

AUGUST 2010

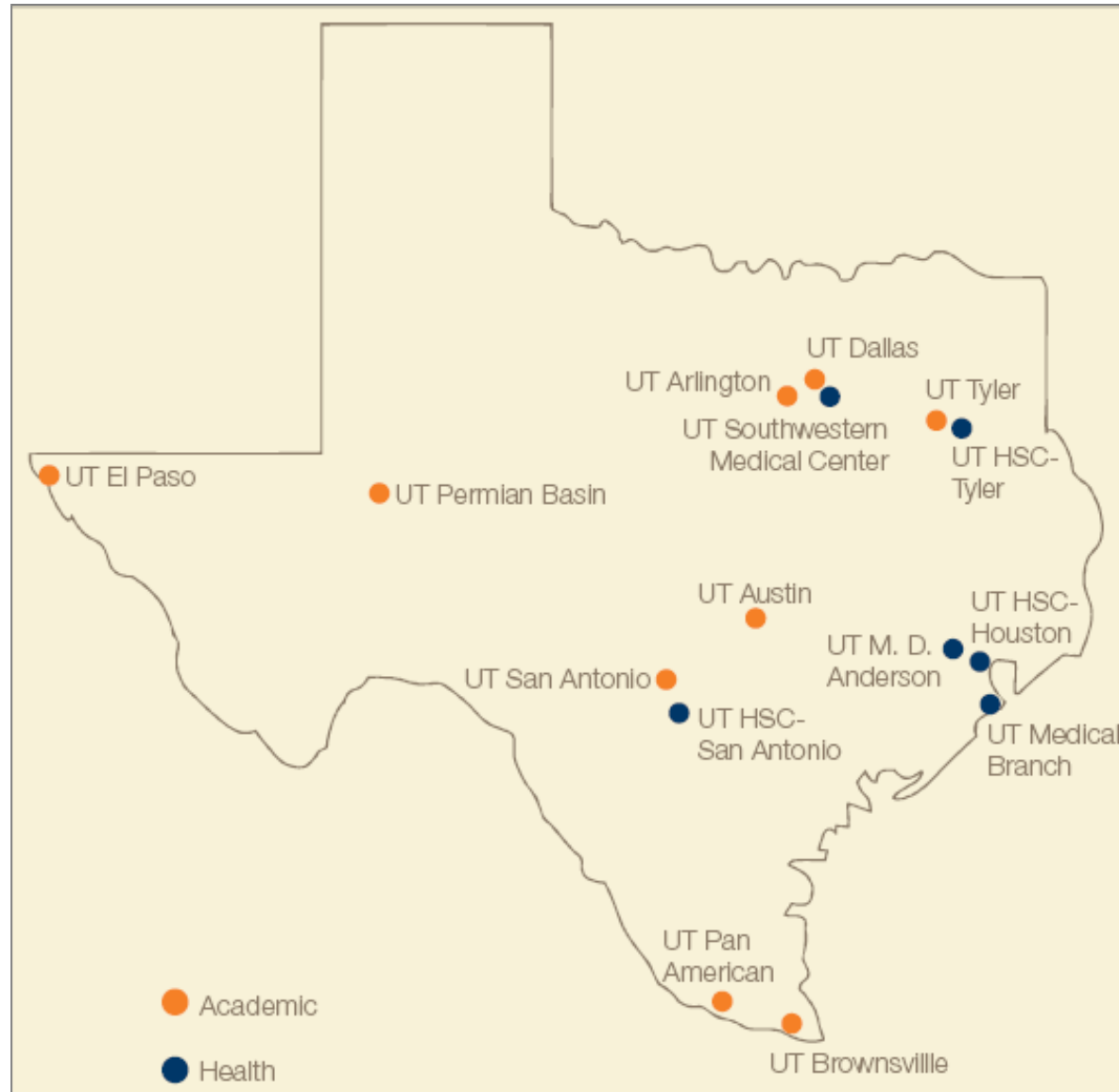
THE UNIVERSITY OF TEXAS SYSTEM

Recent Financial Information





U. T. System is comprised of 9 academic and 6 health-related institutions located across the State of Texas





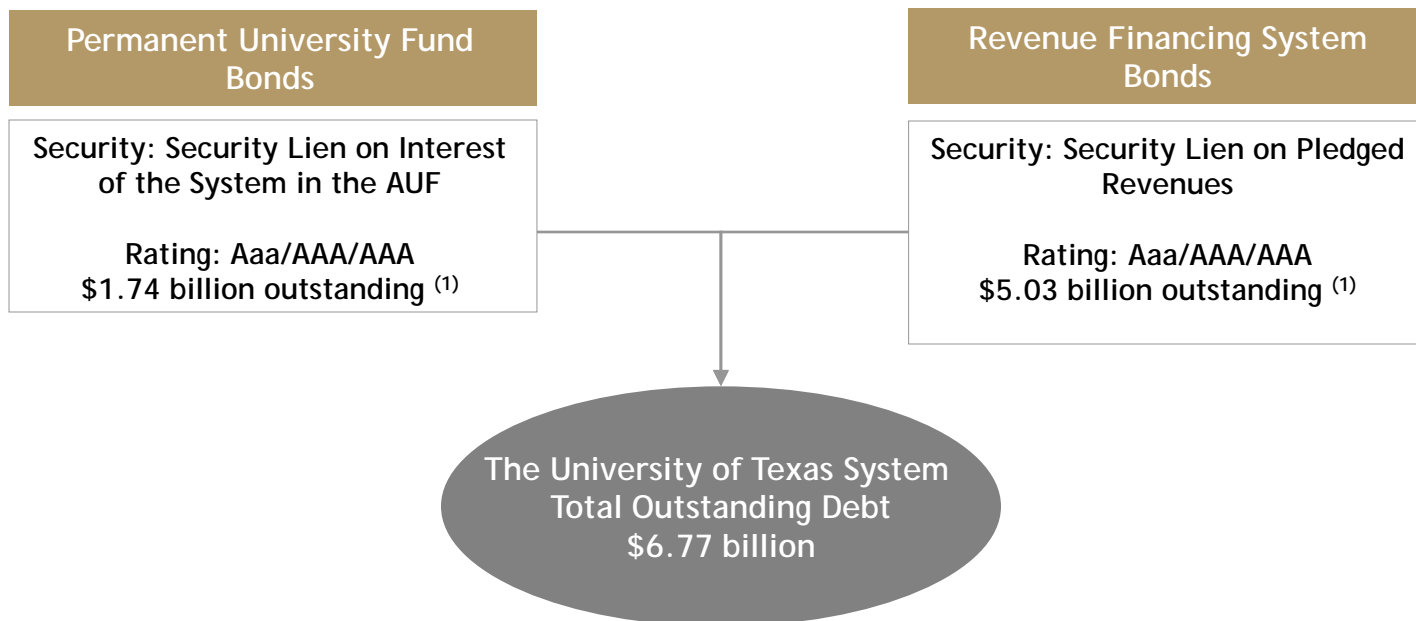
The University of Texas System: Key Facts and Statistics

