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FOR
FINANCE AND PLANNING COMMITTEE

Committee Meeting: 8/24/2011

Board Meeting: 8/25/2011
Austin, Texas

Paul L. Foster, Chairman
Printice L. Gary, Vice Chairman
Alex M. Cranberg
Wallace L. Hall, Jr.
Brenda Pejovich

1. U. T. System Board of Regents: Discussion and appropriate action related to approval of *Docket No. 147*

RECOMMENDATION

It is recommended that *Docket No. 147* be approved. The Docket is behind the Docket tab.

It is also recommended that the Board confirm that authority to execute contracts, documents, or instruments approved therein has been delegated to appropriate officials of the respective institution involved.

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

REPORT

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Key Financial Indicators Report, as set forth on Pages 37 - 44 and the June Monthly Financial Report on Pages 45 - 69. The reports represent the consolidated and detailed operating results of the individual U. T. System institutions.

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 2007 through May 2011. Ratios requiring balance sheet data are provided for Fiscal Year 2006 through Fiscal Year 2010.

THE UNIVERSITY OF TEXAS SYSTEM

KEY FINANCIAL INDICATORS REPORT

3RD QUARTER FY 2011

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

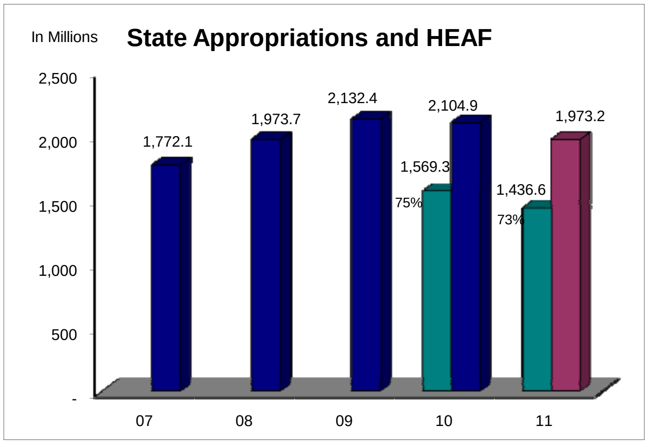
Aaa Median
(SOURCE: Moody's)

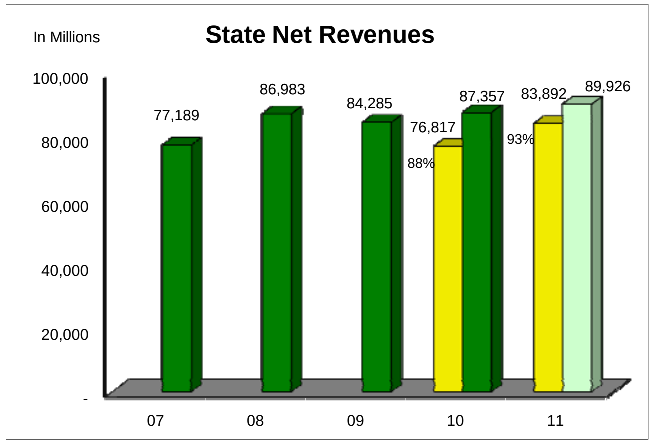
A2 Median
(SOURCE: Moody's)

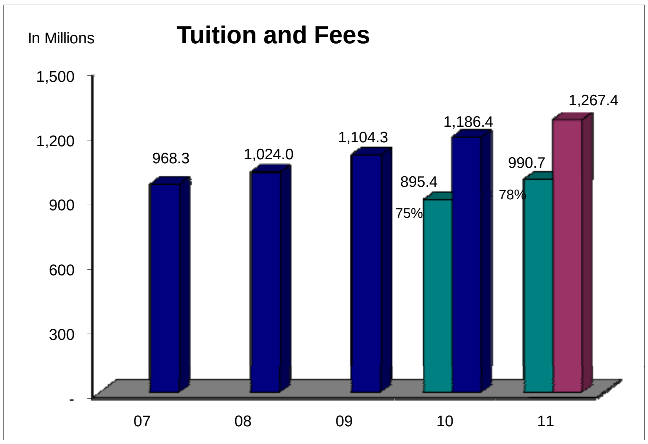
Good Facilities Condition Index (Below 5%)

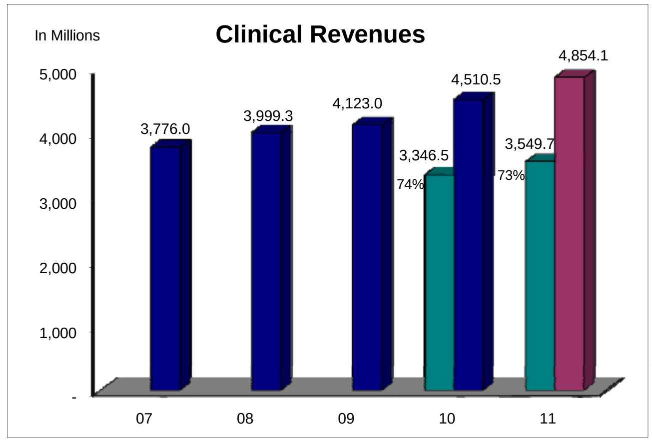
Fair Facilities Condition Index (5% - 10%)

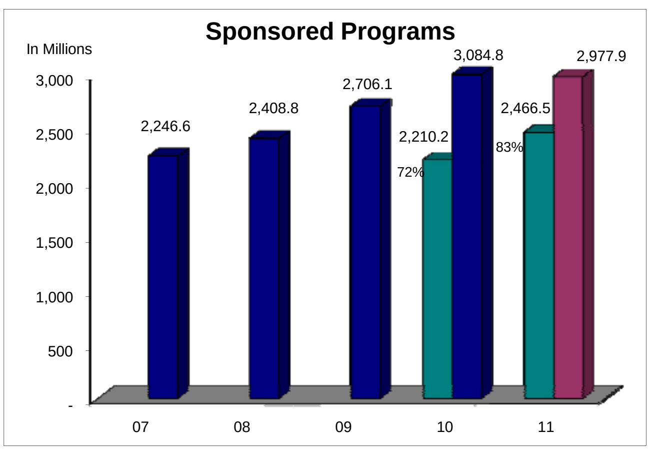
KEY INDICATORS OF REVENUES
ACTUAL 2007 THROUGH 2010
PROJECTED 2011
YEAR-TO-DATE 2010 AND 2011 FROM MAY MONTHLY FINANCIAL REPORT

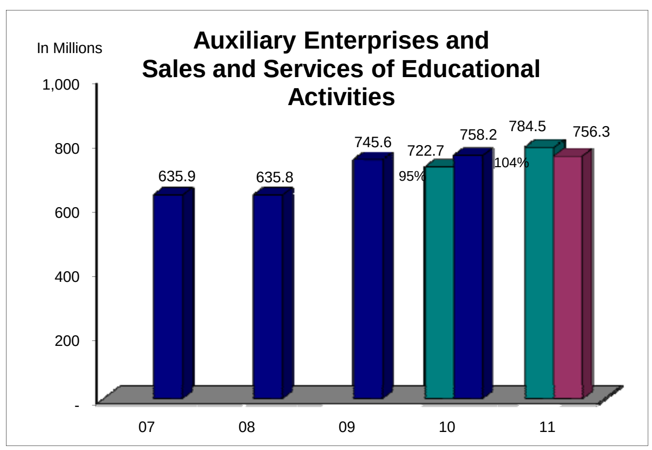


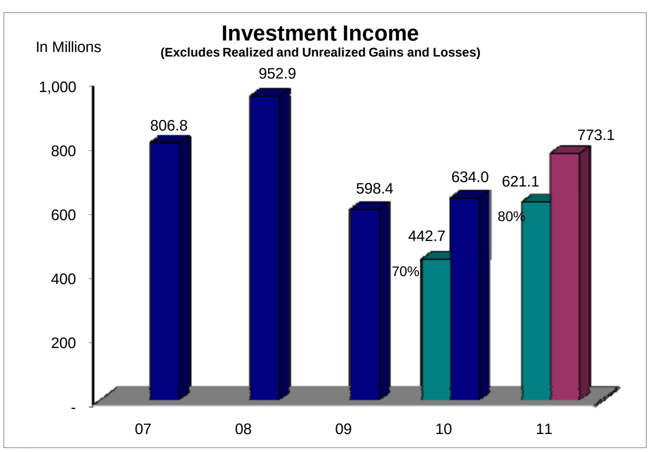


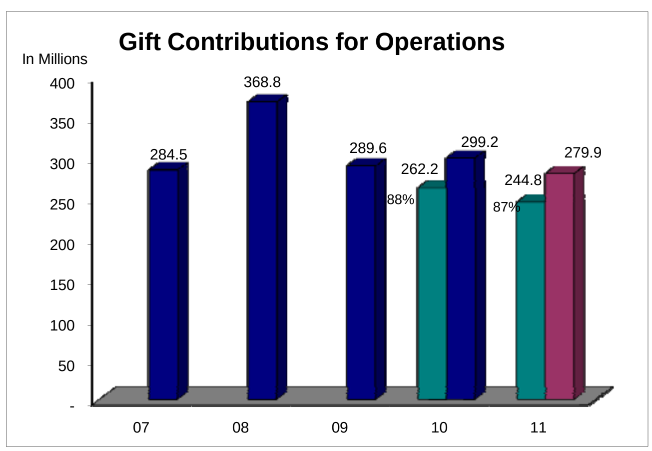




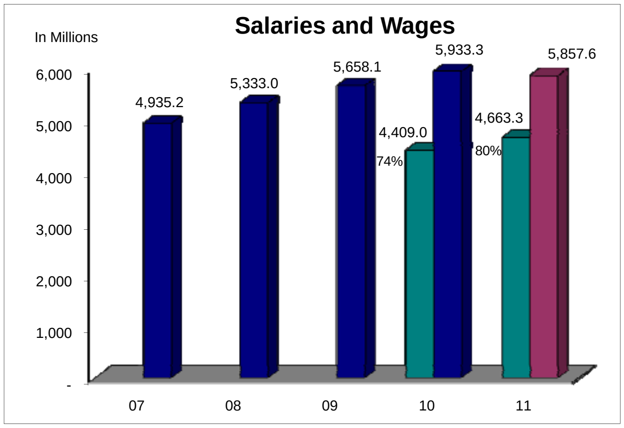


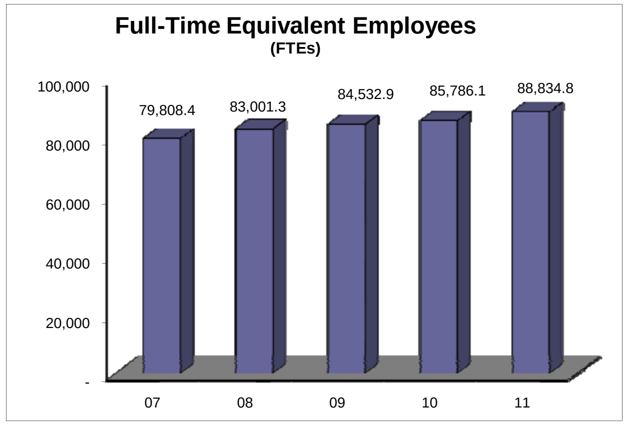


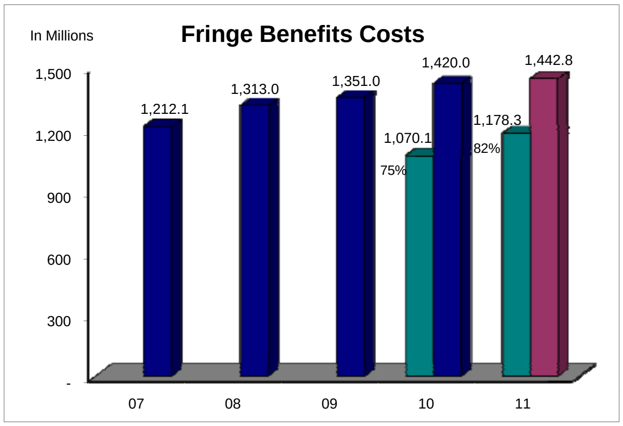


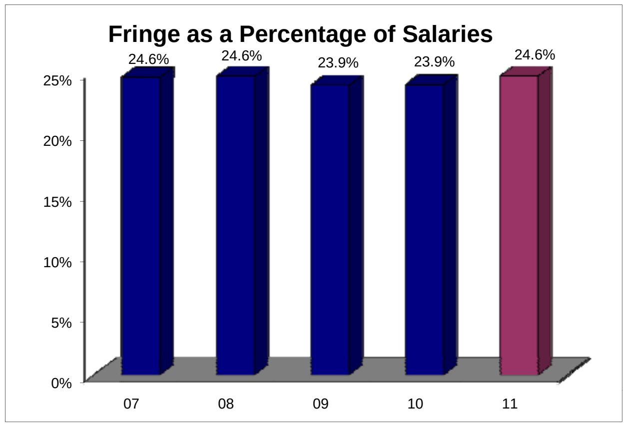


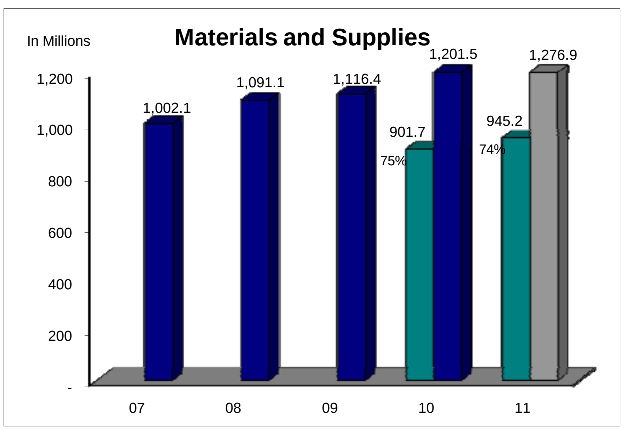
KEY INDICATORS OF EXPENSES
ACTUAL 2007 THROUGH 2010
PROJECTED 2011
YEAR-TO-DATE 2010 AND 2011 FROM MAY MONTHLY FINANCIAL REPORT

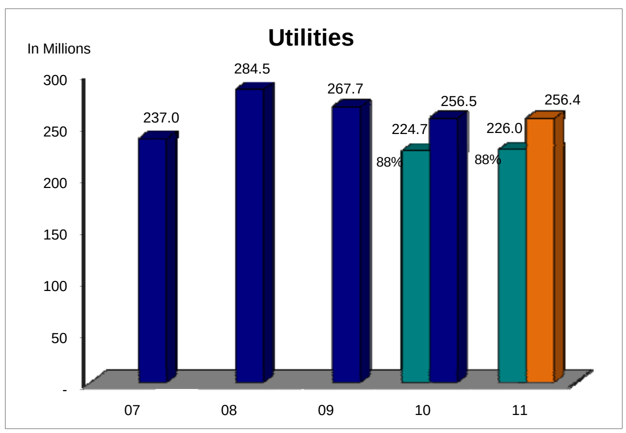


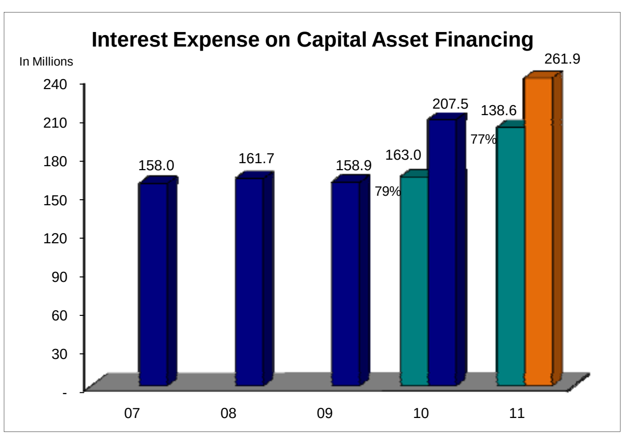


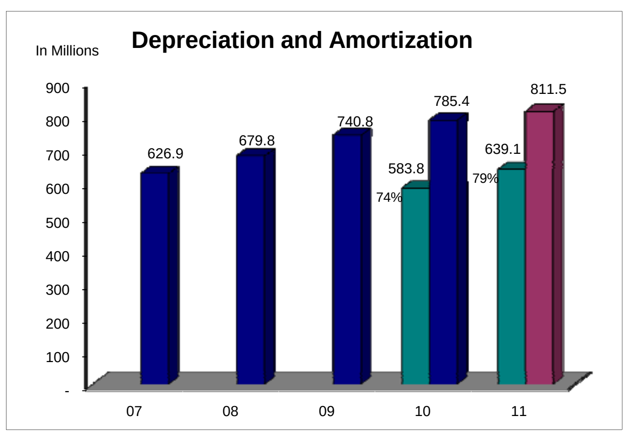




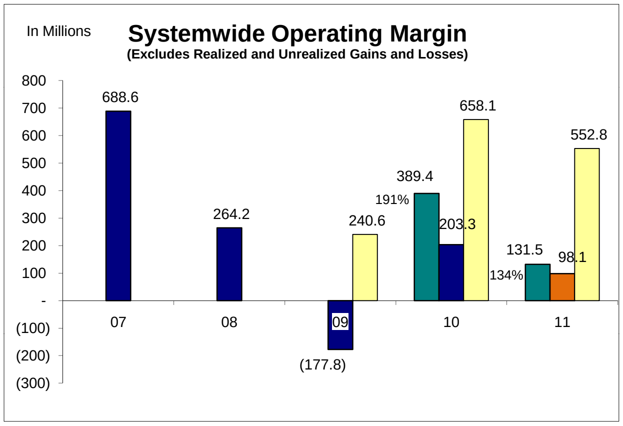


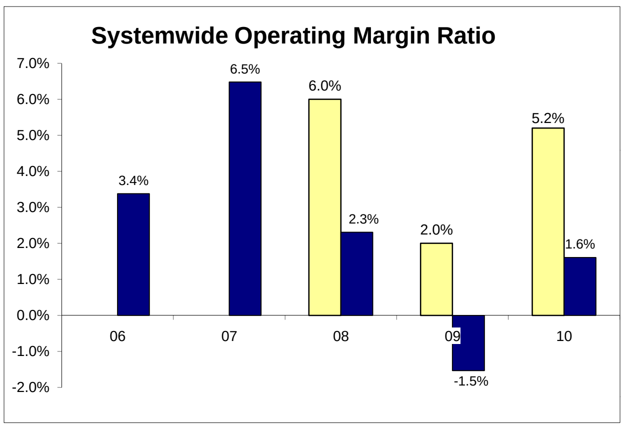


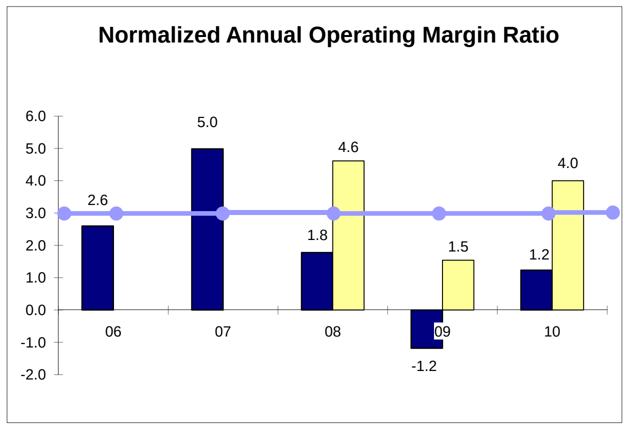


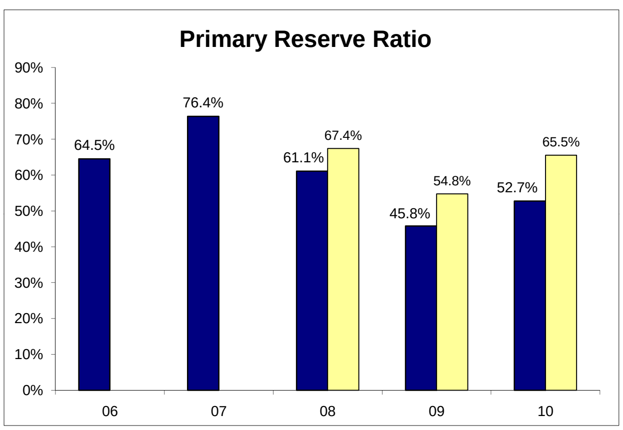


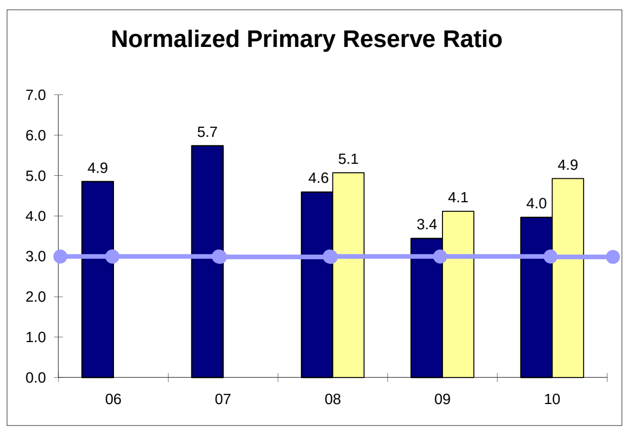
KEY INDICATORS OF RESERVES
ACTUAL 2006 THROUGH 2010
PROJECTED 2011
YEAR-TO-DATE 2010 AND 2011 FROM MAY MONTHLY FINANCIAL REPORT

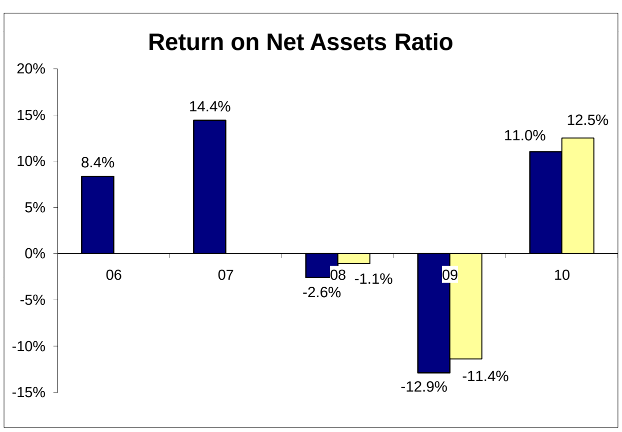


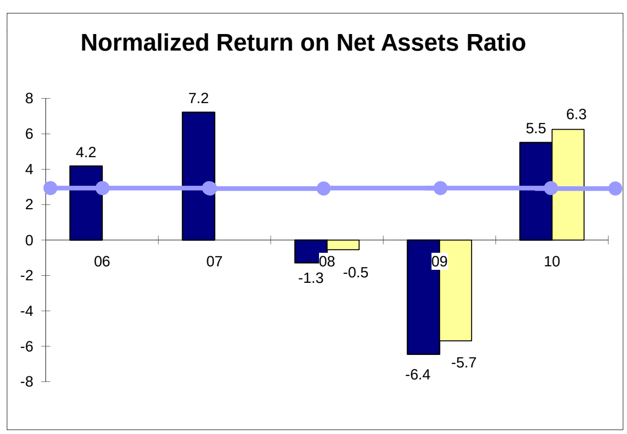




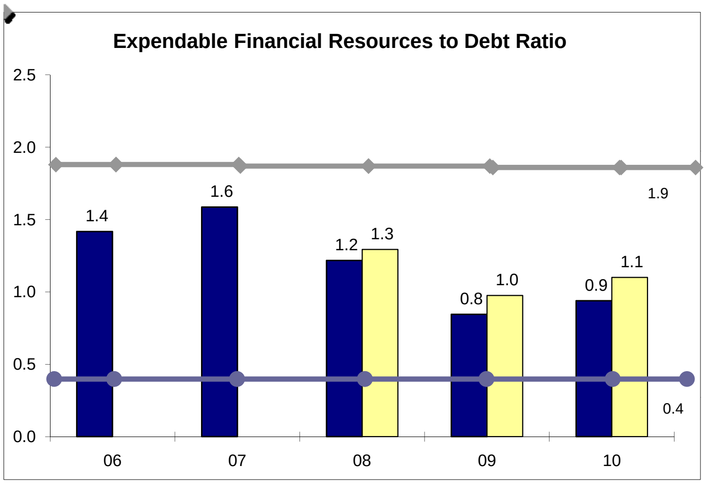


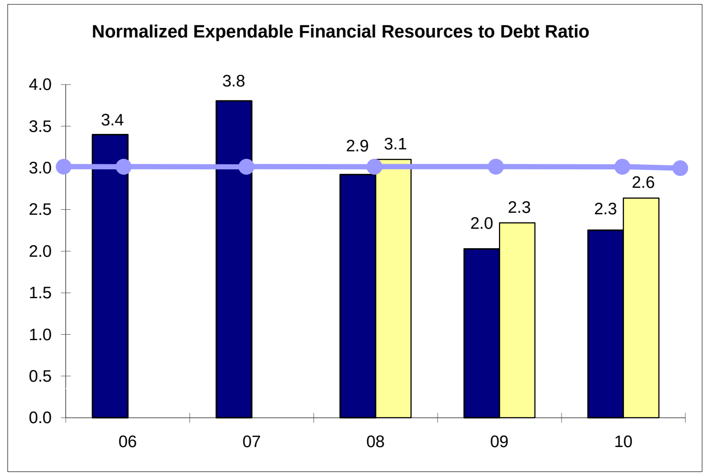


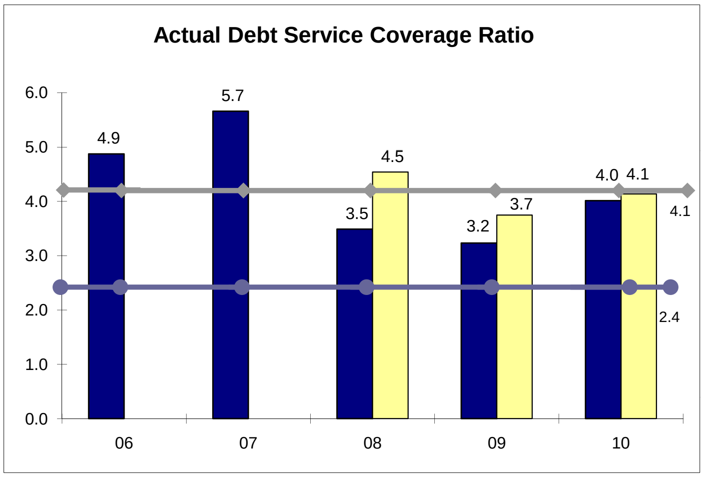


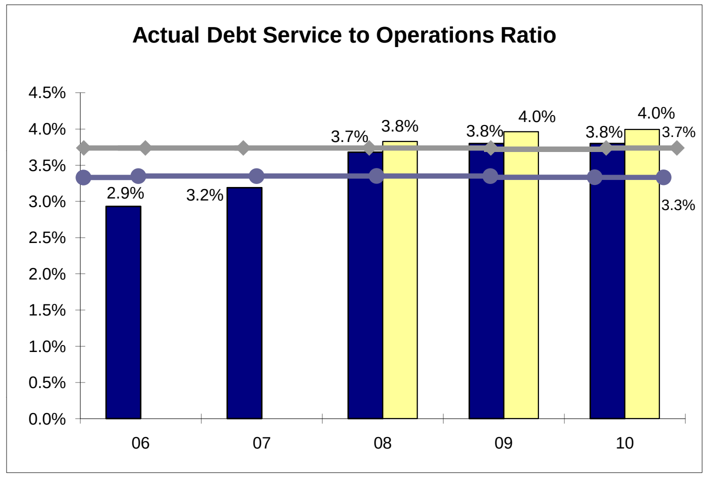


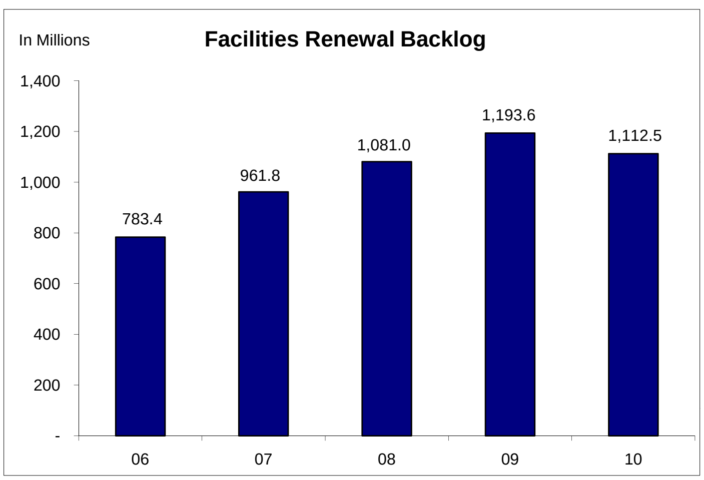
KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY
2006 THROUGH 2010

