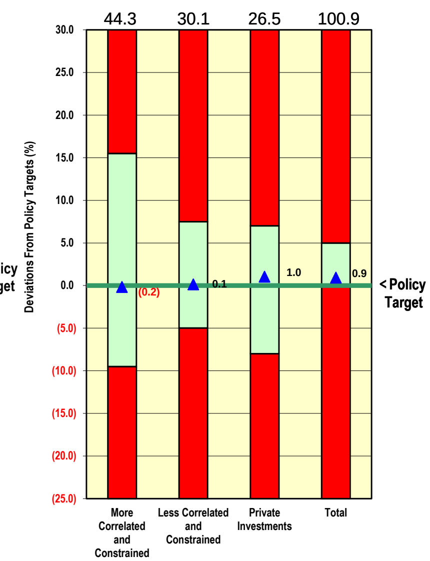
($ millions)	Fiscal Year Ended August 31, 2012	Quarter Ended May 31, 2013	Fiscal Year to Date August 31, 2013
Beginning Net Assets	$ 7,049	$ 7,435	$ 7,105
Contributions	194	70	127
Withdrawals	(17)	(5)	(9)
Distributions	(344)	(91)	(270)
Investment Return (Net of Expenses)	223	180	636
Ending Net Assets	$ 7,105	$ 7,589	$ 7,589

	Fiscal Year to Date				
	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	2.05%	-2.98%	-0.08%	0.41%	0.33%
Credit-Related	8.06%	9.91%	0.00%	0.00%	0.00%
Real Estate	9.52%	12.51%	0.00%	-0.10%	-0.10%
Natural Resources	-11.23%	-3.79%	-0.39%	-0.63%	-1.02%
Developed Country	23.97%	17.06%	-0.31%	0.93%	0.62%
Emerging Markets	9.32%	8.12%	-0.14%	0.13%	-0.01%
Total More Correlated and Constrained	**7.02%**	**7.32%**	**-0.92%**	**0.74%**	**-0.18%**
Less Correlated and Constrained	**11.04%**	**7.24%**	**0.51%**	**0.60%**	**1.11%**
Private Investments	**10.27%**	**8.21%**	**0.44%**	**0.14%**	**0.58%**
Total	**9.04%**	**7.54%**	**0.03%**	**1.48%**	**1.51%**

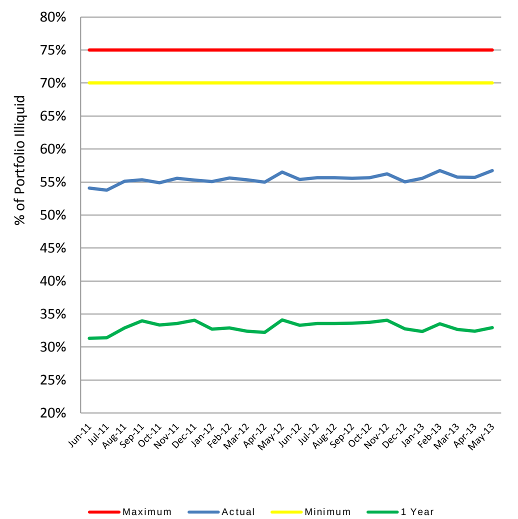
Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for GEF



Deviations From Investment Type Policy Targets Within Tactical Policy Ranges for GEF



General Endowment Fund
Actual Illiquidity vs. Trigger Zones

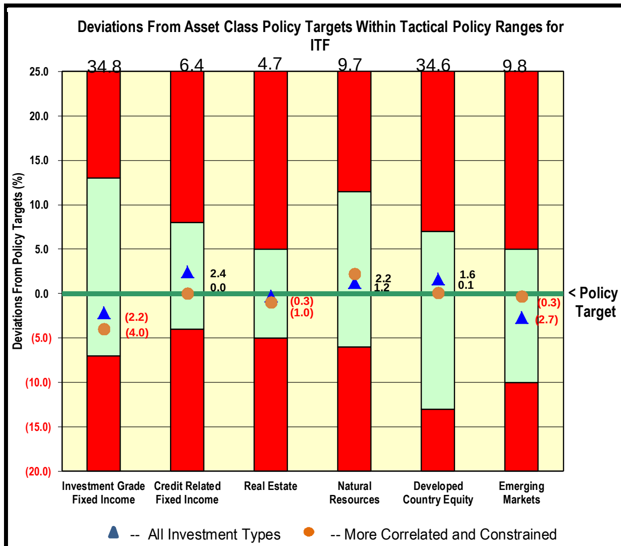


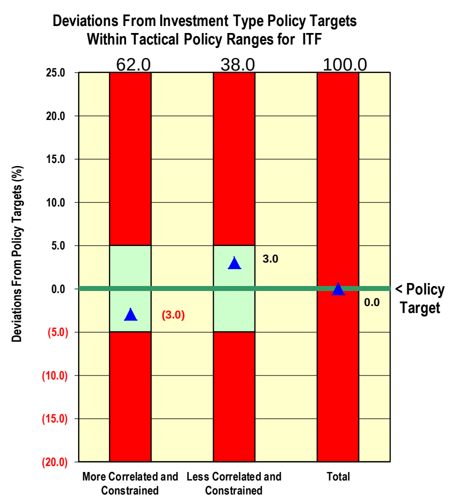
III. INTERMEDIATE TERM FUND
Investment Reports for Periods Ended May 31, 2013
Prepared in accordance with *Texas Education Code* Sec. 51.0032

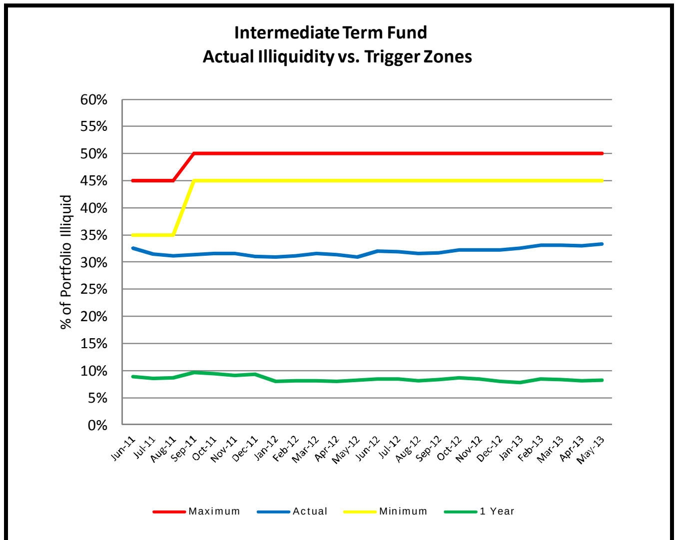
Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2012	Quarter Ended May 31, 2013	Fiscal Year to Date August 31, 2013
Beginning Net Assets	$ 4,662	$ 5,243	$ 4,893
Contributions	420	171	433
Withdrawals	(183)	(32)	(94)
Distributions	(142)	(40)	(117)
Investment Return (Net of Expenses)	136	72	299
Ending Net Assets	$ 4,893	$ 5,414	$ 5,414

	Fiscal Year to Date				
	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	0.30%	-2.98%	0.12%	1.16%	1.28%
Credit-Related	0.00%	0.00%	0.00%	0.00%	0.00%
Real Estate	9.70%	12.51%	-0.18%	-0.12%	-0.30%
Natural Resources	-9.34%	-3.79%	-0.45%	-0.45%	-0.90%
Developed Country	24.52%	17.06%	-0.26%	0.66%	0.40%
Emerging Markets	10.40%	8.12%	-0.04%	0.16%	0.12%
Total More Correlated and Constrained	**3.15%**	**2.29%**	**-0.81%**	**1.41%**	**0.60%**
Less Correlated and Constrained	**11.01%**	**7.24%**	**0.73%**	**0.70%**	**1.43%**
Private Investments	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Total	**6.05%**	**4.02%**	**-0.08%**	**2.11%**	**2.03%**







IV. SEPARATELY INVESTED ASSETS

Summary Investment Report at May 31, 2013

Report prepared in accordance with *Texas Education Code* Sec. 51.0032

($ thousands)

	FUND TYPE															
	CURRENT PURPOSE												OPERATING FUNDS (DEBT PROCEEDS AND (SHORT TERM FUND)			
	DESIGNATED		RESTRICTED		ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		TOTAL EXCLUDING OPERATING FUNDS				TOTAL	
ASSET TYPES	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
Cash & Equivalents:																
Beginning value 02/28/13	-	-	1,873	1,873	69,065	69,065	1,802	1,802	3,974	3,974	76,714	76,714	2,121,186	2,121,186	2,197,900	2,197,900
Increase/(Decrease)	-	-	1,461	1,461	(30,120)	(30,120)	(320)	(320)	(2,108)	(2,108)	(31,087)	(31,087)	(143,231)	(143,231)	(174,318)	(174,318)
Ending value 05/31/13	-	-	3,334	3,334	38,945	38,945	1,482	1,482	1,866	1,866	45,627	45,627	1,977,955	1,977,955	2,023,582	2,023,582
Debt Securities:																
Beginning value 02/28/13	-	-	45	45	12,052	13,235	8,859	9,359	-	-	20,956	22,639	-	-	20,956	22,639
Increase/(Decrease)	-	-	-	-	111	(172)	-	(135)	-	-	111	(307)	-	-	111	(307)
Ending value 05/31/13	-	-	45	45	12,163	13,063	8,859	9,224	-	-	21,067	22,332	-	-	21,067	22,332
Equity Securities:																
Beginning value 02/28/13	461	2,999	1,295	1,429	31,599	37,530	13,700	15,063	-	-	47,055	57,021	-	-	47,055	57,021
Increase/(Decrease)	700	1,751	11,201	11,062	4,735	2,693	-	237	-	-	16,636	15,743	-	-	16,636	15,743
Ending value 05/31/13	1,161	4,750	12,496	12,491	36,334	40,223	13,700	15,300	-	-	63,691	72,764	-	-	63,691	72,764
Other:																
Beginning value 02/28/13	-	-	730	730	11	11	474	132	630	630	1,845	1,503	-	-	1,845	1,503
Increase/(Decrease)	-	-	(337)	(337)	1	1	12	1	3,915	3,915	3,591	3,580	-	-	3,591	3,580
Ending value 05/31/13	-	-	393	393	12	12	486	133	4,545	4,545	5,436	5,083	-	-	5,436	5,083
Total Assets:																
Beginning value 02/28/13	461	2,999	3,943	4,077	112,727	119,841	24,835	26,356	4,604	4,604	146,570	157,877	2,121,186	2,121,186	2,267,756	2,279,063
Increase/(Decrease)	700	1,751	12,325	12,186	(25,273)	(27,598)	(308)	(217)	1,807	1,807	(10,749)	(12,071)	(143,231)	(143,231)	(153,980)	(155,302)
Ending value 05/31/13	1,161	4,750	16,268	16,263	87,454	92,243	24,527	26,139	6,411	6,411	135,821	145,806	1,977,955	1,977,955	2,113,776	2,123,761

Details of individual assets by account furnished upon request.

5. U. T. System Board of Regents: Approval of amendments to the Investment Policy Statements for the Permanent University Fund, the General Endowment Fund, the Permanent Health Fund, the Long Term Fund, the Intermediate Term Fund, the Liquidity Policy, and the Derivative Investment Policy

RECOMMENDATION

The Chancellor and the Executive Vice Chancellor for Business Affairs concur in the recommendation of the Board of Directors of The University of Texas Investment Management Company (UTIMCO) that the U. T. System Board of Regents approve proposed amendments to the following Investment Policy Statements, including asset allocation, the Liquidity Policy, and the Derivative Investment Policy, as set forth in congressional style on the referenced pages.

a. Permanent University Fund (PUF) (See Pages 100 - 101)

b. General Endowment Fund (GEF) (See Pages 100 - 101)

c. Permanent Health Fund (PHF) (See Pages 100 - 101)

d. Long Term Fund (LTF) (See Pages 100 - 101)

e. Intermediate Term Fund (ITF) (See Pages 102 - 103)

f. Liquidity Policy (See Pages 104 - 107)

g. Derivative Investment Policy (See Pages 108 - 113)

BACKGROUND INFORMATION

The Master Investment Management Services Agreement (IMSA) between the U. T. System Board of Regents and UTIMCO requires that UTIMCO review the current Investment Polices for each Fund at least annually. The review includes distribution (spending) guidelines, long-term investment return expectations and expected risk levels, Asset Class and Investment Type allocation targets and ranges for each eligible Asset Class and Investment Type, expected returns for each Asset Class, Investment Type, and Fund, designated performance benchmarks for each Asset Class and/or Investment Type, and such other matters as the U. T. System Board or its staff designees may request.

The UTIMCO Board approved these amendments to the Investment Policy Statements, the Liquidity Policy, and the Derivative Investment Policy on July 22, 2013.

Exhibits to the Investment Policy Statements for the PUF, GEF, PHF, LTF (Attachment 1) and ITF (Attachment 2) have been amended to reflect changes to the Targets and Ranges for Asset Classes and Investment Types proposed for Fiscal Year Ending (FYE) 2014. The Policy Benchmarks and Expected Annual Return (Benchmarks) target have been updated, and the one year downside deviation has been adjusted to reflect the revised Asset Class and Investment Type targets for FYE 2014.

All amended Investment Policy Statements will be effective September 1, 2013.

Proposed amendments to the Liquidity Policy would change the ranges and trigger zones for the ITF. The allowable range for illiquid investments would change from "0% to 50%" to "0% to 55%", and the trigger zone for illiquid investments requiring prior approval by the UTIMCO Risk Committee or UTIMCO Board would change from "45% to 50%" to "50% to 55%."

The Derivative Investment Policy would be amended to require that all over the counter (OTC) derivatives, with the exception of Bona Fide Spot Foreign Exchange Transactions, be subject to established International Swaps and Derivatives Association (ISDA) Netting Agreements and have full documentation of all legal obligations of the U. T. System Board funds consistent with Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) Protocol 2.0, which requires most FX derivatives swaps to trade under an ISDA Master Agreement beginning July 1, 2013.

To that end, proposed amendments to the Derivative Investment Policy are as follows:

a. Definition of Derivatives: changed language “foreign currency contracts that mature within thirty (30) days of initial settlement” to “Bona Fide Spot Foreign Exchange Transactions.”

b. Counterparty Risks: changed language “foreign currency contracts that mature within 91 days of initial settlement and are traded with a counterparty that has been pre-approved by UTIMCO” to “Bona Fide Spot Foreign Exchange Transactions.”

c. Glossary of Terms: added definition of Bona Fide Spot Foreign Exchange Transaction.