- Established in 1876 and consisting of 15 academic and health-related institutions
- Estimated Fall 2010 student enrollment of 210,625 reflects a 4.1% increase compared to fall 2009 enrollment of 202,240
- Confers more than 1/3 of the state's undergraduate degrees and awards more than two-thirds of all health-related degrees from public health institutions in Texas
- 85,000+ employees - The University of Texas System ("U. T. System") is one of the largest employers in Texas
- \$36.3 billion of assets (FY2009) and \$13.0 billion annual operating budget (FY 2011) funded by well-diversified revenue stream
- Low reliance on appropriations from the State of Texas, endowment income, and tuition and fees compared to most peer institutions
- Largest collection of endowment assets of any public institution with investment pool of \$22.8 billion as of July 31, 2010. Includes the Permanent University Fund (PUF), a public endowment that supports the U.T. System and the Texas A&M System. The PUF lands contain approximately 2.1 million acres of land in West Texas with a market value of \$1.25 billion at August 31, 2009



Debt Programs

- All U. T. System debt is issued in the name of the Board of Regents and is issued centrally on behalf of U. T. System institutions through two primary financing programs:
 - Revenue Financing System (RFS)
 - Permanent University Fund (PUF)
- The Revenue Financing System debt program is secured by a system-wide pledge of all legally available revenues
- The Permanent University Fund debt program is secured by distributions from the PUF to the Available University Fund (AUF)



(1) As of August 31, 2010





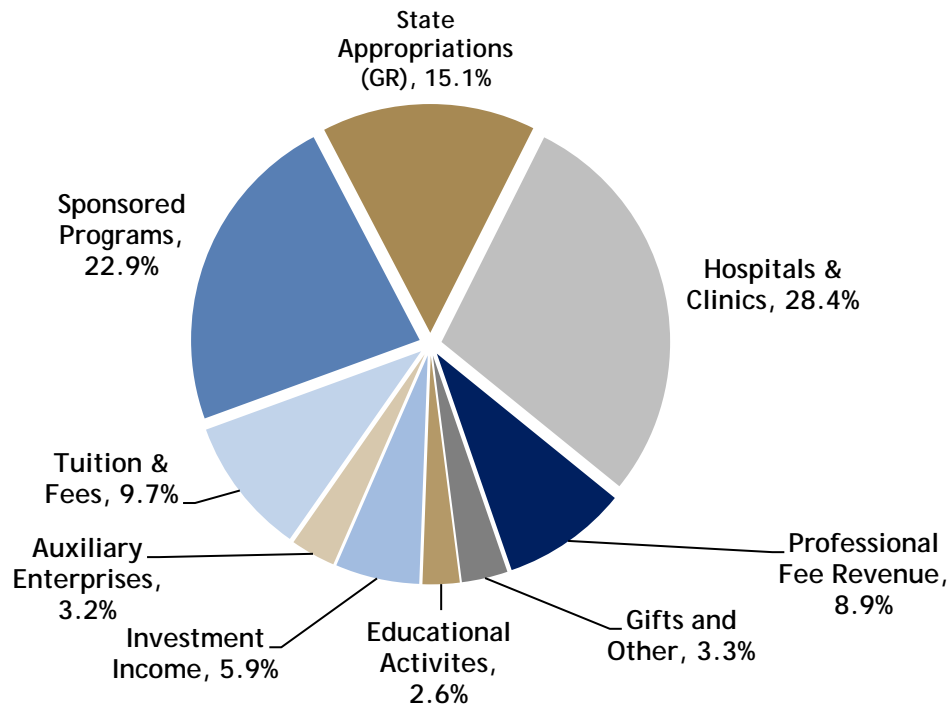
Revenue Financing System

- The University of Texas System Revenue Financing System was established by the Master Resolution of the Board for the purpose of providing a single, cost-effective financing structure for revenue-supported indebtedness of U. T. System institutions
- Under the Master Resolution, the Board has, with certain exceptions, combined all of the revenues, funds and balances lawfully available to secure revenue-supported indebtedness into a system-wide pledge to secure the payment of Parity Debt
- The Master Resolution provides that the obligation of the Board to pay or cause to be paid the amounts payable under the Master Resolution and any Supplement is absolute, irrevocable, complete and unconditional, and the amount, manner and time of payment shall not be modified in any way regardless of any contingency
- The Master Resolution establishing the Revenue Financing System requires that before any RFS debt is issued, the Board of Regents make a determination that:
 - The Board will have sufficient “Pledged Revenues” to meet all financial obligations relating to the Revenue Financing System, and;
 - The Members (i.e., institutions) on whose behalf the debt is issued possess the financial capacity to satisfy their direct obligations
- For the fiscal year ended August 31, 2009, Pledged Revenues totaled in excess of \$6.21 billion, excluding unrestricted net assets and certain restricted assets available to pay debt service related to particular projects