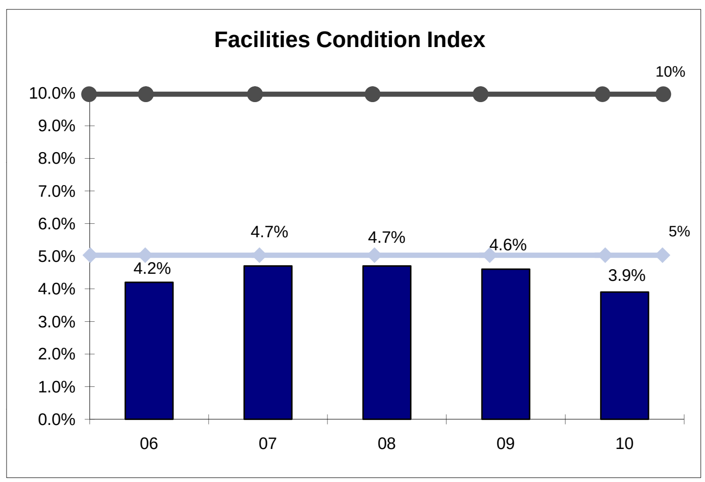


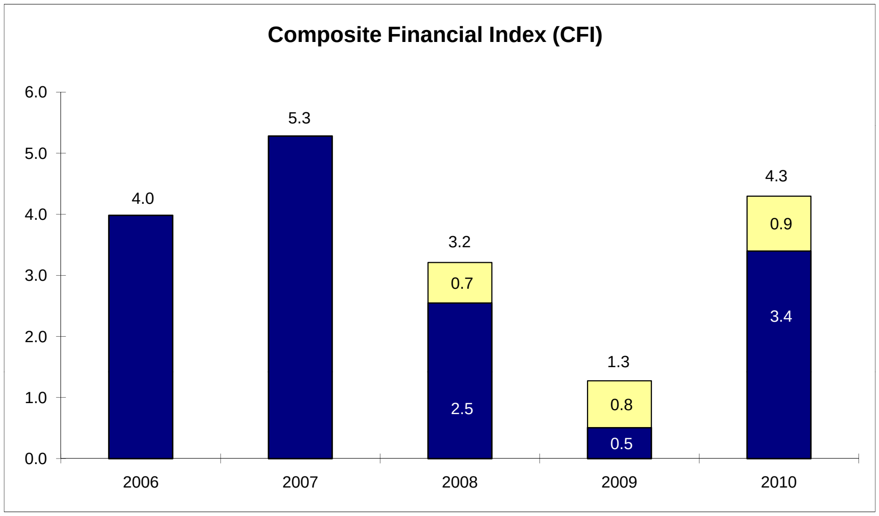


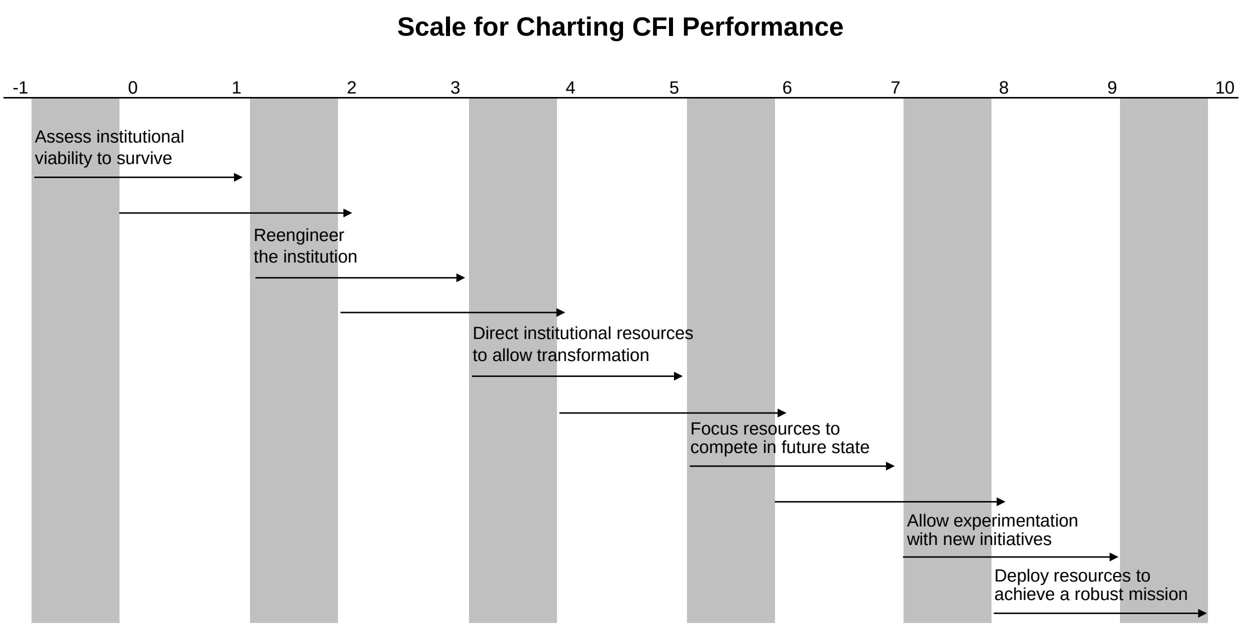




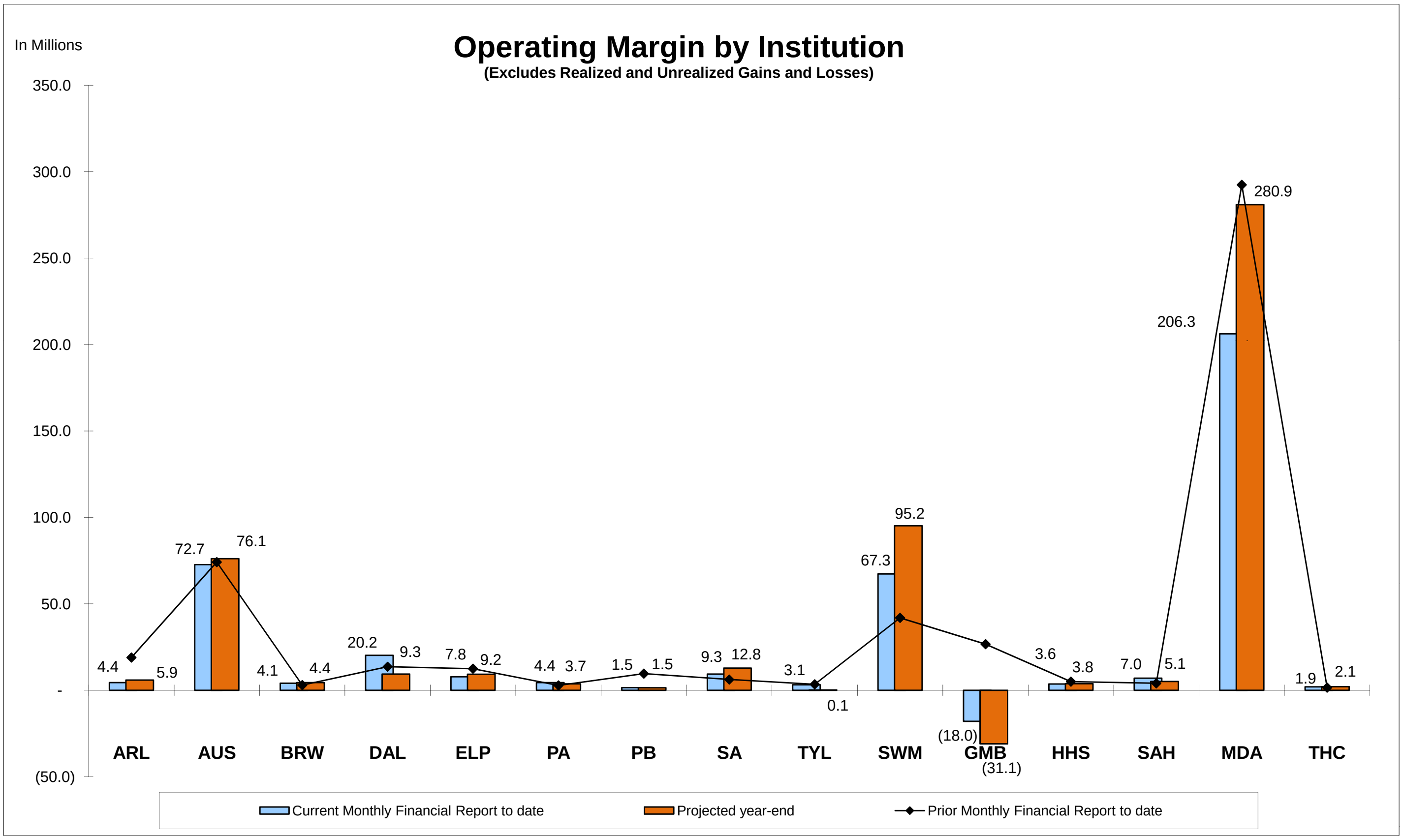


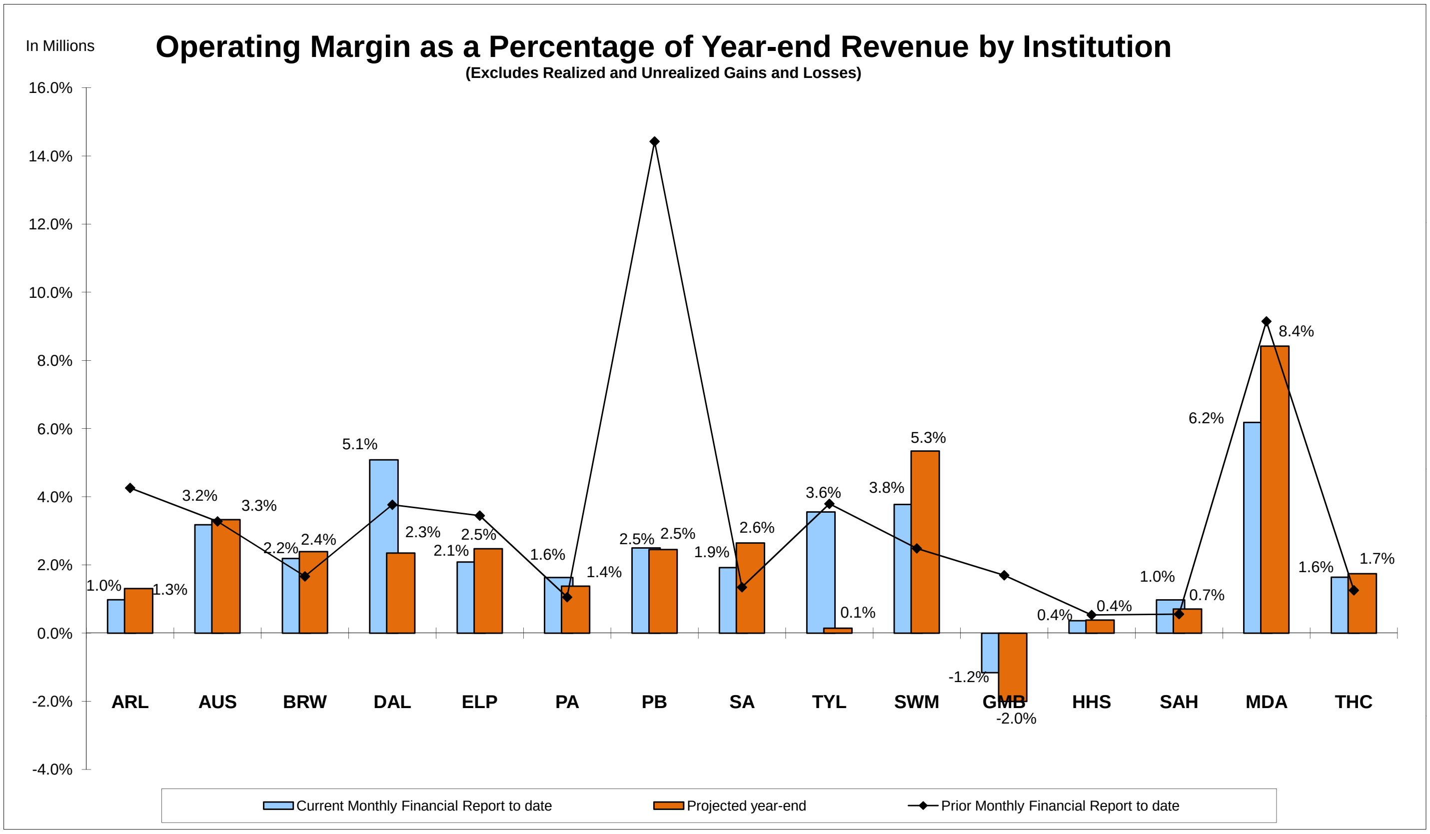



Composite Financial Index (CFI)
6.0
5.0
4.0
3.0
2.0
1.0
0.0
4.0
5.3
3.2
0.7
2.5
1.3
0.8
0.5
4.3
0.9
3.4
2006
2007
2008
2009
2010


Scale for Charting CFI Performance
-1
0
1
2
3
4
5
6
7
8
9
10
Assess institutional viability to survive
Reengineer the institution
Direct institutional resources to allow transformation
Focus resources to compete in future state
Allow experimentation with new initiatives
Deploy resources to achieve a robust mission

KEY INDICATORS OF RESERVES
YEAR-TO-DATE 2010 AND 2011 FROM MAY MONTHLY FINANCIAL REPORT
PROJECTED 2011 YEAR-END MARGIN





THE UNIVERSITY OF TEXAS SYSTEM
OFFICE OF THE CONTROLLER

MONTHLY FINANCIAL REPORT

(unaudited)

JUNE 2011

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, 2011

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.

The University of Texas System Consolidated
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2011

	June Year-to-Date FY 2011	June Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	1,092,008,206.91	998,457,966.17	93,550,240.74	9.4%
Sponsored Programs	2,380,804,325.96	2,172,646,802.43	208,157,523.53	9.6%
Net Sales and Services of Educational Activities	495,654,193.12	457,973,705.57	37,680,487.55	8.2%
Net Sales and Services of Hospitals	2,997,404,280.86	2,835,189,760.12	162,214,520.74	5.7%
Net Professional Fees	982,398,746.23	904,494,124.55	77,904,621.68	8.6%
Net Auxiliary Enterprises	364,692,255.55	350,544,509.20	14,147,746.35	4.0%
Other Operating Revenues	131,891,807.91	130,383,038.57	1,508,769.34	1.2%
Total Operating Revenues	**8,444,853,816.54**	**7,849,689,906.61**	**595,163,909.93**	**7.6%**
Operating Expenses				
Salaries and Wages	5,173,352,012.50	4,890,219,803.73	283,132,208.77	5.8%
Payroll Related Costs	1,308,660,650.87	1,185,979,152.40	122,681,498.47	10.3%
Cost of Goods Sold	77,641,403.03	73,275,401.60	4,366,001.43	6.0%
Professional Fees and Services	277,983,133.65	334,999,358.57	(57,016,224.92)	-17.0%
Other Contracted Services	426,820,926.35	146,959,506.96	279,861,419.39	190.4%
Travel	103,910,605.21	102,137,796.63	1,772,808.58	1.7%
Materials and Supplies	1,058,388,599.11	1,008,765,905.68	49,622,693.43	4.9%
Utilities	253,788,681.14	252,547,878.96	1,240,802.18	0.5%
Communications	102,245,332.49	103,819,397.11	(1,574,064.62)	-1.5%
Repairs and Maintenance	197,693,921.78	183,794,132.41	13,899,789.37	7.6%
Rentals and Leases	115,407,085.89	110,311,886.27	5,095,199.62	4.6%
Printing and Reproduction	26,671,882.53	27,341,309.01	(669,426.48)	-2.4%
Bad Debt Expense	845,909.00	(125,623.54)	971,532.54	773.4%
Claims and Losses	12,471,727.48	41,313,569.43	(28,841,841.95)	-69.8%
Increase in Net OPEB Obligation	378,948,178.33	-	378,948,178.33	100.0%
Scholarships and Fellowships	398,135,604.82	357,980,311.32	40,155,293.50	11.2%
Depreciation and Amortization	718,558,358.64	646,409,261.72	72,149,096.92	11.2%
Federal Sponsored Program Pass-Through to Other State Agencies	23,400,336.87	24,503,385.58	(1,103,048.71)	-4.5%
State Sponsored Program Pass-Through to Other State Agencies	1,871,104.44	1,565,752.57	305,351.87	19.5%
Other Operating Expenses	296,645,351.02	512,837,074.01	(216,191,722.99)	-42.2%
Total Operating Expenses	**10,953,440,805.15**	**10,004,635,260.42**	**948,805,544.73**	**9.5%**
Operating Loss	**(2,508,586,988.61)**	**(2,154,945,353.81)**	**(353,641,634.80)**	**-16.4%**
Other Nonoperating Adjustments				
State Appropriations	1,589,098,237.42	1,745,724,351.32	(156,626,113.90)	-9.0%
Nonexchange Sponsored Programs	343,183,983.60	295,443,739.30	47,740,244.30	16.2%
Gift Contributions for Operations	259,404,832.06	279,358,357.55	(19,953,525.49)	-7.1%
Net Investment Income	695,073,131.42	496,551,763.78	198,521,367.64	40.0%
Interest Expense on Capital Asset Financings	(223,212,706.81)	(181,785,416.73)	(41,427,290.08)	-22.8%
Net Other Nonoperating Adjustments	**2,663,547,477.69**	**2,635,292,795.22**	**28,254,682.47**	**1.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**154,960,489.08**	**480,347,441.41**	**(325,386,952.33)**	**-67.7%**
Adjusted Margin % including Depreciation & Amortization	**1.4%**	**4.5%**		
Investment Gain (Losses)	3,134,497,340.80	1,336,867,409.66	1,797,629,931.14	134.5%
Adj. Inc. (Loss) with Investment Gains (Losses)	**3,289,457,829.88**	**1,817,214,851.07**	**1,472,242,978.81**	**81.0%**
Adj. Margin % with Investment Gains (Losses)	**22.7%**	**15.1%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**873,518,847.72**	**1,126,756,703.13**	**(253,237,855.41)**	**-22.5%**
Adjusted Margin % excluding Depreciation & Amortization	**7.7%**	**10.6%**		

The University of Texas System
Comparison of Adjusted Income (Loss)
For the Ten Months Ending June 30, 2011

	Including Depreciation and Amortization Expense				
	June Year-to-Date FY 2011	June Year-to-Date FY 2010	Variance		Fluctuation Percentage
UT System Administration	$ (121,179,255.34)	$ 31,618,218.22	$ (152,797,473.56)	(1)	-483.3%
UT Arlington	4,717,406.45	28,510,914.00	(23,793,507.55)	(2)	-83.5%
UT Austin	69,528,321.16	88,635,643.58	(19,107,322.42)	(3)	-21.6%
UT Brownsville	4,214,464.45	4,474,451.36	(259,986.91)		-5.8%
UT Dallas	13,727,718.55	14,498,584.28	(770,865.73)		-5.3%
UT El Paso	8,832,508.01	15,206,341.18	(6,373,833.17)	(4)	-41.9%
UT Pan American	7,549,299.12	3,616,232.99	3,933,066.13	(5)	108.8%
UT Permian Basin	891,302.82	10,293,778.50	(9,402,475.68)	(6)	-91.3%
UT San Antonio	11,976,402.79	7,504,738.00	4,471,664.79	(7)	59.6%
UT Tyler	1,378,375.45	3,353,308.27	(1,974,932.82)	(8)	-58.9%
UT Southwestern Medical Center	74,140,785.71	51,702,114.89	22,438,670.82	(9)	43.4%
UT Medical Branch - Galveston	(16,091,140.44)	31,857,267.74	(47,948,408.18)	(10)	-150.5%
UT Health Science Center - Houston	2,237,471.17	8,143,425.19	(5,905,954.02)	(11)	-72.5%
UT Health Science Center - San Antonio	7,131,831.32	9,318,418.09	(2,186,586.77)		-23.5%
UT MD Anderson Cancer Center	231,929,276.40	316,718,511.30	(84,789,234.90)	(12)	-26.8%
UT Health Science Center - Tyler	2,000,721.46	1,353,827.15	646,894.31	(13)	47.8%
Elimination of AUF Transfer	(148,025,000.00)	(146,458,333.33)	(1,566,666.67)		-1.1%
Total Adjusted Income (Loss)	154,960,489.08	480,347,441.41	(325,386,952.33)		-67.7%
Investment Gains (Losses)	3,134,497,340.80	1,336,867,409.66	1,797,629,931.14		134.5%
Total Adjusted Income (Loss) with Investment Gains (Losses) Including Depreciation and Amortization	**$ 3,289,457,829.88**	**$ 1,817,214,851.07**	**$ 1,472,242,978.81**		**81.0%**

	Excluding Depreciation and Amortization Expense			
	June Year-to-Date FY 2011	June Year-to-Date FY 2010	Variance	Fluctuation Percentage
UT System Administration	$ (110,822,939.98)	$ 39,476,304.13	$ (150,299,244.11)	-380.7%
UT Arlington	33,504,543.68	50,163,335.00	(16,658,791.32)	-33.2%
UT Austin	234,291,305.03	228,933,207.78	5,358,097.25	2.3%
UT Brownsville	8,979,792.71	9,223,075.78	(243,283.07)	-2.6%
UT Dallas	40,366,809.12	37,632,668.90	2,734,140.22	7.3%
UT El Paso	24,440,984.85	30,190,886.85	(5,749,902.00)	-19.0%
UT Pan American	19,390,937.79	14,806,051.99	4,584,885.80	31.0%
UT Permian Basin	5,563,230.05	13,706,269.33	(8,143,039.28)	-59.4%
UT San Antonio	44,544,433.35	38,503,996.00	6,040,437.35	15.7%
UT Tyler	10,447,871.49	11,256,488.27	(808,616.78)	-7.2%
UT Southwestern Medical Center	148,614,985.29	117,181,484.25	31,433,501.04	26.8%
UT Medical Branch - Galveston	50,317,148.46	92,121,143.95	(41,803,995.49)	-45.4%
UT Health Science Center - Houston	43,015,350.73	41,876,584.22	1,138,766.51	2.7%
UT Health Science Center - San Antonio	37,381,831.32	35,985,084.76	1,396,746.56	3.9%
UT MD Anderson Cancer Center	423,810,983.10	504,807,270.30	(80,996,287.20)	-16.0%
UT Health Science Center - Tyler	7,696,580.73	7,351,184.95	345,395.78	4.7%
Elimination of AUF Transfer	(148,025,000.00)	(146,458,333.33)	(1,566,666.67)	-1.1%
Total Adjusted Income (Loss)	873,518,847.72	1,126,756,703.13	(253,237,855.41)	-22.5%
Total Adjusted Income (Loss) Excluding Depreciation and Amortization	**$ 873,518,847.72**	**$ 1,126,756,703.13**	**$ (253,237,855.41)**	**-22.5%**

THE UNIVERSITY OF TEXAS SYSTEM
EXPLANATION OF VARIANCES ON THE MONTHLY FINANCIAL REPORT
For the Ten Months Ending June 30, 2011

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) *UT System Administration* – The $152.8 million (483.3%) decrease in adjusted income over the same period last year was primarily due to a change in the monthly financial reporting process to include an accrual for the other post employment benefits (OPEB) expense for the entire *UT System* in 2011. However, the additional expense is partially offset by a large increase in recognized oil and gas lease bonus sales in 2011. As a result, *UT System Administration* experienced a $121.2 million loss and anticipates ending the year with a $167.7 million loss which represents -37.4% of projected revenues and includes $454.7 million of OPEB expense and $12.4 million of depreciation and amortization expense. *UT System Administration's* adjusted loss was $110.8 million or -28.2% excluding depreciation and amortization expense.

(2) *UT Arlington* – The $23.8 million (83.5%) decrease in adjusted income over the same period last year was primarily attributable to an increase in other contracted services due to Academic Partnership Programs which assist with the recruitment and enrollment of students in various online degree programs, an increase in depreciation and amortization due to the completion of the Engineering Research Complex Building and a decrease in state appropriations as a result of state-wide budget cuts mandated by the state's leadership. Excluding depreciation and amortization expense, *UT Arlington's* adjusted income was $33.5 million or 9.0%.

(3) *UT Austin* – The $19.1 million (21.6%) decrease in adjusted income over the same period last year was primarily attributable to an increase in depreciation and amortization due to the completion of several buildings on campus. The decrease was also attributable to a decrease in state appropriations as a result of state-wide budget cuts mandated by the state's leadership. Excluding depreciation and amortization expense, *UT Austin's* adjusted income was $234.3 million or 11.4%.

(4) *UT El Paso* – The $6.4 million (41.9%) decrease in adjusted income over the same period last year was primarily due to a decrease in state appropriations as a result of state-wide budget cuts mandated by the state's leadership and decreases in gift contributions for operations as a result of decreased pledge commitments. Excluding depreciation and amortization expense, *UT El Paso's* adjusted income was $24.4 million or 7.5%.

(5) *UT Pan American* – The $3.9 million (108.8%) increase in adjusted income over the same period last year was primarily due to a change in the monthly financial reporting process to more closely align monthly reporting with year-end results. Materials and supplies also decreased due to containment of operating expenses related to cost reduction activities. Excluding depreciation and amortization expense, *UT Pan American's* adjusted income was $19.4 million or 8.2%.

(6) *UT Permian Basin* – The $9.4 million (91.3%) decrease in adjusted income over the same period last year was primarily due to a decrease in state appropriations as a result of state-wide budget cuts mandated by the state's leadership. The decrease was also attributable to an increase in depreciation and amortization due to the completion of the Science and Technology Complex and the Student Activities Center and an increase in interest expense. Excluding depreciation and amortization expense, *UT Permian Basin's* adjusted income was $5.6 million or 11.2%.

(7) *UT San Antonio* - The $4.5 million (59.6%) increase in adjusted income over the same period last year was primarily attributable to an increase in tuition and fees as a result of increased student enrollment. Excluding depreciation and amortization expense, *UT San Antonio's* adjusted income was $44.5 million or 11.0%.

(8) *UT Tyler* – The $2.0 million (58.9%) decrease in adjusted income over the same period last year was primarily attributable to a decrease in state appropriations as a result of state-wide budget cuts mandated by the state's leadership. Excluding depreciation and amortization expense, *UT Tyler's* adjusted income was $10.4 million or 13.4%.

(9) *UT Southwestern Medical Center* – The $22.4 million (43.4%) increase in adjusted income over the same period last year was primarily attributable to an increase in net sales and services of hospitals as a result of increased inpatient and outpatient visits. Excluding depreciation and amortization expense, *UT Southwestern Medical Center's* adjusted income was $148.6 million or 10.1%.

(10) *UT Medical Branch - Galveston* – The $47.9 million (150.5%) decrease in adjusted income over the same period last year was primarily due to a decrease in state appropriations as a result of the state-wide budget cuts mandated by the state's leadership. Correctional Managed Care (CMC) also incurred a year-to-date loss of $23.1 million. As a result of these factors, *UTMB* experienced a $16.1 million year-to-date loss. Excluding depreciation and amortization expense, *UTMB's* adjusted income was $50.3 million or 3.9%. *UTMB* is forecasting a year-end loss of $31.1 million which represents -2.0% of projected revenues of which $29.4 million is attributable to CMC. This forecast excludes the potential receipt of a $51.1 million CMC supplemental appropriation to the Department of Criminal Justice and includes $78.2 million of depreciation and amortization expense.

(11) *UT Health Science Center – Houston* – The $5.9 million (72.5%) decrease in adjusted income over the same period last year was primarily due to a decrease in state appropriations as a result of the state-wide budget cuts mandated by the state's leadership. Excluding depreciation and amortization expense, *UTHSC-Houston's* adjusted income was $43.0 million or 5.3%.

(12) *UT MD Anderson Cancer Center* – The $84.8 million (26.8%) decrease in adjusted income over the same period last year was primarily due to an overall increase in operating expenses of $203.4 million. Salaries and wages and payroll related costs increased as a result of full-time employee growth and an increase in rates for group insurance. Repairs and maintenance increased as a result of increases in accruals for hardware and equipment maintenance for the Radiology and Oncology Treatment Center and information security and risk management. Excluding depreciation and amortization expense, *MD Anderson's* adjusted income was $423.8 million or 15.2%.

(13) *UT Health Science Center – Tyler* – The $0.6 million (47.8%) increase in adjusted income over the same period last year was primarily due to a decrease in expenses. Materials and supplies decreased due to a lower volume of ancillary services using medical supplies. Other operating expenses decreased due to the end of a maintenance service contract. Excluding depreciation and amortization expense, *UTHSC-Tyler's* adjusted income was $7.7 million or 7.8%.

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.)

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 not 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 not 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 and judgments are considered other operating 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.).

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

<u>OTHER NONOPERATING ADJUSTMENTS</u>:

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.