ATTACHMENT 1
EXHIBIT FOR PUF, GEF, PHF and LTF
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, ~~2012~~ 2013

POLICY PORTFOLIO		FYE ~~2013~~ 2014	
	Min	Target	Max
Asset Classes			
Investment Grade Fixed Income	5.0%	~~9.5%~~ 10.5%	25.0%
Credit-Related Fixed Income	0.0%	~~5.5%~~ 8.8%	30.0%
Real Estate	0.0%	~~6.5%~~ 8.2%	12.5%
Natural Resources	5.0%	~~13.5%~~ 13.3%	25.0%
Developed Country Equity	30.0%	~~45.0%~~ 43.8%	60.0%
Emerging Markets Equity	5.0%	~~20.0%~~ 15.4%	25.0%
Investment Types			
More Correlated & Constrained	35.0%	~~44.5%~~ 41.5%	60.0%
Less Correlated & Constrained	25.0%	30.0%	37.5%
Private Investments	17.5%	~~25.5%~~ 28.5%	~~32.5%~~ 35.0%

*The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

POLICY BENCHMARK (reset monthly)	FYE ~~2013~~ 2014
Barclays Capital Global Aggregate Index	7.5%
FTSE EPRA/NAREIT Developed Index Net TRI USD	2.5%
50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index	7.5%
MSCI World Index with net dividends	~~15.0%~~ 14.0%
MSCI Emerging Markets with net dividends	~~12.0%~~ 10.0%
Hedge Fund Research Indices Fund of Funds Composite Index	30.0%
Venture Economics Custom Index	~~21.5%~~ 23.3%
NACREIF Custom Index	~~4.0%~~ 5.2%

POLICY/TARGET RETURN/RISKS	FYE ~~2013~~ 2014
Expected Annual Return (Benchmarks) **	~~7.36~~ 7.40%
One Year Downside Deviation	~~9.45~~ 9.30%
Risk Bounds	
Lower: 1 Year Downside Deviation	75%
Upper: 1 Year Downside Deviation	115%

**Equal to nominal return, net of all investment-related expenses and assuming an inflation rate of 2.5%.

ATTACHMENT 1
(continued)
EXHIBIT FOR PUF, GEF, PHF and LTF
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, ~~2012~~ 2013

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE ~~2013~~ 2014

FYE ~~2013~~ 2014		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Barclays Capital Global Aggregate Index (7.5%)	~~2.0~~ 3.0%	0.0%	~~9.5~~ 10.5%
	Credit-Related	0.00%	~~3.0~~ 5.0%	~~2.5~~ 3.8%	~~5.5~~ 8.8%
Real Assets	Real Estate	FTSE EPRA/NAREIT Developed Index Net TRI USD (2.5%)	~~0.0~~ 0.5%	Custom NACREIF ~~4.0~~ 5.2%	~~6.5~~ 8.2%
	Natural Resources	50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index (7.5%)	~~1.0~~ 0.0%	~~5.0~~ 5.8%	~~13.5~~ 13.3%
Equity	Developed Country	MSCI World Index with Net Dividends (~~15.0~~ 14.0%)	~~20.0~~ 19.5%	~~10.0~~ 10.3%	~~45.0~~ 43.8%
	Emerging Markets	MSCI EM Index with Net Dividends (~~12.0~~ 10.0%)	~~4.0~~ 2.0%	~~4.0~~ 3.4%	~~20.0~~ 15.4%
Total		~~44.5~~ 41.5%	30.0%	~~25.5~~ 28.5%	100.0%

Hedge Fund Research Indices Fund of Funds Composite Index
Venture Economics Custom Index

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

ATTACHMENT 2
EXHIBIT A - INTERMEDIATE TERM FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, ~~2012~~ 2013

POLICY PORTFOLIO	FYE ~~2013~~ 2014		
	Min	Target	Max
Asset Classes			
Investment Grade Fixed Income	30.0%	~~37.0~~ 34.5%	50.0%
Credit-Related Fixed Income	0.0%	~~4.0~~ 7.5%	12.0%
Real Estate	0.0%	~~5.0~~ 4.0%	10.0%
Natural Resources	2.5%	~~8.5~~ 7.0%	20.0%
Developed Country Equity	20.0%	~~33.0~~ 38.0%	~~40.0~~ 45.0%
Emerging Markets Equity	2.5%	~~12.5~~ 9.0%	17.5%
Investment Types			
More Correlated & Constrained	~~60.0~~ 50.0%	~~65.0~~ 55.0%	~~70.0~~ 65.0%
Less Correlated & Constrained	~~30.0~~ 35.0%	~~35.0~~ 45.0%	~~40.0~~ 50.0%

*The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 100% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

POLICY BENCHMARK (reset monthly)	FYE ~~2013~~ 2014
Barclays Capital Global Aggregate Index	~~35.0~~ 30.0%
FTSE EPRA/NAREIT Developed Index Net TRI USD	~~5.0~~ 3.0%
50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index	~~7.5~~ 7.0%
MSCI World Index with net dividends	~~10.0~~ 9.0%
MSCI Emerging Markets with net dividends	~~7.5~~ 6.0%
Hedge Fund Research Indices Fund of Funds Composite Index	~~35.0~~ 45.0%

POLICY/TARGET RETURN/RISKS	FYE ~~2013~~ 2014
Expected Annual Return (Benchmarks) **	~~5.91~~ 6.03%
One Year Downside Deviation	~~5.59~~ 5.65%
Risk Bounds	
Lower: 1 Year Downside Deviation	70%
Upper: 1 Year Downside Deviation	115%

**Equal to nominal return, net of all investment-related expenses and assuming an inflation rate of 2.5%.

ATTACHMENT 2
(continued)
EXHIBIT A - INTERMEDIATE TERM FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, ~~2012~~ 2013

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE ~~2013~~ 2014

FYE ~~2013~~ 2014		More Correlated & Constrained	Less Correlated & Constrained	Total
Fixed Income	Investment Grade	Barclays Capital Global Aggregate Index (~~35.0~~ 30.0%)	~~2.0~~ 4.5%	~~37.0~~ 34.5%
	Credit-Related	0.00%	~~4.0~~ 7.5%	~~4.0~~ 7.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT Developed Index Net TRI USD (~~5.0~~ 3.0%)	~~0.0~~ 1.0%	~~5.0~~ 4.0%
	Natural Resources	50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index (~~7.5~~ 7.0%)	~~1.0~~ 0.0%	~~8.5~~ 7.0%
Equity	Developed Country	MSCI World Index with Net Dividends (~~10.0~~ 9.0%)	~~23.0~~ 29.0%	~~33.0~~ 38.0%
	Emerging Markets	MSCI EM Index with Net Dividends (~~7.5~~ 6.0%)	~~5.0~~ 3.0%	~~12.5~~ 9.0%
Total		~~65.0~~ 55.0%	~~35.0~~ 45.0%	100.0%

Hedge Fund Research Indices Fund of Funds Composite Index

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

The University of Texas Investment Management Company
Liquidity Policy

Effective Date of Policy: ~~August 23, 2012~~ August 22, 2013
Date Approved by U.T. System Board of Regents: ~~August 23, 2012~~ August 22, 2013
Date Approved by UTIMCO Board: ~~July 11, 2012~~July 22, 2013
Original Effective Date of Policy: August 7, 2003
Supersedes: Liquidity Policy dated ~~August 25, 2011~~August 23, 2012

Purpose:

The purpose of this Liquidity Policy is to establish limits on the overall liquidity profile of investments in (1) the Permanent University Fund (PUF) and the General Endowment Fund (GEF), hereinafter collectively referred to as the Endowment Funds and, (2) the Intermediate Term Fund (ITF). For the purposes of this policy, "liquidity" is defined as a measure of the ability of an investment position to be converted into Cash. The established liquidity profile limits will act in conjunction with, but do not supersede, the Investment Policies adopted by the U. T. System Board of Regents.

Objective:

The objective of this Liquidity Policy is to control the element of total risk exposure of the Endowment Funds and the ITF stemming from the uncertainties associated with the ability to convert longer term investments to Cash to meet immediate needs or to change investment strategy, and the potential cost of that conversion.

Scope:

This Liquidity Policy applies to all PUF, GEF, and ITF investments made by The University of Texas Investment Management Company (UTIMCO), both by internal and by external managers. Policy implementation will be managed at the aggregate UTIMCO level and will not be a responsibility of individual internal or external managers managing a portion of the aggregate assets.

Definition of Liquidity Risk:

"Liquidity risk" is defined as that element of total risk resulting from the uncertainty associated with both the cost and time period necessary to convert existing investment positions to Cash. Liquidity risk also entails obligations relating to the unfunded portions of capital commitments. Liquidity risk can result in lower than expected returns and reduced opportunity to make changes in investment positions to respond to changes in capital market conditions. Modern finance theory asserts that liquidity risk is a systematic risk factor that is incorporated into asset prices such that future longer-term returns will be higher for assets with higher liquidity risk, although that may not be the case in the short term.

Definition of Cash:

Cash is defined as short term (generally securities with time to maturity or mandatory purchase or redemption of three months or less), highly liquid investments that are readily convertible to known amounts and which are subject to a relatively small risk of changes in value. Holdings may include:

- the existing Dreyfus Institutional Preferred Money Market Fund mandate and any other UTIMCO Board approved SEC Rule 2a-7 money market fund rated AAAm by Standard & Poor's or the equivalent by a Nationally Recognized Statistical Rating Organization (NRSRO),
- securities of the U.S. Treasury and U.S. Agencies and their instrumentalities with maturities of 397 days or less,
- separately managed accounts with investment guidelines equivalent to, or more stringent than, unaffiliated liquid investment funds rated AAAm by Standard & Poor's Corporation or the equivalent by a NRSRO,
- the Custodian's late deposit interest bearing liquid investment fund,
- municipal short term securities,
- commercial paper rated in the two highest quality classes by Moody's Investor Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2 or the equivalent),

The University of Texas Investment Management Company
Liquidity Policy

- negotiable certificates of deposit with a bank that is associated with a holding company whose short-term rating meets the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps, and
- repurchase agreements and reverse repurchase agreements transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.

Liquidity Risk Measurement-The Liquidity Profile:

For the purposes of this Liquidity Policy, potential liquidity risk will be monitored by measuring the aggregate liquidity profile of the Endowment Funds and ITF. All individual investments within the Endowment Funds and ITF will be segregated into two categories:

- **Liquid:** Investments that could be converted to Cash within a period of 90 days or less in an orderly market at a discount of 10% or less.

- **Illiquid:** Investments that could be converted to Cash in an orderly market over a period of more than 90 days or in a shorter period of time by accepting a discount of more than 10%.

UTIMCO staff will report individual investments within the Endowment Funds and ITF categorized as follows:

- Cash: Short term (generally securities with time to maturity or mandatory purchase or redemption of three months or less), highly liquid investments that are readily convertible to known amounts and which are subject to a relatively small risk of changes in value.

- Liquid (Weekly)**:** Investments that could be converted to Cash within a period of one day to less than 7 days in an orderly market at a discount of 5% or less.

- Liquid (Quarterly): Investments that could be converted to Cash within a period of 90 days or less in an orderly market at a discount of 10% or less.

- Liquid (Annual): Investments that could be converted to Cash within a period of one day to less than 365 days in an orderly market at a discount of 10% or less.

The measurements necessary to segregate all existing investments into one of the two categories assume normally functioning capital markets and cash market transactions. In addition, swaps, derivatives, or other third party arrangements to alter the status of an investment classified as illiquid may be considered, with the prior approval of the UTIMCO Board or the Risk Committee, in determining the appropriate liquidity category for each investment.

The result of this liquidity risk measurement process will be a liquidity profile for the Endowment Funds and the ITF which indicates the percentage of the total portfolio assets within each liquidity category. This Liquidity Policy defines the acceptable range of percentage of total assets within each liquidity category, specifies "trigger zones" requiring special review by UTIMCO staff and special action by the UTIMCO Board or the Risk Committee, and specifies the method of monitoring and presenting actual versus policy liquidity profiles.

Liquidity Policy Profile:

The current Liquidity Policy Profile ranges and trigger zones for each of the Endowment Funds are defined by the table below:

	FY 09	**FY 10+**
Liquidity above trigger zone:	35.0%	30.0%
Liquidity within trigger zone:	30.0%-35.0%	25.0%-30.0%
Liquidity below trigger zone:	<30.0%	<25.0%

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Investments that maintain liquidity below the trigger zone do not require any action by the UTIMCO Board or the Risk Committee. Liquidity within the trigger zone requires special action by the UTIMCO Board or the Risk Committee. For example, the allowable range for **illiquid** investments in FY 09 is up to 70.0% of the total portfolio. However, any **illiquid** investments made in the 65.0% to 70.0% trigger zone require prior approval by the Risk Committee or the UTIMCO Board. Risk Committee review of new investments in the illiquid trigger zone will supplement, rather than replace, the procedures established by the UTIMCO Board for the approval of new investments.

The current Liquidity Policy Profile ranges and trigger zones for the ITF are defined by the table below:

	FY 09-11	**FY 12~~+~~-13**	**FY 14+**
Liquidity above trigger zone:	65%	55%	50%
Liquidity within trigger zone:	55%-65%	50%-55%	45%-50%
Liquidity below trigger zone:	<55%	<50%	<45%

The allowable range for **illiquid** investments is 0% to ~~50~~55% of the total portfolio for the ITF. However, any **illiquid** investments made in the ~~45~~50% to ~~50~~55% trigger zone require prior approval by the Risk Committee or the UTIMCO Board. Risk Committee review of new investments in the illiquid trigger zone will supplement, rather than replace, the procedures established by the UTIMCO Board for the approval of new investments.

Unfunded Commitments:

As used herein, “unfunded commitments” refers to capital that has been legally committed from an Endowment Fund and has not yet been called but may still be called by the general partner or investment manager. The Maximum Permitted Amount of unfunded commitments for each Endowment Fund is:

	FY 09	**FY 10+**
Unfunded Commitment as a percent of total invested assets:	27.5%	30.0%

No new commitments may be made for an Endowment Fund without approval from the Risk Committee if the actual amount of unfunded commitments for such Endowment Fund exceeds, or, as a result of such commitment, would exceed the Maximum Permitted Amount.

Documentation and Controls:

Managing Directors responsible for each asset class are responsible for determining the liquidity category for each investment in that asset class as well as the amount of unfunded commitments for each Endowment Fund. The determination of liquidity will include underlying security trading volumes, notice periods, redemption dates, lock-up periods, and “soft” and “hard” gates. These classifications will be reviewed by the Risk Manager and the Chief Compliance Officer, and must receive final approval from the Chief Investment Officer. Classifications and weights within each liquidity category will be updated and reported on a monthly basis. All new investments considered will be categorized by liquidity category, and a statement regarding the effect on overall liquidity and the amount of unfunded commitments for each Endowment Fund of the addition of a new investment must be an element of the due diligence process and will be a part of the recommendation report to the UTIMCO Board.

As additional safeguards, trigger zones have been established as indicated above to trigger required review and action by the UTIMCO Board or the Risk Committee in the event any investment action would cause the actual investment position in illiquid investments to enter the designated trigger zone, or in the event market actions caused the actual investment position in illiquid investments to move into trigger zones. In addition, any proposed investment actions which would increase the actual investment position in illiquid investments in any of the PUF, the GEF, or the ITF by 10% or more of the total asset value of such fund would also require review and action by the UTIMCO Board or the Risk Committee prior to the change. Any actual positions in any trigger zones or outside the policy ranges will be communicated to the Chief Investment Officer immediately. The Chief Investment Officer will then determine the process to be used to eliminate the exception and report promptly to the UTIMCO Board and the Risk Committee the circumstances of the deviation from Policy and the remedy to the situation. Furthermore, as indicated above, no new commitments may be made for an Endowment Fund without approval from the Risk Committee if the actual amount of unfunded commitments for such Endowment Fund exceeds, or, as a result of such new commitment, would exceed, the Maximum Permitted Amount.

Reporting:

The actual liquidity profiles of the Endowment Funds and the ITF, including a detailed analysis of liquidity by category, and the status of unfunded commitments for each Endowment Fund, and compliance with this Liquidity Policy will be reported to the UTIMCO Board on at least a quarterly basis. Any exception to this Liquidity Policy and actions taken to remedy the exception will be reported promptly.

The University of Texas Investment Management Company
Derivative Investment Policy

Effective Date of Policy: ~~August 23, 2012~~August 22, 2013
Date Approved by U. T. System Board of Regents: ~~August 23, 2012~~August 22, 2013
Date Approved by UTIMCO Board: ~~July 11, 2012~~July 22, 2013
Supersedes: Derivative Investment Policy approved ~~August 15, 2011~~August 23, 2012

Purpose:

The purpose of the Derivative Investment Policy is to set forth the applications, documentation and limitations for investment in derivatives in the Permanent University Fund (PUF), the General Endowment Fund (GEF), the Intermediate Term Fund (ITF), and the Separately Invested Funds (SIF), hereinafter referred to as the Funds. The Board of Regents approved investment policy guidelines for the Funds to allow for investment in derivatives provided that their use is in compliance with UTIMCO's Board approved Derivative Investment Policy. This Derivative Investment Policy supplements the Investment Policy Statements for the Funds.

Objective:

The objective of investing in derivatives is to facilitate risk management and provide efficiency in the implementation of various investment strategies for the Funds. Derivatives can provide the Funds with more economical means to improve the Funds' risk/return profile.

