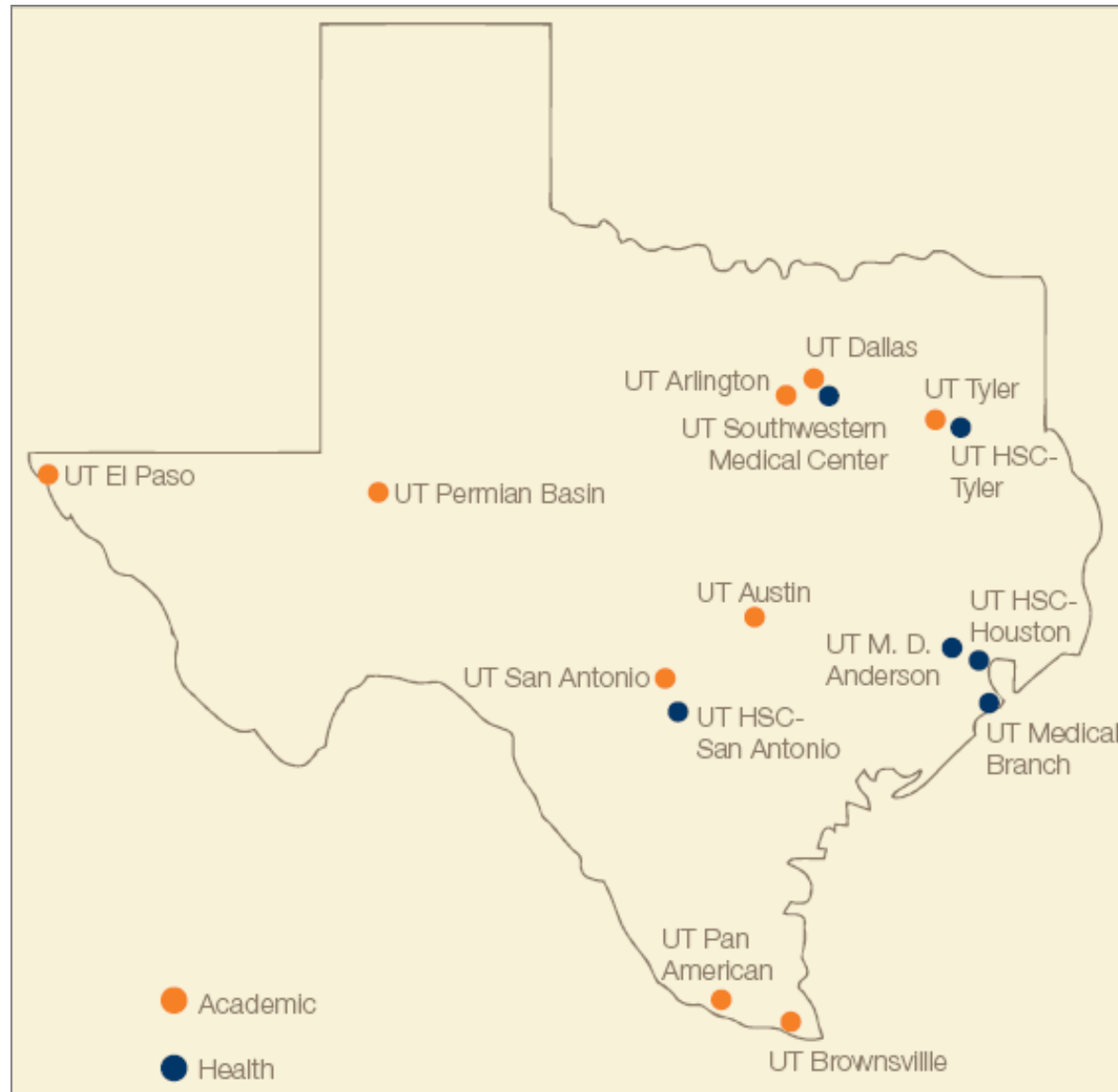


THE UNIVERSITY OF TEXAS SYSTEM

Recent Financial Information



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



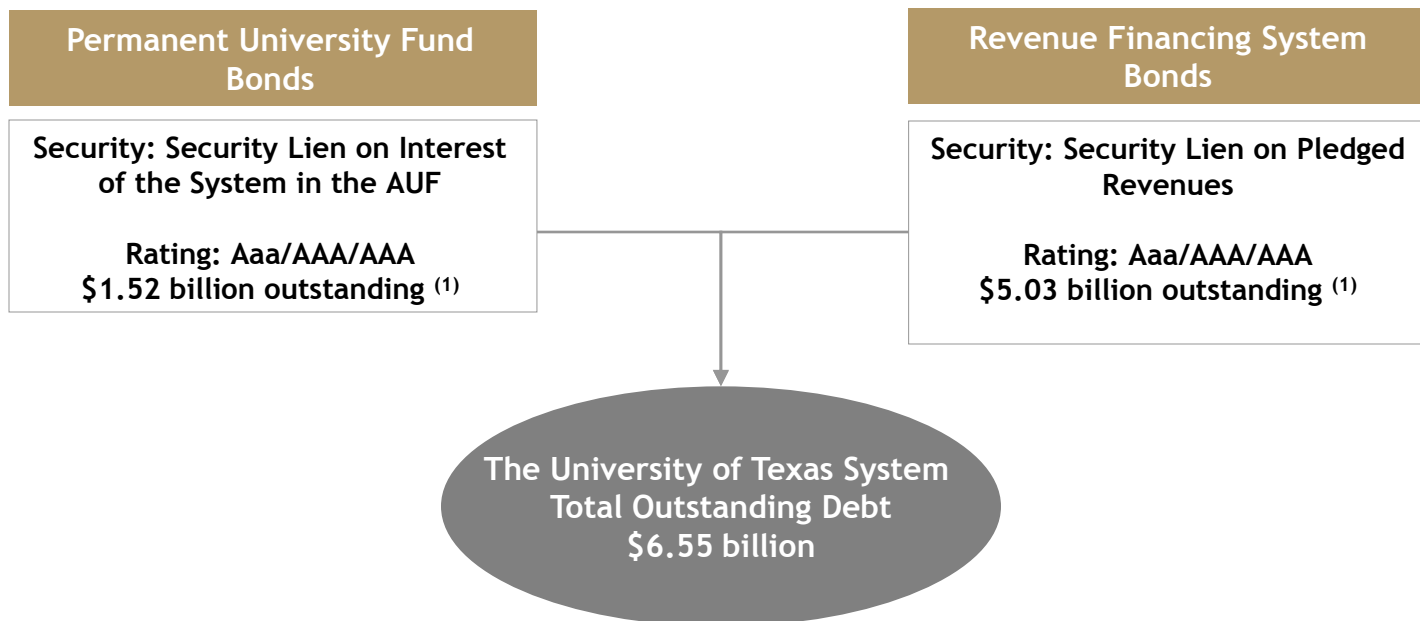
The University of Texas System: Key Facts and Statistics

