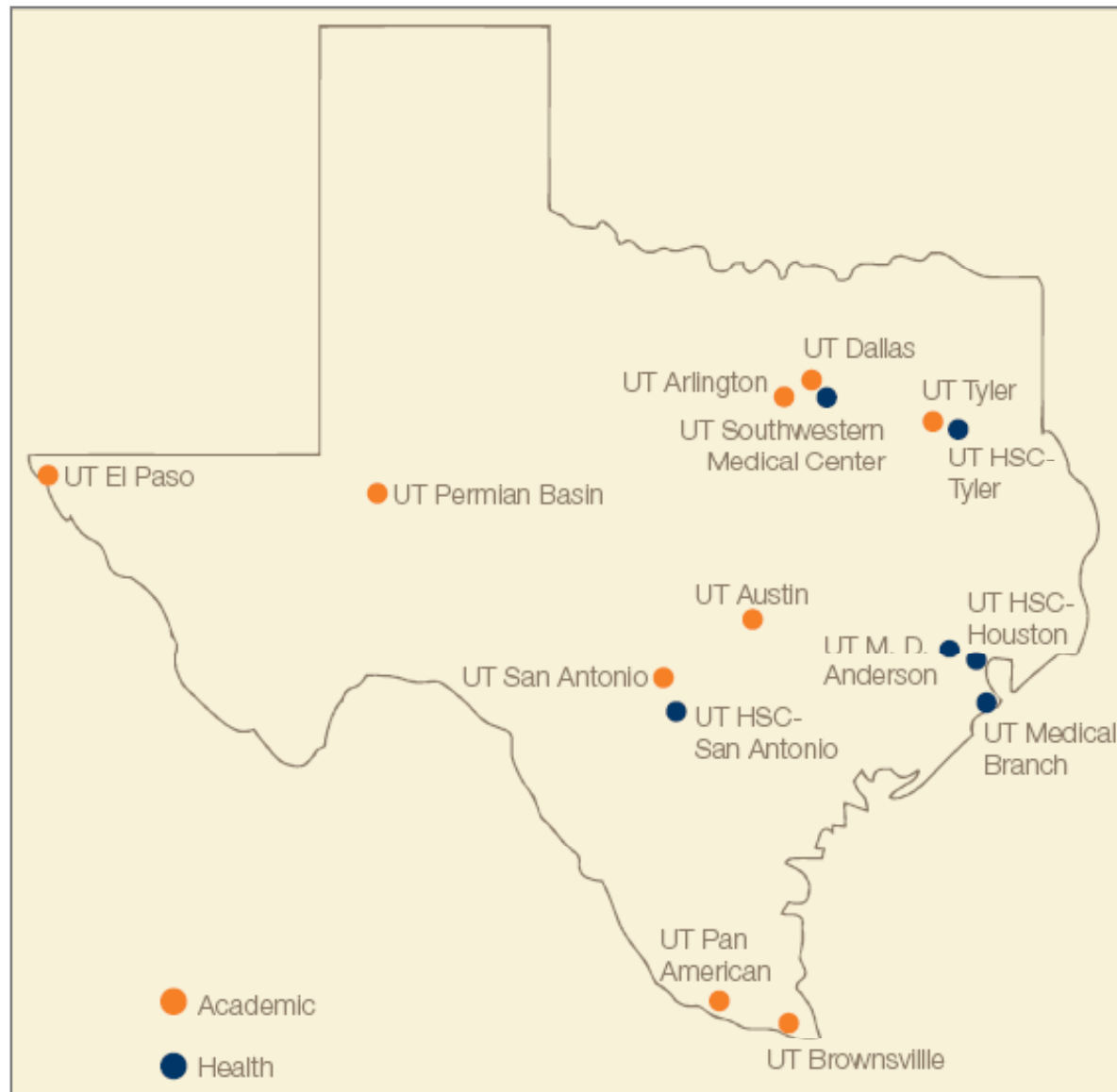


THE UNIVERSITY OF TEXAS SYSTEM

Recent Financial Information



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



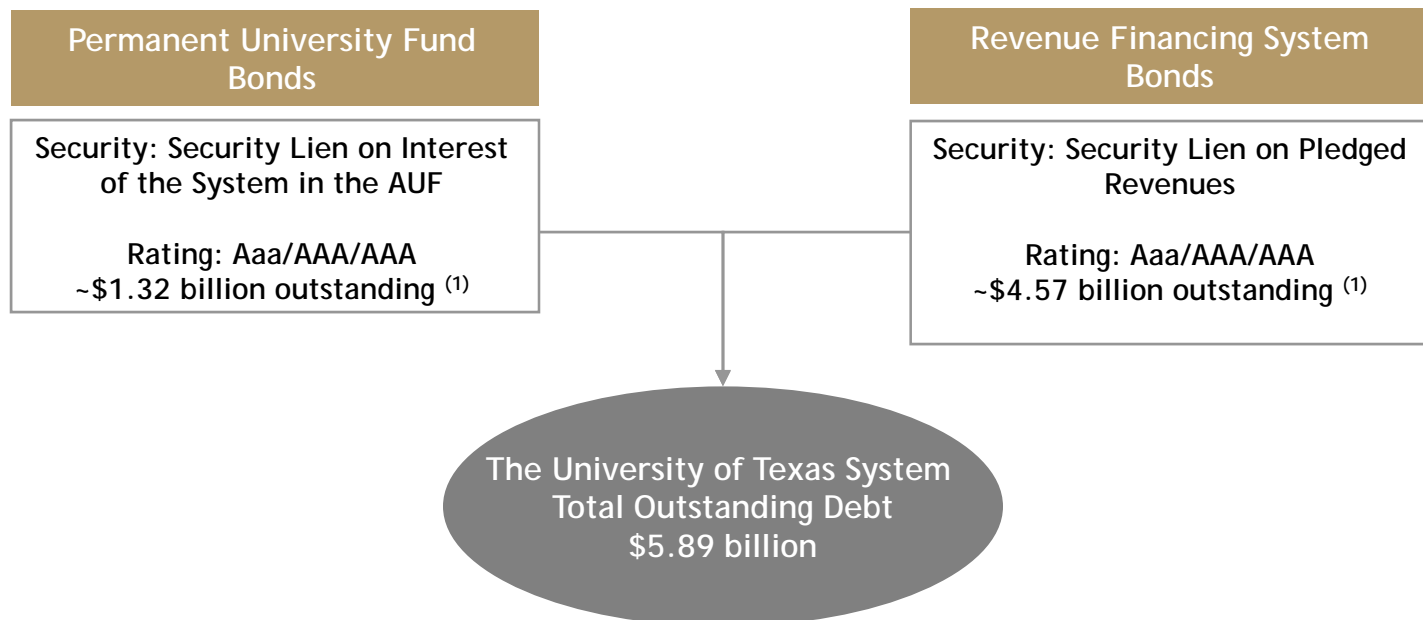
The University of Texas System: Key Facts and Statistics

