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FOR  
FINANCE AND PLANNING COMMITTEE**

**Committee Meeting:** 8/19/2015

**Board Meeting:** 8/20/2015  
Austin, Texas

*R. Steven Hicks, Chairman  
David J. Beck  
Wallace L. Hall, Jr.  
Jeffery D. Hildebrand  
Sara Martinez Tucker*

|  | <b>Committee Meeting</b>  | <b>Board Meeting</b> | <b>Page</b> |
|--|---|----------------------|-------------|
| <b>Convene</b>   | <i>1:00 p.m.<br/>Chairman Hicks</i>   |                      |             |
| 1. <b>U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration</b>  | <i>1:00 p.m.<br/><b>Action</b></i>  | <b>Action</b>        | <b>105</b>  |
| 2. <b>U. T. System: Key Financial Indicators Report and Monthly Financial Report</b>   | <i>1:05 p.m.<br/><b>Report/Discussion</b><br/>Dr. Kelley</i>  | Not on Agenda        | <b>106</b>  |
| 3. <b>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, 2015</b>                         | <i>1:20 p.m.<br/><b>Report/Discussion</b><br/>Mr. Zimmerman,<br/>Mr. Ryan Ruebsahm,<br/>and Mr. Courtney Powers, UTIMCO</i> | <b>Report</b>        | <b>140</b>  |
| 4. <b>U. T. System Board of Regents: Report on activities of the University Lands Advisory Board</b>   | <i>1:35 p.m.<br/><b>Report/Discussion</b><br/>Regent Cranberg<br/>Mr. Houser</i>  | Not on Agenda        | <b>163</b>  |
| 5. <b>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</b>             | <i>1:55 p.m.<br/><b>Action</b><br/>Mr. Hull</i>   | <b>Action</b>        | <b>181</b>  |
| 6. <b>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</b> | <i>1:56 p.m.<br/><b>Action</b><br/>Mr. Hull</i>   | <b>Action</b>        | <b>183</b>  |

|   | <b>Committee Meeting</b>                      | <b>Board Meeting</b> | <b>Page</b> |
|---|---|----------------------|-------------|
| 7. <b>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</b>   | 1:57 p.m.<br><b>Action</b><br><i>Mr. Hull</i> | <b>Action</b>        | <b>185</b>  |
| 8. <b>U. T. System Board of Regents: Adoption of Amended and Restated First Supplemental Resolution to the Master Resolution establishing the Revenue Financing System Commercial Paper Note Program; authorization for officers of U. T. System to complete all transactions related thereto; and resolution regarding parity debt</b> | 1:58 p.m.<br><b>Action</b><br><i>Mr. Hull</i> | <b>Action</b>        | <b>209</b>  |
| 9. <b>U. T. System Board of Regents: Approval of aggregate amount of \$213,200,000 of equipment financing for Fiscal Year 2016 and resolution regarding parity debt</b>   | 1:59 p.m.<br><b>Action</b><br><i>Mr. Hull</i> | <b>Action</b>        | <b>213</b>  |
| <b>Adjourn</b>  | 2:00 p.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 at the back of the book.

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

REPORT

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Key Financial Indicators Report set forth on [Pages 107 - 114](#) and the June Monthly Financial Report on [Pages 115 - 139](#). The reports represent the consolidated and individual operating detail of the U. T. System institutions.

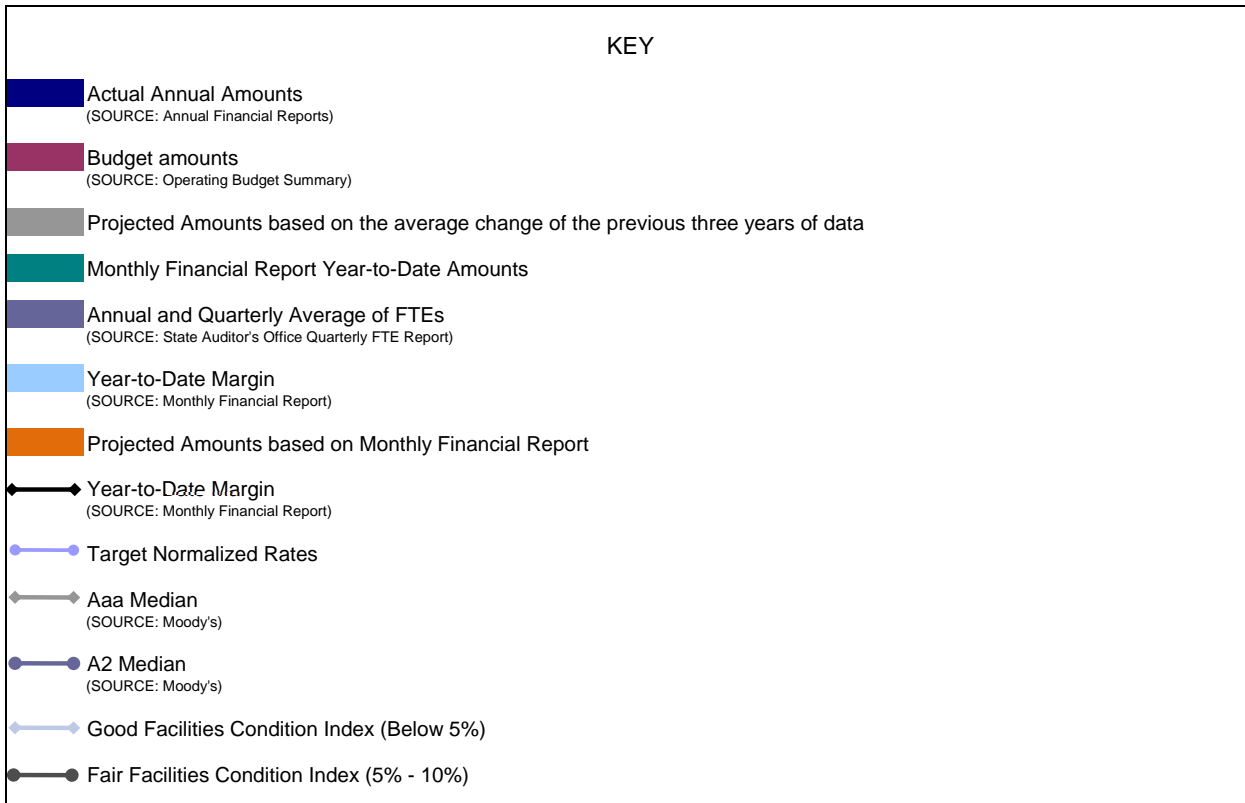
The Key Financial Indicators Report compares the Systemwide quarterly results of operations, key revenues and expenses, reserves, and key financial ratios in a graphical presentation from Fiscal Year 2011 through May 2015. Ratios requiring balance sheet data are provided for Fiscal Year 2010 through Fiscal Year 2014.

# THE UNIVERSITY OF TEXAS SYSTEM

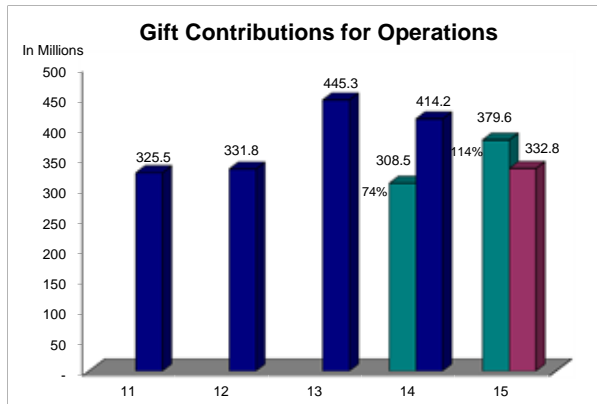
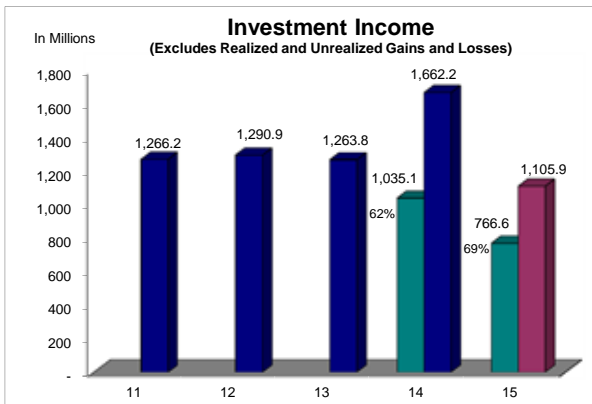
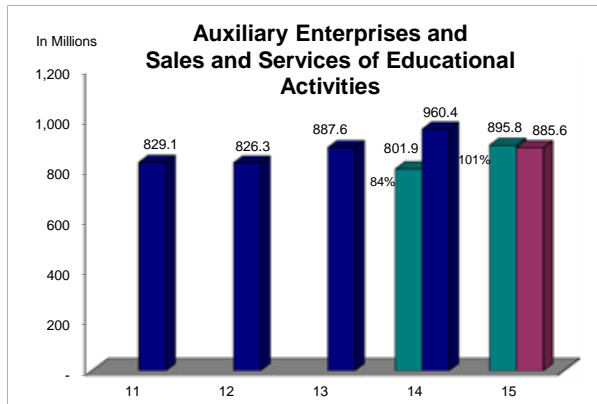
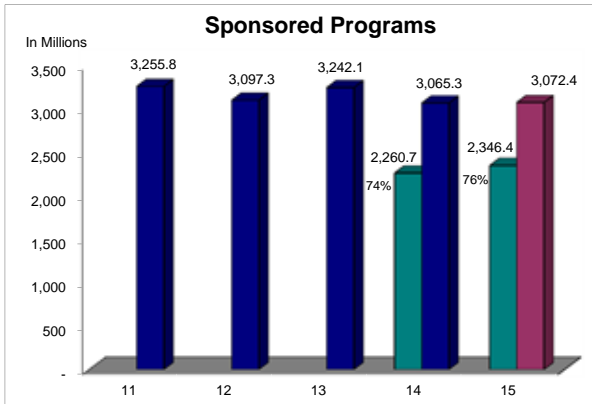
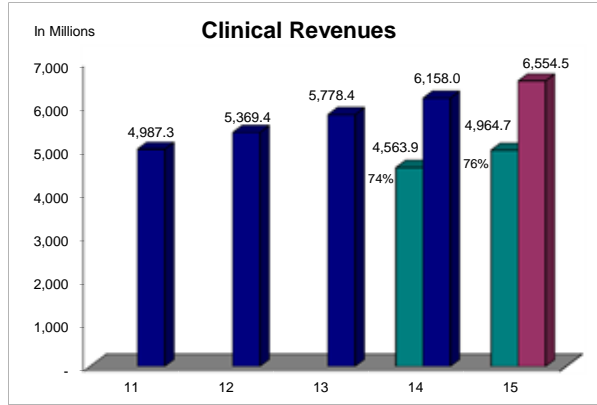
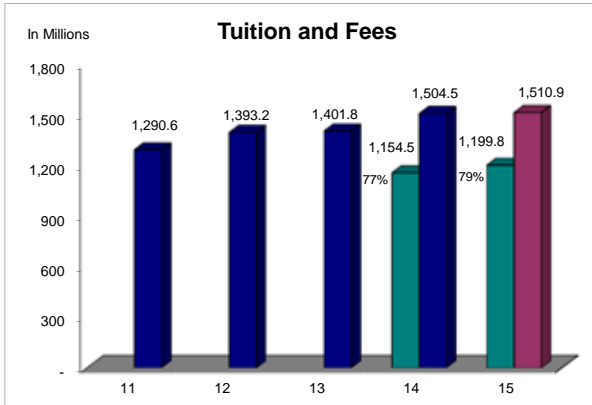
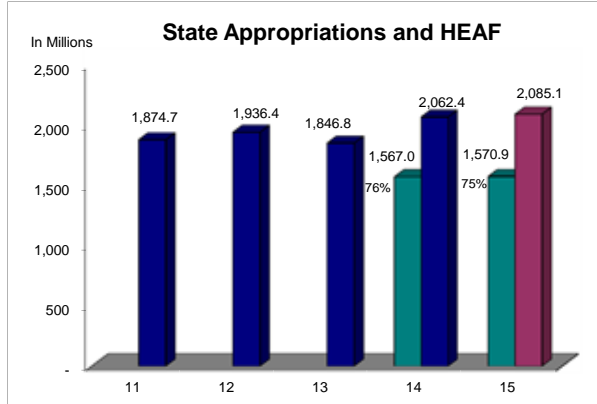
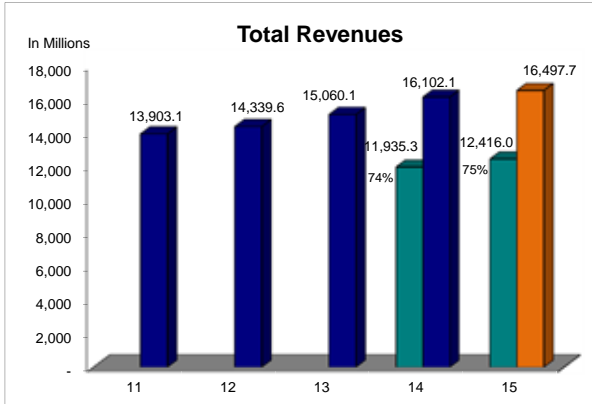