The University of Texas System Administration
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2011

	June Year-to-Date FY 2011	June Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Sponsored Programs	13,840,975.98	32,545,922.14	(18,704,946.16)	-57.5%
Net Sales and Services of Educational Activities	24,454,197.26	25,855,741.62	(1,401,544.36)	-5.4%
Other Operating Revenues	51,822,573.82	7,884,729.34	43,937,844.48	557.3%
Total Operating Revenues	**90,117,747.06**	**66,286,393.10**	**23,831,353.96**	**36.0%**
Operating Expenses				
Salaries and Wages	26,921,511.38	32,832,442.18	(5,910,930.80)	-18.0%
Payroll Related Costs	7,333,069.52	7,601,851.05	(268,781.53)	-3.5%
Professional Fees and Services	2,344,146.67	2,130,880.25	213,266.42	10.0%
Other Contracted Services	5,549,104.23	12,104,321.14	(6,555,216.91)	-54.2%
Travel	1,046,973.15	1,688,408.92	(641,435.77)	-38.0%
Materials and Supplies	2,360,817.60	8,584,224.85	(6,223,407.25)	-72.5%
Utilities	421,401.02	384,142.21	37,258.81	9.7%
Communications	2,716,935.73	3,421,351.83	(704,416.10)	-20.6%
Repairs and Maintenance	810,973.29	6,281,506.19	(5,470,532.90)	-87.1%
Rentals and Leases	568,165.20	608,637.50	(40,472.30)	-6.6%
Printing and Reproduction	237,977.04	337,803.58	(99,826.54)	-29.6%
Claims and Losses	12,471,727.48	41,313,569.43	(28,841,841.95)	-69.8%
Increase in Net OPEB Obligation	378,948,178.33	-	378,948,178.33	100.0%
Scholarships and Fellowships	1,787,750.00	1,039,400.00	748,350.00	72.0%
Depreciation and Amortization	10,356,315.36	7,858,085.91	2,498,229.45	31.8%
State Sponsored Program Pass-Through to Other State Agencies	1,847,939.78	1,565,752.57	282,187.21	18.0%
Other Operating Expenses	8,015,600.59	9,387,905.95	(1,372,305.36)	-14.6%
Total Operating Expenses	**463,738,586.37**	**137,140,283.56**	**326,598,302.81**	**238.1%**
Operating Loss	**(373,620,839.31)**	**(70,853,890.46)**	**(302,766,948.85)**	**-427.3%**
Other Nonoperating Adjustments				
State Appropriations	1,562,268.08	1,949,829.97	(387,561.89)	-19.9%
Nonexchange Sponsored Programs	17,198,333.61	10,892,993.15	6,305,340.46	57.9%
Gift Contributions for Operations	848,546.35	686,077.48	162,468.87	23.7%
Net Investment Income	250,505,025.90	103,818,696.55	146,686,329.35	141.3%
Interest Expense on Capital Asset Financings	(49,998,114.14)	(43,237,051.80)	(6,761,062.34)	-15.6%
Net Other Nonoperating Adjustments	**220,116,059.80**	**74,110,545.35**	**146,005,514.45**	**197.0%**
Adjusted Income (Loss) including Depreciation & Amortization	**(153,504,779.51)**	**3,256,654.89**	**(156,761,434.40)**	**-4,813.6%**
Adjusted Margin % including Depreciation & Amortization	**-42.6%**	**1.8%**		
Available University Fund Transfer	32,325,524.17	28,361,563.33	3,963,960.84	14.0%
Adjusted Income (Loss) with AUF Transfer	**(121,179,255.34)**	**31,618,218.22**	**(152,797,473.56)**	**-483.3%**
Adjusted Margin % with AUF Transfer	**-30.9%**	**14.9%**		
Investment Gain (Losses)	1,955,803,552.04	1,051,349,854.68	904,453,697.36	86.0%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**$1,834,624,296.70**	**$1,082,968,072.90**	**$751,656,223.80**	**69.4%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**78.1%**	**85.7%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization	**(110,822,939.98)**	**39,476,304.13**	**(150,299,244.11)**	**-380.7%**
Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization	**-28.2%**	**18.6%**		

The University of Texas at Arlington
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2011

	June Year-to-Date FY 2011	June Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	135,164,708.35	132,877,324.00	2,287,384.35	1.7%
Sponsored Programs	58,954,001.79	47,527,109.00	11,426,892.79	24.0%
Net Sales and Services of Educational Activities	13,901,988.59	11,528,569.00	2,373,419.59	20.6%
Net Auxiliary Enterprises	22,068,193.45	21,679,877.00	388,316.45	1.8%
Other Operating Revenues	4,062,291.32	7,026,927.00	(2,964,635.68)	-42.2%
Total Operating Revenues	**234,151,183.50**	**220,639,806.00**	**13,511,377.50**	**6.1%**
Operating Expenses				
Salaries and Wages	182,332,111.07	174,144,632.00	8,187,479.07	4.7%
Payroll Related Costs	42,900,742.72	36,137,477.00	6,763,265.72	18.7%
Cost of Goods Sold	200.48	-	200.48	100.0%
Professional Fees and Services	3,947,246.25	3,605,558.00	341,688.25	9.5%
Other Contracted Services	23,123,825.40	12,013,223.96	11,110,601.44	92.5%
Travel	5,105,233.20	5,492,778.00	(387,544.80)	-7.1%
Materials and Supplies	19,031,550.61	16,601,640.00	2,429,910.61	14.6%
Utilities	10,029,540.43	9,905,372.00	124,168.43	1.3%
Communications	5,643,854.04	5,732,647.00	(88,792.96)	-1.5%
Repairs and Maintenance	7,253,379.86	6,786,774.00	466,605.86	6.9%
Rentals and Leases	3,114,276.57	2,923,170.00	191,106.57	6.5%
Printing and Reproduction	2,213,247.18	2,296,718.00	(83,470.82)	-3.6%
Bad Debt Expense	305,746.19	-	305,746.19	100.0%
Scholarships and Fellowships	15,479,880.03	16,870,290.00	(1,390,409.97)	-8.2%
Depreciation and Amortization	28,787,137.23	21,652,421.00	7,134,716.23	33.0%
Federal Sponsored Program Pass-Through to Other State Agencies	1,487,648.44	1,628,720.00	(141,071.56)	-8.7%
State Sponsored Program Pass-Through to Other State Agencies	23,164.66	-	23,164.66	100.0%
Other Operating Expenses	6,849,701.95	8,187,276.04	(1,337,574.09)	-16.3%
Total Operating Expenses	**357,628,486.31**	**323,978,697.00**	**33,649,789.31**	**10.4%**
Operating Loss	**(123,477,302.81)**	**(103,338,891.00)**	**(20,138,411.81)**	**-19.5%**
Other Nonoperating Adjustments				
State Appropriations	86,603,044.17	94,380,020.00	(7,776,975.83)	-8.2%
Nonexchange Sponsored Programs	38,717,906.67	33,198,930.00	5,518,976.67	16.6%
Gift Contributions for Operations	2,356,820.46	2,568,064.00	(211,243.54)	-8.2%
Net Investment Income	10,593,019.66	9,368,873.00	1,224,146.66	13.1%
Interest Expense on Capital Asset Financings	(10,076,081.70)	(7,666,082.00)	(2,409,999.70)	-31.4%
Net Other Nonoperating Adjustments	**128,194,709.26**	**131,849,805.00**	**(3,655,095.74)**	**-2.8%**
Adjusted Income (Loss) including Depreciation & Amortization	**4,717,406.45**	**28,510,914.00**	**(23,793,507.55)**	**-83.5%**
Adjusted Margin % including Depreciation & Amortization	**1.3%**	**7.9%**		
Investment Gain (Losses)	30,542,202.53	7,278,739.00	23,263,463.53	319.6%
Adj. Inc. (Loss) with Investment Gains (Losses)	**35,259,608.98**	**35,789,653.00**	**(530,044.02)**	**-1.5%**
Adj. Margin % with Investment Gains (Losses)	**8.8%**	**9.7%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**33,504,543.68**	**50,163,335.00**	**(16,658,791.32)**	**-33.2%**
Adjusted Margin % excluding Depreciation & Amortization	**9.0%**	**13.9%**		

The University of Texas at Austin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2011

	June Year-to-Date FY 2011	June Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	379,166,666.67	344,927,984.93	34,238,681.74	9.9%
Sponsored Programs	456,042,643.10	416,039,831.52	40,002,811.58	9.6%
Net Sales and Services of Educational Activities	314,924,095.64	298,913,279.48	16,010,816.16	5.4%
Net Auxiliary Enterprises	205,965,462.99	202,130,678.54	3,834,784.45	1.9%
Other Operating Revenues	5,348,091.95	3,611,693.94	1,736,398.01	48.1%
Total Operating Revenues	**1,361,446,960.35**	**1,265,623,468.42**	**95,823,491.93**	**7.6%**
Operating Expenses				
Salaries and Wages	904,497,709.08	885,091,189.01	19,406,520.07	2.2%
Payroll Related Costs	223,494,674.89	208,222,136.49	15,272,538.40	7.3%
Professional Fees and Services	25,481,044.55	25,513,332.80	(32,288.25)	-0.1%
Other Contracted Services	110,476,674.83	-	110,476,674.83	100.0%
Travel	36,376,797.86	34,360,643.11	2,016,154.75	5.9%
Materials and Supplies	112,420,786.02	105,516,694.65	6,904,091.37	6.5%
Utilities	85,135,128.27	80,597,746.94	4,537,381.33	5.6%
Communications	46,970,893.98	49,096,068.03	(2,125,174.05)	-4.3%
Repairs and Maintenance	44,700,371.52	36,331,209.69	8,369,161.83	23.0%
Rentals and Leases	15,194,184.70	16,516,798.80	(1,322,614.10)	-8.0%
Printing and Reproduction	8,482,341.77	9,782,203.96	(1,299,862.19)	-13.3%
Scholarships and Fellowships	97,981,917.62	85,001,134.73	12,980,782.89	15.3%
Depreciation and Amortization	164,762,983.87	140,297,564.20	24,465,419.67	17.4%
Federal Sponsored Program Pass-Through to Other State Agencies	2,383,265.01	3,180,700.10	(797,435.09)	-25.1%
Other Operating Expenses	71,409,442.00	162,159,616.49	(90,750,174.49)	-56.0%
Total Operating Expenses	**1,949,768,215.97**	**1,841,667,039.00**	**108,101,176.97**	**5.9%**
Operating Loss	**(588,321,255.62)**	**(576,043,570.58)**	**(12,277,685.04)**	**-2.1%**
Other Nonoperating Adjustments				
State Appropriations	257,778,060.47	284,201,390.29	(26,423,329.82)	-9.3%
Nonexchange Sponsored Programs	38,905,974.36	31,168,266.51	7,737,707.85	24.8%
Gift Contributions for Operations	91,925,876.88	93,787,266.09	(1,861,389.21)	-2.0%
Net Investment Income	160,148,407.87	138,595,192.64	21,553,215.23	15.6%
Interest Expense on Capital Asset Financings	(38,933,742.80)	(29,531,234.70)	(9,402,508.10)	-31.8%
Net Other Nonoperating Adjustments	**509,824,576.78**	**518,220,880.83**	**(8,396,304.05)**	**-1.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**(78,496,678.84)**	**(57,822,689.76)**	**(20,673,989.08)**	**-35.8%**
Adjusted Margin % including Depreciation & Amortization	**-4.1%**	**-3.2%**		
Available University Fund Transfer	148,025,000.00	146,458,333.33	1,566,666.67	1.1%
Adjusted Income (Loss) with AUF Transfer	**69,528,321.16**	**88,635,643.58**	**(19,107,322.42)**	**-21.6%**
Adjusted Margin % with AUF Transfer	**3.4%**	**4.5%**		
Investment Gain (Losses)	402,137,127.69	158,387,722.78	243,749,404.91	153.9%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**$471,665,448.85**	**$247,023,366.36**	**$224,642,082.49**	**90.9%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**19.2%**	**11.7%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization	**234,291,305.03**	**228,933,207.78**	**5,358,097.25**	**2.3%**
Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization	**11.4%**	**11.7%**		

The University of Texas at Brownsville
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2011

	June Year-to-Date FY 2011	June Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	17,401,228.04	15,807,677.82	1,593,550.22	10.1%
Sponsored Programs	69,599,755.45	66,760,413.06	2,839,342.39	4.3%
Net Sales and Services of Educational Activities	1,929,297.95	1,550,328.68	378,969.27	24.4%
Net Auxiliary Enterprises	1,119,452.11	1,144,533.60	(25,081.49)	-2.2%
Other Operating Revenues	112,809.18	29,510.64	83,298.54	282.3%
Total Operating Revenues	**90,162,542.73**	**85,292,463.80**	**4,870,078.93**	**5.7%**
Operating Expenses				
Salaries and Wages	61,288,204.49	57,636,577.48	3,651,627.01	6.3%
Payroll Related Costs	16,714,878.77	15,163,169.14	1,551,709.63	10.2%
Professional Fees and Services	474,867.51	1,537,480.99	(1,062,613.48)	-69.1%
Other Contracted Services	799,181.88	7,083.42	792,098.46	11,182.4%
Travel	850,280.16	912,738.92	(62,458.76)	-6.8%
Materials and Supplies	3,626,826.52	4,444,210.64	(817,384.12)	-18.4%
Utilities	3,238,729.84	3,135,817.74	102,912.10	3.3%
Communications	1,201,717.94	1,311,950.91	(110,232.97)	-8.4%
Repairs and Maintenance	2,083,592.30	1,518,130.72	565,461.58	37.2%
Rentals and Leases	1,669,923.00	1,653,903.29	16,019.71	1.0%
Printing and Reproduction	255,798.92	243,914.84	11,884.08	4.9%
Bad Debt Expense	-	33,512.20	(33,512.20)	-100.0%
Scholarships and Fellowships	53,137,207.68	49,958,136.64	3,179,071.04	6.4%
Depreciation and Amortization	4,765,328.26	4,748,624.42	16,703.84	0.4%
Federal Sponsored Program Pass-Through to Other State Agencies	28,275.43	63,028.29	(34,752.86)	-55.1%
Other Operating Expenses	5,309,238.62	5,525,094.64	(215,856.02)	-3.9%
Total Operating Expenses	**155,444,051.32**	**147,893,374.28**	**7,550,677.04**	**5.1%**
Operating Loss	**(65,281,508.59)**	**(62,600,910.48)**	**(2,680,598.11)**	**-4.3%**
Other Nonoperating Adjustments				
State Appropriations	31,735,737.27	33,880,876.40	(2,145,139.13)	-6.3%
Nonexchange Sponsored Programs	38,119,048.23	33,483,839.26	4,635,208.97	13.8%
Gift Contributions for Operations	305,602.90	290,557.86	15,045.04	5.2%
Net Investment Income	1,058,171.74	929,639.62	128,532.12	13.8%
Interest Expense on Capital Asset Financings	(1,722,587.10)	(1,509,551.30)	(213,035.80)	-14.1%
Net Other Nonoperating Adjustments	**69,495,973.04**	**67,075,361.84**	**2,420,611.20**	**3.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**4,214,464.45**	**4,474,451.36**	**(259,986.91)**	**-5.8%**
Adjusted Margin % including Depreciation & Amortization	**2.6%**	**2.9%**		
Investment Gain (Losses)	3,252,805.09	1,225,943.89	2,026,861.20	165.3%
Adj. Inc. (Loss) with Investment Gains (Losses)	**7,467,269.54**	**5,700,395.25**	**1,766,874.29**	**31.0%**
Adj. Margin % with Investment Gains (Losses)	**4.5%**	**3.7%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**8,979,792.71**	**9,223,075.78**	**(243,283.07)**	**-2.6%**
Adjusted Margin % excluding Depreciation & Amortization	**5.6%**	**6.0%**		

The University of Texas at Dallas
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2011

	June Year-to-Date FY 2011	June Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	146,360,136.19	111,632,836.48	34,727,299.71	31.1%
Sponsored Programs	39,233,603.75	40,226,196.58	(992,592.83)	-2.5%
Net Sales and Services of Educational Activities	13,947,902.01	9,237,840.33	4,710,061.68	51.0%
Net Auxiliary Enterprises	6,277,491.41	6,785,479.56	(507,988.15)	-7.5%
Other Operating Revenues	1,594,459.97	3,344,303.18	(1,749,843.21)	-52.3%
Total Operating Revenues	**207,413,593.33**	**171,226,656.13**	**36,186,937.20**	**21.1%**
Operating Expenses				
Salaries and Wages	156,202,069.37	143,281,734.63	12,920,334.74	9.0%
Payroll Related Costs	34,488,925.50	30,791,482.87	3,697,442.63	12.0%
Professional Fees and Services	8,018,310.61	6,403,551.42	1,614,759.19	25.2%
Other Contracted Services	7,768,096.86	10,779,794.61	(3,011,697.75)	-27.9%
Travel	3,670,303.83	3,351,110.19	319,193.64	9.5%
Materials and Supplies	20,289,179.21	14,577,908.52	5,711,270.69	39.2%
Utilities	7,709,110.04	8,580,201.21	(871,091.17)	-10.2%
Communications	995,558.49	1,389,484.68	(393,926.19)	-28.4%
Repairs and Maintenance	2,466,907.80	1,730,172.52	736,735.28	42.6%
Rentals and Leases	1,948,907.25	1,953,626.59	(4,719.34)	-0.2%
Printing and Reproduction	1,102,574.39	1,228,301.91	(125,727.52)	-10.2%
Scholarships and Fellowships	27,657,222.56	16,565,823.70	11,091,398.86	67.0%
Depreciation and Amortization	26,639,090.57	23,134,084.62	3,505,005.95	15.2%
Federal Sponsored Program Pass-Through to Other State Agencies	324,378.09	427,347.35	(102,969.26)	-24.1%
Other Operating Expenses	9,618,469.85	10,908,896.64	(1,290,426.79)	-11.8%
Total Operating Expenses	**308,899,104.42**	**275,103,521.46**	**33,795,582.96**	**12.3%**
Operating Loss	**(101,485,511.09)**	**(103,876,865.33)**	**2,391,354.24**	**2.3%**
Other Nonoperating Adjustments				
State Appropriations	75,820,306.71	81,074,171.00	(5,253,864.29)	-6.5%
Nonexchange Sponsored Programs	25,469,971.56	22,092,845.04	3,377,126.52	15.3%
Gift Contributions for Operations	10,510,102.13	11,056,049.63	(545,947.50)	-4.9%
Net Investment Income	12,401,095.84	11,282,606.94	1,118,488.90	9.9%
Interest Expense on Capital Asset Financings	(8,988,246.60)	(7,130,223.00)	(1,858,023.60)	-26.1%
Net Other Nonoperating Adjustments	**115,213,229.64**	**118,375,449.61**	**(3,162,219.97)**	**-2.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**13,727,718.55**	**14,498,584.28**	**(770,865.73)**	**-5.3%**
Adjusted Margin % including Depreciation & Amortization	**4.1%**	**4.9%**		
Investment Gain (Losses)	41,415,259.50	6,860,227.00	34,555,032.50	503.7%
Adj. Inc. (Loss) with Investment Gains (Losses)	**55,142,978.05**	**21,358,811.28**	**33,784,166.77**	**158.2%**
Adj. Margin % with Investment Gains (Losses)	**14.8%**	**7.0%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**40,366,809.12**	**37,632,668.90**	**2,734,140.22**	**7.3%**
Adjusted Margin % excluding Depreciation & Amortization	**12.2%**	**12.7%**		

The University of Texas at El Paso
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2011

	June Year-to-Date FY 2011	June Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	86,033,155.17	78,371,668.83	7,661,486.34	9.8%
Sponsored Programs	63,982,021.84	60,253,582.78	3,728,439.06	6.2%
Net Sales and Services of Educational Activities	4,520,640.58	4,543,566.44	(22,925.86)	-0.5%
Net Auxiliary Enterprises	23,223,417.09	19,644,715.29	3,578,701.80	18.2%
Other Operating Revenues	194,220.27	1,716.57	192,503.70	11,214.4%
Total Operating Revenues	**177,953,454.95**	**162,815,249.91**	**15,138,205.04**	**9.3%**
Operating Expenses				
Salaries and Wages	131,825,482.66	127,356,647.14	4,468,835.52	3.5%
Payroll Related Costs	33,011,837.32	31,168,151.17	1,843,686.15	5.9%
Professional Fees and Services	963,361.18	913,709.60	49,651.58	5.4%
Other Contracted Services	14,523,554.95	12,465,820.63	2,057,734.32	16.5%
Travel	5,754,459.89	5,547,429.25	207,030.64	3.7%
Materials and Supplies	19,229,906.36	18,720,945.96	508,960.40	2.7%
Utilities	5,296,059.27	5,141,293.38	154,765.89	3.0%
Communications	536,910.93	486,916.88	49,994.05	10.3%
Repairs and Maintenance	3,595,231.90	3,763,564.24	(168,332.34)	-4.5%
Rentals and Leases	3,181,532.04	2,974,184.53	207,347.51	7.0%
Printing and Reproduction	722,311.89	687,393.97	34,917.92	5.1%
Scholarships and Fellowships	69,915,119.34	59,396,174.75	10,518,944.59	17.7%
Depreciation and Amortization	15,608,476.84	14,984,545.67	623,931.17	4.2%
Federal Sponsored Program Pass-Through to Other State Agencies	1,047,275.52	1,161,076.92	(113,801.40)	-9.8%
Other Operating Expenses	5,710,303.47	5,291,173.52	419,129.95	7.9%
Total Operating Expenses	**310,921,823.56**	**290,059,027.61**	**20,862,795.95**	**7.2%**
Operating Loss	**(132,968,368.61)**	**(127,243,777.70)**	**(5,724,590.91)**	**-4.5%**
Other Nonoperating Adjustments				
State Appropriations	75,572,997.33	82,401,841.79	(6,828,844.46)	-8.3%
Nonexchange Sponsored Programs	55,634,345.60	43,998,154.53	11,636,191.07	26.4%
Gift Contributions for Operations	6,702,694.78	11,707,482.97	(5,004,788.19)	-42.7%
Net Investment Income	9,708,502.41	8,701,027.39	1,007,475.02	11.6%
Interest Expense on Capital Asset Financings	(5,817,663.50)	(4,358,387.80)	(1,459,275.70)	-33.5%
Net Other Nonoperating Adjustments	**141,800,876.62**	**142,450,118.88**	**(649,242.26)**	**-0.5%**
Adjusted Income (Loss) including Depreciation & Amortization	**8,832,508.01**	**15,206,341.18**	**(6,373,833.17)**	**-41.9%**
Adjusted Margin % including Depreciation & Amortization	**2.7%**	**4.9%**		
Investment Gain (Losses)	30,445,479.59	3,054,808.65	27,390,670.94	896.6%
Adj. Inc. (Loss) with Investment Gains (Losses)	**39,277,987.60**	**18,261,149.83**	**21,016,837.77**	**115.1%**
Adj. Margin % with Investment Gains (Losses)	**11.0%**	**5.8%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**24,440,984.85**	**30,190,886.85**	**(5,749,902.00)**	**-19.0%**
Adjusted Margin % excluding Depreciation & Amortization	**7.5%**	**9.8%**		

The University of Texas - Pan American
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2011

	June Year-to-Date FY 2011	June Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	49,576,666.67	49,370,897.00	205,769.67	0.4%
Sponsored Programs	56,651,269.53	50,423,398.00	6,227,871.53	12.4%
Net Sales and Services of Educational Activities	4,831,555.79	3,938,016.00	893,539.79	22.7%
Net Auxiliary Enterprises	6,212,610.52	5,671,131.51	541,479.01	9.5%
Other Operating Revenues	1,811,800.75	1,729,311.08	82,489.67	4.8%
Total Operating Revenues	**119,083,903.26**	**111,132,753.59**	**7,951,149.67**	**7.2%**
Operating Expenses				
Salaries and Wages	93,117,467.98	94,145,694.00	(1,028,226.02)	-1.1%
Payroll Related Costs	24,759,794.11	23,514,592.17	1,245,201.94	5.3%
Cost of Goods Sold	404,257.44	-	404,257.44	100.0%
Professional Fees and Services	1,109,786.24	1,310,991.00	(201,204.76)	-15.3%
Other Contracted Services	6,400,123.15	5,498,175.52	901,947.63	16.4%
Travel	3,735,183.88	4,002,383.00	(267,199.12)	-6.7%
Materials and Supplies	8,955,132.59	10,348,768.00	(1,393,635.41)	-13.5%
Utilities	4,731,363.98	6,187,466.00	(1,456,102.02)	-23.5%
Communications	412,707.56	721,143.00	(308,435.44)	-42.8%
Repairs and Maintenance	2,763,559.20	2,490,496.00	273,063.20	11.0%
Rentals and Leases	877,728.39	843,736.68	33,991.71	4.0%
Printing and Reproduction	217,176.65	322,547.00	(105,370.35)	-32.7%
Bad Debt Expense	153,382.68	(93,530.00)	246,912.68	264.0%
Scholarships and Fellowships	62,752,058.82	59,054,999.00	3,697,059.82	6.3%
Depreciation and Amortization	11,841,638.67	11,189,819.00	651,819.67	5.8%
Federal Sponsored Program Pass-Through to Other State Agencies	240,538.78	294,370.23	(53,831.45)	-18.3%
Other Operating Expenses	3,301,284.88	3,745,528.48	(444,243.60)	-11.9%
Total Operating Expenses	**225,773,185.00**	**223,577,179.08**	**2,196,005.92**	**1.0%**
Operating Loss	**(106,689,281.74)**	**(112,444,425.49)**	**5,755,143.75**	**5.1%**
Other Nonoperating Adjustments				
State Appropriations	60,266,305.67	65,127,892.00	(4,861,586.33)	-7.5%
Nonexchange Sponsored Programs	52,274,916.00	49,753,826.00	2,521,090.00	5.1%
Gift Contributions for Operations	1,951,211.85	1,857,845.48	93,366.37	5.0%
Net Investment Income	3,070,649.24	2,695,281.00	375,368.24	13.9%
Interest Expense on Capital Asset Financings	(3,324,501.90)	(3,374,186.00)	49,684.10	1.5%
Net Other Nonoperating Adjustments	**114,238,580.86**	**116,060,658.48**	**(1,822,077.62)**	**-1.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**7,549,299.12**	**3,616,232.99**	**3,933,066.13**	**108.8%**
Adjusted Margin % including Depreciation & Amortization	**3.2%**	**1.6%**		
Investment Gain (Losses)	6,005,209.12	1,633,302.00	4,371,907.12	267.7%
Adj. Inc. (Loss) with Investment Gains (Losses)	**13,554,508.24**	**5,249,534.99**	**8,304,973.25**	**158.2%**
Adj. Margin % with Investment Gains (Losses)	**5.6%**	**2.3%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**19,390,937.79**	**14,806,051.99**	**4,584,885.80**	**31.0%**
Adjusted Margin % excluding Depreciation & Amortization	**8.2%**	**6.4%**		

The University of Texas of the Permian Basin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2011

	June Year-to-Date FY 2011	June Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	12,683,226.78	9,980,791.37	2,702,435.41	27.1%
Sponsored Programs	3,322,160.62	4,368,164.83	(1,046,004.21)	-23.9%
Net Sales and Services of Educational Activities	304,304.13	464,491.34	(160,187.21)	-34.5%
Net Auxiliary Enterprises	2,781,486.38	2,804,017.68	(22,531.30)	-0.8%
Other Operating Revenues	1,004,609.78	181,858.63	822,751.15	452.4%
Total Operating Revenues	**20,095,787.69**	**17,799,323.85**	**2,296,463.84**	**12.9%**
Operating Expenses				
Salaries and Wages	18,735,469.33	18,115,457.74	620,011.59	3.4%
Payroll Related Costs	4,674,818.66	4,135,098.09	539,720.57	13.1%
Professional Fees and Services	2,620,234.40	2,202,373.48	417,860.92	19.0%
Other Contracted Services	320.00	6,850.84	(6,530.84)	-95.3%
Travel	707,323.28	699,761.49	7,561.79	1.1%
Materials and Supplies	2,852,893.69	3,550,269.28	(697,375.59)	-19.6%
Utilities	2,083,180.64	2,123,411.54	(40,230.90)	-1.9%
Communications	522,193.27	349,629.38	172,563.89	49.4%
Repairs and Maintenance	897,383.15	979,675.25	(82,292.10)	-8.4%
Rentals and Leases	388,252.42	343,693.75	44,558.67	13.0%
Printing and Reproduction	152,074.81	191,542.43	(39,467.62)	-20.6%
Scholarships and Fellowships	6,843,438.17	3,094,542.20	3,748,895.97	121.1%
Depreciation and Amortization	4,671,927.23	3,412,490.83	1,259,436.40	36.9%
Other Operating Expenses	553,584.45	902,670.17	(349,085.72)	-38.7%
Total Operating Expenses	**45,703,093.50**	**40,107,466.47**	**5,595,627.03**	**14.0%**
Operating Loss	**(25,607,305.81)**	**(22,308,142.62)**	**(3,299,163.19)**	**-14.8%**
Other Nonoperating Adjustments				
State Appropriations	21,550,860.83	26,724,437.50	(5,173,576.67)	-19.4%
Nonexchange Sponsored Programs	4,697,517.55	4,258,329.37	439,188.18	10.3%
Gift Contributions for Operations	1,358,130.37	1,181,365.27	176,765.10	15.0%
Net Investment Income	1,900,907.88	2,360,127.98	(459,220.10)	-19.5%
Interest Expense on Capital Asset Financings	(3,008,808.00)	(1,922,339.00)	(1,086,469.00)	-56.5%
Net Other Nonoperating Adjustments	**26,498,608.63**	**32,601,921.12**	**(6,103,312.49)**	**-18.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**891,302.82**	**10,293,778.50**	**(9,402,475.68)**	**-91.3%**
Adjusted Margin % including Depreciation & Amortization	**1.8%**	**19.7%**		
Investment Gain (Losses)	4,107,282.85	1,147,031.78	2,960,251.07	258.1%
Adj. Inc. (Loss) with Investment Gains (Losses)	**4,998,585.67**	**11,440,810.28**	**(6,442,224.61)**	**-56.3%**
Adj. Margin % with Investment Gains (Losses)	**9.3%**	**21.4%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**5,563,230.05**	**13,706,269.33**	**(8,143,039.28)**	**-59.4%**
Adjusted Margin % excluding Depreciation & Amortization	**11.2%**	**26.2%**		

The University of Texas at San Antonio
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2011

	June Year-to-Date FY 2011	June Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	153,109,272.12	146,654,701.00	6,454,571.12	4.4%
Sponsored Programs	63,698,884.58	55,246,765.00	8,452,119.58	15.3%
Net Sales and Services of Educational Activities	8,704,962.65	6,904,168.00	1,800,794.65	26.1%
Net Auxiliary Enterprises	22,014,185.71	19,366,022.00	2,648,163.71	13.7%
Other Operating Revenues	1,911,969.52	1,702,347.00	209,622.52	12.3%
Total Operating Revenues	**249,439,274.58**	**229,874,003.00**	**19,565,271.58**	**8.5%**
Operating Expenses				
Salaries and Wages	179,637,942.22	169,931,832.00	9,706,110.22	5.7%
Payroll Related Costs	45,387,352.67	41,545,881.00	3,841,471.67	9.2%
Cost of Goods Sold	725,524.78	-	725,524.78	100.0%
Professional Fees and Services	3,530,737.59	3,500,919.00	29,818.59	0.9%
Other Contracted Services	9,293,208.76	8,647,466.84	645,741.92	7.5%
Travel	7,447,297.60	6,251,497.00	1,195,800.60	19.1%
Materials and Supplies	22,172,300.71	28,345,123.00	(6,172,822.29)	-21.8%
Utilities	9,396,145.83	9,446,917.00	(50,771.17)	-0.5%
Communications	2,524,300.52	2,443,709.00	80,591.52	3.3%
Repairs and Maintenance	7,552,327.00	8,479,703.00	(927,376.00)	-10.9%
Rentals and Leases	3,215,304.07	2,507,873.00	707,431.07	28.2%
Printing and Reproduction	947,197.78	955,261.00	(8,063.22)	-0.8%
Bad Debt Expense	386,540.13	-	386,540.13	100.0%
Scholarships and Fellowships	40,642,922.30	38,070,468.00	2,572,454.30	6.8%
Depreciation and Amortization	32,568,030.56	30,999,258.00	1,568,772.56	5.1%
Federal Sponsored Program Pass-Through to Other State Agencies	2,745,043.99	3,097,653.00	(352,609.01)	-11.4%
Other Operating Expenses	11,550,492.58	11,698,468.16	(147,975.58)	-1.3%
Total Operating Expenses	**379,722,669.09**	**365,922,029.00**	**13,800,640.09**	**3.8%**
Operating Loss	**(130,283,394.51)**	**(136,048,026.00)**	**5,764,631.49**	**4.2%**
Other Nonoperating Adjustments				
State Appropriations	92,619,069.43	100,162,592.00	(7,543,522.57)	-7.5%
Nonexchange Sponsored Programs	48,719,444.56	41,118,608.00	7,600,836.56	18.5%
Gift Contributions for Operations	5,145,615.23	8,333,333.00	(3,187,717.77)	-38.3%
Net Investment Income	9,092,745.48	6,954,149.00	2,138,596.48	30.8%
Interest Expense on Capital Asset Financings	(13,317,077.40)	(13,015,918.00)	(301,159.40)	-2.3%
Net Other Nonoperating Adjustments	**142,259,797.30**	**143,552,764.00**	**(1,292,966.70)**	**-0.9%**
Adjusted Income (Loss) including Depreciation & Amortization	**11,976,402.79**	**7,504,738.00**	**4,471,664.79**	**59.6%**
Adjusted Margin % including Depreciation & Amortization	**3.0%**	**1.9%**		
Investment Gain (Losses)	25,628,759.40	11,238,039.00	14,390,720.40	128.1%
Adj. Inc. (Loss) with Investment Gains (Losses)	**37,605,162.19**	**18,742,777.00**	**18,862,385.19**	**100.6%**
Adj. Margin % with Investment Gains (Losses)	**8.7%**	**4.7%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**44,544,433.35**	**38,503,996.00**	**6,040,437.35**	**15.7%**
Adjusted Margin % excluding Depreciation & Amortization	**11.0%**	**10.0%**		