- Established in 1876
- Student enrollment exceeded 195,000 in Fall 2008
- Confers more than 1/3 of the state's undergraduate degrees and educates nearly 3/4 of the state's healthcare professionals annually
- 84,000+ employees - U. T. System is one of the largest employers in Texas
- Largest collection of endowment assets of any public institution with investment pool of \$19.2 billion (as of May 31, 2009)
- \$40 billion of assets (FY2008) and \$11.5 billion annual operating budget (FY 2009) funded by well-diversified revenue stream
- Low reliance on appropriations from the State of Texas, endowment income, and tuition and fees compared to many peer institutions
- Benefits from the Permanent University Fund (PUF), a public endowment that supports the U.T. System and the Texas A&M System. The PUF contains approximately 2.1 million acres of land in West Texas with a market value of \$1.6 billion at August 31, 2008
- The PUF is not pledged to the repayment of Revenue Financing System debt, but is used to secure PUF debt obligations that are issued as a separate credit.



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
 - Permanent University Fund
- The Revenue Financing System (RFS) debt program is secured by a system-wide pledge of all legally available revenues
- The Permanent University Fund (PUF) debt program is secured by distributions from the PUF to the Available University Fund (AUF)



(1) As of May 31, 2009



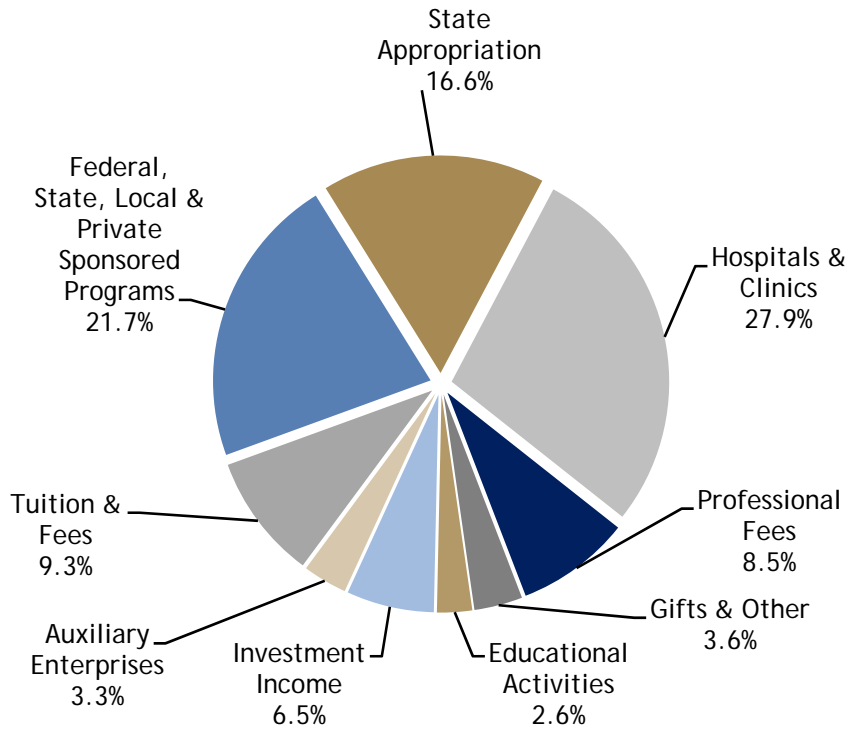
Revenue Financing System

- 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 thereto 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, 2008, Pledged Revenues totaled in excess of \$5.94 billion, excluding unrestricted net assets and certain restricted assets available to pay debt service related to particular projects