- Established in 1876
- Student enrollment exceeded 200,000 in Fall 2009
- Confers more than 1/3 of Texas' undergraduate degrees and educates nearly 3/4 of the state's healthcare professionals annually
- 84,000+ employees - University of Texas System ("U. T. System") is one of the largest employers in Texas
- Largest collection of endowment assets of any public institution with investment pool of \$22.9 billion (as of April 30, 2010)
- \$36 billion of assets (FY2009) and \$11.9 billion annual operating budget (FY 2010) 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 \$1.3 billion at August 31, 2009
- 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 (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 May 31, 2010



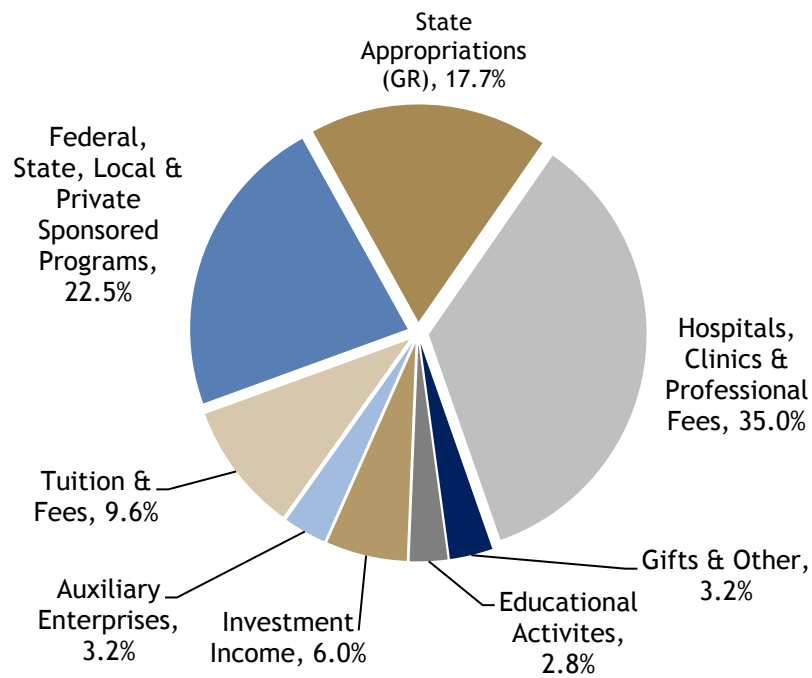
Revenue Financing System

- 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

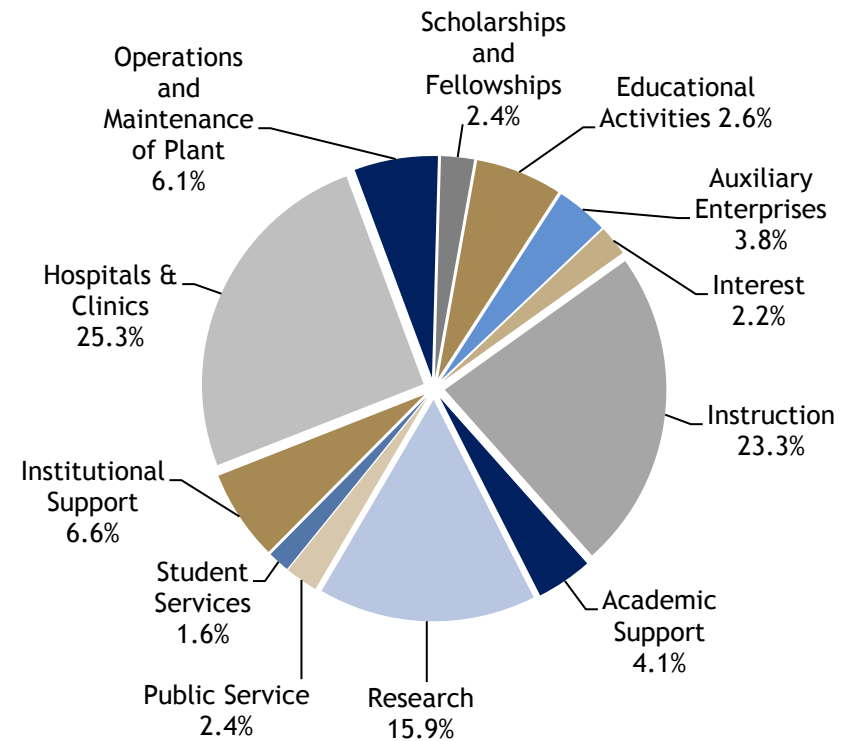


U. T. System Revenue & Expense Composition

FY 2010 Budgeted Revenue:
\$12.2 billion⁽¹⁾



FY 2010 Budgeted Expenses:
\$11.9 billion⁽¹⁾

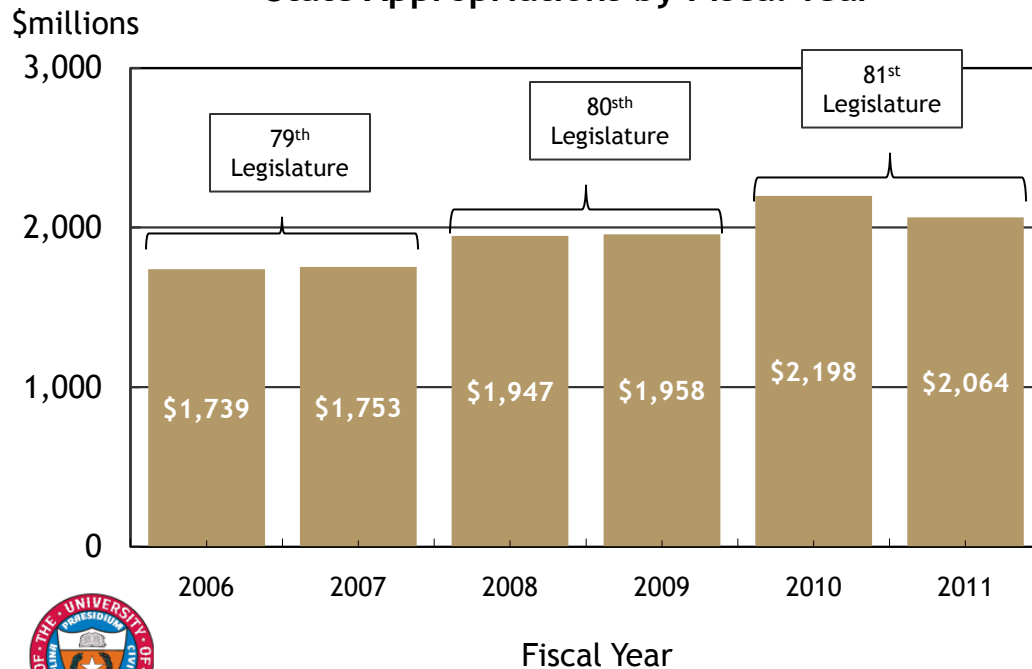


(1) Does not reflect plans for an estimated total budget cut of \$175.3 million across U. T. System as part of the State's directive to reduce state appropriations for the current biennium (FY 2010 and FY 2011) by 5 percent.

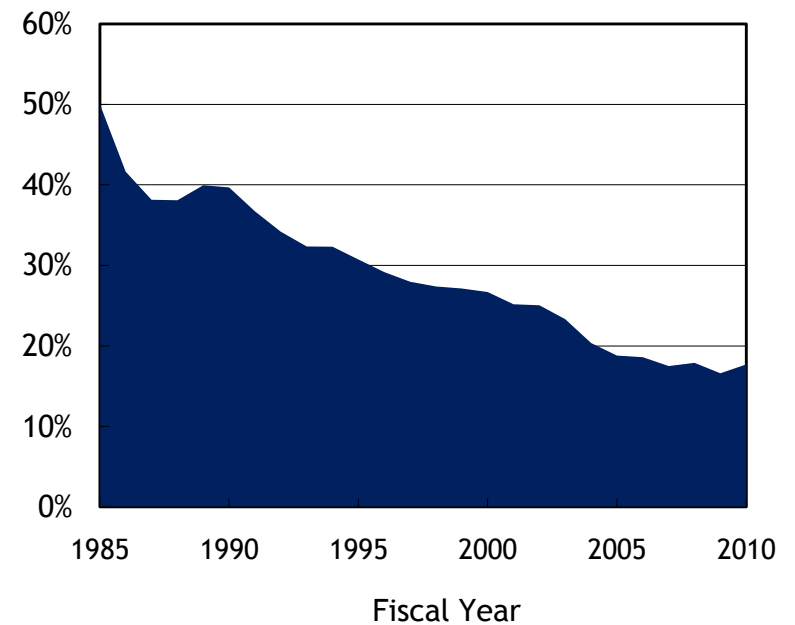
State Appropriations

- According to a credit rating report from Standard and Poor’s published in March 2010, the State of Texas benefits from a “...large and steadily diversifying economy, which despite the recession continues to perform better than the nation in terms of both economic activity and employment.”
- 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 175.3 million in general revenue appropriations for the 2010-2011 biennium
- Even incorporating the May 2010 budget reduction directive, appropriations from the State of Texas (Aa1/AA/AA+) to U. T. System continue steadily increasing while U. T. System’s reliance on State appropriations has been declining