The University of Texas at Tyler
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2011

	June Year-to-Date FY 2011	June Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	21,500,000.00	22,613,935.00	(1,113,935.00)	-4.9%
Sponsored Programs	9,812,597.62	7,350,377.00	2,462,220.62	33.5%
Net Sales and Services of Educational Activities	2,172,182.35	2,007,921.31	164,261.04	8.2%
Net Auxiliary Enterprises	3,800,086.18	3,515,025.00	285,061.18	8.1%
Other Operating Revenues	126,541.87	246,457.91	(119,916.04)	-48.7%
Total Operating Revenues	**37,411,408.02**	**35,733,716.22**	**1,677,691.80**	**4.7%**
Operating Expenses				
Salaries and Wages	32,392,629.66	31,696,589.24	696,040.42	2.2%
Payroll Related Costs	8,881,230.32	8,273,830.89	607,399.43	7.3%
Cost of Goods Sold	22,241.21	42,903.90	(20,662.69)	-48.2%
Professional Fees and Services	1,414,117.55	822,685.82	591,431.73	71.9%
Other Contracted Services	3,570,267.27	3,628,086.37	(57,819.10)	-1.6%
Travel	1,253,264.37	1,266,189.99	(12,925.62)	-1.0%
Materials and Supplies	3,552,757.47	3,507,038.26	45,719.21	1.3%
Utilities	1,611,326.58	1,328,987.50	282,339.08	21.2%
Communications	907,372.68	898,283.33	9,089.35	1.0%
Repairs and Maintenance	2,005,680.75	1,114,795.18	890,885.57	79.9%
Rentals and Leases	235,000.63	271,407.55	(36,406.92)	-13.4%
Printing and Reproduction	520,945.16	560,498.48	(39,553.32)	-7.1%
Bad Debt Expense	-	820.47	(820.47)	-100.0%
Scholarships and Fellowships	5,583,333.33	8,635,288.00	(3,051,954.67)	-35.3%
Depreciation and Amortization	9,069,496.04	7,903,180.00	1,166,316.04	14.8%
Federal Sponsored Program Pass-Through to Other State Agencies	25,435.52	69,418.49	(43,982.97)	-63.4%
Other Operating Expenses	1,877,364.77	1,911,930.53	(34,565.76)	-1.8%
Total Operating Expenses	**72,922,463.31**	**71,931,934.00**	**990,529.31**	**1.4%**
Operating Loss	**(35,511,055.29)**	**(36,198,217.78)**	**687,162.49**	**1.9%**
Other Nonoperating Adjustments				
State Appropriations	26,846,559.09	30,207,514.00	(3,360,954.91)	-11.1%
Nonexchange Sponsored Programs	8,646,183.89	6,981,362.33	1,664,821.56	23.8%
Gift Contributions for Operations	984,131.19	1,212,773.55	(228,642.36)	-18.9%
Net Investment Income	3,803,870.57	3,539,178.17	264,692.40	7.5%
Interest Expense on Capital Asset Financings	(3,391,314.00)	(2,389,302.00)	(1,002,012.00)	-41.9%
Net Other Nonoperating Adjustments	**36,889,430.74**	**39,551,526.05**	**(2,662,095.31)**	**-6.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**1,378,375.45**	**3,353,308.27**	**(1,974,932.82)**	**-58.9%**
Adjusted Margin % including Depreciation & Amortization	**1.8%**	**4.3%**		
Investment Gain (Losses)	12,415,898.73	4,848,906.60	7,566,992.13	156.1%
Adj. Inc. (Loss) with Investment Gains (Losses)	**13,794,274.18**	**8,202,214.87**	**5,592,059.31**	**68.2%**
Adj. Margin % with Investment Gains (Losses)	**15.3%**	**9.9%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**10,447,871.49**	**11,256,488.27**	**(808,616.78)**	**-7.2%**
Adjusted Margin % excluding Depreciation & Amortization	**13.4%**	**14.5%**		

The University of Texas Southwestern Medical Center
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2011

	June Year-to-Date FY 2011	June Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	13,768,386.94	17,656,315.99	(3,887,929.05)	-22.0%
Sponsored Programs	396,830,238.12	374,312,607.79	22,517,630.33	6.0%
Net Sales and Services of Educational Activities	19,005,131.11	10,084,407.17	8,920,723.94	88.5%
Net Sales and Services of Hospitals	438,267,309.32	392,948,790.00	45,318,519.32	11.5%
Net Professional Fees	344,868,412.35	302,035,485.53	42,832,926.82	14.2%
Net Auxiliary Enterprises	14,474,473.95	14,711,012.84	(236,538.89)	-1.6%
Other Operating Revenues	5,433,407.86	5,368,214.27	65,193.59	1.2%
Total Operating Revenues	**1,232,647,359.65**	**1,117,116,833.59**	**115,530,526.06**	**10.3%**
Operating Expenses				
Salaries and Wages	744,404,260.04	683,599,093.58	60,805,166.46	8.9%
Payroll Related Costs	168,357,681.74	152,249,337.95	16,108,343.79	10.6%
Cost of Goods Sold	1,756,516.88	1,942,790.43	(186,273.55)	-9.6%
Professional Fees and Services	25,238,844.62	25,345,320.32	(106,475.70)	-0.4%
Other Contracted Services	63,840,491.43	59,315,126.97	4,525,364.46	7.6%
Travel	7,942,427.04	7,191,733.90	750,693.14	10.4%
Materials and Supplies	180,865,816.69	170,799,716.45	10,066,100.24	5.9%
Utilities	27,972,379.08	31,023,853.15	(3,051,474.07)	-9.8%
Communications	6,738,655.00	6,696,715.94	41,939.06	0.6%
Repairs and Maintenance	13,758,448.21	13,341,600.66	416,847.55	3.1%
Rentals and Leases	3,735,582.99	6,328,749.94	(2,593,166.95)	-41.0%
Printing and Reproduction	2,512,054.68	2,711,467.96	(199,413.28)	-7.4%
Scholarships and Fellowships	734,991.56	5,869,521.60	(5,134,530.04)	-87.5%
Depreciation and Amortization	74,474,199.58	65,479,369.36	8,994,830.22	13.7%
Federal Sponsored Program Pass-Through to Other State Agencies	1,504,744.23	2,898,261.63	(1,393,517.40)	-48.1%
Other Operating Expenses	45,214,895.71	47,858,143.68	(2,643,247.97)	-5.5%
Total Operating Expenses	**1,369,051,989.48**	**1,282,650,803.52**	**86,401,185.96**	**6.7%**
Operating Loss	**(136,404,629.83)**	**(165,533,969.93)**	**29,129,340.10**	**17.6%**
Other Nonoperating Adjustments				
State Appropriations	139,921,748.49	156,097,900.01	(16,176,151.52)	-10.4%
Nonexchange Sponsored Programs	3,383,600.33	74,358.00	3,309,242.33	4,450.4%
Gift Contributions for Operations	24,968,657.47	23,171,449.76	1,797,207.71	7.8%
Net Investment Income	67,561,931.35	56,712,960.65	10,848,970.70	19.1%
Interest Expense on Capital Asset Financings	(25,290,522.10)	(18,820,583.60)	(6,469,938.50)	-34.4%
Net Other Nonoperating Adjustments	**210,545,415.54**	**217,236,084.82**	**(6,690,669.28)**	**-3.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**74,140,785.71**	**51,702,114.89**	**22,438,670.82**	**43.4%**
Adjusted Margin % including Depreciation & Amortization	**5.0%**	**3.8%**		
Investment Gain (Losses)	179,808,097.95	25,746,931.19	154,061,166.76	598.4%
Adj. Inc. (Loss) with Investment Gains (Losses)	**253,948,883.66**	**77,449,046.08**	**176,499,837.58**	**227.9%**
Adj. Margin % with Investment Gains (Losses)	**15.4%**	**5.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**148,614,985.29**	**117,181,484.25**	**31,433,501.04**	**26.8%**
Adjusted Margin % excluding Depreciation & Amortization	**10.1%**	**8.7%**		

The University of Texas Medical Branch at Galveston
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2011

	June Year-to-Date FY 2011	June Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	23,269,505.54	19,673,148.12	3,596,357.42	18.3%
Sponsored Programs	226,387,554.24	222,965,683.74	3,421,870.50	1.5%
Net Sales and Services of Educational Activities	14,389,625.99	18,395,991.26	(4,006,365.27)	-21.8%
Net Sales and Services of Hospitals	607,738,937.43	578,904,014.42	28,834,923.01	5.0%
Net Professional Fees	108,622,551.87	106,563,179.58	2,059,372.29	1.9%
Net Auxiliary Enterprises	5,133,574.18	4,739,679.76	393,894.42	8.3%
Other Operating Revenues	(5,727,498.05)	8,716,265.84	(14,443,763.89)	-165.7%
Total Operating Revenues	**979,814,251.20**	**959,957,962.72**	**19,856,288.48**	**2.1%**
Operating Expenses				
Salaries and Wages	659,504,062.05	647,669,191.13	11,834,870.92	1.8%
Payroll Related Costs	169,221,735.55	156,643,532.59	12,578,202.96	8.0%
Cost of Goods Sold	53,921,306.44	52,880,247.52	1,041,058.92	2.0%
Professional Fees and Services	37,450,440.68	36,723,039.29	727,401.39	2.0%
Other Contracted Services	65,902,145.49	-	65,902,145.49	100.0%
Travel	5,675,938.80	5,453,311.75	222,627.05	4.1%
Materials and Supplies	101,292,087.91	100,350,060.21	942,027.70	0.9%
Utilities	25,622,035.67	23,258,009.36	2,364,026.31	10.2%
Communications	11,717,068.40	12,064,796.09	(347,727.69)	-2.9%
Repairs and Maintenance	34,409,559.33	34,813,929.35	(404,370.02)	-1.2%
Rentals and Leases	18,551,595.28	19,116,220.53	(564,625.25)	-3.0%
Printing and Reproduction	1,293,597.51	1,353,831.66	(60,234.15)	-4.4%
Bad Debt Expense	240.00	(68,041.21)	68,281.21	100.4%
Scholarships and Fellowships	6,083,124.66	5,848,019.74	235,104.92	4.0%
Depreciation and Amortization	66,408,288.90	60,263,876.21	6,144,412.69	10.2%
Federal Sponsored Program Pass-Through to Other State Agencies	3,886,303.66	3,893,004.04	(6,700.38)	-0.2%
Other Operating Expenses	40,186,886.52	109,040,348.09	(68,853,461.57)	-63.1%
Total Operating Expenses	**1,301,126,416.85**	**1,269,303,376.35**	**31,823,040.50**	**2.5%**
Operating Loss	**(321,312,165.65)**	**(309,345,413.63)**	**(11,966,752.02)**	**-3.9%**
Other Nonoperating Adjustments				
State Appropriations	276,801,365.78	306,819,896.51	(30,018,530.73)	-9.8%
Nonexchange Sponsored Programs	713,359.00	6,528,882.64	(5,815,523.64)	-89.1%
Gift Contributions for Operations	8,441,415.57	8,663,729.82	(222,314.25)	-2.6%
Net Investment Income	26,117,530.13	25,084,921.63	1,032,608.50	4.1%
Interest Expense on Capital Asset Financings	(6,852,645.27)	(5,894,749.23)	(957,896.04)	-16.2%
Net Other Nonoperating Adjustments	**305,221,025.21**	**341,202,681.37**	**(35,981,656.16)**	**-10.5%**
Adjusted Income (Loss) including Depreciation & Amortization	**(16,091,140.44)**	**31,857,267.74**	**(47,948,408.18)**	**-150.5%**
Adjusted Margin % including Depreciation & Amortization	**-1.2%**	**2.4%**		
Investment Gain (Losses)	71,563,431.77	5,444,597.27	66,118,834.50	1,214.4%
Adj. Inc. (Loss) with Investment Gains (Losses)	**55,472,291.33**	**37,301,865.01**	**18,170,426.32**	**48.7%**
Adj. Margin % with Investment Gains (Losses)	**4.1%**	**2.8%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**50,317,148.46**	**92,121,143.95**	**(41,803,995.49)**	**-45.4%**
Adjusted Margin % excluding Depreciation & Amortization	**3.9%**	**7.0%**		

The University of Texas Health Science Center at Houston
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2011

	June Year-to-Date FY 2011	June Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	28,270,340.81	24,679,993.46	3,590,347.35	14.5%
Sponsored Programs	385,740,312.12	307,309,119.95	78,431,192.17	25.5%
Net Sales and Services of Educational Activities	39,922,324.29	33,227,513.48	6,694,810.81	20.1%
Net Sales and Services of Hospitals	30,758,405.19	32,131,207.60	(1,372,802.41)	-4.3%
Net Professional Fees	122,667,289.19	117,784,617.51	4,882,671.68	4.1%
Net Auxiliary Enterprises	19,052,646.51	18,574,268.36	478,378.15	2.6%
Other Operating Revenues	8,739,674.55	41,796,242.62	(33,056,568.07)	-79.1%
Total Operating Revenues	**635,150,992.66**	**575,502,962.98**	**59,648,029.68**	**10.4%**
Operating Expenses				
Salaries and Wages	436,601,220.44	367,088,517.41	69,512,703.03	18.9%
Payroll Related Costs	98,719,594.57	80,131,087.79	18,588,506.78	23.2%
Cost of Goods Sold	17,018,220.13	15,385,703.66	1,632,516.47	10.6%
Professional Fees and Services	42,016,567.58	68,832,964.71	(26,816,397.13)	-39.0%
Other Contracted Services	38,107,708.60	-	38,107,708.60	100.0%
Travel	6,394,611.56	6,118,111.50	276,500.06	4.5%
Materials and Supplies	39,194,465.39	35,394,357.42	3,800,107.97	10.7%
Utilities	14,062,932.49	14,330,395.96	(267,463.47)	-1.9%
Communications	3,183,557.23	2,531,722.54	651,834.69	25.7%
Repairs and Maintenance	6,949,856.15	4,761,115.96	2,188,740.19	46.0%
Rentals and Leases	17,018,830.90	11,185,462.31	5,833,368.59	52.2%
Printing and Reproduction	6,123,988.43	4,765,012.47	1,358,975.96	28.5%
Bad Debt Expense	-	1,615.00	(1,615.00)	-100.0%
Scholarships and Fellowships	3,644,615.30	4,175,308.14	(530,692.84)	-12.7%
Depreciation and Amortization	40,777,879.56	33,733,159.03	7,044,720.53	20.9%
Federal Sponsored Program Pass-Through to Other State Agencies	7,063,625.16	5,444,542.08	1,619,083.08	29.7%
Other Operating Expenses	26,927,305.58	90,461,436.40	(63,534,130.82)	-70.2%
Total Operating Expenses	**803,804,979.07**	**744,340,512.38**	**59,464,466.69**	**8.0%**
Operating Loss	**(168,653,986.41)**	**(168,837,549.40)**	**183,562.99**	**0.1%**
Other Nonoperating Adjustments				
State Appropriations	132,358,413.81	144,415,415.78	(12,057,001.97)	-8.3%
Nonexchange Sponsored Programs	8,311,412.32	10,801,869.47	(2,490,457.15)	-23.1%
Gift Contributions for Operations	13,378,407.44	10,226,916.18	3,151,491.26	30.8%
Net Investment Income	25,985,130.61	19,041,679.16	6,943,451.45	36.5%
Interest Expense on Capital Asset Financings	(9,141,906.60)	(7,504,906.00)	(1,637,000.60)	-21.8%
Net Other Nonoperating Adjustments	**170,891,457.58**	**176,980,974.59**	**(6,089,517.01)**	**-3.4%**
Adjusted Income (Loss) including Depreciation & Amortization	**2,237,471.17**	**8,143,425.19**	**(5,905,954.02)**	**-72.5%**
Adjusted Margin % including Depreciation & Amortization	**0.3%**	**1.1%**		
Investment Gain (Losses)	56,680,037.03	11,047,360.59	45,632,676.44	413.1%
Adj. Inc. (Loss) with Investment Gains (Losses)	**58,917,508.20**	**19,190,785.78**	**39,726,722.42**	**207.0%**
Adj. Margin % with Investment Gains (Losses)	**6.8%**	**2.5%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**43,015,350.73**	**41,876,584.22**	**1,138,766.51**	**2.7%**
Adjusted Margin % excluding Depreciation & Amortization	**5.3%**	**5.5%**		

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, 2011

	June Year-to-Date FY 2011	June Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	24,611,865.00	23,249,564.17	1,362,300.83	5.9%
Sponsored Programs	236,264,773.82	226,121,662.91	10,143,110.91	4.5%
Net Sales and Services of Educational Activities	30,187,962.39	28,822,304.21	1,365,658.18	4.7%
Net Professional Fees	117,721,307.49	104,515,227.30	13,206,080.19	12.6%
Net Auxiliary Enterprises	4,779,071.41	4,156,040.85	623,030.56	15.0%
Other Operating Revenues	8,903,024.96	7,035,492.81	1,867,532.15	26.5%
Total Operating Revenues	**422,468,005.07**	**393,900,292.25**	**28,567,712.82**	**7.3%**
Operating Expenses				
Salaries and Wages	322,589,746.02	319,774,971.00	2,814,775.02	0.9%
Payroll Related Costs	88,222,045.55	82,044,349.96	6,177,695.59	7.5%
Professional Fees and Services	11,195,708.52	11,873,745.21	(678,036.69)	-5.7%
Other Contracted Services	20,927,847.07	22,493,556.66	(1,565,709.59)	-7.0%
Travel	4,600,471.50	4,906,737.28	(306,265.78)	-6.2%
Materials and Supplies	36,986,298.26	31,024,271.65	5,962,026.61	19.2%
Utilities	13,582,340.00	13,893,703.33	(311,363.33)	-2.2%
Communications	10,070,510.52	8,321,931.40	1,748,579.12	21.0%
Repairs and Maintenance	3,388,740.78	4,300,097.49	(911,356.71)	-21.2%
Rentals and Leases	5,203,004.12	5,559,181.46	(356,177.34)	-6.4%
Printing and Reproduction	1,565,642.16	1,727,052.94	(161,410.78)	-9.3%
Scholarships and Fellowships	4,319,290.16	3,938,942.32	380,347.84	9.7%
Depreciation and Amortization	30,250,000.00	26,666,666.67	3,583,333.33	13.4%
Federal Sponsored Program Pass-Through to Other State Agencies	1,250,000.00	1,000,000.00	250,000.00	25.0%
Other Operating Expenses	35,584,746.01	33,039,051.51	2,545,694.50	7.7%
Total Operating Expenses	**589,736,390.67**	**570,564,258.88**	**19,172,131.79**	**3.4%**
Operating Loss	**(167,268,385.60)**	**(176,663,966.63)**	**9,395,581.03**	**5.3%**
Other Nonoperating Adjustments				
State Appropriations	145,962,865.18	154,092,349.08	(8,129,483.90)	-5.3%
Nonexchange Sponsored Programs	833,333.33	760,000.00	73,333.33	9.6%
Gift Contributions for Operations	10,435,772.92	13,291,153.19	(2,855,380.27)	-21.5%
Net Investment Income	25,291,605.29	25,389,122.55	(97,517.26)	-0.4%
Interest Expense on Capital Asset Financings	(8,123,359.80)	(7,550,240.10)	(573,119.70)	-7.6%
Net Other Nonoperating Adjustments	**174,400,216.92**	**185,982,384.72**	**(11,582,167.80)**	**-6.2%**
Adjusted Income (Loss) including Depreciation & Amortization	**7,131,831.32**	**9,318,418.09**	**(2,186,586.77)**	**-23.5%**
Adjusted Margin % including Depreciation & Amortization	**1.2%**	**1.6%**		
Investment Gain (Losses)	72,420,168.36	8,401,488.24	64,018,680.12	762.0%
Adj. Inc. (Loss) with Investment Gains (Losses)	**79,551,999.68**	**17,719,906.33**	**61,832,093.35**	**348.9%**
Adj. Margin % with Investment Gains (Losses)	**11.7%**	**3.0%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**37,381,831.32**	**35,985,084.76**	**1,396,746.56**	**3.9%**
Adjusted Margin % excluding Depreciation & Amortization	**6.2%**	**6.1%**		

The University of Texas M. D. Anderson Cancer Center
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2011

	June Year-to-Date FY 2011	June Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	1,093,048.63	961,128.00	131,920.63	13.7%
Sponsored Programs	288,155,128.40	248,752,664.00	39,402,464.40	15.8%
Net Sales and Services of Educational Activities	1,449,184.05	1,361,177.00	88,007.05	6.5%
Net Sales and Services of Hospitals	1,879,179,923.83	1,792,138,278.00	87,041,645.83	4.9%
Net Professional Fees	279,206,216.65	264,823,772.00	14,382,444.65	5.4%
Net Auxiliary Enterprises	27,602,732.72	25,436,632.00	2,166,100.72	8.5%
Other Operating Revenues	46,119,287.09	40,067,968.00	6,051,319.09	15.1%
Total Operating Revenues	**2,522,805,521.37**	**2,373,541,619.00**	**149,263,902.37**	**6.3%**
Operating Expenses				
Salaries and Wages	1,178,122,671.09	1,091,821,023.00	86,301,648.09	7.9%
Payroll Related Costs	329,036,178.31	295,483,815.00	33,552,363.31	11.4%
Cost of Goods Sold	3,763,455.69	3,001,350.11	762,105.58	25.4%
Professional Fees and Services	106,356,609.28	138,126,125.00	(31,769,515.72)	-23.0%
Other Contracted Services	50,409,725.86	-	50,409,725.86	100.0%
Travel	12,900,016.61	14,501,598.00	(1,601,581.39)	-11.0%
Materials and Supplies	474,929,156.47	444,799,953.89	30,129,202.58	6.8%
Utilities	40,002,881.00	40,539,286.00	(536,405.00)	-1.3%
Communications	7,294,818.02	7,304,513.00	(9,694.98)	-0.1%
Repairs and Maintenance	62,895,854.40	54,816,660.00	8,079,194.40	14.7%
Rentals and Leases	39,722,168.62	36,588,353.00	3,133,815.62	8.6%
Scholarships and Fellowships	1,553,236.59	451,421.00	1,101,815.59	244.1%
Depreciation and Amortization	191,881,706.70	188,088,759.00	3,792,947.70	2.0%
Federal Sponsored Program Pass-Through to Other State Agencies	1,284,630.14	1,023,905.00	260,725.14	25.5%
Other Operating Expenses	22,999,592.62	3,199,182.00	19,800,410.62	618.9%
Total Operating Expenses	**2,523,152,701.40**	**2,319,745,944.00**	**203,406,757.40**	**8.8%**
Operating Loss	**(347,180.03)**	**53,795,675.00**	**(54,142,855.03)**	**-100.6%**
Other Nonoperating Adjustments				
State Appropriations	133,072,438.08	148,607,404.00	(15,534,965.92)	-10.5%
Nonexchange Sponsored Programs	1,558,636.59	331,475.00	1,227,161.59	370.2%
Gift Contributions for Operations	79,887,867.59	90,858,485.00	(10,970,617.41)	-12.1%
Net Investment Income	52,100,996.07	50,440,821.00	1,660,175.07	3.3%
Interest Expense on Capital Asset Financings	(34,343,481.90)	(27,315,348.70)	(7,028,133.20)	-25.7%
Net Other Nonoperating Adjustments	**232,276,456.43**	**262,922,836.30**	**(30,646,379.87)**	**-11.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**231,929,276.40**	**316,718,511.30**	**(84,789,234.90)**	**-26.8%**
Adjusted Margin % including Depreciation & Amortization	**8.3%**	**11.9%**		
Investment Gain (Losses)	234,957,511.49	36,224,813.00	198,732,698.49	548.6%
Adj. Inc. (Loss) with Investment Gains (Losses)	**466,886,787.89**	**352,943,324.30**	**113,943,463.59**	**32.3%**
Adj. Margin % with Investment Gains (Losses)	**15.4%**	**13.1%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**423,810,983.10**	**504,807,270.30**	**(80,996,287.20)**	**-16.0%**
Adjusted Margin % excluding Depreciation & Amortization	**15.2%**	**19.0%**		

The University of Texas Health Science Center at Tyler
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2011

	June Year-to-Date FY 2011	June Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Sponsored Programs	12,288,405.00	12,443,304.13	(154,899.13)	-1.2%
Net Sales and Services of Educational Activities	1,008,838.34	1,138,390.24	(129,551.90)	-11.4%
Net Sales and Services of Hospitals	41,459,705.09	39,067,470.10	2,392,234.99	6.1%
Net Professional Fees	9,312,968.68	8,771,842.63	541,126.05	6.2%
Net Auxiliary Enterprises	187,370.94	185,395.21	1,975.73	1.1%
Other Operating Revenues	434,543.07	1,639,999.74	(1,205,456.67)	-73.5%
Total Operating Revenues	**64,691,831.12**	**63,246,402.05**	**1,445,429.07**	**2.3%**
Operating Expenses				
Salaries and Wages	45,179,455.62	46,034,212.19	(854,756.57)	-1.9%
Payroll Related Costs	13,456,090.67	12,873,359.24	582,731.43	4.5%
Cost of Goods Sold	29,679.98	22,405.98	7,274.00	32.5%
Professional Fees and Services	5,821,110.42	6,156,681.68	(335,571.26)	-5.5%
Other Contracted Services	6,128,650.57	-	6,128,650.57	100.0%
Travel	450,022.48	393,364.33	56,658.15	14.4%
Materials and Supplies	10,628,623.61	12,200,722.90	(1,572,099.29)	-12.9%
Utilities	2,894,127.00	2,671,275.64	222,851.36	8.3%
Communications	808,278.18	1,048,534.10	(240,255.92)	-22.9%
Repairs and Maintenance	2,162,056.14	2,284,702.16	(122,646.02)	-5.4%
Rentals and Leases	782,629.71	936,887.34	(154,257.63)	-16.5%
Printing and Reproduction	324,954.16	177,758.81	147,195.35	82.8%
Scholarships and Fellowships	19,496.70	10,841.50	8,655.20	79.8%
Depreciation and Amortization	5,695,859.27	5,997,357.80	(301,498.53)	-5.0%
Federal Sponsored Program Pass-Through to Other State Agencies	129,172.90	321,358.45	(192,185.55)	-59.8%
Other Operating Expenses	1,536,441.42	9,520,351.71	(7,983,910.29)	-83.9%
Total Operating Expenses	**96,046,648.83**	**100,649,813.83**	**(4,603,165.00)**	**-4.6%**
Operating Loss	**(31,354,817.71)**	**(37,403,411.78)**	**6,048,594.07**	**16.2%**
Other Nonoperating Adjustments				
State Appropriations	30,626,197.03	35,580,820.99	(4,954,623.96)	-13.9%
Gift Contributions for Operations	203,978.93	465,808.27	(261,829.34)	-56.2%
Net Investment Income	3,408,017.21	3,275,923.17	132,094.04	4.0%
Interest Expense on Capital Asset Financings	(882,654.00)	(565,313.50)	(317,340.50)	-56.1%
Net Other Nonoperating Adjustments	**33,355,539.17**	**38,757,238.93**	**(5,401,699.76)**	**-13.9%**
Adjusted Income (Loss) including Depreciation & Amortization	**2,000,721.46**	**1,353,827.15**	**646,894.31**	**47.8%**
Adjusted Margin % including Depreciation & Amortization	**2.0%**	**1.3%**		
Investment Gain (Losses)	7,314,517.66	2,977,643.99	4,336,873.67	145.6%
Adj. Inc. (Loss) with Investment Gains (Losses)	**9,315,239.12**	**4,331,471.14**	**4,983,767.98**	**115.1%**
Adj. Margin % with Investment Gains (Losses)	**8.8%**	**4.1%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**7,696,580.73**	**7,351,184.95**	**345,395.78**	**4.7%**
Adjusted Margin % excluding Depreciation & Amortization	**7.8%**	**7.2%**		

3. **U. T. System: Approval of transfer of funds between Legislative Appropriation items during the biennium beginning September 1, 2011**

RECOMMENDATION

The Chancellor, with the concurrence of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and presidents of the U. T. System institutions, recommends that the U. T. System Board of Regents adopt the resolution that follows to provide for the most effective utilization of General Revenue Appropriations during the biennium beginning September 1, 2011.