## KEY FINANCIAL INDICATORS REPORT

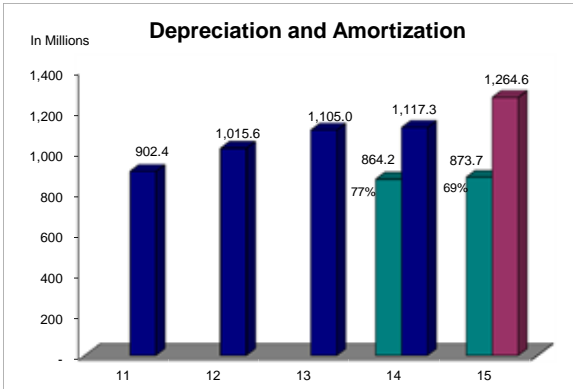
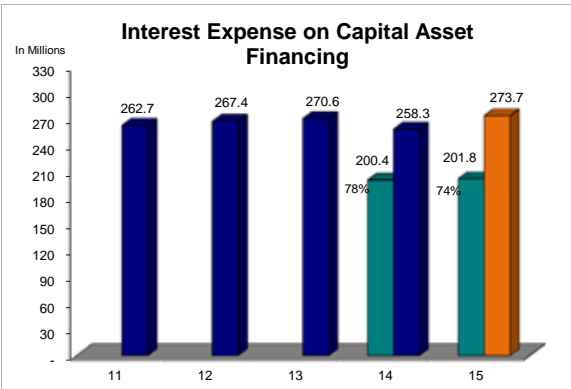
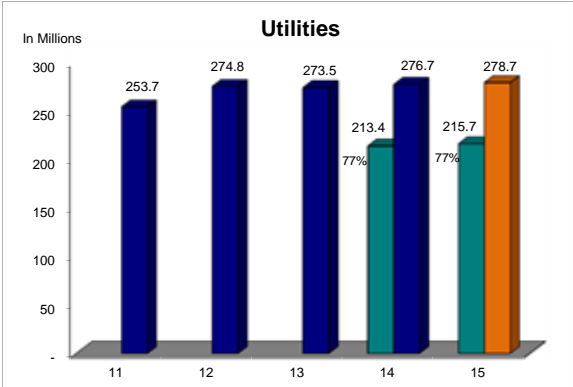
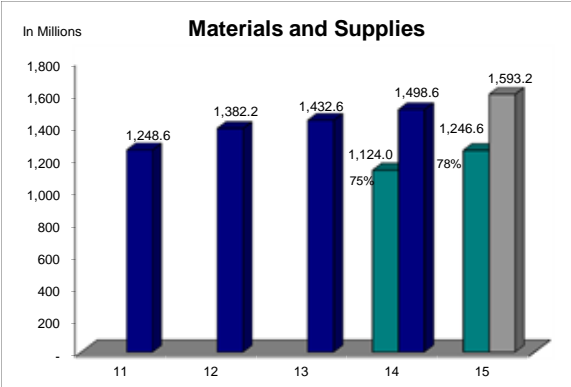
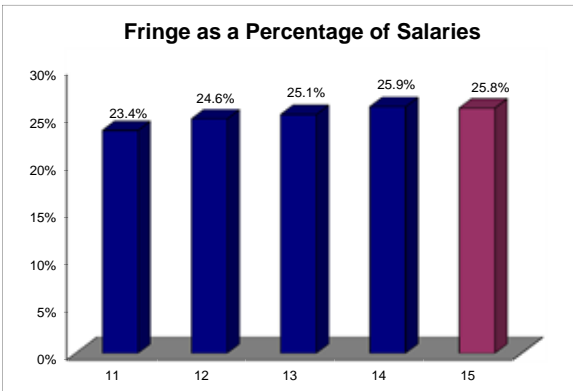
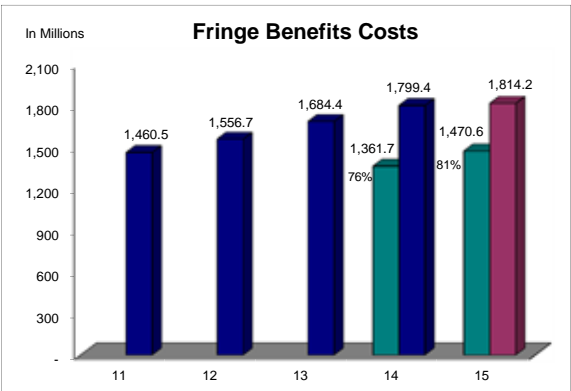
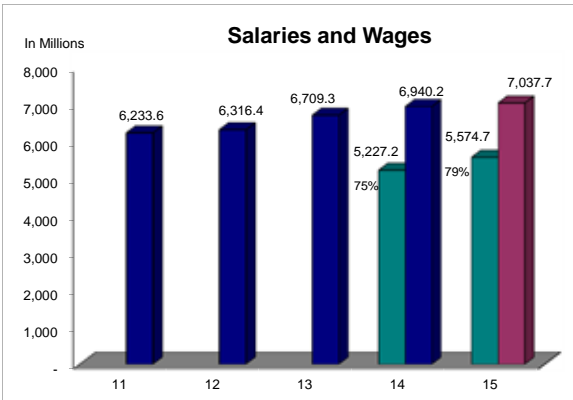
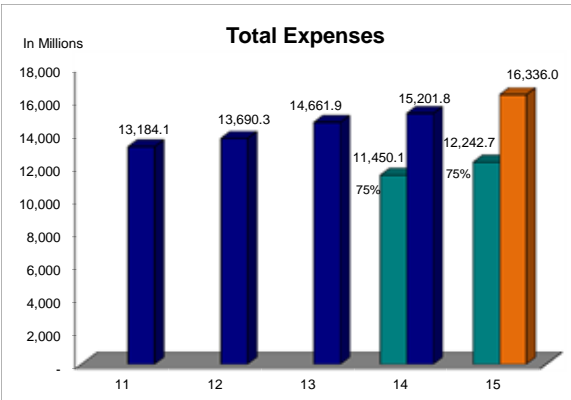
**MAY 2015**



**KEY INDICATORS OF REVENUES  
ACTUAL 2011 THROUGH 2014  
PROJECTED 2015  
YEAR-TO-DATE 2014 AND 2015 FROM MAY MONTHLY FINANCIAL REPORT**