State Appropriations by Fiscal Year



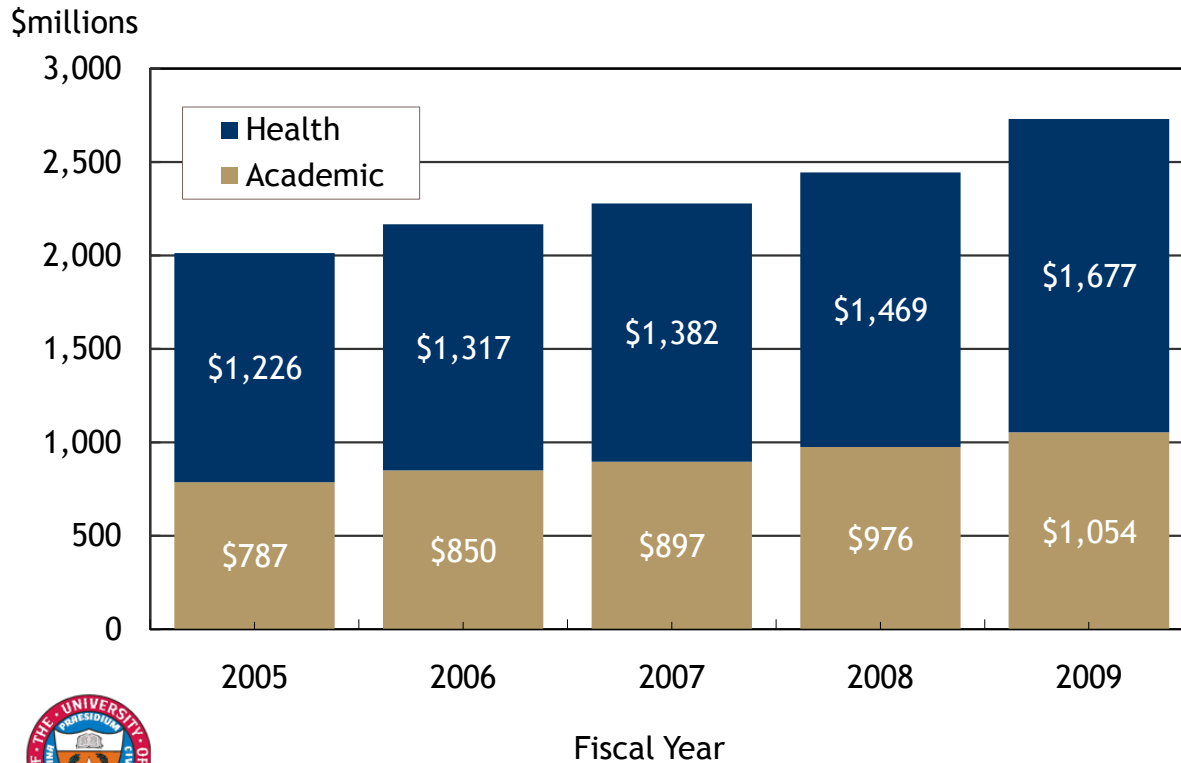
State Appropriations as % of U. T. System Operating Budget



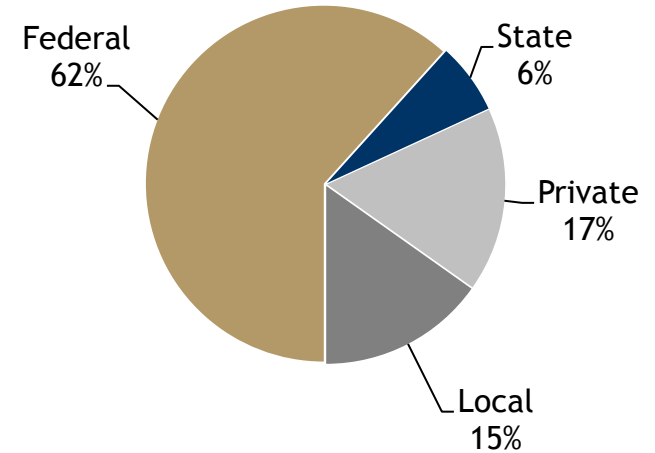
Research

- U. T. System sponsored research revenue has grown 37% over the last five years
- U. T. System 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. System 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