RESOLUTION

Pursuant to the appropriate transfer provisions of the General Appropriations Act of the 82nd Legislature, it is hereby resolved that the State Comptroller be requested to make necessary transfers within the Legislative Appropriations (and/or Informational Items of Appropriation) from the General Revenue Fund as authorized by the Chief Financial Officer of each entity as follows:

The University of Texas at Arlington
The University of Texas at Austin
The University of Texas at Brownsville
The University of Texas at Dallas
The University of Texas at El Paso
The University of Texas - Pan American
The University of Texas of the Permian Basin
The University of Texas at San Antonio
The University of Texas at Tyler
The University of Texas Southwestern Medical Center
The University of Texas Medical Branch at Galveston
The University of Texas Health Science Center at Houston
The University of Texas Health Science Center at San Antonio
The University of Texas M. D. Anderson Cancer Center
The University of Texas Health Science Center at Tyler
The University of Texas System Administration

BACKGROUND INFORMATION

This resolution is a standard action by the U. T. System Board of Regents at the beginning of each biennium and is pursuant to provisions of the General Appropriations Act, Article III, Section 4, enacted by the 82nd Texas Legislature.

4. U. T. System: Approval to exceed the full-time equivalent limitation on employees paid from appropriated funds

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and the presidents of six U. T. System institutions that the U. T. System Board of Regents approve allowing those institutions, as set forth in the table on Page 72, to exceed the number of full-time equivalent (FTE) employees paid from appropriated funds for Fiscal Year 2012 that are authorized in Article III of the General Appropriations Act. Also, as required by Article IX, Section 6.10 of the General Appropriations Act, it is recommended that the U. T. System Board of Regents submit a request to the Governor's Office and the Legislative Budget Board to grant approval for these institutions to exceed the authorized number of FTE employees paid from appropriated funds.

BACKGROUND INFORMATION

The General Appropriations Act places a limit on the number of FTE employees paid from appropriated funds that an institution may employ without written approval of the Governor and the Legislative Budget Board. To exceed the FTE limitation, a request must be submitted by the governing board and must include the date on which the board approved the request, a statement justifying the need to exceed the limitation, the source of funds to be used to pay the salaries, and an explanation as to why the functions of the proposed additional FTEs cannot be performed within current staffing levels. Detailed justification information is set forth on Pages 73 - 75.

Additionally, the FTE cap of 12,565 for U. T. M. D. Anderson Cancer Center was the projected actual FTE for appropriated funds for Fiscal Year 2010 reported in the 2012-2013 Legislative Appropriations Request. The number of FTEs reported in Fiscal Year 2010 reflected the reduction of the 577 FTE that were realigned in late 2009 and early 2010. The request to exceed the cap by 862 FTEs represents the projected two years growth (Fiscal Years 2011 and 2012) in FTEs funded by patient income. The FTEs for Hospitals and Clinics are to support the Albert B. and Margaret M. Alkek Hospital expansion that will provide new inpatient beds in 2011 and 2012 on four of the nine total floors added due to the expansion.

U. T. Arlington, U. T. Austin, U. T. Pan American, U. T. Permian Basin, U. T. Tyler, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, U. T. Health Science Center - Houston, U. T. Health Science Center - San Antonio, and U. T. System Administration will be under the FTE cap and are not requesting to exceed the FTE limitation.

The University of Texas System
Request to Exceed Full-time Equivalent Limitation on Employees Paid From Appropriated Funds
For Period September 1, 2011 through August 31, 2012

Request to Exceed Cap - by Function

	Faculty	Staff	Total
Instruction	177.00	26.00	203.00
Academic Support	-	41.00	41.00
Research	112.00	24.00	136.00
Public Service	1.00	12.00	13.00
Hospitals and Clinics	224.00	2,895.00	3,119.00
Institutional Support	-	46.00	46.00
Student Services	-	20.00	20.00
Operations and Maintenance of Plant	-	327.00	327.00
Scholarships and Fellowships	-	1.00	1.00
Total	514.00	3,392.00	3,906.00

Request to Exceed Cap - by Institution

		Request to Exceed Cap			
	FY 2012 Cap	Faculty	Staff	Total	
U. T. Arlington	2,227.50	-	-	-	*
U. T. Austin	6,520.60	-	-	-	*
U. T. Brownsville	591.20	97.00	87.00	184.00	
U. T. Dallas	1,370.60	30.00	-	30.00	
U. T. El Paso	1,826.90	48.00	22.00	70.00	
U. T. Pan American	1,509.30	-	-	-	*
U. T. Permian Basin	335.80	-	-	-	*
U. T. San Antonio	2,321.90	30.00	90.00	120.00	
U. T. Tyler	474.00	-	-	-	*
Total Academic Institutions	17,177.80	205.00	199.00	404.00	
U. T. Southwestern Medical Center	2,006.80	-	-	-	*
U. T. Medical Branch - Galveston	5,008.90	-	-	-	*
U. T. Health Science Center - Houston	1,797.90	-	-	-	*
U. T. Health Science Center - San Antonio	2,450.00	-	-	-	*
U. T. M. D. Anderson Cancer Center	12,565.10	306.00	3,156.00	3,462.00	
U. T. Health Science Center - Tyler	619.20	3.00	37.00	40.00	
Total Health Institutions	24,447.90	309.00	3,193.00	3,502.00	
U. T. System Administration	229.00	-	-	-	*
U. T. System Total	41,854.70	514.00	3,392.00	3,906.00	

*U. T. Arlington, U. T. Austin, U. T. Pan American, U. T. Permian Basin, U. T. Tyler, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, U. T. Health Science Center - Houston, U. T. Health Science Center - San Antonio, and U. T. System Administration will not exceed their cap.

The University of Texas System
Fiscal Year 2012 Request to Exceed Full-time Equivalent Limitation on Appropriated Funds

Function	Faculty FTE Increase	Staff FTE Increase	Total FTE Increase from Appropriated Funds	Source of Funds	Justification
U. T. Brownsville					
Instruction	96.00	19.00	115.00	Education and General	Request authorization to exceed the limit for FTEs associated and paid with the Texas Southmost College contract.
Academic Support	-	18.00	18.00	Education and General	Request authorization to exceed the limit for FTEs associated and paid with the Texas Southmost College contract.
Public Service	1.00	2.00	3.00	Education and General	Request authorization to exceed the limit for FTEs associated and paid with the Texas Southmost College contract.
Institutional Support	-	31.00	31.00	Education and General	Request authorization to exceed the limit for FTEs associated and paid with the Texas Southmost College contract.
Student Support	-	12.00	12.00	Education and General	Request authorization to exceed the limit for FTEs associated and paid with the Texas Southmost College contract.
Operations and Maintenance of Plant	-	4.00	4.00	Education and General	Request authorization to exceed the limit for FTEs associated and paid with the Texas Southmost College contract.
Scholarships and Fellowships	-	1.00	1.00	Education and General	Request authorization to exceed the limit for FTEs associated and paid with the Texas Southmost College contract.
TOTAL	**97.00**	**87.00**	**184.00**		
U. T. Dallas					
Instruction	30.00	-	30.00	Education and General	Allow for additional faculty, retain quality of education, and maintain faculty/student ratio.
TOTAL	**30.00**	**-**	**30.00**		
U. T. El Paso					
Instruction	20.00	2.00	22.00	Education and General	Additional full-time faculty are needed to meet the increased demand as a result of increased enrollment.
Academic Support	-	8.00	8.00	Education and General	Additional full-time staff required to assist faculty members with increased administrative functions due to increased enrollment.
Research	28.00	12.00	40.00	Education and General	Increase in research faculty and full-time staff to support the continued commitment to strategic research initiatives.
TOTAL	**48.00**	**22.00**	**70.00**		

Function	Faculty FTE Increase	Staff FTE Increase	Total FTE Increase from Appropriated Funds	Source of Funds	Justification
U. T. San Antonio					
Instruction	30.00	5.00	35.00	Education and General	Faculty hiring has increased relative to enrollment as a critical priority to allow sufficient course sections and support research initiatives. Assumes vacant positions funded are filled during FY 2012.
Academic Support	-	12.00	12.00	Education and General	Staffing levels increased to keep up with growth in enrollment and support research initiatives. Assumes vacant positions funded are filled during FY 2012.
Research	-	12.00	12.00	Education and General	Staffing levels increased to keep up with growth in enrollment and other university missions: public service, research, and new facilities. Assumes vacant positions funded are filled during FY 2012.
Public Service	-	10.00	10.00	Education and General	Staffing levels increased to keep up with growth in enrollment and other university missions: public service, research, and new facilities. Assumes vacant positions funded are filled during FY 2012.
Institutional Support	-	15.00	15.00	Education and General	Staffing levels increased to keep up with growth in enrollment and other university missions: public service, research, and new facilities. Assumes vacant positions funded are filled during FY 2012.
Student Support	-	8.00	8.00	Education and General	Staffing levels increased to keep up with growth in enrollment and other university missions: public service, research, and new facilities. Assumes vacant positions funded are filled during FY 2012.
Operations and Maintenance of Plant	-	28.00	28.00	Education and General	Staffing levels increased to keep up with growth in enrollment and other university missions: public service, research, and new facilities. Assumes vacant positions funded are filled during FY 2012.
TOTAL	**30.00**	**90.00**	**120.00**		
U. T. M. D. Anderson Cancer Center					
Research	84.00	-	84.00	Patient Income	Increase is required to provide research programs with support and resources needed to fulfill the research mission of U. T. M. D. Anderson Cancer Center.
Hospitals and Clinics	222.00	2,888.00	3,110.00	Patient Income	Increase is required to provide U. T. M. D. Anderson Cancer Center's standard of care and service to increasing number of patients and to improve the capacity to deliver cancer care.
Operations and Maintenance of Plant	-	268.00	268.00	Patient Income	Increase is required to provide support for additional facilities and infrastructure that support growth in the institution's missions of instruction, patient care, and research.
TOTAL	**306.00**	**3,156.00**	**3,462.00**		

Function	Faculty FTE Increase	Staff FTE Increase	Total FTE Increase from Appropriated Funds	Source of Funds	Justification
U. T. Health Science Center - Tyler					
Instruction	1.00	-	1.00	Education and General	Addition of a Program Director for new Internal Medicine Residency Program, which is expected to double Medical Residency slots.
Academic Support	-	3.00	3.00	Education and General	Additional staff needed to implement and maintain new Academic/Degree Granting Initiative.
Hospitals and Clinics	2.00	7.00	9.00	Education and General	Additional faculty and staff needed to serve additional patients as new Radiation Oncology Program becomes operational on 9/1/2011.
Operations and Maintenance of Plant	-	27.00	27.00	Education and General	Transfer from contract to in-house FTEs due to bringing Physical Plant and Power Plant operations in-house. This move is expected to save approximately $500,000 per year.
TOTAL	**3.00**	**37.00**	**40.00**		

5. **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 12, 2010, 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 2010, 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 will be available online at http://www.utsystem.edu/bor/AgendaBook/Aug11/8-24&25-11MeetingPage.html.

6. 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 12, 2010, the Board of Regents adopted a resolution authorizing the issuance of additional RFS Bonds in an amount not to exceed $900 million. A portion of this authority was utilized with the issuance of $604.3 million in RFS Taxable Bonds, Series 2010C (Build America Bonds) and $39.8 million of RFS Taxable Bonds, Series 2010E, both of which were issued on September 23, 2010.

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 will be available online at http://www.utsystem.edu/bor/AgendaBook/Aug11/8-24&25-11MeetingPage.html.

7. **<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>**

<u>RECOMMENDATION</u>

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 80 - 112 (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.

<u>BACKGROUND INFORMATION</u>

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 12, 2010, the Board approved bond enhancement agreement resolutions for FY 2011. 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 2012 and will ratify the existing U. T. System Interest Rate Swap Policy, set out as Exhibit B on Pages 89 - 94 and 106 - 111, 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 Chairman of the Board of Regents 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 25, 2011

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 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. 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, 2012.

(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. 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:

(A) 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.

(B) 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.

(C) 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.

(D) 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.

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 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, and credit support documents.

(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 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; and

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

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

"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

1. Title

Interest Rate Swap Policy

2. Rule and Regulation

Sec. 1 Authority. *Texas Education Code*, Chapter 55, including Section 55.13, *Texas Education Code,* Chapter 65, including Section 65.461, and *Texas Government Code*, Chapter 1371, including Section 1371.056, authorize the Board of Regents (Board) of The University of Texas System (U. T. System) to enter into interest rate management agreements and bond enhancement agreements (collectively “swaps”).

Sec. 2 Purpose. This policy will govern the use of swaps in connection with the U. T. System’s management of its debt programs, including the Permanent University Fund and Revenue Financing System debt programs. By using swaps in a prudent manner, the U. T. System can increase the U. T. System’s financial flexibility, provide opportunities for interest rate savings, allow the U. T. System to actively manage asset and liability interest rate risk, take advantage of market opportunities to lower the overall cost of debt, balance interest rate risk, or hedge other exposures. The use of swaps must be tied directly to U. T. System debt instruments. The U. T. System shall not enter into swaps for speculative purposes.

Sec. 3 Legality/Approval. Prior to entering into a swap, the U. T. System must receive approval from the Board of Regents (which may include a delegation of authority to an Authorized Representative to enter into one or more swaps) and any required approvals from the Texas Attorney General and the Texas Bond Review Board. The U. T. System will also secure an opinion acceptable to the Authorized Representative from legal counsel that the swap is a legal, valid, and binding obligation of the U. T. System and that entering into the swap complies with applicable State and federal laws.

Sec. 4 Form of Agreements. Each interest rate swap shall contain terms and conditions as set forth in the International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement, as amended, and such other terms and conditions including schedules, credit support annexes, and confirmations as deemed necessary by an Authorized Representative.

Sec. 5 Methods of Procuring Swaps. Swaps can be procured via competitive bids or on a negotiated basis with counterparties or its credit support providers having credit ratings of ‘A’ or ‘A2’ or better from Standard & Poor’s or Moody’s, respectively.

5.1 Competitive. The competitive bid should include a minimum of three firms. An Authorized Representative may allow a firm or firms not submitting the bid that produces the lowest cost to match the lowest bid and be awarded a specified percentage of the notional amount of the swap.

5.2 Negotiated. An Authorized Representative may procure swaps by negotiated methods in the following situations:

(a) A determination is made by an Authorized Representative that due to the complexity of a particular swap, a negotiated bid would result in the most favorable pricing;

(b) A determination is made by an Authorized Representative that, in light of the facts and circumstances, a negotiated bid will promote the U. T. System’s interests by encouraging and rewarding innovation; or

(c) A determination is made by an Authorized Representative that a competitive bid would likely create market pricing effects that would be detrimental to the interests of the U. T. System.

Sec. 6 Counterparty Risk. Counterparty risk is the risk of a failure by one of the U. T. System’s swap counterparties to perform as required under a swap. To mitigate this risk, the U. T. System will 1) diversify its exposure among highly rated swap counterparties satisfying the rating criteria set forth in Section 5 above; 2) require collateralization as set forth below; and 3) include an optional termination event if the counterparty (or its credit support provider, if applicable) is downgraded below a second (lower) threshold.

6.1 Value Owed by Counterparty. To limit and diversify the U. T. System’s counterparty risk and to monitor credit exposure to each counterparty, the U. T. System may not enter into a swap with an otherwise qualified counterparty unless the cumulative mark-to-market value owed by the counterparty (and its credit support provider, if applicable) to the U. T. System shall be less than or equal to the applicable threshold amount set forth in Section 6.3 below.

6.2 Calculation of Value Owed. The value owed shall be the sum of all mark-to-market values between the subject counterparty and the U. T. System regardless of the type of swap, net of collateral posted by the counterparty. Collateral will consist of cash, U.S. Treasury securities, and Federal Agency securities guaranteed unconditionally by the full faith and credit of the U.S. Government. Collateral shall be deposited with a third party trustee acceptable to U. T. System or as mutually agreed upon between U. T. System and each counterparty.

6.3 Threshold Amounts Based on Credit Rating. Specific threshold amounts by counterparty are based on the cumulative mark-to-market value of the swap(s) and the credit rating of the counterparty or its credit support provider. The threshold amounts are as follows:

(a) AAA / Aaa	$30 million
(b) AA+ / Aa1	$25 million
(c) AA / Aa2	$20 million
(d) AA- / Aa3	$15 million
(e) A+ / A1	$10 million
(f) A / A2	$ 5 million

6.4 Downgraded Rating. If the credit rating of a counterparty or its credit support provider is downgraded such that the cumulative mark-to-market value of all swaps between such counterparty and the U. T. System exceeds the maximum permitted by this policy, the counterparty must post collateral or provide other credit enhancement that is satisfactory to the U. T. System and ensures compliance with this policy.

Sec. 7 Termination Risk. The U. T. System shall consider the merits of including a provision that permits optional termination at any time over the term of the swap (elective termination right). In general, exercising the right to optionally terminate a swap should produce a benefit to the U. T. System, either through receipt of a payment from a termination, or if a termination payment is made by the U. T. System, a conversion to a more beneficial debt instrument or credit relationship. It is possible that a termination payment by the U. T. System may be required in the event of termination of a swap due to a counterparty default or following a decrease in credit rating.

Sec. 8 Amortization Risk. The amortization schedules of the debt and associated swap should be closely matched for the duration of the swap. Mismatched amortization schedules can result in a less than satisfactory hedge and create unnecessary risk. In no circumstance may (i) the notional amount of a swap exceed the principal amount of the related debt at any time, or (ii) the term of a swap extend beyond the final maturity date of the related debt instrument, or in the case of a refunding transaction, beyond the final maturity date of the refunding bonds.

Sec. 9 Basis Risk. Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow from the U. T. System. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, any index used as part of a swap shall be a recognized market index, including but not limited to the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index or the London Interbank Offered Rate (LIBOR).

Sec. 10 Tax Risk. Tax risk is the risk that tax laws will change, resulting in a change in the marginal tax rates on swaps and their underlying assets. Tax risk is present in all tax-exempt debt issuances. The U. T. System Office of Finance will continually monitor and evaluate tax risk.

Sec. 11 Interest Rate Risk. Interest rate risk is the risk that costs associated with variable rate exposure increase as a result of changes in market interest rates. Additional interest rate risk can be created by entering into certain types of swaps. The U. T. System Office of Finance will incorporate the impact of each swap on the overall debt portfolio.

Sec. 12 Reporting.

12.1 The U. T. System Office of Finance staff will report to the Board within 30 days of completion of any swap transaction.

12.2 The Annual Financial Report prepared by the U. T. System and presented to the Board of Regents will discuss the status of all swaps. The report shall include a list of all swaps with notional value and interest rates, a list of counterparties (and credit support providers, if applicable) and their respective credit ratings, and other key terms.

3. Definitions

Authorized Representative – includes the Executive Vice Chancellor for Business Affairs, the Vice Chancellor and General Counsel, the Associate Vice Chancellor for Finance, and the Director of Finance.

Counterparty – a participant in a swap who exchanges payments based on interest rates or other criteria with another counterparty.

Counterparty Long-Term Debt Rating – lowest prevailing rating from Standard & Poor’s / Moody’s.

Hedge – a transaction entered into to reduce exposure to market fluctuations.

Interest Rate Swap – a swap in which two parties agree to exchange future net cash flows based on predetermined interest rates or indices calculated on an agreed notional amount. An interest rate swap is not a debt instrument and there is no exchange of principal.

ISDA Master Agreement – the International Swaps and Derivatives Association, Inc. (ISDA), is the global trade association for the derivatives industry. The ISDA Master Agreement is the basic governing document that serves as a framework for all interest rate swaps and certain other types of swaps between two counterparties. It is a standard form used throughout the industry. It is typically negotiated once, prior to the first swap transaction, and remains in force for all subsequent swap transactions.

London Interbank Offered Rate (LIBOR) – the rate of interest at which banks borrow funds from other banks in the London interbank market. It is a commonly used benchmark for swaps.

Mark-to-Market – calculation of the value of a financial instrument (like an interest rate swap) based on the current market rates or prices of the underlying indices.

Maximum cumulative mark-to-market – value of swaps owed to the U. T. System by counterparty (net of collateral posted).

Notional Amount – the size of the swap and the dollar amount used to calculate interest payments.

SIFMA Index – the principal benchmark for floating rate payments for tax-exempt issuers [formerly known as the Bond Market Association (BMA) Municipal Swap index]. The index is a national rate based on a market basket of high-grade, seven-day, tax-exempt variable rate bond issues.

4. Relevant Federal and State Statutes

Texas Education Code, Chapter 55 – Financing Permanent Improvements

Texas Education Code, Chapter 65 – Administration of The University of Texas System

Texas Government Code, Chapter 1371 – Obligations for Certain Public Improvements

5. Relevant System Policies, Procedures, and Forms

None

6. Who Should Know

Administrators

7. System Administration Office(s) Responsible for Rule

Office of Business Affairs

8. Dates Approved or Amended

Editorial amendments made June 30, 2011
August 23, 2007
December 10, 2004

9. Contact Information

Questions or comments regarding this rule should be directed to:

- bor@utsystem.edu

EXHIBIT C

EXECUTED MASTER AGREEMENTS

[On File with the Board]

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 25, 2011

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 Exhibit A 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 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. 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, 2012.

(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. 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:

(A) 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.

(B) 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.

(C) 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.

(D) 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.

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 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, and credit support documents.

(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 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

"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.

"LIBOR" shall have the meaning given to such term in clause (C) of Section 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

1. Title

Interest Rate Swap Policy

2. Rule and Regulation

Sec. 1 Authority. *Texas Education Code*, Chapter 55, including Section 55.13, *Texas Education Code,* Chapter 65, including Section 65.461, and *Texas Government Code*, Chapter 1371, including Section 1371.056, authorize the Board of Regents (Board) of The University of Texas System (U. T. System) to enter into interest rate management agreements and bond enhancement agreements (collectively "swaps").

Sec. 2 Purpose. This policy will govern the use of swaps in connection with the U. T. System's management of its debt programs, including the Permanent University Fund and Revenue Financing System debt programs. By using swaps in a prudent manner, the U. T. System can increase the U. T. System's financial flexibility, provide opportunities for interest rate savings, allow the U. T. System to actively manage asset and liability interest rate risk, take advantage of market opportunities to lower the overall cost of debt, balance interest rate risk, or hedge other exposures. The use of swaps must be tied directly to U. T. System debt instruments. The U. T. System shall not enter into swaps for speculative purposes.

Sec. 3 Legality/Approval. Prior to entering into a swap, the U. T. System must receive approval from the Board of Regents (which may include a delegation of authority to an Authorized Representative to enter into one or more swaps) and any required approvals from the Texas Attorney General and the Texas Bond Review Board. The U. T. System will also secure an opinion acceptable to the Authorized Representative from legal counsel that the swap is a legal, valid, and binding obligation of the U. T. System and that entering into the swap complies with applicable State and federal laws.

Sec. 4 Form of Agreements. Each interest rate swap shall contain terms and conditions as set forth in the International Swaps and Derivatives

Association, Inc. (ISDA) Master Agreement, as amended, and such other terms and conditions including schedules, credit support annexes, and confirmations as deemed necessary by an Authorized Representative.

Sec. 5 Methods of Procuring Swaps. Swaps can be procured via competitive bids or on a negotiated basis with counterparties or its credit support providers having credit ratings of ‘A’ or ‘A2’ or better from Standard & Poor’s or Moody’s, respectively.

5.1 Competitive. The competitive bid should include a minimum of three firms. An Authorized Representative may allow a firm or firms not submitting the bid that produces the lowest cost to match the lowest bid and be awarded a specified percentage of the notional amount of the swap.

5.2 Negotiated. An Authorized Representative may procure swaps by negotiated methods in the following situations:

(a) A determination is made by an Authorized Representative that due to the complexity of a particular swap, a negotiated bid would result in the most favorable pricing;

(b) A determination is made by an Authorized Representative that, in light of the facts and circumstances, a negotiated bid will promote the U. T. System’s interests by encouraging and rewarding innovation; or

(c) A determination is made by an Authorized Representative that a competitive bid would likely create market pricing effects that would be detrimental to the interests of the U. T. System.

Sec. 6 Counterparty Risk. Counterparty risk is the risk of a failure by one of the U. T. System’s swap counterparties to perform as required under a swap. To mitigate this risk, the U. T. System will 1) diversify its exposure among highly rated swap counterparties satisfying the rating criteria set forth in Section 5 above; 2) require collateralization as set forth below; and 3) include an optional termination event if the counterparty (or its credit support provider, if applicable) is downgraded below a second (lower) threshold.

6.1 Value Owed by Counterparty. To limit and diversify the U. T. System’s counterparty risk and to monitor credit exposure to each counterparty, the U. T. System may not enter into a swap with an otherwise qualified counterparty unless the cumulative mark-to-market value owed by the counterparty (and its credit support provider, if applicable) to the U. T. System shall be less than or equal to the applicable threshold amount set forth in Section 6.3 below.

6.2 Calculation of Value Owed. The value owed shall be the sum of all mark-to-market values between the subject counterparty and the U. T. System regardless of the type of swap, net of collateral posted by the counterparty. Collateral will consist of cash, U.S. Treasury securities, and Federal Agency securities guaranteed unconditionally by the full faith and credit of the U.S. Government. Collateral shall be deposited with a third party trustee acceptable to U. T. System or as mutually agreed upon between U. T. System and each counterparty.

6.3 Threshold Amounts Based on Credit Rating. Specific threshold amounts by counterparty are based on the cumulative mark-to-market value of the swap(s) and the credit rating of the counterparty or its credit support provider. The threshold amounts are as follows:

(a) AAA / Aaa	$30 million
(b) AA+ / Aa1	$25 million
(c) AA / Aa2	$20 million
(d) AA- / Aa3	$15 million
(e) A+ / A1	$10 million
(f) A / A2	$ 5 million

6.4 Downgraded Rating. If the credit rating of a counterparty or its credit support provider is downgraded such that the cumulative mark-to-market value of all swaps between such counterparty and the U. T. System exceeds the maximum permitted by this policy, the counterparty must post collateral or provide other credit enhancement that is satisfactory to the U. T. System and ensures compliance with this policy.

Sec. 7 Termination Risk. The U. T. System shall consider the merits of including a provision that permits optional termination at any time over the term of the swap (elective termination right). In general, exercising the right to optionally terminate a swap should produce a benefit to the U. T. System, either through receipt of a payment from a termination, or if a termination payment is made by the U. T. System, a conversion to a more beneficial debt instrument or credit relationship. It is possible that a termination payment by the U. T. System may be required in the event of termination of a swap due to a counterparty default or following a decrease in credit rating.

Sec. 8 Amortization Risk. The amortization schedules of the debt and associated swap should be closely matched for the duration of the swap. Mismatched amortization schedules can result in a less than satisfactory hedge and create unnecessary risk. In no circumstance may (i) the notional amount of a swap exceed the principal amount of the related debt at any time, or (ii) the term of a swap extend beyond the final maturity date of the related debt instrument, or in the case of a refunding transaction, beyond the final maturity date of the refunding bonds.

Sec. 9 Basis Risk. Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow from the U. T. System. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, any index used as part of a swap shall be a recognized market index, including but not limited to the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index or the London Interbank Offered Rate (LIBOR).

Sec. 10 Tax Risk. Tax risk is the risk that tax laws will change, resulting in a change in the marginal tax rates on swaps and their underlying assets. Tax risk is present in all tax-exempt debt issuances. The U. T. System Office of Finance will continually monitor and evaluate tax risk.

Sec. 11 Interest Rate Risk. Interest rate risk is the risk that costs associated with variable rate exposure increase as a result of changes in market interest rates. Additional interest rate risk can be created by entering into certain types of swaps. The U. T. System Office of Finance will incorporate the impact of each swap on the overall debt portfolio.

Sec. 12 Reporting.

12.1 The U. T. System Office of Finance staff will report to the Board within 30 days of completion of any swap transaction.

12.2 The Annual Financial Report prepared by the U. T. System and presented to the Board of Regents will discuss the status of all swaps. The report shall include a list of all swaps with notional value and interest rates, a list of counterparties (and credit support providers, if applicable) and their respective credit ratings, and other key terms.

3. Definitions

Authorized Representative – includes the Executive Vice Chancellor for Business Affairs, the Vice Chancellor and General Counsel, the Associate Vice Chancellor for Finance, and the Director of Finance.

Counterparty – a participant in a swap who exchanges payments based on interest rates or other criteria with another counterparty.

Counterparty Long-Term Debt Rating – lowest prevailing rating from Standard & Poor's / Moody's.

Hedge – a transaction entered into to reduce exposure to market fluctuations.

Interest Rate Swap – a swap in which two parties agree to exchange future net cash flows based on predetermined interest rates or indices calculated on an agreed notional amount. An interest rate swap is not a debt instrument and there is no exchange of principal.

ISDA Master Agreement – the International Swaps and Derivatives Association, Inc. (ISDA), is the global trade association for the derivatives industry. The ISDA Master Agreement is the basic governing document that serves as a framework for all interest rate swaps and certain other types of swaps between two counterparties. It is a standard form used throughout the industry. It is typically negotiated once, prior to the first swap transaction, and remains in force for all subsequent swap transactions.

London Interbank Offered Rate (LIBOR) – the rate of interest at which banks borrow funds from other banks in the London interbank market. It is a commonly used benchmark for swaps.

Mark-to-Market – calculation of the value of a financial instrument (like an interest rate swap) based on the current market rates or prices of the underlying indices.

Maximum cumulative mark-to-market – value of swaps owed to the U. T. System by counterparty (net of collateral posted).

Notional Amount – the size of the swap and the dollar amount used to calculate interest payments.

SIFMA Index – the principal benchmark for floating rate payments for tax-exempt issuers [formerly known as the Bond Market Association (BMA) Municipal Swap index]. The index is a national rate based on a market basket of high-grade, seven-day, tax-exempt variable rate bond issues.

4. Relevant Federal and State Statutes

Texas Education Code, Chapter 55 – Financing Permanent Improvements

Texas Education Code, Chapter 65 – Administration of The University of Texas System

Texas Government Code, Chapter 1371 – Obligations for Certain Public Improvements

5. Relevant System Policies, Procedures, and Forms

None

6. Who Should Know

Administrators

7. System Administration Office(s) Responsible for Rule

Office of Business Affairs

8. Dates Approved or Amended

Editorial amendments made June 30, 2011
August 23, 2007
December 10, 2004

9. Contact Information

Questions or comments regarding this rule should be directed to:

- bor@utsystem.edu

EXHIBIT C

EXECUTED MASTER AGREEMENTS

[On file with the Board]

8. **U. T. System: Approval of aggregate amount of $179,550,000 of equipment financing for Fiscal Year 2012 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 $179,550,000 of Revenue Financing System Equipment Financing for FY 2012 as allocated to those U. T. System institutions set out on Page 115; 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 and U. T. System Administration, 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 $179,550,000 for the purchase of equipment; and

- this resolution satisfies the official intent requirements set forth in Section 1.150-2 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 $179,550,000 for equipment financing for Fiscal Year 2012. On August 12, 2010 and February 18, 2011, the U. T. System Board of Regents approved a total of $166,931,000 of equipment financing for Fiscal Year 2011, of which $58,375,000 has been issued as of July 31, 2011.