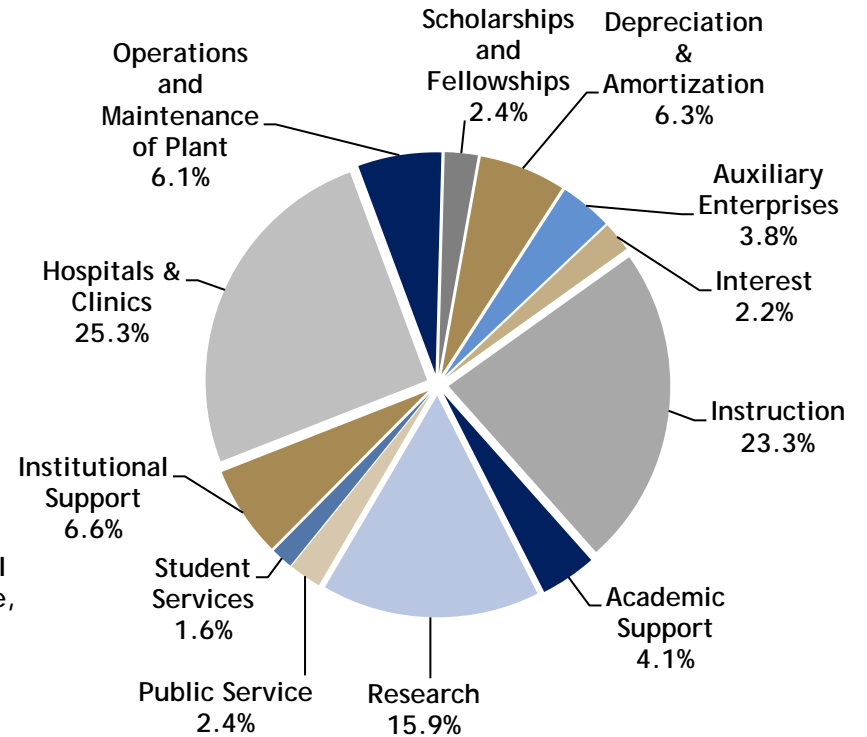


U. T. System Revenue & Expense Composition

FY 2011 Budgeted Revenues:
\$13.0 billion⁽¹⁾



FY 2011 Budgeted Expenses:
\$12.8 billion

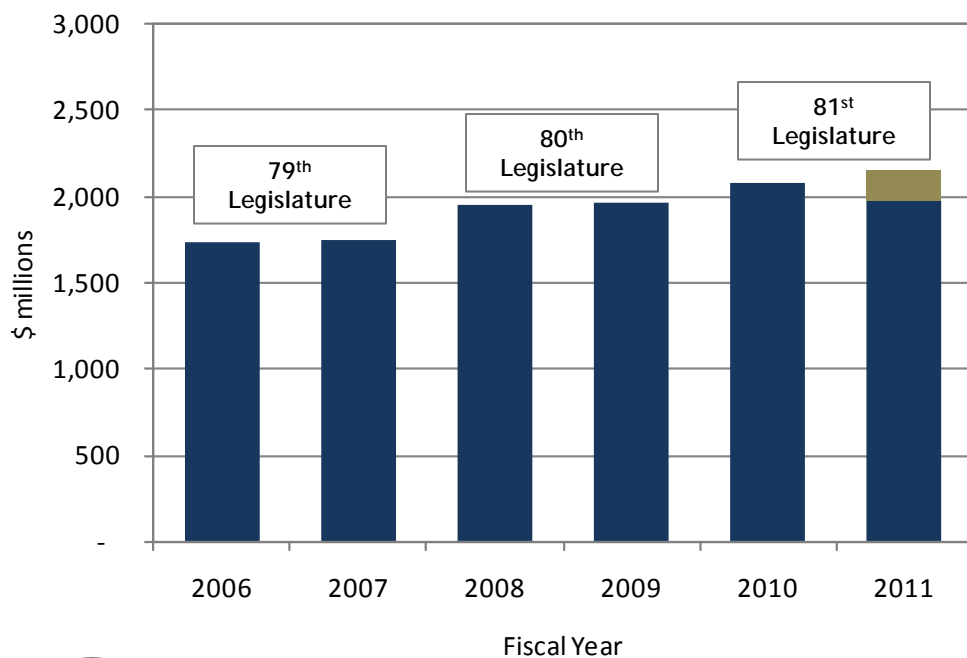




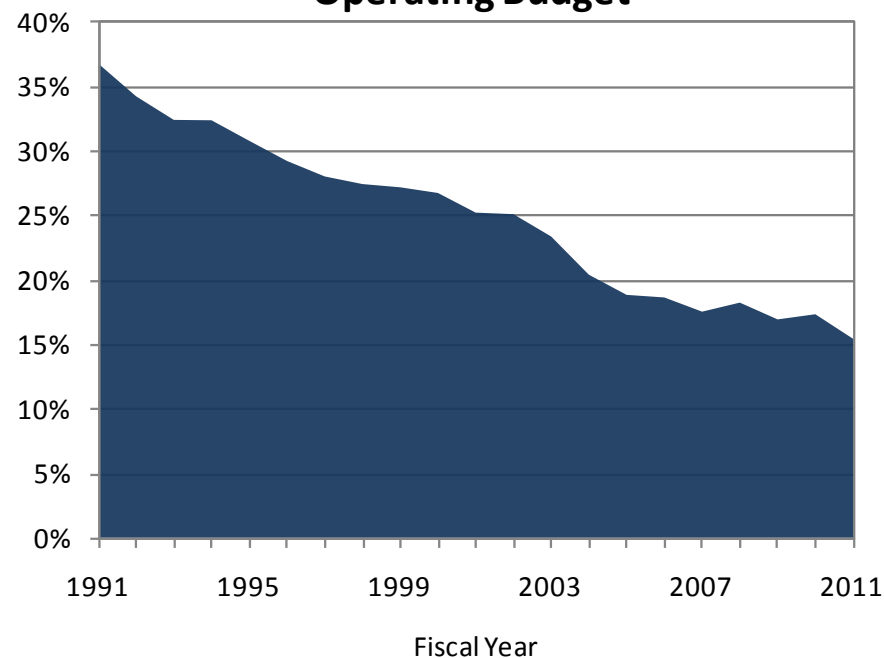
State Appropriations

- In May 2010, the Governor, Lt. Governor and Speaker of the House directed most state agencies, including the U. T. System, to implement 5 percent budget reductions for the 2010-2011 biennium. For the U. T. System, this equates to a \$175.3 million general revenue reduction to occur in FY 2011.
- Incorporating the May 2010 budget reduction, biennial appropriations from the State of Texas (Aaa/AA+/AAA) to U. T. System have steadily increased while U. T. System's reliance on State appropriations (as a % of the Operating Budget) has declined to 15% for Fiscal Year 2011

State Appropriations by Fiscal Year



State Appropriations as Percentage of Operating Budget



THE UNIVERSITY OF TEXAS SYSTEM



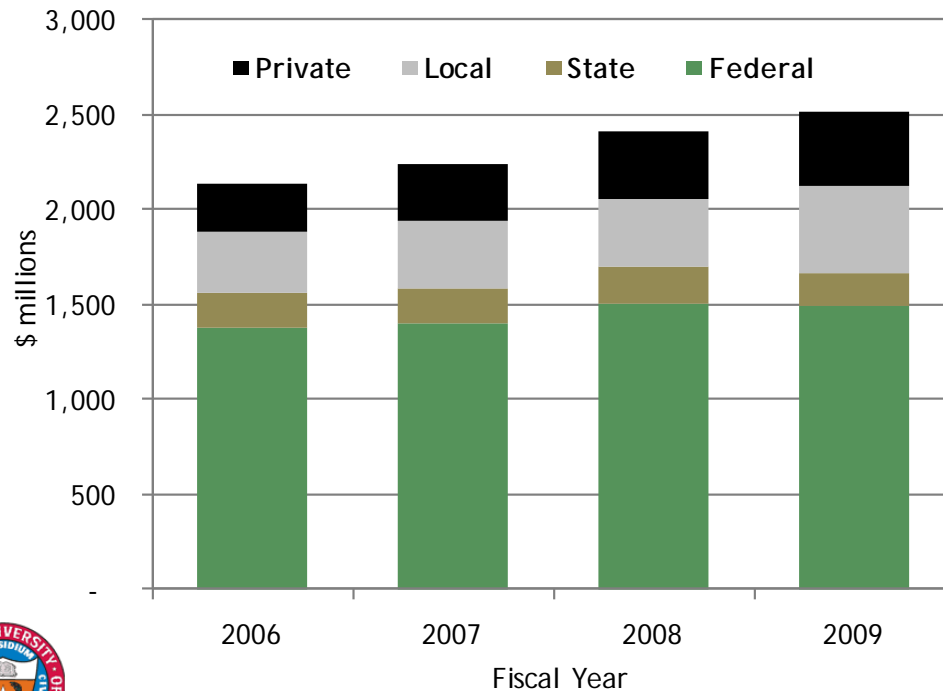
■ Reduced State Appropriations ■ Base State Appropriations