Scope:

This Policy applies to all derivatives in the Funds executed by UTIMCO staff and by external managers operating under an Agency Agreement. This Policy does not apply to external managers operating under limited partnership agreements, offshore corporations, or other Limited Liability Entities that limit the liability exposure of the Funds' investments. Derivative policies for external managers are established on a case-by-case basis with each external manager, as described below.

This Policy applies to both exchange traded derivatives and over the counter (OTC) derivatives. This Policy shall not be construed to apply to index or other common or commingled funds that are not controlled by UTIMCO. These commingled investment vehicles are governed by separate investment policy statements.

External Managers:

External managers are selected to manage the Funds' assets under either an Agency Agreement or through a Limited Liability Entity. An external manager operating under an Agency Agreement may engage in derivative investments only if (i) such manager has been approved to use derivatives by the UTIMCO Chief Investment Officer and (ii) the investments are consistent with the overall investment objectives of the account and in compliance with this Policy. The use of derivatives by an external manager operating under an Agency Agreement shall be approved by the UTIMCO Chief Investment Officer only for external managers that (i) demonstrate investment expertise in their use, (ii) have appropriate risk management and valuation policies and procedures, and (iii) effectively monitor and control their use.

While this Policy does not specifically include external managers operating through a Limited Liability Entity, it is noted that selecting and monitoring external managers through a Limited Liability Entity requires a clear understanding of the external managers' use of derivatives, particularly as it relates to various risk controls and leverage. The permitted uses of derivatives and leverage must be fully documented in the limited liability agreements with these managers.

Definition of Derivatives:

Derivatives are financial instruments whose value is derived, in whole or part, from the value of any one or more underlying securities or assets, or index of securities or assets (such as bonds, stocks, commodities, and currencies). For the purposes of this Policy, derivatives shall include Derivative Investments but shall not include a broader range of securities, including mortgage backed securities, structured notes, convertible bonds, exchange traded funds (ETFs), and Bona Fide Spot ~~foreign~~ Foreign ~~currency contracts that mature within thirty (30) days of initial settlement~~Exchange

The University of Texas Investment Management Company
Derivative Investment Policy

Transactions. Derivatives may be purchased through a national or international exchange or through an OTC direct arrangement with a counterparty. Refer to the attached Exhibit A for a glossary of terms.

Permitted Derivative Applications:

The primary intent of derivatives should be to hedge risk in portfolios or to implement investment strategies more effectively and at a lower cost than would be possible in the Cash market.

Permitted Derivative Applications are Derivative Investments used:

- To implement investment strategies in a low cost and efficient manner;
- To alter the Funds' market (systematic) exposure without trading the underlying Cash market securities through purchases or short sales, or both, of appropriate derivatives;
- To construct portfolios with risk and return characteristics that could not be created with Cash market securities;
- To hedge and control risks; or
- To facilitate transition trading.

UTIMCO staff may not enter into any Derivative Investment that is not a Permitted Derivative Application. To the extent that a Derivative Investment is a Permitted Derivative Application but is not within the delegated authority as set forth on Exhibit B, the UTIMCO Board will be provided with an "Option to Review" following the process outlined in Exhibit A to the Delegation of Authority Policy. This "Option to Review" applies to any new Derivative Investment recommended by UTIMCO staff and approved by UTIMCO's Chief Investment Officer that is not within the delegated authority set forth on Exhibit B or the engagement of an external manager operating under an Agency Agreement that seeks to engage in a Derivative Investment that is not within the delegated authority set forth on Exhibit B. Notwithstanding, with respect to any Derivative Investment, UTIMCO's Chief Investment Officer, the Risk Manager, or Chief Compliance Officer may determine that presentation and approval of the proposed Derivative Investment at a UTIMCO Board meeting is warranted before engaging in the Derivative Investment.

Risk and Investment Policy Controls:

Following the implementation of any Derivative Investment, the Funds' projected downside deviation and risk bounds, and projected exposure to Asset Class and Investment Type, must be within the permissible ranges as set forth in the Funds' Investment Policy Statements.

Documentation and Controls:

Prior to the implementation of a new Derivative Investment by UTIMCO staff, UTIMCO staff shall document the purpose, valuation method, methods for calculating delta, delta-adjusted exposure, Asset Class and Investment Type exposure, the effect on portfolio leverage (if applicable), risks (including, but not limited to modeling, pricing, liquidity and counterparty risks), the expected increase or reduction in risk resulting from the Derivative Investments, and the procedures in place to monitor and manage the derivative exposure. For any short exposure, UTIMCO staff shall also document the basis risk and appropriate stop-loss procedures. UTIMCO shall establish appropriate risk management procedures to monitor daily the risk of internally managed and of externally managed accounts operating under an Agency Agreement that utilize derivatives. Internal control procedures to properly account and value the Funds' exposure to the Derivative Investment shall be fully documented.

Additional Limitations:

Leverage: Leverage is inherent in derivatives since only a small cash deposit is required to establish a much larger economic impact position. Thus, relative to the Cash markets, where in most cases the cash outlay is equal to the asset acquired, Derivative Investments offer the possibility of establishing substantially larger market risk exposures with the same amount of cash as a traditional Cash market portfolio. Therefore, risk management and control processes must focus on the total risk assumed in a Derivative Investment. Exhibits A of the Fund's Investment Policy Statements provide a limitation on the amount of uncollateralized derivative exposure that can be utilized by the Funds whereby, the total Asset Class and Investment Type exposure, including the amount of derivatives exposure not collateralized by

The University of Texas Investment Management Company
Derivative Investment Policy

cash, may not exceed 105% (100% in the ITF) of the Asset Class and Investment Type exposures excluding the amount of derivatives exposure not collateralized by cash.

Counterparty Risks: In order to limit the financial risks associated with Derivative Investments, rigorous counterparty selection criteria and netting agreements shall be required to minimize counterparty risk for over the counter (OTC) derivatives. Any counterparty in an OTC derivative transaction with the Funds must have a credit rating of at least A- (Standard and Poor's) or A3 (Moody's). All OTC derivatives, with the exception of Bona Fide Spot ~~foreign~~Foreign Exchange Transactions~~currency contracts that mature within 91 days of initial settlement and are traded with a counterparty that has been pre-approved by UTIMCO~~, must be subject to established ISDA Netting Agreements and have full documentation of all legal obligations of the Funds. In the event a counterparty is downgraded below the minimum credit rating requirements stated above, UTIMCO staff will take appropriate action to protect the interests of the Funds, including availing itself of all potential remedies contained in the ISDA agreements, The net market value, net of collateral postings, of all OTC derivatives for any individual counterparty may not exceed 1% of the total market value of the Funds.

Risk Management and Compliance:

To ensure compliance with all terms and limitations of this Policy, all internally managed and externally managed Derivative Investments in accounts under Agency Agreements will be marked to market on a daily basis by the Funds' custodian and reviewed periodically, but no less frequently than monthly, for accuracy by the UTIMCO Risk Manager. In addition, data from the external risk model will be reviewed for accuracy and completeness by the UTIMCO Risk Manager.

Compliance with this Policy will be monitored by the UTIMCO Chief Compliance Officer using data provided by the custodian and the external risk model.

Any instances of noncompliance with this Policy will be reported immediately to the UTIMCO Chief Compliance Officer and the UTIMCO Chief Investment Officer, who will determine the appropriate remedy and report promptly to the Chairs of the Risk Committee, the Audit & Ethics Committee, and the UTIMCO Board Chairman. The UTIMCO Board Chairman may waive immediate remedial action in appropriate circumstances.

Reporting:

On a quarterly basis, UTIMCO shall provide a comprehensive report to UTIMCO's Board and the Risk Committee. This report shall include all outstanding Derivative Investments, by type, entered into during the period being reported for both internal managers and external managers operating under Agency Agreements. Asset allocation as provided in the Funds' Investment Policy Statements shall incorporate the impact of uncollateralized derivative exposure associated with derivatives. For risk reporting purposes, the models used to calculate the expected profit or loss in each scenario will include the effect of delta sensitivity and other derivative sensitivity parameters as appropriate. Risk calculations will take into account leverage, correlation, and exposure parameters such as beta for equities and duration for fixed income. The UTIMCO Risk Manager will calculate risk attribution - i.e., how much of the overall risk is attributed to each Asset Class and Investment Type, including the full effect on risk of the derivatives in each. The UTIMCO Risk Manager will calculate risk attribution for each Derivative Investment.

The University of Texas Investment Management Company
Derivative Investment Policy

Derivative Investment Policy Exhibit A
Glossary of Terms

Agency Agreement – A form of legal agreement that typically grants limited investment discretion to an external investment manager to act as the investment agent of the Funds but does not limit the liability of the Funds for actions taken by that agent.

Basket – A group of securities and a weighting scheme, or a proprietary index. Baskets are typically defined to achieve a certain investment goal, within certain limitations. For example, a Basket could replicate an emerging market index, excluding certain companies that UTIMCO is not permitted to hold.

Bona Fide Spot Foreign Exchange Transaction – Generally, a foreign exchange transaction that settles via an actual delivery of the relevant currencies within two business days (T+2). In addition, an agreement, contract or transaction for the purchase or sale of an amount of foreign currency equal to the price of a foreign security with respect to which (i) the security and related foreign currency transactions are executed contemporaneously in order to effect delivery by the relevant securities settlement deadline and (ii) actual delivery of the foreign security and foreign currency occurs by such deadline (such transaction, a "Securities Conversion Transaction"). For Securities Conversion Transactions, the Commodity Futures Trading Commission (CFTC) will consider the relevant foreign exchange spot market settlement deadline to be the same as the securities settlement deadline.

Cash market - The physical market for a commodity or financial instrument.

Counterparty - The offsetting party in an exchange agreement.

Derivative Investment – An investment in a futures contract, forward contract, swap, and all forms of options.

Exchange traded derivatives - A Derivative Investment traded on an established national or international exchange. These derivatives "settle" daily in that cash exchanges are made between the exchange and parties to the contracts consistent with the change in price of the instrument. Fulfillment of the contract is guaranteed by the exchange on which the derivatives are traded. Examples include S&P 500 futures contracts and Goldman Sachs Commodities Index futures contracts.

Forward contract - A nonstandardized contract for the physical or electronic (through a bookkeeping entry) delivery of a commodity or financial instrument at a specified price at some point in the future. The most typical Forward contract is a forward foreign currency contract, which involves the contemplated exchange of two currencies.

Futures contract - A standardized contract for either the physical delivery of a commodity or instrument at a specified price at some point in the future, or a financial settlement derived from the change in market price of the commodity or financial instrument during the term of the contract.

ISDA Netting Agreement - The International Swaps and Derivatives Association (ISDA) is the global trade association representing participants in the privately negotiated derivatives industry, covering swaps and options across all asset classes. ISDA has produced generally accepted "Master Agreements," a 1992 Master Agreement and a 2002 Master Agreement, that are used by most counterparties in OTC derivatives. Netting agreements are terms within the applicable Master Agreement that deal with the calculation of exposure for each counterparty. These netting agreements require that exposures between counterparties will be "netted" so that payables and receivables under all existing derivatives between two counterparties are offset in determining the net exposure between the two counterparties.

Limited Liability Entity – A legal entity created to define how assets contributed to the entity by external partners to the agreement will be managed by the manager of the entity. These entities are typically limited liability partnerships,

The University of Texas Investment Management Company
Derivative Investment Policy

corporations, or other such entities that limit the liability of external investors to the current value of the external investors' investment in the entity.

Long exposure to an Asset Class – The Net Asset Value of the Asset Class and Investment Type as defined in the Funds' Investment Policy Statement.

Option - A derivative that conveys the right but not the obligation to buy or deliver the subject financial instrument at a specified price, at a specified future date.

Over the counter (OTC) derivatives - A derivative which results from direct negotiation between a buyer and a counterparty. The terms of such derivatives are nonstandard and are the result of specific negotiations. Settlement occurs at the negotiated termination date, although the terms may include interim cash payments under certain conditions. Examples include currency swaps and forward contracts, interest rate swaps, and collars.

Replicating Derivatives – Derivatives that are intended to replicate the return characteristics of an underlying index or any other Cash market security.

Swap - A contract whereby the parties agree to exchange cash flows of defined investment assets in amounts and times specified by the contract.

The University of Texas Investment Management Company
Derivative Investment Policy

Derivative Investment Policy Exhibit B
Delegated Derivative Investments

Subject to the limitations contained in the Derivative Investment Policy, the UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to enter into the following Derivative Investments:

Delegated Derivative Investments:

1. Replicating Derivatives - Derivative Investments that replicate the return characteristics of a long exposure to an underlying index, Basket or commodity. These investments are generally futures contracts and swaps on a passive index, Basket or commodity.

2. Derivative Investments that upon their expiration would not exceed the loss of a similar investment in the cash index being referred to in the derivative contract. These investments may include swaps whereby the holder of the instrument will forgo potential upside return in exchange for downside protection or receive a multiple of a referenced return should the return of the underlying referenced index be within a certain range and may also include the selling of put options.

3. Derivative Investments that reduce long exposure to an Asset Class or hedge against risk, and limit maximum loss to the premium paid for the Derivative Investment, i.e., purchase options. The aggregate prorated annual premium of all Derivative Investments under this provision shall be as set forth in the respective Fund's Investment Policy Statement.

4. Futures contracts and forward contracts on foreign currency if used (i) by an external fixed income manager within its investment guidelines, (ii) for hedging purposes by an external equities manager within its investment guidelines, or (iii) to hedge existing or prospective foreign currency risk by UTIMCO staff.

5. Derivative Investments used to manage bond duration or hedge equity exposure to countries, sectors or capitalization factors, or individual stock(s) swaps within the portfolio only if subsequent to the investment the portfolio would not be net short to any one of those factors. An example of such a hedge is selling futures contracts or call options on a country or sector index, provided the manager is exposed to that country or sector.

6. Derivative Investments used to gain long exposure to an Asset Class and limit maximum loss to the premium paid for the Derivative Investment.

The delegated authority set forth above should not be construed to permit UTIMCO staff to enter into Derivative Investments that are unhedged or 'naked' short positions containing unlimited loss.

Modeling: Each Delegated Derivative Investment must be such that it can be decomposed into one or more components, and each said component can be modeled using a model such as the CDS valuation model, Black-Scholes model, including modifications for foreign currency ("Quanto"), allowing both normal and log-normal distributions (the Black model), and modifications to handle dividends or other model approved by the Policy Committee.

Leverage: Each Delegated Derivative Investment must be modeled on a fully collateralized basis. During the course of the investment, cash collateral backing a Derivative Investment may be utilized to invest in other investments thereby creating leverage at the Fund level. This is only allowed if within the Funds' Investment Policy Statements.

6. U. T. System Board of Regents: Approval of amendments to The University of Texas Investment Management Company (UTIMCO) Bylaws

RECOMMENDATION

The Chancellor, the Executive Vice Chancellor for Business Affairs, and the Interim Vice Chancellor and General Counsel concur in the recommendation of the Board of Directors of The University of Texas Investment Management Company (UTIMCO) that the U. T. System Board of Regents approve the amendments to the UTIMCO Bylaws as set forth in congressional style on Pages 115 - 128.

BACKGROUND INFORMATION

Section 66.08 of the *Texas Education Code* requires that the U. T. System Board of Regents approve the Bylaws of UTIMCO and any amendments thereto. These proposed amendments to the Bylaws were approved by the UTIMCO Board of Directors on July 22, 2013. Proposed amendments are summarized as follows:

- Section 66.08 of the *Texas Education Code* was amended by SB 1604, which was passed during the 83rd Regular Session of the Texas Legislature and signed into law by Governor Rick Perry on June 14, 2013. The amendments, which became effective immediately, provide that the Chancellor of the U. T. System may, but is not required, to serve as a Director on the UTIMCO Board of Directors.

- Article III, Sections 3 and 8 and Article V, Section 6 of the UTIMCO Bylaws are being amended to give effect to the requirements of this legislation. Further, the language in Section 3 related to the appointment of directors by The Texas A&M University System Board of Regents is being deleted as Texas A&M has already appointed its first two directors; therefore, this language is no longer applicable. The Secretary to the U. T. System Board of Regents will make conforming editorial amendments to the Regents' *Rules and Regulations*, Rule 10402.