Further details on the equipment to be financed and debt service coverage ratios for individual institutions may be found on Page 115.

APPROVAL OF U. T. SYSTEM EQUIPMENT FINANCING
FY 2012

Institution	$ Amount of Request	Description of Expected Equipment Purchases	DSC*
U. T. Arlington	$1,500,000	Capital items related to the PeopleSoft implementation	2.9x
U. T. Austin	3,000,000	Athletic equipment, classroom equipment, IT equipment	2.7x
U. T. Dallas	9,000,000	Instructional equipment, research equipment, business operations equipment	2.1x
U. T. El Paso	4,400,000	Infrastructure equipment, facilities equipment, IT equipment, capital items related to the PeopleSoft implementation	2.2x
U. T. Permian Basin	150,000	Vehicle replacement	1.0x
U.T. San Antonio	2,000,000	Capital items related to the PeopleSoft implementation	1.9x
U. T. Southwestern Medical Center	48,000,000	Medical equipment, research equipment, IT and diagnostic equipment	2.3x
U. T. Medical Branch - Galveston	45,000,000	Clinical equipment, IT equipment, research equipment, facilities equipment	2.8x
U. T. Health Science Center - Houston	3,000,000	Research equipment	2.6x
U. T. Health Science Center - San Antonio	7,000,000	Research equipment, clinical equipment, and infrastructure equipment	2.3x
U. T. M. D. Anderson Cancer Center	50,000,000	Medical equipment, research equipment, IT equipment, diagnostic equipment	6.2x
U. T. Health Science Center -A1 Tyler	6,500,000	Medical equipment, research equipment, diagnostic equipment	2.9x

Total	$179,550,000

* Debt Service Coverage ("DSC") based on six-year forecasted Statement of Revenues, Expenses, and Changes in Net Assets ("SRECNA") for FY2012 – FY2017.

U. T. System Office of Finance, July 31, 2011

9. <u>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, 2011</u>

REPORT

The May 31, 2011 UTIMCO Performance Summary Report is attached on Page 118.

The Investment Reports for the quarter ended May 31, 2011, are set forth on Pages 118 – 121.

Item I on Page 118 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the quarter was 3.60% versus its composite benchmark return of 2.88%. The PUF's net asset value increased during the quarter to $12,908 million. The increase was due to $370 million PUF Land receipts, net investment return of $452 million, less the final distribution to the Available University Fund (AUF) of $253 million.

Item II on Page 119 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the quarter was 3.63% versus its composite benchmark return of 2.88%. The GEF's net asset value increased by $314 million during the quarter to $7,291 million.

Item III on Page 120 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the quarter was 2.69% versus its composite benchmark return of 2.02%. The net asset value increased during the quarter to $4,855 million due to net investment return of $132 million, net contributions of $49 million, less distributions of $36 million.

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

Item IV on Page 121 presents book and market values of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of institutional operating funds held in the Dreyfus money market fund, decreased by $220 million to $2,297 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: $75 million versus $24 million at the beginning of the period; equities: $52 million versus $54 million at the beginning of the period; and other investments: $1 million versus $5 million at the beginning of the period.

UTIMCO Performance Summary

May 31, 2011

	Net Asset Value 5/31/2011 (in Millions)	Periods Ended May 31, 2011 (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	$ 12,908	(0.28%)	3.60%	17.80%	6.71%	20.71%	2.29%	5.75%	7.02%
General Endowment Fund		(0.27)	3.63	17.89	6.75	20.80	2.22	5.86	7.22
Permanent Health Fund	1,032	(0.26)	3.69	17.92	6.83	20.80	2.19	5.79	7.13
Long Term Fund	6,259	(0.26)	3.69	17.93	6.83	20.81	2.19	5.80	7.15
Separately Invested Funds	126	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Endowment Funds	20,325								
OPERATING FUNDS									
Debt Proceeds Fund	929	0.02	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Short Term Fund	1,371	0.02	0.05	0.18	0.09	0.26	0.76	2.44	2.36
Intermediate Term Fund	4,855	(0.85)	2.69	13.96	4.51	18.28	3.21	5.84	N/A
Total Operating Funds	7,155								
Total Investments	$ 27,480								
VALUE ADDED (Percent)									
Permanent University Fund		0.59%	0.72%	1.70%	1.61%	1.53%	2.94%	2.39%	2.15%
General Endowment Fund		0.60	0.75	1.79	1.65	1.62	2.87	2.50	2.35
Debt Proceeds Fund		0.01	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Short Term Fund		0.01	-	0.06	0.01	0.10	0.28	0.36	0.21
Intermediate Term Fund		0.32	0.67	1.70	0.98	2.32	2.39	2.51	N/A
VALUE ADDED ($ IN MILLIONS)									
Permanent University Fund		$ 77	$ 90	$ 188	$ 194	$ 166	$ 1,083	$ 1,398	$ 2,479
General Endowment Fund		44	53	111	113	99	595	819	1,460
Intermediate Term Fund		16	32	72	46	95	319	521	N/A
Total Value Added		$ 137	$ 175	$ 371	$ 353	$ 360	$ 1,997	$ 2,738	$ 3,939

Footnotes available upon request.

UTIMCO 7/18/2011

I. PERMANENT UNIVERSITY FUND

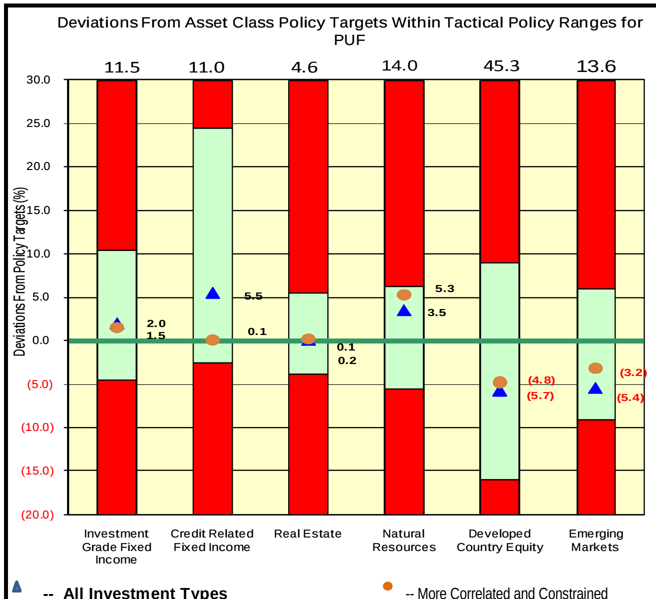
Investment Reports for Periods Ended May 31, 2011

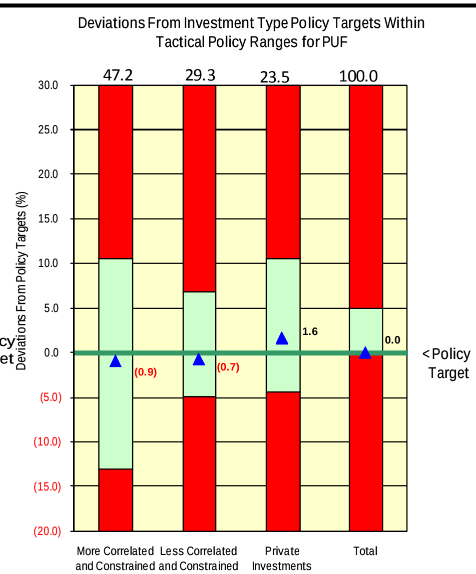
Prepared in accordance with *Texas Education Code* Sec. 51.0032

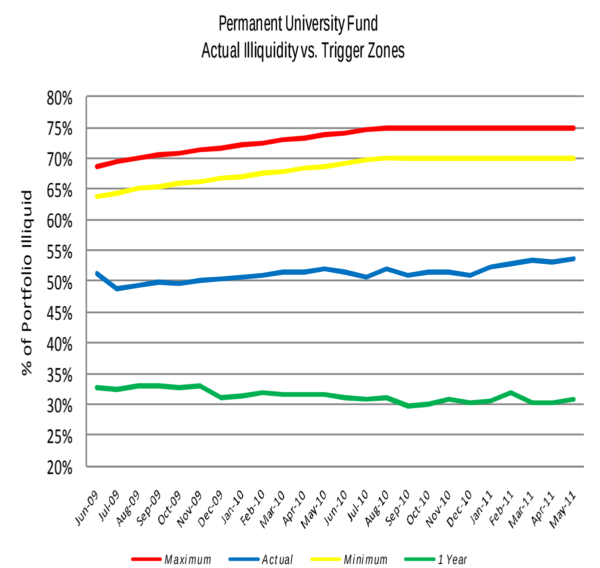
Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2010	Quarter Ended May 31, 2011	Fiscal Year to Date May 31, 2011
Beginning Net Assets	$ 9,674	$ 12,339	$ 10,725
PUF Lands Receipts	338	370	763
Investment Return (Net of Expenses)	1,229	452	1,926
Distributions to AUF	(516)	(253)	(506)
Ending Net Assets	$ 10,725	$ 12,908	$ 12,908

	Fiscal Year to Date: Returns		Fiscal Year to Date: Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	2.99%	5.33%	-0.53%	-0.20%	-0.73%
Credit-Related	17.16%	13.29%	-0.04%	0.00%	-0.04%
Real Estate	25.45%	25.45%	-0.03%	0.02%	-0.01%
Natural Resources	31.33%	33.36%	0.54%	-0.11%	0.43%
Developed Country	30.32%	27.42%	-0.79%	0.49%	-0.30%
Emerging Markets	20.01%	22.19%	-0.20%	-0.27%	-0.47%
Total More Correlated and Constrained	**20.77%**	**23.10%**	**-1.05%**	**-0.07%**	**-1.12%**
Less Correlated and Constrained	**11.49%**	**7.02%**	**0.18%**	**1.24%**	**1.42%**
Private Investments	**19.89%**	**13.26%**	**-0.34%**	**1.74%**	**1.40%**
Total	**17.80%**	**16.10%**	**-1.21%**	**2.91%**	**1.70%**







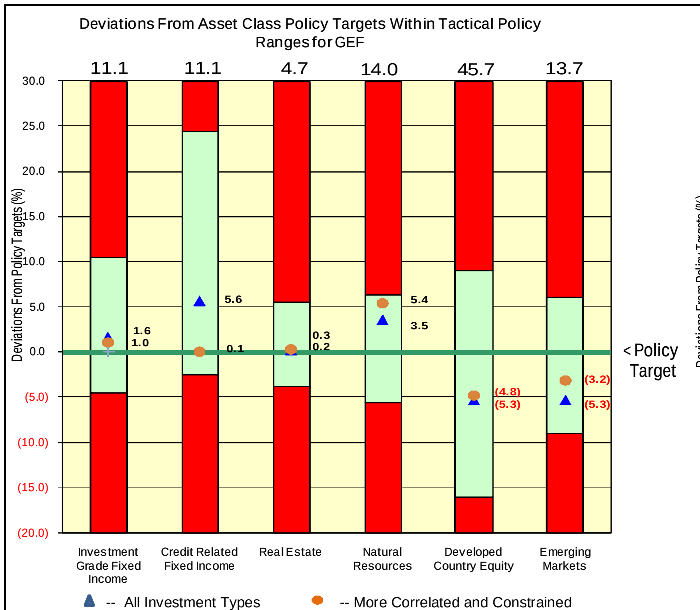
UTIMCO 06/24/2011

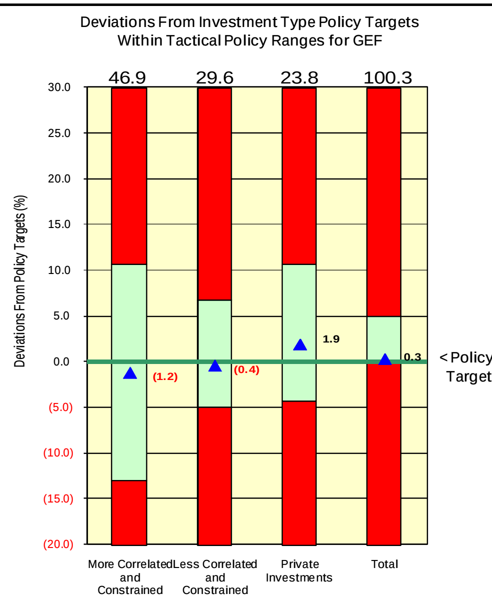
II. GENERAL ENDOWMENT FUND
Investment Reports for Periods Ended May 31, 2011
Prepared in accordance with *Texas Education Code* Sec. 51.0032

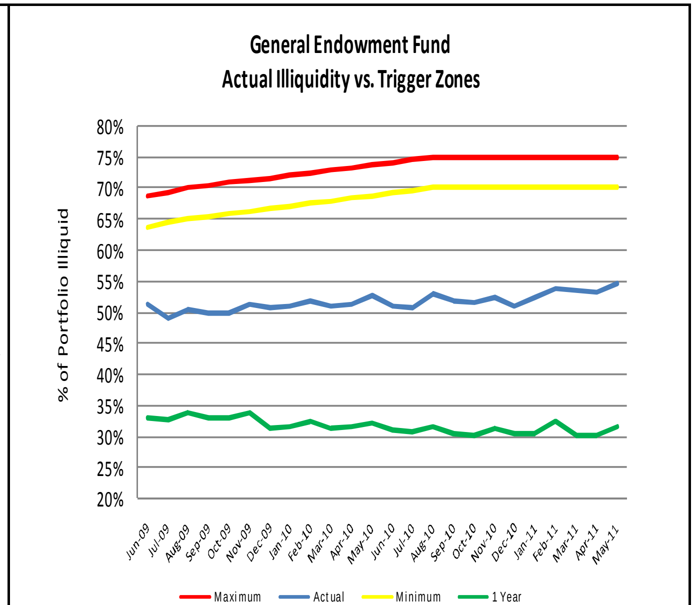
Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2010	Quarter Ended May 31, 2011	Fiscal Year to Date May 31, 2011
Beginning Net Assets	$ 5,359	$ 6,977	$ 6,035
Contributions	285	134	391
Withdrawals	(11)	(1)	(7)
Distributions	(298)	(83)	(244)
Investment Return (Net of Expenses)	700	264	1,116
Ending Net Assets	$ 6,035	$ 7,291	$ 7,291

	Fiscal Year to Date				
	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	3.73%	5.33%	-0.54%	-0.15%	-0.69%
Credit-Related	17.25%	13.29%	-0.03%	0.00%	-0.03%
Real Estate	25.42%	25.45%	-0.04%	0.01%	-0.03%
Natural Resources	31.35%	33.36%	0.53%	-0.09%	0.44%
Developed Country	30.58%	27.42%	-0.83%	0.56%	-0.27%
Emerging Markets	20.09%	22.19%	-0.22%	-0.28%	-0.50%
Total More Correlated and Constrained	**20.96%**	**23.10%**	**-1.13%**	**0.05%**	**-1.08%**
Less Correlated and Constrained	**11.49%**	**7.02%**	**0.19%**	**1.28%**	**1.47%**
Private Investments	**19.90%**	**13.26%**	**-0.34%**	**1.74%**	**1.40%**
Total	**17.89%**	**16.10%**	**-1.28%**	**3.07%**	**1.79%**







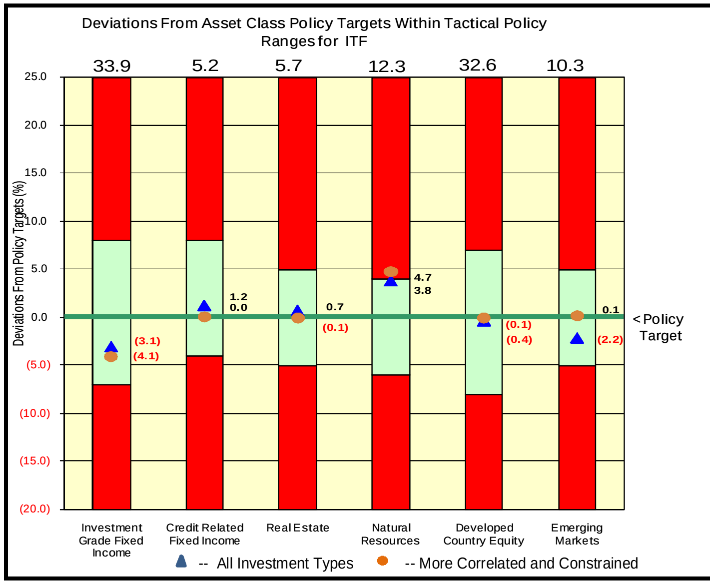
III. INTERMEDIATE TERM FUND
Investment Reports for Periods Ended May 31, 2011

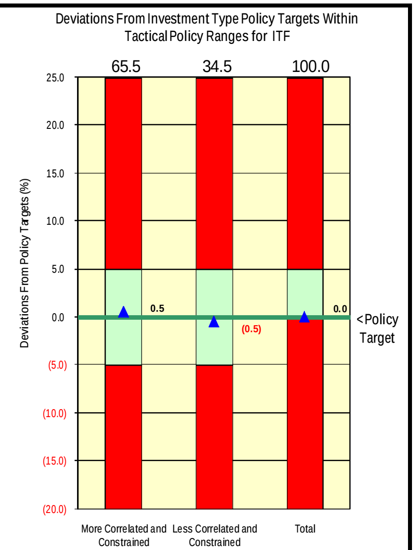
Prepared in accordance with *Texas Education Code* Sec. 51.0032

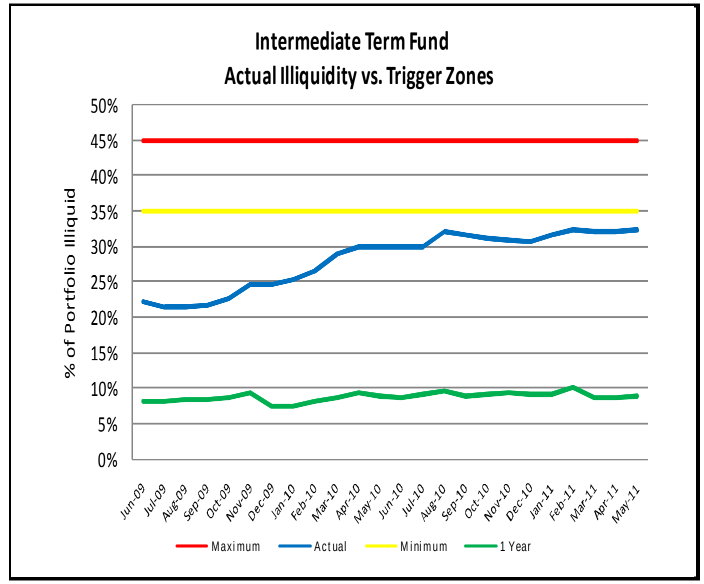
Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2010	Quarter Ended May 31, 2011	Fiscal Year to Date May 31, 2011
Beginning Net Assets	$ 3,572	$ 4,710	$ 4,156
Contributions	409	84	283
Withdrawals	(112)	(35)	(74)
Distributions	(119)	(36)	(103)
Investment Return (Net of Expenses)	406	132	593
Ending Net Assets	$ 4,156	$ 4,855	$ 4,855

	Fiscal Year to Date				
	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	5.07%	5.33%	0.09%	-0.10%	-0.01%
Credit-Related	18.13%	13.29%	0.00%	0.00%	0.00%
Real Estate	25.35%	25.45%	-0.04%	-0.01%	-0.05%
Natural Resources	30.07%	33.36%	0.36%	-0.21%	0.15%
Developed Country	29.32%	27.42%	0.04%	0.16%	0.20%
Emerging Markets	20.04%	22.19%	-0.02%	-0.17%	-0.19%
Total More Correlated and Constrained	**15.27%**	**15.15%**	**0.43%**	**-0.33%**	**0.10%**
Less Correlated and Constrained	**11.49%**	**7.02%**	**0.19%**	**1.41%**	**1.60%**
Private Investments	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Total	**13.96%**	**12.26%**	**0.62%**	**1.08%**	**1.70%**







UTIMCO 06/28/11

IV. SEPARATELY INVESTED ASSETS

Summary Investment Report at May 31, 2011

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

($ thousands)

	FUND TYPE															
	CURRENT PURPOSE				ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		TOTAL EXCLUDING OPERATING FUNDS		OPERATING FUNDS (DEBT PROCEEDS AND (SHORT TERM FUND)		TOTAL	
	DESIGNATED		RESTRICTED													
ASSET TYPES																
Cash & Equivalents:	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
Beginning value 02/28/11	-	-	2,975	2,975	36,771	36,771	2,578	2,578	100,109	100,109	142,433	142,433	2,374,408	2,374,408	2,516,841	2,516,841
Increase/(Decrease)	-	-	(881)	(881)	(9,427)	(9,427)	(1,171)	(1,171)	(83,204)	(83,204)	(94,683)	(94,683)	(125,050)	(125,050)	(219,733)	(219,733)
Ending value 05/31/11	-	-	2,094	2,094	27,344	27,344	1,407	1,407	16,905	16,905	47,750	47,750	2,249,358	2,249,358	2,297,108	2,297,108
Debt Securities:																
Beginning value 02/28/11	-	-	101	101	11,180	11,906	11,255	11,573	-	-	22,536	23,580	-	-	22,536	23,580
Increase/(Decrease)	-	-	-	-	420	594	676	866	51	51	1,147	1,511	49,841	49,831	50,988	51,342
Ending value 05/31/11	-	-	101	101	11,600	12,500	11,931	12,439	51	51	23,683	25,091	49,841	49,831	73,524	74,922
Equity Securities:																
Beginning value 02/28/11	147	4,205	877	848	30,145	34,334	13,938	14,515	-	-	45,107	53,902	-	-	45,107	53,902
Increase/(Decrease)	-	(1,242)	(634)	(630)	355	1,148	(1,205)	(918)	-	-	(1,484)	(1,642)	-	-	(1,484)	(1,642)
Ending value 05/31/11	147	2,963	243	218	30,500	35,482	12,733	13,597	-	-	43,623	52,260	-	-	43,623	52,260
Other:																
Beginning value 02/28/11	-	-	(11)	(11)	11	11	402	139	4,553	4,553	4,955	4,692	-	-	4,955	4,692
Increase/(Decrease)	-	-	228	228	386	386	29	17	(3,893)	(3,893)	(3,250)	(3,262)	-	-	(3,250)	(3,262)
Ending value 05/31/11	-	-	217	217	397	397	431	156	660	660	1,705	1,430	-	-	1,705	1,430
Total Assets:																
Beginning value 02/28/11	147	4,205	3,942	3,913	78,107	83,022	28,173	28,805	104,662	104,662	215,031	224,607	2,374,408	2,374,408	2,589,439	2,599,015
Increase/(Decrease)	-	(1,242)	(1,287)	(1,283)	(8,266)	(7,299)	(1,671)	(1,206)	(87,046)	(87,046)	(98,270)	(98,076)	(75,209)	(75,219)	(173,479)	(173,295)
Ending value 05/31/11	147	2,963	2,655	2,630	69,841	75,723	26,502	27,599	17,616	17,616	116,761	126,531	2,299,199	2,299,189	2,415,960	2,425,720

Details of individual assets by account furnished upon request.

UTIMCO 7/14/2011

10. U. T. System Board of Regents: Approval of proposed amendments to the Investment Policy Statements for the Permanent Health Fund and the Long Term Fund, and proposed amendments to the Liquidity 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, and proposed amendments to the Liquidity Policy, as set forth below and on the referenced pages:

a. Permanent Health Fund (PHF) (See Pages 124 - 133)

b. Long Term Fund (LTF) (See Pages 134 - 143)

c. Liquidity Policy (See Pages 144 - 147)

BACKGROUND INFORMATION

The UTIMCO Board approved the amendments to the Investment Policy Statements and the Liquidity Policy on July 14, 2011. The amendments are summarized below:

Investment Policy Statements

Redemption of PHF Units language has been changed to require earlier notification of desired withdrawals greater than $10 million (previously $5 million) to allow redemptions that are greater than 5% (previously 10%) of the PHF's net asset value to be paid in installments on a pro rata basis over a reasonable period of time, and to take into consideration the time frame to liquidate illiquid investments in determining what is considered a "reasonable amount of time".

Redemption of LTF Units language has been changed to require earlier notification of desired withdrawals greater than $25 million (previously $10 million) to allow redemptions that are greater than 5% (previously 10%) of the LTF's net asset value to be paid in installments on a pro rata basis over a reasonable period of time, and to take into consideration the time frame to liquidate illiquid investments in determining what is considered a "reasonable amount of time".

Liquidity Policy

The Liquidity Policy has been amended to change the allowable range for illiquid investments in the ITF and the trigger zones for illiquid investments that would require Risk Committee or UTIMCO Board approval. In addition, the liquidity trigger zones for the ITF have been updated and changed.

THE UNIVERSITY OF TEXAS SYSTEM
PERMANENT HEALTH FUND
INVESTMENT POLICY STATEMENT

Purpose

The Permanent Health Fund (the "PHF"), established by the Board of Regents of The University of Texas System (the "Board of Regents"), is a pooled fund for the collective investment of certain permanent funds for health-related institutions of higher education created, effective August 30, 1999, by Chapter 63 of the *Texas Education Code*. The permanent health funds which have assets in the PHF are:

A. The Permanent Health Fund for Higher Education (the "PHFHE"), the distributions from which are to fund programs that benefit medical research, health education, or treatment programs at 10 health-related institutions of higher education; and

B. Eight of the thirteen separate Permanent Funds for Health Related Institutions (the "PFHRIs"), the distributions from which are to fund research and other programs at health-related institutions of higher education that benefit public health. The PFHRIs invested in the PHF are:

U. T. Health Science Center - San Antonio
U. T. M. D. Anderson Cancer Center
U. T. Southwestern Medical Center~~ - Dallas~~
U. T. Medical Branch - Galveston
U. T. Health Science Center - Houston
U. T. Health Science Center - Tyler
U. T. El Paso
Regional Academic Health Center

The PHF provides for greater diversification of investments than would be possible if each account were managed separately.

PHF Organization

The PHF functions like a mutual fund in which each eligible fund purchases and redeems PHF units as provided herein.

PHF Management

Chapter 63 of the *Texas Education Code* designates: a) the Board of Regents as the administrator for the PHFHE and b) the governing board of an institution for which a PFHRI fund is established as the administrator for its own PFHRI, or if the governing board so elects, the Comptroller of Public Accounts (State Comptroller). It permits the State Comptroller, in turn, to contract with the governing board of any institution that is eligible to receive a grant under Chapter 63. Pursuant to the foregoing and an Investment Management Services Agreement between the Board of Regents and the State Comptroller, the Board of Regents is the administrator responsible for managing the PHF. Chapter 63 further states that the Board of Regents may manage and invest the PHF in the same manner as the Board of Regents manages and invests other permanent endowments. It also requires that the administrator invest the funds in a manner that preserves the purchasing power of the funds' assets and distributions. It further requires that the administrator make distributions in a manner consistent with the administrator's policies and procedures for making distributions to the beneficiaries of its own endowments in the case of the PHFHE or the funds themselves in the case of the PFHRI funds.

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Chapter 63 of the *Texas Education Code*, the Board of Regents has elected the PUF prudent investor standard to govern its management of the PHF.

Ultimate fiduciary responsibility for the PHF rests with the Board of Regents. Section 66.08, *Texas Education Code*, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the PHF shall be managed by UTIMCO which shall: a) recommend investment policy for the PHF; b) recommend specific Asset Class and Investment Type allocation targets, ranges, and performance benchmarks consistent with PHF objectives; and c) monitor PHF performance against PHF objectives. UTIMCO shall invest the PHF assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy

Statement, including changes to Asset Class and Investment Type allocation targets, ranges and performance benchmarks, are subject to approval by the Board of Regents.

PHF Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of PHF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Funds Eligible to Purchase PHF Units

No fund shall be eligible to purchase units of the PHF unless it is a permanent health fund established pursuant to Chapter 63 of the *Texas Education Code*, under the control, with full discretion as to investments, of the Board of Regents.

Any fund whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the PHF.

PHF Investment Objectives

The primary investment objective shall be to preserve the purchasing power of PHF assets and annual distributions by earning an average annual real return over rolling ten-year periods or longer at least equal to the target distribution rate, plus the annual expected expense. The current target rate is 5.2%. The target is subject to adjustment from time to time consistent with the primary investment objective of the PHF.

Asset Allocation and Policy

PHF assets shall be allocated among the following investments:

A. Cash and Cash Equivalents - Cash and Cash Equivalents has the same meaning as given to the term “Cash” in the Liquidity Policy.

B. U. T. System General Endowment Fund (GEF) - See Exhibit B for the current GEF allocation, which is subject to changes by the Board of Regents. Upon any change to the GEF asset allocation, Exhibit B shall be revised accordingly.

In the event that actual Cash and Cash Equivalents positions move outside the range indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance the Cash and Cash Equivalents positions back within the policy range in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the PHF asset values could warrant requesting approval of the UTIMCO Board Chairman to waive immediate remedial action.

Performance Measurement

The investment performance of the PHF will be measured by the PHF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the stated Policy Benchmarks of the PHF, as indicated in Exhibits A and B (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end.

Investment Guidelines

The PHF must be invested at all times in strict compliance with applicable law. Investment guidelines for the U. T. System GEF shall be as stated in the GEF Investment Policy Statement.

PHF Distributions

The PHF shall balance the needs and interests of present beneficiaries with those of the future. PHF spending policy objectives shall be to:

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

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

C. ensure that the inflation adjusted value of PHF assets after distributions is maintained over the long term.

The goal is for the PHF's average spending rate over time not to exceed the PHF's average annual investment return after inflation and expense ratio in order to preserve the purchasing power of PHF distributions and underlying assets.

