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FOR
FINANCE AND PLANNING COMMITTEE

Committee Meeting: 8/20/2014

Board Meeting: 8/21/2014
Austin, Texas

Jeffery D. Hildebrand, Chairman
Alex M. Cranberg
Wallace L. Hall, Jr.
Brenda Pejovich
Wm. Eugene Powell

		Committee Meeting	Board Meeting	Page
7.	**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**	*10:54 a.m.* **Action** *Mr. Hull*	**Action**	**220**
8.	**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**	*10:56 a.m.* **Action** *Mr. Hull*	**Action**	**222**
9.	**U. T. System Board of Regents: Approval of aggregate amount of $171,570,000 of equipment financing for Fiscal Year 2015 and resolution regarding parity debt**	*10:58 a.m.* **Action** *Mr. Hull*	**Action**	**246**
Adjourn		*11:00 a.m.*		

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

RECOMMENDATION

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

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

INTRODUCTION

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Key Financial Indicators Report, as set forth on Pages 141 - 148 and the June Monthly Financial Report on Pages 149 - 174. The reports represent the consolidated and individual operating detail of the U. T. System institutions.

REPORT

The Key Financial Indicators Report compares the Systemwide quarterly results of operations, key revenues and expenses, reserves, and key financial ratios in a graphical presentation from Fiscal Year 2010 through May 2014. Ratios requiring balance sheet data are provided for Fiscal Year 2009 through Fiscal Year 2013.

THE UNIVERSITY OF TEXAS SYSTEM

KEY FINANCIAL INDICATORS REPORT

3RD QUARTER FY 2014

U. T. System Office of the Controller
August 2014

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

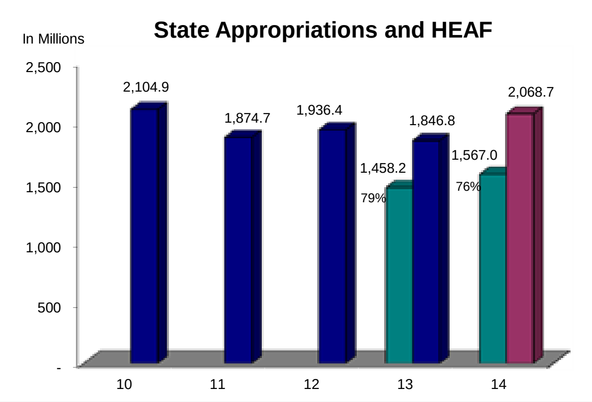
◆—◆ Aaa Median
(SOURCE: Moody's)

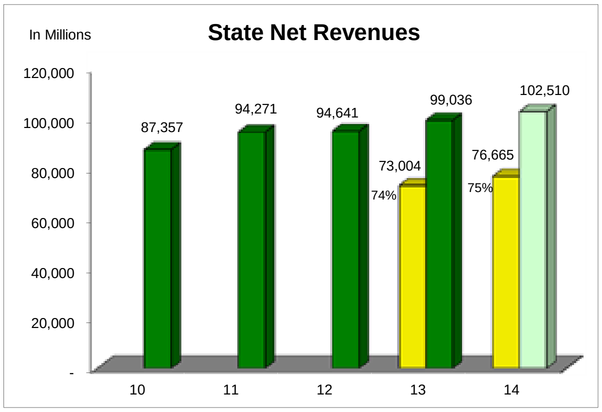
●—● A2 Median
(SOURCE: Moody's)

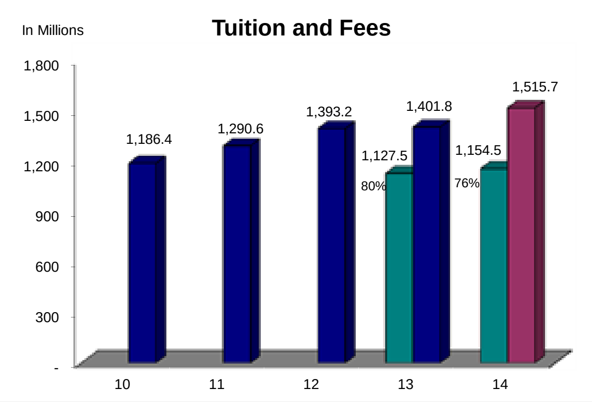
◆—◆ Good Facilities Condition Index (Below 5%)

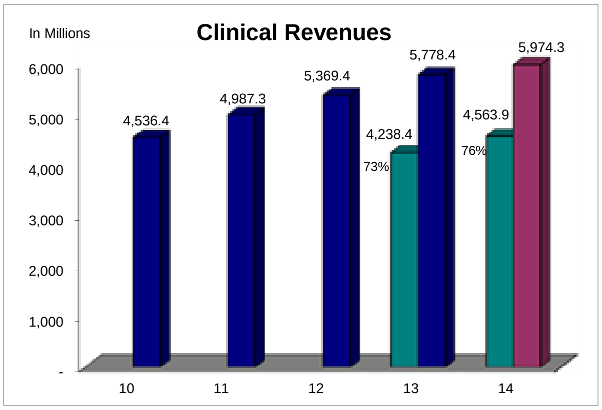
●—● Fair Facilities Condition Index (5% - 10%)

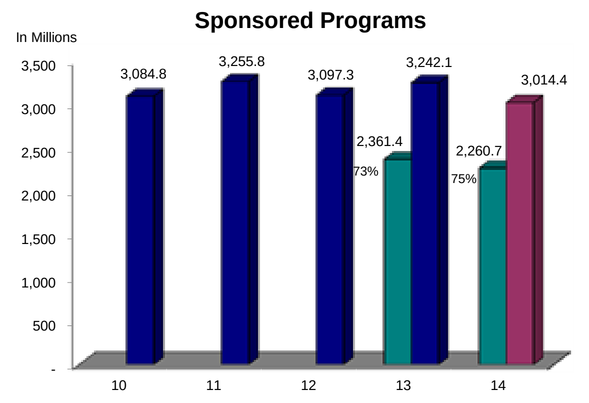
KEY INDICATORS OF REVENUES ACTUAL 2010 THROUGH 2013 PROJECTED 2014 YEAR-TO-DATE 2013 AND 2014 FROM MAY MONTHLY FINANCIAL REPORT

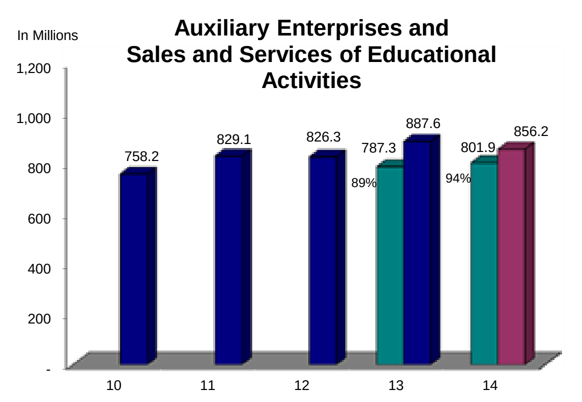

State Appropriations and HEAF

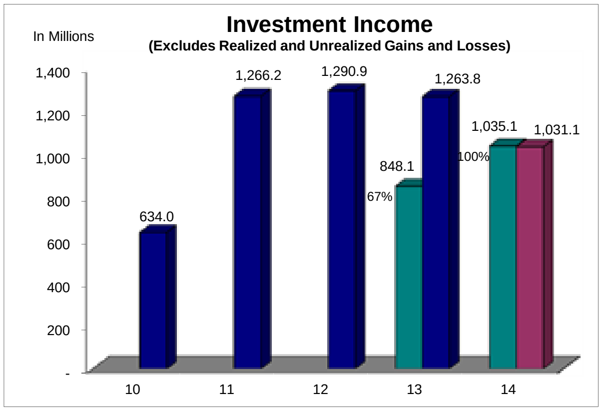

State Net Revenues

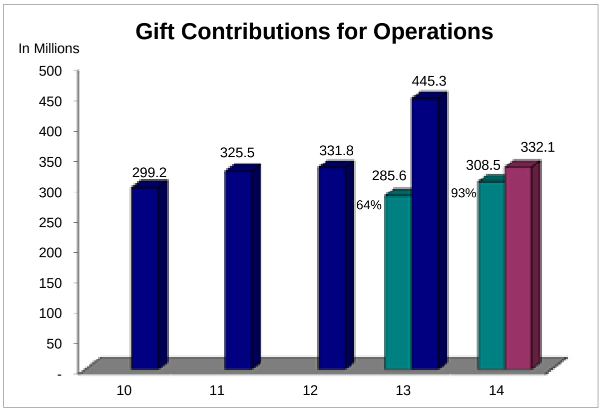

Tuition and Fees


Clinical Revenues

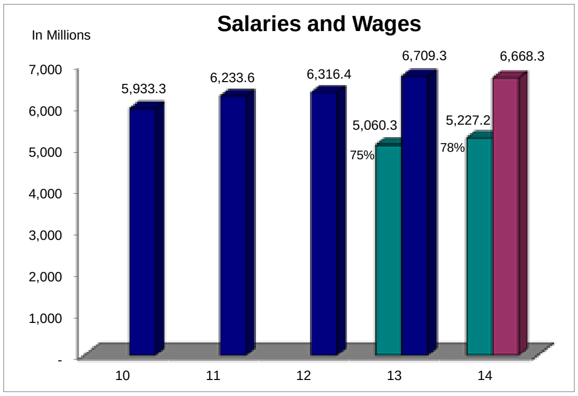

Sponsored Programs

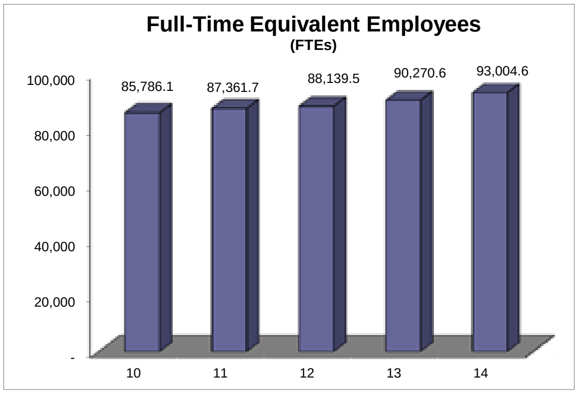

Auxiliary Enterprises and Sales and Services of Educational Activities

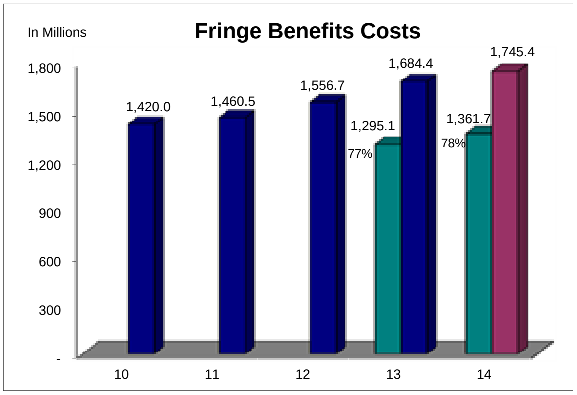

Investment Income
(Excludes Realized and Unrealized Gains and Losses)

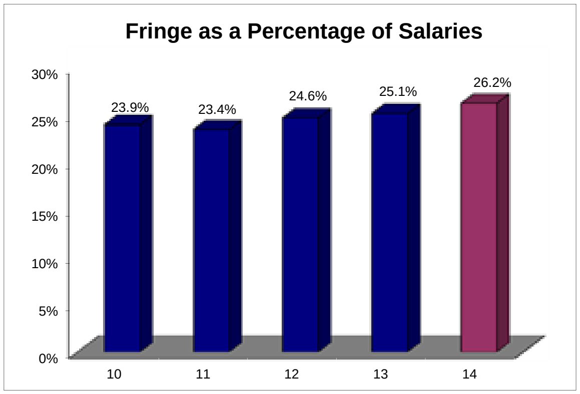

Gift Contributions for Operations

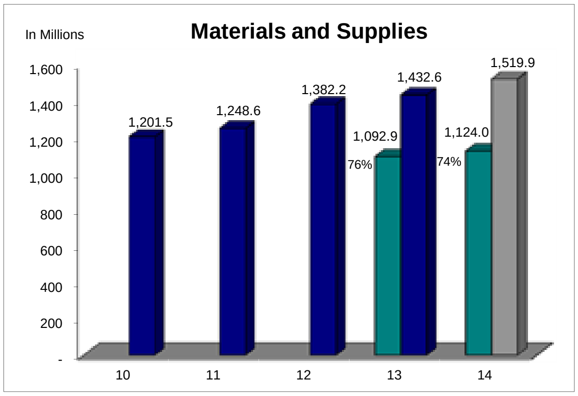
KEY INDICATORS OF EXPENSES
ACTUAL 2010 THROUGH 2013
PROJECTED 2014
YEAR-TO-DATE 2013 AND 2014 FROM MAY MONTHLY FINANCIAL REPORT

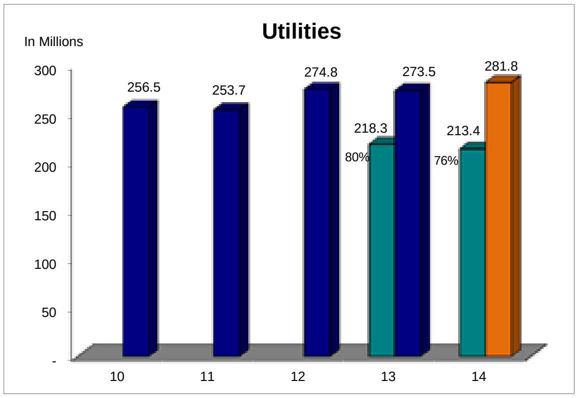

Salaries and Wages

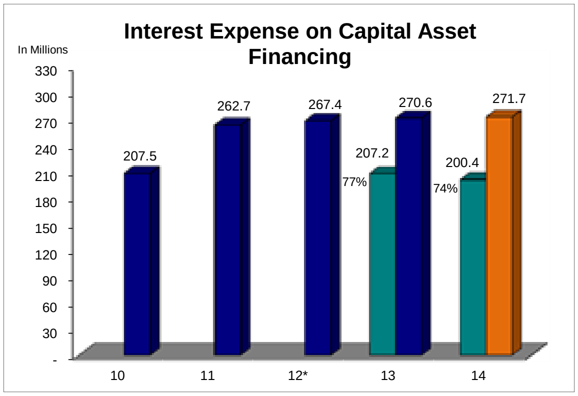

Full-Time Equivalent Employees
(FTEs)

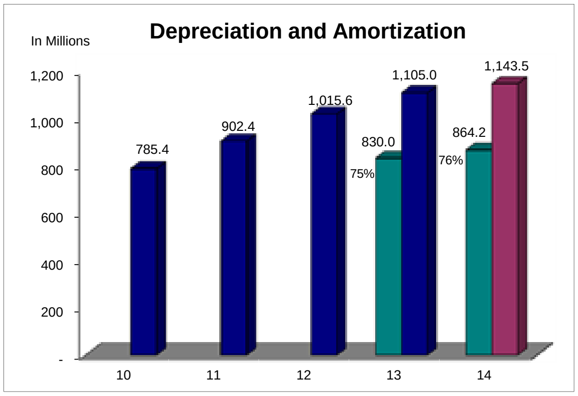

Fringe Benefits Costs


Fringe as a Percentage of Salaries


Materials and Supplies

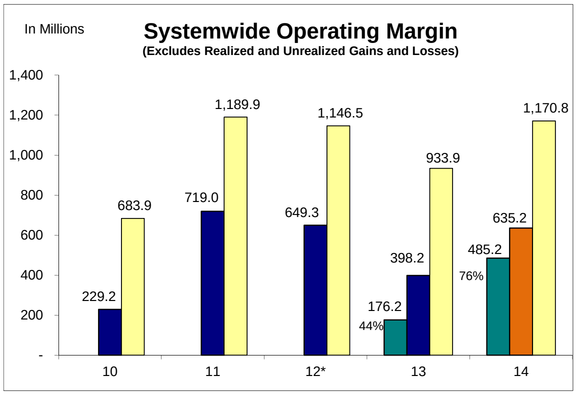

Utilities


Interest Expense on Capital Asset Financing


Depreciation and Amortization

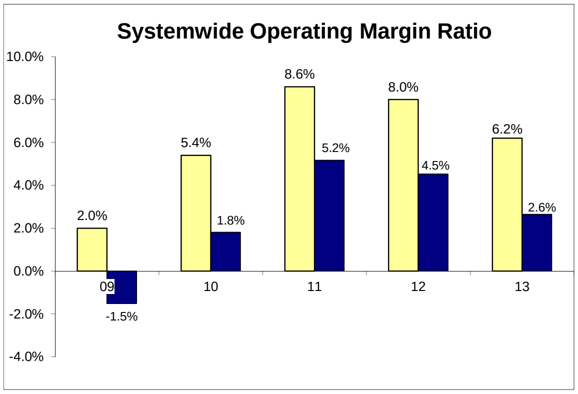
*Restated from prior year reports.

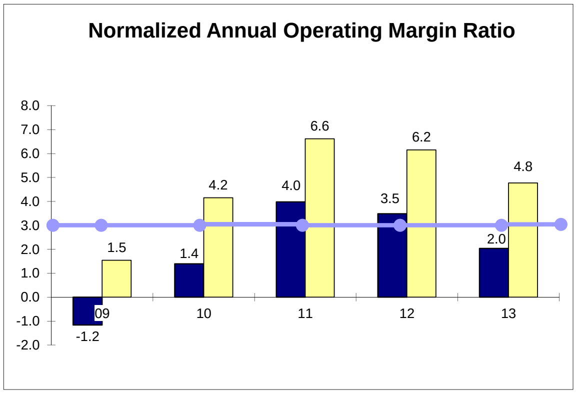
KEY INDICATORS OF RESERVES
ACTUAL 2009 THROUGH 2013
PROJECTED 2014
YEAR-TO-DATE 2013 AND 2014 FROM MAY MONTHLY FINANCIAL REPORT

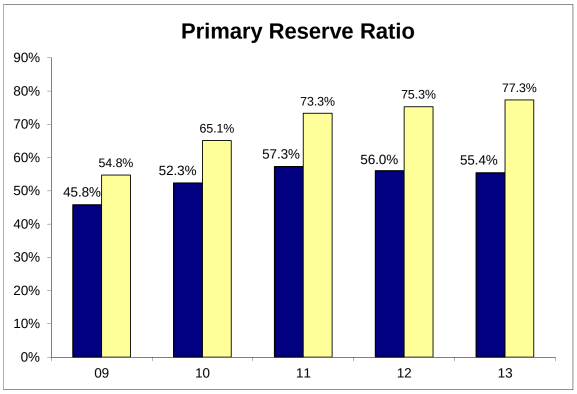

In Millions

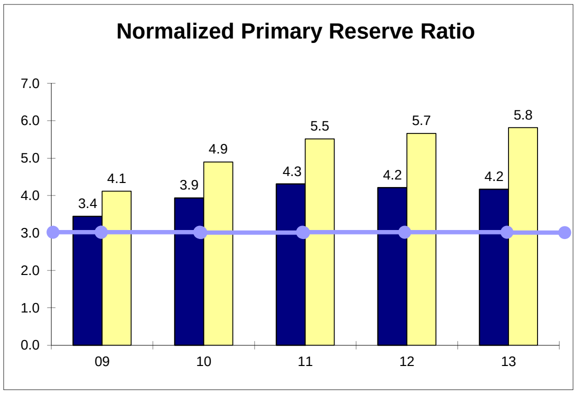
Systemwide Operating Margin

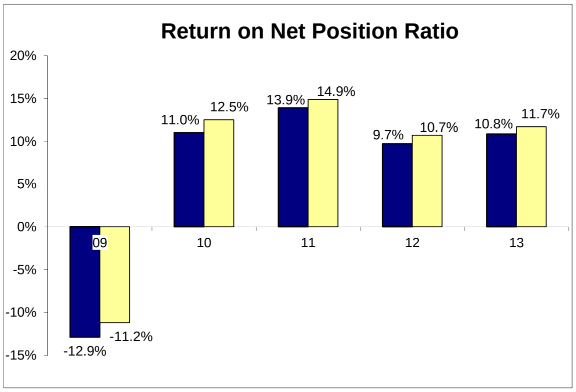
(Excludes Realized and Unrealized Gains and Losses)

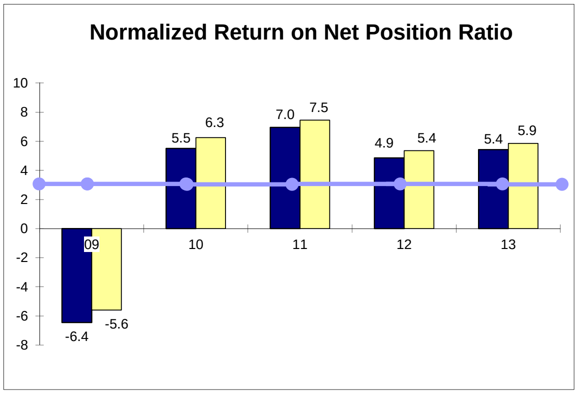

Systemwide Operating Margin Ratio


Normalized Annual Operating Margin Ratio


Primary Reserve Ratio

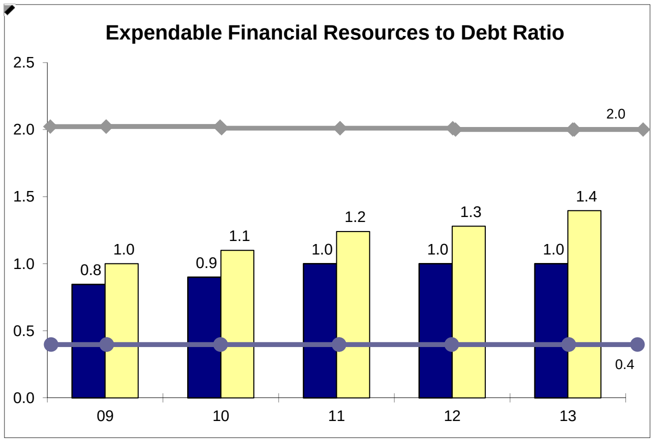

Normalized Primary Reserve Ratio

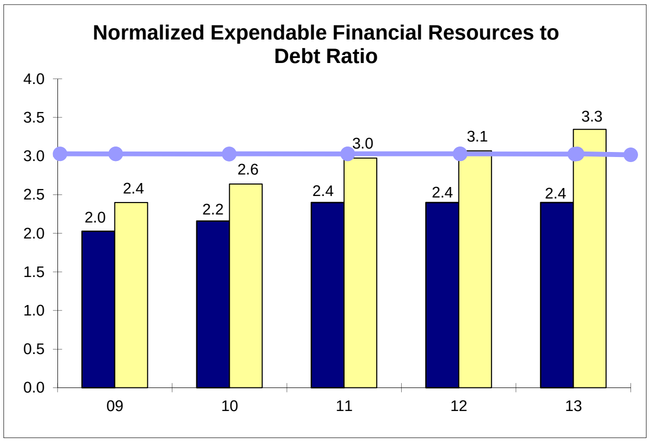

Return on Net Position Ratio

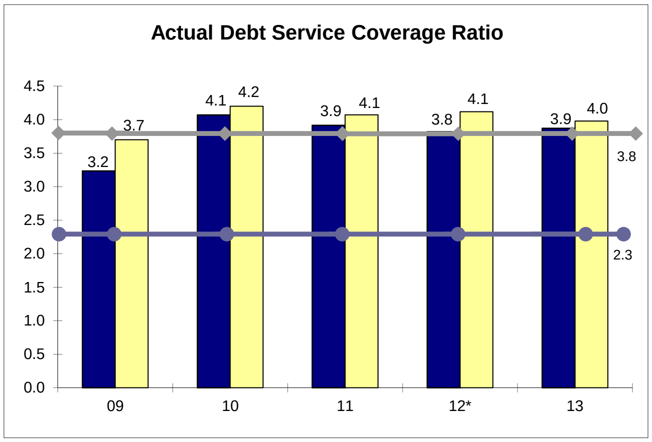

Normalized Return on Net Position Ratio

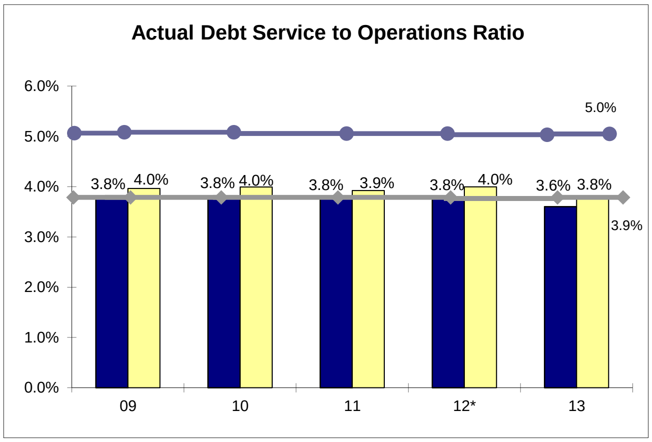
*Restated from prior year reports.