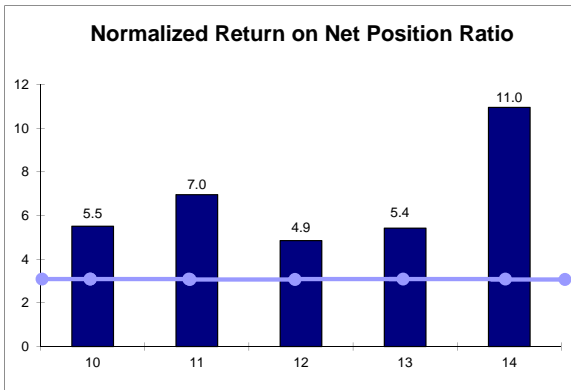
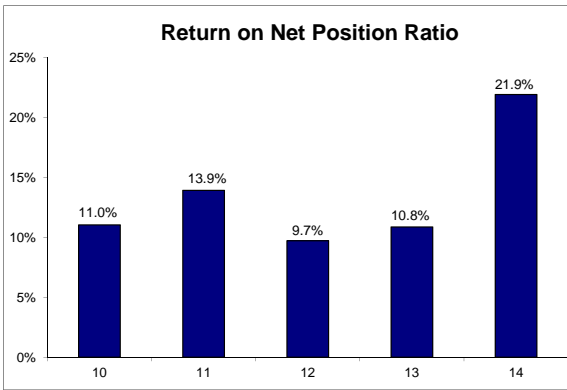
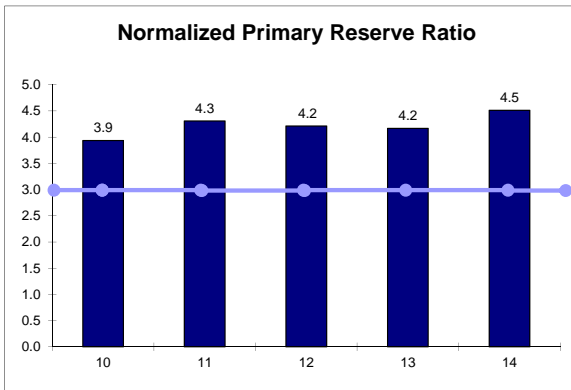
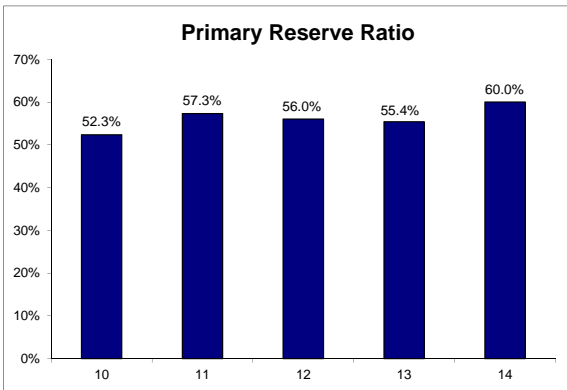
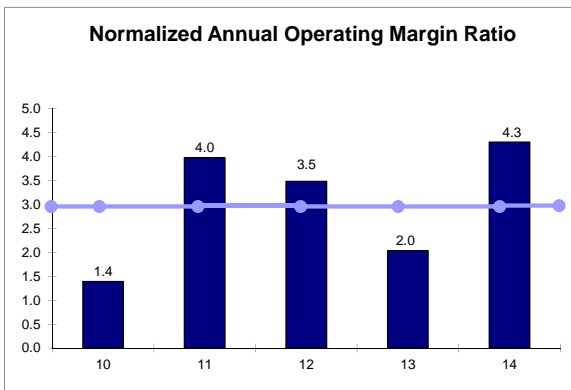
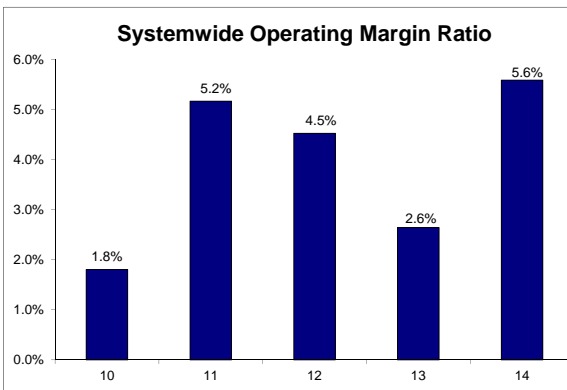
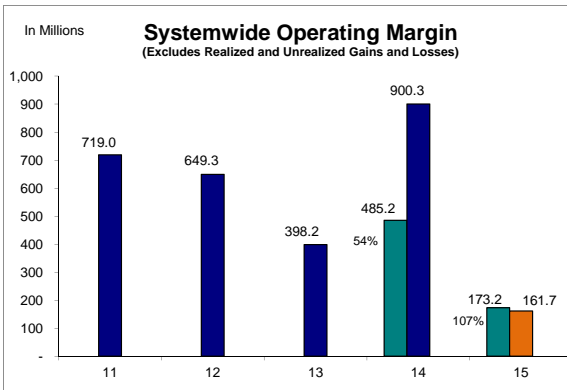


**KEY INDICATORS OF EXPENSES**  
**ACTUAL 2011 THROUGH 2014**  
**PROJECTED 2015**  
**YEAR-TO-DATE 2014 AND 2015 FROM MAY MONTHLY FINANCIAL REPORT**

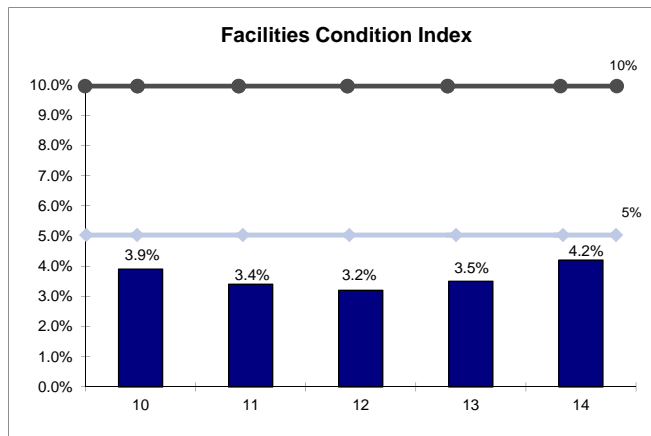
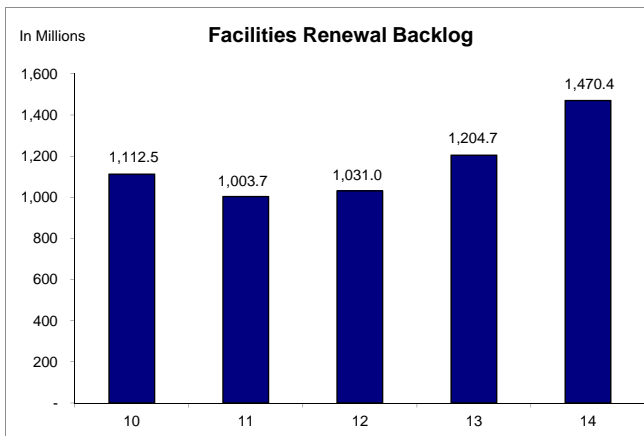
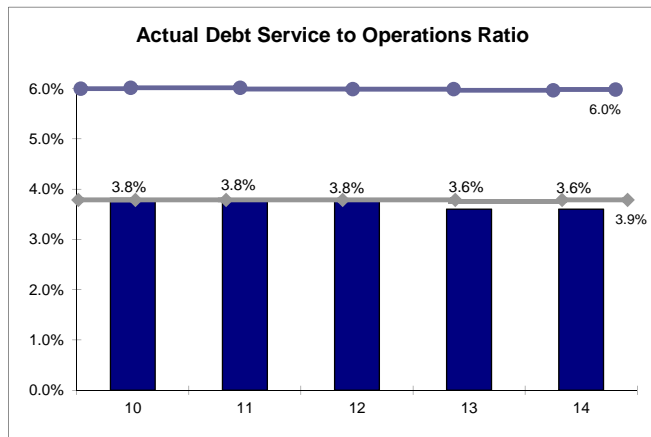
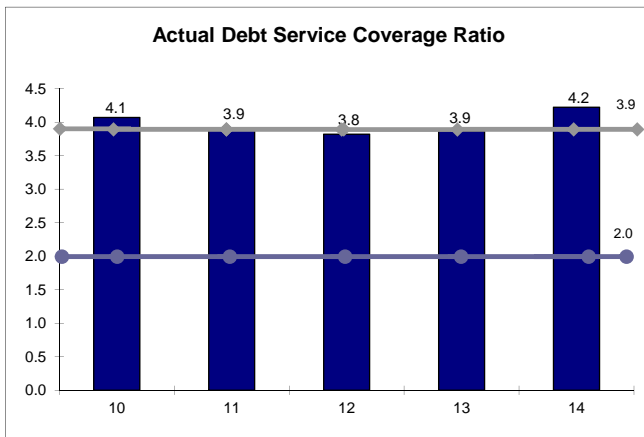
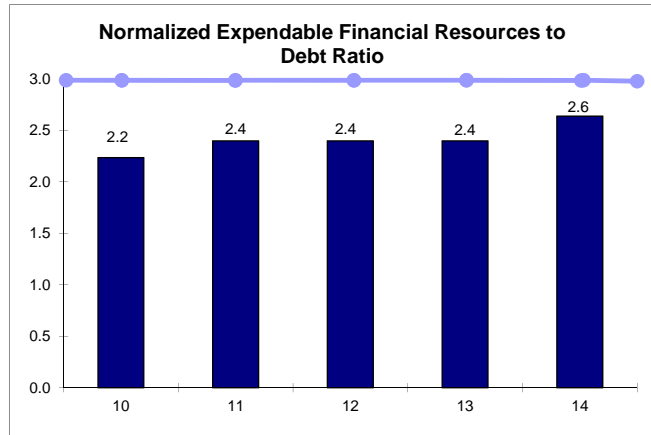
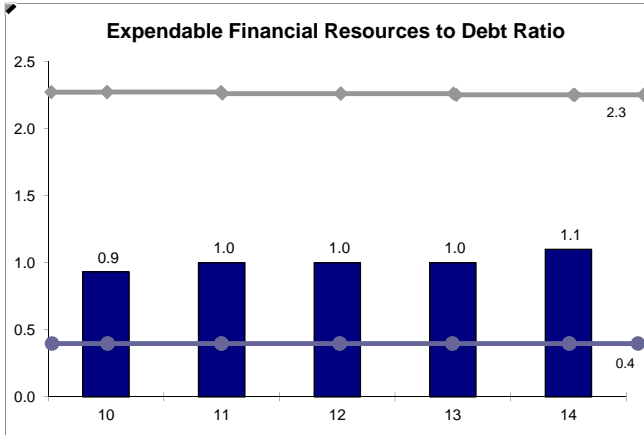