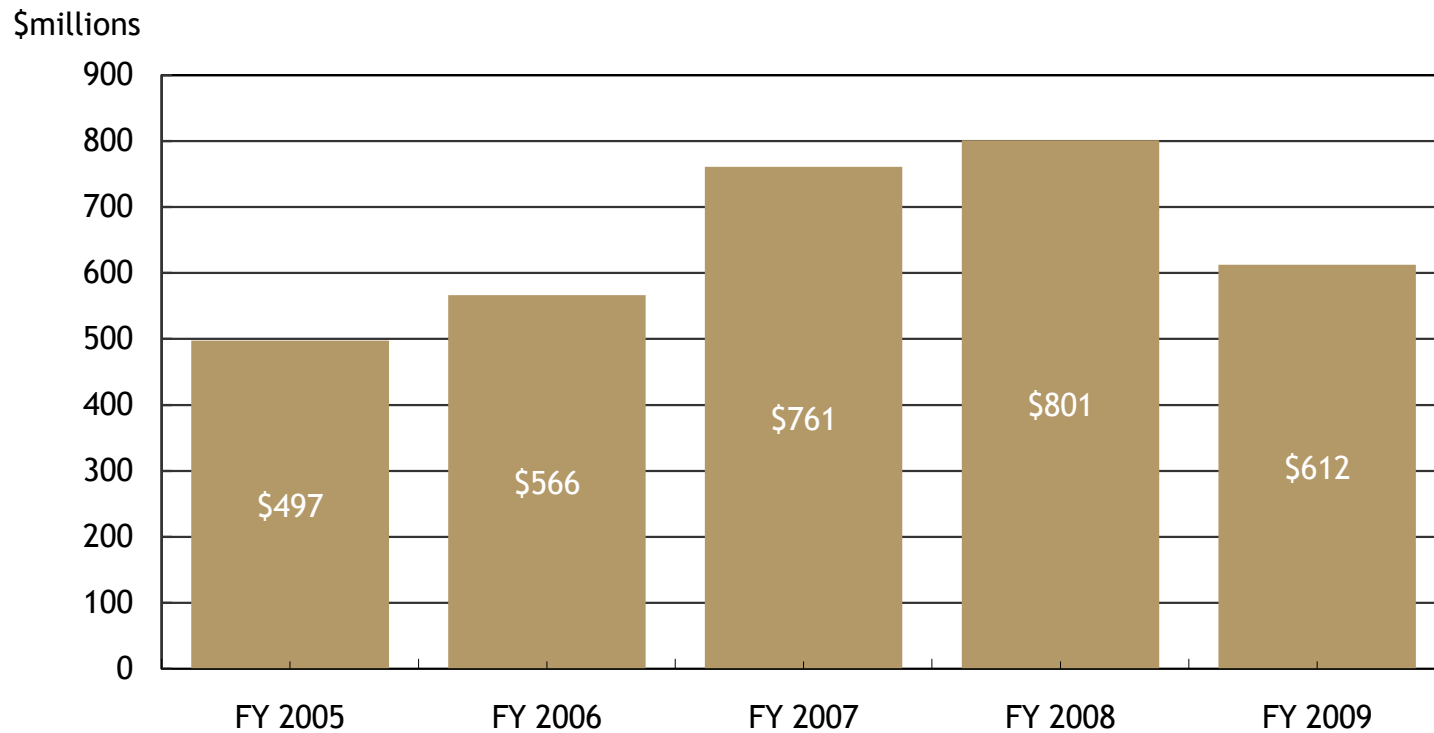
FY09 Sponsored Program Revenues



Philanthropy

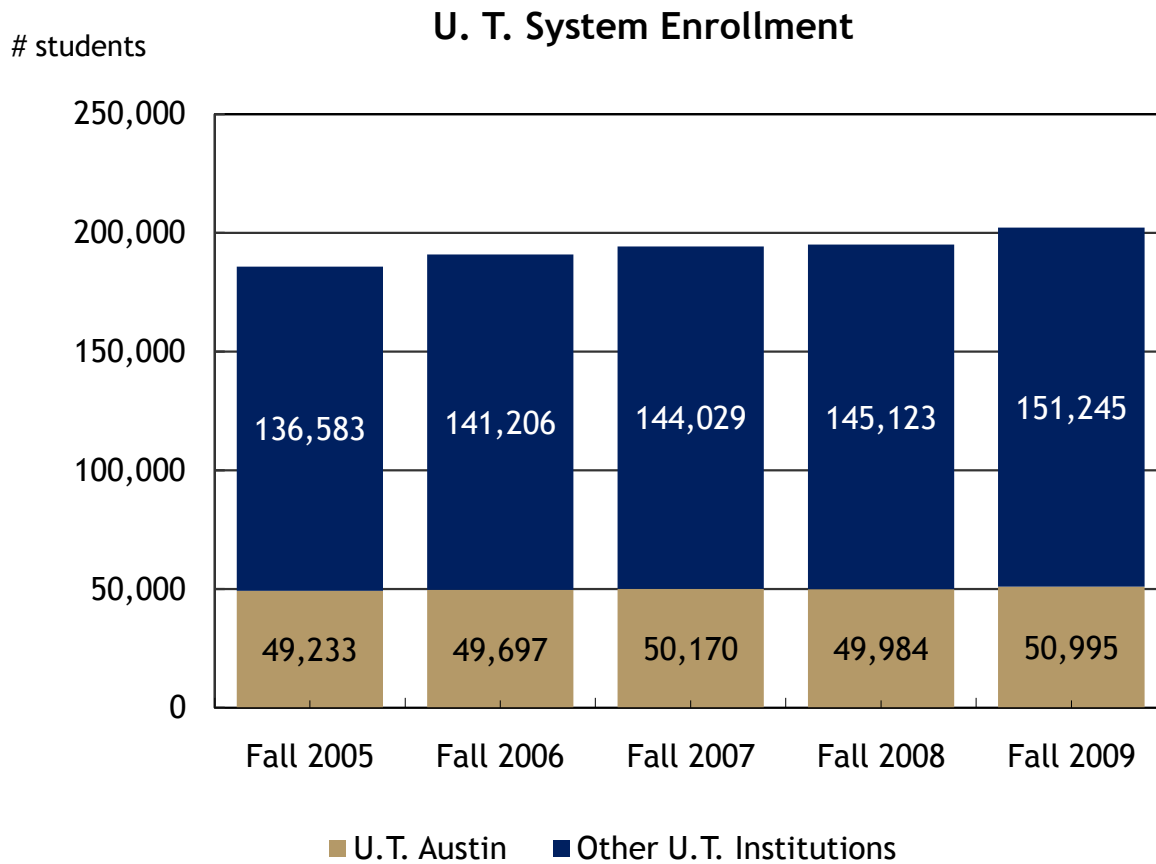
- Over the last five years, U. T. System fund-raising has averaged \$647 million annually
- Gift Contributions for Operations this fiscal year are up 21% fiscal YTD through April 30, 2010

Private-Sector Support



Enrollment

- Enrollment continues to grow steadily throughout the U. T. System Institutions, despite an enrollment cap at U. T. Austin



	Enrollment Growth	
	1-Year	5-Year
Including U.T. Austin	3.7%	8.8%
Excluding U.T. Austin	4.2%	10.7%



Tuition

Tuition and Required Fees at National Comparison Group Institutions
Academic Year 2009-10

State	Institution	RESIDENT				NONRESIDENT			
		Undergraduate Tuition and Fees	Rank	Graduate Tuition and Fees	Rank	Undergraduate Tuition and Fees	Rank	Graduate Tuition and Fees	Rank
California	University of California-Berkeley (1)(3)	\$ 9,749	5	11,233	5	32,418	2	26,269	2
California	University of California-Los Angeles (2)(3)	9,151	6	10,658	8	31,820	3	25,694	5
Illinois	University of Illinois-Urbana/Champaign	12,508	1	12,514	3	26,650	6	25,780	4
Indiana	Indiana University-Bloomington	8,613	9	7,898	11	26,160	7	21,299	10
Michigan	University of Michigan-Ann Arbor	12,400	2	17,475	1	36,163	1	35,133	1
Michigan	Michigan State University	11,383	3	11,948	4	27,781	5	23,666	8
Minnesota	University of Minnesota-Twin Cities	11,293	4	13,401	2	15,293	12	20,499	11
North Carolina	University of North Carolina-Chapel Hill	5,625	12	7,162	12	23,513	9	21,560	9
Ohio	Ohio State University-Main Campus	8,706	8	10,708	7	22,278	11	25,948	3
Washington	University of Washington	7,692	11	10,727	6	24,367	8	24,067	7
Wisconsin	University of Wisconsin-Madison	8,314	10	10,518	9	23,063	10	25,072	6
Texas	University of Texas-Austin (4)(5)	8,936	7	9,644	10	29,906	4	18,456	12