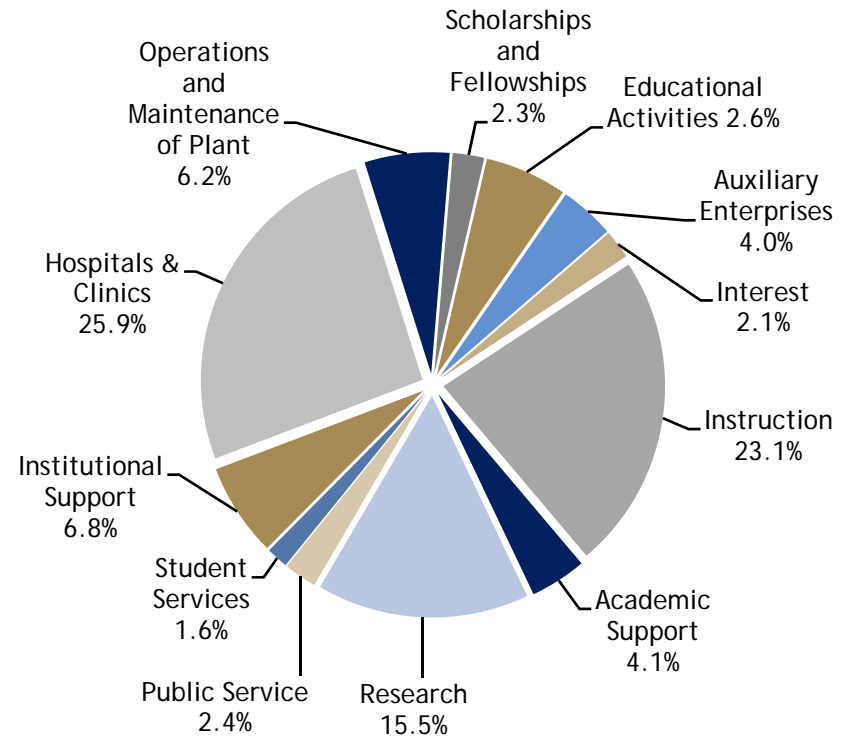


U. T. System Revenue & Expense Composition

FY 2009 Budgeted Revenue:
\$11.7 billion



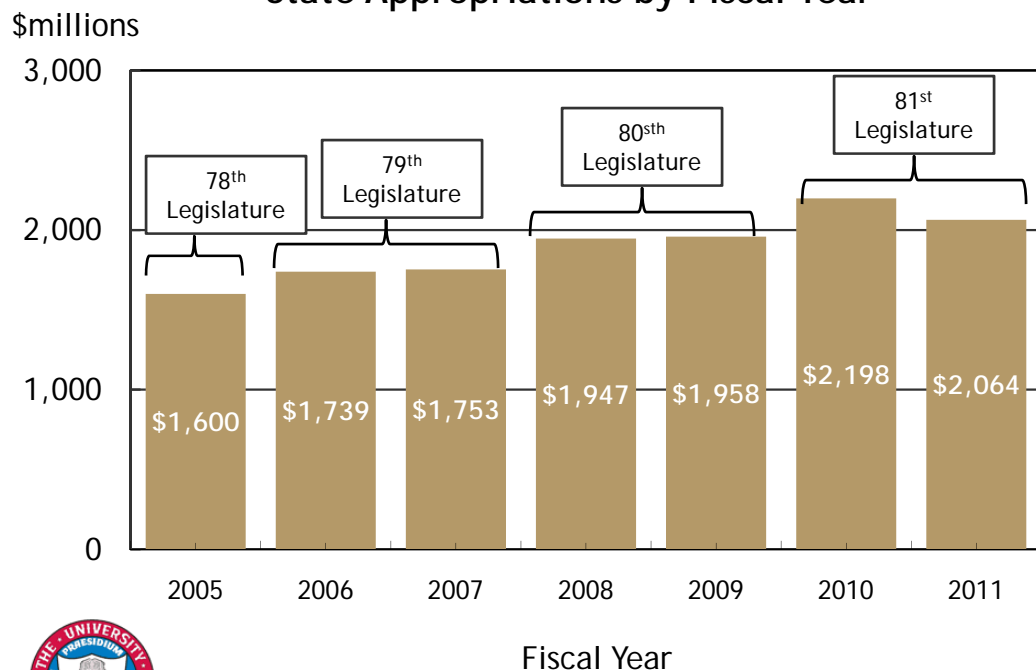
FY 2009 Budgeted Expenses:
\$11.5 billion



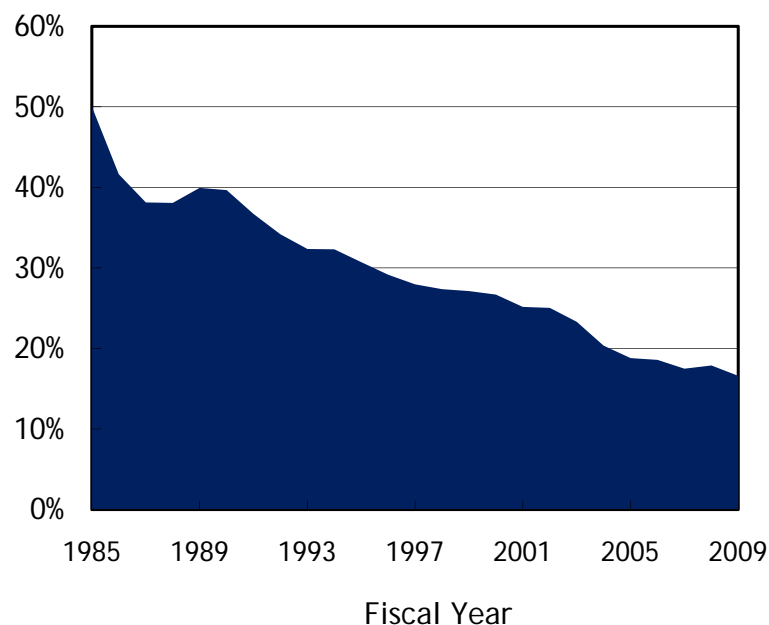
State Appropriations

- Appropriations from the State of Texas (Aa1/AA/AA+) to U. T. System have been steadily increasing while U. T. System's reliance on State appropriations has been declining.
- According to S&P in February 2009, the State of Texas benefits from, "...large and steadily growing and diversifying economy, which continues to outperform the nation in terms of economic activity and employment growth."
- Over the last five fiscal years, U.T. System's budgeted State appropriations have grown by 4.5% annually while State appropriations as a percentage of the System's operating budget have fallen from 18.8% to 16.6%

State Appropriations by Fiscal Year



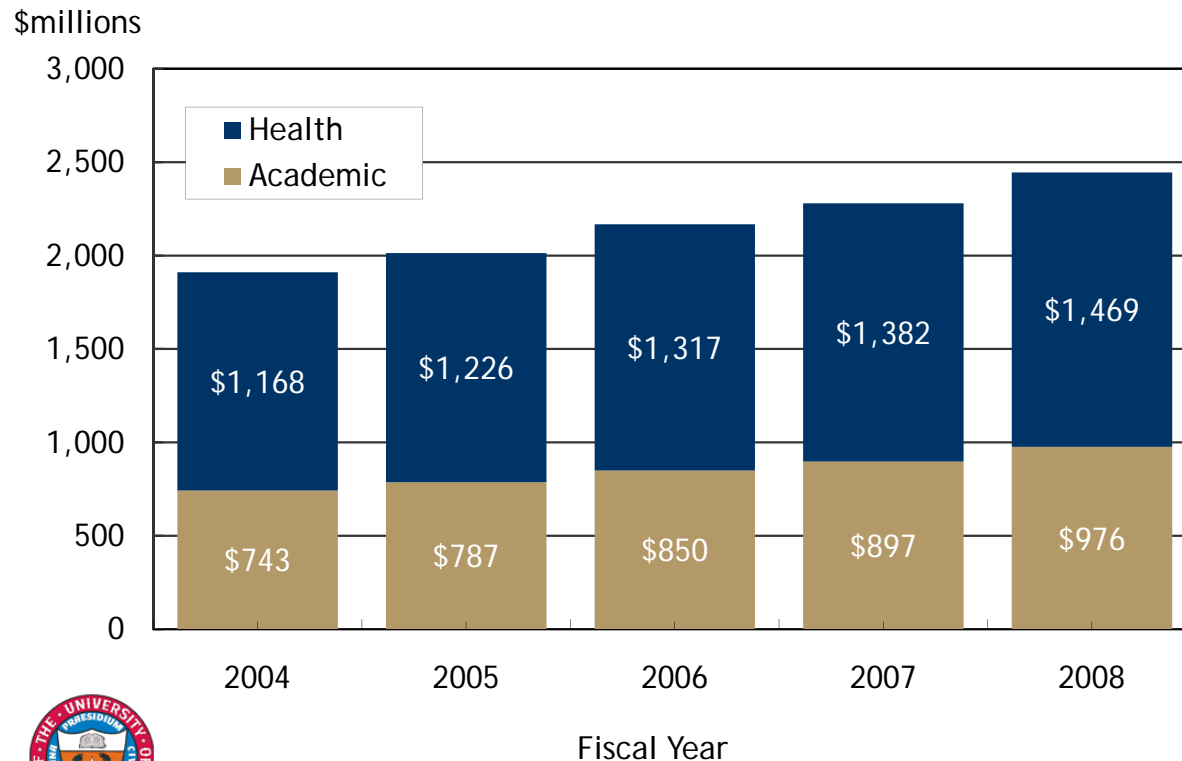
State Appropriations as % of U. T. System Operating Budget