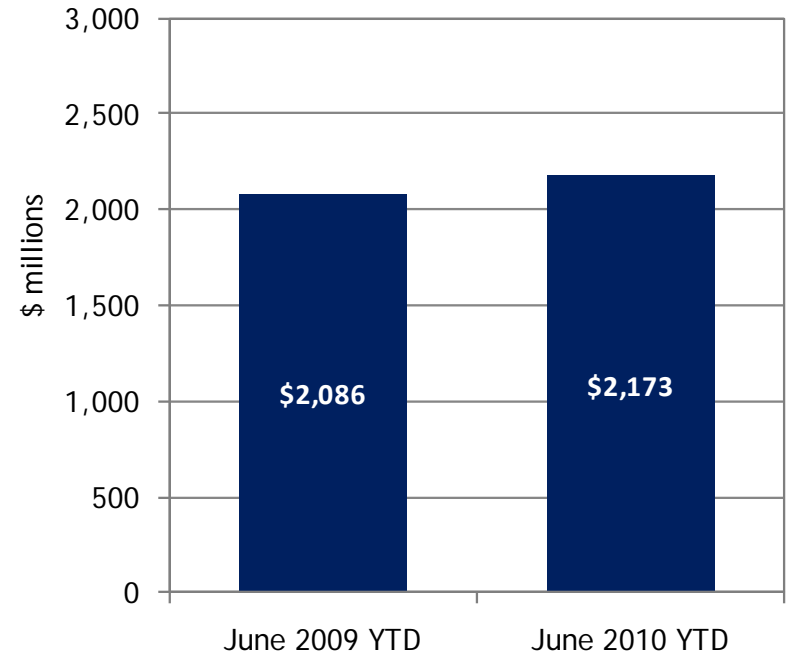
Research

- U. T. System sponsored program revenue has increased almost 20% since 2006
- U. T. institutions generate 59% of all research and development in Texas and 70% of research and development by public universities in Texas (FY09)
- Six U. T. institutions are in the top 100 of National Institutes of Health Awards and National Science Foundation national ranking of total R&D (FY08)
- Sponsored Program revenues, are up 4.8% year to date compared to a year ago

Sponsored Programs Revenue Breakdown



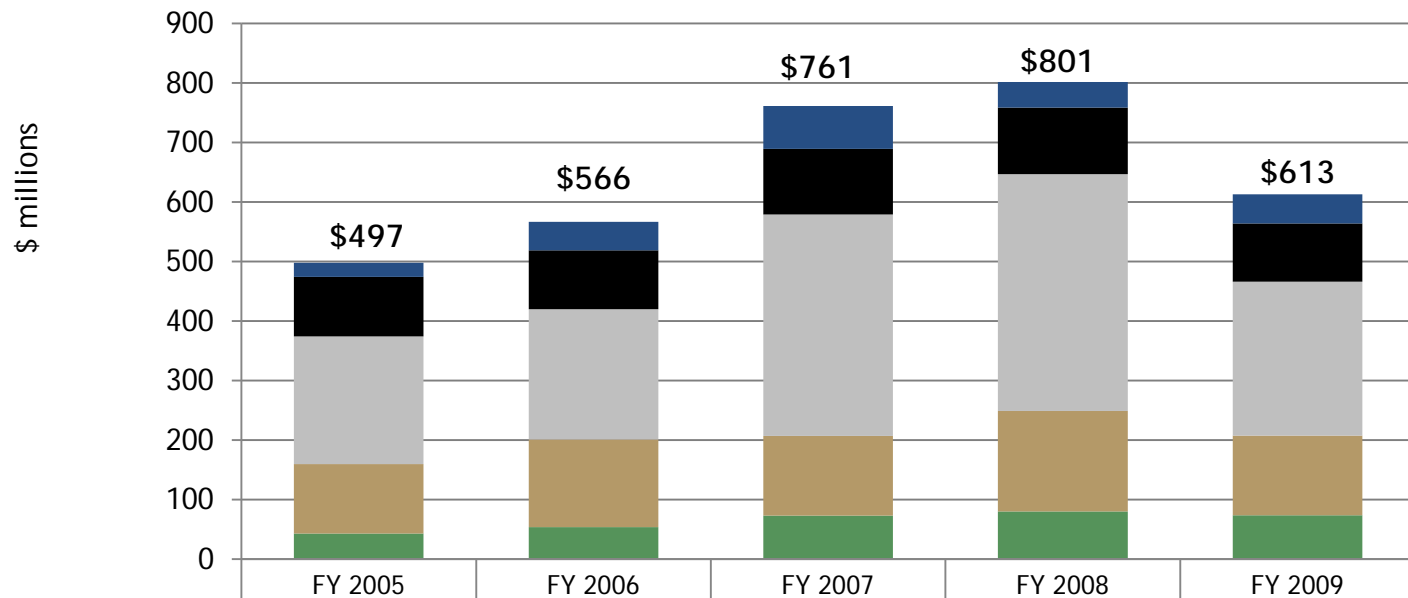
Sponsored Programs: Revenue Comparison



Philanthropy

- Over five years ended August 31, 2009, U. T. System fund-raising averaged almost \$650 million annually