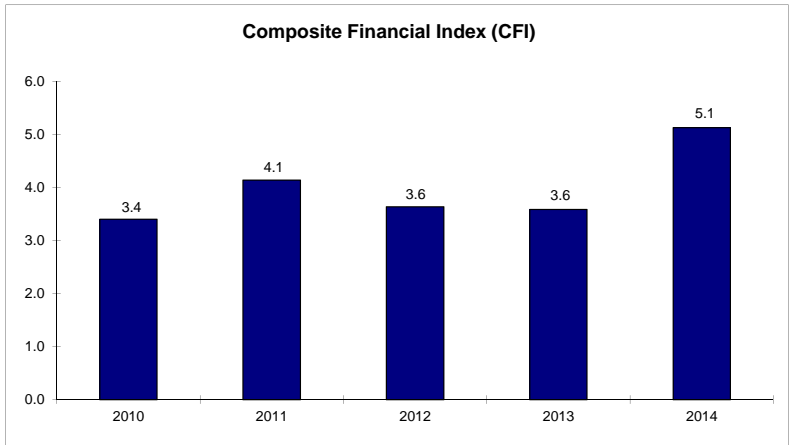
**KEY INDICATORS OF RESERVES**  
**ACTUAL 2010 THROUGH 2014**  
**PROJECTED 2015**  
**YEAR-TO-DATE 2014 AND 2015 FROM MAY MONTHLY FINANCIAL REPORT**



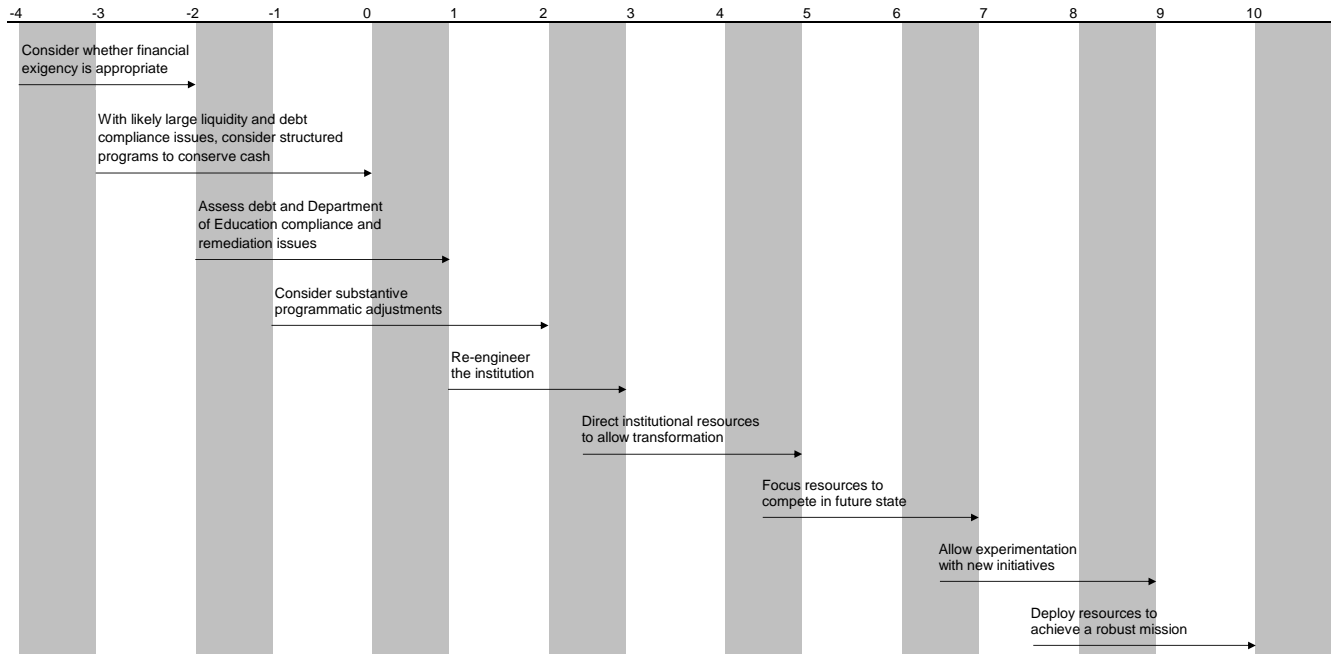
## KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY 2010 THROUGH 2014



**KEY INDICATORS OF FINANCIAL HEALTH  
2010 THROUGH 2014**

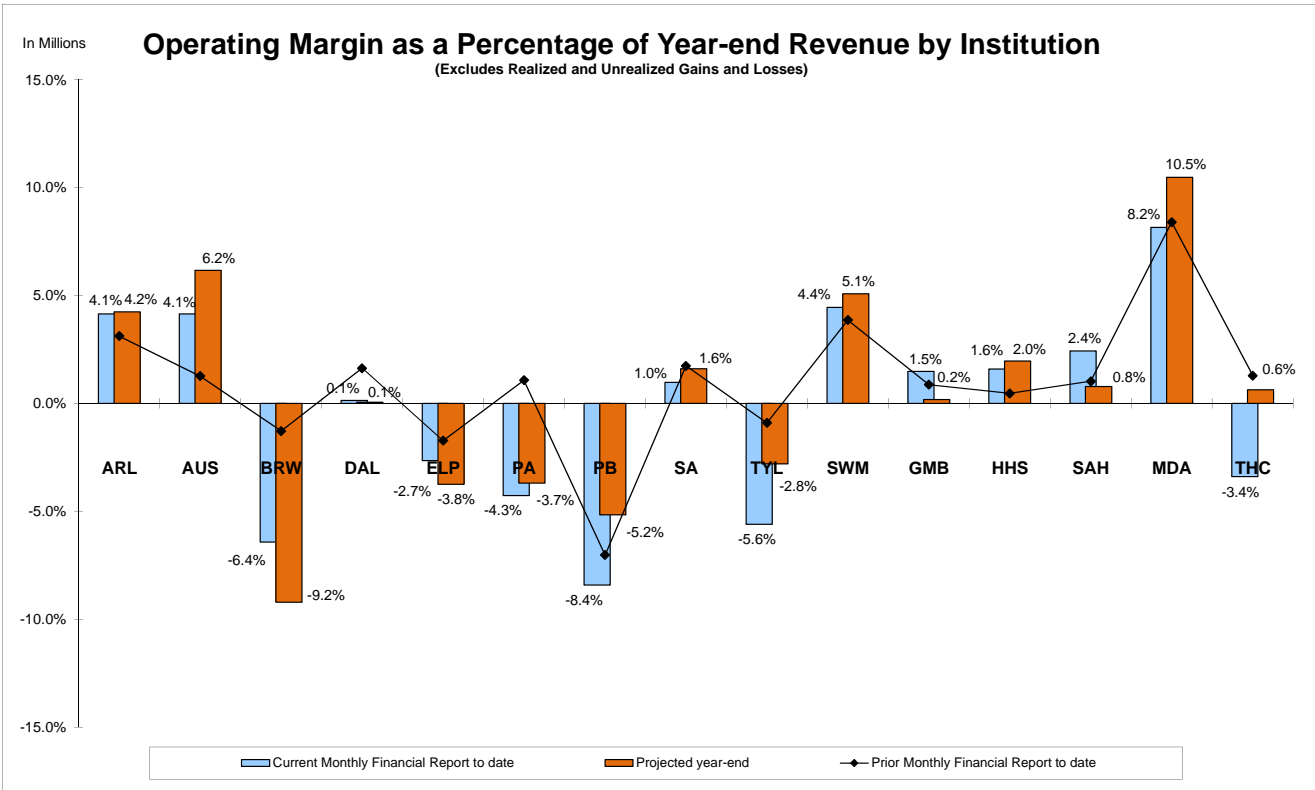
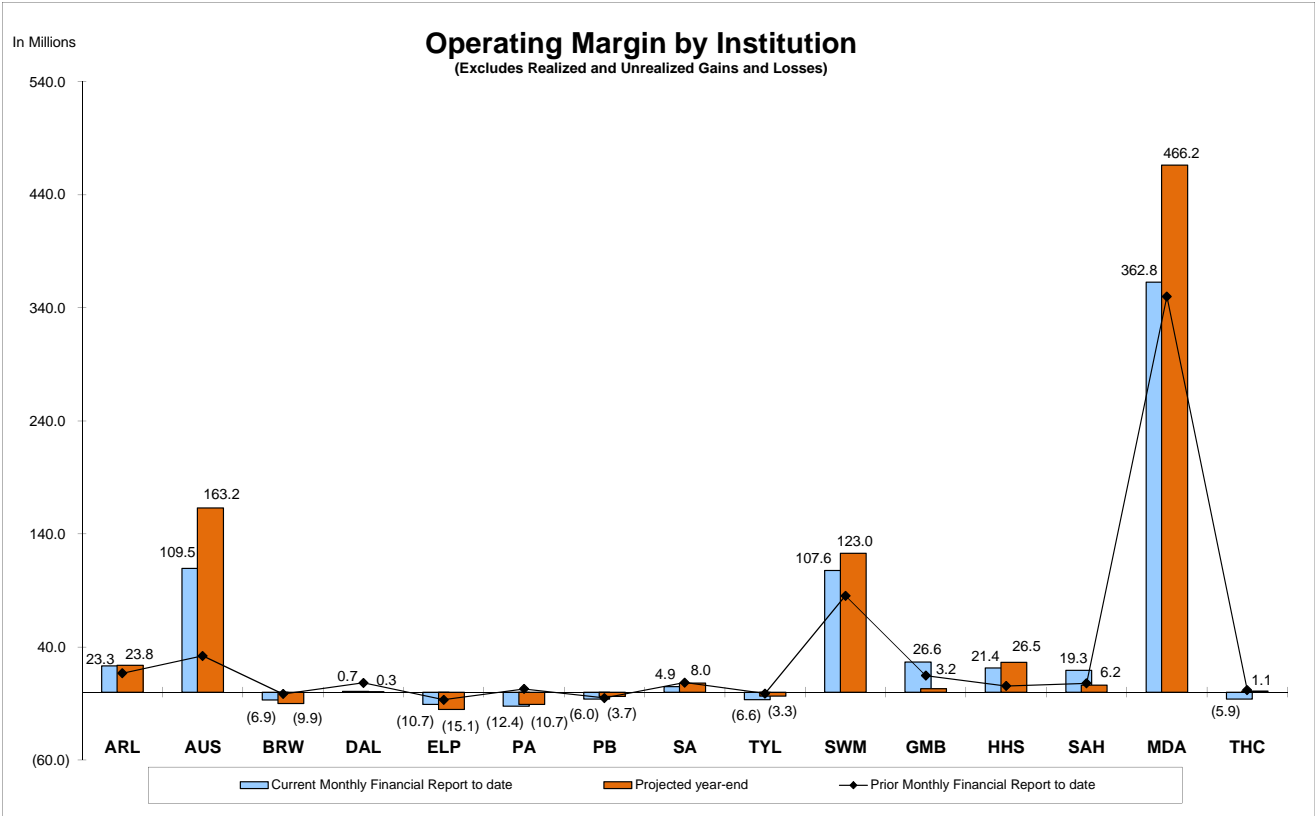