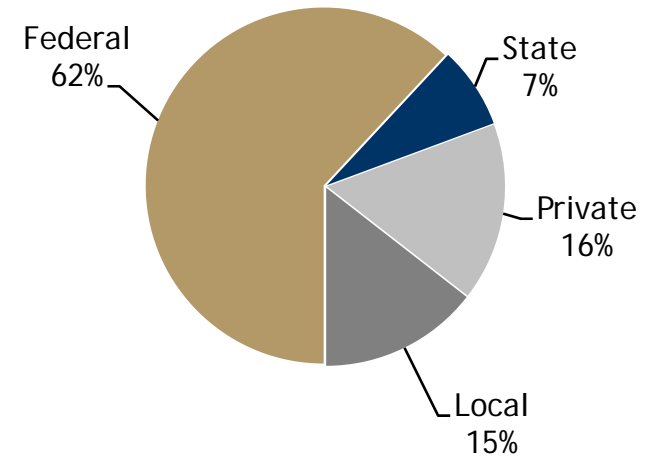
Research

- U. T. System sponsored research revenue has grown 28% over the last five years
- U. T. institutions generate 58% of all academic research and development in Texas and 69% of research and development by public universities in Texas
- 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

Sponsored Program Revenues by Institution Type



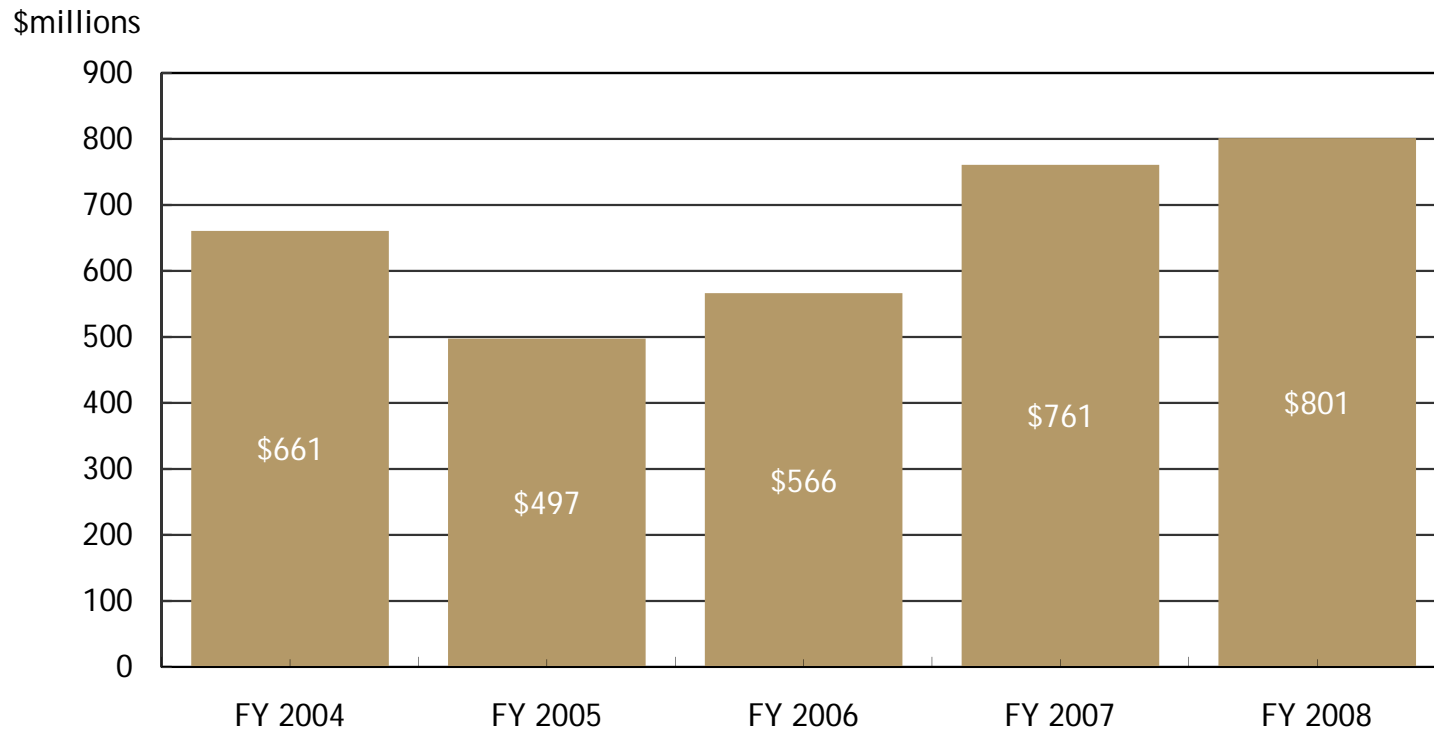
FY08 Sponsored Program Revenues



Philanthropy

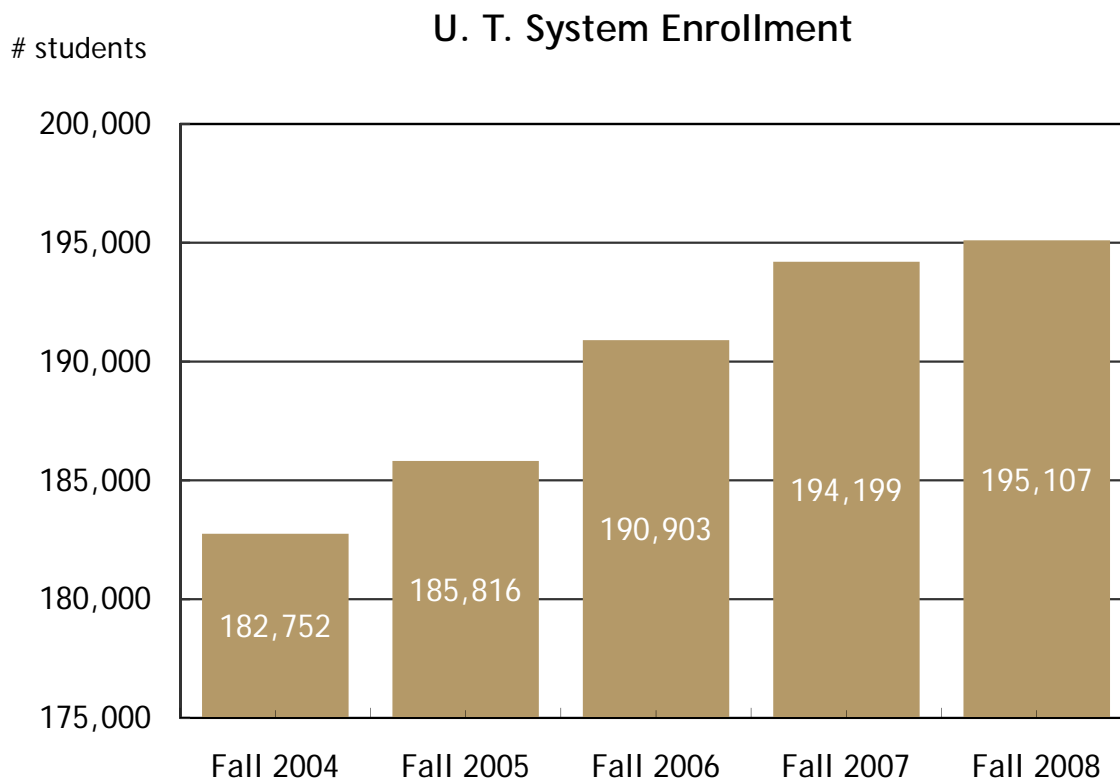
- Over the last five years, U. T. System fund-raising has averaged over \$653 million annually.

Private-Sector Support



Enrollment

- Even with enrollment at U. T. Austin essentially capped, the System's enrollment continues to grow steadily



	Enrollment Growth	
	1-Year	5-Year
Including U.T. Austin	0.5%	6.8%
Excluding U.T. Austin ⁽¹⁾	0.8%	9.6%

(1) In December 2003, the Task Force on Enrollment Strategy for U. T. Austin recommended reducing student population to 48,000 over five years, a 6.7% drop from its then-level of 51,426 students. As a result, U. T. Austin enrollment has remained essentially flat over the last five years.



Tuition

Tuition and Required Fees at National Comparison Group Institutions: Academic Year 2008-09

Institution	RESIDENT				NON-RESIDENT			
	Under-graduate		Graduate		Under-graduate		Graduate	
	Tuition & Fees	Rank	Tuition & Fees	Rank	Tuition & Fees	Rank	Tuition & Fees	Rank
University of Illinois-Urbana/Champaign	\$ 12,106	1	11,988	4	25,890	7	24,742	5
University of Michigan-Ann Arbor	11,738	2	16,541	1	34,230	1	33,255	1
Michigan State University	10,690	3	11,300	5	26,084	6	22,310	8
University of Minnesota Minnesota-Twin Cities	10,634	4	12,603	2	14,634	13	19,701	12