BYLAWS

OF

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Restated to Include
Amendments Adopted on

March 13, 1997
(Approved by the Board of Regents on May 8, 1997)

May 2, 1997
(Approved by the Board of Regents on May 8, 1997)

September 22, 1999
(Approved by the Board of Regents on November 11, 1999)

December 9, 1999
(Approved by the Board of Regents on February 10, 2000)

October 26, 2001
(Approved by the Board of Regents on November 8, 2001)

June 26, 2003
(Approved by the Board of Regents on August 7, 2003)

Ratified September 29, 2004
(Approved by the Board of Regents on August 12, 2004)

May 25, 2006
(Approved by the Board of Regents on July 13, 2006)

January 30, 2008
(Approved by the Board of Regents on February 7, 2008)

July 14, 2011
(Approved by the Board of Regents on August 25, 2011)

July 22, 2013
(Approved by the Board of Regents on August 22, 2013)

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BYLAWS

OF

THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

ARTICLE I
STRUCTURE AND PURPOSES

Section 1. Structure. The University of Texas Investment Management Company (the "Corporation") is a nonprofit corporation organized under the laws of the State of Texas, including the Texas Non-Profit Corporation Act, Tex. Rev. Civ. Stat. Ann. art. 1396-1.01 (the "Act"). The Articles of Incorporation of the Corporation (as amended from time to time, the "Articles of Incorporation") were filed in the office of the Secretary of the State of Texas on November 15, 1995.

Section 2. Member. The Corporation shall have no members.

Section 3. Purposes. The Corporation is organized and will be operated exclusively for charitable and educational purposes. In accomplishment of such purposes, the Corporation will be administered solely for the purpose of aiding, assisting, supporting and acting on behalf of The University of Texas System (the "System"), an agency of the State of Texas, in the performance of its essential governmental function of providing higher education in accordance with the laws of the State of Texas authorizing and governing the System and the creation of the Corporation. The Corporation shall have, without limitation, the following purposes:

(a) To invest funds under the control and management of the Board of Regents of the System (the "Board of Regents"), including the permanent university fund, as designated by the Board of Regents in accordance with the laws of the State of Texas; and

(b) To perform such other activities or functions that the Board of Directors of the Corporation determines are necessary or appropriate for the accomplishment of the purposes of the Corporation, provided, however, that the Corporation may not engage in any business other than investing funds designated by the Board of Regents pursuant to a contract with the System for the investment of such funds.

Section 4. Approval by System. Notwithstanding the powers delegated to the Board of Directors of the Corporation, the Corporation may not contract with the Board of Regents to invest funds under the control and management of the Board of Regents, including the permanent university fund, unless and until the Board of Regents has approved (i) the Articles of Incorporation and Bylaws of the Corporation; (ii) the investment policies of the Corporation; (iii) the audit and ethics committee of the Corporation; and (iv) the code of ethics of the Corporation. Furthermore, the Board of Regents must approve (i) any amendments to the Articles of Incorporation and Bylaws of the Corporation; (ii) any changes to the investment policies of the Corporation; (iii) any changes in the audit and ethics committee of the

Corporation; and (iv) any changes in the code of ethics of the Corporation. The Corporation shall file reports with the Board of Regents quarterly, and at such other times as requested by the Board of Regents, concerning such matters as required by the Board of Regents.

Section 5. Prohibited Transactions. In addition to the prohibitions of the laws of the State of Texas, the Corporation may not enter into an agreement or transaction with a former director, officer, or employee of the Corporation, or a business entity in which a former director, officer, or employee of the Corporation has an interest, on or before the first anniversary of the date the person ceased to be a director, officer, or employee of the Corporation. For purposes of this section (i) a former director, officer, or employee of the Corporation has an interest in a business entity if such person owns (a) five percent or more of the voting stock or shares of the business entity or (b) five percent or more of the fair market value of the business entity, and (ii) a former director of the Corporation has an interest in a business entity if money received by such person from the business entity exceeds five percent of the person's gross income for the preceding calendar year. A two-thirds majority of the Board of Directors of the Corporation shall be required to forward to the Board of Regents a change to this Section.

Section 6. Revolving Door. A former director or employee of the Corporation may not make any communication to or appearance before a current director or employee of the Corporation before the second anniversary, in the case of a former director, or the first anniversary, in the case of a former employee, of the date the former director or employee ceased to be a director or employee of the Corporation if the communication or appearance is made (a) with the intent to influence, and (b) on behalf of any person in connection with any matter on which the person seeks action by the Corporation. If a director of the Corporation knowingly communicates with a former director or employee of the Corporation, whose communication or appearance is made with the intent to influence, and on behalf of any person in connection with any matter on which the person seeks action by the Corporation, such director shall be subject to removal from serving as a director of the Corporation. If an employee of the Corporation knowingly communicates with a former director or employee of the Corporation whose communication or appearance is made with the intent to influence, and on behalf of any person in connection with any matter on which the person seeks action by the Corporation, such director or employee shall be subject to disciplinary action. A two-thirds majority of the Board of Directors of the Corporation shall be required to forward to the Board of Regents a change to this Section.

ARTICLE II
OFFICES

Section 1. Principal Place of Business. The principal place of business of the Corporation shall be located at 401 Congress Avenue, Suite 2800, Austin, Texas 78701. The Corporation may have such other offices, either within or without the State of Texas, as the Board of Directors may determine or as the affairs of the Corporation may require from time to time.

Section 2. Registered Office and Registered Agent. The Corporation shall have and continuously maintain in the State of Texas a registered office and a registered agent whose office is the Corporation's registered office, as required by the Act. The registered office may, but need not, be identical with the principal office of the Corporation in the State of Texas, and the address of the registered office may be changed from time to time by the Board of Directors in accordance with applicable law.

ARTICLE III
BOARD OF DIRECTORS

Section 1. Powers. The property, business, and affairs of the Corporation shall be managed and controlled by the Board of Directors, and subject to the restrictions imposed by law, the Articles of Incorporation, and these Bylaws, the Board of Directors shall exercise all of the powers of the Corporation.

Section 2. Number. The Board of Directors shall consist of nine (9) Directors consistent with Texas Education Code Section 66.08.

Section 3. Appointment and Term. In compliance with applicable law, six (6) Directors shall be appointed by the Board of Regents, pursuant to a process determined by the Board of Regents and shall include (i) at least three (3) persons then serving as members of the Board of Regents ("Regental Directors"), ~~and~~ (ii) three (3) persons with substantial background and expertise in investments, and (iii) one qualified individual as determined by the Board of Regents, which may include the Chancellor of The University of Texas System; and two (2) Directors shall be appointed by the Board of Regents of The Texas A&M University System pursuant to a process determined by the Board of Regents of The Texas A&M University System and shall include at least one (1) person with substantial background and expertise in investments~~; provided that, notwithstanding the foregoing, persons duly appointed and serving as Directors on June 17, 2011, shall continue to serve as Directors subject to the last sentence of this Section 3. The initial two (2) Directors appointed by the Board of Regents of The Texas A&M University System pursuant to the foregoing shall be appointed as follows: (i) one (1) Director shall be appointed on the expiration of the term of office of a Director serving on June 17, 2011, who under prior law, was appointed to that position on recommendation of the Board of Regents of The Texas A&M University System; and (ii) one (1) Director shall be appointed on the first expiration after June 17, 2011, of a term of office of any Director, other than the Director described in clause (i) of this sentence and any Director who also serves as a member of the board of regents of a university system, as defined by Section 61.003, Texas Education Code~~. If appointed to the UTIMCO Board by the Board of Regents, ~~T~~the Chancellor of the System shall ~~also~~ serve as a Director so long as he or she remains Chancellor of the System or until the Chancellor's earlier removal or resignation as provided in these Bylaws. The three (3) Regental Directors shall serve for two-year terms that expire on the first day of April of each odd-numbered year. The remaining Directors (other than the Chancellor of the System and the Regental Directors) shall serve three-year staggered terms that expire on the first day of April of the appropriate year. No such Director (other than the Chancellor of the System and the Regental Directors) shall serve more than three (3) full three-year terms. Notwithstanding the foregoing, the Board of Regents may, from time to time, alter the terms of the Directors it is authorized to appoint and the Board of Regents of The Texas A&M University System may, from time to time, alter the terms of the Directors it is authorized to appoint. Each person serving as a Director shall serve until the expiration of such Director's term, or until such Director's successor has been chosen and qualified, or until such Director's earlier death, resignation, or removal as provided in these Bylaws.

Section 4. Removal and Resignation. Any Director appointed by the Board of Regents may be removed from office at any time, with or without cause, by the Board of Regents. Any Director appointed by the Board of Regents of The Texas A&M University System may be removed from office at any time, with or without cause, by the Board of Regents of The Texas A&M University System. Any Director or officer may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or, if no time be specified, at the time of its receipt by the President or Secretary. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

Section 5. Vacancies. Any vacancy occurring in the office of a Director, whether by death, resignation, removal, increase in the number of Directors, or otherwise, shall be filled by the entity authorized to appoint the Director.

Section 6. Meetings of Directors. The Directors may hold meetings and keep the Corporation's books and records at such place or places within the State of Texas as the Board of Directors may from time to time determine.

Section 7. Annual Meetings. The annual meeting of the Board of Directors ("Annual Meeting") shall be held at such time and place as shall be designated from time to time by resolution of the Board of Directors, or, if not so designated, on the third Thursday of the month of April of each year at the Corporation's principal office for the purpose of (i) electing officers for the ensuing year, and (ii) transacting such other business as may be properly brought before such Annual Meeting. Notice of Annual Meetings shall be required.

At the request of the U. T. Board of Regents, a joint meeting with the U. T. Board of Regents ("Joint Meeting") shall be held to discuss investment policies including asset allocation, investment performance, determination of risk, performance of the Corporation, organizational issues, proposed budget, and related issues. Notice of Joint Meetings shall be required.

Section 8. Regular Meetings. Regular meetings of the Board of Directors ("Regular Meetings") shall be held at such times and places as shall be designated from time to time by resolution of the Board of Directors. Notice of Regular Meetings shall be required. The UTIMCO President shall consult with the Chairman and the Chancellor~~, as Vice Chairman for Policy,~~ on the draft agenda for meetings of the UTIMCO Board at least three (3) weeks prior to each regular UTIMCO Board meeting.

Section 9. Special Meetings. Special meetings of the Board of Directors ("Special Meetings") shall be held at such times and places as shall be designated from time to time by the Chairman or, on the written request of any Director, by the Secretary or on the written request of the Board of Regents. Notice of Special Meetings shall be required.

Section 10. Notice of Meetings. The Secretary shall give notice of the time and place of each Annual, Joint, Regular and Special Meeting to each Director in person, or by mail, electronic mail, telegraph, or telephone, at least five (5) days before and not sooner than fifty (50) days before such meeting; provided, however, that in the case of a Special Meeting called because of an emergency or urgent necessity, notice will be provided as required by the Texas Open Meetings Act.

Section 11. Quorum. A majority of the then acting Directors shall constitute a quorum for the consideration of any matters pertaining to the Corporation's purposes. If at any meeting of the Board of Directors there is less than a quorum present, the Chairman may adjourn the meeting from time to time. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law, the Articles of Incorporation, or these Bylaws.

Section 12. Voting. Directors must vote in person and proxy voting is prohibited.

Section 13. Conduct of Business. At meetings of the Board of Directors, matters pertaining to the Corporation's purposes shall be considered.

At all meetings of the Board of Directors, the Chairman of the Board shall preside, and in the absence of the Chairman of the Board, the Vice Chairman of the Board or the Vice Chairman for Policy shall preside. In the absence of the Chairman of the Board and the Vice Chairmen of the Board, a chairman shall be chosen by the Board of Directors from among the Directors present.

The Secretary of the Corporation shall act as secretary of all meetings of the Board of Directors, but in the absence of the Secretary, the Chairman may appoint any person to act as secretary of the meeting.

The chairman of any meeting of the Board of Directors shall determine the order of business and the procedure at the meeting, including, without limitation, conduct of the discussion and the order of business pursuant to a duly posted agenda.

Section 14. Compensation of Directors; Expenses. Persons serving as Directors shall not receive any salary or compensation for their services as Directors. A Director shall be entitled to reimbursement for reasonable expenses incurred by the Director in carrying out duties as a Director.

ARTICLE IV
COMMITTEES

Section 1. Board Committees. The Board of Directors may from time to time designate members of the Board of Directors to constitute committees that shall have and may exercise such powers as a majority of the Board of Directors may determine in the resolution that creates the committee; provided, however, that the Board of Regents must approve the audit and ethics committee of the Corporation as required by applicable law and further provided that the full UTIMCO Board shall fully review, discuss, and approve performance compensation for UTIMCO officers and employees following careful consideration and due diligence. The Board of Directors may appoint individuals who are not members of the Board of Directors to any committee; provided, however, that a majority of the committee members shall be members of the Board of Directors if such committee exercises the authority of the Board of Directors in the management of the Corporation.

Other committees, not having and exercising the authority of the Board of Directors in the management of the Corporation, may be designated and members appointed by a resolution adopted by the Board of Directors. Membership of such committees may, but need not, be limited to Directors.

Any Director appointed to a committee designated by the Board of Directors shall cease to be a member of such committee when he or she is no longer serving as Director.

Section 2. Procedures; Meetings; Quorum. Any committee created by the Board of Directors or these Bylaws, unless otherwise expressly provided herein, shall (i) have a chairman designated by the Board of Directors, (ii) fix its own rules or procedures, (iii) meet at such times and at such place or places as may be provided by such rules or by resolution of such committee or resolution of the Board of Directors, and (iv) keep regular minutes of its meetings and cause such minutes to be recorded in books kept for that purpose in the principal office of the Corporation, and report the same to the Board of Directors at its next Regular Meeting. At every meeting of any such committee, the presence of a majority of all the members thereof shall constitute a quorum, and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any action, unless otherwise expressly provided in the committee's rules or procedures or these Bylaws or by the Board of Directors.

The Board of Directors may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee.

Section 3. Nominating Committee. The Chairman may appoint a Nominating Committee to make recommendations to him or her on positions as requested.

ARTICLE V
OFFICERS

Section 1. Number, Titles, and Term of Office. The officers of the Corporation shall consist of a Chairman of the Board, a Vice Chairman for Policy, a Vice Chairman of the Board, a President, a Secretary, a Treasurer, and such other officers and assistant officers as the Board of Directors may from time to time elect or appoint. Such other officers and assistant officers shall have such authority and responsibility as may be assigned to them by the Board of Directors. Any two (2) or more offices may be held by the same individual, except the offices of President and Secretary and the offices of Chairman and Vice Chairman. Except for those officers elected at the organizational meeting (the "Organization Meeting"), the term of office for each officer shall be until the next succeeding Annual Meeting at which officers are elected. The term of office for those officers elected at the Organization Meeting shall be that period of time beginning on the date of the Organization Meeting and ending on the date of the first Annual Meeting. In any event, a duly-elected officer shall serve in the office to which he or she is elected until his or her successor has been duly elected and qualified.

Section 2. Removal. Any officer or agent or member of a committee elected or appointed by the Board of Directors may be removed by the Board of Directors, but such removal shall be without prejudice to the contract rights, if any, of the individual so removed. Election or appointment of an officer or agent or member of a committee shall not of itself create contract rights.

Section 3. Vacancies. Any vacancy occurring in any office of the Corporation may be filled by the Board of Directors.

Section 4. Powers and Duties of the Chairman of the Board. The Chairman of the Board shall preside at all meetings of the Board of Directors and shall have such other powers and duties as may be assigned to such officer in these Bylaws or from time to time by the Board of Directors. The Chairman of the Board shall be appointed by the Board of Directors. No Director shall serve more than three (3) full one-year terms as Chairman.

Section 5. Powers and Duties of the Vice Chairman of the Board. The Vice Chairman of the Board shall have such powers and duties as may be assigned to such officer in these Bylaws or from time to time by the Board of Directors and shall exercise the powers of the Chairman during that officer's absence or inability to act. Any action taken by the Vice Chairman in the performance of the duties of the Chairman shall be conclusive evidence of the absence or inability to act of the Chairman at the time such action was taken. The Vice Chairman of the Board shall be appointed by the Board of Directors. No Director shall serve more than three (3) full one-year terms as Vice Chairman.