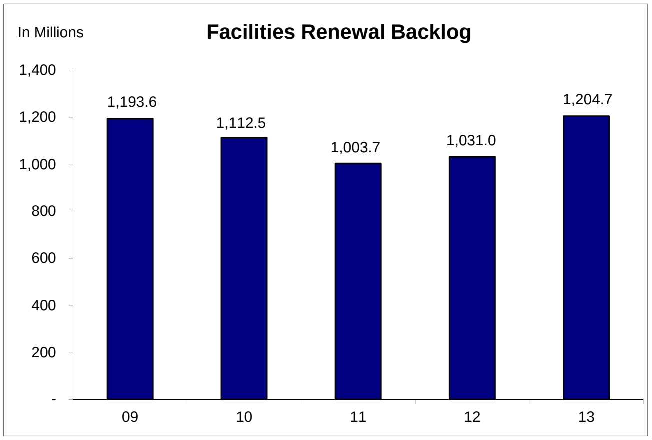
KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY
2009 THROUGH 2013

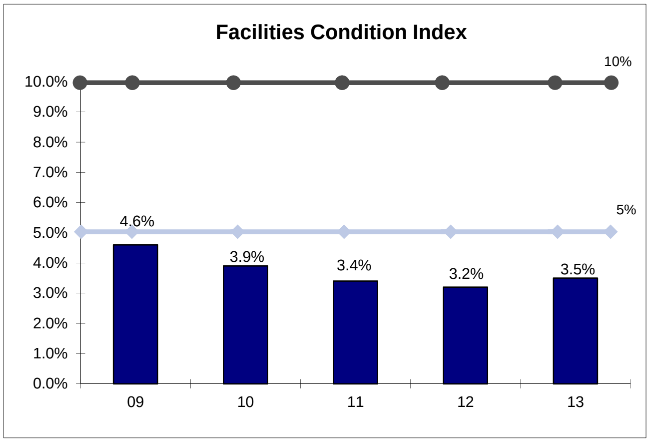

Expendable Financial Resources to Debt Ratio


Normalized Expendable Financial Resources to Debt Ratio


Actual Debt Service Coverage Ratio

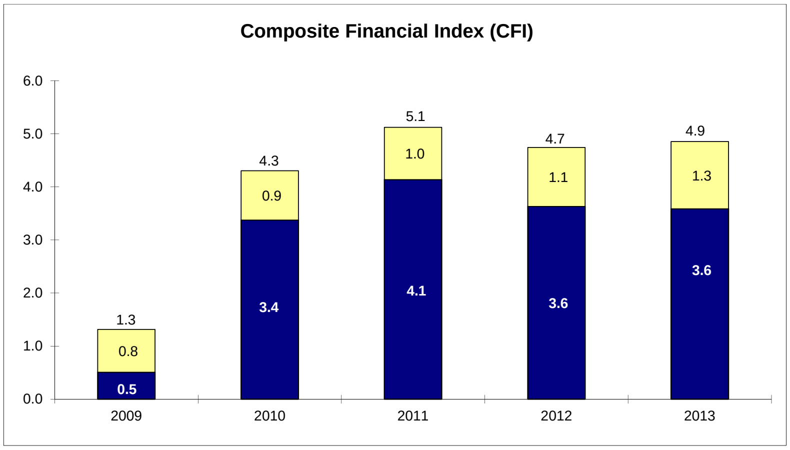

Actual Debt Service to Operations Ratio


Facilities Renewal Backlog

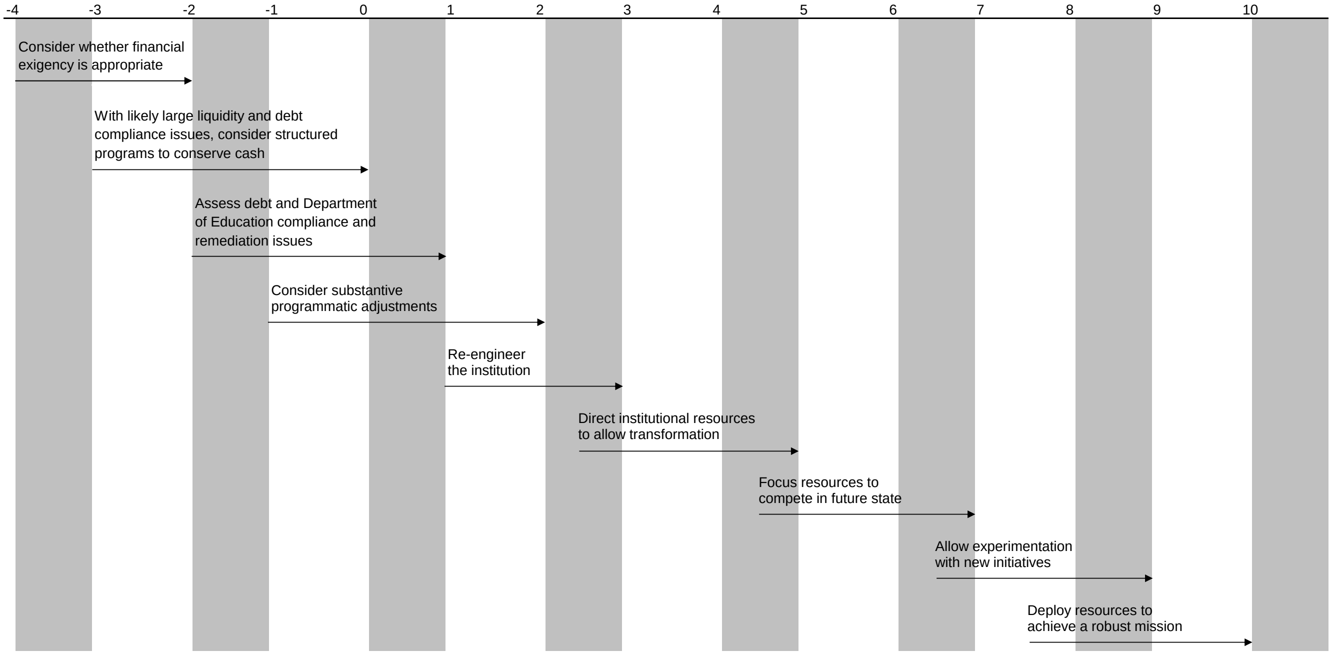

Facilities Condition Index

*Restated from prior year reports.

KEY INDICATORS OF FINANCIAL HEALTH
2009 THROUGH 2013



Scale for Charting CFI Performance



Consider whether financial exigency is appropriate

With likely large liquidity and debt compliance issues, consider structured programs to conserve cash

Assess debt and Department of Education compliance and remediation issues

Consider substantive programmatic adjustments

Re-engineer the institution

Direct institutional resources to allow transformation

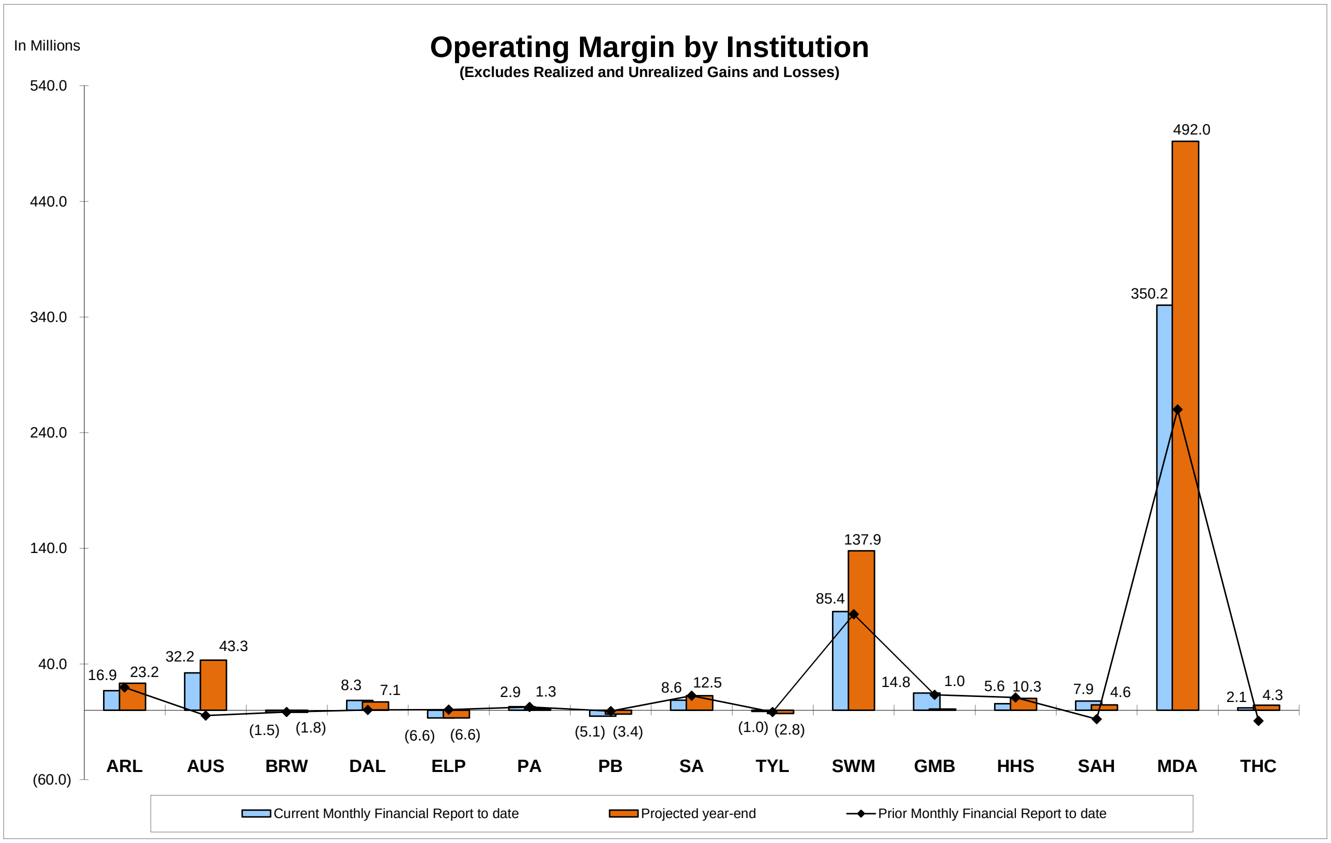
Focus resources to compete in future state

Allow experimentation with new initiatives

Deploy resources to achieve a robust mission

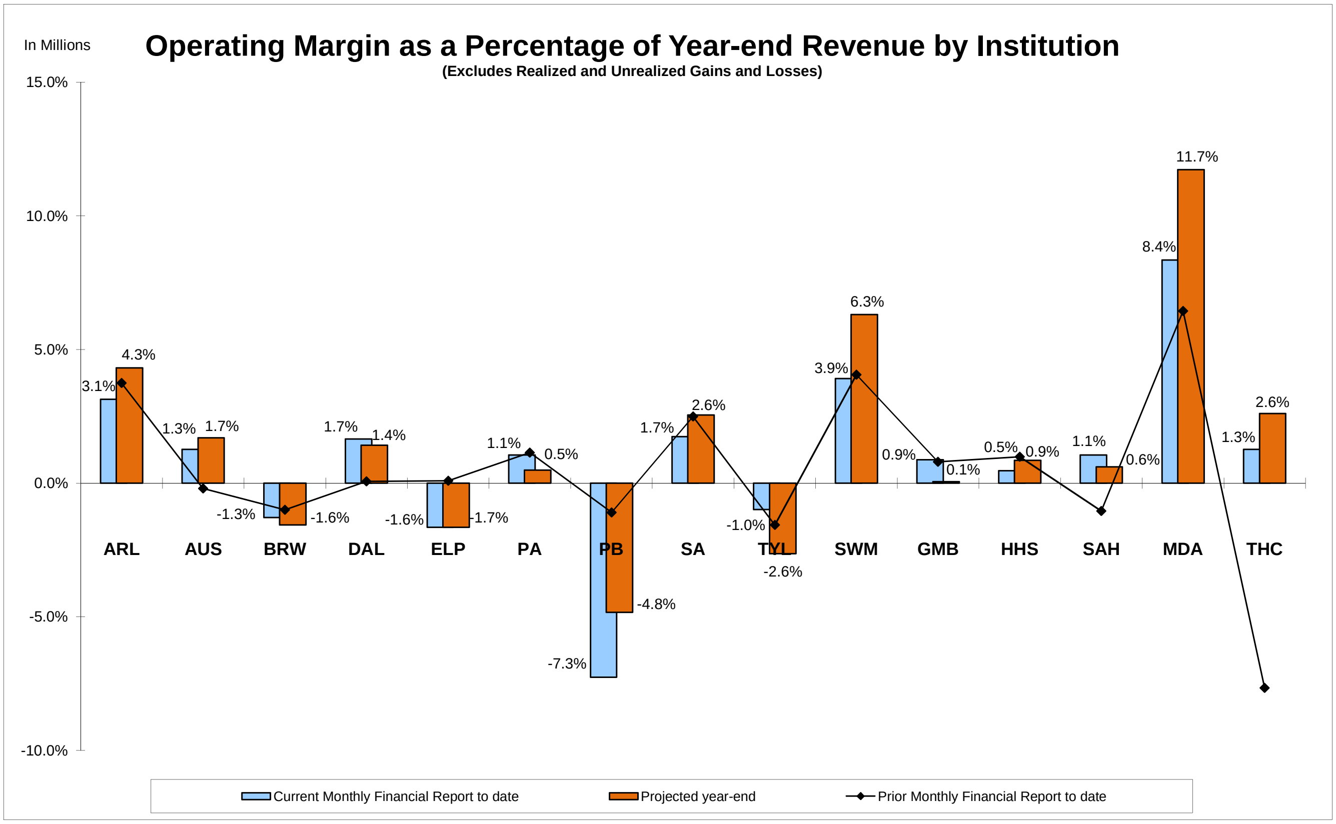
Source: Strategic Financial Analysis for Higher Education, Seventh Edition

KEY INDICATORS OF RESERVES
YEAR-TO-DATE 2013 AND 2014 FROM MAY MONTHLY FINANCIAL REPORT
PROJECTED 2014 YEAR-END MARGIN



Operating Margin by Institution

(Excludes Realized and Unrealized Gains and Losses)



Operating Margin as a Percentage of Year-end Revenue by Institution

(Excludes Realized and Unrealized Gains and Losses)

THE UNIVERSITY OF TEXAS SYSTEM
OFFICE OF THE CONTROLLER

MONTHLY FINANCIAL REPORT

(unaudited)

JUNE 2014

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, 2014

The University of Texas System
Monthly Financial Report

Foreword

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

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

UNAUDITED

The University of Texas System Consolidated
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2014

	June Year-to-Date FY 2014	June Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	1,276,148,948.12	1,244,827,530.66	31,321,417.46	2.5%
Sponsored Programs	2,280,896,504.78	2,271,456,603.44	9,439,901.34	0.4%
Net Sales and Services of Educational Activities	446,840,775.85	443,369,866.18	3,470,909.67	0.8%
Net Sales and Services of Hospitals	3,933,441,354.54	3,641,662,524.28	291,778,830.26	8.0%
Net Professional Fees	1,148,942,471.28	1,072,174,048.03	76,768,423.25	7.2%
Net Auxiliary Enterprises	425,230,676.85	415,029,550.99	10,201,125.86	2.5%
Other Operating Revenues	272,247,950.78	223,205,464.18	49,042,486.60	22.0%
Total Operating Revenues	**9,783,748,682.20**	**9,311,725,587.76**	**472,023,094.44**	**5.1%**
Operating Expenses				
Salaries and Wages	5,803,765,365.63	5,613,266,202.23	190,499,163.40	3.4%
Payroll Related Costs	1,509,943,227.61	1,436,538,794.12	73,404,433.49	5.1%
Cost of Goods Sold	93,952,208.80	93,764,695.86	187,512.94	0.2%
Professional Fees and Services	308,274,067.63	333,435,110.19	(25,161,042.56)	-7.5%
Other Contracted Services	591,370,082.85	519,752,267.58	71,617,815.27	13.8%
Travel	111,500,278.41	116,559,686.29	(5,059,407.88)	-4.3%
Materials and Supplies	1,251,242,386.23	1,215,344,758.25	35,897,627.98	3.0%
Utilities	239,468,757.22	248,277,167.66	(8,808,410.44)	-3.5%
Communications	105,758,650.82	103,473,451.63	2,285,199.19	2.2%
Repairs and Maintenance	213,359,206.16	208,440,281.03	4,918,925.13	2.4%
Rentals and Leases	124,010,267.87	111,889,928.99	12,120,338.88	10.8%
Printing and Reproduction	27,285,473.72	27,444,430.99	(158,957.27)	-0.6%
Bad Debt Expense	1,942,726.64	561,034.16	1,381,692.48	246.3%
Claims and Losses	32,113,481.69	8,823,827.84	23,289,653.85	263.9%
Increase in Net OPEB Obligation	446,342,572.50	414,345,462.50	31,997,110.00	7.7%
Scholarships and Fellowships	343,566,573.02	387,347,351.62	(43,780,778.60)	-11.3%
Depreciation and Amortization	956,991,456.04	921,905,201.56	35,086,254.48	3.8%
Federal Sponsored Program Pass-Through to Other State Agencies	32,037,580.38	18,439,187.38	13,598,393.00	73.7%
State Sponsored Program Pass-Through to Other State Agencies	4,300,100.62	1,742,501.60	2,557,599.02	146.8%
Other Operating Expenses	311,562,759.96	296,230,347.74	15,332,412.22	5.2%
Total Operating Expenses	**12,508,787,223.80**	**12,077,581,689.22**	**431,205,534.58**	**3.6%**
Operating Loss	**(2,725,038,541.60)**	**(2,765,856,101.46)**	**40,817,559.86**	**1.5%**
Other Nonoperating Adjustments				
State Appropriations	1,734,858,273.76	1,615,776,304.05	119,081,969.71	7.4%
Nonexchange Sponsored Programs	239,715,406.92	327,229,910.00	(87,514,503.08)	-26.7%
Gift Contributions for Operations	344,344,527.40	357,498,672.82	(13,154,145.42)	-3.7%
Net Investment Income	1,192,731,111.09	946,829,536.12	245,901,574.97	26.0%
Interest Expense on Capital Asset Financings	(220,664,299.46)	(229,095,527.89)	8,431,228.43	3.7%
Net Other Nonoperating Adjustments	**3,290,985,019.71**	**3,018,238,895.10**	**272,746,124.61**	**9.0%**
Adjusted Income (Loss) including Depreciation & Amortization	**565,946,478.11**	**252,382,793.64**	**313,563,684.47**	**124.2%**
Adjusted Margin % including Depreciation & Amortization	**4.3%**	**2.0%**		
Investment Gain (Losses)	3,764,688,807.34	1,322,978,616.43	2,441,710,190.91	184.6%
Adj. Inc. (Loss) with Investment Gains (Losses)	**4,330,635,285.45**	**1,575,361,410.07**	**2,755,273,875.38**	**174.9%**
Adj. Margin % with Investment Gains (Losses)	**25.4%**	**11.3%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**1,522,937,934.15**	**1,174,287,995.20**	**348,649,938.95**	**29.7%**
Adjusted Margin % excluding Depreciation & Amortization	**11.5%**	**9.4%**		

The University of Texas System
Comparison of Adjusted Income (Loss)
For the Ten Months Ending June 30, 2014

	Including Depreciation and Amortization Expense					
	June Year-to-Date FY 2014		June Year-to-Date FY 2013	Variance		Fluctuation Percentage
U. T. System Administration	$ 170,167,657.13		$ 2,885,942.34	167,281,714.79	(1)	5,796.4%
U. T. Arlington	17,525,961.58		21,296,153.95	(3,770,192.37)		-17.7%
U. T. Austin	29,064,895.15		(19,363,206.19)	48,428,101.34	(2)	250.1%
U. T. Brownsville	(1,750,004.94)	(3)	(1,214,512.16)	(535,492.78)		-44.1%
U. T. Dallas	9,674,102.56		2,511,318.89	7,162,783.67	(4)	285.2%
U. T. El Paso	(7,540,492.84)		717,710.47	(8,258,203.31)	(5)	-1,150.6%
U. T. Pan American	1,936,370.45		3,978,154.48	(2,041,784.03)	(6)	-51.3%
U. T. Permian Basin	(4,098,885.32)		(497,969.40)	(3,600,915.92)	(7)	-723.1%
U. T. San Antonio	11,370,289.14		13,793,491.47	(2,423,202.33)		-17.6%
U. T. Tyler	(1,883,686.66)	(8)	(2,371,044.71)	487,358.05		20.6%
U. T. Southwestern Medical Center	99,920,390.60		92,344,472.70	7,575,917.90		8.2%
U. T. Medical Branch - Galveston	17,661,025.84		6,982,686.64	10,678,339.20	(9)	152.9%
U. T. Health Science Center - Houston	14,122,504.17		7,502,492.70	6,620,011.47	(10)	88.2%
U. T. Health Science Center - San Antonio	18,659,193.38		(8,804,799.71)	27,463,993.09	(11)	311.9%
U. T. M. D. Anderson Cancer Center	389,778,256.21		319,258,666.70	70,519,589.51	(12)	22.1%
U. T. Health Science Center - Tyler	(1,326,661.67)		(11,972,597.86)	10,645,936.19	(13)	88.9%
Elimination of AUF Transfer	(197,334,436.67)		(174,664,166.67)	(22,670,270.00)		-13.0%
Total Adjusted Income (Loss)	565,946,478.11		252,382,793.64	313,563,684.47		124.2%
Investment Gains (Losses)	3,764,688,807.34		1,322,978,616.43	2,441,710,190.91		184.6%
Total Adjusted Income (Loss) with Investment Gains (Losses) Including Depreciation and Amortization	**$ 4,330,635,285.45**		**$ 1,575,361,410.07**	**$ 2,755,273,875.38**		**174.9%**

	Excluding Depreciation and Amortization Expense			
	June Year-to-Date FY 2014	June Year-to-Date FY 2013	Variance	Fluctuation Percentage
U. T. System Administration	$ 175,514,283.61	$ 9,046,197.35	166,468,086.26	1,840.2%
U. T. Arlington	54,695,979.28	52,164,311.66	2,531,667.62	4.9%
U. T. Austin	280,731,561.82	240,636,793.81	40,094,768.01	16.7%
U. T. Brownsville	5,293,694.12	5,539,232.14	(245,538.02)	-4.4%
U. T. Dallas	53,374,210.66	37,004,180.59	16,370,030.07	44.2%
U. T. El Paso	15,930,769.61	22,575,858.37	(6,645,088.76)	-29.4%
U. T. Pan American	15,166,372.24	16,379,566.39	(1,213,194.15)	-7.4%
U. T. Permian Basin	6,692,781.35	9,252,030.60	(2,559,249.25)	-27.7%
U. T. San Antonio	49,965,959.23	49,316,324.33	649,634.90	1.3%
U. T. Tyler	7,657,945.27	6,862,589.44	795,355.83	11.6%
U. T. Southwestern Medical Center	197,488,059.87	183,846,715.69	13,641,344.18	7.4%
U. T. Medical Branch - Galveston	104,347,237.60	86,740,373.01	17,606,864.59	20.3%
U. T. Health Science Center - Houston	61,974,953.98	54,587,418.41	7,387,535.57	13.5%
U. T. Health Science Center - San Antonio	60,325,860.05	32,028,533.62	28,297,326.43	88.4%
U. T. M. D. Anderson Cancer Center	624,096,547.27	547,392,048.31	76,704,498.96	14.0%
U. T. Health Science Center - Tyler	7,016,154.86	(4,420,011.85)	11,436,166.71	258.7%
Elimination of AUF Transfer	(197,334,436.67)	(174,664,166.67)	(22,670,270.00)	-13.0%
Total Adjusted Income (Loss)	1,522,937,934.15	1,174,287,995.20	348,649,938.95	29.7%
Total Adjusted Income (Loss) Excluding Depreciation and Amortization	**$ 1,522,937,934.15**	**$ 1,174,287,995.20**	**$ 348,649,938.95**	**29.7%**

THE UNIVERSITY OF TEXAS SYSTEM
EXPLANATION OF VARIANCES ON THE MONTHLY FINANCIAL REPORT
For the Ten Months Ending June 30, 2014

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

(1) *U. T. System Administration* - The $167.3 million (5,796.4%) increase in adjusted income over the same period last year was primarily due to increases in oil and gas royalties, which are a component of net investment income. Also contributing to the variance were increases in sponsored program revenue received for the 2014-2015 biennium for the Joint Admission Medical Program. Excluding depreciation and amortization expense, *U. T. System Administration's* adjusted income was $175.5 million or 21.7%.