**Scale for Charting CFI Performance**



Source: Strategic Financial Analysis for Higher Education, Seventh Edition

## KEY INDICATORS OF RESERVES YEAR-TO-DATE 2014 AND 2015 FROM MAY MONTHLY FINANCIAL REPORT PROJECTED 2015 YEAR-END MARGIN



THE UNIVERSITY OF TEXAS SYSTEM  
OFFICE OF THE CONTROLLER

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MONTHLY FINANCIAL REPORT  
*(unaudited)*

JUNE 2015



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Austin, Texas 78701  
512.499.4527  
[www.utsystem.edu/cont](http://www.utsystem.edu/cont)

**THE UNIVERSITY OF TEXAS SYSTEM  
MONTHLY FINANCIAL REPORT  
(Unaudited)  
FOR THE TEN MONTHS ENDING  
June 30, 2015**

**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, 2015

|   | June<br>Year-to-Date<br>FY 2015 | June<br>Year-to-Date<br>FY 2014 | Variance                  | Fluctuation<br>Percentage |
|---|---------------------------------|---------------------------------|---------------------------|---------------------------|
| <b>Operating Revenues</b>   |                                 |                                 |                           |                           |
| Net Student Tuition and Fees  | 1,314,534,891.93                | 1,276,148,948.12                | 38,385,943.81             | 3.0%                      |
| Sponsored Programs  | 2,367,219,188.18                | 2,280,896,504.78                | 86,322,683.40             | 3.8%                      |
| Net Sales and Services of Educational Activities                        | 492,174,534.59                  | 446,840,775.85                  | 45,333,758.74             | 10.1%                     |
| Net Sales and Services of Hospitals                                     | 4,332,705,446.81                | 3,933,441,354.54                | 399,264,092.27            | 10.2%                     |
| Net Professional Fees   | 1,218,984,853.17                | 1,148,942,471.28                | 70,042,381.89             | 6.1%                      |
| Net Auxiliary Enterprises   | 485,969,333.59                  | 425,230,676.85                  | 60,738,656.74             | 14.3%                     |
| Other Operating Revenues  | 333,945,602.46                  | 272,247,950.78                  | 61,697,651.68             | 22.7%                     |
| <b>Total Operating Revenues</b>   | <b>10,545,533,850.73</b>        | <b>9,783,748,682.20</b>         | <b>761,785,168.53</b>     | <b>7.8%</b>               |
| <b>Operating Expenses</b>   |                                 |                                 |                           |                           |
| Salaries and Wages  | 6,204,427,297.46                | 5,803,765,365.63                | 400,661,931.83            | 6.9%                      |
| Payroll Related Costs   | 1,626,961,539.19                | 1,509,943,227.61                | 117,018,311.58            | 7.7%                      |
| Cost of Goods Sold  | 109,114,642.81                  | 93,952,208.80                   | 15,162,434.01             | 16.1%                     |
| Professional Fees and Services  | 347,321,961.03                  | 308,274,067.63                  | 39,047,893.40             | 12.7%                     |
| Other Contracted Services   | 627,476,858.46                  | 591,370,082.85                  | 36,106,775.61             | 6.1%                      |
| Travel  | 117,179,992.89                  | 111,500,278.41                  | 5,679,714.48              | 5.1%                      |
| Materials and Supplies  | 1,396,923,532.82                | 1,251,242,386.23                | 145,681,146.59            | 11.6%                     |
| Utilities   | 241,374,891.66                  | 239,468,757.22                  | 1,906,134.44              | 0.8%                      |
| Communications  | 94,804,981.01                   | 105,758,650.82                  | (10,953,669.81)           | -10.4%                    |
| Repairs and Maintenance   | 243,332,648.24                  | 213,359,206.16                  | 29,973,442.08             | 14.0%                     |
| Rentals and Leases  | 132,112,373.87                  | 124,010,267.87                  | 8,102,106.00              | 6.5%                      |
| Printing and Reproduction   | 29,408,428.98                   | 27,285,473.72                   | 2,122,955.26              | 7.8%                      |
| Bad Debt Expense  | 826,966.95                      | 1,942,726.64                    | (1,115,759.69)            | -57.4%                    |
| Claims and Losses   | 28,332,354.10                   | 32,113,481.69                   | (3,781,127.59)            | -11.8%                    |
| Increase in Net OPEB Obligation   | 466,558,504.17                  | 446,342,572.50                  | 20,215,931.67             | 4.5%                      |
| Scholarships and Fellowships  | 323,997,162.78                  | 343,566,573.02                  | (19,569,410.24)           | -5.7%                     |
| Depreciation and Amortization   | 972,153,263.80                  | 956,991,456.04                  | 15,161,807.76             | 1.6%                      |
| Federal Sponsored Program Pass-Through to Other State Agencies          | 18,334,626.59                   | 32,037,580.38                   | (13,702,953.79)           | -42.8%                    |
| State Sponsored Program Pass-Through to Other State Agencies            | 2,743,220.23                    | 4,300,100.62                    | (1,556,880.39)            | -36.2%                    |
| Other Operating Expenses  | 363,749,592.58                  | 311,562,759.96                  | 52,186,832.62             | 16.8%                     |
| Impairment of Capital Assets  | 1,083,705.17                    | -                               | 1,083,705.17              | 100.0%                    |
| <b>Total Operating Expenses</b>   | <b>13,348,218,544.79</b>        | <b>12,508,787,223.80</b>        | <b>839,431,320.99</b>     | <b>6.7%</b>               |
| <b>Operating Loss</b>   | <b>(2,802,684,694.06)</b>       | <b>(2,725,038,541.60)</b>       | <b>(77,646,152.46)</b>    | <b>-2.8%</b>              |
| <b>Other Nonoperating Adjustments</b>                                   |                                 |                                 |                           |                           |
| State Appropriations  | 1,740,011,658.35                | 1,734,858,273.76                | 5,153,384.59              | 0.3%                      |
| Nonexchange Sponsored Programs  | 239,616,752.19                  | 239,715,406.92                  | (98,654.73)               | -                         |
| Gift Contributions for Operations                                       | 405,733,125.68                  | 344,344,527.40                  | 61,388,598.28             | 17.8%                     |
| Net Investment Income   | 975,869,659.75                  | 1,192,731,111.09                | (216,861,451.34)          | -18.2%                    |
| Interest Expense on Capital Asset Financings                            | (225,260,988.59)                | (220,664,299.46)                | (4,596,689.13)            | -2.1%                     |
| <b>Net Other Nonoperating Adjustments</b>                               | <b>3,135,970,207.38</b>         | <b>3,290,985,019.71</b>         | <b>(155,014,812.33)</b>   | <b>-4.7%</b>              |
| <b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b> | <b>333,285,513.32</b>           | <b>565,946,478.11</b>           | <b>(232,660,964.79)</b>   | <b>-41.1%</b>             |
| <b>Adjusted Margin % including Depreciation &amp; Amortization</b>      | <b>2.4%</b>                     | <b>4.3%</b>                     |                           |                           |
| Investment Gain (Losses)  | 294,373,707.44                  | 3,764,688,807.34                | (3,470,315,099.90)        | -92.2%                    |
| <b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>                  | <b>627,659,220.76</b>           | <b>4,330,635,285.45</b>         | <b>(3,702,976,064.69)</b> | <b>-85.5%</b>             |
| <b>Adj. Margin % with Investment Gains (Losses)</b>                     | <b>4.4%</b>                     | <b>25.4%</b>                    |                           |                           |
| <b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b> | <b>1,305,438,777.12</b>         | <b>1,522,937,934.15</b>         | <b>(217,499,157.03)</b>   | <b>-14.3%</b>             |
| <b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>      | <b>9.4%</b>                     | <b>11.5%</b>                    |                           |                           |



**The University of Texas System**  
**Comparison of Adjusted Income (Loss)**  
**For the Ten Months Ending June 30, 2015**