Section 6. Powers and Duties of the Vice Chairman for Policy. If appointed to the UTIMCO Board by the Board of Regents, ~~T~~the Chancellor of the System shall serve as Vice Chairman for Policy; otherwise, the Board shall appoint another Director to serve as the Vice Chairman for Policy. ~~and~~ The Vice Chairman for Policy shall coordinate those responsibilities, including the appropriate resolution of policy issues, assigned to UTIMCO and

System by the Rules and Regulations of the Board of Regents and the Master Investment Management Services Agreement with UTIMCO to facilitate UTIMCO's performance of its core investment duties. The Vice Chairman for Policy shall exercise the powers of the Chairman during the absence or inability to act of both the Chairman and the Vice Chairman of the Board. Any action taken by the Vice Chairman in the performance of the duties of the Chairman shall be conclusive evidence of the absence or inability to act of the Chairman and the Vice Chairman at the time such action was taken.

Section 7. Powers and Duties of the President. All references to the President in this document shall mean the Chief Executive Officer of the Corporation. If the positions of President and Chief Executive Officer are held by different individuals the responsibilities designated to the President in these Bylaws shall be performed by the Chief Executive Officer. Subject to the control of the Board of Directors, the President shall have general executive charge, management, and control of the properties, business, and operations of the Corporation with all such powers as may be reasonably incident to such responsibilities; shall have the authority to agree upon and execute all leases, contracts, evidences of indebtedness, and other obligations in the name of the Corporation subject to the approval of the Board of Directors and the Executive Committee, if any; and shall have such other powers and duties as may be designated in these Bylaws and as may be assigned to such officer from time to time by the Board of Directors pursuant to a duly approved Delegation of Authority Policy.

Section 8. Powers and Duties of the Treasurer. The Treasurer shall have custody of all of the Corporation's funds and securities that come into such officer's hands. When necessary or proper, the Treasurer may endorse or cause to be endorsed, in the name and on behalf of the Corporation, checks, notes, and other obligations for collection and shall deposit or cause to be deposited the same to the credit of the Corporation in such bank or banks or depositories and in such manner as shall be designated and prescribed by the Board of Directors; may sign or cause to be signed all receipts and vouchers for payments made to the Corporation either alone or jointly with such other officer as may be designated by the Board of Directors; whenever required by the Board of Directors, shall render or cause to be rendered a statement of the cash account; shall enter or cause to be entered regularly in the Corporation's books to be kept by such officer for that purpose full and accurate accounts of all moneys received and paid out on account of the Corporation; shall perform all acts incident to the position of Treasurer subject to the control of the Board of Directors; and shall, if required by the Board of Directors, give such bond for the faithful discharge of such officer's duties in such form as the Board of Directors may require.

Section 9. Powers and Duties of the Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors in books provided for that purpose; shall attend to the giving and serving of all notices; in furtherance of the Corporation's purposes and subject to the limitations contained in the Articles of Incorporation, may sign with the President in the name and on behalf of the Corporation and/or attest the signatures thereto, all contracts, conveyances, franchises, bonds, deeds, assignments, mortgages, notes, and other instruments of the Corporation; shall have charge of the Corporation's books, records, documents, and instruments, except the books of account and financial records and securities of which the Treasurer shall have custody and charge, and such other books and papers as the Board of Directors may direct, all of which shall be open at reasonable times to the inspection of any Director upon application at the Corporation's office during business hours; and shall in general perform all duties incident to the office of Secretary subject to the control of the Board of Directors. The Secretary shall assure that current copies of the Corporation's Articles of Incorporation and Bylaws, Corporation Policies, Investment Policies approved by the Board of Regents, Committee Charters, and Minutes of all meetings of the Corporation and Committees are posted on the Corporation's website. The Secretary will assure that all open meetings of the Corporation are recorded and that recordings are available upon request.

ARTICLE VI
MISCELLANEOUS PROVISIONS

Section 1. Fiscal Year. The Corporation's fiscal year shall be as determined from time to time by the Board of Directors.

Section 2. Seal. The Corporation's seal, if any, shall be such as may be approved from time to time by the Board of Directors.

Section 3. Notice and Waiver of Notice. Whenever any notice is required to be given by mail under the provisions of these Bylaws, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed postpaid wrapper addressed to the person or Board of Regents entitled thereto at such person's post office address, as such appears in the records of the Corporation, and such notice shall be deemed to have been given on the date of such mailing. A waiver of notice in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to notice.

Section 4. Public Information. The Board of Directors shall comply with applicable provisions of the Texas Public Information Act.

Section 5. Open Meetings. The Board of Directors shall conduct open meetings in accordance with Section 66.08(h), Texas Education Code. The Secretary is required to provide public notice of such meetings in accordance with applicable law therewith.

ARTICLE VII
INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. Right to Indemnification. Subject to any limitations and conditions in these Bylaws, including, without limitation, this Article VII, each person who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (a "Proceeding"), or any appeal of such a Proceeding or any inquiry or investigation that could lead to a Proceeding, by reason of the fact that he or a person of whom he is the legal representative, is or was a Director or officer of the Corporation, or while a Director or officer of the Corporation is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise, shall be indemnified by the Corporation to the fullest extent authorized by the Act, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against judgments, penalties (including excise and similar taxes), fines, settlements and reasonable expenses (including, without limitation, attorneys' fees) actually incurred by such person in connection with a Proceeding, but if the Proceeding was brought by or in behalf of the Corporation, the indemnification is limited to reasonable expenses actually incurred or suffered by such person in connection therewith, and indemnification under these Bylaws shall continue as to a person who has ceased to serve in the capacity which initially entitled such person to indemnity hereunder. In no case, however, shall the Corporation indemnify any person, or the legal representatives of any person, with respect to any matters as to which such person shall be finally adjudged in any such Proceeding to be liable on the basis that personal benefit resulted from an action taken in such person's official capacity, or in which such person is found liable to the Corporation. Any person entitled to indemnification pursuant to this Article VII is sometimes referred to herein as an "Indemnified Person."

Section 2. Advance Payment. An Indemnified Person's right to indemnification conferred in this Article VII shall include the right to be paid or reimbursed by the Corporation the reasonable expenses incurred by an Indemnified Person who was, is or is threatened to be made a named defendant or respondent in a Proceeding in advance of the final disposition of the Proceeding; provided, however, that the payment of such expenses incurred by an Indemnified Person in advance of the final disposition of a Proceeding shall be made only upon delivery to the Corporation of a written affirmation by such Indemnified Person of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification under this Article VII and a written undertaking by or on behalf of such Indemnified Person to repay all amounts so advanced if it shall ultimately be determined that such Indemnified Person is not entitled to be indemnified under this Article VII or otherwise.

Section 3. Appearance as a Witness. Notwithstanding any other provision of this Article VII, the Corporation may pay or reimburse expenses incurred by an Indemnified Person in connection with his or her appearance as a witness or other participation in a Proceeding at a time when the Indemnified Person is not a named defendant or respondent in the Proceeding.

Section 4. Nonexclusivity of Rights. The right to indemnification and the advancement and payment of expenses conferred in this Article VII shall not be exclusive of any other right which an Indemnified Person may have or hereafter acquire under any law (common or statutory), the Articles of Incorporation, the Bylaws, agreement, vote of disinterested Director or otherwise.

Section 5. Insurance. The Corporation may purchase and maintain insurance, at its expense, to protect itself or any Indemnified Person, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under this Article VII.

Section 6. Savings Clause. If this Article VII or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify and hold harmless each Indemnified Person as to costs, charges and expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Article VII that shall not have been invalidated and to the fullest extent permitted by applicable law.

ARTICLE VIII
AMENDMENTS

Section 1. Amendment. These Bylaws may be altered, amended, or repealed by the Board of Directors with the approval of the Board of Regents. A request by the Board of Regents to consider an alteration, amendment, or repeal of these Bylaws will be considered at the next regular meeting of the Corporation or at a special meeting called for that purpose.

7. U. T. System Board of Regents: Adoption of a Resolution authorizing the issuance, sale, and delivery of Permanent University Fund Bonds and authorization to complete all related transactions

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents

a. adopt a Resolution, substantially in the form previously approved by the U. T. System Board of Regents, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Permanent University Fund (PUF) Bonds in one or more installments in an aggregate principal amount not to exceed $500 million to be used to refund certain outstanding PUF Bonds; to refund PUF Flexible Rate Notes, Series A; to refund PUF Commercial Paper Notes; to provide new money to fund construction and acquisition costs; and to pay the costs of issuance; and

b. authorize appropriate officers and employees of U. T. System as set forth in the Resolution to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents within the limitations and procedures specified therein; to make certain covenants and agreements in connection therewith; and to resolve other matters incident and related to the issuance, sale, security, and delivery of such bonds.

BACKGROUND INFORMATION

On August 23, 2012, the Board of Regents adopted a resolution authorizing the issuance of PUF Bonds in an amount not to exceed $500 million. Adoption of this Resolution would rescind the resolution approved by the Board of Regents in August 2012, and would provide a similar authorized amount and purposes as the prior resolution.

Adoption of the Resolution would authorize the advance or current refunding of a portion of certain outstanding PUF Bonds provided that an advance refunding exceeds a minimum 3% present value debt service savings threshold. An advance refunding involves issuing bonds to refund outstanding bonds more than 90 days in advance of the call date, whereas a current refunding involves issuing bonds to refund outstanding bonds within 90 days of the call date. Refunding bonds are issued at lower interest rates thereby producing debt service savings. Adoption of this Resolution would provide the flexibility to select the particular bonds to be refunded depending on market conditions at the time of pricing.

The Resolution would also authorize the current refunding of all or a portion of the PUF Commercial Paper Notes. The PUF Commercial Paper Note program is used to provide interim financing for PUF projects approved by the Board. Adoption of the Resolution would permit the interim financing provided through the Notes to be replaced with long-term financing. The Resolution also authorizes the issuance of bonds to provide new money to fund the capital costs of eligible projects.

The Resolution would also authorize the appropriate officers and employees of the U. T. System to refund outstanding PUF Bonds pursuant to a tender program and to use lawfully available funds to defease outstanding PUF Bonds when economically advantageous.

The proposed Resolution has been reviewed by outside bond counsel and the U. T. System Office of General Counsel.

Note: The proposed Resolution is available online at http://www.utsystem.edu/board-of-regents/meetings/board-meeting-2013-08-21.

8. U. T. System Board of Regents: Adoption of a Supplemental Resolution authorizing the issuance, sale, and delivery of Revenue Financing System Bonds and authorization to complete all related transactions

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents

a. adopt a Supplemental Resolution, substantially in the form previously approved by the U. T. System Board of Regents, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Revenue Financing System (RFS) Bonds in one or more installments in an aggregate principal amount not to exceed $500 million to be used to refund certain outstanding RFS Bonds, to refund RFS Commercial Paper Notes, to provide new money to fund construction and acquisition costs of projects in the Capital Improvement Program, and to pay the costs of issuance; and

b. authorize appropriate officers and employees of U. T. System as set forth in the Supplemental Resolution to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents within the limitations and procedures specified therein, to make certain covenants and agreements in connection therewith, and to resolve other matters incident and related to the issuance, sale, security, and delivery of such RFS Bonds.

BACKGROUND INFORMATION

On August 23, 2012, the Board of Regents adopted a resolution authorizing the issuance of additional RFS Bonds in an amount not to exceed $500 million. Adoption of this Supplemental Resolution would rescind the remaining issuance authority under the prior resolution, and provides a similar authorized amount and purposes as the prior resolution.

Adoption of the Supplemental Resolution would authorize the advance or current refunding of a portion of certain outstanding RFS Bonds provided that an advance refunding exceeds a minimum 3% present value debt service savings threshold. An advance refunding involves issuing bonds to refund outstanding bonds more than 90 days in advance of the call date whereas a current refunding involves issuing bonds to refund outstanding bonds within 90 days of the call date. Refunding bonds are issued at lower interest rates thereby producing debt service savings. Adoption of this Supplemental Resolution will provide the flexibility to select the particular bonds to be refunded depending on market conditions at the time of pricing.

The Supplemental Resolution would also authorize the current refunding of all or a portion of the RFS Commercial Paper Notes. The RFS Commercial Paper Note program is used to provide interim financing for RFS projects approved by the Board. Adoption of the Supplemental Resolution will permit the interim financing provided through the Notes to be replaced with long-term financing. The Supplemental Resolution also authorizes the issuance of bonds to provide new money to fund the capital costs of eligible projects.

The Supplemental Resolution also authorizes the appropriate officers and employees of the U. T. System to refund outstanding RFS Bonds pursuant to a tender program and to use lawfully available funds to defease outstanding RFS Bonds when economically advantageous.

The proposed Supplemental Resolution has been reviewed by outside bond counsel and the U. T. System Office of General Counsel.

Note: The proposed Resolution is available online at https://www.utsystem.edu/board-of-regents/meetings/board-meeting-2013-08-21.

9. **<u>U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt, including ratification of U. T. System Interest Rate Swap Policy</u>**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents adopt resolutions substantially in the form set out on Pages 134 - 156 (the Resolutions) authorizing appropriate officers of the U. T. System to enter into bond enhancement agreements related to its Revenue Financing System (RFS) and Permanent University Fund (PUF) debt programs in accordance with the U. T. System Interest Rate Swap Policy and to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents.

BACKGROUND INFORMATION

Texas Education Code Section 65.461 provides specific authority to the U. T. System Board of Regents to enter into "bond enhancement agreements," which include interest rate swaps and related agreements in connection with administration of the U. T. System's RFS and PUF debt programs.

The U. T. System Interest Rate Swap Policy was approved by the Board of Regents as a Regental Policy on February 13, 2003, and was incorporated into the Regents' *Rules and Regulations*, Rule 70202 on December 10, 2004. The Rule was subsequently amended on August 23, 2007. Section 1371.056(l) of the *Texas Government Code* requires that while an interest rate management agreement transaction is outstanding, the governing body of the issuer shall review and ratify or modify its related risk management policy at least biennially.

On August 23, 2012, the Board approved bond enhancement agreement resolutions for FY 2013. Approval of this item would authorize the execution of bond enhancement agreement transactions related to RFS and PUF debt in accordance with the U. T. System Interest Rate Swap Policy for FY 2014 and will ratify the existing U. T. System Interest Rate Swap Policy, set out as Exhibit B, as required by *Texas Government Code*, Section 1371.056. The determination to utilize bond enhancement agreements will be made based on market conditions at the time of pricing the related debt issuance. The Chancellor and the Chairman of the Board's Finance and Planning Committee will be informed in advance of any proposed transactions to be undertaken pursuant to the resolutions.

A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF BOND ENHANCEMENT AGREEMENTS RELATING TO REVENUE FINANCING SYSTEM DEBT AND AUTHORIZING AND APPROVING OTHER INSTRUMENTS AND PROCEDURES RELATING TO SAID AGREEMENTS

August 22, 2013

WHEREAS, the Board of Regents (the "Board") of The University of Texas System (the "System") is the governing body of the System, an institution of higher education under the *Texas Education Code* and an agency of the State of Texas; and

WHEREAS, on February 14, 1991, the Board adopted the First Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System and amended such resolution on October 8, 1993, and August 14, 1997 (referred to herein as the "Master Resolution"); and

WHEREAS, unless otherwise defined herein, terms used herein shall have the meaning given in the Master Resolution or as set forth in Exhibit A hereto; and

WHEREAS, the Master Resolution establishes the Revenue Financing System comprised of the institutions now or hereafter constituting components of the System that are designated "Members" of the Financing System by action of the Board and pledges the Pledged Revenues attributable to each Member of the Financing System to the payment of Parity Debt to be outstanding under the Master Resolution; and

WHEREAS, the Board has adopted Supplemental Resolutions to the Master Resolution authorizing the issuance of Parity Debt thereunder as special, limited obligations of the Board payable solely from and secured by a lien on and pledge of Pledged Revenues pledged for the equal and proportionate benefit and security of all owners of Parity Debt; and

WHEREAS, the Board has previously entered into certain Executed Master Agreements (as defined herein) with certain counterparties setting forth the terms and conditions applicable to each Confirmation (as defined herein) executed or to be executed thereunder; and

WHEREAS, the Board hereby desires to ratify and approve the System's Interest Rate Swap Policy, a copy of which is attached hereto as Exhibit B, and to severally authorize each Authorized Representative (as defined in the System's Interest Rate Swap Policy) to enter into Bond Enhancement Agreements (as defined herein) from time to time, all as provided in this Resolution.