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) University of California-Berkeley undergraduate fees include a waivable health insurance fee of \$1,396.00. Graduate includes a health insurance fee of \$1,932.00
- 2) University of California-Los Angeles undergraduate fees include a waivable health insurance fee of \$885.00. Graduate includes a health insurance fee of \$1,564.00.
- 3) The 2009-10 tuition and fee figures for UC-Berkeley and UCLA do not include a proposed mid-year fee increase of \$585 for resident undergraduates, \$633 for non-resident undergraduates, \$654 for resident graduate academic students, and \$681 for non-resident graduate academic students.
- 4) UT Austin undergraduate rates represent the average academic year cost for an undergraduate student taking exactly 15 semester credit hours per semester. UT Austin graduate rates are based on the average academic cost for graduate students taking exactly 12 semester credit hours per semester.
- 5) UT Austin undergraduate and graduate (resident and non-resident) tuition figures for the 2009-10 academic year are based on actual tuition cost data from fall 2009.

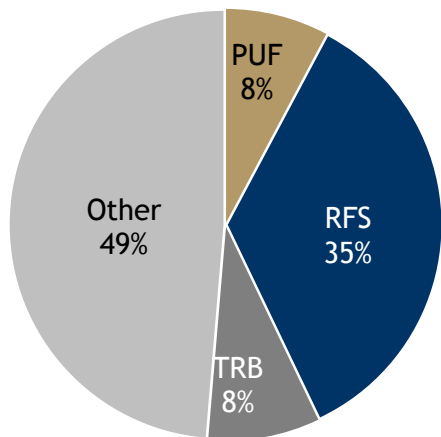
Sources: Association of American Universities Data Exchange (AAUDE) Annual Academic Year Tuition and Required Fees report, 2009-10.



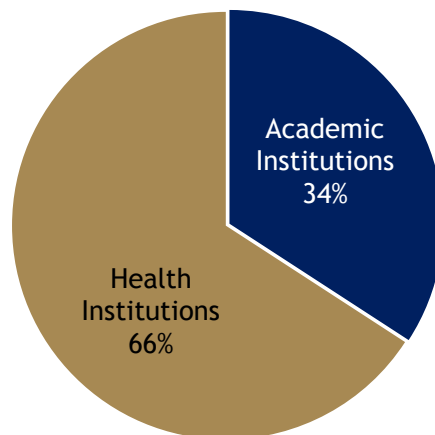
FY 2010-2015 Capital Improvement Program