|  | <b>Including Depreciation and Amortization Expense</b> |                                   |                                     |                           |
|--|--|-----------------------------------|-------------------------------------|---------------------------|
|  | June   | June                              | Variance                            | Fluctuation<br>Percentage |
|  | Year-to-Date<br>FY 2015                                | Year-to-Date<br>FY 2014           |                                     |                           |
| U. T. System Administration  | \$ (230,871,955.11)                                    | \$ 170,167,657.13                 | (401,039,612.24) (1)                | -235.7%                   |
| U. T. Arlington  | 21,130,009.48  | 17,525,961.58                     | 3,604,047.90 (2)                    | 20.6%                     |
| U. T. Austin   | 110,709,191.36   | 29,064,895.15                     | 81,644,296.21 (3)                   | 280.9%                    |
| U. T. Brownsville  | (7,562,339.26)   | (1,750,004.94)                    | (5,812,334.32) (4)                  | -332.1%                   |
| U. T. Dallas   | (6,566,636.61)   | 9,674,102.56                      | (16,240,739.17) (5)                 | -167.9%                   |
| U. T. El Paso  | (11,969,498.45)  | (7,540,492.84)                    | (4,429,005.61) (6)                  | -58.7%                    |
| U. T. Pan American   | (12,125,947.57)  | 1,936,370.45                      | (14,062,318.02) (7)                 | -726.2%                   |
| U. T. Permian Basin  | (6,982,120.86)   | (4,098,885.32)                    | (2,883,235.54) (8)                  | -70.3%                    |
| U. T. San Antonio  | 6,905,517.88   | 11,370,289.14                     | (4,464,771.26) (9)                  | -39.3%                    |
| U. T. Tyler  | (4,884,009.45)   | (1,883,686.66)                    | (3,000,322.79) (10)                 | -159.3%                   |
| U. T. Southwestern Medical Center  | 121,320,043.42   | 99,920,390.60                     | 21,399,652.82 (11)                  | 21.4%                     |
| U. T. Medical Branch - Galveston   | 18,199,587.21  | 17,661,025.84                     | 538,561.37                          | 3.0%                      |
| U. T. Health Science Center - Houston  | 20,534,253.28  | 14,122,504.17                     | 6,411,749.11 (12)                   | 45.4%                     |
| U. T. Health Science Center - San Antonio  | 20,783,557.91  | 18,659,193.38                     | 2,124,364.53                        | 11.4%                     |
| U. T. M. D. Anderson Cancer Center   | 526,835,489.22   | 389,778,256.21                    | 137,057,233.01 (13)                 | 35.2%                     |
| U. T. Health Science Center - Tyler  | (8,467,827.37)   | (1,326,661.67)                    | (7,141,165.70) (14)                 | -538.3%                   |
| Elimination of AUF Transfer  | (223,701,801.76)                                       | (197,334,436.67)                  | (26,367,365.09)                     | -13.4%                    |
| Total Adjusted Income (Loss)   | <u>333,285,513.32</u>                                  | <u>565,946,478.11</u>             | <u>(232,660,964.79)</u>             | <u>-41.1%</u>             |
| Investment Gains (Losses)  | 294,373,707.44   | 3,764,688,807.34                  | (3,470,315,099.90)                  | -92.2%                    |
| <b>Total Adjusted Income (Loss) with<br/>Investment Gains (Losses) Including<br/>Depreciation and Amortization</b> | <b><u>\$ 627,659,220.76</u></b>                        | <b><u>\$ 4,330,635,285.45</u></b> | <b><u>\$ (3,702,976,064.69)</u></b> | <b><u>-85.5%</u></b>      |

|   | <b>Excluding Depreciation and Amortization Expense</b> |                                   |                                   |                           |
|---|--|-----------------------------------|-----------------------------------|---------------------------|
|   | June   | June                              | Variance                          | Fluctuation<br>Percentage |
|   | Year-to-Date<br>FY 2015                                | Year-to-Date<br>FY 2014           |                                   |                           |
| U. T. System Administration   | \$ (217,424,289.32)                                    | \$ 175,514,283.61                 | (392,938,572.93)                  | -223.9%                   |
| U. T. Arlington   | 58,471,519.75  | 54,695,979.28                     | 3,775,540.47                      | 6.9%                      |
| U. T. Austin  | 310,709,191.36   | 280,731,561.82                    | 29,977,629.54                     | 10.7%                     |
| U. T. Brownsville   | (503,319.80)   | 5,293,694.12                      | (5,797,013.92)                    | -109.5%                   |
| U. T. Dallas  | 41,450,994.99  | 53,374,210.66                     | (11,923,215.67)                   | -22.3%                    |
| U. T. El Paso   | 12,693,383.88  | 15,930,769.61                     | (3,237,385.73)                    | -20.3%                    |
| U. T. Pan American  | 3,286,923.22   | 15,166,372.24                     | (11,879,449.02)                   | -78.3%                    |
| U. T. Permian Basin   | 3,876,709.76   | 6,692,781.35                      | (2,816,071.59)                    | -42.1%                    |
| U. T. San Antonio   | 47,384,444.03  | 49,965,959.23                     | (2,581,515.20)                    | -5.2%                     |
| U. T. Tyler   | 5,151,967.42   | 7,657,945.27                      | (2,505,977.85)                    | -32.7%                    |
| U. T. Southwestern Medical Center   | 250,989,220.67   | 197,488,059.87                    | 53,501,160.80                     | 27.1%                     |
| U. T. Medical Branch - Galveston  | 103,216,090.64   | 104,347,237.60                    | (1,131,146.96)                    | -1.1%                     |
| U. T. Health Science Center - Houston   | 70,175,810.92  | 61,974,953.98                     | 8,200,856.94                      | 13.2%                     |
| U. T. Health Science Center - San Antonio                                       | 64,533,557.91  | 60,325,860.05                     | 4,207,697.86                      | 7.0%                      |
| U. T. M. D. Anderson Cancer Center  | 774,179,942.10   | 624,096,547.27                    | 150,083,394.83                    | 24.0%                     |
| U. T. Health Science Center - Tyler   | 948,431.35   | 7,016,154.86                      | (6,067,723.51)                    | -86.5%                    |
| Elimination of AUF Transfer   | (223,701,801.76)                                       | (197,334,436.67)                  | (26,367,365.09)                   | -13.4%                    |
| Total Adjusted Income (Loss)  | <u>1,305,438,777.12</u>                                | <u>1,522,937,934.15</u>           | <u>(217,499,157.03)</u>           | <u>-14.3%</u>             |
| <b>Total Adjusted Income (Loss) Excluding<br/>Depreciation and Amortization</b> | <b><u>\$ 1,305,438,777.12</u></b>                      | <b><u>\$ 1,522,937,934.15</u></b> | <b><u>\$ (217,499,157.03)</u></b> | <b><u>-14.3%</u></b>      |

THE UNIVERSITY OF TEXAS SYSTEM  
EXPLANATION OF VARIANCES ON THE MONTHLY FINANCIAL REPORT  
For the Ten Months Ending June 30, 2015

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 \$401.0 million (235.7%) increase in adjusted loss as compared to adjusted income for the same period last year was primarily due to a decrease in oil royalties and the lack of mineral lease bonus sales in 2015, which are a component of net investment income. Also contributing to the variance was a decrease in sponsored program revenue received for the 2014-2015 biennium for the Joint Admission Medical Program as it was all recognized in 2014. U. T. System Administration incurred a year-to-date loss of \$230.9 million as a result of these factors, as well as a \$466.6 million accrual for Other Postemployment Benefits (OPEB) expense for the entire U. T. System. Excluding depreciation and amortization expense, U. T. System Administration's adjusted loss was \$217.4 million or -46.5% of revenues. U. T. System Administration anticipates ending the year with a \$285.9 million loss, -51.8% of projected revenues, and includes \$16.3 million of depreciation and amortization expense, as well as a \$559.9 million accrual for OPEB.
- (2) U. T. Arlington - The \$3.6 million (20.6%) increase in adjusted income over the same period last year was primarily attributable to an increase in gift contributions for operations due to a large gift received for the Institute of Research Technology, as well as the receipt of a trust distribution. Excluding depreciation and amortization expense, U. T. Arlington's adjusted income was \$58.5 million or 12.7% of revenues.
- (3) U. T. Austin - The \$81.6 million (280.9%) increase in adjusted income over the same period last year was primarily attributable to the following: a decrease in depreciation and amortization expense as a result of gifted software licenses that were fully amortized in 2014; a decrease in scholarships and fellowships expense due to a lower estimate used in 2015 to more closely approximate the 2014 actual results; and an increase in the funding from the Available University Fund primarily for operations and the new medical school. Excluding depreciation and amortization expense, U. T. Austin's adjusted income was \$310.7 million or 13.6% of revenues.
- (4) U. T. Brownsville - The \$5.8 million (332.1%) increase in adjusted loss over the same period last year was primarily attributable to \$3.5 million of U. T. Rio Grande Valley related expenses and a decrease in student enrollment. As a result of these factors, U. T. Brownsville incurred a year-to-date loss of \$7.6 million. Excluding depreciation and amortization expense, U. T. Brownsville's adjusted loss was \$503,000 or -0.5% of revenues. U. T. Brownsville anticipates ending the year with a \$9.9 million loss, -9.2% of projected revenues, and includes \$8.4 million of depreciation and amortization expense.
- (5) U. T. Dallas - The \$16.2 million (167.9%) increase in adjusted loss as compared to adjusted income for the same period last year was primarily attributable to the following: a decrease in gifts for operations as a result of two large gifts received in 2014 with no comparable gifts in 2015; an increase in materials and supplies due to increases in electronic access publications and computer software license renewals; and an increase in interest expense due to campus renovations. As a result, U. T. Dallas incurred a year-to-date loss of \$6.6 million. Excluding depreciation and amortization expense, U. T. Dallas's adjusted income was \$41.5 million or 9.2% of revenues. U. T. Dallas anticipates ending the year with a \$9.8 million loss, -1.8% of projected revenues, and includes \$58.1 million of depreciation and amortization expense.
- (6) U. T. El Paso - The \$4.4 million (58.7%) increase in adjusted loss as compared to the same period last year was attributable to an increase in tuition exemption scholarship expense, primarily related to the Hazelwood and Hazelwood Legacy programs. Also contributing to the variance were the following: an increase in salaries and wages due to a 2.5% merit pool increase implemented in 2015; and an increase in depreciation expense related to the rapid growth of buildings and research infrastructure on campus. As a result, U. T. El Paso incurred a year-to-date loss of \$12.0 million. Excluding depreciation and amortization expense, U. T. El Paso's adjusted income was \$12.7 million or 4.0% of revenues. U. T. El Paso anticipates ending the year with a \$14.5 million loss, -3.6% of projected revenues, and includes \$30.1 million of depreciation and amortization expense.
- (7) U. T. Pan American - The \$14.1 million (726.2%) increase in adjusted loss as compared to adjusted income for the same period last year was primarily due to the following: an increase in salaries and wages and payroll related expense partially due to the addition of U. T. Rio Grande Valley salaries in anticipation of the opening of the new school in the fall of 2015; an increase in materials and supplies attributable to the purchase of furniture and equipment not meeting the threshold for capitalization, Blackboard Managed Hosting Storage, and U. T. Rio Grande Valley associated expenses; an increase in depreciation expense resulting from the Fine Arts Complex and the Student Academic Center which were placed into service late in 2014; an increase in other contracted services largely due to expenses incurred for U. T. Rio Grande Valley; and an increase in utilities expense as a result of increased utility rates and usage. As a result, U. T. Pan American incurred a year-to-date loss of \$12.1 million. Excluding depreciation and amortization expense, U. T. Pan American's adjusted income was \$3.3 million or 1.6% of revenues. Partially due

to costs related to the new *U. T. Rio Grande Valley* medical school, *U. T. Pan American* anticipates ending the year with a \$9.0 million loss, -3.2% of projected revenues, and includes \$19.1 million of depreciation and amortization expense.