Gift Income



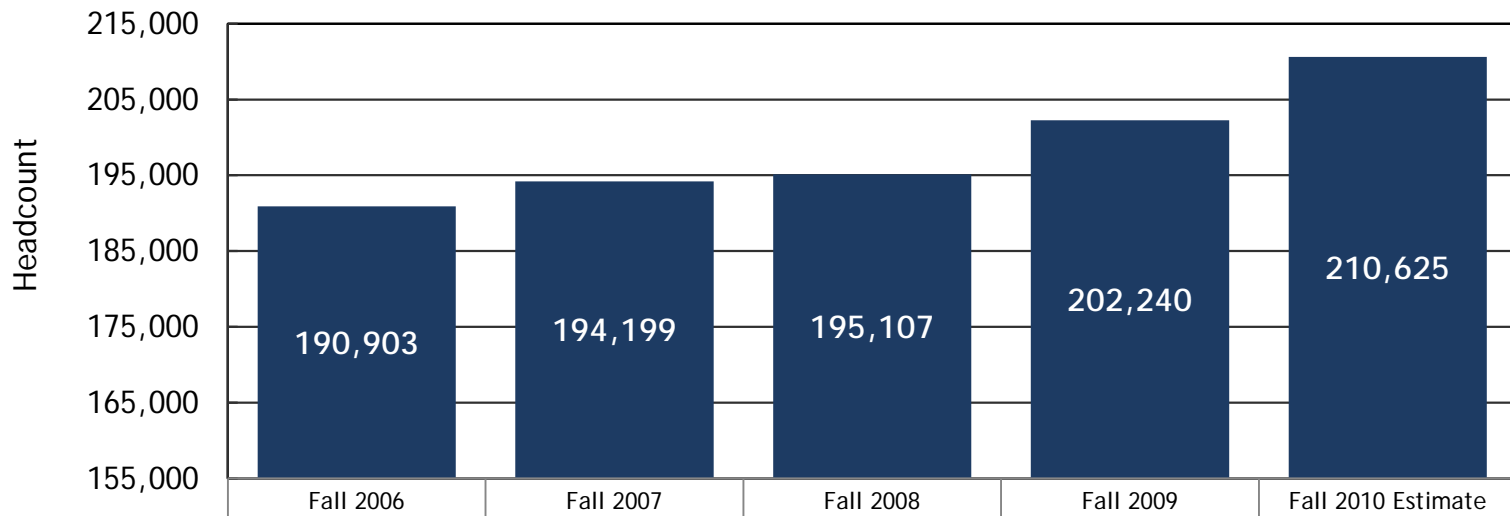
■ Other	\$23	\$47	\$72	\$43	\$49
■ Corporations	\$100	\$99	\$110	\$112	\$98
■ Foundations	\$215	\$219	\$372	\$398	\$259
■ Parents & Other Individuals	\$117	\$147	\$134	\$169	\$134
■ Alumni	\$43	\$53	\$73	\$80	\$74



Enrollment

- Enrollment continues to grow throughout U. T. System institutions, even with an enrollment cap at U. T. Austin

U. T. System Enrollment



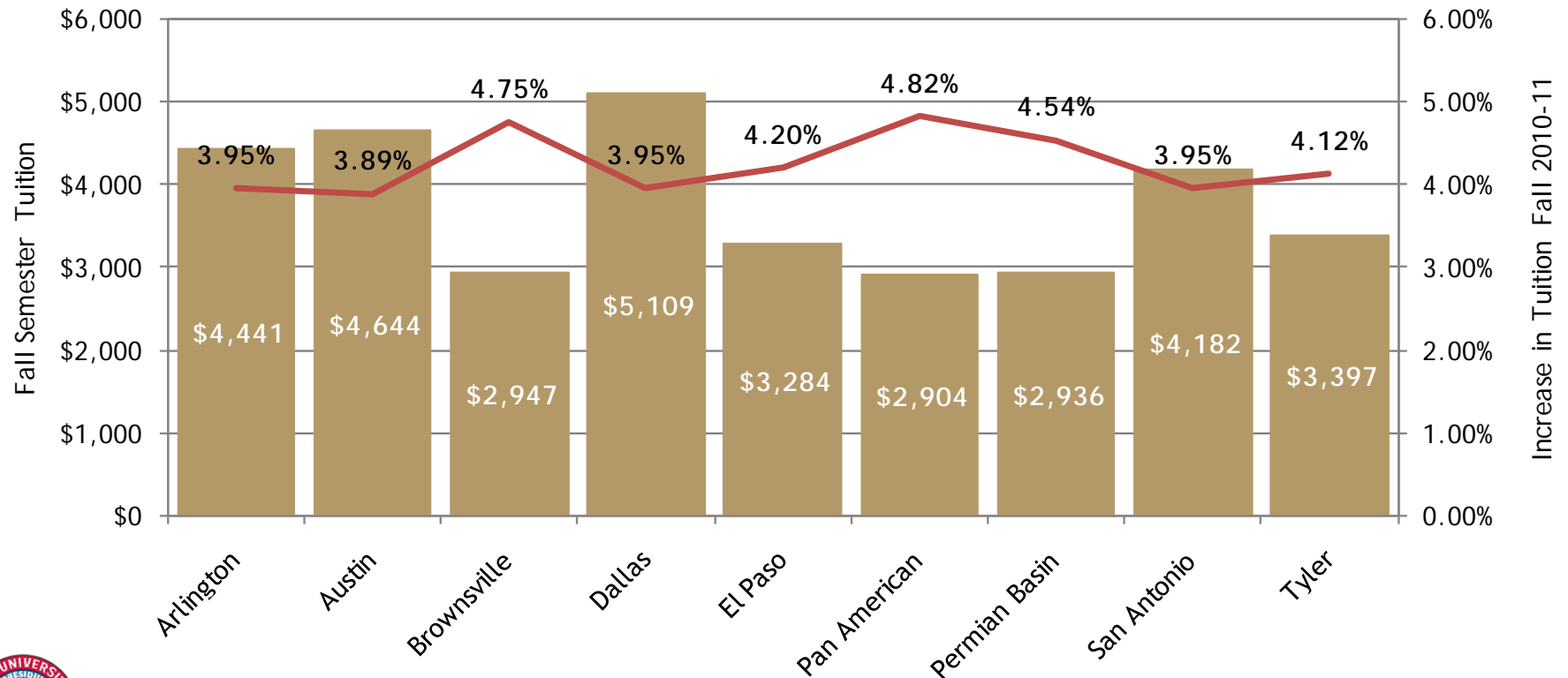
	Fall 2006	Fall 2007	Fall 2008	Fall 2009	Fall 2010 Estimate
U.T. Arlington	24,825	24,888	25,084	28,085	30,500
U.T. Austin	49,697	50,170	49,984	50,995	51,712
U.T. Brownsville	15,677	17,214	17,197	17,139	18,510
U.T. Dallas	14,523	14,556	14,943	15,783	16,444
U.T. El Paso	19,842	20,155	20,458	20,977	21,150
U.T. Pan American	17,337	17,435	17,534	18,337	18,947
U.T. Permian Basin	3,462	3,559	3,496	3,546	4,000
U.T. San Antonio	28,379	28,533	28,413	28,955	29,965
U.T. Tyler	5,926	6,137	6,117	6,163	6,078
U.T. Health Institutions	11,235	11,552	11,881	12,260	13,319
Total U.T. System	190,903	194,199	195,107	202,240	210,625