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

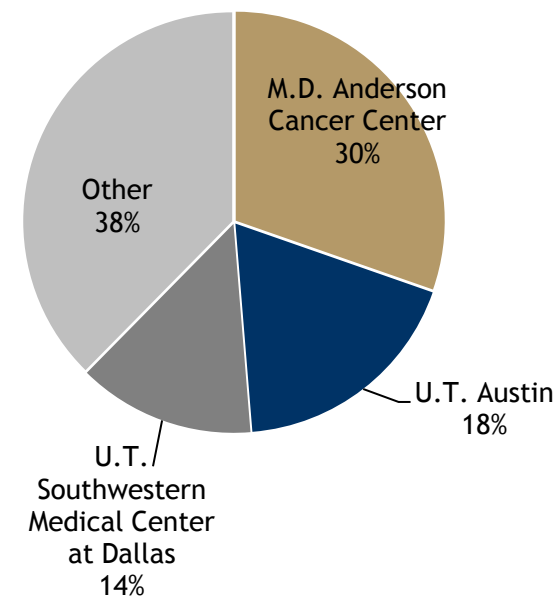
CIP Funding Sources



CIP Breakdown by Institution Type



CIP Project Breakdown by Institution



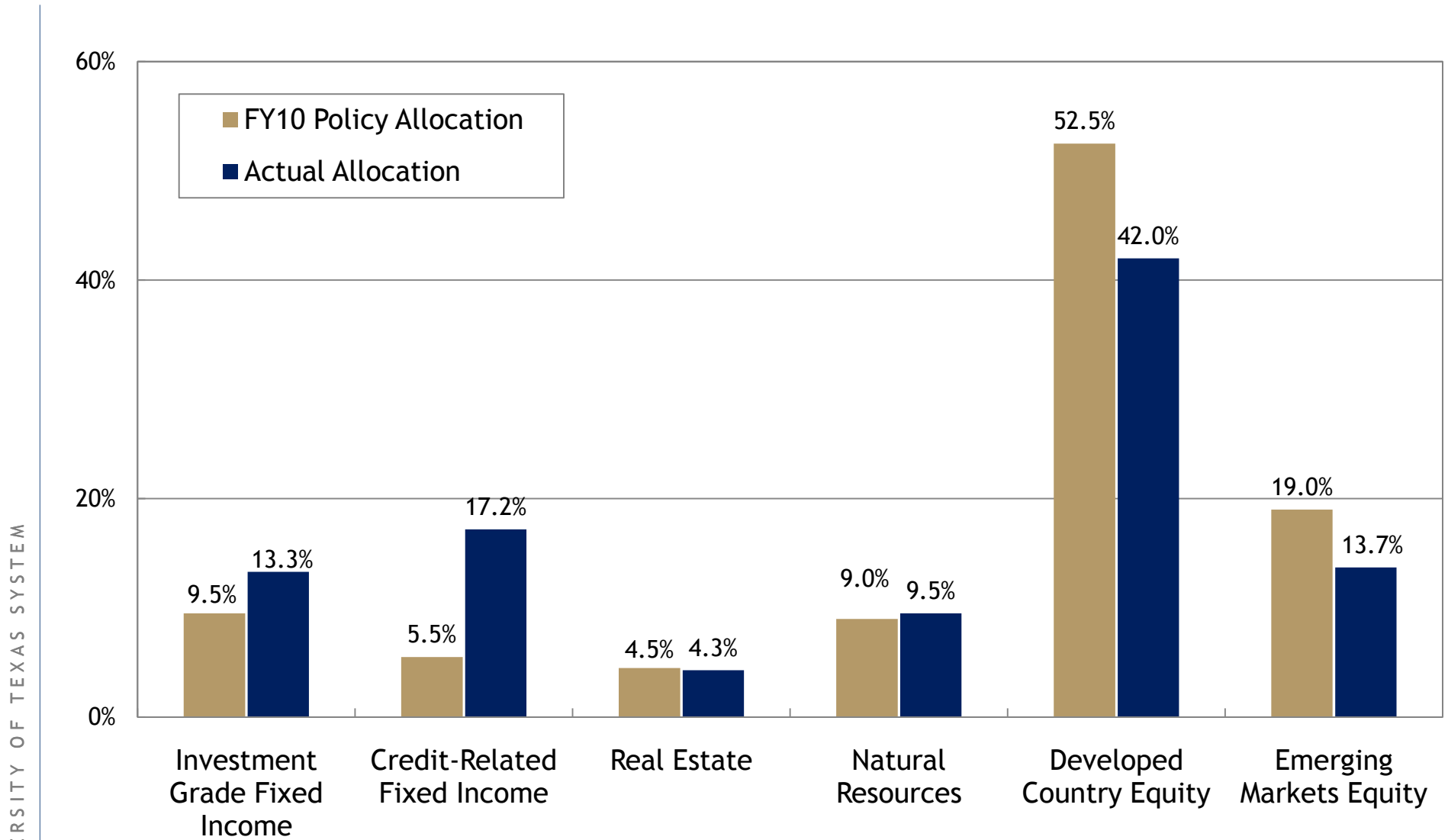
(1) Updated CIP as of 5/13/10

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

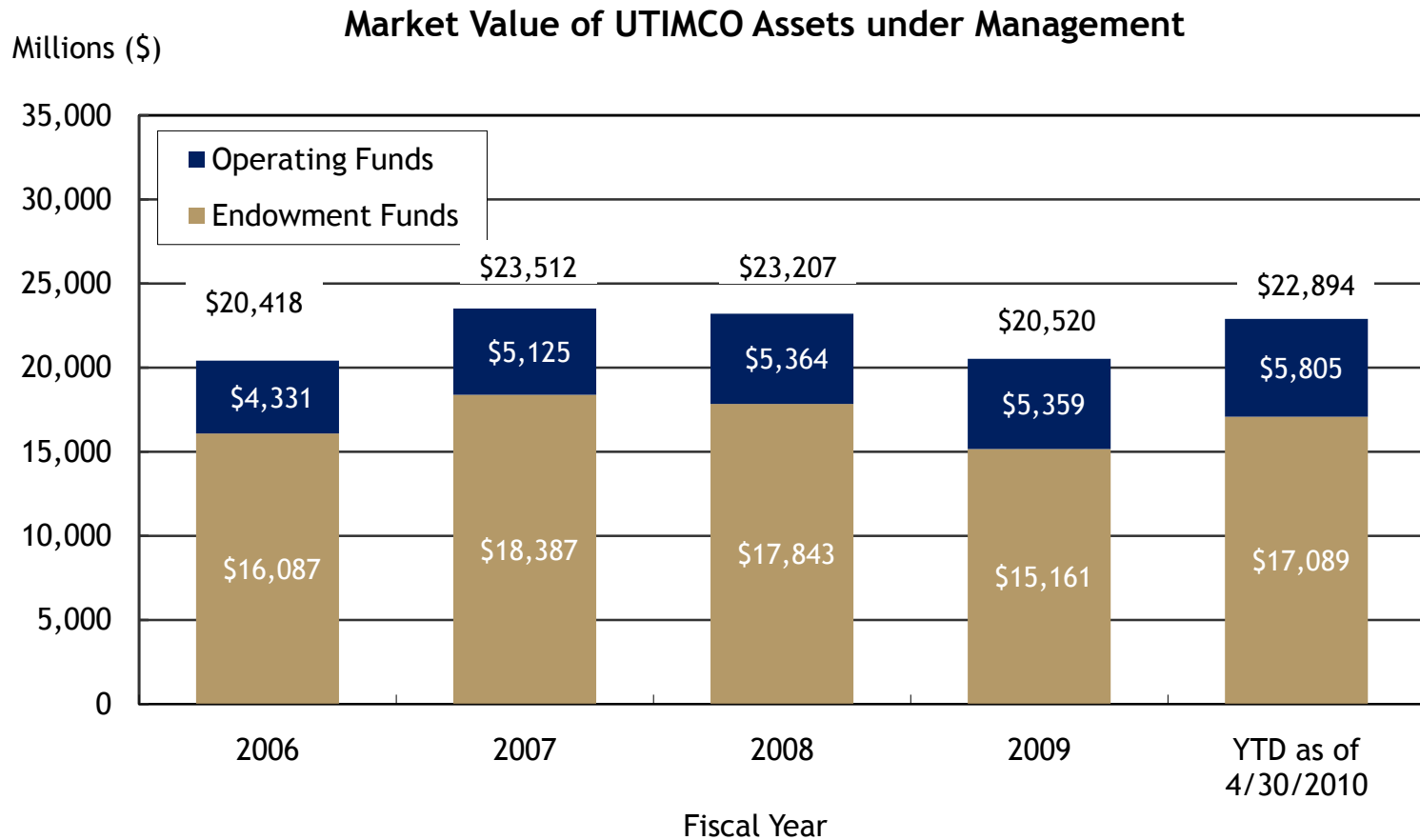


Actual Endowment Asset Allocation vs. Policy Portfolio Allocation as of April 30, 2010