(2) *U. T. Austin* - The $48.4 million (250.1%) increase in adjusted income over the same period last year was primarily attributable to an increase in the Available University Fund Transfer as a result of the Board of Regents allocation for the new Dell Medical School. State appropriations also increased as a result of increased general revenue funds for operations support. Excluding depreciation and amortization expense, *U. T. Austin's* adjusted income was $280.7 million or 12.8%.

(3) *U. T. Brownsville* - *U. T. Brownsville* incurred a year-to-date loss of $1.8 million which was primarily attributable to negotiated expenses related to the termination of the partnership with Texas Southmost College (TSC). Excluding depreciation and amortization expense, *U. T. Brownsville's* adjusted income was $5.3 million or 5.6%. *U. T. Brownsville* anticipates ending the year with a $2.0 million loss which represents -1.7% of projected revenues and includes $8.5 million of depreciation and amortization expense.

(4) *U. T. Dallas* - The $7.2 million (285.2%) increase in adjusted income over the same period last year was primarily attributable to an increase in state appropriations due to enrollment growth and employee group insurance and an increase in gifts for operations. Excluding depreciation and amortization expense, *U. T. Dallas'* adjusted income was $53.4 million or 12.5%.

(5) *U. T. El Paso* - The $8.3 million (1,150.6%) increase in adjusted loss as compared to adjusted income for the same period last year was primarily attributable to increased depreciation and amortization expense due to growth of buildings and research infrastructure, and due to an increase in tuition exemption scholarship expense, primarily related to the Hazelwood and Hazelwood Legacy programs. Net auxiliary enterprises also decreased due to decreased special events and athletics revenue. As a result, *U. T. El Paso* incurred a year-to-date loss of $7.5 million. Excluding depreciation and amortization expense, *U. T. El Paso's* adjusted income was $15.9 million or 5.2%. *U. T. El Paso* anticipates ending the year with an $8.1 million loss, which represents -2.0% of projected revenues and includes $28.4 million of depreciation and amortization expense.

(6) *U. T. Pan American* - The $2.0 million (51.3%) decrease in adjusted income over the same period last year was primarily due to increases in salaries and wages and payroll related costs as a result of merit increases and an increase in retiree insurance payments. Excluding depreciation and amortization expense, *U. T. Pan American's* adjusted income was $15.2 million or 7.2%.

(7) *U. T. Permian Basin* - The $3.6 million (723.1%) increase in adjusted loss over the same period last year was primarily due to increases in salaries and wages, payroll related costs, and depreciation and amortization expense. Salaries and wages and payroll related costs increased as a result of merit increases and additional adjunct faculty to support enrollment growth. Depreciation and amortization increased due to the addition of Student Housing Phase V in August 2013. As a result, *U. T. Permian Basin* incurred a year-to-date loss of $4.1 million. Excluding depreciation and amortization expense, *U. T. Permian Basin's* adjusted income was $6.7 million or 12.1%. *U. T. Permian Basin* anticipates ending the year with a $3.3 million loss which represents -4.9% of projected revenues and includes $13.0 million of depreciation and amortization expense.

(8) *U. T. Tyler* - *U. T. Tyler* incurred a year-to-date loss of $1.9 million which was primarily attributable to increases in salaries and wages and payroll related costs due to Innovation Academy, as well as an overall increase in faculty and staff. Excluding depreciation and amortization expense, *U. T. Tyler's* adjusted income was $7.7 million or 8.6%. *U. T. Tyler* anticipates ending the year with a $1.1 million loss, which represents -1.1% of projected revenues and includes $11.7 million of depreciation and amortization expense. The projected loss is the result of an increase in personnel and renovation projects across the campus. *U. T. Tyler's* use of prior year balances was approved by *U. T. System Administration* for 2014 for one-time nonrecurring expenses.

(9) *U. T. Medical Branch - Galveston* - The $10.7 million (152.9%) increase in adjusted income over the same period last year was primarily due to an increase in net sales and services of hospitals as a result of increased admissions and clinic visits. Additionally, there was an increase of $2.0 million in net Delivery System Reform Incentive Payment (DSRIP) activity. Excluding depreciation and amortization expense, *UTMB's* adjusted income was $104.3 million or 7.5%.

(10) *U. T. Health Science Center - Houston* - The $6.6 million (88.2%) increase in adjusted income over the same period last year was primarily due to an increase in state appropriations, an increase of $7.1 million in net DSRIP activity, and $11.8 million of uncompensated care revenue; however, there are indirect costs also associated with these programs. Excluding depreciation and amortization expense, *UTHSC-Houston's* adjusted income was $62.0 million or 6.2%.

(11) *U. T. Health Science Center - San Antonio* - The $27.5 million (311.9%) increase in adjusted income as compared to adjusted loss over the same period last year was primarily due to an increase of $11.6 million in net DSRIP contract activity in South Texas, an increase in state appropriations of $8.3 million, enhanced fee for service clinical revenues of $2.5 million, an increase of $3.4 million in gifts and other support for operations, and an increase in net investment income due to a $2.3 million surrender of Vidacare stock associated with patent ventures. Excluding depreciation and amortization expense, *UTHSC-San Antonio's* adjusted income was $60.3 million or 9.5%.

(12) *U. T. M. D. Anderson Cancer Center* - The $70.5 million (22.1%) 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 increases in hospital admissions, patient and observation days, and outpatient visits. Excluding depreciation and amortization expense, *M. D. Anderson's* adjusted income was $624.1 million or 18.0%.

(13) *U. T. Health Science Center - Tyler* - The $10.6 million (88.9%) decrease in adjusted loss as compared to adjusted loss for the same period last year was primarily attributable to $16.2 million of DSRIP revenue while expenses associated with that revenue were only $9.4 million. *UTHSC-Tyler* incurred a year-to-date loss of $1.3 million as a result of the return of $1.8 million of revenue from the uncompensated care component of the Medicaid Section 1115 Demonstration program. Without DSRIP, *UTHSC-Tyler's* year-to-date loss would have been $8.1 million. Excluding depreciation and amortization expense, *UTHSC-Tyler* had adjusted income of $7.0 million or 5.4%. *UTHSC-Tyler* anticipates ending the year with a $2.6 million positive margin, which represents 1.6% of projected revenues and includes $9.9 million of depreciation and amortization expense.

GLOSSARY OF TERMS

OPERATING REVENUES:

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

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

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

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

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

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

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

OPERATING EXPENSES:

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

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

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

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

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

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

MATERIALS AND SUPPLIES - Payments for consumable items. Includes, but is 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, judgments and lawsuits are considered nonoperating expenses.

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

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

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

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

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

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

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

OTHER NONOPERATING ADJUSTMENTS:

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

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

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

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

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

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

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

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

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

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

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

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

UNAUDITED

The University of Texas System Administration
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2014

	June Year-to-Date FY 2014	June Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Sponsored Programs	18,535,996.90	6,217,972.62	12,318,024.28	198.1%
Net Sales and Services of Educational Activities	15,590,989.80	24,278,240.41	(8,687,250.61)	-35.8%
Other Operating Revenues	27,984,258.47	30,150,074.93	(2,165,816.46)	-7.2%
Total Operating Revenues	**62,111,245.17**	**60,646,287.96**	**1,464,957.21**	**2.4%**
Operating Expenses				
Salaries and Wages	34,041,884.40	31,129,258.25	2,912,626.15	9.4%
Payroll Related Costs	8,734,024.05	7,978,069.91	755,954.14	9.5%
Professional Fees and Services	3,598,815.02	9,086,656.61	(5,487,841.59)	-60.4%
Other Contracted Services	21,025,910.74	18,840,022.69	2,185,888.05	11.6%
Travel	947,164.75	1,214,970.01	(267,805.26)	-22.0%
Materials and Supplies	6,387,025.66	6,046,079.45	340,946.21	5.6%
Utilities	469,980.14	510,902.05	(40,921.91)	-8.0%
Communications	3,509,853.94	3,271,672.74	238,181.20	7.3%
Repairs and Maintenance	4,139,205.38	2,706,159.95	1,433,045.43	53.0%
Rentals and Leases	762,013.19	717,059.25	44,953.94	6.3%
Printing and Reproduction	133,342.33	195,832.66	(62,490.33)	-31.9%
Claims and Losses	32,113,481.69	8,823,827.84	23,289,653.85	263.9%
Increase in Net OPEB Obligation	446,342,572.50	414,345,462.50	31,997,110.00	7.7%
Scholarships and Fellowships	887,200.00	778,350.00	108,850.00	14.0%
Depreciation and Amortization	5,346,626.48	6,160,255.01	(813,628.53)	-13.2%
State Sponsored Program Pass-Through to Other State Agencies	1,833,098.30	1,704,809.98	128,288.32	7.5%
Other Operating Expenses	19,050,526.16	13,119,969.21	5,930,556.95	45.2%
Total Operating Expenses	**589,322,724.73**	**526,629,358.11**	**62,693,366.62**	**11.9%**
Operating Loss	**(527,211,479.56)**	**(465,983,070.15)**	**(61,228,409.41)**	**-13.1%**
Other Nonoperating Adjustments				
State Appropriations	10,328,536.93	1,288,305.02	9,040,231.91	701.7%
Nonexchange Sponsored Programs	15,893,279.73	16,963,780.42	(1,070,500.69)	-6.3%
Gift Contributions for Operations	1,171,804.70	899,139.37	272,665.33	30.3%
Net Investment Income	679,108,027.42	451,481,322.07	227,626,705.35	50.4%
Interest Expense on Capital Asset Financings	(49,627,407.92)	(51,020,758.49)	1,393,350.57	2.7%
Net Other Nonoperating Adjustments	**656,874,240.86**	**419,611,788.39**	**237,262,452.47**	**56.5%**
Adjusted Income (Loss) including Depreciation & Amortization	**129,662,761.30**	**(46,371,281.76)**	**176,034,043.06**	**379.6%**
Adjusted Margin % including Depreciation & Amortization	**16.9%**	**-8.7%**		
Available University Fund Transfer	40,504,895.83	49,257,224.10	(8,752,328.27)	-17.8%
Adjusted Income (Loss) with AUF Transfer	**170,167,657.13**	**2,885,942.34**	**167,281,714.79**	**5,796.4%**
Adjusted Margin % with AUF Transfer	**21.0%**	**0.5%**		
Investment Gain (Losses)	2,778,498,548.04	920,550,304.98	1,857,948,243.06	201.8%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**$2,948,666,205.17**	**$923,436,247.32**	**$2,025,229,957.85**	**219.3%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**82.2%**	**61.5%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization	**175,514,283.61**	**9,046,197.35**	**166,468,086.26**	**1,840.2%**
Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization	**21.7%**	**1.6%**		

UNAUDITED

The University of Texas at Arlington
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2014

	June Year-to-Date FY 2014	June Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	184,508,790.33	175,309,368.64	9,199,421.69	5.2%
Sponsored Programs	60,034,473.47	59,805,483.02	228,990.45	0.4%
Net Sales and Services of Educational Activities	16,479,618.69	14,872,869.96	1,606,748.73	10.8%
Net Auxiliary Enterprises	29,594,575.67	29,991,738.77	(397,163.10)	-1.3%
Other Operating Revenues	4,387,543.92	9,983,455.84	(5,595,911.92)	-56.1%
Total Operating Revenues	**295,005,002.08**	**289,962,916.23**	**5,042,085.85**	**1.7%**
Operating Expenses				
Salaries and Wages	196,535,143.74	191,411,817.14	5,123,326.60	2.7%
Payroll Related Costs	48,933,620.52	47,273,320.33	1,660,300.19	3.5%
Cost of Goods Sold	-	2,690.66	(2,690.66)	-100.0%
Professional Fees and Services	6,079,935.22	7,144,884.12	(1,064,948.90)	-14.9%
Other Contracted Services	38,326,587.84	34,863,830.42	3,462,757.42	9.9%
Travel	6,616,293.06	6,172,676.98	443,616.08	7.2%
Materials and Supplies	19,410,214.12	21,941,623.63	(2,531,409.51)	-11.5%
Utilities	7,381,453.97	7,561,441.25	(179,987.28)	-2.4%
Communications	7,495,930.31	6,858,252.89	637,677.42	9.3%
Repairs and Maintenance	10,455,746.32	13,090,338.43	(2,634,592.11)	-20.1%
Rentals and Leases	3,375,756.11	3,694,021.76	(318,265.65)	-8.6%
Printing and Reproduction	2,084,565.96	2,443,811.32	(359,245.36)	-14.7%
Bad Debt Expense	833,333.33	383,899.32	449,434.01	117.1%
Scholarships and Fellowships	26,078,009.05	26,709,030.53	(631,021.48)	-2.4%
Depreciation and Amortization	37,170,017.70	30,868,157.71	6,301,859.99	20.4%
Federal Sponsored Program Pass-Through to Other State Agencies	1,203,441.28	1,673,008.08	(469,566.80)	-28.1%
State Sponsored Program Pass-Through to Other State Agencies	54,186.99	37,691.62	16,495.37	43.8%
Other Operating Expenses	8,035,394.91	8,168,350.49	(132,955.58)	-1.6%
Total Operating Expenses	**420,069,630.43**	**410,298,846.68**	**9,770,783.75**	**2.4%**
Operating Loss	**(125,064,628.35)**	**(120,335,930.45)**	**(4,728,697.90)**	**-3.9%**
Other Nonoperating Adjustments				
State Appropriations	98,536,152.50	95,331,994.17	3,204,158.33	3.4%
Nonexchange Sponsored Programs	37,500,000.00	37,500,000.00	-	-
Gift Contributions for Operations	5,568,528.63	10,368,365.00	(4,799,836.37)	-46.3%
Net Investment Income	12,100,204.40	10,174,617.83	1,925,586.57	18.9%
Interest Expense on Capital Asset Financings	(11,114,295.60)	(11,742,892.60)	628,597.00	5.4%
Net Other Nonoperating Adjustments	**142,590,589.93**	**141,632,084.40**	**958,505.53**	**0.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**17,525,961.58**	**21,296,153.95**	**(3,770,192.37)**	**-17.7%**
Adjusted Margin % including Depreciation & Amortization	**3.9%**	**4.8%**		
Investment Gain (Losses)	9,072,418.39	11,937,223.95	(2,864,805.56)	-24.0%
Adj. Inc. (Loss) with Investment Gains (Losses)	**26,598,379.97**	**33,233,377.90**	**(6,634,997.93)**	**-20.0%**
Adj. Margin % with Investment Gains (Losses)	**5.8%**	**7.3%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**54,695,979.28**	**52,164,311.66**	**2,531,667.62**	**4.9%**
Adjusted Margin % excluding Depreciation & Amortization	**12.2%**	**11.8%**		

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The University of Texas at Austin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2014

	June Year-to-Date FY 2014	June Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	420,833,333.33	408,333,333.33	12,500,000.00	3.1%
Sponsored Programs	446,665,604.89	447,379,553.50	(713,948.61)	-0.2%
Net Sales and Services of Educational Activities	316,654,109.79	304,359,616.30	12,294,493.49	4.0%
Net Auxiliary Enterprises	229,378,555.82	230,534,875.46	(1,156,319.64)	-0.5%
Other Operating Revenues	5,365,251.12	7,321,408.88	(1,956,157.76)	-26.7%
Total Operating Revenues	**1,418,896,854.95**	**1,397,928,787.47**	**20,968,067.48**	**1.5%**
Operating Expenses				
Salaries and Wages	919,233,228.33	932,974,716.99	(13,741,488.66)	-1.5%
Payroll Related Costs	250,051,251.22	238,323,370.67	11,727,880.55	4.9%
Cost of Goods Sold	20,511,571.50	19,947,302.97	564,268.53	2.8%
Professional Fees and Services	30,561,893.12	30,174,652.63	387,240.49	1.3%
Other Contracted Services	119,178,997.79	118,535,750.43	643,247.36	0.5%
Travel	36,431,279.38	40,029,037.69	(3,597,758.31)	-9.0%
Materials and Supplies	97,124,063.63	107,572,499.33	(10,448,435.70)	-9.7%
Utilities	73,433,125.52	75,621,641.83	(2,188,516.31)	-2.9%
Communications	48,163,618.32	45,250,322.84	2,913,295.48	6.4%
Repairs and Maintenance	41,705,710.21	41,087,721.42	617,988.79	1.5%
Rentals and Leases	14,818,945.44	14,759,664.64	59,280.80	0.4%
Printing and Reproduction	7,648,582.76	6,730,400.46	918,182.30	13.6%
Bad Debt Expense	780,996.66	(275.12)	781,271.78	283,974.9%
Scholarships and Fellowships	131,666,666.67	96,666,666.67	35,000,000.00	36.2%
Depreciation and Amortization	251,666,666.67	260,000,000.00	(8,333,333.33)	-3.2%
Federal Sponsored Program Pass-Through to Other State Agencies	2,902,754.03	3,058,658.93	(155,904.90)	-5.1%
Other Operating Expenses	87,021,332.84	80,185,241.69	6,836,091.15	8.5%
Total Operating Expenses	**2,132,900,684.09**	**2,110,917,374.07**	**21,983,310.02**	**1.0%**
Operating Loss	**(714,003,829.14)**	**(712,988,586.60)**	**(1,015,242.54)**	**-0.1%**
Other Nonoperating Adjustments				
State Appropriations	268,029,973.83	248,978,925.18	19,051,048.65	7.7%
Nonexchange Sponsored Programs	39,166,666.67	46,921,518.39	(7,754,851.72)	-16.5%
Gift Contributions for Operations	103,098,333.72	99,642,833.40	3,455,500.32	3.5%
Net Investment Income	175,140,763.50	163,887,313.67	11,253,449.83	6.9%
Interest Expense on Capital Asset Financings	(39,701,450.10)	(40,469,376.90)	767,926.80	1.9%
Net Other Nonoperating Adjustments	**545,734,287.62**	**518,961,213.74**	**26,773,073.88**	**5.2%**
Adjusted Income (Loss) including Depreciation & Amortization	**(168,269,541.52)**	**(194,027,372.86)**	**25,757,831.34**	**13.3%**
Adjusted Margin % including Depreciation & Amortization	**-8.4%**	**-9.9%**		
Available University Fund Transfer	197,334,436.67	174,664,166.67	22,670,270.00	13.0%
Adjusted Income (Loss) with AUF Transfer	**29,064,895.15**	**(19,363,206.19)**	**48,428,101.34**	**250.1%**
Adjusted Margin % with AUF Transfer	**1.3%**	**-0.9%**		
Investment Gain (Losses)	333,465,853.63	132,157,873.03	201,307,980.60	152.3%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**$362,530,748.78**	**$112,794,666.84**	**$249,736,081.94**	**221.4%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**14.3%**	**5.0%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization	**280,731,561.82**	**240,636,793.81**	**40,094,768.01**	**16.7%**
Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization	**12.8%**	**11.3%**		

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The University of Texas at Brownsville
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2014

	June Year-to-Date FY 2014	**June Year-to-Date FY 2013**	**Variance**	**Fluctuation Percentage**
Operating Revenues				
Net Student Tuition	24,693,581.48	30,920,500.45	(6,226,918.97)	-20.1%
Sponsored Programs	17,805,729.35	44,007,645.40	(26,201,916.05)	-59.5%
Net Sales and Services of Educational Activities	1,916,870.82	2,416,311.95	(499,441.13)	-20.7%
Net Auxiliary Enterprises	1,583,873.91	1,811,280.01	(227,406.10)	-12.6%
Other Operating Revenues	5,834.73	13,768.98	(7,934.25)	-57.6%
Total Operating Revenues	**46,005,890.29**	**79,169,506.79**	**(33,163,616.50)**	**-41.9%**
Operating Expenses				
Salaries and Wages	40,304,325.40	56,045,025.73	(15,740,700.33)	-28.1%
Payroll Related Costs	11,689,644.88	15,590,444.22	(3,900,799.34)	-25.0%
Professional Fees and Services	1,614,310.50	1,160,252.01	454,058.49	39.1%
Other Contracted Services	1,380,573.11	706,911.18	673,661.93	95.3%
Travel	1,090,717.22	889,651.01	201,066.21	22.6%
Materials and Supplies	2,983,257.75	1,985,730.79	997,526.96	50.2%
Utilities	1,617,642.16	3,202,191.65	(1,584,549.49)	-49.5%
Communications	930,761.64	1,095,685.07	(164,923.43)	-15.1%
Repairs and Maintenance	2,258,537.67	1,637,990.07	620,547.60	37.9%
Rentals and Leases	2,991,514.75	1,726,399.99	1,265,114.76	73.3%
Printing and Reproduction	146,672.64	197,376.04	(50,703.40)	-25.7%
Scholarships and Fellowships	15,220,271.01	43,001,172.69	(27,780,901.68)	-64.6%
Depreciation and Amortization	7,043,699.06	6,753,744.30	289,954.76	4.3%
Federal Sponsored Program Pass-Through to Other State Agencies	53,928.29	39,885.65	14,042.64	35.2%
Other Operating Expenses	4,105,753.99	5,242,110.23	(1,136,356.24)	-21.7%
Total Operating Expenses	**93,431,610.07**	**139,274,570.63**	**(45,842,960.56)**	**-32.9%**
Operating Loss	**(47,425,719.78)**	**(60,105,063.84)**	**12,679,344.06**	**21.1%**
Other Nonoperating Adjustments				
State Appropriations	34,950,527.37	30,236,707.77	4,713,819.60	15.6%
Nonexchange Sponsored Programs	11,456,127.86	29,217,173.96	(17,761,046.10)	-60.8%
Gift Contributions for Operations	267,224.45	538,194.80	(270,970.35)	-50.3%
Net Investment Income	1,199,909.33	1,239,838.55	(39,929.22)	-3.2%
Interest Expense on Capital Asset Financings	(2,198,074.17)	(2,341,363.40)	143,289.23	6.1%
Net Other Nonoperating Adjustments	**45,675,714.84**	**58,890,551.68**	**(13,214,836.84)**	**-22.4%**
Adjusted Income (Loss) including Depreciation & Amortization	**(1,750,004.94)**	**(1,214,512.16)**	**(535,492.78)**	**-44.1%**
Adjusted Margin % including Depreciation & Amortization	**-1.9%**	**-0.9%**		
Investment Gain (Losses)	3,300,313.09	756,180.95	2,544,132.14	336.4%
Adj. Inc. (Loss) with Investment Gains (Losses)	**1,550,308.15**	**(458,331.21)**	**2,008,639.36**	**438.3%**
Adj. Margin % with Investment Gains (Losses)	**1.6%**	**-0.3%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**5,293,694.12**	**5,539,232.14**	**(245,538.02)**	**-4.4%**
Adjusted Margin % excluding Depreciation & Amortization	**5.6%**	**3.9%**		

UNAUDITED

The University of Texas at Dallas
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2014

	June Year-to-Date FY 2014	June Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	197,113,303.89	171,454,753.59	25,658,550.30	15.0%
Sponsored Programs	47,223,178.45	44,129,690.27	3,093,488.18	7.0%
Net Sales and Services of Educational Activities	10,974,969.70	9,186,512.33	1,788,457.37	19.5%
Net Auxiliary Enterprises	17,536,578.31	12,465,073.76	5,071,504.55	40.7%
Other Operating Revenues	4,486,613.44	6,216,149.06	(1,729,535.62)	-27.8%
Total Operating Revenues	**277,334,643.79**	**243,452,179.01**	**33,882,464.78**	**13.9%**
Operating Expenses				
Salaries and Wages	204,296,676.29	188,130,132.82	16,166,543.47	8.6%
Payroll Related Costs	47,034,323.35	42,684,861.73	4,349,461.62	10.2%
Professional Fees and Services	10,102,049.73	9,279,297.50	822,752.23	8.9%
Other Contracted Services	10,482,106.38	8,998,327.03	1,483,779.35	16.5%
Travel	4,735,066.91	4,901,986.72	(166,919.81)	-3.4%
Materials and Supplies	20,500,488.31	19,211,459.85	1,289,028.46	6.7%
Utilities	8,969,926.20	7,466,370.69	1,503,555.51	20.1%
Communications	518,054.89	903,555.89	(385,501.00)	-42.7%
Repairs and Maintenance	3,494,968.17	3,352,701.70	142,266.47	4.2%
Rentals and Leases	3,699,650.06	2,821,606.35	878,043.71	31.1%
Printing and Reproduction	1,490,491.80	1,448,406.62	42,085.18	2.9%
Scholarships and Fellowships	34,922,918.14	26,044,984.85	8,877,933.29	34.1%
Depreciation and Amortization	43,700,108.10	34,492,861.70	9,207,246.40	26.7%
Federal Sponsored Program Pass-Through to Other State Agencies	146,963.02	69,812.23	77,150.79	110.5%
Other Operating Expenses	13,955,563.59	12,453,925.65	1,501,637.94	12.1%
Total Operating Expenses	**408,049,354.94**	**362,260,291.33**	**45,789,063.61**	**12.6%**
Operating Loss	**(130,714,711.15)**	**(118,808,112.32)**	**(11,906,598.83)**	**-10.0%**
Other Nonoperating Adjustments				
State Appropriations	95,637,055.23	83,705,709.03	11,931,346.20	14.3%
Nonexchange Sponsored Programs	23,739,191.92	25,364,465.34	(1,625,273.42)	-6.4%
Gift Contributions for Operations	14,930,394.07	8,187,374.77	6,743,019.30	82.4%
Net Investment Income	16,148,743.09	14,506,116.87	1,642,626.22	11.3%
Interest Expense on Capital Asset Financings	(10,066,570.60)	(10,444,234.80)	377,664.20	3.6%
Net Other Nonoperating Adjustments	**140,388,813.71**	**121,319,431.21**	**19,069,382.50**	**15.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**9,674,102.56**	**2,511,318.89**	**7,162,783.67**	**285.2%**
Adjusted Margin % including Depreciation & Amortization	**2.3%**	**0.7%**		
Investment Gain (Losses)	30,036,629.49	13,496,990.12	16,539,639.37	122.5%
Adj. Inc. (Loss) with Investment Gains (Losses)	**39,710,732.05**	**16,008,309.01**	**23,702,423.04**	**148.1%**
Adj. Margin % with Investment Gains (Losses)	**8.7%**	**4.1%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**53,374,210.66**	**37,004,180.59**	**16,370,030.07**	**44.2%**
Adjusted Margin % excluding Depreciation & Amortization	**12.5%**	**9.9%**		