NOW THEREFORE BE IT RESOLVED, that

SECTION 1. DEFINITIONS. In addition to the definitions set forth in the preamble of this Resolution, the terms used in this Resolution and not otherwise defined shall have the meanings given in the Master Resolution or in Exhibit A to this Resolution attached hereto and made a part hereof.

SECTION 2. AUTHORIZATION OF BOND ENHANCEMENT AGREEMENTS.

(a) Delegation. Each Authorized Representative is hereby severally authorized to act on behalf of the Board in accepting and executing new or amended confirmations under one or more of the Master Agreements (each, a "Confirmation", and collectively with the applicable Master Agreement, a "Bond Enhancement Agreement") when, in his or her judgment, the execution of such Confirmation is consistent with this Resolution and the System's Interest Rate Swap Policy and either (i) the transaction is expected to reduce the net interest to be paid by the Board with respect to any then outstanding Parity Debt or Parity Debt anticipated to be issued in the future over the term of the Bond Enhancement Agreement or (ii) the transaction is in the best interests of the Board given the market conditions at that time. Prior to entering into any such transaction, an Authorized Representative must deliver to the General Counsel of the Board a certificate setting forth the determinations of the Authorized Representative in connection with the foregoing. Each Authorized Representative is also severally authorized to execute any required novation agreement related to the execution and delivery of a new or amended Confirmation undertaken in conjunction with the novation of an existing Confirmation. The delegation to each Authorized Representative to execute and deliver Bond Enhancement Agreements on behalf of the Board under this Resolution shall expire on September 1, 2014.

(b) Authorizing Law and Treatment as Credit Agreement. The Board hereby determines that any such Bond Enhancement Agreement entered into by an Authorized Representative pursuant to this Resolution is necessary or appropriate to place the Board's obligations with respect to its outstanding Parity Debt or Parity Debt anticipated to be issued in the future on the interest rate, currency, cash flow or other basis set forth in such Bond Enhancement Agreement as approved and executed on behalf of the Board by an Authorized Representative. Each Bond Enhancement Agreement constitutes a "Credit Agreement" as defined in the Master Resolution and a "bond enhancement agreement" under Section 65.461 of the *Texas Education Code,* as amended ("Section 65.461"). Pursuant to Section 65.461, a Bond Enhancement Agreement authorized and executed by an Authorized Representative under this Resolution shall not be considered a "credit agreement" under Chapter 1371 of the *Texas Government Code*, as amended ("Chapter 1371"), unless specifically designated as such by such Authorized Representative. In the event an Authorized Representative elects to treat a Bond Enhancement Agreement authorized by this Resolution as a "credit agreement" under Chapter 1371 and this Resolution has not previously been submitted to the Attorney General by an Authorized Representative, such Authorized Representative shall submit this Resolution to the Attorney General for review and approval in accordance with the requirements of Chapter 1371 as the proceedings authorizing Bond Enhancement Agreements entered into by the Board pursuant to this Resolution.

(c) Maximum Term. The maximum term of each Bond Enhancement Agreement authorized by this Resolution shall not exceed the maturity date of the then outstanding related Parity Debt or the related Parity Debt anticipated to be issued in the future, as applicable.

(d) Notional Amount. The notional amount of any Bond Enhancement Agreement authorized by this Resolution shall not at any time exceed the aggregate principal amount of the then outstanding related Parity Debt and related Parity Debt anticipated to be issued in the future, as applicable; provided that the aggregate notional amount of multiple Bond Enhancement Agreements relating to the same Parity Debt may exceed the principal amount of the related Parity Debt if such Bond Enhancement Agreements are for different purposes, as evidenced for example by different rates for calculating payments owed, and the aggregate notional amount of any such Bond Enhancement Agreements for the same purpose otherwise satisfies the foregoing requirements.

(e) Early Termination. No Confirmation entered into pursuant to this Resolution shall contain early termination provisions at the option of the counterparty except upon the occurrence of an event of default or an additional termination event, as prescribed in the applicable Master Agreement. In addition to subsections (a) and (b) of Section 6 hereof, each Authorized Representative is hereby severally authorized to terminate any Bond Enhancement when, in his or her judgment, such termination is in the best interests of the Board given the market conditions at that time.

(f) Maximum Rate. No Bond Enhancement Agreement authorized by this Resolution shall be payable at a rate greater than the maximum rate allowed by law.

(g) Credit Enhancement. An Authorized Representative may obtain credit enhancement for any Bond Enhancement Agreement if such Authorized Representative, as evidenced by a certificate delivered to the General Counsel to the Board, has determined that after taking into account the cost of such credit enhancement, such credit enhancement will reduce the amount payable by the Board pursuant to such Bond Enhancement Agreement; provided that the annual cost of credit enhancement on any Bond Enhancement Agreement entered into pursuant to this Resolution may not exceed 0.50% of the notional amount of such Bond Enhancement Agreement.

SECTION 3. BOND ENHANCEMENT AGREEMENTS AS PARITY DEBT. The costs of any Bond Enhancement Agreement and the amounts payable thereunder shall be payable out of Pledged Revenues and each Bond Enhancement Agreement shall constitute Parity Debt under the Master Resolution, except to the extent that a Bond Enhancement Agreement provides that an obligation of the Board thereunder shall be payable from and secured by a lien on Pledged Revenues subordinate to the lien securing the payment of the Parity Debt. The Board determines that this Resolution shall constitute a Supplemental Resolution to the Master Resolution and as required by Section 5(a) of the Master Resolution, the Board further determines that upon the delivery of the Bond Enhancement Agreements authorized by this Resolution it will have sufficient funds to meet the financial obligations of the System, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System and that the Members on whose behalf such Bond Enhancement Agreements are entered into possess the financial capacity to satisfy their Direct Obligations after taking such Bond Enhancement Agreements into account.

SECTION 4. AUTHORIZATION FOR SPECIFIC TRANSACTIONS. (a) In addition to the authority otherwise granted in this Resolution, each Authorized Representative is hereby severally granted continuing authority to enter into the following specific transactions pursuant to a Confirmation (or other agreement or instrument deemed necessary by an Authorized Representative) upon satisfaction of the following respective conditions:

(1) Floating-to-fixed rate interest rate swap transactions under which the Board would pay an amount based upon a fixed rate of interest and the counterparty would pay an amount based upon a variable rate of interest with respect to Parity Debt then outstanding bearing interest at a variable rate and Parity Debt anticipated to be issued in the future that will bear interest at a variable rate, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that (i) the synthetic fixed rate to the Board pursuant to the swap transaction is lower than the rate available to the Board for comparable fixed rate debt at the time of the swap transaction, and (ii) if the variable rate being paid or expected to be paid by the Board on the applicable Parity Debt is computed on a basis different from the calculation of the variable rate to be received under the swap transaction over the stated term of such swap transaction, the basis risk of the transaction is expected to be minimal based upon historical relationships between such bases.

(2) Fixed-to-floating rate interest rate swap transactions under which the Board would pay an amount based upon a variable rate of interest and the counterparty would pay an amount based upon a fixed rate of interest, with respect to Parity Debt then outstanding bearing interest at a fixed rate and Parity Debt anticipated to be issued in the future that will bear interest at a fixed rate, as applicable. Prior to entering into such transaction an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that converting such portion of fixed rate Parity Debt to a variable rate pursuant to the fixed-to-floating interest rate swap transaction would be beneficial to the System by (i) lowering the anticipated net interest cost on the Parity Debt to be swapped against or (ii) assisting in the System's asset/liability management by matching a portion of its variable rate assets with variable rate Parity Debt.

(3) Basis swap transactions under which the Board would pay a variable rate of interest computed on one basis, such as the Securities Industry and Financial Markets Association Municipal Swap Index, and the counterparty would pay a variable rate of interest computed on a different basis, such as the London Interbank Offered Rate ("LIBOR"), with respect to a designated maturity or principal amount of outstanding Parity Debt and Parity Debt anticipated to be issued in the future, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that by entering into the basis swap transaction the Board is expected to be able to (i) achieve spread income or upfront cash payments, (ii) preserve call option and advance refunding capability on its Parity Debt, (iii) lower net interest cost by effecting a percent of LIBOR synthetic refunding without issuing additional bonds or acquiring credit enhancement, (iv) lower net interest cost on Parity Debt by layering tax risk on top of a traditional or synthetic fixed rate financing, (v) preserve liquidity capacity, or (vi) avoid the mark to market volatility of a fixed-to-floating or floating-to-fixed swap in changing interest rate environments.

(4) Interest rate locks, caps, options, floors, and collars for the purpose of limiting the exposure of the Board to adverse changes in interest rates in connection with outstanding Parity Debt or additional Parity Debt anticipated to be issued in the future. Prior to entering into such a transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that such transaction is expected to limit or eliminate such exposure.

(b) The foregoing is not intended to be a comprehensive list of permissible types of transactions, but rather to specify additional conditions necessary to enter into the specified types of transactions. The requirements of Section 2(a) above shall apply to any transaction not specified in subsection (a) hereof.

SECTION 5. APPLICATION OF PAYMENTS RECEIVED UNDER BOND ENHANCEMENT AGREEMENTS.

(a) General. Except as further limited by subsection (b) hereof, to the extent the Board receives payments pursuant to a Bond Enhancement Agreement, such payments shall be applied for any lawful purpose.

(b) Payments under Chapter 1371 Credit Agreements. In the event an Authorized Representative elects to treat a Bond Enhancement Agreement authorized by this Resolution as a "credit agreement" under Chapter 1371 and such Bond Enhancement Agreement is executed and delivered pursuant to Chapter 1371, to the extent that the Board receives payments pursuant to such a Bond Enhancement Agreement, such payments shall be applied as follows: (i) to pay (A) debt service on the Parity Debt or anticipated issuance of Parity Debt related to the Bond Enhancement Agreement, or (B) the costs to be financed by the Parity Debt or anticipated issuance of Parity Debt related to the Bond Enhancement Agreement; provided that, if applicable, such costs shall have been approved for construction by the Board and that the applicable projects have received the required approval or review of the Texas Higher Education Coordinating Board to the extent and as required by the provisions of Chapter 61 of the *Texas Education Code*, including Section 61.058 thereof; (ii) to pay other liabilities or expenses that are secured on parity with or senior to the Parity Debt or anticipated issuance of Parity Debt related to the Bond Enhancement Agreement; or (iii) to the extent that costs set forth in (i) and (ii) have been satisfied, for any other lawful purpose.

SECTION 6. BOND ENHANCEMENT AGREEMENTS IN CONNECTION WITH ANTICIPATED PARITY DEBT.

(a) Requirement to Terminate or Modify Agreement for Non-issuance of Anticipated Parity Debt. In the event a Bond Enhancement Agreement is entered into under this Resolution in connection with the anticipated issuance of Parity Debt and such Parity Debt is not actually issued on or prior to the effective date of such agreement, an Authorized Representative shall either terminate such Bond Enhancement Agreement or amend such Bond Enhancement Agreement in such event to (i) delay the effective date of such Bond Enhancement Agreement; or (ii) replace such anticipated Parity Debt with any then outstanding Parity Debt having the same types of interest rates (fixed or variable) as the anticipated Parity Debt.

(b) Requirement to Terminate or Modify Agreement for Notional Amount in Excess of Anticipated Parity Debt as Issued. In the event a Bond Enhancement Agreement is entered into under this Resolution in connection with the anticipated issuance of Parity Debt and such Bond Enhancement Agreement has a notional amount that at any time exceeds the principal amount to be outstanding of such anticipated Parity Debt as actually issued, an Authorized Representative shall either terminate such Bond Enhancement Agreement or amend such Bond Enhancement Agreement to (i) reduce the notional amount of such Bond Enhancement as appropriate so that such notional amount does not exceed at any time the principal amount to be outstanding of such anticipated Parity Debt as actually issued or (ii) supplement or replace all or a portion of such anticipated Parity Debt with any then outstanding Parity Debt having the same types of interest rates (fixed or variable) as the anticipated Parity Debt as necessary to ensure that the notional amount of such Bond Enhancement Agreement does not exceed at any time the principal amount of the applicable Parity Debt.

(c) Board Recognition of Anticipated Parity Debt. No Bond Enhancement Agreement may be entered into under this Resolution with respect to the Board's obligations under an anticipated future issuance of Parity Debt unless such anticipated issuance of future debt shall have been recognized by official action of the Board pursuant to (i) the Board's prior adoption of a resolution authorizing the issuance of such debt, including, but not limited to, a resolution delegating the parameters of such issuance to an Authorized Representative or a resolution authorizing the issuance of commercial paper notes, (ii) the Board's prior approval of its then current Capital Improvement Program contemplating the financing of the projects to be financed by such anticipated issuance of debt and the amount of such debt to be issued, or (iii) the Board's action pursuant to subsection (e) hereof with respect to Parity Debt anticipated to be issued to refund outstanding Parity Debt.

(d) Required Description of Anticipated Parity Debt. To the extent that a Bond Enhancement Agreement is entered into under this Resolution with respect to the Board's obligations under an anticipated future issuance of Parity Debt, an Authorized Representative must also deliver to the General Counsel to the Board at the time such agreement is entered into a certificate with respect to such anticipated Parity Debt stating: (i) the anticipated issuance date of such Parity Debt or a range of anticipated dates of up to six months for such issuance, provided that such date or range of dates may not be more than the lesser of seventy-two (72) months after the date of the applicable Confirmation or the latest date contemplated for the issuance of such Parity Debt in the Board's then current Capital Improvement Program; (ii) whether such Parity Debt will bear interest at a fixed or variable rate; (iii) if such Parity Debt will bear interest at a fixed rate, what fixed interest rate or range of interest rates with respect to such Parity Debt is anticipated; (iv) if such Parity Debt will bear interest at a variable rate, what basis is anticipated to be used to compute such variable rate; (v) the assumed maturity schedule and amortization for such Parity Debt, including the assumed interest cost; (vi) the anticipated purposes for which the proceeds of such Parity Debt will be used; and (vii) for Parity Debt anticipated to be issued for new money projects, a list or description of such projects anticipated to be financed, provided that each such project must be contemplated for financing with Parity Debt by the Board's then current Capital Improvement Program or have otherwise received Board approval for financing.

(e) Board's Statement of Intent to Issue Refunding Debt for Savings. If the conditions in this Resolution are otherwise satisfied, the Board hereby authorizes each Authorized Representative to enter into a Bond Enhancement Agreement in connection with Parity Debt anticipated to be issued for the purpose of advance refunding any existing Parity Debt, provided that as certified by an Authorized Representative to the General Counsel to the Board, such anticipated issue of Parity Debt, when taking into consideration the effect of such Bond Enhancement Agreement, is expected to result in a present value savings in connection with such advance refunding of at least 3.0% (determined in the manner set forth in a supplemental resolution approved by the Board authorizing the issuance of additional Parity Debt), and in such event, the Board hereby declares its intention to cause such Parity Debt to be issued. No such certification or declaration shall be applicable in connection with Parity Debt anticipated to be issued for the purpose of currently refunding any existing Parity Debt within ninety (90) days of the date of issuance of such anticipated Parity Debt.

SECTION 7. MASTER AGREEMENTS.