UTIMCO shall be responsible for calculating the PHF's distribution percentage and determining the equivalent per unit rate for any given year. Unless otherwise recommended by UTIMCO and approved by the Board of Regents, PHF distributions shall be based on the following criteria:

The annual unit distribution amount shall be adjusted annually based on the following formula:

A. Increase the prior year's per unit distribution amount (cents per unit) by the average inflation rate (C.P.I.) for the previous twelve quarters. This will be the per unit distribution amount for the next fiscal year. This amount may be rounded to the nearest $.0005 per unit.

B. If the inflationary increase in Step A results in a distribution rate below 3.5% (computed by taking the proposed distribution amount per unit divided by the previous twelve quarter average market value price per unit), the UTIMCO Board may recommend an increase in the distribution amount as long as such increase does not result in a distribution rate of more than 5.5% (computed in the same manner).

C. If the distribution rate exceeds 5.5% (computed by taking the proposed distribution amount per unit divided by the previous twelve quarter average market value price per unit), the UTIMCO Board may recommend a reduction in the per unit distribution amount.

Notwithstanding any of the foregoing provisions, the Board of Regents may approve a per unit distribution amount that, in their judgment, would be more appropriate than the rate calculated by the policy provisions.

Distributions from the PHF to the unit holders shall be made quarterly as soon as practicable on or after the last business day of November, February, May, and August of each fiscal year.

PHF Accounting

The fiscal year of the PHF shall begin on September 1st and end on August 31st. Market value of the PHF shall be maintained on an accrual basis in compliance with Generally Accepted Accounting Principles ("GAAP"), Governmental Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's Chief Investment Officer and reported to the UTIMCO Board. Assets deemed to be "other than temporarily impaired" as defined by GAAP shall be written off and reported to UTIMCO's Chief Investment Officer and the UTIMCO Board when material. The PHF's financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

Valuation of Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all PHF net assets and the net asset value per unit of the PHF. Valuation of PHF assets shall be based on the books and records of the custodian for the valuation date. The final determination of PHF net assets for a month end close shall normally be completed within six business days but determination may be longer under certain circumstances.

The fair market value of the PHF's net assets shall include all related receivables and payables of the PHF on the valuation date and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

Compliance

Compliance with this Policy will be monitored by UTIMCO's Chief Compliance Officer. UTIMCO's Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit & Ethics Committee will receive regular reports on UTIMCO's compliance with this Policy. All material instances of noncompliance, as determined by UTIMCO's Chief Compliance Officer and the Chair of the UTIMCO Audit & Ethics Committee, will require an action plan proposed by UTIMCO's Chief Executive Officer and approved by the Chairman of the UTIMCO Board with timelines for bringing the non-compliant activity within this Policy.

Purchase of PHF Units

Purchase of PHF units may be made on any quarterly purchase date (September 1, December 1, March 1, and June 1 of each fiscal year or the first business day subsequent thereto) upon payment of cash to the PHF or contribution of assets approved by UTIMCO's Chief Investment Officer, at the net asset value per unit of the PHF as of the most recent quarterly valuation date.

Each fund whose monies are invested in the PHF shall own an undivided interest in the PHF in the proportion that the number of units invested therein bears to the total number of all units comprising the PHF.

Redemption of PHF Units

Redemption of PHF units shall be paid in cash as soon as practicable after the quarterly valuation date of the PHF. If the withdrawal is greater than $~~5~~10 million, advance notice of ~~30~~60 business days shall be required prior to the quarterly valuation date. If the withdrawal is for less than $~~5~~10 million, advance notice of five business days shall be required prior to the quarterly valuation date. If the aggregate amount of redemptions requested on any redemption date is equal to or greater than ~~10~~5% of the PHF's net asset value, the Board of Regents may redeem the requested units in installments and on a pro rata basis over a reasonable period of time that takes into consideration the time frame to liquidate illiquid investments and the best interests of all PHF unit holders. Withdrawals from the PHF shall be at the market value price per unit determined for the period of the withdrawal.

Investor Responsibility

As a shareholder, the PHF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the PHF. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the PHF solely in the interest of PHF unit holders, in compliance with the Proxy Voting Policy then in effect, and shall not invest the PHF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

The Board of Regents reserves the right to amend the Investment Policy Statement as it deems necessary or advisable.

Effective Date

The effective date of this Policy shall be September 1, ~~2010~~2011.

EXHIBIT A

PHF ASSET ALLOCATION

POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2008

	Neutral Allocation	Range	Benchmark Return
GEF Commingled Fund	100.0%	95% - 100%	Endowment Policy Portfolio
Cash and Cash Equivalents	0.0%	-1% - 5%	90 day T-Bills
Unencumbered Cash			
Temporary Cash Imbalance*			
Net non-trading receivable			

The endowment policy portfolio is the sum of the neutrally weighted benchmark returns for the GEF.

*3 trading days or less

EXHIBIT B - GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, ~~2010~~ 2011

POLICY PORTFOLIO	FYE ~~2011~~ 2012		
	Min	Target	Max
Asset Classes			
Investment Grade Fixed Income	5.0%	9.5%	20.0%
Credit-Related Fixed Income	~~3%~~ 0.0%	5.5%	30.0%
Real Estate	0.0%	~~4.5%~~ 5.5%	10.0%
Natural Resources	5.0%	~~11.0%~~ 11.5%	17.5%
Developed Country Equity	35.0%	~~50.5%~~ 48.5%	60.0%
Emerging Markets Equity	10.0%	~~19.0%~~ 19.5%	25.0%
Investment Types			
More Correlated & Constrained	35.0%	~~48.0%~~ 47.0%	60.0%
Less Correlated & Constrained	25.0%	30.0%	37.5%
Private Investments	17.5%	~~22.0%~~ 23.0%	32.5%

*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 ~~2011~~ 2012
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	6.5%
MSCI World Index with net dividends	~~19.5%~~ 18.5%
MSCI Emerging Markets with net dividends	12.0%
Hedge Fund Research Indices Fund of Funds Composite Index	30.0%
Venture Economics Custom Index	20.0%
NACREIF Custom Index	~~2.0%~~ 3.0%

POLICY/TARGET RETURN/RISKS	FYE ~~2011~~ 2012
Expected Annual Return (Benchmarks) **	~~8.82%~~ 8.81%
One Year Downside Deviation	~~8.94%~~ 8.86%
Risk Bounds	
Lower: 1 Year Downside Deviation	85%
Upper: 1 Year Downside Deviation	115%

****Equal to nominal return, net of all investment-related expenses and assuming an inflation rate of 3%.**

EXHIBIT B
(continued)
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, ~~2010~~2011

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE ~~2011~~ 2012

FYE ~~2011~~ 2012		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Barclays Capital Global Aggregate Index (7.5%)	2.0%	0.0%	9.5%
	Credit-Related	0.00%	3.0%	2.5%	5.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT Developed Index Net TRI USD (2.5%)	0.0%	Custom NACREIF ~~2.0~~ 3.0%	~~4.5~~ 5.5%
	Natural Resources	50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index (6.5%)	1.0%	~~3.5~~ 4.0%	~~11.0~~ 11.5%
Equity	Developed Country	MSCI World Index with Net Dividends (~~19.5~~18.5 %)	20.0%	~~11.0~~ 10.0%	~~50.5~~ 48.5%
	Emerging Markets	MSCI EM Index with Net Dividends (12.0%)	4.0%	~~3.0~~ 3.5%	~~19.0~~ 19.5%
Total		~~48.0~~ 47.0%	30.0%	~~22.0~~ 23.0%	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

THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND
INVESTMENT POLICY STATEMENT

Purpose

The Long Term Fund (the "LTF"), succeeded the Common Trust Fund in February 1995, and was established by the Board of Regents of The University of Texas System (the "Board of Regents") as a pooled fund for the collective investment of private endowments and other long-term funds supporting various programs of The University of Texas System. The LTF provides for greater diversification of investments than would be possible if each account were managed separately.

LTF Organization

The LTF functions like a mutual fund in which each eligible account purchases and redeems LTF units as provided herein. The ownership of LTF assets shall at all times be vested in the Board of Regents. Such assets shall be deemed to be held by the Board of Regents, as a fiduciary, regardless of the name in which the assets may be registered.

LTF Management

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the “PUF”) in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the *Texas Education Code*, the Board of Regents has elected the PUF prudent investor standard to govern its management of the LTF.

Ultimate fiduciary responsibility for the LTF rests with the Board of Regents. Section 66.08*, Texas Education Code*, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the LTF shall be managed by UTIMCO, which shall a) recommend investment policy for the LTF, b) recommend specific Asset Class and Investment Type allocation targets, ranges, and performance benchmarks consistent with LTF objectives, and c) monitor LTF performance against LTF objectives. UTIMCO shall invest the LTF assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including changes to Asset Class and Investment Type allocation targets, ranges and performance benchmarks, are subject to approval by the Board of Regents.

LTF Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of LTF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Funds Eligible to Purchase LTF Units

No account shall be eligible to purchase units of the LTF unless it is under the sole control, with full discretion as to investments, of the Board of Regents.

Any account whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the LTF.

LTF Investment Objectives

The primary investment objective shall be to preserve the purchasing power of LTF assets by earning an average annual real return over rolling ten-year periods or longer at least equal to the target distribution rate, plus the annual expected expense. The current target rate is 5.2%. The target is subject to adjustment from time to time consistent with the primary investment objective of the LTF. The LTF's success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower returns generated in years when the capital markets underperform the rate of inflation.

Asset Allocation and Policy

LTF assets shall be allocated among the following investments.

A. <u>Cash and Cash Equivalents</u> – Cash and Cash Equivalents has the same meaning as given to the term "Cash" in the Liquidity Policy.

B. U. T. System General Endowment Fund (GEF) - See Exhibit B for the current GEF allocation, which is subject to changes by the Board of Regents. Upon any change to the GEF asset allocation, Exhibit B shall be revised accordingly.

In the event that actual Cash and Cash Equivalents positions move outside the range indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance portfolio positions back within the policy range in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the LTF asset values could warrant requesting approval of the UTIMCO Board Chairman to waive immediate remedial action.

Performance Measurement

The investment performance of the LTF will be measured by the LTF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the stated Policy Benchmarks of the PHF, as indicated in Exhibits A and B (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end.

Investment Guidelines

The LTF must be invested at all times in strict compliance with applicable law.
Investment guidelines for the U. T. System GEF shall be as stated in the GEF Investment Policy Statement.

LTF Distributions

The LTF shall balance the needs and interests of present beneficiaries with those of the future. LTF spending policy objectives shall be to:

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

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

C. ensure that the inflation adjusted value of LTF assets after distributions is maintained over the long term.

The goal is for the LTF's average spending rate over time not to exceed the LTF's average annual investment return after inflation and expense ratio in order to preserve the purchasing power of LTF distributions and underlying assets.

Generally, pursuant to the Uniform Prudent Management of Institutional Funds Act, Chapter 163, *Texas Property Code,* as amended, ("Act"), subject to the intent of a donor in a gift instrument, the Board of Regents may appropriate for expenditure or accumulate so much of the LTF as it determines is prudent for the uses, benefits, purposes, and duration for which the LTF is established. Notwithstanding the preceding sentence, the Board of Regents may not appropriate for expenditure in any year an amount greater than nine percent (9%) of the LTF, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure was made.

UTIMCO shall be responsible for calculating the LTF's distribution percentage and determining the equivalent per unit rate for any given year. Unless otherwise recommended by UTIMCO and approved by the Board of Regents or prohibited by the Act, LTF distributions shall be based on the following criteria:

The annual unit distribution amount shall be adjusted annually based on the following formula:

A. Increase the prior year's per unit distribution amount (cents per unit) by the average inflation rate (C.P.I.) for the previous twelve quarters. This will be the per unit distribution amount for the next fiscal year. This amount may be rounded to the nearest $.0005 per unit.

B. If the inflationary increase in Step A results in a distribution rate below 3.5% (computed by taking the proposed distribution amount per unit divided by the previous twelve quarter average market value price per unit), the UTIMCO Board may recommend an increase in the distribution amount as long as such increase does not result in a distribution rate of more than 5.5% (computed in the same manner).

C. If the distribution rate exceeds 5.5% (computed by taking the proposed distribution amount per unit divided by the previous twelve quarter average market value price per unit), the UTIMCO Board may recommend a reduction in the per unit distribution amount.

Notwithstanding any of the foregoing provisions, the Board of Regents may approve a per unit distribution amount that, in their judgment, would be more appropriate than the rate calculated by the policy provisions.

Distributions from the LTF to the unit holders shall be made quarterly as soon as practicable on or after the last business day of November, February, May, and August of each fiscal year.

LTF Accounting

The fiscal year of the LTF shall begin on September 1st and end on August 31st. Market value of the LTF shall be maintained on an accrual basis in compliance with Generally Accepted Accounting Principles ("GAAP"), Governmental Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's Chief Investment Officer and reported to the UTIMCO Board. Assets deemed to be "other than temporarily impaired" as defined by GAAP shall be written off and reported to UTIMCO's Chief Investment Officer and the UTIMCO Board when material. The LTF's financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

Valuation of Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all LTF net assets and the net asset value per unit of the LTF. Valuation of LTF assets shall be based on the books and records of the custodian for the valuation date. The final determination of LTF net assets for a month end close shall normally be completed within six business days but determination may be longer under certain circumstances.

The fair market value of the LTF's net assets shall include all related receivables and payables of the LTF on the valuation date and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

Compliance

Compliance with this Policy will be monitored by UTIMCO's Chief Compliance Officer. UTIMCO's Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit & Ethics Committee will receive regular reports on UTIMCO's compliance with this Policy. All material instances of noncompliance, as determined by UTIMCO's Chief Compliance Officer and the Chair of the UTIMCO Audit & Ethics Committee, will require an action plan proposed by UTIMCO's Chief Executive Officer and approved by the Chairman of the UTIMCO Board with timelines for bringing the non-compliant activity within this Policy.

Purchase of LTF Units

Purchase of LTF units may be made on any quarterly purchase date (September 1, December 1, March 1, and June 1 of each fiscal year or the first business day subsequent thereto) upon payment of cash to the LTF or contribution of assets approved by UTIMCO's Chief Investment Officer, at the net asset value per unit of the LTF as of the most recent quarterly valuation date.

Each account whose monies are invested in the LTF shall own an undivided interest in the LTF in the proportion that the number of units invested therein bears to the total number of all units comprising the LTF.

Redemption of LTF Units

Redemption of LTF units shall be paid in cash as soon as practicable after the quarterly valuation date of the LTF. If the withdrawal is greater than $~~10~~25 million, advance notice of ~~30~~60 business days shall be required prior to the quarterly valuation date. If the withdrawal is for less than $~~10~~25 million, advance notice of five business days shall be required prior to the quarterly valuation date. If the aggregate amount of redemptions requested on any redemption date is equal to or greater than ~~10~~5% of the LTF's net asset value, the Board of Regents may redeem the requested units in installments and on a pro rata basis over a reasonable period of time that takes into consideration the time frame to liquidiate illiquid investments and the best interests of all LTF unit holders. Withdrawals from the LTF shall be at the market value price per unit determined for the period of the withdrawal except as follows: withdrawals to correct administrative errors shall be calculated at the per unit value at the time the error occurred. To be considered an administrative error, the contribution shall have been invested in the LTF for a period less than or equal to one year determined from the date of the contribution to the LTF. Transfer of units between endowment unit holders shall not be considered redemption of units subject to this provision.

Investor Responsibility

As a shareholder, the LTF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the LTF. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the LTF solely in the interest of LTF unit holders, in compliance with the Proxy Voting Policy then in effect, and shall not invest the LTF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

The Board of Regents reserves the right to amend the Investment Policy Statement as it deems necessary or advisable.

Effective Date

The effective date of this Policy shall be September 1, ~~2010~~2011.

EXHIBIT A

LTF ASSET ALLOCATION

POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2008

	Neutral Allocation	Range	Benchmark Return
GEF Commingled Fund	100.0%	95% - 100%	Endowment Policy Portfolio
Cash and Cash Equivalents	0.0%	-1% - 5%	90 day T-Bills
Unencumbered Cash			
Temporary Cash Imbalance*			
Net non-trading receivable			

The endowment policy portfolio is the sum of the neutrally weighted benchmark returns for the GEF.

*3 trading days or less

EXHIBIT B - GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, ~~2010~~ 2011

POLICY PORTFOLIO	FYE ~~2011~~ 2012		
	Min	Target	Max
Asset Classes			
Investment Grade Fixed Income	5.0%	9.5%	20.0%
Credit-Related Fixed Income	~~3%~~ 0.0%	5.5%	30.0%
Real Estate	0.0%	~~4.5%~~ 5.5%	10.0%
Natural Resources	5.0%	~~11.0%~~ 11.5%	17.5%
Developed Country Equity	35.0%	~~50.5%~~ 48.5%	60.0%
Emerging Markets Equity	10.0%	~~19.0%~~ 19.5%	25.0%
Investment Types			
More Correlated & Constrained	35.0%	~~48.0%~~ 47.0%	60.0%
Less Correlated & Constrained	25.0%	30.0%	37.5%
Private Investments	17.5%	~~22.0%~~ 23.0%	32.5%

*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 ~~2011~~ 2012
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	6.5%
MSCI World Index with net dividends	~~19.5%~~ 18.5%
MSCI Emerging Markets with net dividends	12.0%
Hedge Fund Research Indices Fund of Funds Composite Index	30.0%
Venture Economics Custom Index	20.0%
NACREIF Custom Index	~~2.0%~~ 3.0%

POLICY/TARGET RETURN/RISKS	FYE ~~2011~~ 2012
Expected Annual Return (Benchmarks) **	~~8.82%~~ 8.81%
One Year Downside Deviation	~~8.94%~~ 8.86%
Risk Bounds	
Lower: 1 Year Downside Deviation	85%
Upper: 1 Year Downside Deviation	115%

****Equal to nominal return, net of all investment-related expenses and assuming an inflation rate of 3%.**

EXHIBIT B
(continued)
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, ~~2010~~2011

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE ~~2011~~ 2012

FYE ~~2011~~ 2012		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Barclays Capital Global Aggregate Index (7.5%)	2.0%	0.0%	9.5%
	Credit-Related	0.00%	3.0%	2.5%	5.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT Developed Index Net TRI USD (2.5%)	0.0%	Custom NACREIF ~~2.0~~ 3.0%	~~4.5~~ 5.5%
	Natural Resources	50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index (6.5%)	1.0%	~~3.5~~ 4.0%	~~11.0~~ 11.5%
Equity	Developed Country	MSCI World Index with Net Dividends (~~19.5~~18.5 %)	20.0%	~~11.0~~ 10.0%	~~50.5~~ 48.5%
	Emerging Markets	MSCI EM Index with Net Dividends (12.0%)	4.0%	~~3.0~~ 3.5%	~~19.0~~ 19.5%
Total		~~48.0~~ 47.0%	30.0%	~~22.0~~ 23.0%	100.0%

Hedge Fund Research Indices Fund of Funds Composite Index (yellow)
Venture Economics Custom Index (blue)

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 20, 2009~~August 25, 2011
Date Approved by U.T. System Board of Regents: ~~August 20, 2009~~August 25, 2011
Date Approved by UTIMCO Board: ~~July 9, 2009~~July 14, 2011
Original Effective Date of Policy: August 7, 2003
Supersedes: Liquidity Policy dated ~~August 14, 2008~~August 20, 2009

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 & Poors,
- 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),
- 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 one day to less than 90 days 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 90 days or more 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 one day to less than 90 days 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%

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+
Liquidity above trigger zone:	65%	55%
Liquidity within trigger zone:	55%-65%	50%-55%
Liquidity below trigger zone:	<55%	<50%

The allowable range for **illiquid** investments is 0% to ~~45~~50% of the total portfolio for the ITF. However, any **illiquid** investments made in the ~~35~~45% to ~~45~~50% 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.

11. 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 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 149 - 162.

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 14, 2011. Proposed amendments are summarized as follows.

Section 66.08 of the *Texas Education Code* was amended by HB 2825, which was passed during the 82nd Regular Session of the Texas Legislature and signed into law by Governor Rick Perry on June 17, 2011. The amendments, which became effective immediately, modified the process by which Directors are appointed to the UTIMCO Board of Directors. As a result, six members of the Board of Directors will be appointed by the U. T. System Board of Regents and two members will be appointed by The Texas A&M University System Board of Regents. The ninth member of the Board of Directors is the Chancellor of the U. T. System.

Of the six members of the Board of Directors appointed by the U. T. System Board of Regents, three must be U. T. System Regents and the other three must have a substantial background and expertise in investments. Of the two members appointed by The Texas A&M University System Board of Regents, at least one must have substantial background and expertise in investments.

Article III, Sections 3, 4 and 5 (Pages 3 and 4) of the UTIMCO Bylaws are being amended to give effect to the requirements of this legislation. Further, the Secretary to the U. T. System Board of Regents will make conforming editorial amendments to the Regents' *Rules and Regulations*, Rule 10402.

In addition, UTIMCO staff proposes to amend Article III, Section 7 (Page 4) of the UTIMCO Bylaws to indicate that joint meetings of the U. T. System Board of Regents and the UTIMCO Board of Directors shall be held at the request of the U. T. System Board of Regents.

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)

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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 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. ~~except that the~~The Chancellor of the System shall also serve as a Director so long as he or she remains Chancellor of the System. ~~In compliance with applicable law, the members of the Board of Directors shall include (i) the Chancellor of the System, (ii) at least three (3) persons then serving as members of the Board of Regents ("Regental Directors"), and (iii) one or more persons selected by the Board of Regents from a list of candidates with substantial background and expertise in investments that is submitted by the Board of Regents of The Texas A&M University System (together with the Chancellor of the System and the Regental Directors, the "Affiliated Directors").~~ 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 ~~Affiliated Directors~~ 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 ~~Board of Regents~~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~~a joint ~~annual~~ meeting with the U. T. Board of Regents ("Joint Meeting") shall be held ~~each year~~ 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. The Chancellor of the System shall serve as Vice Chairman for Policy and 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.

12. **U. T. System Board of Regents: Approval to negotiate with HSBC Bank for custodian services as deemed necessary by The University of Texas Investment Management Company (UTIMCO) to perform investment management services for The University of Texas System**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs and the Vice Chancellor for Finance and Business Development that the U. T. System Board of Regents authorize Mr. Bruce Zimmerman, Chief Executive Officer and Chief Investment Officer of The University of Texas Investment Management Company (UTIMCO), to conclude negotiations with HSBC Bank for custodian bank services as deemed necessary by UTIMCO to perform investment management services for the U. T. System.

BACKGROUND INFORMATION

The Master Investment Management Services Agreement (IMSA) between the U. T. System Board of Regents and the UTIMCO Board of Directors requires U. T. System Board approval of custodian banks and related custodian agreements. UTIMCO is in discussions with HSBC Holdings plc and its related entities to determine if these entities can provide UTIMCO with additional custodian services. Should these discussions result in new agreements, such agreements will be included in the Docket for U. T. System Board approval.

13. **U. T. System Board of Regents: Approval of the Annual Budget, including the capital expenditures budget, invoiced external investment manager fees, and other external direct charges to the Funds, and the Annual Fee and Allocation Schedule for The University of Texas Investment Management Company (UTIMCO)**

RECOMMENDATION

The University of Texas Investment Management Company (UTIMCO) Board of Directors recommends that the U. T. System Board of Regents approve the proposed Annual Budget as set forth on Pages 165 - 168, which includes the capital expenditures budget, invoiced external investment manager fees, and other external direct charges to the Funds, and the Annual Fee and Allocation Schedule for the fiscal year ending August 31, 2012, as set forth on Page 169.

BACKGROUND INFORMATION

The proposed Total Budgeted Costs consist of $18.3 million for UTIMCO services, $7.6 million for external non-investment manager services such as custodial, legal, audit and consulting services, and $52.6 million for invoiced external investment manager and performance fees charged directly to the Funds. The proposed Total Budgeted Costs of $78.5 million for Fiscal Year 2012 were approved by the UTIMCO Board on July 14, 2011.

The proposed Annual Fee and Allocation Schedule shows the allocation of the proposed budgeted expenses among U. T. System funds. The fees are to be paid quarterly.

The proposed capital expenditures budget totaling $300 thousand is included in the total Annual Budget.

UTIMCO staff projects UTIMCO's available cash reserves to be approximately negative $0.2 million, and therefore, no cash reserves are required to be distributed back to the U. T. System funds per the Master Investment Management Services Agreement (IMSA) between the U. T. System Board of Regents and UTIMCO.

The U. T. System Office of Finance has prepared a memorandum for the purpose of reviewing budgeted expenses, which is included as a part of this agenda item on Pages 170 - 180.

UTIMCO BUDGETED DETAIL

Total Budgeted Costs (thousands $)	FY 10		FY 11		FY 12	FY 12 vs. FY 11			
	Actual	Budget	Forecast	Budget	Budget	vs. Forecast		vs. Budget	
						$	%	$	%
UTIMCO Services	$16,568	$15,977	$17,286	$17,231	$18,299	$1,013	5.9%	$1,068	6.2%
External Expenses Charged to Funds Excluding External Investment Managers	5,698	5,437	6,990	5,505	7,576	586	8.4%	2,071	37.6%
External Manager Fees Charged Directly to Funds	44,689	28,747	53,551	44,158	52,618	(933)	-1.7%	8,460	19.2%
Total	**$66,955**	**$50,161**	**$77,827**	**$66,894**	**$78,493**	**$666**	**0.9%**	**$11,599**	**17.3%**

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UTIMCO BUDGETED DETAIL

UTIMCO Services Budget (thousands $)	FY 10		FY 11		FY 12	FY 12 vs. FY 11			
	Actual	Budget	Forecast	Budget	Budget	vs. Forecast		vs. Budget	
						$	%	$	%
Salaries	$6,412	$6,623	$6,387	$6,624	$6,936	$549	8.6%	$312	4.7%
Performance Comp	4,395	3,463	4,838	4,523	5,247	409	8.5%	724	16.0%
Taxes, Benefits, Education, Memberships	1,815	1,802	2,094	1,985	1,993	(101)	-4.8%	8	0.4%
Total Compensation	**$12,622**	**$11,888**	**$13,319**	**$13,132**	**$14,176**	**$857**	**6.4%**	**$1,044**	**8.0%**
Recruiting & Relocating	3	20	7	7	75	68	971.4%	68	971.4%
Travel & Meetings	493	622	527	705	571	44	8.3%	(134)	-19.0%
Data, Contract Services	965	1,010	1,032	993	1,079	47	4.6%	86	8.7%
Office	339	334	329	314	330	1	0.3%	16	5.1%
Lease & Depreciation	1,584	1,553	1,494	1,551	1,538	44	2.9%	(13)	-0.8%
Insurance, Legal, Accounting, Board Consultants	562	551	578	529	530	(48)	-8.3%	1	0.2%
Total Non-Employee	**3,946**	**4,090**	**3,967**	**4,099**	**4,123**	**156**	**3.9%**	**24**	**0.6%**
Total	**$16,568**	**$15,978**	**$17,286**	**$17,231**	**$18,299**	**$1,013**	**5.9%**	**$1,068**	**6.2%**

UTIMCO BUDGETED DETAIL

External Expenses Charged to Funds (excluding External Manager Fees) (thousands $)	FY 10		FY 11		FY 12	FY 12 vs. FY 11			
	Actual	Budget	Forecast	Budget	Budget	vs. Forecast		vs. Budget	
						$	%	$	%
Custodian	$2,277	$2,009	$3,738	$2,445	$4,487	$749	20.0%	$2,042	83.5%
Performance Measurement	406	430	415	407	480	65	15.7%	73	17.9%
Analytical Tools	352	348	330	335	343	13	3.9%	8	2.4%
Risk Measurement	377	432	302	316	315	13	4.3%	(1)	-0.3%
Consultant	486	745	425	490	416	(9)	-2.1%	(74)	-15.1%
Legal/Search	1,100	726	1,085	811	1,193	108	10.0%	382	47.1%
Audit	692	735	691	691	336	(355)	-51.4%	(355)	-51.4%
Other	8	12	4	10	6	2	50.0%	(4)	-40.0%
Total	**$5,698**	**$5,437**	**$6,990**	**$5,505**	**$7,576**	**$586**	**8.4%**	**$2,071**	**37.6%**

UTIMCO BUDGETED DETAIL

External Manager Fees (thousands $)	FY 10		FY 11		FY 12
	Actual	Budget	Forecast	Budget	Budget
Management	$23,886	$18,695	$33,025	$35,861	$41,850
Performance	20,803	10,052	20,526	8,297	10,768
Total	**$44,689**	**$28,747**	**$53,551**	**$44,158**	**$52,618**

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UTIMCO Management Fee and Direct Budgeted Investment Expenses
Annual Fee and Allocation Schedule
For the fiscal year ending August 31, 2012

Proposed Budget	Fund Name						Separate Funds	Total
	PUF	PHF	LTF	GEF (PHF, LTF)	ITF	STF		
Market Value 2/28/11 ($ millions)	**12,339**	**1,006**	**5,971**	**6,977** (2)	**4,710**	**2,374**	**225**	**26,625**
UTIMCO Management Fee								
Dollars (thousands)	8,900	894	5,275		3,230			18,299
Basis Points	7.2	8.9	8.8	0	6.9	0	0	6.9
Direct Expenses to the Fund, excluding UT System Direct Expenses to the Fund								
Dollars (thousands)								
Other Direct Costs	3,419	16	21	2,294	1,826			7,576
External Management Fees - AUM	20,147	0	0	11,512	10,191	N/A (1)		41,850
External Management Fees - Performance	5,385	0	0	3,065	2,318			10,768
Total Dollars	**28,951**	**16**	**21**	**16,871**	**14,335**		**0**	**60,194**
Basis Points								
Other Direct Costs	2.8	0.2	0.0	3.3	3.9	0	0	2.8
External Management Fees - AUM	16.3	-	-	16.5	21.6	N/A (1)		15.8
External Management Fees - Performance	4.4	-	-	4.4	4.9			4.0
Total Basis Points	23.5	0.2	0.0	24.2	30.4	N/A (1)		22.6
UT System Direct Expenses to the Fund								
Dollars (thousands)								
UT System Fees for Endowment Admin & Mgmt	0	0	12,502	0	0	0	0	12,502
UT System Oversight Fees	207	18	98	0	77	0	0	400
UT System PUF Lands	9,102	0	0	0	0	0	0	9,102
Total Dollars	9,309	18	12,600	0	77	0	0	22,004
Total Basis Points	7.5	0.2	21.1	0	0.2	0	0	8.3

(1) Income is net of fees

(2) Pooled Fund for the collective investment of the PHF and LTF

Fiscal Year 2012

Review of UTIMCO Services Budget and Other Budgeted Investment Management Expenses

The University of Texas System
Office of Finance

Prepared by:
Philip Aldridge – Vice Chancellor for Finance and Business Development

July 07, 2011

Based on information provided by UTIMCO staff as of June 29, 2011

Fiscal Year 2012
Review of UTIMCO Services Budget and Other Budgeted Investment Management Expenses

Table of Contents

Fiscal Year 2012 Review of UTIMCO Services Budget and Other Budgeted Investment Management Expenses

I. Executive Summary

This report reviews the UTIMCO Services budget and other budgeted investment management expenses ("Direct Costs to Funds") for fiscal year 2012 that the UTIMCO Board considered on July 14th and the U. T. System Board of Regents will consider at its August annual meeting. The UTIMCO Services budget includes corporate expenses paid directly by UTIMCO. The Direct Costs to Funds budget includes external investment manager fees paid directly by UTIMCO and other costs related to custody, consulting, corporate legal, audit, and risk measurement. The proposed budget for FY12 is:

	FY12 ($ millions)
• Direct Costs to Funds: External Investment Manager Fees	$ 52.6
• UTIMCO Services Budget	18.3
• Direct Costs to Funds: Other Costs	7.6
Total Budgeted Costs	$ 78.5

The Total Budgeted Costs do not include all investment costs and exclude external manager fees that are paid by the funds and netted from asset values. The total investment costs for UTIMCO managed funds are reviewed in a separate report.