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The University of Texas at El Paso
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2014

	June Year-to-Date FY 2014	June Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	90,899,634.00	88,880,380.87	2,019,253.13	2.3%
Sponsored Programs	60,246,423.74	62,764,392.94	(2,517,969.20)	-4.0%
Net Sales and Services of Educational Activities	4,424,541.21	5,220,734.32	(796,193.11)	-15.3%
Net Auxiliary Enterprises	19,027,995.50	21,211,501.84	(2,183,506.34)	-10.3%
Other Operating Revenues	70,999.42	95,248.39	(24,248.97)	-25.5%
Total Operating Revenues	**174,669,593.87**	**178,172,258.36**	**(3,502,664.49)**	**-2.0%**
Operating Expenses				
Salaries and Wages	140,345,856.57	138,229,492.38	2,116,364.19	1.5%
Payroll Related Costs	38,245,088.35	34,810,843.49	3,434,244.86	9.9%
Professional Fees and Services	2,017,969.85	2,118,899.48	(100,929.63)	-4.8%
Other Contracted Services	15,123,700.35	16,747,910.67	(1,624,210.32)	-9.7%
Travel	6,122,644.23	6,754,242.94	(631,598.71)	-9.4%
Materials and Supplies	18,684,255.70	18,066,670.97	617,584.73	3.4%
Utilities	5,975,966.27	5,629,797.45	346,168.82	6.1%
Communications	421,827.33	492,154.64	(70,327.31)	-14.3%
Repairs and Maintenance	3,984,114.83	3,754,465.58	229,649.25	6.1%
Rentals and Leases	3,041,692.10	2,995,525.17	46,166.93	1.5%
Printing and Reproduction	989,849.61	1,251,024.15	(261,174.54)	-20.9%
Scholarships and Fellowships	40,990,142.03	57,191,713.27	(16,201,571.24)	-28.3%
Depreciation and Amortization	23,471,262.45	21,858,147.90	1,613,114.55	7.4%
Federal Sponsored Program Pass-Through to Other State Agencies	815,471.40	1,299,832.52	(484,361.12)	-37.3%
Other Operating Expenses	5,188,168.84	5,043,035.99	145,132.85	2.9%
Total Operating Expenses	**305,418,009.91**	**316,243,756.60**	**(10,825,746.69)**	**-3.4%**
Operating Loss	**(130,748,416.04)**	**(138,071,498.24)**	**7,323,082.20**	**5.3%**
Other Nonoperating Adjustments				
State Appropriations	83,217,387.67	77,531,766.00	5,685,621.67	7.3%
Nonexchange Sponsored Programs	30,367,442.23	51,090,449.79	(20,723,007.56)	-40.6%
Gift Contributions for Operations	5,151,724.50	6,591,561.01	(1,439,836.51)	-21.8%
Net Investment Income	11,245,433.40	10,688,977.51	556,455.89	5.2%
Interest Expense on Capital Asset Financings	(6,774,064.60)	(7,113,545.60)	339,481.00	4.8%
Net Other Nonoperating Adjustments	**123,207,923.20**	**138,789,208.71**	**(15,581,285.51)**	**-11.2%**
Adjusted Income (Loss) including Depreciation & Amortization	**(7,540,492.84)**	**717,710.47**	**(8,258,203.31)**	**-1,150.6%**
Adjusted Margin % including Depreciation & Amortization	**-2.5%**	**0.2%**		
Investment Gain (Losses)	21,760,946.82	12,366,233.14	9,394,713.68	76.0%
Adj. Inc. (Loss) with Investment Gains (Losses)	**14,220,453.98**	**13,083,943.61**	**1,136,510.37**	**8.7%**
Adj. Margin % with Investment Gains (Losses)	**4.4%**	**3.9%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**15,930,769.61**	**22,575,858.37**	**(6,645,088.76)**	**-29.4%**
Adjusted Margin % excluding Depreciation & Amortization	**5.2%**	**7.0%**		

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The University of Texas-Pan American
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2014

	June Year-to-Date FY 2014	June Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	57,629,964.39	52,074,595.01	5,555,369.38	10.7%
Sponsored Programs	43,415,528.87	39,030,781.18	4,384,747.69	11.2%
Net Sales and Services of Educational Activities	3,742,674.29	4,015,850.52	(273,176.23)	-6.8%
Net Auxiliary Enterprises	6,040,023.52	5,647,199.53	392,823.99	7.0%
Other Operating Revenues	1,986,103.83	2,722,991.02	(736,887.19)	-27.1%
Total Operating Revenues	**112,814,294.90**	**103,491,417.26**	**9,322,877.64**	**9.0%**
Operating Expenses				
Salaries and Wages	95,703,991.91	90,919,335.08	4,784,656.83	5.3%
Payroll Related Costs	27,132,718.06	24,742,228.20	2,390,489.86	9.7%
Cost of Goods Sold	269,431.46	308,971.27	(39,539.81)	-12.8%
Professional Fees and Services	1,395,767.25	1,593,741.47	(197,974.22)	-12.4%
Other Contracted Services	1,994,671.48	1,797,792.10	196,879.38	11.0%
Travel	4,450,849.57	3,383,384.74	1,067,464.83	31.6%
Materials and Supplies	8,792,982.34	9,394,011.35	(601,029.01)	-6.4%
Utilities	4,692,985.03	4,541,902.24	151,082.79	3.3%
Communications	868,816.66	789,851.19	78,965.47	10.0%
Repairs and Maintenance	1,568,813.00	2,207,486.56	(638,673.56)	-28.9%
Rentals and Leases	752,873.15	653,293.48	99,579.67	15.2%
Printing and Reproduction	463,454.12	382,768.21	80,685.91	21.1%
Bad Debt Expense	74,912.97	90,496.04	(15,583.07)	-17.2%
Scholarships and Fellowships	34,595,503.82	48,313,266.01	(13,717,762.19)	-28.4%
Depreciation and Amortization	13,230,001.79	12,401,411.91	828,589.88	6.7%
Federal Sponsored Program Pass-Through to Other State Agencies	68,990.53	146,044.07	(77,053.54)	-52.8%
Other Operating Expenses	8,574,194.14	8,341,149.88	233,044.26	2.8%
Total Operating Expenses	**204,630,957.28**	**210,007,133.80**	**(5,376,176.52)**	**-2.6%**
Operating Loss	**(91,816,662.38)**	**(106,515,716.54)**	**14,699,054.16**	**13.8%**
Other Nonoperating Adjustments				
State Appropriations	64,032,087.98	62,344,153.15	1,687,934.83	2.7%
Nonexchange Sponsored Programs	26,290,361.52	45,668,847.94	(19,378,486.42)	-42.4%
Gift Contributions for Operations	2,740,684.66	1,932,092.48	808,592.18	41.9%
Net Investment Income	3,934,236.97	4,019,226.85	(84,989.88)	-2.1%
Interest Expense on Capital Asset Financings	(3,244,338.30)	(3,470,449.40)	226,111.10	6.5%
Net Other Nonoperating Adjustments	**93,753,032.83**	**110,493,871.02**	**(16,740,838.19)**	**-15.2%**
Adjusted Income (Loss) including Depreciation & Amortization	**1,936,370.45**	**3,978,154.48**	**(2,041,784.03)**	**-51.3%**
Adjusted Margin % including Depreciation & Amortization	**0.9%**	**1.8%**		
Investment Gain (Losses)	7,329,584.65	(1,364,315.12)	8,693,899.77	637.2%
Adj. Inc. (Loss) with Investment Gains (Losses)	**9,265,955.10**	**2,613,839.36**	**6,652,115.74**	**254.5%**
Adj. Margin % with Investment Gains (Losses)	**4.3%**	**1.2%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**15,166,372.24**	**16,379,566.39**	**(1,213,194.15)**	**-7.4%**
Adjusted Margin % excluding Depreciation & Amortization	**7.2%**	**7.5%**		

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The University of Texas of the Permian Basin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2014

	June Year-to-Date FY 2014	June Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	13,440,289.23	12,058,943.82	1,381,345.41	11.5%
Sponsored Programs	2,712,320.65	4,108,983.78	(1,396,663.13)	-34.0%
Net Sales and Services of Educational Activities	918,359.80	327,905.43	590,454.37	180.1%
Net Auxiliary Enterprises	4,356,829.46	4,538,294.08	(181,464.62)	-4.0%
Other Operating Revenues	79,744.15	316,622.02	(236,877.87)	-74.8%
Total Operating Revenues	**21,507,543.29**	**21,350,749.13**	**156,794.16**	**0.7%**
Operating Expenses				
Salaries and Wages	20,222,637.58	18,094,130.92	2,128,506.66	11.8%
Payroll Related Costs	5,769,222.49	5,093,481.07	675,741.42	13.3%
Cost of Goods Sold	10,034.64	-	10,034.64	100.0%
Professional Fees and Services	1,941,010.78	1,613,683.02	327,327.76	20.3%
Other Contracted Services	2,314,353.82	2,659,246.75	(344,892.93)	-13.0%
Travel	1,046,712.15	1,043,127.75	3,584.40	0.3%
Materials and Supplies	2,643,541.44	2,586,836.13	56,705.31	2.2%
Utilities	2,027,605.37	1,801,368.60	226,236.77	12.6%
Communications	461,816.34	521,655.54	(59,839.20)	-11.5%
Repairs and Maintenance	414,168.42	740,980.79	(326,812.37)	-44.1%
Rentals and Leases	265,363.27	244,536.97	20,826.30	8.5%
Printing and Reproduction	129,571.85	115,447.36	14,124.49	12.2%
Scholarships and Fellowships	6,251,240.24	3,574,663.88	2,676,576.36	74.9%
Depreciation and Amortization	10,791,666.67	9,750,000.00	1,041,666.67	10.7%
Other Operating Expenses	834,022.52	573,749.97	260,272.55	45.4%
Total Operating Expenses	**55,122,967.58**	**48,412,908.75**	**6,710,058.83**	**13.9%**
Operating Loss	**(33,615,424.29)**	**(27,062,159.62)**	**(6,553,264.67)**	**-24.2%**
Other Nonoperating Adjustments				
State Appropriations	24,122,231.55	23,143,456.67	978,774.88	4.2%
Nonexchange Sponsored Programs	4,430,062.91	4,433,969.07	(3,906.16)	-0.1%
Gift Contributions for Operations	3,302,086.47	1,324,958.63	1,977,127.84	149.2%
Net Investment Income	1,809,708.94	2,056,450.25	(246,741.31)	-12.0%
Interest Expense on Capital Asset Financings	(4,147,550.90)	(4,394,644.40)	247,093.50	5.6%
Net Other Nonoperating Adjustments	**29,516,538.97**	**26,564,190.22**	**2,952,348.75**	**11.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**(4,098,885.32)**	**(497,969.40)**	**(3,600,915.92)**	**-723.1%**
Adjusted Margin % including Depreciation & Amortization	**-7.4%**	**-1.0%**		
Investment Gain (Losses)	3,239,940.13	1,521,673.34	1,718,266.79	112.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(858,945.19)**	**1,023,703.94**	**(1,882,649.13)**	**-183.9%**
Adj. Margin % with Investment Gains (Losses)	**-1.5%**	**1.9%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**6,692,781.35**	**9,252,030.60**	**(2,559,249.25)**	**-27.7%**
Adjusted Margin % excluding Depreciation & Amortization	**12.1%**	**17.7%**		

UNAUDITED

The University of Texas at San Antonio
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2014

	June Year-to-Date FY 2014	June Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	150,359,356.52	176,084,588.30	(25,725,231.78)	-14.6%
Sponsored Programs	56,265,900.83	59,029,729.36	(2,763,828.53)	-4.7%
Net Sales and Services of Educational Activities	8,747,816.28	8,644,970.12	102,846.16	1.2%
Net Auxiliary Enterprises	31,339,120.22	28,776,111.80	2,563,008.42	8.9%
Other Operating Revenues	2,035,284.12	4,670,641.68	(2,635,357.56)	-56.4%
Total Operating Revenues	**248,747,477.97**	**277,206,041.26**	**(28,458,563.29)**	**-10.3%**
Operating Expenses				
Salaries and Wages	187,065,355.43	185,864,879.66	1,200,475.77	0.6%
Payroll Related Costs	48,708,456.86	47,546,897.98	1,161,558.88	2.4%
Cost of Goods Sold	583,333.33	541,666.67	41,666.66	7.7%
Professional Fees and Services	3,220,759.36	5,159,718.09	(1,938,958.73)	-37.6%
Other Contracted Services	10,918,610.21	10,489,603.33	429,006.88	4.1%
Travel	7,302,908.14	8,938,851.20	(1,635,943.06)	-18.3%
Materials and Supplies	21,553,745.52	25,413,824.64	(3,860,079.12)	-15.2%
Utilities	10,583,333.33	10,254,166.67	329,166.66	3.2%
Communications	2,753,439.57	2,900,750.19	(147,310.62)	-5.1%
Repairs and Maintenance	7,400,385.28	8,764,563.43	(1,364,178.15)	-15.6%
Rentals and Leases	3,823,951.70	3,547,216.58	276,735.12	7.8%
Printing and Reproduction	961,061.59	1,124,614.66	(163,553.07)	-14.5%
Bad Debt Expense	253,389.33	86,830.10	166,559.23	191.8%
Scholarships and Fellowships	28,319,359.21	61,614,751.50	(33,295,392.29)	-54.0%
Depreciation and Amortization	38,595,670.09	35,522,832.86	3,072,837.23	8.7%
Federal Sponsored Program Pass-Through to Other State Agencies	4,059,686.56	2,664,299.57	1,395,386.99	52.4%
Other Operating Expenses	8,905,891.63	9,353,483.27	(447,591.64)	-4.8%
Total Operating Expenses	**385,009,337.14**	**419,788,950.40**	**(34,779,613.26)**	**-8.3%**
Operating Loss	**(136,261,859.17)**	**(142,582,909.14)**	**6,321,049.97**	**4.4%**
Other Nonoperating Adjustments				
State Appropriations	100,476,277.56	93,390,026.34	7,086,251.22	7.6%
Nonexchange Sponsored Programs	41,072,033.33	58,817,916.67	(17,745,883.34)	-30.2%
Gift Contributions for Operations	8,500,000.00	5,896,236.20	2,603,763.80	44.2%
Net Investment Income	11,371,529.82	11,967,881.50	(596,351.68)	-5.0%
Interest Expense on Capital Asset Financings	(13,787,692.40)	(13,695,660.10)	(92,032.30)	-0.7%
Net Other Nonoperating Adjustments	**147,632,148.31**	**156,376,400.61**	**(8,744,252.30)**	**-5.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**11,370,289.14**	**13,793,491.47**	**(2,423,202.33)**	**-17.6%**
Adjusted Margin % including Depreciation & Amortization	**2.8%**	**3.1%**		
Investment Gain (Losses)	29,022,005.73	6,333,130.52	22,688,875.21	358.3%
Adj. Inc. (Loss) with Investment Gains (Losses)	**40,392,294.87**	**20,126,621.99**	**20,265,672.88**	**100.7%**
Adj. Margin % with Investment Gains (Losses)	**9.2%**	**4.4%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**49,965,959.23**	**49,316,324.33**	**649,634.90**	**1.3%**
Adjusted Margin % excluding Depreciation & Amortization	**12.2%**	**11.0%**		

UNAUDITED

The University of Texas at Tyler
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2014

	June Year-to-Date FY 2014	June Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	26,484,523.33	25,364,690.00	1,119,833.33	4.4%
Sponsored Programs	10,842,771.10	9,406,641.31	1,436,129.79	15.3%
Net Sales and Services of Educational Activities	2,913,883.82	4,542,929.55	(1,629,045.73)	-35.9%
Net Auxiliary Enterprises	3,980,452.69	3,918,531.03	61,921.66	1.6%
Other Operating Revenues	280,073.72	798,760.42	(518,686.70)	-64.9%
Total Operating Revenues	**44,501,704.66**	**44,031,552.31**	**470,152.35**	**1.1%**
Operating Expenses				
Salaries and Wages	42,825,826.09	39,162,881.78	3,662,944.31	9.4%
Payroll Related Costs	11,934,424.99	10,986,975.57	947,449.42	8.6%
Cost of Goods Sold	-	28,891.35	(28,891.35)	-100.0%
Professional Fees and Services	773,816.55	1,196,320.31	(422,503.76)	-35.3%
Other Contracted Services	6,412,804.03	4,337,533.05	2,075,270.98	47.8%
Travel	1,550,074.97	1,627,885.79	(77,810.82)	-4.8%
Materials and Supplies	4,349,266.39	4,513,230.55	(163,964.16)	-3.6%
Utilities	1,431,595.08	1,254,462.04	177,133.04	14.1%
Communications	1,021,337.74	1,013,318.08	8,019.66	0.8%
Repairs and Maintenance	1,816,404.12	1,803,946.11	12,458.01	0.7%
Rentals and Leases	305,077.98	229,348.20	75,729.78	33.0%
Printing and Reproduction	420,846.42	537,628.88	(116,782.46)	-21.7%
Bad Debt Expense	94.35	83.82	10.53	12.6%
Scholarships and Fellowships	4,250,000.00	4,635,502.23	(385,502.23)	-8.3%
Depreciation and Amortization	9,541,631.93	9,233,634.15	307,997.78	3.3%
Federal Sponsored Program Pass-Through to Other State Agencies	2,673.36	-	2,673.36	100.0%
State Sponsored Program Pass-Through to Other State Agencies	1,047.02	-	1,047.02	100.0%
Other Operating Expenses	1,549,200.10	1,714,938.86	(165,738.76)	-9.7%
Total Operating Expenses	**88,186,121.12**	**82,276,580.77**	**5,909,540.35**	**7.2%**
Operating Loss	**(43,684,416.46)**	**(38,245,028.46)**	**(5,439,388.00)**	**-14.2%**
Other Nonoperating Adjustments				
State Appropriations	30,029,647.37	26,378,585.13	3,651,062.24	13.8%
Nonexchange Sponsored Programs	5,606,274.93	8,465,104.00	(2,858,829.07)	-33.8%
Gift Contributions for Operations	4,796,387.00	1,121,429.88	3,674,957.12	327.7%
Net Investment Income	4,285,713.00	3,001,482.84	1,284,230.16	42.8%
Interest Expense on Capital Asset Financings	(2,917,292.50)	(3,092,618.10)	175,325.60	5.7%
Net Other Nonoperating Adjustments	**41,800,729.80**	**35,873,983.75**	**5,926,746.05**	**16.5%**
Adjusted Income (Loss) including Depreciation & Amortization	**(1,883,686.66)**	**(2,371,044.71)**	**487,358.05**	**20.6%**
Adjusted Margin % including Depreciation & Amortization	**-2.1%**	**-2.9%**		
Investment Gain (Losses)	6,186,801.84	4,993,714.88	1,193,086.96	23.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**4,303,115.18**	**2,622,670.17**	**1,680,445.01**	**64.1%**
Adj. Margin % with Investment Gains (Losses)	**4.5%**	**3.0%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**7,657,945.27**	**6,862,589.44**	**795,355.83**	**11.6%**
Adjusted Margin % excluding Depreciation & Amortization	**8.6%**	**8.3%**		

UNAUDITED

The University of Texas Southwestern Medical Center
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2014

	June Year-to-Date FY 2014	June Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	15,739,027.92	14,675,241.46	1,063,786.46	7.2%
Sponsored Programs	418,022,307.85	395,943,832.40	22,078,475.45	5.6%
Net Sales and Services of Educational Activities	8,276,343.02	9,620,295.82	(1,343,952.80)	-14.0%
Net Sales and Services of Hospitals	676,417,795.00	608,247,359.62	68,170,435.38	11.2%
Net Professional Fees	371,236,741.48	350,704,781.62	20,531,959.86	5.9%
Net Auxiliary Enterprises	17,601,923.85	13,974,476.34	3,627,447.51	26.0%
Other Operating Revenues	29,691,554.78	31,482,640.41	(1,791,085.63)	-5.7%
Total Operating Revenues	**1,536,985,693.90**	**1,424,648,627.67**	**112,337,066.23**	**7.9%**
Operating Expenses				
Salaries and Wages	891,875,940.82	831,223,154.93	60,652,785.89	7.3%
Payroll Related Costs	204,909,822.88	185,813,120.93	19,096,701.95	10.3%
Cost of Goods Sold	2,353,184.94	1,854,579.20	498,605.74	26.9%
Professional Fees and Services	41,813,502.79	30,553,509.52	11,259,993.27	36.9%
Other Contracted Services	93,935,963.30	81,540,525.10	12,395,438.20	15.2%
Travel	9,076,299.68	8,711,094.39	365,205.29	4.2%
Materials and Supplies	251,849,184.30	230,310,269.45	21,538,914.85	9.4%
Utilities	22,382,976.89	22,615,126.25	(232,149.36)	-1.0%
Communications	9,415,078.74	9,767,226.03	(352,147.29)	-3.6%
Repairs and Maintenance	10,014,148.04	6,377,286.23	3,636,861.81	57.0%
Rentals and Leases	4,012,340.26	4,102,009.02	(89,668.76)	-2.2%
Printing and Reproduction	2,615,324.76	2,462,782.68	152,542.08	6.2%
Scholarships and Fellowships	625,014.17	604,743.33	20,270.84	3.4%
Depreciation and Amortization	97,567,669.27	91,502,242.99	6,065,426.28	6.6%
Federal Sponsored Program Pass-Through to Other State Agencies	1,733,603.01	2,117,475.39	(383,872.38)	-18.1%
Other Operating Expenses	30,269,001.03	35,778,928.62	(5,509,927.59)	-15.4%
Total Operating Expenses	**1,674,449,054.88**	**1,545,334,074.06**	**129,114,980.82**	**8.4%**
Operating Loss	**(137,463,360.98)**	**(120,685,446.39)**	**(16,777,914.59)**	**-13.9%**
Other Nonoperating Adjustments				
State Appropriations	140,443,559.72	127,125,439.63	13,318,120.09	10.5%
Nonexchange Sponsored Programs	2,266.00	10,700.00	(8,434.00)	-78.8%
Gift Contributions for Operations	43,390,513.26	32,097,463.26	11,293,050.00	35.2%
Net Investment Income	75,260,428.30	77,085,446.00	(1,825,017.70)	-2.4%
Interest Expense on Capital Asset Financings	(21,713,015.70)	(23,289,129.80)	1,576,114.10	6.8%
Net Other Nonoperating Adjustments	**237,383,751.58**	**213,029,919.09**	**24,353,832.49**	**11.4%**
Adjusted Income (Loss) including Depreciation & Amortization	**99,920,390.60**	**92,344,472.70**	**7,575,917.90**	**8.2%**
Adjusted Margin % including Depreciation & Amortization	**5.6%**	**5.6%**		
Investment Gain (Losses)	171,326,297.82	40,650,044.41	130,676,253.41	321.5%
Adj. Inc. (Loss) with Investment Gains (Losses)	**271,246,688.42**	**132,994,517.11**	**138,252,171.31**	**104.0%**
Adj. Margin % with Investment Gains (Losses)	**13.8%**	**7.8%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**197,488,059.87**	**183,846,715.69**	**13,641,344.18**	**7.4%**
Adjusted Margin % excluding Depreciation & Amortization	**11.0%**	**11.1%**		

UNAUDITED

The University of Texas Medical Branch at Galveston
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2014