(a) New Master Agreements. Each Authorized Representative is hereby severally authorized to enter into ISDA Master Agreements (the "New Master Agreements") with counterparties satisfying the ratings requirements of the System's Interest Rate Swap Policy. Such New Master Agreements shall be in substantially the same form as the Executed Master Agreements, with such changes as, in the judgment of an Authorized Representative, with the advice and counsel of the Office of General Counsel and Bond Counsel, are necessary or desirable (i) to carry out the intent of the Board as expressed in this Resolution, (ii) to receive approval of this Resolution by the Attorney General of the State of Texas, if pursuant Section 2(b) of this Resolution, an Authorized Representative elects to designate any Bond Enhancement Agreement entered into by the Board pursuant to this Resolution as a "credit agreement" under Chapter 1371, (iii) to accommodate the credit structure or requirements of a particular counterparty or (iv) to incorporate comments received or anticipated to be received from any credit rating agency relating to a New Master Agreement. Each Authorized Representative is authorized to enter into such New Master Agreements and to enter into Confirmations thereunder in accordance with this Resolution and in furtherance of and to carry out the intent hereof. If a New Master Agreement entered into pursuant to this subsection replaces a then effective Master Agreement with the same or a related counterparty, each Authorized Representative is hereby severally authorized to terminate such existing Master Agreement upon the New Master Agreement becoming effective and to take and all actions necessary to transfer any Confirmations thereunder to such New Master Agreement.

(b) Amendments to Master Agreements. Each Authorized Representative is hereby further severally authorized to enter into amendments to the Master Agreements to allow Confirmations thereunder to be issued and entered into with respect to any then outstanding Parity Debt or Parity Debt anticipated to be issued in the future and to make such other amendments in accordance with the terms of the respective Master Agreements as in the judgment of such Authorized Representative, with the advice and counsel of the Office of General Counsel and Bond Counsel, are necessary or desirable to allow the Board to achieve the benefits of the Bond Enhancement Agreements in accordance with and subject to the System's Interest Rate Swap Policy and this Resolution.

SECTION 8. ADDITIONAL AUTHORIZATION; RATIFICATION AND APPROVAL OF SWAP POLICY.

(a) Additional Agreements and Documents Authorized. Each Authorized Representative and all officers of the Board are severally authorized to execute and deliver such other agreements and documents as are contemplated by this Resolution and the Master Agreements or are otherwise necessary in connection with entering into Confirmations and Bond Enhancement Agreements as described in this

Resolution, as any such Authorized Representative or officer shall deem appropriate, including without limitation, officer's certificates, legal opinions credit support documents and any documentation pursuant to an ISDA DF Protocol, and any such actions heretofore taken are hereby ratified, approved and affirmed in all respects.

(b) Further Actions. Each Authorized Representative and all officers of the Board are severally authorized to take all such further actions, to execute and deliver such further instruments and documents in the name and on behalf of the Board to pay all such expenses as in his or her judgment shall be necessary or advisable in order fully to carry out the purposes of this Resolution.

(c) Swap Policy. The Board has reviewed and hereby ratifies, approves and affirms the System's Interest Rate Swap Policy, a copy of which is attached hereto as Exhibit B.

EXHIBIT A

DEFINITIONS

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

"Authorized Representative" – As defined in the System's Interest Rate Swap Policy (a copy of which is attached hereto as Exhibit B).

"Board" – The Board of Regents of The University of Texas System.

"Bond Enhancement Agreement" – Collectively, each Confirmation and the applicable Master Agreement.

"Chapter 1371" – Chapter 1371 of the *Texas Government Code*, as amended.

"Confirmation" – Each confirmation entered into by an Authorized Representative on behalf of the Board pursuant to this Resolution.

"Executed Master Agreements" – The following existing and fully executed ISDA Master Agreements currently in effect between the Board and the respective counterparty noted below (copies of which are attached hereto as Exhibit C):

(i) ISDA Master Agreement with Bank of America, N.A., dated as of December 6, 2005;

(ii) ISDA Master Agreement with JPMorgan Chase Bank, National Association, dated as of May 2, 2006;

(iii) ISDA Master Agreement with Merrill Lynch Capital Services, Inc., dated as of May 1, 2006;

(iv) ISDA Master Agreement with Morgan Stanley Capital Services Inc., dated as of December 6, 2005;

(v) ISDA Master Agreement with UBS AG, dated as of November 1, 2007;

(vi) ISDA Master Agreement with Goldman Sachs Bank USA, dated as of August 1, 2009;

(vii) ISDA Master Agreement with Wells Fargo Bank, National Association, dated as of August 21, 2009;

(viii) ISDA Master Agreement with Barclays Bank PLC, dated as of November 4, 2010;

(ix) ISDA Master Agreement with Deutsche Bank AG, New York Branch, dated as of May 1, 2011;

(x) ISDA Master Agreement with Royal Bank of Canada, dated as of June 8, 2011; and

(xi) ISDA Master Agreement with Citibank, N.A., dated as of October 26, 2011.

"ISDA" – The International Swaps and Derivatives Association, Inc.

"ISDA DF Protocol" – Any protocol developed by ISDA in response to provisions of the Dodd Frank Wall Street Reform and Consumer Protection Act relating to derivatives.

"LIBOR" – London Interbank Offered Rate.

"Master Agreements" – Collectively, the Executed Master Agreements and any New Master Agreements.

"Master Resolution" – The First Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the Board on February 14, 1991, and amended on October 8, 1993, and August 14, 1997.

"New Master Agreements" – Any ISDA Master Agreements entered into by an Authorized Representative pursuant to Section 7(a) of this Resolution.

"Section 65.461" – Section 65.461 of the *Texas Education Code,* as amended.

"System" – The University of Texas System.

EXHIBIT B

INTEREST RATE SWAP POLICY
OF THE UNIVERSITY OF TEXAS SYSTEM

[See Regents' *Rules and Regulations*, Rule 70202 titled Interest Rate Swap Policy]

EXHIBIT C

EXECUTED MASTER AGREEMENTS

[On file with the U. T. System Office of Business Affairs]

A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF BOND ENHANCEMENT AGREEMENTS RELATING TO PERMANENT UNIVERSITY FUND DEBT AND AUTHORIZING AND APPROVING OTHER INSTRUMENTS AND PROCEDURES RELATING TO SAID AGREEMENTS

August 22, 2013

WHEREAS, the Board of Regents (the "Board") of The University of Texas System (the "System") is the governing body of the System, an institution of higher education under the Texas Education Code and an agency of the State of Texas (the "State"); and

WHEREAS, the Permanent University Fund is a constitutional fund and public endowment created in the Texas Constitution of 1876, as created, established, implemented and administered pursuant to Sections 10, 11, 11a, 11b, 15 and 18 of Article VII of the Constitution of the State, as amended, and by other applicable present and future constitutional and statutory provisions, and further implemented by the provisions of Chapter 66, *Texas Education Code*, as amended (the "Permanent University Fund"); and

WHEREAS, the Available University Fund is defined by the Constitution of the State and consists of distributions made to it from the total return on all investment assets of the Permanent University Fund, including the net income attributable to the surface of Permanent University Fund land, as determined by the Board pursuant to Section 18 of Article VII of the Constitution of the State, as amended (the "Available University Fund"); and

WHEREAS, Section 18 of Article VII of the Constitution of the State, as may hereafter be amended (the "Constitutional Provision"), authorizes the Board to issue bonds and notes ("PUF Debt") not to exceed a total amount of 20% of the cost value of investments and other assets of the Permanent University Fund, exclusive of real estate, at the time of issuance thereof and to pledge all or any part of its two-thirds interest in the Available University Fund (the "Interest of the System") to secure the payment of the principal of and interest on PUF Debt, for the purpose of acquiring land, constructing and equipping buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, acquiring capital equipment and library books and library materials, and refunding bonds or notes issued under the Constitutional Provision or prior law, at or for the System administration and institutions of the System as listed in the Constitutional Provision; and

WHEREAS, the Constitutional Provision also provides that out of the Interest of the System in the Available University Fund there shall be appropriated an annual sum sufficient to pay the principal and interest due on PUF Debt, and the remainder of the Interest of the System in the Available University Fund (the "Residual AUF") shall be appropriated for the support and maintenance of The University of Texas at Austin and the System Administration; and

WHEREAS, unless otherwise defined herein, terms used herein shall have the meaning as set forth in <u>Exhibit A</u> hereto; and

WHEREAS, the Board has previously entered into certain Executed Master Agreements (as defined herein) with certain counterparties setting forth the terms and conditions applicable to each Confirmation (as defined herein) to be executed thereunder; and

WHEREAS, the Board hereby desires to ratify and approve the U.T. System's Interest Rate Swap Policy, a copy of which is attached hereto as Exhibit B, and to severally authorize each Authorized Representative (as defined in the System's Interest Rate Swap Policy) to enter into Bond Enhancement Agreements (as defined herein) from time to time, all as provided in this Resolution.

NOW THEREFORE BE IT RESOLVED, that

SECTION 1. DEFINITIONS. Capitalized terms used in this Resolution and not otherwise defined shall have the meanings given in Exhibit A attached hereto and made a part hereof.

SECTION 2. AUTHORIZATION OF BOND ENHANCEMENT AGREEMENTS.

(a) Delegation. Each Authorized Representative is hereby severally authorized to act on behalf of the Board in accepting and executing new or amended confirmations under one or more of the Master Agreements (each, a "Confirmation" and, collectively with the applicable Master Agreement, a "Bond Enhancement Agreement") when, in his or her judgment, the execution of such Confirmation is consistent with this Resolution and the System's Interest Rate Swap Policy and either (i) the transaction is expected to reduce the net interest to be paid by the Board with respect to any then outstanding PUF Debt or PUF Debt anticipated to be issued in the future over the term of the Bond Enhancement Agreement or (ii) the transaction is in the best interests of the Board given the market conditions at that time. Prior to entering into any such transaction, an Authorized Representative must deliver to the General Counsel of the Board a certificate setting forth the determinations of the Authorized Representative in connection with the foregoing. Each Authorized Representative is also severally authorized to execute any required novation agreement related to the execution and delivery of a new or amended Confirmation undertaken in conjunction with the novation of an existing Confirmation. The delegation to each Authorized Representative to execute and deliver Bond Enhancement Agreements on behalf of the Board under this Resolution shall expire on September 1, 2014.

(b) Authorizing Law and Treatment as Credit Agreement. The Board hereby determines that any such Bond Enhancement Agreement entered into by an Authorized Representative pursuant to this Resolution is necessary or appropriate to place the Board's obligations with respect to its outstanding PUF Debt or PUF Debt anticipated to be issued in the future on the interest rate, currency, cash flow or other basis set forth in such Bond Enhancement Agreement as approved and executed on behalf of the Board by an Authorized Representative. Each Bond Enhancement Agreement constitutes a "bond enhancement agreement" under Section 65.461 of the *Texas Education Code*, as amended ("Section 65.461"). Pursuant to Section 65.461, a Bond Enhancement Agreement authorized and executed by an Authorized Representative under this Resolution shall not be considered a "credit agreement" under Chapter 1371 of the *Texas Government Code*, as amended ("Chapter 1371"), unless specifically designated as such by such Authorized Representative. In the event an Authorized Representative elects to treat a Bond Enhancement Agreement authorized by this Resolution as a "credit agreement" under Chapter 1371 and this Resolution has not previously been submitted to the Attorney General by an Authorized Representative, such Authorized Representative shall submit this Resolution to the Attorney General for review and approval in accordance with the requirements of Chapter 1371 as the proceedings authorizing Bond Enhancement Agreements entered into by the Board pursuant to this Resolution.

(c) Costs; Maximum Term. The costs of any Bond Enhancement Agreement and the amounts payable thereunder, including but not limited to any amounts payable by the Board as a result of terminating a Bond Enhancement Agreement, shall be payable from the Residual AUF as a cost of the support and maintenance of System administration or from any other source that is legally available to make such payments.

The maximum term of each Bond Enhancement Agreement authorized by this Resolution shall not exceed the maturity date of the then outstanding related PUF Debt or the related PUF Debt anticipated to be issued in the future, as applicable.

(d) Notional Amount. The notional amount of any Bond Enhancement Agreement authorized by this Resolution shall not at any time exceed the aggregate principal amount of the then outstanding related PUF Debt or related PUF Debt anticipated to be issued in the future, as applicable; provided that the aggregate notional amount of multiple Bond Enhancement Agreements relating to the same PUF Debt may exceed the principal amount of the related PUF Debt if such Bond Enhancement Agreements are for different purposes, as evidenced for example by different rates for calculating payments owed, and the aggregate notional amount of any such Bond Enhancement Agreements for the same purpose otherwise satisfies the foregoing requirements.

(e) Early Termination. No Confirmation entered into pursuant to this Resolution shall contain early termination provisions at the option of the counterparty except upon the occurrence of an event of default or an additional termination event, as prescribed in the applicable Master Agreement. In addition to subsections (a) and (b) of Section 5 hereof, each Authorized Representative is hereby severally authorized to terminate any Bond Enhancement when, in his or her judgment, such termination is in the best interests of the Board given the market conditions at that time.

(f) Maximum Rate. No Bond Enhancement Agreement authorized by this Resolution shall be payable at a rate greater than the maximum rate allowed by law.

(g) Credit Enhancement. An Authorized Representative may obtain credit enhancement for any Bond Enhancement Agreement if such Authorized Representative, as evidenced by a certificate delivered to the General Counsel to the Board, has determined that after taking into account the cost of such credit enhancement, such credit enhancement will reduce the amount payable by the Board pursuant to such Bond Enhancement Agreement; provided that the annual cost of credit enhancement on any

Bond Enhancement Agreement entered into pursuant to this Resolution may not exceed 0.50% of the notional amount of such Bond Enhancement Agreement.

SECTION 3. AUTHORIZATION FOR SPECIFIC TRANSACTIONS.

(a) In addition to the authority otherwise granted in this Resolution, each Authorized Representative is hereby severally granted continuing authority to enter into the following specific transactions pursuant to a Confirmation (or other agreement or instrument deemed necessary by an Authorized Representative) upon satisfaction of the following respective conditions:

(1) Floating-to-fixed rate interest rate swap transactions under which the Board would pay an amount based upon a fixed rate of interest and the counterparty would pay an amount based upon a variable rate of interest with respect to PUF Debt then outstanding bearing interest at a variable rate and any PUF Debt anticipated to be issued in the future that will bear interest at a variable rate, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that (i) the synthetic fixed rate to the Board pursuant to the swap transaction is lower than the rate available to the Board for comparable fixed rate debt at the time of the swap transaction, and (ii) if the variable rate being paid or expected to be paid by the Board on the applicable PUF Debt is computed on a basis different from the calculation of the variable rate to be received under the swap transaction over the stated term of such swap transaction, the basis risk of the transaction is expected to be minimal based upon historical relationships between such bases.

(2) Fixed-to-floating rate interest rate swap transactions under which the Board would pay an amount based upon a variable rate of interest and the counterparty would pay an amount based upon a fixed rate of interest, with respect to PUF Debt then outstanding bearing interest at a fixed rate or PUF Debt anticipated to be issued in the future that will bear interest at a fixed rate, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that converting such portion of fixed rate PUF Debt to a variable rate pursuant to the fixed-to-floating interest rate swap transaction would be beneficial to the System by (i) lowering the anticipated net interest cost on the PUF Debt to be swapped against or (ii) assisting in the System's asset/liability management by matching a portion of its variable rate assets with variable rate PUF Debt.

(3) Basis swap transactions under which the Board would pay a variable rate of interest computed on one basis, such as the Securities Industry and Financial Markets Association Municipal Swap Index, and the counterparty would pay a variable rate of interest computed on a different basis, such as a designated maturity of the London Interbank Offered Rate ("LIBOR"), with respect to a given principal amount of PUF Debt then outstanding or PUF Debt anticipated to be issued in the future, as applicable. Prior to entering into such transaction, an

Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that by entering into the basis swap transaction the Board is expected to be able to (i) achieve spread income or upfront cash payments, (ii) preserve call option and advance refunding capability on its PUF Debt, (iii) lower net interest cost by effecting a percent of LIBOR synthetic refunding without issuing additional bonds or acquiring credit enhancement, (iv) lower net interest cost on PUF Debt by layering tax risk on top of a traditional or synthetic fixed rate financing, (v) preserve liquidity capacity, or (vi) avoid the mark to market volatility of a fixed-to-floating or floating-to-fixed swap in changing interest rate environments.