- (8) *U. T. Permian Basin* - The \$2.9 million (70.3%) increase in adjusted loss over the same period last year was primarily attributable to the following: a decrease in net auxiliary enterprises revenue as a result of housing revenue received in August 2014 for the fall of 2015 which was not deferred; an increase in salaries and wages as a result of merit increases and additional adjunct faculty to support enrollment growth; and an increase in other contracted services attributable to increased payments for food service, a long-term contract on a sponsored program and increased costs for cleaning services at the Noel Wagner Performing Arts Center. Partially offsetting the negative impact of these items on the operating margin was an increase in gift contributions for operations as a result of gifts received in 2015 for football. As a result of these factors, *U. T. Permian Basin* incurred a year-to-date loss of \$7.0 million. Excluding depreciation and amortization expense, *U. T. Permian Basin's* adjusted income was \$3.9 million or 6.4% of revenues. *U. T. Permian Basin* anticipates ending the year with a \$6.8 million loss, -9.5% of projected revenues, and includes \$13.5 million of depreciation and amortization expense.
- (9) *U. T. San Antonio* - The \$4.5 million (39.3%) decrease in adjusted income over the same period last year was primarily attributable to an increase in other contracted services due to an increase in contracted services on a San Antonio Life Sciences Institute project with *UTHSC-San Antonio*, as well as increased purchased/contracted services for dining and various payments related to football, and an increase in materials and supplies for furnishings and equipment purchased for the North Paseo Building not meeting threshold for capitalization. Professional fees and services also increased primarily as a result of consultants hired to provide assistance and expertise on PeopleSoft. Excluding depreciation and amortization expense, *U. T. San Antonio's* adjusted income was \$47.4 million or 11.3% of revenues.
- (10) *U. T. Tyler* - The \$3.0 million (159.3%) increase in adjusted loss over the same period last year was primarily attributable to the following: an increase in salaries and wages expense driven by merit and market increases; an increase in professional fees and services due to increased marketing plans and advertising; an increase in materials and supplies due to purchases of computer parts and equipment not meeting the threshold for capitalization; and a decrease in gift contributions for operations due to a large gift received in 2014 with no comparable gifts received thus far in 2015. As a result, *U. T. Tyler* incurred a year-to-date loss of \$4.9 million. Excluding depreciation and amortization expense, *U. T. Tyler's* adjusted income was \$5.2 million or 5.2% of revenues. *U. T. Tyler* anticipates ending the year with a \$3.9 million loss, -3.3% of projected revenues, and includes \$12.0 million of depreciation and amortization expense.
- (11) *U. T. Southwestern Medical Center* - The \$21.4 million (21.4%) increase in adjusted income over the same period last year was primarily attributable to an increase in gift contributions for operations due to a multi-year pledge received from the Hamon Charitable Foundation in support of the Advanced Imaging Research Center, as well as a pledge received in April to establish a new bioinformatics department. Excluding depreciation and amortization expense, *Southwestern's* adjusted income was \$251.0 million or 12.3% of revenues.
- (12) *U. T. Health Science Center - Houston* - The \$6.4 million (45.4%) increase in adjusted income as compared to the same period last year was primarily attributable to an increase in gift contributions for operations due to new pledges in 2015 for stem cell therapeutics research. Excluding depreciation and amortization expense, *UTHSC-Houston's* adjusted income was \$70.2 million or 6.2% of revenues.
- (13) *U. T. M. D. Anderson Cancer Center* - The \$137.1 million (35.2%) increase in adjusted income as compared to the same period last year was primarily attributable to an increase in net investment income generated by shares of technology stocks in Ziopharm Oncology Inc. and Intrexon Corporation received in consideration for licenses created by *M. D. Anderson*. Excluding depreciation and amortization expense, *M. D. Anderson's* adjusted income was \$774.2 million or 20.4% of revenues.
- (14) *U. T. Health Science Center - Tyler* - The \$7.1 million (538.3%) increase in adjusted loss as compared to the same period last year was primarily attributable to the following: \$17.3 million of Delivery System Reform Incentive Payment (DSRIP) revenue recognized in 2015, as compared to \$21.0 million of DSRIP revenue recognized as of June 2014; an increase in salaries and wages and payroll related expense due to the addition of new faculty and staff for psychiatric programs; and an accrual of \$2.4 million of Upper Payment Limit repayments as a result of Texas Health and Human Services Commission incorrectly calculating supplemental payments in accordance with Federal regulations and the State plan. As a result of these factors, *UTHSC-Tyler* incurred a year-to-date loss of \$8.5 million. Excluding depreciation and amortization expense, *UTHSC-Tyler's* adjusted income was \$948,000 or 0.7% of revenues. *UTHSC-Tyler* anticipates ending the year with a positive margin of \$1.1 million as a result of achieving DSRIP milestones for recognition in August. This represents 0.6% of projected revenues and includes \$11.3 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, 2015

|   | June<br>Year-to-Date<br>FY 2015 | June<br>Year-to-Date<br>FY 2014 | Variance                  | Fluctuation<br>Percentage |
|---|---------------------------------|---------------------------------|---------------------------|---------------------------|
| <b>Operating Revenues</b>   |                                 |                                 |                           |                           |
| Sponsored Programs  | 11,562,183.54                   | 18,535,996.90                   | (6,973,813.36)            | -37.6%                    |
| Net Sales and Services of Educational Activities  | 24,968,789.28                   | 15,590,989.80                   | 9,377,799.48              | 60.1%                     |
| Other Operating Revenues  | 17,854,904.80                   | 27,984,258.47                   | (10,129,353.67)           | -36.2%                    |
| <b>Total Operating Revenues</b>   | <b>54,385,877.62</b>            | <b>62,111,245.17</b>            | <b>(7,725,367.55)</b>     | <b>-12.4%</b>             |
| <b>Operating Expenses</b>   |                                 |                                 |                           |                           |
| Salaries and Wages  | 48,622,264.37                   | 34,041,884.40                   | 14,580,379.97             | 42.8%                     |
| Payroll Related Costs   | 11,879,118.37                   | 8,734,024.05                    | 3,145,094.32              | 36.0%                     |
| Professional Fees and Services  | 10,967,303.49                   | 3,598,815.02                    | 7,368,488.47              | 204.7%                    |
| Other Contracted Services   | 19,876,638.60                   | 21,025,910.74                   | (1,149,272.14)            | -5.5%                     |
| Travel  | 1,276,481.69                    | 947,164.75                      | 329,316.94                | 34.8%                     |
| Materials and Supplies  | 6,516,750.63                    | 6,387,025.66                    | 129,724.97                | 2.0%                      |
| Utilities   | 360,160.72                      | 469,980.14                      | (109,819.42)              | -23.4%                    |
| Communications  | 6,031,268.25                    | 3,509,853.94                    | 2,521,414.31              | 71.8%                     |
| Repairs and Maintenance   | 7,620,435.20                    | 4,139,205.38                    | 3,481,229.82              | 84.1%                     |
| Rentals and Leases  | 3,175,462.73                    | 762,013.19                      | 2,413,449.54              | 316.7%                    |
| Printing and Reproduction   | 411,558.02                      | 133,342.33                      | 278,215.69                | 208.6%                    |
| Claims and Losses   | 28,332,354.10                   | 32,113,481.69                   | (3,781,127.59)            | -11.8%                    |
| Increase in Net OPEB Obligation   | 466,558,504.17                  | 446,342,572.50                  | 20,215,931.67             | 4.5%                      |
| Scholarships and Fellowships  | 709,084.94                      | 887,200.00                      | (178,115.06)              | -20.1%                    |
| Depreciation and Amortization   | 13,447,665.79                   | 5,346,626.48                    | 8,101,039.31              | 151.5%                    |
| State Sponsored Program Pass-Through to Other State Agencies                              | 1,935,024.35                    | 1,833,098.30                    | 101,926.05                | 5.6%                      |
| Other Operating Expenses  | 18,659,070.45                   | 19,050,526.16                   | (391,455.71)              | -2.1%                     |
| <b>Total Operating Expenses</b>   | <b>646,379,145.87</b>           | <b>589,322,724.73</b>           | <b>57,056,421.14</b>      | <b>9.7%</b>               |
| <b>Operating Loss</b>   | <b>(591,993,268.25)</b>         | <b>(527,211,479.56)</b>         | <b>(64,781,788.69)</b>    | <b>-12.3%</b>             |
| <b>Other Nonoperating Adjustments</b>   |                                 |                                 |                           |                           |
| State Appropriations  | 1,360,850.39                    | 10,328,536.93                   | (8,967,686.54)            | -86.8%                    |
| Nonexchange Sponsored Programs  | 15,804,542.49                   | 15,893,279.73                   | (88,737.24)               | -0.6%                     |
| Gift Contributions for Operations   | 43,667,059.58                   | 1,171,804.70                    | 42,495,254.88             | 3,626.5%                  |
| Net Investment Income   | 256,039,935.27                  | 679,108,027.42                  | (423,068,092.15)          | -62.3%                    |
| Interest Expense on Capital Asset Financings  | (51,600,216.23)                 | (49,627,407.92)                 | (1,972,808.31)            | -4.0%                     |
| <b>Net Other Nonoperating Adjustments</b>   | <b>265,272,171.50</b>           | <b>656,874,240.86</b>           | <b>(391,602,069.36)</b>   | <b>-59.6%</b>             |
| <b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>                   | <b>(326,721,096.75)</b>         | <b>129,662,761.30</b>           | <b>(456,383,858.05)</b>   | <b>-352.0%</b>            |
| <b>Adjusted Margin % including Depreciation &amp; Amortization</b>                        | <b>-88.0%</b>                   | <b>16.9%</b>                    |                           |                           |
| Available University Fund Transfer  | 95,849,141.64                   | 40,504,895.83                   | 55,344,245.81             | 136.6%                    |
| <b>Adjusted Income (Loss) with AUF Transfer</b>   | <b>(230,871,955.11)</b>         | <b>170,167,657.13</b>           | <b>(401,039,612.24)</b>   | <b>-235.7%</b>            |
| <b>Adjusted Margin % with AUF Transfer</b>  | <b>-49.4%</b>                   | <b>21.0%</b>                    |                           |                           |
| Investment Gain (Losses)  | 455,370,225.46                  | 2,778,498,548.04                | (2,323,128,322.58)        | -83.6%                    |
| <b>Adj. Inc. (Loss) with AUF Transfer &amp; Invest. Gains (Losses)</b>                    | <b>\$224,498,270.35</b>         | <b>\$2,948,666,205.17</b>       | <b>(2,724,167,934.82)</b> | <b>-92.4%</b>             |
| <b>Adj. Margin % with AUF Transfer &amp; Invest. Gains (Losses)</b>                       | <b>24.3%</b>                    | <b>82.2%</b>                    |                           |                           |
| <b>Adjusted Income (Loss) with AUF Transfer excluding Depreciation &amp; Amortization</b> | <b>(217,424,289.32)</b>         | <b>175,514,283.61</b>           | <b>(392,938,572.93)</b>   | <b>-223.9%</b>            |
| <b>Adjusted Margin % with AUF Transfer excluding Depreciation &amp; Amortization</b>      | <b>-46.5%</b>                   | <b>21.7%</b>                    |                           |                           |