University of Virginia	9,490	5	12,140	3	29,790	2	22,140	9
University of California-Berkeley ⁽¹⁾	8,932	6	10,214	7	29,540	3	25,220	3
Ohio State University-Main Campus	8,679	7	10,440	6	21,918	11	25,302	2
University of Texas-Austin⁽³⁾⁽⁴⁾	8,508	8	8,820	11	28,066	5	17,402	13
University of California-Los Angeles ⁽²⁾	8,310	9	9,670	10	28,918	4	24,676	6
Indiana University-Bloomington	8,231	10	7,870	12	24,769	8	21,271	10
University of Wisconsin-Madison	7,568	11	10,022	9	21,818	12	24,944	4
University of Washington	6,802	12	10,047	8	23,219	9	22,519	7
University of North Carolina-Chapel Hill	5,397	13	6,693	13	22,295	10	21,091	11

NOTE: Undergraduate tuition and fees are based on 30 credit hours enrolled per academic year or full-time tuition as defined by the institution. Graduate tuition and fees are based on 24 credit hours enrolled per academic year or full-time tuition as defined by the institution.

(1) Undergraduate fees include a waivable health insurance fee of \$1,276. Graduate includes a health insurance fee of \$1,698

(2) undergraduate fees include a waivable health insurance fee of \$756. Graduate includes a health insurance fee of \$1,338.

(3) Undergraduate rates represent average academic year cost for undergraduate student taking exactly 15 semester credit hours per semester. Graduate rates are based on average academic cost for graduate students taking exactly 12 semester credit hours per semester.

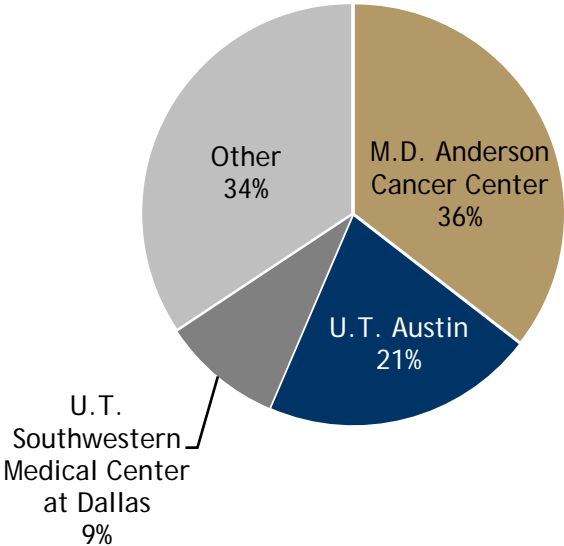
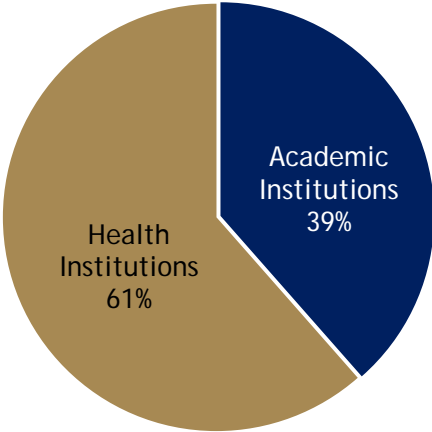
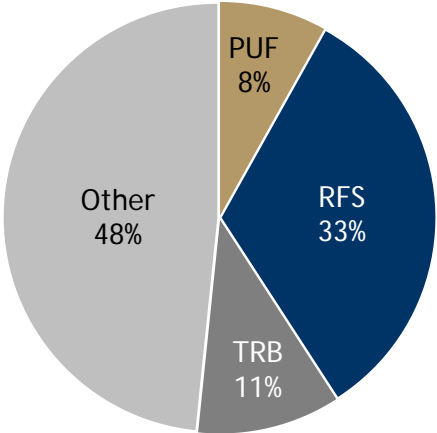
(4) Undergraduate and graduate (resident and non-resident) tuition figures for the 2008-09 academic year were updated on 3/24/09 based on actual tuition cost data from fall 2008.