	June Year-to-Date FY 2014	**June Year-to-Date FY 2013**	**Variance**	**Fluctuation Percentage**
Operating Revenues				
Net Student Tuition	29,074,368.54	27,178,898.81	1,895,469.73	7.0%
Sponsored Programs	161,456,567.90	168,933,639.38	(7,477,071.48)	-4.4%
Net Sales and Services of Educational Activities	14,056,863.51	16,323,050.84	(2,266,187.33)	-13.9%
Net Sales and Services of Hospitals	711,904,947.29	675,336,685.97	36,568,261.32	5.4%
Net Professional Fees	121,971,726.70	115,457,411.65	6,514,315.05	5.6%
Net Auxiliary Enterprises	5,056,932.27	5,307,114.56	(250,182.29)	-4.7%
Other Operating Revenues	31,310,254.75	26,059,779.23	5,250,475.52	20.1%
Total Operating Revenues	**1,074,831,660.96**	**1,034,596,580.44**	**40,235,080.52**	**3.9%**
Operating Expenses				
Salaries and Wages	695,678,838.53	671,307,771.89	24,371,066.64	3.6%
Payroll Related Costs	185,843,694.73	178,382,393.68	7,461,301.05	4.2%
Cost of Goods Sold	57,323,770.02	53,498,262.18	3,825,507.84	7.2%
Professional Fees and Services	27,124,777.15	31,673,758.37	(4,548,981.22)	-14.4%
Other Contracted Services	77,001,789.58	81,366,332.18	(4,364,542.60)	-5.4%
Travel	6,094,510.22	5,734,426.57	360,083.65	6.3%
Materials and Supplies	110,251,754.31	108,229,194.95	2,022,559.36	1.9%
Utilities	26,829,556.17	34,992,631.14	(8,163,074.97)	-23.3%
Communications	7,291,248.96	7,181,093.63	110,155.33	1.5%
Repairs and Maintenance	36,210,074.73	35,700,376.93	509,697.80	1.4%
Rentals and Leases	21,225,435.62	19,587,650.10	1,637,785.52	8.4%
Printing and Reproduction	929,861.67	1,090,343.02	(160,481.35)	-14.7%
Scholarships and Fellowships	5,903,607.42	7,535,583.09	(1,631,975.67)	-21.7%
Depreciation and Amortization	86,686,211.76	79,757,686.37	6,928,525.39	8.7%
Federal Sponsored Program Pass-Through to Other State Agencies	2,692,520.39	2,472,376.09	220,144.30	8.9%
Other Operating Expenses	28,530,204.54	31,471,795.31	(2,941,590.77)	-9.3%
Total Operating Expenses	**1,375,617,855.80**	**1,349,981,675.50**	**25,636,180.30**	**1.9%**
Operating Loss	**(300,786,194.84)**	**(315,385,095.06)**	**14,598,900.22**	**4.6%**
Other Nonoperating Adjustments				
State Appropriations	285,156,272.18	295,292,453.41	(10,136,181.23)	-3.4%
Nonexchange Sponsored Programs	823,693.00	827,632.00	(3,939.00)	-0.5%
Gift Contributions for Operations	6,640,392.50	4,622,844.71	2,017,547.79	43.6%
Net Investment Income	31,962,472.97	28,064,128.68	3,898,344.29	13.9%
Interest Expense on Capital Asset Financings	(6,135,609.97)	(6,439,277.10)	303,667.13	4.7%
Net Other Nonoperating Adjustments	**318,447,220.68**	**322,367,781.70**	**(3,920,561.02)**	**-1.2%**
Adjusted Income (Loss) including Depreciation & Amortization	**17,661,025.84**	**6,982,686.64**	**10,678,339.20**	**152.9%**
Adjusted Margin % including Depreciation & Amortization	**1.3%**	**0.5%**		
Investment Gain (Losses)	59,376,987.23	23,111,944.07	36,265,043.16	156.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**77,038,013.07**	**30,094,630.71**	**46,943,382.36**	**156.0%**
Adj. Margin % with Investment Gains (Losses)	**5.3%**	**2.2%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**104,347,237.60**	**86,740,373.01**	**17,606,864.59**	**20.3%**
Adjusted Margin % excluding Depreciation & Amortization	**7.5%**	**6.4%**		

UNAUDITED

The University of Texas Health Science Center at Houston
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2014

	June Year-to-Date FY 2014	June Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	35,204,419.13	33,474,572.63	1,729,846.50	5.2%
Sponsored Programs	446,648,421.43	413,261,463.68	33,386,957.75	8.1%
Net Sales and Services of Educational Activities	24,480,843.62	20,378,350.48	4,102,493.14	20.1%
Net Sales and Services of Hospitals	49,465,172.15	53,622,383.94	(4,157,211.79)	-7.8%
Net Professional Fees	194,658,276.51	163,136,405.42	31,521,871.09	19.3%
Net Auxiliary Enterprises	20,314,794.81	19,808,790.79	506,004.02	2.6%
Other Operating Revenues	32,612,006.49	16,361,229.33	16,250,777.16	99.3%
Total Operating Revenues	**803,383,934.14**	**720,043,196.27**	**83,340,737.87**	**11.6%**
Operating Expenses				
Salaries and Wages	556,916,188.38	513,927,603.61	42,988,584.77	8.4%
Payroll Related Costs	119,941,564.46	112,188,846.63	7,752,717.83	6.9%
Cost of Goods Sold	9,648,229.88	13,958,343.61	(4,310,113.73)	-30.9%
Professional Fees and Services	40,364,743.61	36,517,724.16	3,847,019.45	10.5%
Other Contracted Services	66,592,041.23	42,152,417.90	24,439,623.33	58.0%
Travel	7,708,100.70	6,988,729.32	719,371.38	10.3%
Materials and Supplies	42,128,599.89	43,251,911.01	(1,123,311.12)	-2.6%
Utilities	14,264,073.44	13,791,246.68	472,826.76	3.4%
Communications	3,974,915.37	3,605,790.57	369,124.80	10.2%
Repairs and Maintenance	7,860,881.83	6,632,085.39	1,228,796.44	18.5%
Rentals and Leases	21,106,344.12	16,747,370.53	4,358,973.59	26.0%
Printing and Reproduction	4,110,669.28	4,207,371.86	(96,702.58)	-2.3%
Scholarships and Fellowships	5,023,119.43	4,500,713.56	522,405.87	11.6%
Depreciation and Amortization	47,852,449.81	47,084,925.71	767,524.10	1.6%
Federal Sponsored Program Pass-Through to Other State Agencies	2,542,778.33	2,871,882.65	(329,104.32)	-11.5%
Other Operating Expenses	32,973,145.39	26,585,995.29	6,387,150.10	24.0%
Total Operating Expenses	**983,007,845.15**	**895,012,958.48**	**87,994,886.67**	**9.8%**
Operating Loss	**(179,623,911.01)**	**(174,969,762.21)**	**(4,654,148.80)**	**-2.7%**
Other Nonoperating Adjustments				
State Appropriations	164,995,217.55	147,356,657.01	17,638,560.54	12.0%
Nonexchange Sponsored Programs	315,896.82	597,225.42	(281,328.60)	-47.1%
Gift Contributions for Operations	13,712,746.18	16,619,979.47	(2,907,233.29)	-17.5%
Net Investment Income	24,115,639.93	27,862,899.21	(3,747,259.28)	-13.4%
Interest Expense on Capital Asset Financings	(9,393,085.30)	(9,964,506.20)	571,420.90	5.7%
Net Other Nonoperating Adjustments	**193,746,415.18**	**182,472,254.91**	**11,274,160.27**	**6.2%**
Adjusted Income (Loss) including Depreciation & Amortization	**14,122,504.17**	**7,502,492.70**	**6,620,011.47**	**88.2%**
Adjusted Margin % including Depreciation & Amortization	**1.4%**	**0.8%**		
Investment Gain (Losses)	47,458,051.54	9,599,970.32	37,858,081.22	394.4%
Adj. Inc. (Loss) with Investment Gains (Losses)	**61,580,555.71**	**17,102,463.02**	**44,478,092.69**	**260.1%**
Adj. Margin % with Investment Gains (Losses)	**5.8%**	**1.9%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**61,974,953.98**	**54,587,418.41**	**7,387,535.57**	**13.5%**
Adjusted Margin % excluding Depreciation & Amortization	**6.2%**	**6.0%**		

UNAUDITED

The University of Texas Health Science Center at San Antonio
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2014

	June Year-to-Date FY 2014	June Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	28,576,282.50	27,733,185.83	843,096.67	3.0%
Sponsored Programs	243,456,019.12	236,464,696.53	6,991,322.59	3.0%
Net Sales and Services of Educational Activities	14,554,397.07	16,038,953.27	(1,484,556.20)	-9.3%
Net Professional Fees	130,198,013.88	123,361,480.14	6,836,533.74	5.5%
Net Auxiliary Enterprises	5,044,535.37	4,868,081.97	176,453.40	3.6%
Other Operating Revenues	22,495,305.29	14,734,980.91	7,760,324.38	52.7%
Total Operating Revenues	**444,324,553.23**	**423,201,378.65**	**21,123,174.58**	**5.0%**
Operating Expenses				
Salaries and Wages	333,758,065.73	333,306,591.66	451,474.07	0.1%
Payroll Related Costs	89,081,174.30	87,030,958.36	2,050,215.94	2.4%
Professional Fees and Services	13,755,087.12	13,648,645.70	106,441.42	0.8%
Other Contracted Services	22,906,946.96	17,012,261.85	5,894,685.11	34.6%
Travel	4,319,488.84	4,590,999.33	(271,510.49)	-5.9%
Materials and Supplies	30,686,395.94	33,489,592.07	(2,803,196.13)	-8.4%
Utilities	14,781,695.83	14,095,223.33	686,472.50	4.9%
Communications	10,259,190.96	10,516,329.35	(257,138.39)	-2.4%
Repairs and Maintenance	3,720,274.25	3,841,088.33	(120,814.08)	-3.1%
Rentals and Leases	4,049,076.18	4,400,228.74	(351,152.56)	-8.0%
Printing and Reproduction	1,509,169.23	1,784,163.61	(274,994.38)	-15.4%
Scholarships and Fellowships	5,644,995.93	5,169,994.93	475,001.00	9.2%
Depreciation and Amortization	41,666,666.67	40,833,333.33	833,333.34	2.0%
Federal Sponsored Program Pass-Through to Other State Agencies	1,666,666.67	1,479,166.67	187,500.00	12.7%
Other Operating Expenses	32,289,021.50	29,994,939.27	2,294,082.23	7.6%
Total Operating Expenses	**610,093,916.11**	**601,193,516.53**	**8,900,399.58**	**1.5%**
Operating Loss	**(165,769,362.88)**	**(177,992,137.88)**	**12,222,775.00**	**6.9%**
Other Nonoperating Adjustments				
State Appropriations	145,187,018.33	136,871,813.33	8,315,205.00	6.1%
Nonexchange Sponsored Programs	1,000,000.00	1,375,000.00	(375,000.00)	-27.3%
Gift Contributions for Operations	15,049,374.27	11,634,999.96	3,414,374.31	29.3%
Net Investment Income	30,972,408.36	27,516,178.28	3,456,230.08	12.6%
Interest Expense on Capital Asset Financings	(7,780,244.70)	(8,210,653.40)	430,408.70	5.2%
Net Other Nonoperating Adjustments	**184,428,556.26**	**169,187,338.17**	**15,241,218.09**	**9.0%**
Adjusted Income (Loss) including Depreciation & Amortization	**18,659,193.38**	**(8,804,799.71)**	**27,463,993.09**	**311.9%**
Adjusted Margin % including Depreciation & Amortization	**2.9%**	**-1.5%**		
Investment Gain (Losses)	61,049,327.58	23,492,287.07	37,557,040.51	159.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**79,708,520.96**	**14,687,487.36**	**65,021,033.60**	**442.7%**
Adj. Margin % with Investment Gains (Losses)	**11.4%**	**2.4%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**60,325,860.05**	**32,028,533.62**	**28,297,326.43**	**88.4%**
Adjusted Margin % excluding Depreciation & Amortization	**9.5%**	**5.3%**		

UNAUDITED

The University of Texas M. D. Anderson Cancer Center
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2014

	June Year-to-Date FY 2014	June Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	1,493,198.14	1,251,666.56	241,531.58	19.3%
Sponsored Programs	236,328,892.84	269,311,472.16	(32,982,579.32)	-12.2%
Net Sales and Services of Educational Activities	1,901,402.61	1,960,811.67	(59,409.06)	-3.0%
Net Sales and Services of Hospitals	2,448,727,295.12	2,267,683,581.14	181,043,713.98	8.0%
Net Professional Fees	322,557,382.30	311,020,075.66	11,537,306.64	3.7%
Net Auxiliary Enterprises	34,233,196.93	32,025,618.58	2,207,578.35	6.9%
Other Operating Revenues	86,306,542.99	65,337,790.09	20,968,752.90	32.1%
Total Operating Revenues	**3,131,547,910.93**	**2,948,591,015.86**	**182,956,895.07**	**6.2%**
Operating Expenses				
Salaries and Wages	1,387,534,528.62	1,339,742,558.45	47,791,970.17	3.6%
Payroll Related Costs	394,052,574.66	382,343,248.07	11,709,326.59	3.1%
Cost of Goods Sold	3,172,969.52	3,561,001.87	(388,032.35)	-10.9%
Professional Fees and Services	117,015,805.91	145,554,664.55	(28,538,858.64)	-19.6%
Other Contracted Services	91,400,055.71	73,449,991.15	17,950,064.56	24.4%
Travel	13,518,245.45	15,102,848.19	(1,584,602.74)	-10.5%
Materials and Supplies	597,779,693.18	570,466,744.35	27,312,948.83	4.8%
Utilities	42,185,839.72	42,453,890.21	(268,050.49)	-0.6%
Communications	8,053,433.26	8,752,933.54	(699,500.28)	-8.0%
Repairs and Maintenance	74,259,583.46	73,447,435.95	812,147.51	1.1%
Rentals and Leases	38,672,871.35	34,802,346.62	3,870,524.73	11.1%
Printing and Reproduction	3,618,333.07	3,384,679.16	233,653.91	6.9%
Scholarships and Fellowships	3,107,897.30	946,062.72	2,161,834.58	228.5%
Depreciation and Amortization	234,318,291.06	228,133,381.61	6,184,909.45	2.7%
Federal Sponsored Program Pass-Through to Other State Agencies	14,054,312.82	356,994.21	13,697,318.61	3,836.8%
State Sponsored Program Pass-Through to Other State Agencies	2,411,768.31	-	2,411,768.31	100.0%
Other Operating Expenses	27,686,631.08	26,021,239.23	1,665,391.85	6.4%
Total Operating Expenses	**3,052,842,834.48**	**2,948,520,019.88**	**104,322,814.60**	**3.5%**
Operating Loss	**78,705,076.45**	**70,995.98**	**78,634,080.47**	**110,758.5%**
Other Nonoperating Adjustments				
State Appropriations	154,073,110.88	135,761,097.65	18,312,013.23	13.5%
Nonexchange Sponsored Programs	2,052,110.00	(23,873.00)	2,075,983.00	8,695.9%
Gift Contributions for Operations	115,530,592.37	155,222,208.37	(39,691,616.00)	-25.6%
Net Investment Income	70,210,739.01	60,294,691.80	9,916,047.21	16.4%
Interest Expense on Capital Asset Financings	(30,793,372.50)	(32,066,454.10)	1,273,081.60	4.0%
Net Other Nonoperating Adjustments	**311,073,179.76**	**319,187,670.72**	**(8,114,490.96)**	**-2.5%**
Adjusted Income (Loss) including Depreciation & Amortization	**389,778,256.21**	**319,258,666.70**	**70,519,589.51**	**22.1%**
Adjusted Margin % including Depreciation & Amortization	**11.2%**	**9.7%**		
Investment Gain (Losses)	197,950,379.05	121,155,495.36	76,794,883.69	63.4%
Adj. Inc. (Loss) with Investment Gains (Losses)	**587,728,635.26**	**440,414,162.06**	**147,314,473.20**	**33.4%**
Adj. Margin % with Investment Gains (Losses)	**16.0%**	**12.9%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**624,096,547.27**	**547,392,048.31**	**76,704,498.96**	**14.0%**
Adjusted Margin % excluding Depreciation & Amortization	**18.0%**	**16.6%**		

UNAUDITED

The University of Texas Health Science Center at Tyler
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2014

	June Year-to-Date FY 2014	June Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	98,875.39	32,811.36	66,064.03	201.3%
Sponsored Programs	11,236,367.39	11,660,625.91	(424,258.52)	-3.6%
Net Sales and Services of Educational Activities	1,207,091.82	1,182,463.21	24,628.61	2.1%
Net Sales and Services of Hospitals	46,926,144.98	36,772,513.61	10,153,631.37	27.6%
Net Professional Fees	8,320,330.41	8,493,893.54	(173,563.13)	-2.0%
Net Auxiliary Enterprises	141,288.52	150,862.47	(9,573.95)	-6.3%
Other Operating Revenues	23,150,579.56	6,939,922.99	16,210,656.57	233.6%
Total Operating Revenues	**91,080,678.07**	**65,233,093.09**	**25,847,584.98**	**39.6%**
Operating Expenses				
Salaries and Wages	57,426,877.81	51,796,850.94	5,630,026.87	10.9%
Payroll Related Costs	17,881,621.81	15,749,733.28	2,131,888.53	13.5%
Cost of Goods Sold	79,683.51	62,986.08	16,697.43	26.5%
Professional Fees and Services	6,893,823.67	6,958,702.65	(64,878.98)	-0.9%
Other Contracted Services	12,374,970.32	6,253,811.75	6,121,158.57	97.9%
Travel	489,923.14	475,773.66	14,149.48	3.0%
Materials and Supplies	16,117,917.75	12,865,079.73	3,252,838.02	25.3%
Utilities	2,441,002.10	2,484,805.58	(43,803.48)	-1.8%
Communications	619,326.79	552,859.44	66,467.35	12.0%
Repairs and Maintenance	4,056,190.45	3,295,654.16	760,536.29	23.1%
Rentals and Leases	1,107,362.59	861,651.59	245,711.00	28.5%
Printing and Reproduction	33,676.63	87,780.30	(54,103.67)	-61.6%
Scholarships and Fellowships	80,628.60	60,152.36	20,476.24	34.0%
Depreciation and Amortization	8,342,816.53	7,552,586.01	790,230.52	10.5%
Federal Sponsored Program Pass-Through to Other State Agencies	93,790.69	189,751.32	(95,960.63)	-50.6%
Other Operating Expenses	2,594,707.70	2,181,494.78	413,212.92	18.9%
Total Operating Expenses	**130,634,320.09**	**111,429,673.63**	**19,204,646.46**	**17.2%**
Operating Loss	**(39,553,642.02)**	**(46,196,580.54)**	**6,642,938.52**	**14.4%**
Other Nonoperating Adjustments				
State Appropriations	35,643,217.11	31,039,214.56	4,604,002.55	14.8%
Gift Contributions for Operations	493,740.62	798,991.51	(305,250.89)	-38.2%
Net Investment Income	3,360,256.82	3,725,740.11	(365,483.29)	-9.8%
Interest Expense on Capital Asset Financings	(1,270,234.20)	(1,339,963.50)	69,729.30	5.2%
Net Other Nonoperating Adjustments	**38,226,980.35**	**34,223,982.68**	**4,002,997.67**	**11.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**(1,326,661.67)**	**(11,972,597.86)**	**10,645,936.19**	**88.9%**
Adjusted Margin % including Depreciation & Amortization	**-1.0%**	**-11.9%**		
Investment Gain (Losses)	5,614,722.31	2,219,865.41	3,394,856.90	152.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**4,288,060.64**	**(9,752,732.45)**	**14,040,793.09**	**144.0%**
Adj. Margin % with Investment Gains (Losses)	**3.1%**	**-9.5%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**7,016,154.86**	**(4,420,011.85)**	**11,436,166.71**	**258.7%**
Adjusted Margin % excluding Depreciation & Amortization	**5.4%**	**-4.4%**		

3. 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, 2014

REPORT

The May 31, 2014 UTIMCO Performance Summary Report is attached on Page 175.

The Investment Reports for the quarter ended May 31, 2014, are set forth on Pages 176 - 179.

Item I on Page 176 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the quarter was 3.08% versus its composite benchmark return of 3.22%. The PUF's net asset value increased by $627 million since the beginning of the quarter to $16,912 million. The increase was due to $291 million PUF Lands receipts, plus a net investment return of $505 million, less distributions to the Available University Fund (AUF) of $169 million.

Item II on Page 177 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the quarter was 2.87% versus its composite benchmark return of 3.22%. The GEF's net asset value increased by $203 million during the quarter to $8,113 million.

Item III on Page 178 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the quarter was 1.74% versus its composite benchmark return of 1.67%. The net asset value increased during the quarter to $6,560 million due to net investment return of $114 million, plus net contributions of $348 million, less distributions of $48 million.

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

Item IV on Page 179 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 and Fidelity money market funds, increased by $21 million to $2,210 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: $21 million versus $21 million at the beginning of the period; equities: $89 million versus $97 million at the beginning of the period; and other investments: $1 million versus $2 million at the beginning of the period.

UTIMCO Performance Summary

May 31, 2014

	Net Asset Value 5/31/2014 (in Millions)	Periods Ended May 31, 2014 (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	$ 16,912	2.39%	3.08%	11.91%	5.27%	11.81%	6.93%	11.70%	7.71%
General Endowment Fund		2.07	2.87	11.62	4.86	11.57	6.93	11.72	7.75
Permanent Health Fund	1,095	2.07	2.86	11.56	4.92	11.55	6.82	11.62	7.67
Long Term Fund	7,018	2.07	2.86	11.56	4.92	11.55	6.83	11.62	7.68
Separately Invested Funds	208	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Endowment Funds	25,233								
OPERATING FUNDS									
Intermediate Term Fund	6,560	1.92	1.74	8.62	3.37	7.58	4.68	9.25	N/A
Debt Proceeds Fund	296	0.01	0.02	0.06	0.03	0.09	0.13	N/A	N/A
Short Term Fund	1,817	0.01	0.01	0.04	0.02	0.06	0.11	0.17	1.85
Total Operating Funds	8,673								
Total Investments	$ 33,906								
VALUE ADDED (1) (Percent)									
Permanent University Fund		0.85%	(0.14%)	0.58%	0.56%	0.56%	0.90%	2.16%	1.68%
General Endowment Fund		0.53	(0.35)	0.29	0.15	0.32	0.90	2.18	1.72
Intermediate Term Fund		0.74	0.07	0.44	0.21	0.77	1.76	2.39	N/A
Debt Proceeds Fund		0.01	0.01	0.02	0.01	0.03	N/A	N/A	N/A
Short Term Fund		0.01	-	-	-	-	0.03	0.06	0.21
VALUE ADDED (1) ($ IN MILLIONS)									
Permanent University Fund		$ 139	$ (22)	$ 88	$ 90	$ 86	$ 413	$ 1,486	$ 2,329
General Endowment Fund		42	(28)	21	11	24	217	826	1,313
Intermediate Term Fund		48	5	27	14	46	288	588	N/A
Total Value Added		$ 229	$ (45)	$ 136	$ 115	$ 156	$ 918	$ 2,900	$ 3,642

Footnote available upon request.