Tuition

- Enrollment growth has been aided by attractive tuition levels across U. T. System institutions
- Tuition increases for Fall 2010 and Fall 2011 have been limited to 3.95% or \$280 per academic year, excluding student-initiated fees
- Tuition and fees have consistently been a low percentage of budgeted revenue, averaging 9.4% over the last 5 years

**Average Academic Cost for Resident Undergraduates
Fall 2010**

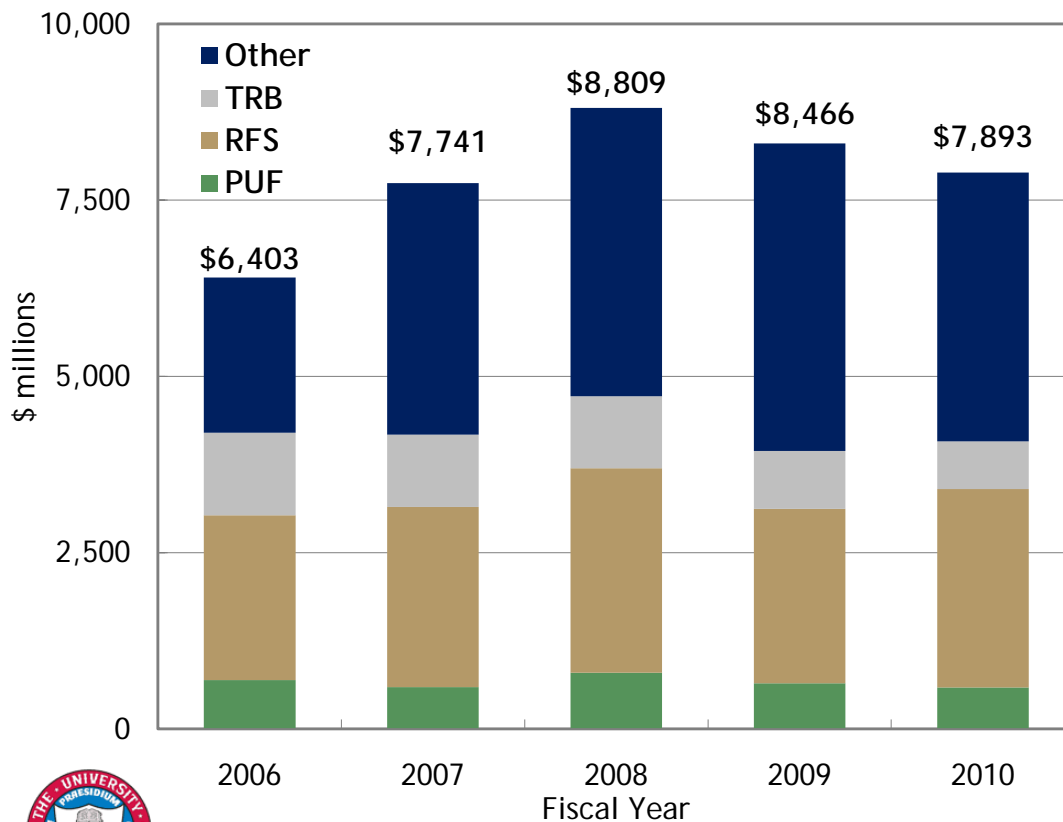


Note: Reflects average total academic cost, which includes tuition, mandatory fees and course fees, but excluding student-initiated fees approved via student referendum, for resident undergraduates enrolled in 15 semester credit hours for the Fall 2010 semester.

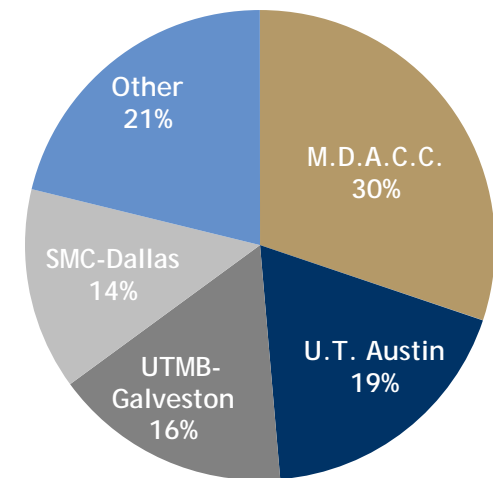
FY 2011-2016 Capital Improvement Program

- The U. T. System's CIP has declined by \$1 billion from the peak reached in 2008
- Pay-as-you-go financing has increased from one-third of CIP in 2006 to almost half of CIP in 2010