Sources: University of Virginia, Institutional Assessment and Studies, October 7, 2008 Tuition and Fees Survey; Association of American Universities Data Exchange (AAUDE) Annual Academic Year Tuition and Required Fees report (University of Missouri-Columbia), 2007-08; University web sites.



FY 2009-2014 Capital Improvement Program

- Over 48% of the System’s 6-year \$8.8 billion Capital Improvement Program is expected to be funded with Institutional Funds (non-debt)
- Of the debt-funded portion of the CIP, less than 1/3 will be funded with RFS debt; 11% will be funded with TRB debt, and 8% will be funded with PUF debt

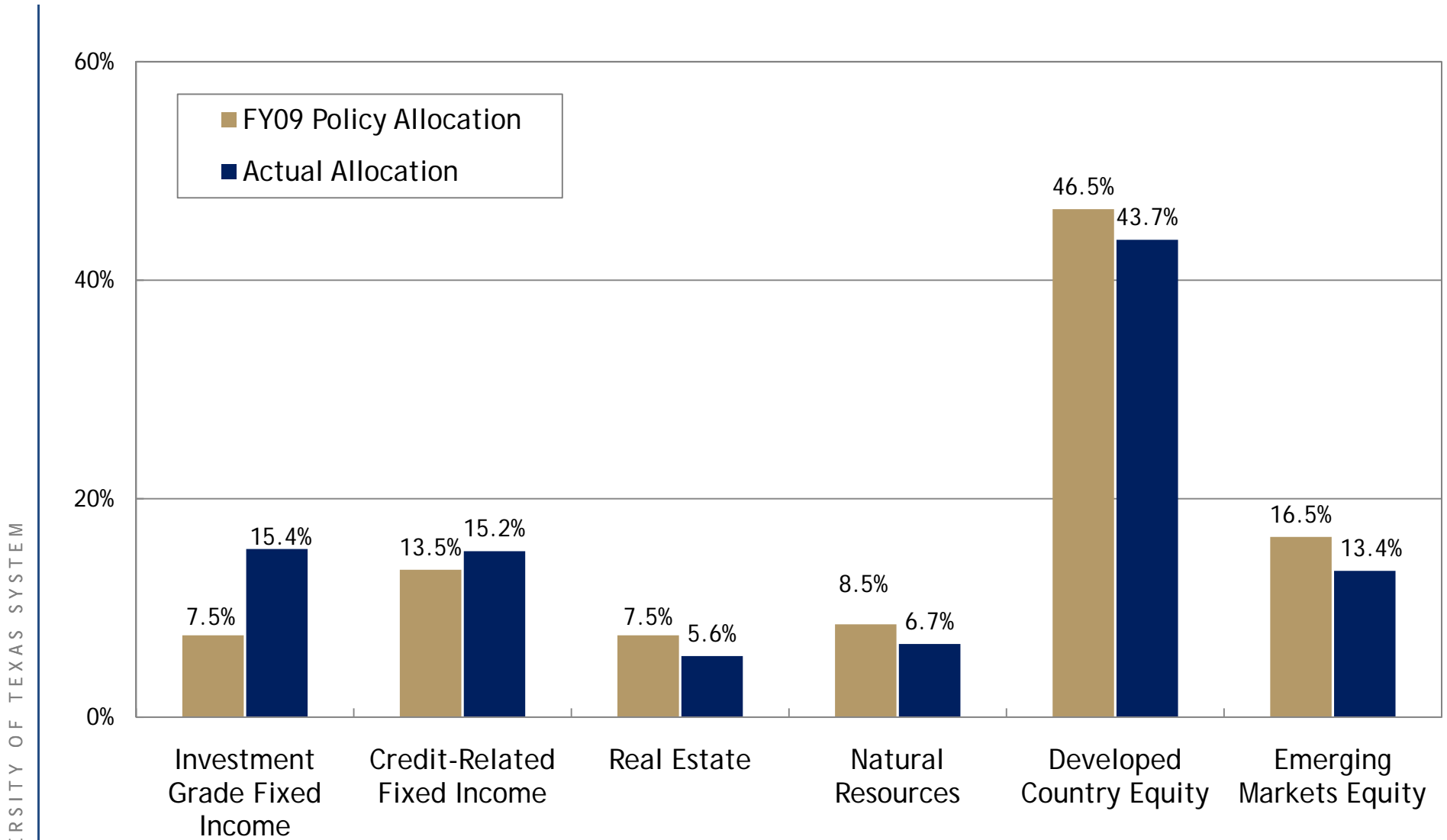


Investment Responsibility

- 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

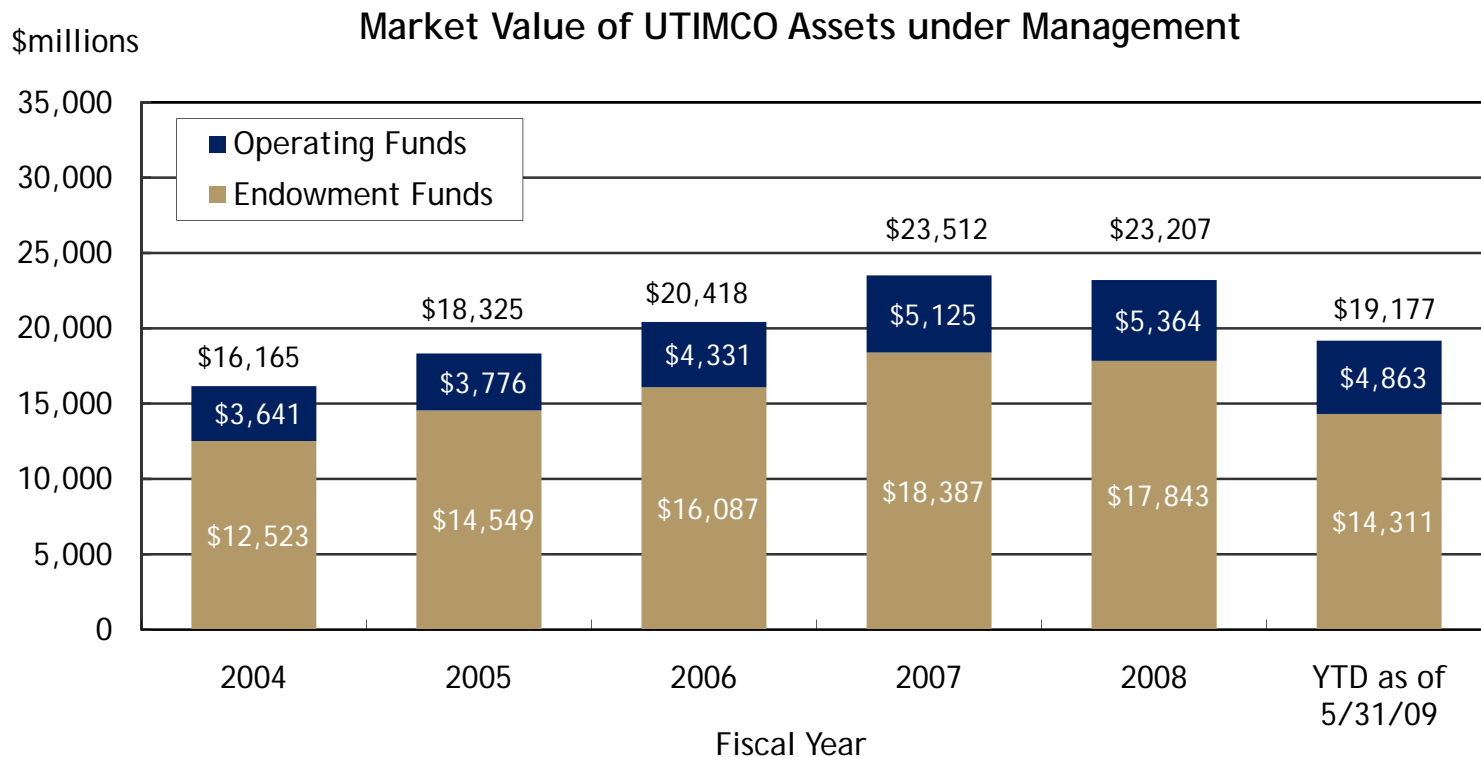


Actual Endowment Asset Allocation vs. Policy Portfolio Allocation as of May 31, 2009



Recent Investment Performance