UTIMCO 7/7/2014

I. PERMANENT UNIVERSITY FUND

Investment Reports for Periods Ended May 31, 2014

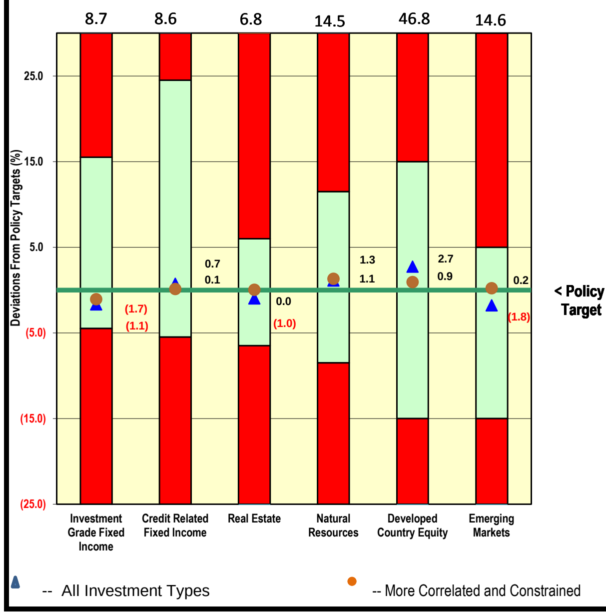
Prepared in accordance with *Texas Education Code* Sec. 51.0032

Summary of Capital Flows

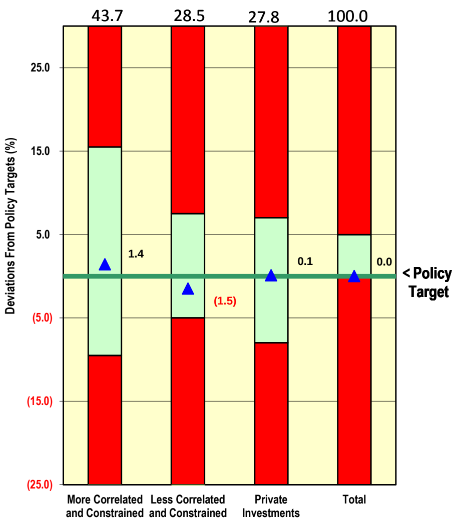
($ millions)	Fiscal Year Ended August 31, 2013	Quarter Ended May 31, 2014	Fiscal Year to Date May 31, 2014
Beginning Net Assets	$ 13,470	$ 16,285	$ 14,853
PUF Lands Receipts	857	291	850
Investment Return (Net of Expenses)	1,170	505	1,777
Distributions to AUF	(644)	(169)	(568)
Ending Net Assets	$ 14,853	$ 16,912	$ 16,912

	Fiscal Year to Date				
	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	2.04%	5.85%	-0.06%	-0.31%	-0.37%
Credit-Related	15.74%	10.83%	0.00%	0.00%	0.00%
Real Estate	15.30%	15.85%	0.00%	-0.01%	-0.01%
Natural Resources	1.60%	9.53%	-0.22%	-0.62%	-0.84%
Developed Country	18.03%	18.29%	0.01%	0.00%	0.01%
Emerging Markets	20.27%	12.13%	-0.24%	0.87%	0.63%
Total More Correlated and Constrained	**11.64%**	**13.00%**	**-0.51%**	**-0.07%**	**-0.58%**
Less Correlated and Constrained	**9.35%**	**6.03%**	**0.00%**	**1.03%**	**1.03%**
Private Investments	**15.15%**	**14.43%**	**0.02%**	**0.11%**	**0.13%**
Total	**11.91%**	**11.33%**	**-0.49%**	**1.07%**	**0.58%**

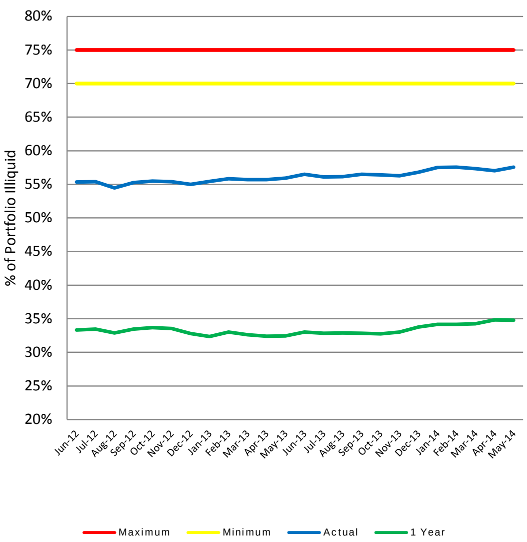
Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for PUF



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



Permanent University Fund
Actual Illiquidity vs. Trigger Zones



II. GENERAL ENDOWMENT FUND

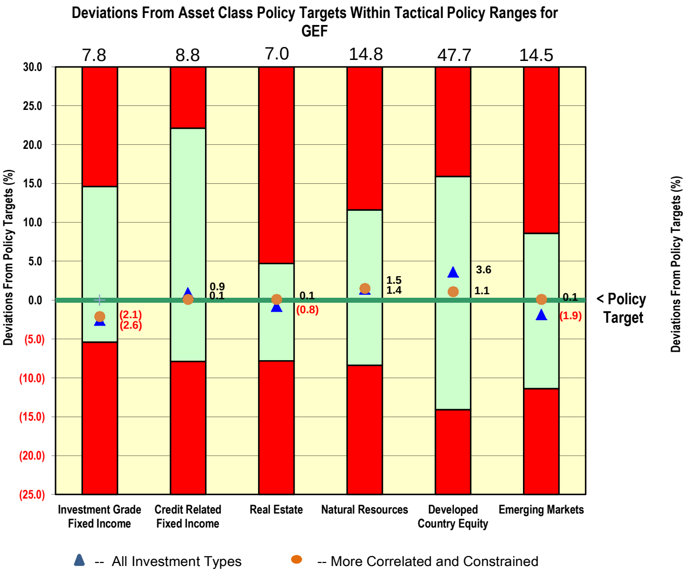
Investment Reports for Periods Ended May 31, 2014

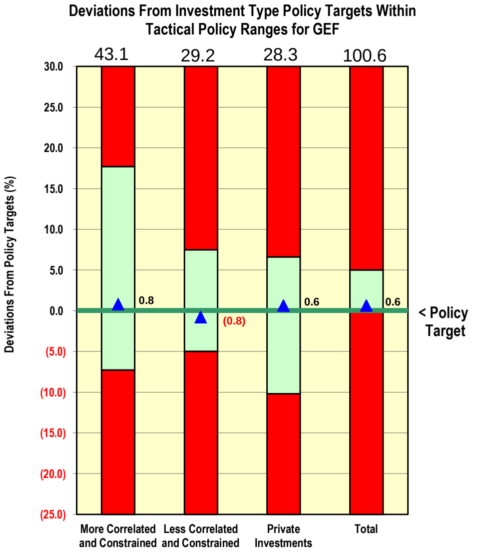
Prepared in accordance with *Texas Education Code* Sec. 51.0032

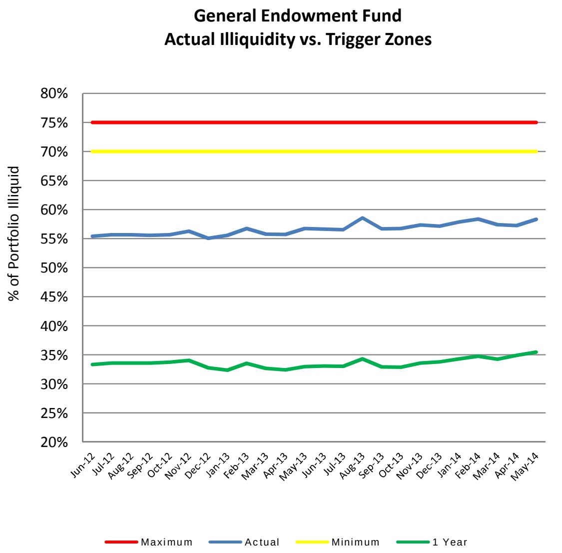
Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2013	Quarter Ended May 31, 2014	Fiscal Year to Date August 31, 2014
Beginning Net Assets	$ 7,105	$ 7,910	$ 7,396
Contributions	166	67	137
Withdrawals	(152)	(1)	(3)
Distributions	(360)	(93)	(277)
Investment Return (Net of Expenses)	637	230	860
Ending Net Assets	$ 7,396	$ 8,113	$ 8,113

	Fiscal Year to Date				
	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	2.74%	5.85%	-0.01%	-0.24%	-0.25%
Credit-Related	15.74%	10.83%	0.00%	0.00%	0.00%
Real Estate	15.37%	15.85%	0.00%	-0.01%	-0.01%
Natural Resources	1.65%	9.53%	-0.25%	-0.62%	-0.87%
Developed Country	18.03%	18.29%	-0.01%	0.01%	0.00%
Emerging Markets	15.62%	12.13%	-0.15%	0.38%	0.23%
Total More Correlated and Constrained	**10.95%**	**13.00%**	**-0.42%**	**-0.48%**	**-0.90%**
Less Correlated and Constrained	**9.35%**	**6.03%**	**0.01%**	**1.02%**	**1.03%**
Private Investments	**15.16%**	**14.43%**	**0.02%**	**0.14%**	**0.16%**
Total	**11.62%**	**11.33%**	**-0.39%**	**0.68%**	**0.29%**







III. INTERMEDIATE TERM FUND

Investment Reports for Periods Ended May 31, 2014

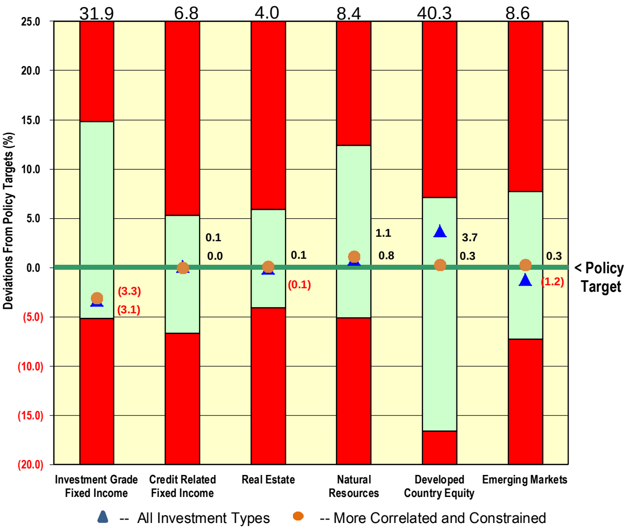
Prepared in accordance with *Texas Education Code* Sec. 51.0032

Summary of Capital Flows

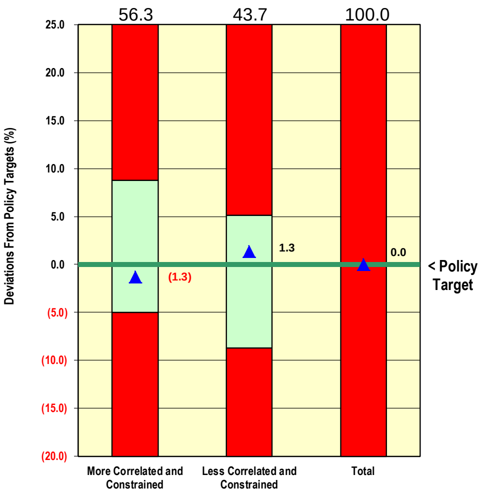
($ millions)	Fiscal Year Ended August 31, 2013	Quarter Ended May 31, 2014	Fiscal Year to Date August 31, 2014
Beginning Net Assets	$ 4,893	$ 6,146	$ 5,520
Contributions	694	363	761
Withdrawals	(158)	(15)	(85)
Distributions	(158)	(48)	(136)
Investment Return (Net of Expenses)	249	114	500
Ending Net Assets	$ 5,520	$ 6,560	$ 6,560

	Fiscal Year to Date				
	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	5.26%	5.85%	0.05%	-0.21%	-0.16%
Credit-Related	0.00%	0.00%	0.00%	0.00%	0.00%
Real Estate	15.26%	15.85%	-0.04%	-0.03%	-0.07%
Natural Resources	1.92%	9.53%	-0.12%	-0.56%	-0.68%
Developed Country	17.99%	18.29%	0.00%	0.00%	0.00%
Emerging Markets	13.76%	12.13%	-0.05%	0.09%	0.04%
Total More Correlated and Constrained	**8.24%**	**9.63%**	**-0.16%**	**-0.71%**	**-0.87%**
Less Correlated and Constrained	**9.31%**	**6.03%**	**0.03%**	**1.28%**	**1.31%**
Private Investments	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Total	**8.62%**	**8.18%**	**-0.13%**	**0.57%**	**0.44%**

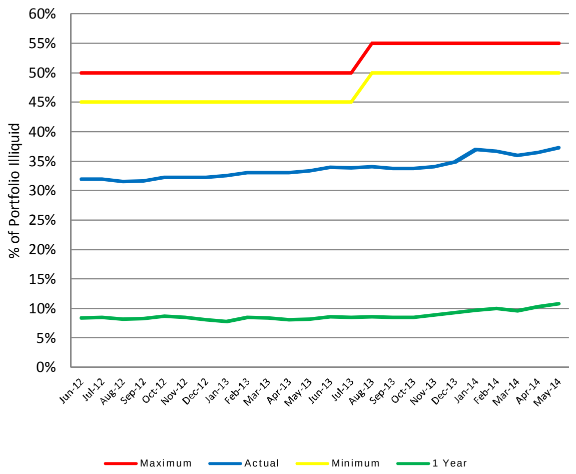
Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for ITF



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



Intermediate Term Fund
Actual Illiquidity vs. Trigger Zones



IV. SEPARATELY INVESTED ASSETS

Summary Investment Report at May 31, 2014

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	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
Cash & Equivalents:																
Beginning value 02/28/14	-	-	3,962	3,962	71,251	71,251	1,944	1,944	578	578	77,735	77,735	2,111,123	2,111,123	2,188,858	2,188,858
Increase/(Decrease)	-	-	(1,611)	(1,610)	21,521	21,521	(83)	(83)	(259)	(259)	19,568	19,569	1,327	1,327	20,895	20,896
Ending value 05/31/14	-	-	2,351	2,352	92,772	92,772	1,861	1,861	319	319	97,303	97,304	2,112,450	2,112,450	2,209,753	2,209,754
Debt Securities:																
Beginning value 02/28/14	-	-	57	58	11,270	11,821	8,791	8,947	-	-	20,118	20,826	-	-	20,118	20,826
Increase/(Decrease)	-	-	(37)	(37)	(2)	110	(275)	(224)	-	-	(314)	(151)	-	-	(314)	(151)
Ending value 05/31/14	-	-	20	21	11,268	11,931	8,516	8,723	-	-	19,804	20,675	-	-	19,804	20,675
Equity Securities:																
Beginning value 02/28/14	1,160	32,528	1,864	1,859	39,766	47,365	12,861	14,939	-	-	55,651	96,691	-	-	55,651	96,691
Increase/(Decrease)	-	(12,687)	1,954	1,950	1,302	2,101	(36)	581	-	-	3,220	(8,055)	-	-	3,220	(8,055)
Ending value 05/31/14	1,160	19,841	3,818	3,809	41,068	49,466	12,825	15,520	-	-	58,871	88,636	-	-	58,871	88,636
Other:																
Beginning value 02/28/14	-	-	952	952	6	6	516	111	503	503	1,977	1,572	-	-	1,977	1,572
Increase/(Decrease)	-	-	(228)	(228)	-	-	11	-	(303)	(303)	(520)	(531)	-	-	(520)	(531)
Ending value 05/31/14	-	-	724	724	6	6	527	111	200	200	1,457	1,041	-	-	1,457	1,041
Total Assets:																
Beginning value 02/28/14	1,160	32,528	6,835	6,831	122,293	130,443	24,112	25,941	1,081	1,081	155,481	196,824	2,111,123	2,111,123	2,266,604	2,307,947
Increase/(Decrease)	-	(12,687)	78	75	22,821	23,732	(383)	274	(562)	(562)	21,954	10,832	1,327	1,327	23,281	12,159
Ending value 05/31/14	1,160	19,841	6,913	6,906	145,114	154,175	23,729	26,215	519	519	177,435	207,656	2,112,450	2,112,450	2,289,885	2,320,106

Details of individual assets by account furnished upon request.

UTIMCO 6/13/2014

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

RECOMMENDATION

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

a. Permanent University Fund (PUF)

b. General Endowment Fund (GEF)

c. Permanent Health Fund (PHF)

d. Long Term Fund (LTF)

e. Intermediate Term Fund (ITF)

f. Liquidity Policy (See Pages 193 - 196)

g. Derivative Investment Policy (See Pages 197 - 202)

BACKGROUND INFORMATION

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

The UTIMCO Board approved amendments to the Investment Policy Statements, the Liquidity Policy, and the Derivative Investment Policy on July 29, 2014.

Exhibits to the Investment Policy Statements for the PUF, GEF, PHF, LTF (Attachment 1) and ITF (Attachment 2) have been amended to reflect changes to the Targets and Ranges for Asset Classes and Investment Types proposed for Fiscal Year Ending (FYE) 2015. The Policy Benchmarks and Expected Annual Return (Benchmarks) targets have been updated, and the one year downside deviation has been adjusted to reflect the revised Asset Class and Investment Type targets for FYE 2015.

For the PUF, PHF, LTF, and ITF Investment Policy Statements, language requiring UTIMCO to recommend distribution amounts on an annual basis to the U. T. System Board of Regents is proposed to be deleted if this is desired by the Board of Regents. The proposed amendment is set forth in Attachment 3.

All amended Investment Policy Statements will be effective September 1, 2014. The Investment Policy Statements were last amended effective September 1, 2013.

Proposed amendments to the Liquidity Policy delete certain language in the Definition of Liquidity Risk, and clarify language in the Liquidity Policy Profile.

The Derivative Investment Policy is being amended to change the Definition of Derivatives to reflect that participation notes are included with the definition of structured notes. Also, language is being added to allow the Risk Manager and Chief Compliance Officer (CCO), in consultation with the Chief Investment Officer (CIO), to determine whether a particular financial instrument meets the definition of Derivative Investment and require the CIO to report these determinations to the Chairman of the Risk Committee.

The Short Term Fund and Separated Invested Funds Investment Policy Statements were reviewed, but no changes were made.

ATTACHMENT 1
EXHIBIT FOR PUF, GEF, PHF and LTF
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, ~~2013~~ 2014

POLICY PORTFOLIO		FYE ~~2014~~ 2015	
	Min	Target	Max
<u>Asset Classes</u>			
Investment Grade Fixed Income	~~5.0%~~ 3.0%	~~10.5%~~ 9.0%	25.0%
Credit-Related Fixed Income	0.0%	~~8.8%~~ 8.5%	30.0%
Real Estate	0.0%	~~8.2%~~ 8.5%	12.5%
Natural Resources	5.0%	~~13.3%~~ 14.0%	25.0%
Developed Country Equity	30.0%	~~43.8%~~ 45.0%	60.0%
Emerging Markets Equity	~~5.0%~~ 8.0%	~~15.4%~~ 15.0%	25.0%
<u>Investment Types</u>			
More Correlated & Constrained	~~35.0%~~ 30.0%	~~41.5%~~ 40.0%	60.0%
Less Correlated & Constrained	25.0%	30.0%	37.5%
Private Investments	~~17.5%~~ 20.0%	~~28.5%~~ 30.0%	35.0%

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

POLICY BENCHMARK (reset monthly)	FYE ~~2014~~ 2015
Barclays Capital Global Aggregate Index	~~7.5%~~ 6.5%
FTSE EPRA/NAREIT Developed Index Net TRI USD	2.5%
~~50%~~ 33.4% Bloomberg ~~Dow Jones-UBS~~ Commodity Total Return Index, ~~and 50%~~ 33.3% MSCI World Natural Resources Index and 33.3% Gold Spot price (XAU)	7.5%
MSCI World Index with net dividends	14.0%
MSCI Emerging Markets with net dividends	~~10%~~ 9.5%
Hedge Fund Research Indices Fund of Funds Composite Index	30.0%
Custom Cambridge Fund of Funds Benchmark	~~28.5%~~ 30.0%

POLICY/TARGET RETURN/RISKS	FYE ~~2014~~ 2015
Expected Annual Return (Benchmarks) **	~~7.40%~~ 6.82%
One Year Downside Deviation	~~9.30%~~ 9.67%
Risk Bounds	
Lower: 1 Year Downside Deviation	75%
Upper: 1 Year Downside Deviation	115%

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

ATTACHMENT 1
(continued)

EXHIBIT FOR PUF, GEF, PHF and LTF
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, ~~2013~~ 2014

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE ~~2014~~ 2015

FYE 20~~14~~15		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Barclays Capital Global Aggregate Index (~~7.5%~~ 6.5%)	~~3.0%~~ 2.5%	0.0%	~~10.5%~~ 9.0%
	Credit-Related	0.00%	5.0%	~~3.8%~~ 3.5%	~~8.8%~~ 8.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT Developed Index Net TRI USD (2.5%)	0.5%	~~5.2%~~ 5.5%	~~8.2%~~ 8.5%
	Natural Resources	~~50~~ 33.4% ~~Dow Jones-UBS~~ Bloomberg Commodity Total Return Index, ~~and 50~~ 33.3% MSCI World Natural Resources Index and 33.3% Gold Spot price (XAU) (7.5%)	0.0%	~~5.8%~~ 6.5%	~~13.3%~~ 14.0%
Equity	Developed Country	MSCI World Index with Net Dividends (14.0%)	~~19.5%~~ 20.0%	~~10.3%~~ 11.0%	~~43.8%~~ 45.0%
	Emerging Markets	MSCI EM Index with Net Dividends (~~10.0%~~ 9.5%)	2.0%	~~3.4%~~ 3.5%	~~15.4%~~ 15.0%
Total		~~41.5%~~ 40.0%	30.0%	~~28.5%~~ 30.0%	100.0%

🟨 Hedge Fund Research Indices Fund of Funds Composite Index

🟦 Custom Cambridge Fund of Funds Benchmark

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

ATTACHMENT 2
EXHIBIT A - INTERMEDIATE TERM FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, ~~2013~~ 2014

POLICY PORTFOLIO	FYE ~~2014~~ 2015		
	Min	Target	Max
<u>Asset Classes</u>			
Investment Grade Fixed Income	~~30.0%~~ 20.0%	34.5%	50.0%
Credit-Related Fixed Income	0.0%	7.5%	12.0%
Real Estate	0.0%	4.0%	10.0%
Natural Resources	2.5%	7.0%	20.0%
Developed Country Equity	20.0%	38.0%	~~45.0%~~ 50.0%
Emerging Markets Equity	2.5%	9.0%	17.5%
<u>Investment Types</u>			
More Correlated & Constrained	~~50.0%~~ 45.0%	55.0%	65.0%
Less Correlated & Constrained	35.0%	45.0%	~~50.0%~~ 55.0%

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

POLICY BENCHMARK (reset monthly)	FYE ~~2014~~ 2015
Barclays Capital Global Aggregate Index	30.0%
FTSE EPRA/NAREIT Developed Index Net TRI USD	3.0%
~~50%~~ 33.4% Bloomberg ~~Dow Jones-UBS~~ Commodity Total Return Index, ~~and 50%~~ 33.3% MSCI World Natural Resources Index and 33.3% Gold Spot price (XAU)	7.0%
MSCI World Index with net dividends	9.0%
MSCI Emerging Markets with net dividends	6.0%
Hedge Fund Research Indices Fund of Funds Composite Index	45.0%

POLICY/TARGET RETURN/RISKS	FYE ~~2014~~ 2015
Expected Annual Return (Benchmarks) **	~~6.03%~~ 5.28%
One Year Downside Deviation	~~5.65%~~ 5.96%
Risk Bounds	
Lower: 1 Year Downside Deviation	70%
Upper: 1 Year Downside Deviation	115%

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

ATTACHMENT 2
(continued)
EXHIBIT A - INTERMEDIATE TERM FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, ~~2013~~ 2014

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE ~~2014~~ 2015

FYE ~~2014~~ 2015		More Correlated & Constrained	Less Correlated & Constrained	Total
Fixed Income	Investment Grade	**Barclays Capital Global Aggregate Index** (30.0%)	4.5%	**34.5%**
	Credit-Related	(0.0%)	7.5%	**7.5%**
Real Assets	Real Estate	**FTSE EPRA/NAREIT Developed Index Net TRI USD** (3.0%)	1.0%	**4.0%**
	Natural Resources	~~50~~ 33.4% ~~Dow Jones-UBS~~ Bloomberg **Commodity Total Return Index**, ~~and 50~~ 33.3% **MSCI World Natural Resources Index** and 33.3% Gold Spot price (XAU) (7.0%)	0.0%	**7.0%**
Equity	Developed Country	**MSCI World Index with Net Dividends** (9.0%)	29.0%	**38.0%**
	Emerging Markets	**MSCI EM Index with Net Dividends** (6.0%)	3.0%	**9.0%**
Total		**55.0%**	**45.0%**	**100.0%**

🟨 Hedge Fund Research Indices Fund of Funds Composite Index

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

ATTACHMENT 3

Investment Policy Statement Changes

Permanent University Fund

PUF Distributions

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

- provide a predictable, stable stream of distributions over time;
- ensure that the inflation adjusted value of distributions is maintained over the long term; and
- ensure that the inflation adjusted value of PUF assets after distributions is maintained over rolling 10-year periods.

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

The *Texas Constitution* states that "The amount of any distributions to the available university fund shall be determined by the board of regents of The University of Texas System in a manner intended to provide the available university fund with a stable and predictable stream of annual distributions and to maintain over time the purchasing power of permanent university fund investments and annual distributions to the available university fund. The amount distributed to the available university fund in a fiscal year must be not less than the amount needed to pay the principal and interest due and owing in that fiscal year on bonds and notes issued under this section. If the purchasing power of permanent university fund investments for any rolling 10-year period is not preserved, the board may not increase annual distributions to the available university fund until the purchasing power of the permanent university fund investments is restored, except as necessary to pay the principal and interest due and owing on bonds and notes issued under this section. An annual distribution made by the board to the available university fund during any fiscal year may not exceed an amount equal to seven percent of the average net fair market value of permanent university fund investment assets as determined by the board, except as necessary to pay any principal and interest due and owing on bonds issued under this section. The expenses of managing permanent university fund land and investments shall be paid by the permanent university fund."
Annually, the Board of Regents will approve a distribution amount to the Available University Fund. Following approval of the distribution amount, distributions from the PUF to the AUF may be quarterly or annually at the discretion of UTIMCO Management.