Highlights:

- **Total Budgeted Costs for FY12**: The FY12 budget is $78.5 million, a 1% increase from the current projection for FY11 and a 17% increase from the FY11 budget.
- **The Total Direct Costs to Funds budget consists primarily of external investment manager fees**. The FY 12 budget of $60.2 million for direct fund costs is down 1% from the current FY11 projection and up 21% from the FY11 budget. The increase is largely due to higher external management and fees related to better than expected performance.
- **The UTIMCO Services Budget: The FY12 budget is $18.3 million** for the "operating" budget of UTIMCO, a 6% increase from the current projection for FY11 and a 6% increase from the FY11 budget.
- **Compensation: Compensation-related expenses represent more than 70% of the UTIMCO Services Budget.** Salaries for FY12 are budgeted to be up 5% from the FY11 budget. Budgeted salaries for FY12 include a 5% increase for existing staff (including promotions) and two open positions. Due to strong investment returns, performance compensation (including earnings on performance compensation for FY12) is budgeted to increase $225k (4%) from FY11 projections and $717k (15%) from the FY11 budget. Over half of the increase is attributable to vesting of previously deferred compensation, which compounds at the rate of return for the endowments.
- **UTIMCO Reserves:** UTIMCO staff projects that UTIMCO will have no cash reserves available to be distributed at fiscal year-end 2011. We concur with UTIMCO staff in recommending that no distribution of reserves be made at this time.

II. Budget Analysis and Trends

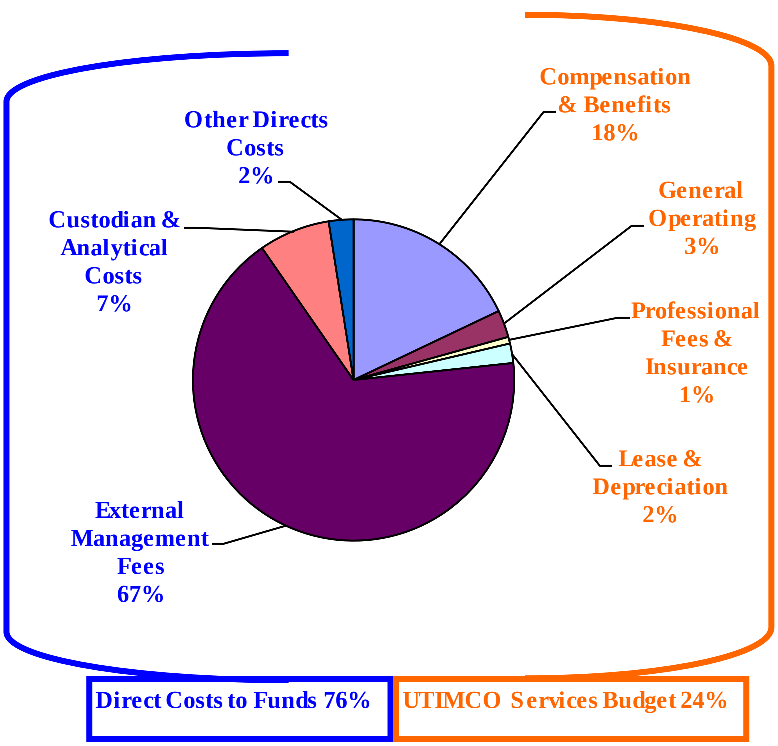
UTIMCO proposes Total Budgeted Costs for FY12 of $78.5 million. Table 1 shows the Total Budgeted Costs (Direct Costs to Funds and UTIMCO Services Budget) as a percent of average Assets Under Management (AUM) since FY07.

Table 1
Total Budgeted Costs Trend FY07-FY12 ($ millions)

	FY07	FY08	FY09	FY10	Projected FY11	Budget FY12
Average Total Assets Under Management (AUM) *	21,965	23,359	21,864	21,750	25,230	25,230
% Change in AUM	27%	6%	-6%	-1%	16%	0%
Direct Costs to Funds	52.3	35.1	37.8	50.4	60.5	60.2
% Change in Direct Costs to Funds	55%	-33%	8%	33%	20%	-1%
Direct Costs to Funds % of AUM	0.24%	0.15%	0.17%	0.23%	0.24%	0.24%
UTIMCO Services Budget	11.3	13.9	15.1	16.6	17.3	18.3
% Change in UTIMCO Services Budget	11%	23%	9%	10%	4%	6%
UTIMCO Services Budget % of AUM	0.05%	0.06%	0.07%	0.08%	0.07%	0.07%
Total Budgeted Costs	63.6	49.0	52.9	67.0	77.8	78.5
% Change in Total Budgeted Costs	44%	-23%	8%	26%	16%	1%
Total Budgeted Costs % of AUM	0.29%	0.21%	0.24%	0.31%	0.31%	0.31%

** The FY11 and FY12 values are based on average AUM at fiscal year-end 2010 and May 2011, respectively.*

FY 2012 Total Budgeted Costs
$78.5 million



The pie chart to the left shows the breakdown of Total Budgeted Costs. The UTIMCO Services Budget represents 24% of the total budget, with Compensation & Benefits being the largest component. Direct Costs to Funds include External Management Fees (including performance fees) paid directly, Custodian & Analytical Costs and Other Direct Costs. External Management Fees represents the largest component of the total budget at 67%. UTIMCO retains external managers for more than 80% of the AUM. UTIMCO staff directly manages the remaining assets as well as an internal derivatives portfolio.

Table 2 compares the Total Budgeted Costs for FY11 and FY12. Refer to Exhibits A and B for a detailed budget comparison for FY11-FY12 and budget trend for FY07-FY12.

Table 2
FY11 Forecast and FY12 Budget Overview

	FY11				FY12			
	$ Budget	$ Projected	$ Change vs FY11 Budget	% Change vs FY11 Budget	$ Budget	$ Change vs FY11 Projected	% Change vs FY11 Projected	% Change vs FY11 Budget
UTIMCO Services Budget	17,231,271	17,286,060	54,789	0.3%	18,298,701	1,012,641	5.9%	6.2%
Direct Costs to Funds	49,662,822	60,541,071	10,878,249	21.9%	60,194,059	(347,013)	-0.6%	21.2%
Total Budgeted Costs	66,894,093	77,827,131	10,933,038	16.3%	78,492,760	665,628	0.9%	17.3%

FY11 Forecast versus FY11 Budget: UTIMCO staff projects FY11 Total Budgeted Costs will be $77.8 million, $10.9 million (16%) over the FY11 budget of $66.9 million.

- UTIMCO Services corporate expenses are projected to be slightly under budget by $55k.
  - Salaries, largely driven by unfilled open positions, are expected to be $240k (4%) under budget.
  - Travel expenses are projected to be $189k (28%) under budget.
  - Corporate legal expenses are expected to be $102k (68%) over budget, primarily a result of numerous open records requests.
- Direct Costs to Funds overall are projected to be over budget by $9.4 million (21%).
  - External management fees are estimated to be $2.8 million (8%) under budget and manager performance fees are anticipated to be $12.2 million (147%) over budget in FY11. This is driven almost entirely by strong investment performance, which was better than forecasted/budgeted.
  - Consultant Fees are projected to be $65k (13%) below budget.
  - Investment legal fees are projected to be $184k (27%) over budget due to more investments being made than expected/budgeted.
- Capital Expenditures are forecasted at $204k, mainly for ongoing technology and software upgrades.

FY12 Proposed Budget: The proposed $78.5 million Total Budgeted Costs for FY12 is 1% higher than FY11 projected expenses and 16% higher than the approved FY11 budget. As previously mentioned, the higher than expected costs in FY11 are due to better than budgeted investment performance through May of 2011.

- FY12 Direct Costs to Funds of $60.2 million are budgeted to decrease by 1% versus projected costs for FY11 due to strong projected investment returns for FY11.
- UTIMCO Services costs for FY12 of $18.3 million is an increase of 6% over FY11 projected costs, primarily due to higher budgeted performance compensation and legal expenses.
- Capital Expenditures are budgeted at $260k, primarily for security enhancements and a new phone system.

III. Direct Costs to Funds

Direct Costs to Funds for FY12 are projected at $60.2 million.

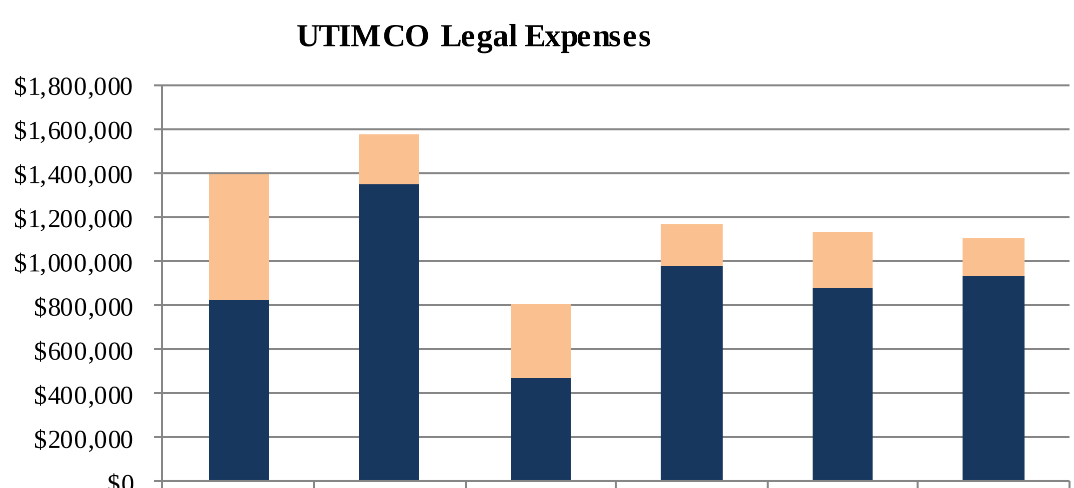
External Management and Performance Fees paid to external managers are the largest component of the overall budget. These fees, projected at $53.6 million in FY11 (21% over the FY11 budget) and budgeted at $52.6 million for FY12, represent 87% of all Direct Costs to Funds and 67% of Total Budgeted Costs for FY12. Although UTIMCO staff estimates external management and performance fees using each manager's fee structure and current asset base, these fees are very difficult to forecast and budget due to the uncertainty of individual manager performance. The higher fees in FY11 represent investment performance greater than what was budgeted and projected. The budget for management fees includes an 8.6% investment return assumption, which should be well exceeded in FY11.

Custodian and Analytical Costs: Custodian fees for FY11 are projected at $3.7 million, 37% over budget. Custodian fees are up due to an increase in emerging markets managers and the cost of custodying the gold position. The FY12 budgeted amount for these expenses will decrease 12% from FY11. Performance measurement expenses paid in FY11 are projected to be $415k and the budget for FY12 is $480k.

Risk Measurement: Risk measurement expenses charged to the funds are expected to be 4% under budget at $302k for FY11 and budgeted at $316k for FY12.

Auditing expenses in FY11 of $691k funded external auditors and U. T. System Audit Office fees. Audit expenses are budgeted at $336k for FY12 reflecting a cost reduction from Deloitte and a decrease in System audit requirements for the coming fiscal year.

Legal: The chart below shows the trend in UTIMCO Services (corporate) legal fees and direct legal expenses charged to the funds since FY07. Legal fees paid directly by the funds in FY11 are projected to be $880k (27% over budget). Direct legal fees are budgeted for FY12 at $930k, a further 6% increase. Overall, legal expenses have been down since FY08. Legal expenses have been driven by investment transaction volume and open records requests.



	FY07	FY08	FY09	FY10	Projected FY11	Budget FY12
UTIMCO Services	$567,339	$225,172	$337,065	$194,930	$252,034	$174,000
Direct Costs to Funds	$825,621	$1,348,784	$464,600	$973,934	$880,262	$929,500

IV. UTIMCO Services Budget

For FY12, total personnel-related expenses including employee benefits account for 78% of the UTIMCO Services budget (18% of Total Budgeted Costs). Trends in staffing and total compensation in relation to assets are shown in Table 3 on the next page. Highlights from Table 3 include:

- Staffing has grown 4% (annualized) from FY07 to FY11, approximately equal to the growth in AUM.
- Average AUM per employee is unchanged from FY07 to FY11.
- Salaries are budgeted to increase 8% in FY12; budgeted incentive compensation increase 4%; and total compensation is budgeted to increase 7%.
- Total compensation has increased 14% (annualized) since FY07.
- Total compensation per employee has increased 10% (annualized) since FY07 to $216k in FY11.

Table 3
UTIMCO Compensation and Headcount FY07-FY12

	FY07	FY08	FY09	FY10	Projected FY11	% Change Since FY07 (annual)	Budget FY12	% Change From FY11
Employees (as of year end)	47	58	57	57	54	4%	57	6%
Average Total AUM ($ millions)	21,965	23,359	21,864	21,750	25,230	4%	25,230	0%
Average AUM/Employee ($ millions)	467	403	384	382	467	0%	443	-5%
Salaries and Wages ($)	4,908,821	5,377,233	6,443,360	6,454,270	6,484,432	7%	7,035,600	8%
Performance Compensation ($)	2,082,700	3,016,393	3,245,765	4,490,396	5,164,838	25%	5,389,694	4%
Total Compensation ($)	6,991,521	8,393,626	9,689,125	10,944,666	11,649,270	14%	12,425,294	7%
Total Compensation per Employee ($)	148,756	144,718	169,985	192,012	215,727	10%	217,988	1%
Bonus as % of Salaries and Wages	42%	56%	50%	70%	80%		77%	
Bonus as % of Total Compensation	30%	36%	33%	41%	44%		43%	

<u>**Staffing**</u>: The FY11 budget was based on staffing of 58 employees; actual staffing is projected to be 54 employees at fiscal year-end 2011. The FY12 budget is based on staffing of 57 employees.

<u>**Personnel-related Expenses**</u>:

- **Salaries and Wages** are projected to be $6.5 million, $240k (4%) under budget, in FY11 because of unfilled positions and is budgeted at $7.0 million in FY12. Budgeted salaries for FY12 include a 5% increase for existing staff (including promotions) and two open positions.

- **Performance (Bonus) Compensation** for FY11 based on performance year-to-date (including deferred incentive compensation earned in prior years and related income) is forecast at $5.2 million, 11% over budget, due to better than projected investment performance. The FY12 budget of $5.4 million in performance compensation is 4% higher than projected FY11 performance compensation. The proposed FY12 performance compensation budget is based on Compensation Plan participants earning 70% of the maximum incentive award. The FY12 budget also includes deferred performance compensation earned by employees in prior years and funds for a discretionary bonus pool of up to 15% of salaries for employees who are not participants in the Compensation Plan.

- **Employee Benefits** are expected to be under budget in FY11 by $87k (7%). Employee Benefits costs are budgeted to increase 2% to $1.1 million in FY12.

General Operating Expenses (non-employee) are forecast to be 3% below budget for FY11 at $4.0 million, due to lower than expected office expenses, lease expenses, insurance and accounting fees. General operating expenses for FY12 are budgeted to increase 2%.

Lease Expenses: Table 4 shows that lease expenses have stabilized in recent years since UTIMCO's move in FY06 and addition of lease space in FY08. Operating Expenses (pass through expenses to tenants) have increased significantly since FY07 due to rising utilities expenses and ad valorem taxes.

Table 4
UTIMCO Lease Expenses FY07-FY12

	FY07	FY08	FY09	FY10	Projected FY11	Budget FY12
Property Lease	$462,722	$499,823	$518,373	$518,373	$518,373	$518,373
Operating Expenses	$362,755	$515,296	$515,848	$538,894	$468,651	$497,844
Parking Expenses	$94,805	$100,007	$96,847	$107,940	$110,479	$110,400
Other Expenses	$5,671	$10,473	$1,461	$8,969	$6,743	$7,200
Amortization (Deferred Rent Credit)	($148,891)	($150,679)	($170,344)	($170,344)	($170,344)	($170,345)
Total Lease Expenses (net)	$777,062	$974,920	$962,185	$1,003,832	$933,902	$963,472

V. UTIMCO Capital Expenditures

The trend for Capital Expenditures for FY07-FY12 is summarized in Table 5. In FY11, total capital expenditures are forecasted to be $204k, mainly for ongoing technology and software upgrades. A budget of $260k is proposed for FY12. The majority of the FY12 budget is for ongoing technology and software upgrades including a new phone system.

Table 5
UTIMCO Capital Expenditures FY07-FY12

	FY07	FY08	FY09	FY10	Projected FY11	Budget FY12
Ongoing: Technology and Software Upgrades	$71,271	$139,860	$113,502	$48,169	$141,875	$210,000
Ongoing: Office Equipment and Fixtures	$11,599	$18,498	$22,672	$32,168	$62,000	$50,000
Expansion: Technology and Software Upgrades	$0	$7,490	$0	$0	$0	$0
Expansion: Office Equipment and Fixtures	$0	$152,864	$0	$0	$0	$0
Expansion: Leasehold Improvements (net)	$0	$166,453	$0	$0	$0	$0
Total Capital Expenditures (net)	$82,870	$485,165	$136,174	$80,337	$203,875	$260,000

EXHIBIT A

	Total Budgeted Costs FY11-FY12							
	FY11		Change from FY11 Budget		FY12	Change from FY11 Projected		Change from FY11 Budget
	Budget	Projected	$	%	Budget	$	%	%
UTIMCO Services								
Salaries and Wages + Vacation	6,724,143	6,484,432	(239,711)	-3.6%	7,035,600	551,168	8.5%	4.6%
Performance Compensation + Earnings	4,672,545	5,164,838	492,293	10.5%	5,389,694	224,856	4.4%	15.3%
Total Compensation	11,396,688	11,649,270	252,582	2.2%	12,425,294	776,024	6.7%	9.0%
Total Payroll taxes	487,999	522,555	34,556	7.1%	563,379	40,824	7.8%	15.4%
403(b) Contributions	504,567	488,147	(16,420)	-3.3%	532,491	44,344	9.1%	5.5%
Group Health, Dental, AD&D, Life, LTD	653,490	583,828	(69,662)	-10.7%	559,593	(24,235)	-4.2%	-14.4%
Employee Benefits	1,158,057	1,071,975	(86,082)	-7.4%	1,092,084	20,109	1.9%	-5.7%
On-Line Data & Contract Services	993,529	1,032,348	38,819	3.9%	1,078,548	46,200	4.5%	8.6%
Recruiting and Relocation Expenses	7,500	6,851	(649)	-8.7%	75,000	68,149	994.8	900.0%
Travel	680,000	490,671	(189,329)	-27.8%	550,000	59,329	12.1%	-19.1%
Phone and Telecommunications	74,600	68,193	(6,407)	-8.6%	76,380	8,187	12.0%	2.4%
Computer & Office Supplies	86,950	83,772	(3,178)	-3.7%	90,840	7,068	8.4%	4.5%
Employee Education	37,685	26,919	(10,766)	-28.6%	36,120	9,201	34.2%	-4.2%
Repairs/Maintenance	146,874	177,717	30,844	21.0%	168,084	(9,633)	-5.4%	14.4%
BOD Meetings	12,000	27,947	15,947	132.9%	12,000	(15,947)	-57.1%	0.0%
Other Operating Expenses	69,195	56,275	(12,920)	-18.7%	62,400	6,125	10.9%	-9.8%
Total General Operating	2,108,333	1,970,693	(137,639)	-6.5%	2,149,372	178,679	9.1%	1.9%
Total Lease Expense	1,019,452	933,901	(85,551)	-8.4%	963,472	29,571	3.2%	-5.5%
Invest., Hiring & Board Consultants	30,000	30,000	0	0.0%	30,000	0	0.0%	0.0%
Legal Expenses	150,000	252,034	102,034	68.0%	174,000	(78,034)	-31.0%	16.0%
Compensation Consultant	60,000	29,500	(30,500)	-50.8%	55,200	25,700	87.1%	-8.0%
Accounting fees	41,500	38,000	(3,500)	-8.4%	40,500	2,500	6.6%	-2.4%
Total Professional Fees	281,500	349,534	68,034	24.2%	299,700	(49,834)	-14.3%	6.5%
Property/Liability Package	15,000	10,932	(4,068)	-27.1%	12,000	1,068	9.8%	-20.0%
Umbrella Policy	4,500	4,464	(36)	-0.8%	4,500	36	0.8%	0.0%
Workers Compensation	17,500	21,152	3,652	20.9%	21,000	(152)	-0.7%	20.0%
Business Auto	850	861	11	1.3%	900	39	4.5%	5.9%
Commercial Bonding Policy	30,000	23,836	(6,164)	-20.5%	24,000	164	0.7%	-20.0%
Prof., D&O & Emp. Practices Liability	180,000	166,439	(13,561)	-7.5%	168,000	1,561	0.9%	-6.7%
Total Insurance	247,850	227,684	(20,166)	-8.1%	230,400	2,716	1.2%	-7.0%
Depreciation of Equipment	531,393	560,449	29,056	5.5%	575,000	14,551	2.6%	8.2%
Total UTIMCO Services	17,231,272	17,286,061	54,790	0.3%	18,298,701	1,012,640	5.9%	6.2%
Direct Costs to Funds								
External Management Fees	35,860,764	33,025,597	(2,835,167)	-7.9%	41,849,744	8,824,147	26.7%	16.7%
External Performance Fees	8,297,356	20,525,367	12,228,011	147.4%	10,768,047	(9,757,320)	-47.5%	29.8%
External Management/Performance Fees	44,158,120	53,550,964	9,392,844	21.3%	52,617,791	(933,173)	-1.7%	19.2%
Custodian Fees and Other Direct Costs	2,444,776	3,737,952	1,293,177	52.9%	4,487,507	749,554	20.1%	83.6%
Performance Measurement	407,350	415,482	8,133	2.0%	480,100	64,617	15.6%	17.9%
Analytical Tools	335,335	330,454	(4,881)	-1.5%	343,322	12,868	3.9%	2.4%
Risk Measurement	315,500	301,999	(13,501)	-4.3%	315,500	13,501	4.5%	0.0%
Custodian and Analytical Costs	3,502,961	4,785,887	1,282,928	36.6%	5,626,429	840,540	17.6%	60.6%
Consultant Fees	490,000	425,312	(64,688)	-13.2%	416,250	(9,062)	-2.1%	-15.1%
Auditing	691,092	691,045	(47)	0.0%	336,440	(354,605)	-51.3%	-51.3%
Controls Assessment (Sarbanes-Oxley)	0	0	0	N/A	0	0	N/A	N/A
Printing	0	0	0	N/A	0	0	N/A	N/A
Legal Fees	696,000	880,262	184,262	26.5%	929,500	49,239	5.6%	33.5%
Background Searches & Other	124,650	207,600	82,950	66.5%	267,650	60,050	28.9%	114.7%
Other Direct Costs Total	2,001,742	2,204,219	202,477	10.1%	1,949,840	(254,378)	-11.5%	-2.6%
Total Direct Costs to Funds	49,662,823	60,541,070	10,878,249	21.9%	60,194,060	(347,011)	-0.6%	21.2%
Total Budgeted Costs	66,894,095	77,827,131	10,933,039	16.3%	78,492,761	665,629	0.9%	17.3%

EXHIBIT B

	Total Budgeted Costs FY07-FY12					
	FY07	FY08	FY09	FY10	FY11	FY12
	Actual	Actual	Actual	Actual	Projected	Budget
UTIMCO Services						
Salaries and Wages + Vacation	4,908,821	5,377,233	6,443,360	6,454,270	6,484,432	7,035,600
Performance Compensation + Earnings	2,082,700	3,016,393	3,245,765	4,490,396	5,164,838	5,389,694
Total Compensation	6,991,521	8,393,626	9,689,125	10,944,666	11,649,270	12,425,294
Total Payroll taxes	337,117	394,313	449,846	479,799	522,555	563,379
403(b) Contributions	329,083	404,671	478,096	487,207	488,147	532,491
Group Health, Dental, AD&D, Life, LTD	420,593	510,154	602,258	617,525	583,828	559,593
Employee Benefits	749,676	914,825	1,080,354	1,104,732	1,071,975	1,092,084
On-Line Data & Contract Services	840,578	851,499	894,096	965,058	1,032,348	1,078,548
Recruiting and Relocation Expenses	400,617	108,198	16,697	2,594	6,851	75,000
Travel	176,929	515,494	290,632	470,600	490,671	550,000
Phone Equipment and Charges	43,743	38,400	72,014	77,524	68,193	76,380
Computer & Office Supplies	67,733	140,512	93,136	89,027	83,772	90,840
Employee Education	16,817	20,311	6,230	37,381	26,919	36,120
Repairs/Maintenance	109,592	179,217	188,875	181,288	177,717	168,084
BOD Meetings	49,711	58,615	12,760	8,793	27,947	12,000
Other Operating Expenses	42,205	40,748	29,426	60,097	56,275	62,400
Total General Operating	1,747,925	1,952,994	1,603,866	1,892,362	1,970,693	2,149,372
Total Lease Expense	777,062	974,920	962,184	1,003,831	933,901	963,472
Invest., Hiring & Board Consultants	25,124	30,000	30,000	30,000	30,000	30,000
Legal Expenses	567,339	225,172	337,065	194,930	252,034	174,000
Compensation Consultant	13,100	146,455	99,650	56,400	29,500	55,200
Accounting fees	38,980	53,414	41,035	33,135	38,000	40,500
Total Professional Fees	644,543	455,041	507,750	314,465	349,534	299,700
Property/Liability Package	18,685	15,100	12,372	11,924	10,932	12,000
Umbrella Policy	5,500	4,977	4,454	4,459	4,464	4,500
Workers Compensation	20,132	17,315	16,653	20,210	21,152	21,000
Business Auto	779	811	836	851	861	900
Commercial Bonding Policy	40,900	39,785	33,839	30,729	23,836	24,000
Prof., D&O & Emp. Practices Liability	164,300	164,300	172,064	179,953	166,439	168,000
Total Insurance	250,296	242,288	240,218	248,126	227,684	230,400
Depreciation of Equipment	564,076	556,450	590,929	579,925	560,449	575,000
Total UTIMCO Services	12,062,216	13,884,457	15,124,272	16,567,906	17,286,061	18,298,701
Direct Costs to Funds						
External Management Fees	16,413,106	20,767,775	15,656,987	23,886,540	33,025,597	41,849,744
External Performance Fees	18,010,650	8,087,324	17,129,808	20,802,785	20,525,367	10,768,047
External Management/Performance Fees	34,423,756	28,855,099	32,786,795	44,689,325	53,550,964	52,617,791
Custodian Fees and Other Direct Costs	1,531,924	1,771,313	1,918,015	2,277,038	3,737,952	4,487,507
Performance Measurement	453,612	459,962	417,322	405,838	415,482	480,100
Analytical Tools	644,597	370,497	347,713	351,642	330,454	343,322
Risk Measurement	372,990	491,986	416,416	377,458	301,999	315,500
Custodian and Analytical Costs	3,003,123	3,093,758	3,099,466	3,411,976	4,785,887	5,626,429
Consultant Fees	1,289,394	736,654	567,125	485,625	425,312	416,250
Auditing	204,550	829,938	733,097	692,093	691,045	336,440
Controls Assessment (Sarbanes-Oxley)	109,750	0	0	0	0	0
Printing	178,155	152,719	132,932	0	0	0
Legal Fees	825,621	1,348,784	464,600	973,934	880,262	929,500
Background Searches & Other	24,747	50,512	35,107	134,673	207,600	267,650
Other Direct Costs Total	2,632,217	3,118,607	1,932,861	2,286,325	2,204,219	1,949,840
Total Direct Costs to Funds	40,059,096	35,067,464	37,819,122	50,387,626	60,541,070	60,194,060
Total Budgeted Costs	52,121,312	48,951,921	52,943,394	66,955,532	77,827,131	78,492,761

EXHIBIT C

UTIMCO Reserve Analysis for August 31, 2011

Projected Cash Reserves at August 31, 2011		
Cash		8,717,152
Prepaid Expenses		373,514
Less: Accounts Payable		(4,491,240)
(Includes incentive compensation & earnings payable)		
Expected Cash Reserves at August 31, 2011		$ 4,599,426
FY12 Proposed Operating Budget	18,298,701	
Applicable Percentage	25%	4,574,675
FY12 Proposed Capital Expenditures	260,000	260,000
Required Cash Reserves at August 31, 2011		$ 4,834,675
Balance Available for Distribution		**$ (235,249)**
Recommended Distribution		**$ -**