- For the 12 months ended June 30, 2008, the PUF and GEF⁽¹⁾ endowments managed by UTIMCO earned 1.96% and 2.35%, respectively. For the 12 months ended August 31, 2008, the PUF endowment returned (3.34%) and the GEF endowment returned (3.09%)
- From September 1, 2008 through May 31, 2009, the PUF and GEF endowment returns were (19%)
- Even with the endowment decline during FY 2009, UTIMCO's assets under management at May 31, 2009 of \$19.2 billion is 18.6% higher than it was at August 31, 2004



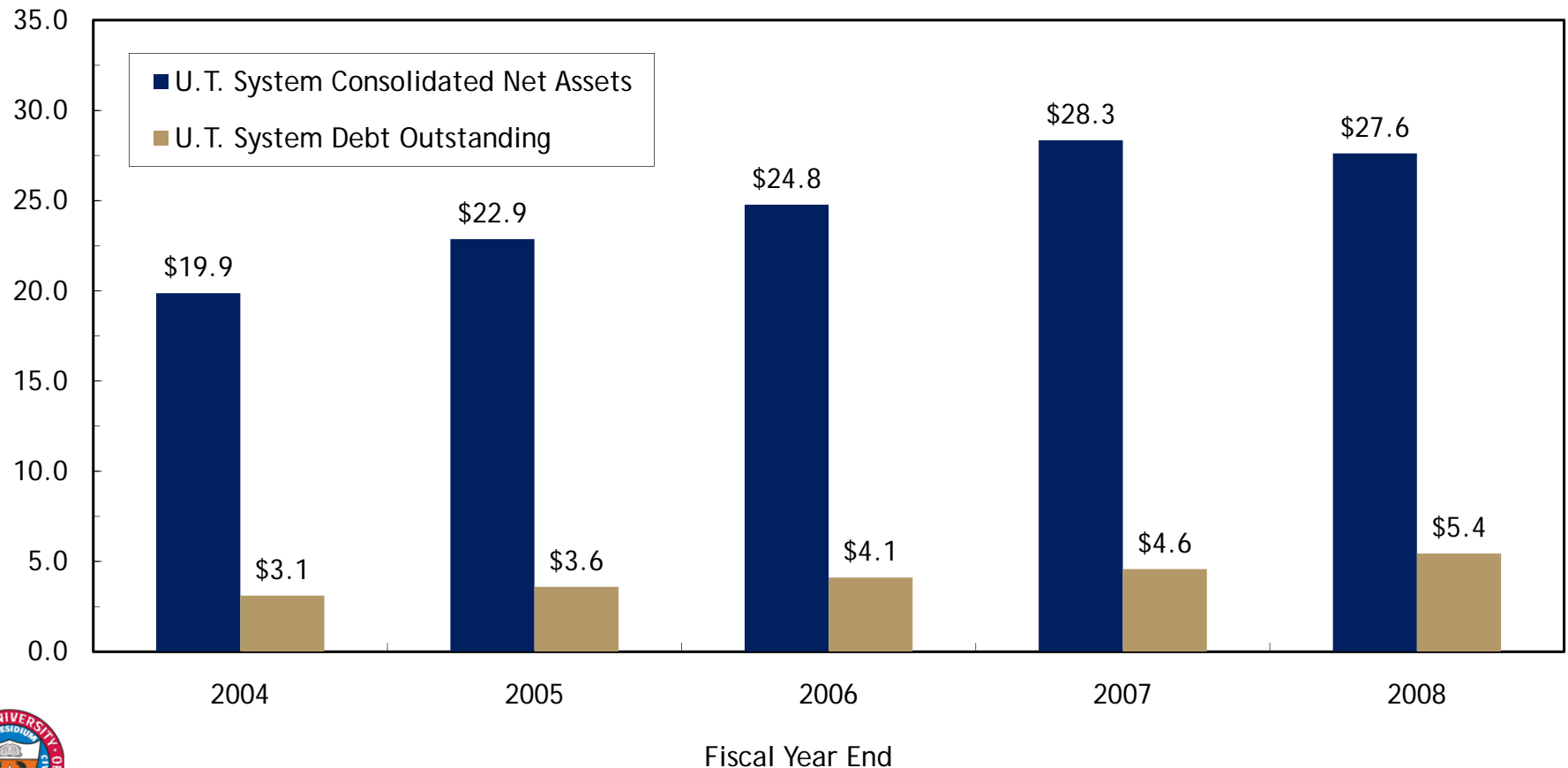
(1) General Endowment Fund



Growth in the System's net assets far outpaces growth in debt outstanding

- Over the last 5 years, the System has increased its net assets by an estimated \$7.6 billion, which is more than all of the System's outstanding debt
- Additionally, of the \$5.4 billion in debt outstanding at 8/31/08, the State reimburses U. T. System for debt service payments on \$818 million (15%) of RFS debt specifically authorized by the State