~~In conjunction with the annual U. T. System budget process, UTIMCO shall recommend to the Board of Regents each May, or at other times as needed, an amount to be distributed to the AUF during the next fiscal year. UTIMCO's recommendation to the Board of Regents shall be an amount equal to 4.75% of the trailing 12-quarter average of the net asset value of the PUF for the quarter ending February of each year unless the average annual rate of return of the PUF investments over the trailing 12 quarters exceeds the Expected Return by 25 basis points or more, in which case the distribution shall be 5.0% of the trailing 12-quarter average. "Expected Return" is the Expected Annual Return or Benchmarks set out in Exhibit A to this Policy Statement~~

ATTACHMENT 3

Investment Policy Statement Changes

Following approval of the distribution amount, distributions from the PUF to the AUF may be quarterly or annually at the discretion of UTIMCO Management.

ATTACHMENT 3

Investment Policy Statement Changes

Permanent Health Fund

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.

The Board of Regents will designate a per unit distribution amount annually.

~~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.~~

ATTACHMENT 3

Investment Policy Statement Changes

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.

ATTACHMENT 3

Investment Policy Statement Changes

Long Term Fund

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.

The Board of Regents will annually approve a per unit distribution amount.

~~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).~~

ATTACHMENT 3

Investment Policy Statement Changes

~~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.

ATTACHMENT 3

Investment Policy Statement Changes

Intermediate Term Fund

ITF Distributions

The ITF shall provide monthly distributions to the unit holders. The Board of Regents~~UTIMCO Board~~ will approve~~recommend the~~ an annual distribution amount~~(%) rate to the Board of Regents~~. Distributions from the ITF to the unit holders shall be made monthly on the first business day of each month. To calculate the monthly distribution, the distribution rate (% divided by 12) will be multiplied by each unit holder's account, determined as follows:

- Net asset value of each unit holder's account on the last business day of the second prior month;
- Plus value of each unit holder's net purchase/redemption amount on the first business day of the prior month;
- Less the distribution amount paid to each unit holder's account on the first business day of the prior month.

The University of Texas Investment Management Company
Liquidity Policy

Effective Date of Policy: ~~August 22, 2013~~August 21, 2014
Date Approved by U. T. System Board of Regents: ~~August 22, 2013~~August 21, 2014
Date Approved by UTIMCO Board: ~~July 22, 2013~~July 29, 2014
Original Effective Date of Policy: August 7, 2003
Supersedes: Liquidity Policy dated ~~August 23, 2012~~August 22, 2013

Purpose:

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

Objective:

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

Scope:

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

Definition of Liquidity Risk:

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

Definition of Cash:

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

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

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

Liquidity Risk Measurement-The Liquidity Profile:

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

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

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

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

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

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

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

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

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

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

Liquidity Policy Profile:

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

	~~FY 09~~	**FY ~~10~~14+**
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%

The University of Texas Investment Management Company
Liquidity Policy

The allowable range for **illiquid** investments is 0% to 75% of the total portfolio for the Endowment Funds; i.e., investments for the Endowment Funds that maintain liquidity above the trigger zone do not require any action by the Risk Committee. However, any **illiquid** investments made in the 70% to 75% trigger zone require prior approval by the Risk Committee. No investment may be made for the Endowment Funds which would cause illiquidity to be greater than 75%. ~~Investments that maintain liquidity below the trigger zone do not require any action by the UTIMCO Board or the Risk Committee. Liquidity within the trigger zone requires special action by the UTIMCO Board or the Risk Committee. For example, the allowable range for **illiquid** investments in FY 09 is up to 70.0% of the total portfolio. However, any **illiquid** investments made in the 65.0% to 70.0% trigger zone require prior approval by the Risk Committee or the UTIMCO Board. Risk Committee review of new investments in the illiquid trigger zone will supplement, rather than replace, the procedures established by the UTIMCO Board for the approval of new investments.~~

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

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

The allowable range for **illiquid** investments is 0% to 55% of the total portfolio for the ITF; i.e., investments for the ITF that maintain liquidity above the trigger zone do not require any action by the Risk Committee. However, any **illiquid** investments made in the 50% to 55% trigger zone require prior approval by the Risk Committee ~~or the UTIMCO Board~~. No investment may be made for the ITF which would cause illiquidity to be greater than 55%.

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~~14+**
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

The University of Texas Investment Management Company
Liquidity Policy

unfunded commitments for each Endowment Fund of the addition of a new investment must be an element of the due diligence process and will be a part of the recommendation report to the UTIMCO Board.

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

Reporting:

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

The University of Texas Investment Management Company
Derivative Investment Policy

Effective Date of Policy: ~~August 22, 2013~~August 21, 2014
Date Approved by U. T. System Board of Regents: ~~August 22, 2013~~August 21, 2014
Date Approved by UTIMCO Board: ~~July 22, 2013~~July 29, 2014
Supersedes: Derivative Investment Policy approved ~~August 23, 2012~~August 22, 2013

Purpose:

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

Objective:

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

Scope:

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

This Policy applies to both Exchange Traded Derivatives and Over the Counter (OTC) derivatives. This Policy shall not be construed to apply to index or other common or commingled funds that are not controlled by UTIMCO. These commingled investment vehicles are governed by separate investment policy statements.

External Managers:

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

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

Definition of Derivatives:

Derivatives are financial instruments whose value is derived, in whole or part, from the value of any one or more underlying securities or assets, or index of securities or assets (such as bonds, stocks, commodities, and currencies). For the purposes of this Policy, derivatives shall include Derivative Investments but shall not include a broader range of securities, ~~including~~ such as mortgage backed securities, structured notes (including participation notes), convertible bonds, exchange traded funds (ETFs), and Bona Fide Spot Foreign Exchange Transactions. Derivatives may be purchased through a national or international exchange or through an OTC direct arrangement with a Counterparty.

The University of Texas Investment Management Company
Derivative Investment Policy

Refer to the attached Exhibit A for a glossary of terms. If it is unclear whether a particular financial instrument meets the definition of Derivative Investment, the Risk Manager and Chief Compliance Officer, in consultation with the Chief Investment Officer, will determine whether the financial instrument is a Derivative Investment. The Chief Investment Officer will report such determinations to the Chairman of the Risk Committee.

Permitted Derivative Applications:

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

Permitted Derivative Applications are Derivative Investments used:

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

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

Risk and Investment Policy Controls:

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

Documentation and Controls:

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

Additional Limitations:

Leverage: Leverage is inherent in many derivatives~~ since only a small cash deposit is required to establish a much larger economic impact position. Thus, relative to the Cash markets, where in most cases the cash outlay is equal to the asset acquired, Derivative Investments offer the possibility of establishing substantially larger market risk exposures with the same amount of cash as a traditional Cash market portfolio~~. In Cash Markets, in most cases, the cash outlay is equal to the market exposure acquired. By contrast, Derivative Investments offer the possibility of establishing – for the same cash outlay – substantially larger market exposure. Therefore, risk management and control processes must focus on the total risk assumed in a Derivative Investment. Exhibits A of the Fund's Investment Policy Statements provide a limitation on the amount of uncollateralized derivative exposure that can be utilized by the Funds whereby, the total Asset Class and Investment Type exposure, including the amount of derivatives exposure not collateralized by cash, may not exceed 105% (100% in the ITF) of the Asset Class and Investment Type exposures excluding the amount of derivatives exposure not collateralized by cash.

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

Risk Management and Compliance:

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

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

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

Reporting:

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

Derivative Investment Policy Exhibit A
Glossary of Terms

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

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

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

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

Counterparty - The offsetting party in an exchange agreement.

Derivative Investment – An investment in a Futures Contract, Forward Contract, swap, and all forms of options.

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

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

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

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

Limited Liability Entity – A legal entity created to define how assets contributed to the entity by external partners to the agreement will be managed by the manager of the entity. These entities are typically limited liability partnerships, corporations, or other such entities that limit the liability of external investors to the current value of the external investors’ investment in the entity.

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

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

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

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

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

Derivative Investment Policy Exhibit B
Delegated Derivative Investments

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

Delegated Derivative Investments:

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

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

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

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

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

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

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

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

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

5. U. T. System Board of Regents: Approval of the Annual Budget for FY 2015, including the capital expenditures budget 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 for the fiscal year ending August 31, 2015, as set forth on Page 204, which includes the capital expenditures budget and other external direct charges to the Funds, and the Annual Fee and Allocation Schedule as set forth on Page 205.

BACKGROUND INFORMATION

The proposed Total Budgeted Costs consist of $25.4 million for UTIMCO services (3.9% increase over FY 2014 budget), and $7.4 million (4.2% decrease from FY 2014 budget) for external non-investment manager services such as custodial, legal, audits, and consulting services. These Total Budgeted Costs represent only a portion of total investment costs as they exclude external manager fees. The proposed Total Budgeted Costs were approved by the UTIMCO Board on July 29, 2014.

The proposed Annual Fee and Allocation Schedule shows the allocation of the proposed budgeted expenses among U. T. System funds in total. UTIMCO expenses are 6.9 basis points of forecasted assets under management at August 31, 2015. The fees are paid quarterly.

The proposed capital expenditures budget totaling $1.4 million is included in the total Annual Budget.

UTIMCO projects that there will be no cash reserves available 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 Business Affairs has prepared a memorandum for the purpose of reviewing budgeted expenses, which is included as part of this Agenda Item on Pages 206 - 217.

UTIMCO ANNUAL BUDGET

$ in thousands	FY 2014	FY 2015	FY 2015 Budget v FY 2014 Budget	
	Budget	Budget	$	%
Salaries, Benefits & Taxes	$11,230	$11,944	$714	6.4%
Incentive Compensation	8,519	8,518	(1)	0.0%
Total Compensation	19,749	20,462	713	3.6%
Other Expenses	4,721	4,966	245	5.2%
Total UTIMCO	**$24,470**	**$25,428**	**$958**	**3.9%**
Other Investment-related Expenses Charged to the Funds	**$7,745**	**$7,422**	**($323)**	**-4.2%**

Prepared by: UTIMCO
Date: July 18, 2014

UTIMCO Management Fee and Direct Budgeted Investment Expenses
Annual Fee and Allocation Schedule
For the fiscal year ending August 31, 2015

Proposed Budget	Fund Name						Separate Funds	Total
	PUF	PHF	LTF	GEF PHF LTF	ITF	STF	▮▮▮▮▮	
Forecasted Market Value 8/31/15 ($ millions)	**18,875**	**1,133**	**7,510**	**8,643**	**6,770**	**1,817**	**503**	**36,608**
UTIMCO Management Fee								
Dollars (thousands)	13,032	1,065	6,966		4,365			25,428
Basis Points	**6.9**	**9.4**	**9.3**	**0**	**6.4**	**0**	**0**	**6.9**
Direct Expenses to the Fund, excluding UT System Direct Expenses to the Fund								
Dollars (thousands)	3,426	24	26	1,974	1,972			7,422
Basis Points	**1.8**	**0.2**	**0.0**	**2.3**	**2.9**	**0**	**0**	**2.0**

Prepared by: UTIMCO
Date: July 18, 2014

Fiscal Year 2015

Review of UTIMCO Services Budget and Other Direct Costs to Funds Excluding External Investment Manager Fees

The University of Texas System

Office of Finance

Presented by:
Terry Hull – Associate Vice Chancellor for Finance
Allen Hah – Assistant Vice Chancellor for Finance

July 30, 2014

Based on UTIMCO Board approval on July 29, 2014

Fiscal Year 2015
Review of UTIMCO Services Budget and Other Direct Costs to Funds
Excluding External Investment Manager Fees

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Executive Summary

This report reviews the UTIMCO Services budget and other budgeted investment management expenses ("Direct Costs to Funds") for fiscal year 2015 that the UTIMCO Board approved on July 29, 2014 and the U. T. System Board of Regents will consider at its August 21, 2014 meeting. The UTIMCO Services budget includes corporate expenses paid directly by UTIMCO. The Direct Costs to Funds budget includes costs related to custody, consulting, corporate legal, audit, and risk measurement. The proposed budget for FY15 is:

	FY15 **($ millions)**
• UTIMCO Services Budget	25.4
• Direct Costs to Funds: Other Costs	7.4
Total Budgeted Costs (excludes external manager fees)	$ 32.8

The Total Budgeted Costs excludes external manager fees that are paid by the funds and netted from asset values as well as external investment manager fees paid directly by UTIMCO. The total investment costs for UTIMCO managed funds, comprising Investment Manager Fees paid directly and fees netted against asset values, are reviewed in a separate report.

Highlights:

- **Total Budgeted Costs for FY15**: The FY15 budget is $32.8 million, a 2.0% increase from the FY14 budget.
- **Total Forecast Costs for FY14**: Total costs for FY14 are forecast at $30.9 million, which is 4.1% under the FY14 budget. The decrease is due primarily to compensation coming in under budget due to unfilled budgeted positions, lower than expected travel expenses, the deferment of an IT security review, and a substantial decline in transaction related costs.
- **The Total Direct Costs to Funds budget (excluding external investment manager fees)**: The FY15 budget of $7.4 million for direct fund costs is down 4.2% from the FY14 budget. The decrease is due to lower expected transaction costs and the pooling of accounts, which UTIMCO has undertaken to further reduce transaction related fees.
- **The UTIMCO Services Budget:** The FY15 budget is $25.4 million for the "operating" budget of UTIMCO, a 3.9% increase from the FY14 budget. The increase in the UTIMCO Services Budget is attributable primarily to a 6.6% increase in salaries and wages, driven primarily by budgeted growth in FTE.
- **Compensation:** Compensation-related expenses represent approximately 80% of the UTIMCO Services Budget. Aggregate salaries, including benefits and taxes, for FY15 are budgeted to be up 3.6% from the FY14 budget. Budgeted salaries for FY14 include an 8.4% increase for existing staff (excluding promotions) and three open positions and five new positions. Budgeted performance compensation for FY15 reflects an increase due to the promotion and vesting of certain key personnel, but this amount is largely offset by staff turnover and hiring lag adjustments.
- **UTIMCO Reserves:** UTIMCO staff projects that UTIMCO will have no cash reserves available to be distributed at fiscal year-end 2014. We concur with UTIMCO staff in recommending that no distribution of reserves be made at this time.

Budget Analysis and Trends

UTIMCO proposes Total Budgeted Costs for FY15 of $32.8 million. Table 1 shows the Total Budgeted Costs (Direct Costs to Funds and UTIMCO Services Budget excluding external manager fees) as a percent of average Assets Under Management ("AUM") since FY10.

Table 1: Total Budgeted Costs Trend FY10-FY15

($ millions)

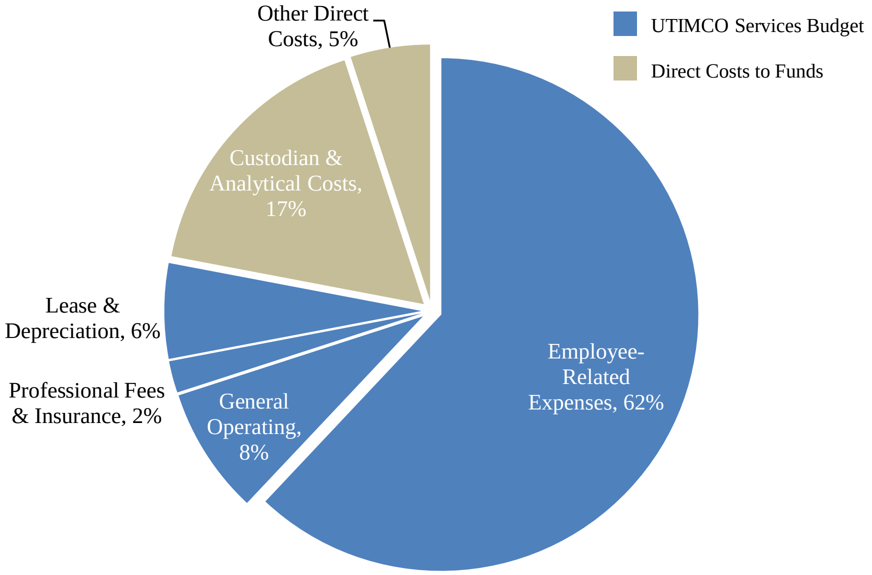
	FY10	FY11	FY12	FY13	Forecast FY14	Budget FY15
Average Total AUM[1]	21,750	24,840	27,235	28,886	32,231	35,534
% Change in AUM	-1%	14%	10%	6%	12%	10%
Direct Costs to Funds	5.7	7.8	7.3	7.2	6.9	7.4
% Change in Direct Costs to Funds	13.2%	36.1%	-5.4%	-2.2%	-3.7%	7.3%
Direct Costs to Funds % of AUM	0.03%	0.03%	0.03%	0.02%	0.02%	0.02%
UTIMCO Services Budget	16.6	18.2	15.9	26.2	24.0	25.4
% Change in UTIMCO Services Budget	9.5%	9.7%	-12.3%	64.6%	-8.6%	6.1%
UTIMCO Services Budget % of AUM	0.08%	0.07%	0.06%	0.09%	0.07%	0.07%
Total Budgeted Costs	22.3	25.9	23.3	33.4	30.9	32.8
% Change in Total Budgeted Costs	10.5%	16.5%	-10.2%	43.5%	-7.6%	6.4%
Total Budgeted Costs % of AUM	0.10%	0.10%	0.09%	0.12%	0.10%	0.09%

[1] Average Total AUM for Forecast FY14 is calculated based on June 30, 2014 balances; FY15 Average Total AUM assumes projected FY15 balances based on moderate returns, projected West Texas Land and gift income, and projected distributions.

FY 15 Total Budgeted Costs

(Excluding external manager fees)

$32.8 million



The pie chart above shows the breakdown of Total Budgeted Costs. The UTIMCO Services Budget represents 78% of the total budget, with employee-related expenses being the largest component at 62%. Direct Costs to Funds include Custodian & Analytical Costs (17%) and Other Direct Costs (5%).

Management fees and performance fees paid to external investment managers, which are either paid directly by UTIMCO or netted against asset values by the external managers, are not included in these amounts. UTIMCO retains external managers for approximately 93% of the AUM, with UTIMCO staff directly managing approximately 7% of assets as well as an internal derivatives portfolio.

Table 2 compares the Total Budgeted Costs for FY14 and FY15. Refer to Exhibits A and B for a detailed budget comparison for FY14-FY15 and budget trend for FY10-FY15.

Table 2: FY14 Forecast and FY15 Budget Overview

($ millions)

	FY14 Forecast				FY15 Budget			
	$ Budget	$ Projected	$ Change vs FY14 Budget	% Change vs FY14 Budget	$ Budget	$ Change vs FY14 Projected	% Change vs FY14 Projected	% Change vs FY14 Budget
UTIMCO Services	24.5	24.0	-0.5	-2.0%	25.4	1.5	6.1%	3.9%
Direct Costs to Funds	7.7	6.9	-0.8	-10.7%	7.4	0.5	7.3%	-4.2%
Total Budgeted Costs	32.2	30.9	-1.3	-4.1%	32.8	2.0	6.4%	2.0%

<u>FY14 Forecast versus FY14 Budget</u>: UTIMCO staff forecasts FY14 Total Budgeted Costs will be $30.9 million, $1.3 million (4.1%) under the FY14 budget of $32.2 million. The decrease is due primarily to unfilled budgeted positions and lower transaction costs.

- UTIMCO Services expenses are forecast to be under budget by $501k, due primarily to unfilled budgeted positions.
    - Salaries excluding performance compensation awards are forecast to be $268k (3.0%) under budget due to unfilled budgeted positions and departures.
    - Performance compensation is forecast to be just slightly over budget by $113k (1.3%), due to vesting of key personnel and higher than expected earnings on awards, offset by unfilled positions and staff departures.
    - Hiring Consultant fees are higher by $113k because management has decided to engage a different hiring consultant for the two senior investment openings, and this amount was also included in the FY15 budget.
    - Travel & Meetings expenses, including BOD meetings, are forecast to be $152k (22%) under budget. Management expects travel expenses to be higher in FY15 with the addition of new investment positions.
    - Contract Services is forecast to be $192k under budget due primarily to the deferment of a planned IT security review to the next fiscal year.

- Direct Costs to Funds are substantially lower than budgeted by $831k, or 10.7% below budget.
    - Custodian fees are forecast to be $563k (11.9%) under budget. The decrease is due to lower expected transaction costs and the pooling of accounts, which is the result of an efficiency initiative put in place by UTIMCO.

  - Investment legal fees for FY14 are forecast to be $295k (54.9%) under budget. The hiring of internal legal counsel for deals has saved more money than anticipated, and these savings are expected to continue.

- Capital Expenditures are forecast at $71k (6.9%) over budget because Technology Initiatives expenses were higher than expected.

FY15 Proposed Budget: The proposed $32.8 million Total Budgeted Costs for FY15 is 2.0% higher than the approved FY14 budget with $959k of the increase attributable to increased UTIMCO services, offset by a $323k decrease in Direct Cost to Funds.

- The increase in the UTIMCO Services Budget is attributable primarily to a 6.6% increase in salaries and wages, driven primarily by budgeted growth in FTE as well as increased hiring and recruiting related fees related to the two senior investment FTE openings.
- FY15 Direct Costs to Funds of $7.4 million are budgeted to decrease 4.1% versus budgeted costs for FY14 primarily due to lower transaction costs, despite an increase in Emerging Markets transaction costs.
- Capital Expenditures are budgeted at $1.4 million in FY15, an increase of 33% compared to the FY14 budget. UTIMCO continues implementing technology initiatives recommended by its new Chief Technology Officer, primarily related to two key initiatives: a document management system and an investment support system.

Direct Costs to Funds

Direct Costs to Funds for FY15, excluding external manager fees, are budgeted at $7.4 million.

Custodian and Analytical Costs: Custodian and analytical costs for FY14 are forecast at $5.3 million, substantially lower than budgeted for FY14 due to lower transaction costs, which is expected to continue. Although there is an increase in transaction costs due to the use of more separately managed accounts in emerging markets, overall transaction costs are budgeted lower for FY15 by $316k or 5.3% when compared to FY14.

Auditing expenses in FY14 of $527k funded external auditors, which were higher than FY14 budget amounts. Audit expenses are budgeted at $690k for FY15 reflecting a $242k increase from FY14 budget amounts. Deloitte & Touche has increased fees due to the growing complexities of UTIMCO's portfolio, requiring more hours than originally agreed upon.

Other Costs: Background Searches are forecast to be slightly over budget for FY14 due to "catch up" searches on existing managers, but management does not expect to incur the same volume in FY15, resulting in $125k or 42% less costs compared to FY14 budget.

UTIMCO Services Budget

For FY15, total personnel-related expenses including employee benefits account for 80% of the UTIMCO Services budget (62% of Total Budgeted Costs, excluding external manager fees). Trends in staffing and total compensation in relation to assets under management are shown in Table 3 and Table 3a below. Table 3a adjusts for a one-time deferral of incentive compensation, decreasing FY13 performance compensation by $3.6 million and increasing FY12 performance compensation by the same amount. Highlights from these tables include:

- Staffing had been very steady through FY13 at 58 positions but is forecast to increase to 64 positions by the end of FY14 with 72 positions budgeted for FY15.
- Average AUM per employee has grown approximately 7.2% annually from FY10 to FY14, but is projected to fall given additional staff in FY15.
- Aggregate salaries for FY14 are forecast to be 34% above FY10 levels, which equates to a 7.6% growth rate on an average annual basis.
- Performance Compensation for FY14 is forecast to be 92% above FY10 levels, which equates to a 17.7% growth rate on an average annual basis.
- Since FY10, total compensation per employee has increased 8.9% (annualized) from $192k to $270k forecast in FY14.