(4) Interest rate locks, caps, options, floors, and collars for the purpose of limiting the exposure of the Board to adverse changes in interest rates in connection with outstanding PUF Debt or additional PUF Debt anticipated to be issued in the future. Prior to entering into such a transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that such transaction is expected to limit or eliminate such exposure.

(b) The foregoing is not intended to be a comprehensive list of permissible types of transactions, but rather to specify additional conditions necessary to enter into the specified types of transactions. The requirements of Section 2(a) above shall apply to any transaction not specified in Section 3(a) above.

SECTION 4. APPLICATION OF PAYMENTS RECEIVED UNDER BOND ENHANCEMENT AGREEMENTS.

(a) General. Except as provided in subsection (b) hereof, to the extent the Board receives payments pursuant to a Bond Enhancement Agreement, such payments shall be applied for any lawful purpose.

(b) Payments under Chapter 1371 Credit Agreements. In the event an Authorized Representative elects to treat a Bond Enhancement Agreement authorized by this Resolution as a "credit agreement" under Chapter 1371 and such Bond Enhancement Agreement is executed and delivered pursuant to Chapter 1371, to the extent that the Board receives payments pursuant to such a Bond Enhancement Agreement, such payments shall be applied as follows: (i) to pay (A) debt service on the PUF Debt or anticipated issuance of PUF Debt related to the Bond Enhancement Agreement, or (B) the costs to be financed by the PUF Debt or anticipated issuance of PUF Debt related to the Bond Enhancement Agreement; provided that, if applicable, such costs shall have been approved for construction by the Board and that the applicable projects have received the required approval or review of the Texas Higher Education Coordinating Board to the extent and as required by the provisions of Chapter 61 of the *Texas Education Code*, including Section 61.058 thereof; (ii) to pay other liabilities or expenses that are secured on parity with or senior to the PUF Debt or anticipated issuance of PUF Debt related to the Bond Enhancement Agreement; or (iii) to the extent that costs set forth in (i) and (ii) have been satisfied, for any other lawful purpose.

SECTION 5. BOND ENHANCEMENT AGREEMENTS IN CONNECTION WITH ANTICIPATED PUF DEBT.

(a) Requirement to Terminate or Modify Agreement for Non-issuance of Anticipated PUF Debt. In the event a Bond Enhancement Agreement is entered into under this Resolution in connection with the anticipated issuance of PUF Debt and such PUF Debt is not actually issued on or prior to the effective date of such agreement, an Authorized Representative shall either terminate such Bond Enhancement Agreement or amend such Bond Enhancement Agreement in such event (i) to delay the effective date of such Bond Enhancement Agreement; or (ii) to replace such anticipated PUF Debt with any then outstanding PUF Debt having the same types of interest rates (fixed or variable) as the anticipated PUF Debt.

(b) Requirement to Terminate or Modify Agreement for Notional Amount in Excess of Anticipated PUF Debt as Issued. In the event a Bond Enhancement Agreement is entered into under this Resolution in connection with the anticipated issuance of PUF Debt and such Bond Enhancement Agreement has a notional amount that at any time exceeds the principal amount to be outstanding of such anticipated PUF Debt as actually issued, an Authorized Representative shall either terminate such Bond Enhancement Agreement or amend such Bond Enhancement Agreement (i) to reduce the notional amount of such Bond Enhancement as appropriate so that such notional amount does not exceed at any time the principal amount to be outstanding of such anticipated PUF Debt as actually issued or (ii) supplement or replace all or a portion of such anticipated PUF Debt with any then outstanding PUF Debt having the same types of interest rates (fixed or variable) as the anticipated PUF Debt as necessary to ensure that the notional amount of such Bond Enhancement Agreement does not exceed at any time the principal amount of the applicable PUF Debt.

(c) Board Recognition of Anticipated Parity Debt. No Bond Enhancement Agreement may be entered into under this Resolution with respect to the Board's obligations under an anticipated future issuance of PUF Debt unless such anticipated issuance of future debt shall have been recognized by official action of the Board pursuant to (i) the Board's prior adoption of a resolution authorizing the issuance of such debt, including but not limited to a resolution delegating the parameters of such issuance to an Authorized Representative or a resolution authorizing the issuance of commercial paper notes, (ii) the Board's prior approval of its then current Capital Improvement Program contemplating the financing of the projects to be financed by such anticipated issuance of debt and the amount of such debt to be issued, or (iii) the Board's action pursuant to subsection (e) hereof with respect to PUF Debt anticipated to be issued to refund outstanding PUF Debt.

(d) Required Description of Anticipated PUF Debt. To the extent that a Bond Enhancement Agreement is entered into under this Resolution with respect to the Board's obligations under an anticipated future issuance of PUF Debt, an Authorized Representative must also deliver to the General Counsel to the Board at the time such agreement is entered into a certificate with respect to such anticipated PUF Debt stating: (i) the anticipated issuance date of such PUF Debt or a range of anticipated dates of up to six months for such issuance, provided that such date or range of dates may not be more than the lesser of seventy-two (72) months after the date of the applicable Confirmation or the latest date contemplated for the issuance of such PUF Debt in the Board's then current Capital Improvement Program; (ii) whether such PUF Debt will bear interest at a fixed or variable rate; (iii) if such PUF Debt will bear interest at a fixed rate, what fixed interest rate or range of interest rates with respect to such PUF Debt is anticipated; (iv) if such PUF Debt will bear interest at a variable rate, what basis is anticipated to be used to compute such variable rate; (v) the assumed maturity schedule and amortization for such PUF Debt, including the assumed interest cost; (vi) the anticipated purposes for which the proceeds of such PUF Debt will be used; and (vii) for PUF Debt anticipated to be issued for new money projects, a list or description of such projects anticipated to be financed, provided that each such project must be contemplated for financing with PUF Debt by the Board's then current Capital Improvement Program or have otherwise received Board approval for financing.

(e) Board's Statement of Intent to Issue Advance Refunding Debt for Savings. If the conditions in this Resolution are otherwise satisfied, the Board hereby authorizes each Authorized Representative to enter into a Bond Enhancement Agreement in connection with PUF Debt anticipated to be issued for the purpose of advance refunding any existing PUF Debt, provided that as certified by an Authorized Representative to the General Counsel to the Board, such anticipated issue of PUF Debt, when taking into consideration the effect of such Bond Enhancement Agreement, is expected to result in a present value savings in connection with such advance refunding of at least 3.0% (determined in the manner set forth in the resolution approved by the Board authorizing the issuance of such anticipated issue of PUF Debt), and in such event, the Board hereby declares its intention to cause such anticipated PUF Debt to be issued. No such certification or declaration shall be applicable in connection with PUF Debt anticipated to be issued for the purpose of currently refunding any existing PUF Debt within ninety (90) days of the date of issuance of such anticipated PUF Debt.

SECTION 6. MASTER AGREEMENTS.

(a) New Master Agreements. Each Authorized Representative is hereby severally authorized to enter into ISDA Master Agreements (the "New Master Agreements") with counterparties satisfying the ratings requirements of the System's Interest Rate Swap Policy. Such New Master Agreements shall be in substantially the same form as the Executed Master Agreements, with such changes as, in the judgment of an Authorized Representative, with the advice and counsel of the Office of General Counsel and Bond Counsel, are necessary or desirable (i) to carry out the intent of the Board as expressed in this Resolution, (ii) to receive approval of this Resolution by the Attorney General of the State of Texas, if pursuant Section 2(b) of this Resolution, an Authorized Representative elects to designate any Bond Enhancement Agreement entered into by the Board pursuant to this Resolution as a "credit agreement" under Chapter 1371, (iii) to accommodate the credit structure or requirements of a particular counterparty or (iv) to incorporate comments received or anticipated to be received from any credit rating agency relating to a New Master Agreement. Each Authorized Representative is authorized to enter into such New Master Agreements and to enter into Confirmations thereunder in accordance with this Resolution and in furtherance of and to carry out the intent hereof. If a New Master Agreement entered into pursuant to this subsection replaces a then effective Master Agreement with the same or a related counterparty, each Authorized Representative is hereby severally authorized to terminate such existing Master Agreement upon the New Master Agreement becoming effective and to take any and all actions necessary to transfer any Confirmations thereunder to such New Master Agreement.

(b) Amendments to Master Agreements. Each Authorized Representative is hereby further severally authorized to enter into amendments to the Master Agreements to allow Confirmations thereunder to be issued and entered into with respect to any then outstanding PUF Debt or PUF Debt anticipated to be issued in the future and to make such other amendments in accordance with the terms of the respective Master Agreements as in the judgment of such Authorized Representative, with the advice and counsel of the Office of General Counsel and Bond Counsel, are necessary or desirable to allow the Board to achieve the benefits of the Bond Enhancement Agreements in accordance with and subject to the System's Interest Rate Swap Policy and this Resolution.

SECTION 7. ADDITIONAL AUTHORIZATION; RATIFICATION AND APPROVAL OF SWAP POLICY.

(a) Additional Agreements and Documents Authorized. Each Authorized Representative and all officers of the Board are severally authorized to execute and deliver such other agreements and documents as are contemplated by this Resolution and the Master Agreements or are otherwise necessary in connection with entering into Confirmations and Bond Enhancement Agreements as described in this Resolution, as any such Authorized Representative or officer shall deem appropriate, including without limitation, officer's certificates, legal opinions, credit support documents and any documentation pursuant to an ISDA DF Protocol, and any such actions heretofore taken are hereby ratified, approved and affirmed in all respects.

(b) Further Actions. Each Authorized Representative and all officers of the Board are severally authorized to take all such further actions, to execute and deliver such further instruments and documents in the name and on behalf of the Board to pay all such expenses as in his or her judgment shall be necessary or advisable in order fully to carry out the purposes of this Resolution.

(c) Swap Policy. The Board has reviewed and hereby ratifies, approves and affirms the System's Interest Rate Swap Policy, a copy of which is attached hereto as Exhibit B.

[Remainder of page intentionally left blank]

EXHIBIT A

DEFINITIONS

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

"Authorized Representative" shall have the meaning given to such term in the System's Interest Rate Swap Policy (a copy of which is attached hereto as Exhibit B).

"Available University Fund" shall have the meaning given to such term in the recitals to this Resolution.

"Board" shall have the meaning given to such term in the recitals to this Resolution.

"Bond Enhancement Agreement" shall have the meaning given to such term in Section 2(a) hereof.

"Chapter 1371" shall have the meaning given to such term in Section 2(b) hereof.

"Confirmation" shall have the meaning given to such term in Section 2(a) hereof.

"Constitutional Provision" shall have the meaning given to such term in the recitals to this Resolution.

"Executed Master Agreements" shall mean the following existing and fully executed ISDA Master Agreements currently in effect between the Board and the respective counterparty noted below (copies of which are attached hereto as Exhibit C):

(i) ISDA Master Agreement with Bank of America, N.A., dated as of December 1, 2007;

(ii) ISDA Master Agreement with Goldman Sachs Capital Markets, L.P., dated as of December 1, 2007;

(iii) ISDA Master Agreement with JPMorgan Chase Bank, National Association, dated as of December 1, 2007;

(iv) ISDA Master Agreement with Merrill Lynch Capital Services, Inc., dated as of December 1, 2007;

(v) ISDA Master Agreement with Morgan Stanley Capital Services Inc., dated as of December 1, 2007;

(vi) ISDA Master Agreement with UBS AG, dated as of April 1, 2008;

(vii) ISDA Master Agreement with Barclays Bank PLC, dated as of February 3, 2011;

(viii) ISDA Master Agreement with Deutsche Bank AG, New York Branch, dated as of February 1, 2011;

(ix) ISDA Master Agreement with Royal Bank of Canada, dated as of June 8, 2011; and

(x) ISDA Master Agreement with Wells Fargo Bank, National Association, dated as of January 15, 2010.

"Interest of the System" shall have the meaning given to such term in the recitals to this Resolution.

"ISDA" shall mean the International Swaps and Derivatives Association, Inc.

"ISDA DF Protocol" shall mean any protocol developed by ISDA in response to provisions of the Dodd Frank Wall Street Reform and Consumer Protection Act relating to derivatives.

"LIBOR" shall have the meaning given to such term in Section 3(a)(3) hereof.

"Master Agreements" shall mean, collectively, the Executed Master Agreements and any New Master Agreements.

"New Master Agreements" shall have the meaning given to such term in Section 6(a) hereof.

"Permanent University Fund" shall have the meaning given to such term in the recitals to this Resolution.

"PUF Debt" shall have the meaning given to such term in the recitals to this Resolution.

"Residual AUF" shall have the meaning given to such term in the recitals to this Resolution.

"Section 65.461" shall have the meaning given to such term in Section 2(b) hereof.

"State" shall have the meaning given to such term in the recitals to this Resolution.

"System" shall have the meaning given to such term in the recitals to this Resolution.

EXHIBIT B

INTEREST RATE SWAP POLICY OF THE UNIVERSITY OF TEXAS SYSTEM

[See Regents' *Rules and Regulations*, Rule 70202 titled Interest Rate Swap Policy]

EXHIBIT C

EXECUTED MASTER AGREEMENTS

[On file with the U. T. System Office of Business Affairs]

10. U. T. System Board of Regents: Approval of aggregate amount of $184,841,000 of equipment financing for Fiscal Year 2014 and resolution regarding parity debt

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents

a. approve an aggregate amount of $184,841,000 of Revenue Financing System Equipment Financing for FY 2014 as allocated to those U. T. System institutions set out on Page 159; and

b. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the cost of equipment including costs incurred prior to the issuance of such parity debt;
- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System;
- the U. T. System institutions, which are “Members” as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $184,841,000 for the purchase of equipment; and
- this resolution satisfies the official intent requirements set forth in Section 1.150-2 of Title 26 of the *Code of Federal Regulations* that evidences the Board's intention to reimburse project expenditures with bond proceeds.

BACKGROUND INFORMATION

On April 14, 1994, the U. T. System Board of Regents approved the use of Revenue Financing System debt for equipment purchases in accordance with the Guidelines Governing Administration of the Revenue Financing System. Equipment financing is used for the purchase of equipment in lieu of more costly vendor financing. The guidelines specify that the equipment to be financed must have a useful life of at least three years. The debt is amortized twice a year with full amortization not to exceed 10 years.

This Agenda Item requests approval of an aggregate amount of $184,841,000 for equipment financing for Fiscal Year 2014. On August 23, 2012, the U. T. System Board of Regents approved a total of $164,482,000 of equipment financing for Fiscal Year 2013, of which $59,797,000 has been issued as of July 31, 2013.

Further details on the equipment to be financed and debt service coverage ratios for individual institutions may be found on the following page.

APPROVAL OF U. T. SYSTEM EQUIPMENT FINANCING
FY 2014

Institution	$ Amount of Request	Description of Expected Capital Equipment	DSC*
U. T. Arlington	$3,000,000	IT equipment	3.4x
U. T. Austin	1,500,000	Classroom equipment, athletics equipment, research equipment, and IT equipment	3.5x
U. T. Dallas	12,000,000	Classroom, business, IT, and research equipment	2.2x
U. T. El Paso	2,741,000	IT equipment, vehicles, waste equipment, and athletic equipment	1.8x
U. T. San Antonio	2,000,000	IT equipment	2.6x
U. T. Southwestern Medical Center	40,000,000	Information resources equipment, clinical equipment, and non-clinical equipment	2.5x
U. T. Medical Branch - Galveston	25,000,000	Clinical equipment, IT equipment, research-related equipment, facilities-related equipment	2.7x
U. T. Health Science Center - Houston	2,000,000	Research equipment	3.1x
U. T. Health Science Center - San Antonio	7,000,000	Research equipment and clinical equipment	2.5x
U. T. M. D. Anderson Cancer Center	80,000,000	Medical, diagnostic, and research equipment, IT systems	6.9x
U. T. Health Science Center - Tyler	9,600,000	Clinical equipment	2.9x

Total	$184,841,000

* Debt Service Coverage ("DSC") ratios based on 2012 Analysis of Financial Condition.

U. T. System Office of Finance, July 11, 2013