Six-Year Capital Improvement Program



CIP Breakdown: by Institution



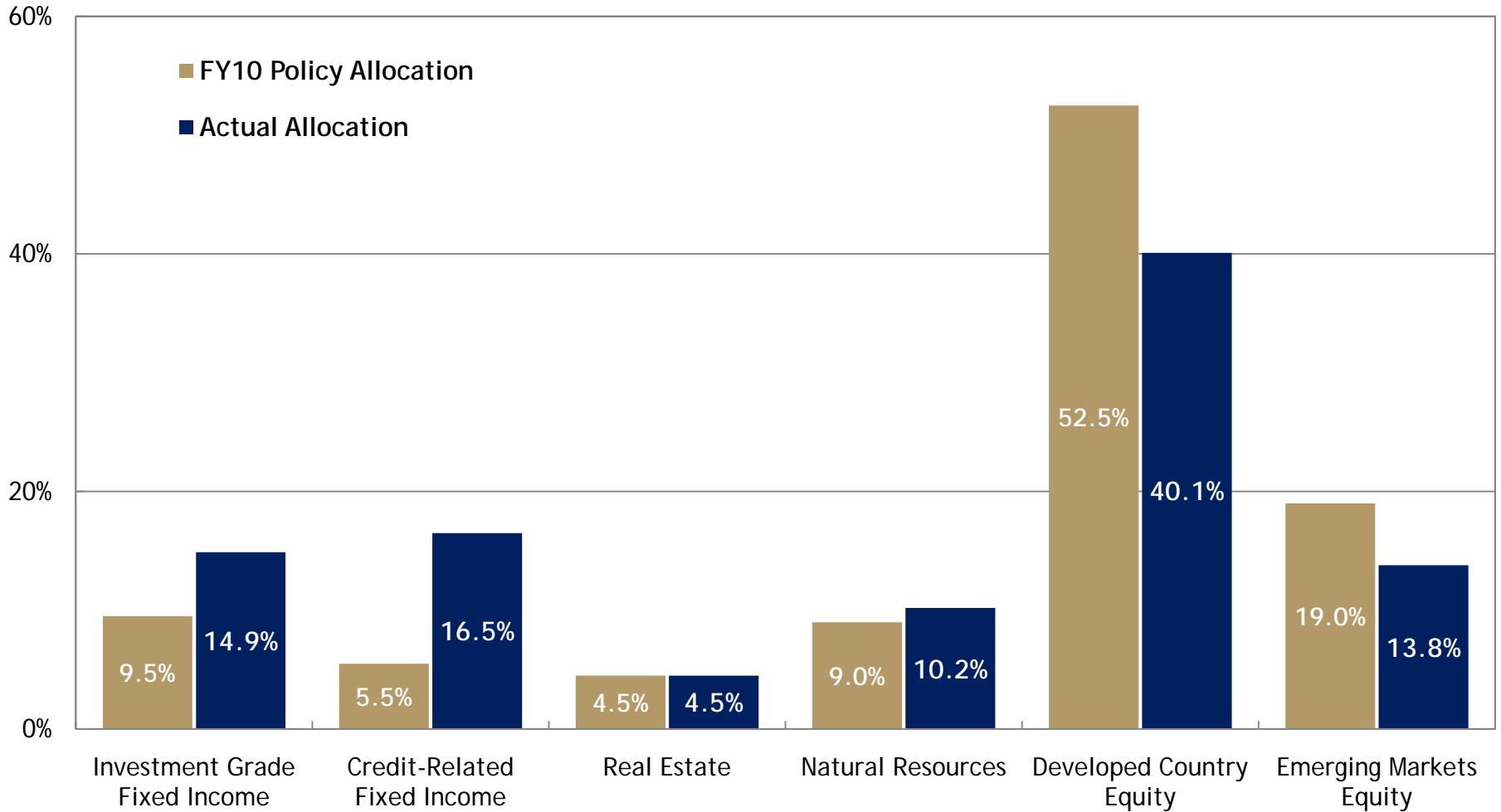


Investment Responsibility

- On February 8, 1996, the U. T. Board of Regents approved a contract for investment management of all funds under the Board's control and management to The University of Texas Investment Management Company (UTIMCO)
- UTIMCO is a 501(c)(3) investment corporation, the first investment corporation formed by a public university system to oversee investments
- UTIMCO is governed by a nine-member board of directors appointed by the U. T. Board of Regents, consisting of at least three members of the U. T. Board of Regents, the Chancellor of the U. T. System, at least one member from a list of candidates submitted by the Texas A&M Board of Regents and four independent directors
- Pursuant to an investment management services agreement, UTIMCO:
 - Recommends investment policy for the funds of the Board;
 - Recommends the neutral policy allocation and ranges, expected return and risk, and performance objectives by asset class, subject to Board approval; and
 - Monitors each fund's performance against its objectives



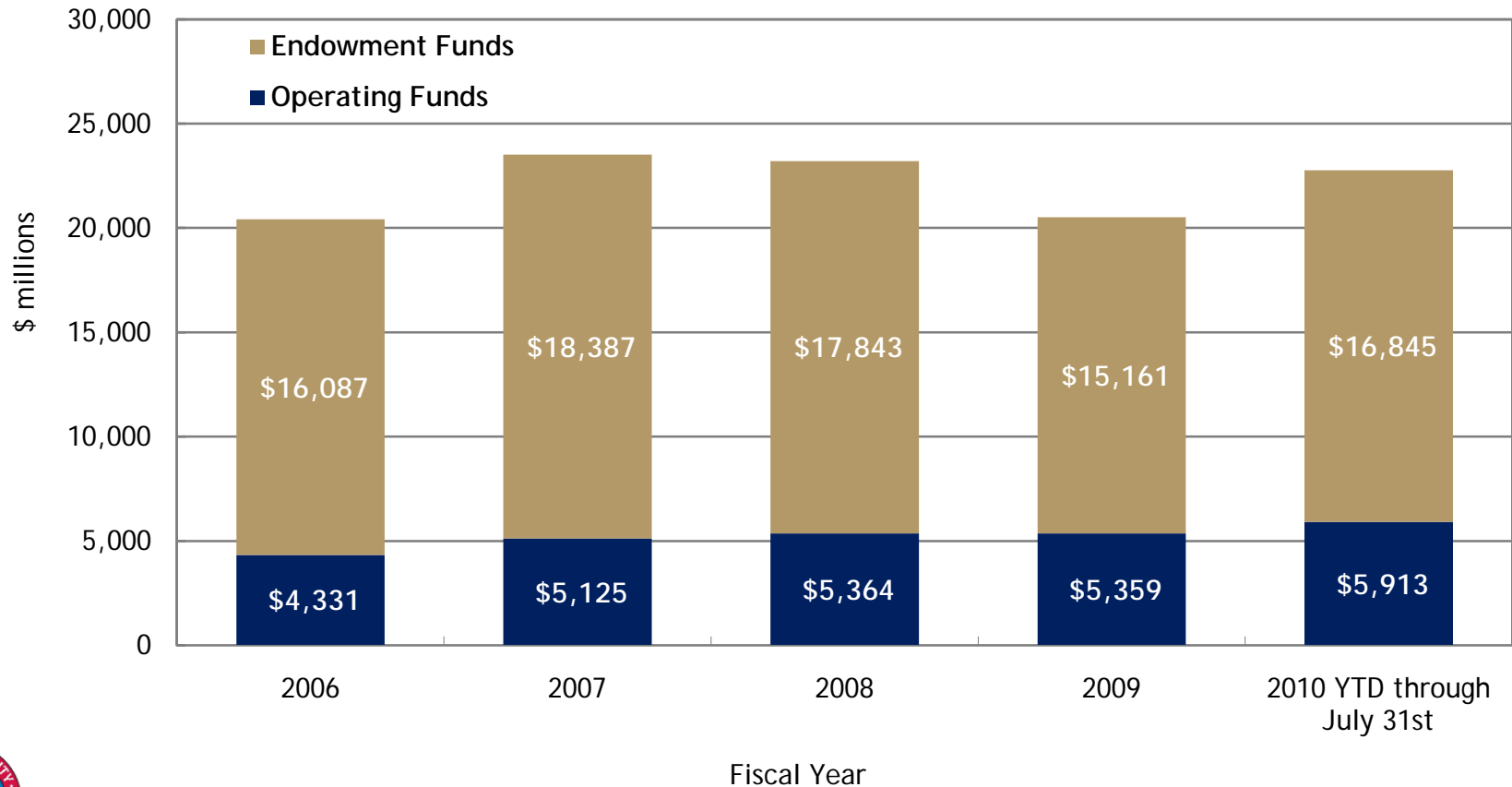
Actual Endowment Asset Allocation vs. Policy Portfolio Allocation as of July 31, 2010