Table 3: UTIMCO Compensation and Headcount FY10-FY15

	FY10	FY11	FY12	FY13	Forecast FY14	% Change Since FY10 (annual)	Budget FY15	% Change From FY14
Employees (as of year end)	57	56	58	58	64	2.9%	72	12.5%
Average Total AUM ($ millions)	21,750	24,840	27,235	28,886	32,231	10.3%	35,534	10.2%
Average AUM/Employee ($ millions)	382	444	470	498	504	7.2%	494	-2.0%
Salaries and Wages ($ millions)	6.5	6.4	6.9	7.6	8.7	7.6%	9.5	9.9%
Performance Compensation ($ millions)	4.5	6.3	3.3	12.5	8.6	17.7%	8.5	-1.3%
Total Compensation ($ millions)	10.9	12.7	10.2	20.1	17.3	12.1%	18.0	4.3%
Total Compensation per Employee ($)	192,012	227,029	175,328	346,573	270,047	8.9%	250,315	-7.3%
Perf. Comp. as % of Salaries and Wages	70%	98%	47%	165%	100%		90%	
Perf. Comp. as % of Total Compensation	41%	49%	32%	62%	50%		47%	

Table 3a: UTIMCO Compensation and Headcount FY10-FY15

(Adjusted for Extraordinary Event Impacting FY12 – FY13)

	FY10	FY11	FY12	FY13	Forecast FY14	% Change Since FY10 (annual)	Budget FY15	% Change From FY14
Employees (as of year end)	57	56	58	58	64	2.9%	72	12.5%
Average Total AUM ($ millions)	21,750	24,840	27,235	28,886	32,231	10.3%	35,534	10.2%
Average AUM/Employee ($ millions)	382	444	470	498	504	7.2%	494	-2.0%
Salaries and Wages ($)	6.5	6.4	6.9	7.6	8.7	7.6%	9.5	9.9%
Performance Compensation ($)	4.5	6.3	6.9	8.9	8.6	17.7%	8.5	-1.3%
Total Compensation ($)	10.9	12.7	13.8	16.5	17.3	12.1%	18.0	4.3%
Total Compensation per Employee ($)	192,012	227,029	237,954	283,947	270,047	8.9%	250,315	-7.3%
Perf. Comp. as % of Salaries and Wages	70%	98%	100%	117%	100%		90%	
Perf. Comp. as % of Total Compensation	41%	49%	50%	54%	50%		47%	

Staffing: The FY14 budget was based on staffing of 69 employees; actual staffing is forecast at 64 employees at fiscal year-end 2014. The increase in staffing is in Support and Control areas (e.g. technology, compliance). The FY15 budget is based on staffing of 72 employees. The FY15 staffing increase is primarily in the Investment areas.

Personnel-related Expenses:

- **Salaries and Wages** are forecast to be $8.7 million in FY14, $268k (3%) under budget, primarily due to budgeted but unfilled positions and staff departures. Aggregate salaries and wages are budgeted at $9.5 million in FY15, an increase of 6.6% compared to the FY14 budget. The FY15 budget reflects an average 8.4% salary increase for existing staff, excluding promotions. Including promotions, salary increases for existing staff average 9.3%. Budgeted salaries for FY15 are based on 72 positions, up from 64 staff forecast at Aug. 31, 2014.

- **Performance Compensation** for FY14 is projected to be in line with budget. Increases in awards due to the vestment of an investment professional and increases in awards due to favorable endowment performance (budgets are based on 70% of maximum compensation) is largely offset by unfilled budgeted position and departures of personnel.

- **Employee Benefits** are budgeted to increase 3.8% from $1.59 million in FY14 to $1.65 million in FY15. The budget reflects a 14.1% increase in 403(b) contributions with slight decrease in insurance costs.

It should be noted that investment staff compensation increases are a result of a peer benchmarking study conducted in 2013 that detailed UTIMCO's staff compensation to be lower than the compensation plans' objective of paying staff at median levels compared to peers.

General Operating Expenses (non-employee) including office expenses, lease expenses, insurance, travel and accounting fees are forecast to be under budget in FY14 at $4.4 million versus a budget of $4.6 million. The deferment of the IT security review and decreases in Travel expenses is offset by increases in hiring consultant fees. General operating expenses for FY15 are budgeted to increase 4.5% to $4.8 million. The $210k budgeted increase primarily relates to increased hiring consultant fees ($120k) and lease expense ($63k) offset by decreases in travel & meetings ($46k) and other contract services ($104k).

Lease Expenses: Lease expenses are budgeted to increase 6.0% compared to FY14 budgeted amounts, due primarily to increased property taxes. Parking expenses are also budgeted to increase due to additional staffing. Lease expenses for FY14 are forecast to slightly exceed FY14 budgeted amounts due to increased operating expenses and parking expenses associated with additional staffing and extended internships.

Table 4: UTIMCO Lease Expenses FY10-FY15

					Forecast	Budget
	FY10	**FY11**	**FY12**	**FY13**	**FY14**	**FY15**
Property Lease	$518,373	$518,373	$518,373	$518,373	$518,373	$518,376
Operating Expenses	$538,894	$468,651	$513,894	$554,516	$606,703	$616,068
Parking Expenses	$107,940	$111,911	$114,677	$124,666	$143,549	$147,600
Other Expenses	$8,969	$6,900	$7,334	$7,966	$7,707	$9,000
Amortization (Deferred Rent Credit)	($170,344)	($170,344)	($170,344)	($170,344)	($170,344)	($170,352)
Total Lease Expenses (net)	$1,003,832	$935,490	$983,934	$1,035,177	$1,105,988	$1,120,692

UTIMCO Capital Expenditures

The trend for Capital Expenditures for FY10-FY15 is summarized in Table 5 below. The Chief Technology Officer, hired in March 2012, identified several key initiatives including document management, disaster recovery efforts, and upgrading video conferencing and phone systems that significantly increased capital expenditures in FY13 compared to preceding years. Total capital expenditures are forecast to be $1.1 million in FY14, which is slightly higher than the $1.0 million FY14 budgeted amount. Capex is budgeted at $1.4 million in FY14, with the majority of expenditures focused on two continuing key initiatives: a document management system and an investment support system. The document management system is intended to standardize file structures, have enhanced security and search functionality, and assist in record retention. The investment support system will provide investment staff with better access to information from differing perspectives and levels of detail, better automation, and the ability to quickly produce cross-portfolio analysis.

The $75k budget for Leasehold reflects the likely need for construction costs in existing space to accommodate staff increases.

Table 5: UTIMCO Capital Expenditures FY10-FY15

	FY10	FY11	FY12	FY13	Forecast FY14	Budget FY15
Ongoing: Technology and Software Upgrades	$48,169	$122,048	$121,416	$89,146	$94,111	$69,000
Ongoing: Office Equipment and Fixtures	$32,168	$43,700	$20,021	$105,290	-	$40,000
Expansion: Technology Initiatives / Video Conferencing	-	-	-	$612,482	$1,012,086	$1,188,000
Expansion: Leasehold	-	-	-	-	-	$75,000
Total Capital Expenditures (net)	$80,337	$165,748	$141,437	$806,918	$1,106,197	$1,372,000

EXHIBIT A

Total Budgeted Costs FY14-FY15

	FY14	FY14	Change from FY14 Budget		FY15	Change from FY14 Forecast		Change from FY14 Budget
	Budget	Forecast	$	%	Budget	$	%	%
UTIMCO Services								
Salaries and Wages + Vacation	8,918,824	8,650,852	-267,972	-3.0%	9,504,386	853,534	9.9%	6.6%
Performance Compensation + Earnings	8,518,781	8,632,131	113,350	1.3%	8,518,278	-113,853	-1.3%	-0.0%
Total Compensation	17,437,605	17,282,983	-154,621	-0.9%	18,022,664	739,681	4.3%	3.4%
Total Payroll taxes	724,097	701,961	-22,136	-3.1%	792,636	90,675	12.9%	9.5%
403(b) Contributions	688,825	660,161	-28,664	-4.2%	786,198	126,037	19.1%	14.1%
Insurance & Cell Phone	898,433	855,751	-42,682	-4.8%	861,224	5,473	0.6%	-4.1%
Employee Benefits	1,587,258	1,515,911	-71,346	-4.5%	1,647,422	131,511	8.7%	3.8%
Recruiting and Relocation Expenses	33,000	39,048	6,048	18.3%	69,000	29,952	76.7%	109.1%
Employee Education	75,468	55,090	-20,378	-27.0%	75,104	20,014	36.3%	-0.5%
Other Employee Related Expenses	108,468	94,137	-14,331	-13.2%	144,104	49,967	53.1%	32.9%
Total Employee Related Expenses	19,857,427	19,594,993	-262,434	-1.3%	20,606,826	1,011,833	5.2%	3.8%
On-Line Data & Contract Services	1,333,728	1,080,615	-253,113	-19.0%	1,294,080	213,465	19.8%	-3.0%
Travel & Meetings, Including BOD	676,000	524,443	-151,557	-22.4%	630,500	106,057	20.2%	-6.7%
Phone and Telecommunications	48,636	51,506	2,870	5.9%	53,340	1,834	3.6%	9.7%
Computer & Office Supplies	52,740	39,986	-12,754	-24.2%	49,140	9,154	22.9%	-6.8%
Repairs/Maintenance	256,572	254,333	-2,239	-0.9%	292,464	38,131	15.0%	14.0%
Other Office Expenses	96,840	110,042	13,202	13.6%	105,252	-4,790	-4.4%	8.7%
Total Office Expense	454,788	455,867	1,079	0.2%	500,196	44,329	9.7%	10.0%
Total Lease Expense	1,057,668	1,105,987	48,318	4.6%	1,120,692	14,706	1.3%	6.0%
Board, Comp., & Hiring Consultants	80,100	193,614	113,514	141.7%	200,100	6,486	3.3%	149.8%
Legal Expenses	140,400	107,199	-33,201	-23.6%	140,400	33,201	31.0%	0.0%
Accounting fees	52,500	52,114	-386	-0.7%	58,500	6,386	12.3%	11.4%
Total Professional Fees	273,000	352,927	79,927	29.3%	399,000	46,073	13.1%	46.2%
Total Insurance	216,900	219,091	2,191	1.0%	227,400	8,309	3.8%	4.8%
Depreciation of Equipment	600,000	634,921	34,921	5.8%	650,000	15,079	2.4%	8.3%
Total Non-Employee Related Expenses	4,612,084	4,373,851	-238,233	-5.2%	4,821,868	448,017	10.2%	4.5%
Total UTIMCO Services	24,469,511	23,968,844	-500,667	-2.0%	25,428,694	1,459,850	6.1%	3.9%
Direct Costs to Funds								
Custodian Fees and Other Direct Costs	4,736,135	4,172,892	-563,243	-11.9%	4,463,774	290,882	7.0%	-5.8%
Performance Measurement	500,787	425,550	-75,237	-15.0%	470,700	45,150	10.6%	-6.0%
Analytical Tools	409,559	395,503	-14,056	-3.4%	395,457	-46	-0.0%	-3.4%
Risk Measurement	324,000	307,000	-17,000	-5.2%	324,000	17,000	5.5%	0.0%
Custodian and Analytical Costs	5,970,481	5,300,945	-669,535	-11.2%	5,653,930	352,985	6.7%	-5.3%
Consultant Fees	351,000	351,000	0	0.0%	353,500	2,500	0.7%	0.7%
Auditing	477,880	556,865	78,985	16.5%	720,000	163,135	29.3%	50.7%
Legal Fees	537,500	242,345	-295,156	-54.9%	400,000	157,656	65.1%	-25.6%
Background Searches & Other	408,109	463,312	55,204	13.5%	294,500	-168,812	-36.4%	-27.8%
Other Direct Costs Total	1,774,489	1,613,522	-160,967	-9.1%	1,768,000	154,479	9.6%	-0.4%
Total Direct Costs to Funds	7,744,969	6,914,467	-830,502	-10.7%	7,421,930	507,463	7.3%	-4.2%
Total Budgeted Costs	32,214,480	30,883,311	-1,331,170	-4.1%	32,850,624	1,967,314	6.4%	2.0%

EXHIBIT B

Total Budgeted Costs FY10-FY15

	FY10	FY11	FY12	FY13	FY14	FY15
	Actual	Actual	Actual	Actual	Forecast	Budget
UTIMCO Services						
Salaries and Wages + Vacation	6,454,270	6,422,656	6,903,383	7,587,688	8,650,852	9,504,386
Performance Compensation + Earnings	4,490,396	6,290,993	3,265,622	12,513,544	8,632,131	8,518,278
Total Compensation	10,944,666	12,713,649	10,169,005	20,101,232	17,282,983	18,022,664
Total Payroll taxes	479,799	492,963	472,196	641,091	701,961	792,636
403(b) Contributions	487,207	485,227	515,669	566,262	660,161	786,198
Insurance & Cell Phone	617,525	585,957	619,546	701,259	855,751	861,224
Employee Benefits	1,104,732	1,071,184	1,135,215	1,267,521	1,515,911	1,647,422
Recruiting and Relocation Expenses	2,594	15,210	49,522	25,979	39,048	69,000
Employee Education	37,381	30,159	36,287	55,349	55,090	75,104
Other Employee-Related Expenses	39,975	45,369	85,809	81,328	94,137	144,104
Total Employee Related Expenses	12,569,172	14,323,165	11,862,225	22,091,173	19,594,993	20,606,826
On-Line Data & Contract Services	965,058	1,003,058	1,038,036	1,164,419	1,080,615	1,294,080
Travel & Meetings, Including BOD	479,393	416,713	588,240	536,748	524,443	630,500
Phone and Telecommunications	77,524	69,072	32,976	36,781	51,506	53,340
Computer & Office Supplies	89,027	80,768	49,748	50,392	39,986	49,140
Repairs/Maintenance	181,288	182,535	160,071	191,971	254,333	292,464
Other Office Expenses	60,097	52,400	105,966	92,250	110,042	105,252
Total Office Expense	407,936	384,775	348,762	371,394	455,867	500,196
Total Lease Expense	1,003,831	935,490	983,934	1,035,176	1,105,987	1,120,692
Board, Compensation, & Hiring Consultants	86,400	44,500	211,000	165,341	193,614	200,100
Legal Expenses	194,930	247,303	106,483	88,279	107,199	140,400
Accounting fees	33,135	38,950	51,975	49,268	52,114	58,500
Total Professional Fees	314,465	330,753	369,458	302,888	352,927	399,000
Total Insurance	248,126	227,326	208,729	207,103	219,091	227,400
Depreciation of Equipment	579,925	552,739	533,872	518,707	634,921	650,000
Total Non-Employee Related Expenses	3,998,734	3,850,854	4,071,032	4,136,434	4,373,851	4,821,868
Total UTIMCO Services	16,567,906	18,174,019	15,933,256	26,227,607	23,968,844	25,428,694
Direct Costs to Funds						
Custodian Fees and Other Direct Costs	2,277,038	4,452,927	4,200,390	4,160,625	4,172,892	4,463,774
Performance Measurement	405,838	408,525	429,584	401,220	425,550	470,700
Analytical Tools	351,642	342,534	358,697	390,371	395,503	395,457
Risk Measurement	377,458	292,000	292,000	292,000	307,000	324,000
Custodian and Analytical Costs	3,411,976	5,495,986	5,280,671	5,244,216	5,300,945	5,653,930
Consultant Fees	485,625	554,891	415,375	403,304	351,000	353,500
Auditing	692,093	677,000	371,779	465,410	556,865	720,000
Legal Fees	973,934	795,933	786,122	659,516	242,345	400,000
Background Searches & Other	134,673	231,403	484,991	406,479	463,312	294,500
Other Direct Costs Total	2,286,325	2,259,227	2,058,267	1,934,709	1,613,522	1,768,000
Total Direct Costs to Funds	5,698,301	7,755,213	7,338,938	7,178,925	6,914,467	7,421,930
Total Budgeted Costs	22,266,207	25,929,232	23,272,194	33,406,532	30,883,311	32,850,624

EXHIBIT C

UTIMCO Reserve Analysis for August 31, 2014

Projected Cash Reserves at August 31, 2014		
Cash		11,546,237
Prepaid Expenses		682,877
Less: Accounts Payable (Includes incentive compensation & earnings payable)		(5,940,524)
Expected Cash Reserves at August 31, 2014		$ 6,288,590
FY15 Proposed Operating Budget	25,362,304	
Applicable Percentage	25%	6,340,576
FY15 Proposed Capital Expenditures	1,372,000	1,372,000
Required Cash Reserves at August 31, 2014		$ 7,712,576
Balance Available for Distribution		$ (1,423,986)
Recommended Distribution		$ -

6. 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 $600 million to be used to refund certain outstanding PUF Bonds, 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 22, 2013, 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 2013 and would provide a similar authorized amount and purposes as the prior resolution.

Adoption of this 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 would also authorize the issuance of bonds to provide new money to fund the capital costs of eligible projects.

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

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

Note: The proposed Resolution is available online at http://www.utsystem.edu/board-of-regents/meetings/board-meeting-2014-08-20

7. 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 $600 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 22, 2013, the Board of Regents adopted a resolution authorizing the issuance of additional RFS Bonds in an amount not to exceed $500 million. Adoption of this Supplemental Resolution would rescind the remaining issuance authority under the prior resolution and would provide 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 would also authorize 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.

Approval of the Supplemental Resolution would also designate The University of Texas Rio Grande Valley as a Member of the Revenue Financing System in accordance with the RFS Master Resolution and provides that U. T. Rio Grande Valley will become the successor to all RFS obligations incurred by U. T. Brownsville and U. T. Pan American.

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

Note: The proposed Resolution is available online at http://www.utsystem.edu/board-of-regents/meetings/board-meeting-2014-08-20.

8. 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

RECOMMENDATION

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

BACKGROUND INFORMATION

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

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

On August 22, 2013, the Board approved bond enhancement agreement resolutions for FY 2014. 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 2015 and will ratify the existing U. T. System Interest Rate Swap Policy, set out as Exhibit B, as required by *Texas Government Code*, Section 1371.056. The determination to utilize bond enhancement agreements will be made based on market conditions at the time of pricing the related debt issuance. The Chancellor and the Chairman of the Board's Finance and Planning Committee will be informed in advance of any proposed transactions to be undertaken pursuant to the Resolutions.

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

August 21, 2014

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

NOW THEREFORE BE IT RESOLVED, that

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

SECTION 2. AUTHORIZATION OF BOND ENHANCEMENT AGREEMENTS.

(a) Delegation. Each Authorized Representative is hereby severally authorized to act on behalf of the Board in accepting and executing new or amended confirmations under one or more of the Master Agreements (each, a "Confirmation" and, collectively with the applicable Master Agreement, a "Bond Enhancement Agreement") when, in his or her judgment, the execution of such Confirmation is consistent with this Resolution and the System's Interest Rate Swap Policy and either (i) the transaction is expected to reduce the net interest to be paid by the Board with respect to any then outstanding PUF Debt or PUF Debt anticipated to be issued in the future over the term of the Bond Enhancement Agreement or (ii) the transaction is in the best interests of the Board given the market conditions at that time. Prior to entering into any such transaction, an Authorized Representative must deliver to the General Counsel of the Board a certificate setting forth the determinations of the Authorized Representative in connection with the foregoing. Each Authorized Representative is also severally authorized to execute any required novation agreement related to the execution and delivery of a new or amended Confirmation undertaken in conjunction with the novation of an existing Confirmation. The delegation to each Authorized Representative to execute and deliver Bond Enhancement Agreements on behalf of the Board under this Resolution shall expire on September 1, 2015.

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

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

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

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

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

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

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

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

SECTION 3. AUTHORIZATION FOR SPECIFIC TRANSACTIONS.

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

> (1) Floating-to-fixed rate interest rate swap transactions under which the Board would pay an amount based upon a fixed rate of interest and the counterparty would pay an amount based upon a variable rate of interest with respect to PUF Debt then outstanding bearing interest at a variable rate and any PUF Debt anticipated to be issued in the future that will bear interest at a variable rate, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that (i) the synthetic fixed rate to the Board pursuant to the swap transaction is lower than the rate available to the Board for comparable fixed rate debt at the time of the swap transaction, and (ii) if the variable rate being paid or expected to be paid by the Board on the applicable PUF Debt is computed on a basis different from the calculation of the variable rate to be received under the swap transaction over the stated term of such swap transaction, the basis risk of the transaction is expected to be minimal based upon historical relationships between such bases.
>
> (2) Fixed-to-floating rate interest rate swap transactions under which the Board would pay an amount based upon a variable rate of interest and the counterparty would pay an amount based upon a fixed rate of interest, with respect to PUF Debt then outstanding bearing interest at a fixed rate or PUF Debt anticipated to be issued in the future that will bear interest at a fixed rate, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that converting such portion of fixed rate PUF Debt to a variable rate pursuant to the fixed-to-floating interest rate swap transaction would be beneficial to the System by (i) lowering the anticipated net interest cost on the PUF Debt to be swapped against or (ii) assisting in the System's asset/liability management by matching a portion of its variable rate assets with variable rate PUF Debt.
>
> (3) Basis swap transactions under which the Board would pay a variable rate of interest computed on one basis, such as the Securities Industry and Financial Markets Association Municipal Swap Index, and the counterparty would pay a variable rate of interest computed on a different basis, such as a designated maturity of the London Interbank Offered Rate ("LIBOR"), with respect to a given principal amount of PUF Debt then outstanding or PUF Debt anticipated to be issued in the future, as applicable. Prior to entering into such transaction, an

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 6. MASTER AGREEMENTS.

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

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

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

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

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

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

[Remainder of page intentionally left blank]

EXHIBIT A

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EXHIBIT B

INTEREST RATE SWAP POLICY OF THE UNIVERSITY OF TEXAS SYSTEM

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

EXHIBIT C

EXECUTED MASTER AGREEMENTS

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

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 21, 2014

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

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

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

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

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

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

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

NOW THEREFORE BE IT RESOLVED, that

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

SECTION 2. AUTHORIZATION OF BOND ENHANCEMENT AGREEMENTS.

(a) Delegation. Each Authorized Representative is hereby severally authorized to act on behalf of the Board in accepting and executing new or amended confirmations under one or more of the Master Agreements (each, a "Confirmation", and collectively with the applicable Master Agreement, a "Bond Enhancement Agreement") when, in his or her judgment, the execution of such Confirmation is consistent with this Resolution and the System's Interest Rate Swap Policy and either (i) the transaction is expected to reduce the net interest to be paid by the Board with respect to any then outstanding Parity Debt or Parity Debt anticipated to be issued in the future over the term of the Bond Enhancement Agreement or (ii) the transaction is in the best interests of the Board given the market conditions at that time. Prior to entering into any such transaction, an Authorized Representative must deliver to the General Counsel of the Board a certificate setting forth the determinations of the Authorized Representative in connection with the foregoing. Each Authorized Representative is also severally authorized to execute any required novation agreement related to the execution and delivery of a new or amended Confirmation undertaken in conjunction with the novation of an existing Confirmation. The delegation to each Authorized Representative to execute and deliver Bond Enhancement Agreements on behalf of the Board under this Resolution shall expire on September 1, 2015.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 7. MASTER AGREEMENTS.

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

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

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

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

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

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

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

EXHIBIT A

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"LIBOR" – London Interbank Offered Rate.

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

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

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

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

"System" – The University of Texas System.

EXHIBIT B

INTEREST RATE SWAP POLICY
OF THE UNIVERSITY OF TEXAS SYSTEM

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

EXHIBIT C

EXECUTED MASTER AGREEMENTS

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

9. U. T. System Board of Regents: Approval of aggregate amount of $171,570,000 of equipment financing for Fiscal Year 2015 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 $171,570,000 of Revenue Financing System Equipment Financing for FY 2015 as allocated to those U. T. System institutions set out on the following page; and

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

- parity debt shall be issued to pay the cost of equipment including costs incurred prior to the issuance of such parity debt;
- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System;
- the U. T. System institutions, which are “Members” as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $171,570,000 for the purchase of equipment; and
- this resolution satisfies the official intent requirements set forth in Section 1.150-2 of Title 26 of the *Code of Federal Regulations* that evidences the Board's intention to reimburse project expenditures with bond proceeds.

BACKGROUND INFORMATION

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

This agenda item requests approval of an aggregate amount of $171,570,000 for equipment financing for Fiscal Year 2015. On August 22, 2013, the U. T. System Board of Regents approved a total of $184,841,000 of equipment financing for Fiscal Year 2014, of which $90,229,000 has been issued as of July 31, 2014.

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

APPROVAL OF U. T. SYSTEM EQUIPMENT FINANCING
FY 2015

Institution	**$ Amount of Request**	**Description of Expected Capital Equipment**	**DSC***
U. T. Arlington	$4,000,000	IT and research-related equipment	2.7x
U. T. Austin	1,500,000	IT, classroom, athletic and research equipment	3.6x
U. T. Dallas	12,000,000	IT, classroom, business and research equipment	2.1x
U. T. El Paso	5,070,000	IT, athletic and waste equipment, vehicles	1.6x
U. T. Southwestern Medical Center	40,000,000	Information resources, clinical and nonclinical equipment	2.8x
U. T. Medical Branch - Galveston	20,000,000	IT, clinical, research-related and facilities-related equipment	2.8x
U. T. Health Science Center - Houston	3,000,000	Research equipment	2.9x
U. T. Health Science Center - San Antonio	7,000,000	Clinical and research equipment	3.1x
U. T. M. D. Anderson Cancer Center	70,000,000	Medical, diagnostic and research equipment, IT systems	10.7x
U. T. Health Science Center - Tyler	9,000,000	Clinical equipment	-1.3x

Total	$171,570,000

* Debt Service Coverage ("DSC") ratios based on 2013 Analysis of Financial Condition.

U. T. System Office of Finance, July 11, 2014