Recent Investment Performance

- For the 12 months ended April 30, 2010, the PUF and General Endowment Fund (GEF) earned 28.8%
- From September 1, 2009 through April 30, 2010, the PUF and GEF endowment returns were 14%



RFS Debt Structure and Access to Liquidity

- The U. T. System has \$4.38 billion of long-term RFS debt outstanding as of May 31, 2010
 - Over 76% (\$3.35 billion) is comprised of committed fixed-rate funding
 - The remaining 24% (\$1.03 billion) of outstanding RFS debt is long-term variable rate bonds are synthetically fixed with SIFMA fixed-payer swaps (\$1.01 billion) and a LIBOR fixed-payer swap (\$16 million)

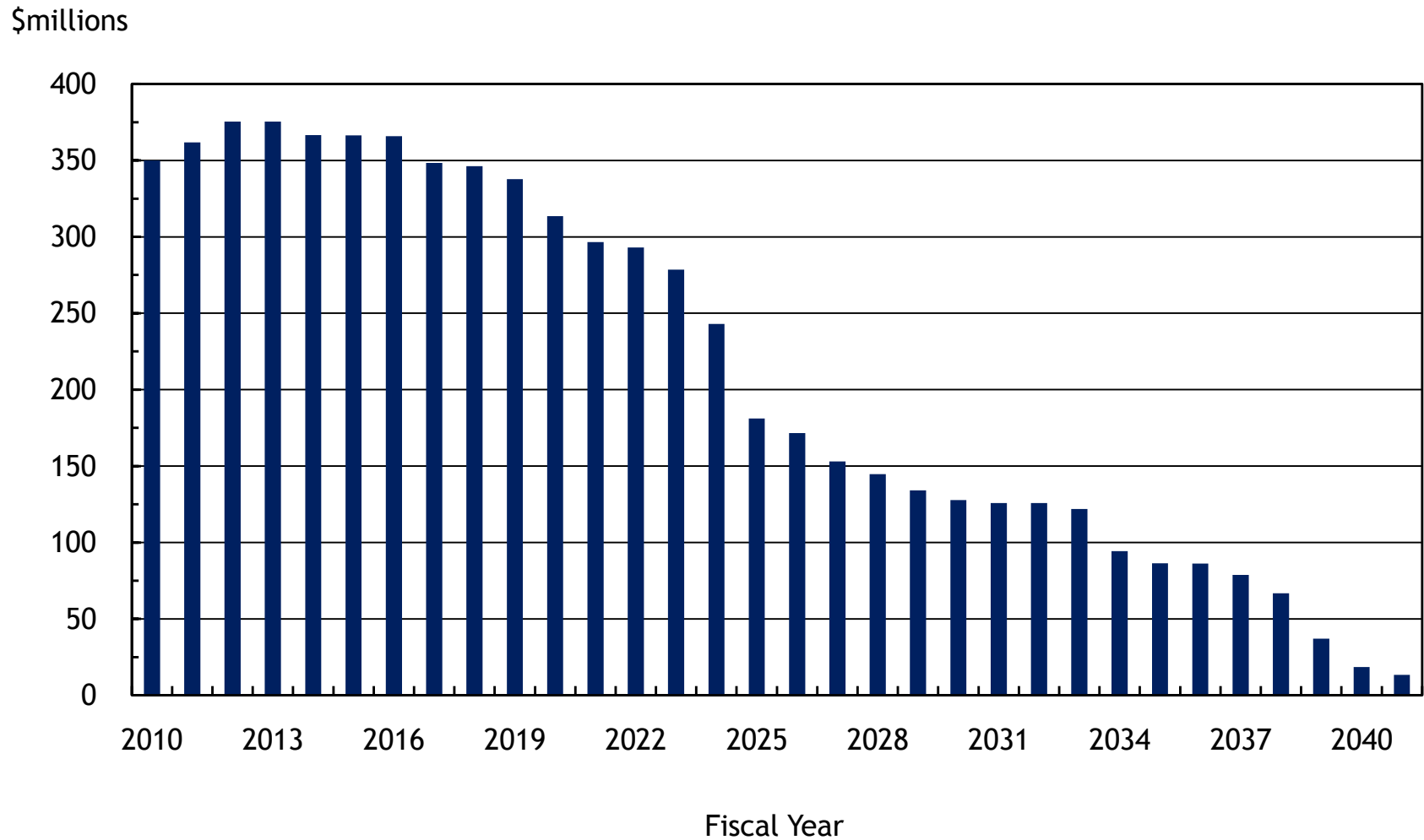
- The U. T. System maintains RFS taxable and tax-exempt commercial paper programs supported by self-liquidity in a maximum aggregate amount of \$1.25 billion
 - As of May 31, 2010, there was \$648.3 million of RFS CP outstanding

- The U. T. System's RFS debt is conservatively structured relative to many higher education peers
 - 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
 - The System's interest rate swaps on RFS debt include provisions for one-way collateral posting from swap counterparties

- 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 April 30, 2010, the total assets managed by UTIMCO aggregated to \$22.9 billion



RFS Debt Service Profile⁽¹⁾



(1) Includes debt service on all outstanding Parity Debt outstanding as of May 31, 2010, including debt service authorized to be reimbursed by the State; 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 \$22.9 billion as of April 30, 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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Terry Hull 512-499-4494 thull@utsystem.edu		