Recent Investment Performance

- For the 12 months ended July 31, 2010, the PUF and GEF⁽¹⁾ endowments managed by UTIMCO returned 15.1%

Market Value of UTIMCO Assets under Management



(1) General Endowment Fund



RFS Debt Structure and Access to Liquidity

- The U. T. System has \$4.74 billion of long-term RFS debt outstanding as of August 31, 2010
 - Approximately 79% (\$3.73 billion) is comprised of committed fixed-rate funding
 - The remaining 21% (\$1.01 billion) of outstanding RFS debt is long-term variable rate bonds that have been combined with SIFMA-based swaps (\$694 million) and a LIBOR-based swaps (\$311 million) to mitigate interest rate risk

- The System maintains RFS taxable and tax-exempt commercial paper programs supported by self-liquidity in a maximum aggregate amount of \$1.25 billion
 - As of August 31, 2010, there was \$294.6 million of RFS CP outstanding

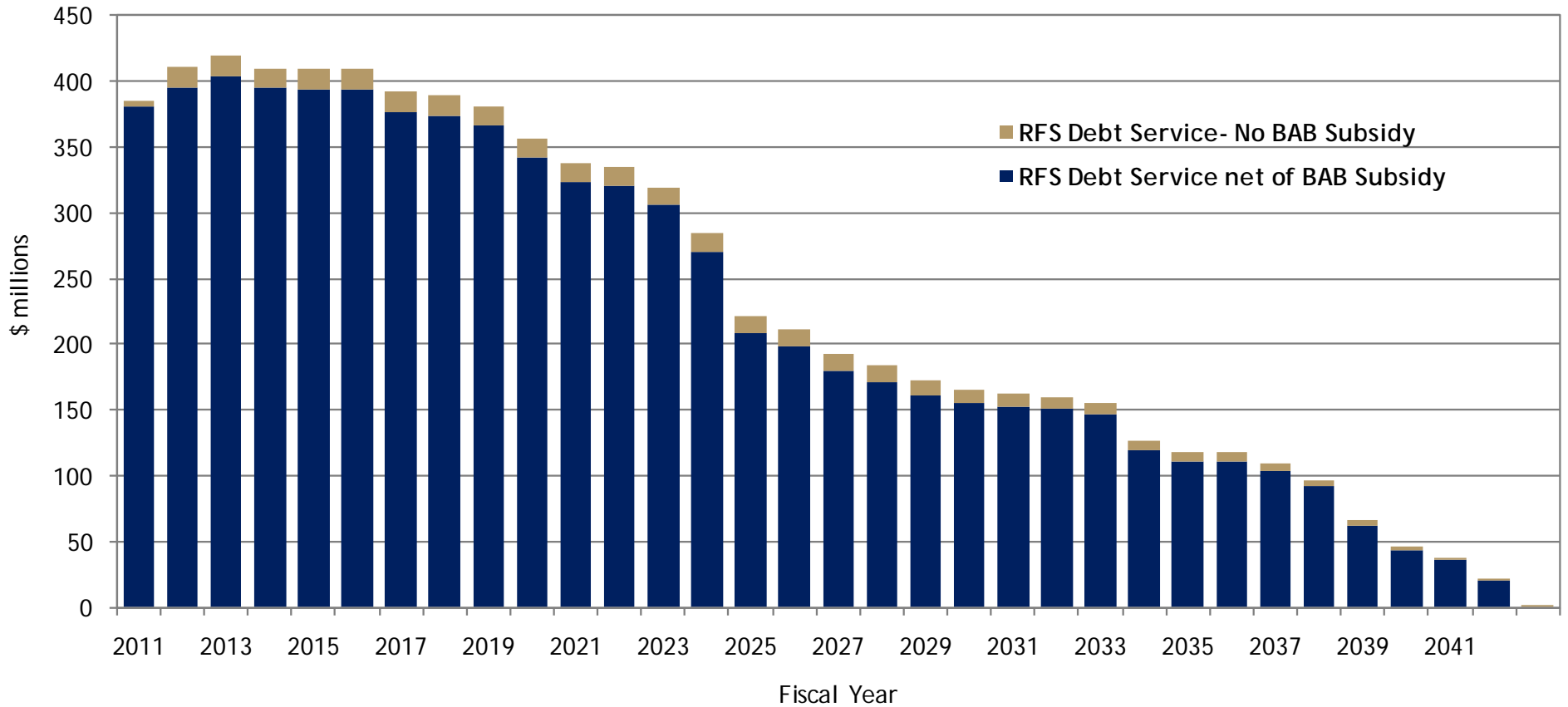
- Conservative structure of debt, especially relative to many of the System's peers
 - The System's interest rate swaps include provisions for one-way collateral posting from swap counterparties
 - Steadily declining debt service profile with no large bullet debt service payments
 - No daily VRDBs and limited roll-over risk in CP programs due to daily maximums contained in dealer agreements

- U. T. Board of Regents assets managed by UTIMCO provide liquidity for all of the Board's outstanding PUF and RFS variable rate bonds and commercial paper. As of July 31, 2010, the total assets managed by UTIMCO aggregated to \$22.8 billion





RFS Debt Service Profile



THE UNIVERSITY OF TEXAS SYSTEM

NOTE: Includes debt service on all outstanding Parity Debt outstanding as of July 31, 2010; however, excludes debt service on outstanding commercial paper notes. Expected annual debt service requirements on the Series 2001A bonds, Series 2007B bonds, and Series 2008B have been computed based on the fixed-payer rates achieved as a result of the associated swap agreements. Expected annual debt service requirements on the Series 2009B and the Series 2010D bonds have been calculated both inclusive and exclusive of the cash subsidy payments anticipated to be received by the Board from the United States Treasury as a result of the Board's designation of such bonds as "Build America Bonds."





Executive Summary and Credit Highlights

- Credit ratings: Highest ratings of **Aaa, AAA, and AAA** from Moody's , S&P, and Fitch, respectively, supported by substantial real and financial assets and market-leading position in public higher education
- Balance sheet: Largest collection of endowment assets of any public institution with investment pool of \$22.8 billion as of July 31, 2010
- Diversified revenue stream with low reliance on endowment income and tuition
- Leading educational and research enterprise with extensive financial resources
- Tremendous fund-raising ability with average annual giving in excess of \$647 million annually over the last 5 years
- Affordable tuition and fee levels compared to peer institutions
- Conservative debt structure: U. T. System has a declining debt service profile and no large bullet maturities



Key Contacts for Q&A

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