\$ billions



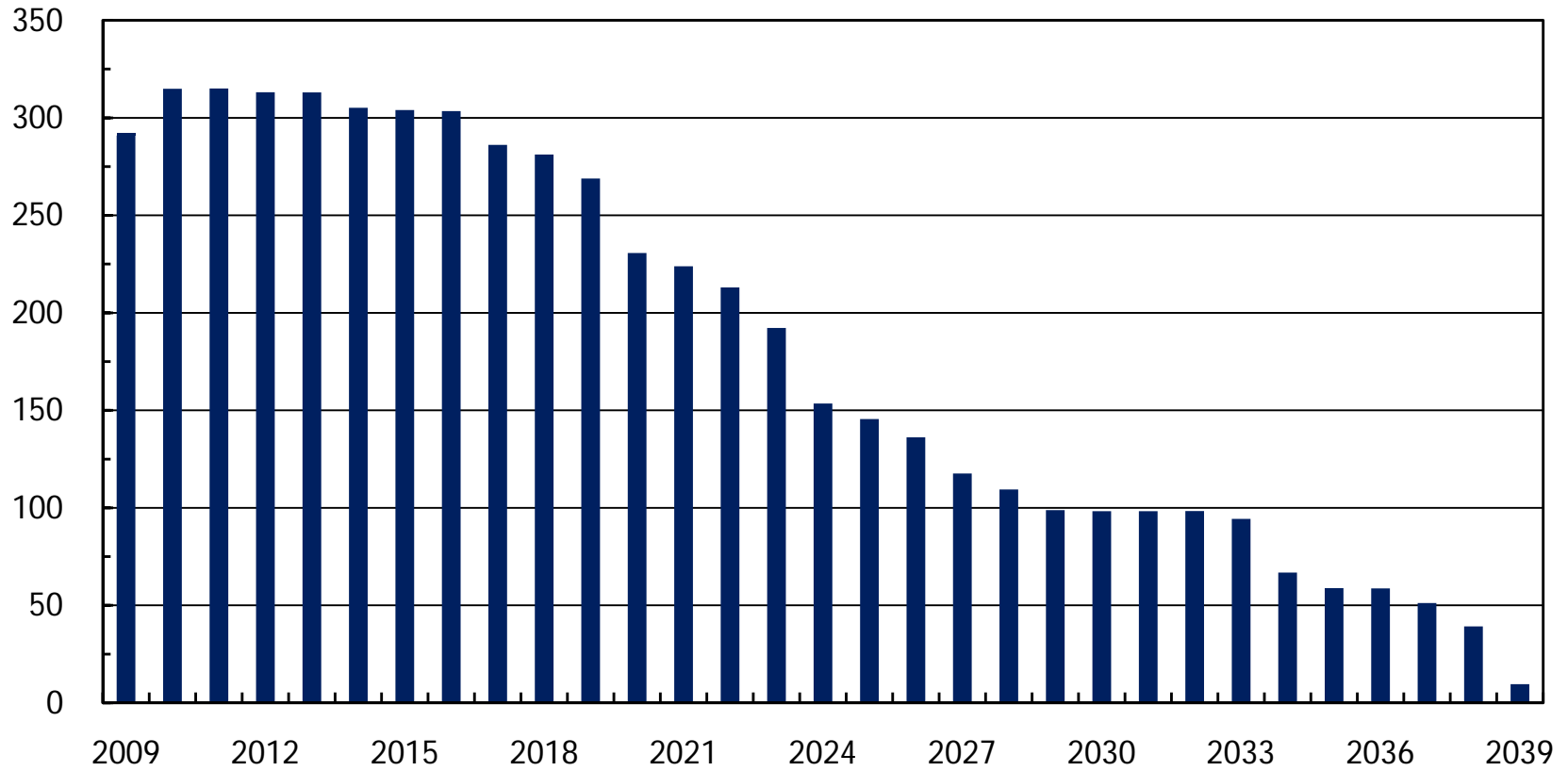
RFS Debt Structure and Access to Liquidity

- The U. T. System has \$3.61 billion of long-term RFS debt outstanding as of May 31, 2009
 - Over 71% (\$2.57 billion) is comprised of committed fixed-rate funding
 - The remaining 29% (\$1.04 billion) of outstanding RFS debt is long-term variable rate bonds that have been combined with SIFMA fixed-payer swaps (\$1.02 billion) and LIBOR fixed-payer swaps (\$20 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 May 31, 2009, there was \$958.3 million of RFS CP outstanding
- Conservative structure of RFS debt, especially relative to many of the System's peers
 - The System's interest rate swaps on RFS debt include provisions for one-way collateral posting from swap counterparties
 - Steadily declining debt service profile with no large bullet debt service payments
 - Limited roll-over risk in the RFS CP program 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 May 31, 2009, the total assets managed by UTIMCO aggregated to \$19.2 billion



RFS Debt Service Profile

\$millions



Fiscal Year

NOTE: Includes debt service on all outstanding Parity Debt outstanding as of May 31, 2009; 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 bonds have been computed based on the fixed-payer rates achieved as a result of the associated swap agreements.



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 \$19.2 billion (as of May 31, 2009)
- Diversified revenue stream with low reliance on endowment income and tuition
- U. T. System is a leading educational and research enterprise with extensive financial resources
- Tremendous fund-raising ability with average annual giving in excess of \$653 million annually over the last 5 years
- While the System's reliance on State appropriations has been steadily declining, State appropriations to the System have been increasing
- Conservative debt structure: U. T. System has \$3.61 billion RFS in long-term debt as well as \$958 million RFS CP outstanding with a declining debt service profile and no large bullet maturities



Key Contacts for Q&A

The University of Texas System	UTIMCO	
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