## UNAUDITED

The University of Texas at Arlington  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending June 30, 2015

|   | June<br>Year-to-Date<br>FY 2015 | June<br>Year-to-Date<br>FY 2014 | Variance              | Fluctuation<br>Percentage |
|---|---------------------------------|---------------------------------|-----------------------|---------------------------|
| <b>Operating Revenues</b>   |                                 |                                 |                       |                           |
| Net Student Tuition and Fees  | 190,136,576.95                  | 184,508,790.33                  | 5,627,786.62          | 3.1%                      |
| Sponsored Programs  | 53,369,250.46                   | 60,034,473.47                   | (6,665,223.01)        | -11.1%                    |
| Net Sales and Services of Educational Activities                        | 17,868,220.70                   | 16,479,618.69                   | 1,388,602.01          | 8.4%                      |
| Net Auxiliary Enterprises   | 31,603,270.06                   | 29,594,575.67                   | 2,008,694.39          | 6.8%                      |
| Other Operating Revenues  | 8,013,831.85                    | 4,387,543.92                    | 3,626,287.93          | 82.6%                     |
| <b>Total Operating Revenues</b>   | <b>300,991,150.02</b>           | <b>295,005,002.08</b>           | <b>5,986,147.94</b>   | <b>2.0%</b>               |
| <b>Operating Expenses</b>   |                                 |                                 |                       |                           |
| Salaries and Wages  | 202,189,842.28                  | 196,535,143.74                  | 5,654,698.54          | 2.9%                      |
| Payroll Related Costs   | 47,038,042.59                   | 48,933,620.52                   | (1,895,577.93)        | -3.9%                     |
| Cost of Goods Sold  | 9,209.21                        | -                               | 9,209.21              | 100.0%                    |
| Professional Fees and Services  | 7,393,465.46                    | 6,079,935.22                    | 1,313,530.24          | 21.6%                     |
| Other Contracted Services   | 39,650,638.06                   | 38,326,587.84                   | 1,324,050.22          | 3.5%                      |
| Travel  | 5,959,453.80                    | 6,616,293.06                    | (656,839.26)          | -9.9%                     |
| Materials and Supplies  | 19,913,993.95                   | 19,410,214.12                   | 503,779.83            | 2.6%                      |
| Utilities   | 7,309,896.10                    | 7,381,453.97                    | (71,557.87)           | -1.0%                     |
| Communications  | 6,957,051.13                    | 7,495,930.31                    | (538,879.18)          | -7.2%                     |
| Repairs and Maintenance   | 10,748,898.99                   | 10,455,746.32                   | 293,152.67            | 2.8%                      |
| Rentals and Leases  | 3,409,375.08                    | 3,375,756.11                    | 33,618.97             | 1.0%                      |
| Printing and Reproduction   | 2,322,896.81                    | 2,084,565.96                    | 238,330.85            | 11.4%                     |
| Bad Debt Expense  | 515,226.50                      | 833,333.33                      | (318,106.83)          | -38.2%                    |
| Scholarships and Fellowships  | 25,073,972.55                   | 26,078,009.05                   | (1,004,036.50)        | -3.9%                     |
| Depreciation and Amortization   | 37,341,510.27                   | 37,170,017.70                   | 171,492.57            | 0.5%                      |
| Federal Sponsored Program Pass-Through to Other State Agencies          | 3,074,985.92                    | 1,203,441.28                    | 1,871,544.64          | 155.5%                    |
| State Sponsored Program Pass-Through to Other State Agencies            | 169,117.81                      | 54,186.99                       | 114,930.82            | 212.1%                    |
| Other Operating Expenses  | 10,818,731.99                   | 8,035,394.91                    | 2,783,337.08          | 34.6%                     |
| <b>Total Operating Expenses</b>   | <b>429,896,308.50</b>           | <b>420,069,630.43</b>           | <b>9,826,678.07</b>   | <b>2.3%</b>               |
| <b>Operating Loss</b>   | <b>(128,905,158.48)</b>         | <b>(125,064,628.35)</b>         | <b>(3,840,530.13)</b> | <b>-3.1%</b>              |
| <b>Other Nonoperating Adjustments</b>                                   |                                 |                                 |                       |                           |
| State Appropriations  | 99,688,570.83                   | 98,536,152.50                   | 1,152,418.33          | 1.2%                      |
| Nonexchange Sponsored Programs  | 41,128,822.76                   | 37,500,000.00                   | 3,628,822.76          | 9.7%                      |
| Gift Contributions for Operations                                       | 8,994,606.72                    | 5,568,528.63                    | 3,426,078.09          | 61.5%                     |
| Net Investment Income   | 10,713,926.15                   | 12,100,204.40                   | (1,386,278.25)        | -11.5%                    |
| Interest Expense on Capital Asset Financings                            | (10,490,758.50)                 | (11,114,295.60)                 | 623,537.10            | 5.6%                      |
| <b>Net Other Nonoperating Adjustments</b>                               | <b>150,035,167.96</b>           | <b>142,590,589.93</b>           | <b>7,444,578.03</b>   | <b>5.2%</b>               |
| <b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b> | <b>21,130,009.48</b>            | <b>17,525,961.58</b>            | <b>3,604,047.90</b>   | <b>20.6%</b>              |
| <b>Adjusted Margin % including Depreciation &amp; Amortization</b>      | <b>4.6%</b>                     | <b>3.9%</b>                     |                       |                           |
| Investment Gain (Losses)  | (3,811,375.15)                  | 9,072,418.39                    | (12,883,793.54)       | -142.0%                   |
| <b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>                  | <b>17,318,634.33</b>            | <b>26,598,379.97</b>            | <b>(9,279,745.64)</b> | <b>-34.9%</b>             |
| <b>Adj. Margin % with Investment Gains (Losses)</b>                     | <b>3.8%</b>                     | <b>5.8%</b>                     |                       |                           |
| <b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b> | <b>58,471,519.75</b>            | <b>54,695,979.28</b>            | <b>3,775,540.47</b>   | <b>6.9%</b>               |
| <b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>      | <b>12.7%</b>                    | <b>12.2%</b>                    |                       |                           |

## UNAUDITED

The University of Texas at Austin  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending June 30, 2015

|   | June<br>Year-to-Date<br>FY 2015 | June<br>Year-to-Date<br>FY 2014 | Variance                | Fluctuation<br>Percentage |
|---|---------------------------------|---------------------------------|-------------------------|---------------------------|
| <b>Operating Revenues</b>   |                                 |                                 |                         |                           |
| Net Student Tuition and Fees  | 404,166,666.67                  | 420,833,333.33                  | (16,666,666.66)         | -4.0%                     |
| Sponsored Programs  | 452,609,473.14                  | 446,665,604.89                  | 5,943,868.25            | 1.3%                      |
| Net Sales and Services of Educational Activities  | 337,540,610.18                  | 316,654,109.79                  | 20,886,500.39           | 6.6%                      |
| Net Auxiliary Enterprises   | 254,294,374.63                  | 229,378,555.82                  | 24,915,818.81           | 10.9%                     |
| Other Operating Revenues  | 5,840,955.88                    | 5,365,251.12                    | 475,704.76              | 8.9%                      |
| <b>Total Operating Revenues</b>   | <b>1,454,452,080.50</b>         | <b>1,418,896,854.95</b>         | <b>35,555,225.55</b>    | <b>2.5%</b>               |
| <b>Operating Expenses</b>   |                                 |                                 |                         |                           |
| Salaries and Wages  | 946,208,862.58                  | 919,233,228.33                  | 26,975,634.25           | 2.9%                      |
| Payroll Related Costs   | 261,267,918.84                  | 250,051,251.22                  | 11,216,667.62           | 4.5%                      |
| Cost of Goods Sold  | 21,237,421.58                   | 20,511,571.50                   | 725,850.08              | 3.5%                      |
| Professional Fees and Services  | 29,890,362.34                   | 30,561,893.12                   | (671,530.78)            | -2.2%                     |
| Other Contracted Services   | 128,702,091.75                  | 119,178,997.79                  | 9,523,093.96            | 8.0%                      |
| Travel  | 35,137,875.55                   | 36,431,279.38                   | (1,293,403.83)          | -3.6%                     |
| Materials and Supplies  | 119,496,387.92                  | 97,124,063.63                   | 22,372,324.29           | 23.0%                     |
| Utilities   | 75,414,172.07                   | 73,433,125.52                   | 1,981,046.55            | 2.7%                      |
| Communications  | 35,134,489.41                   | 48,163,618.32                   | (13,029,128.91)         | -27.1%                    |
| Repairs and Maintenance   | 52,445,148.15                   | 41,705,710.21                   | 10,739,437.94           | 25.8%                     |
| Rentals and Leases  | 14,572,884.68                   | 14,818,945.44                   | (246,060.76)            | -1.7%                     |
| Printing and Reproduction   | 7,687,051.96                    | 7,648,582.76                    | 38,469.20               | 0.5%                      |
| Bad Debt Expense  | 234,005.29                      | 780,996.66                      | (546,991.37)            | -70.0%                    |
| Scholarships and Fellowships  | 100,000,000.00                  | 131,666,666.67                  | (31,666,666.67)         | -24.1%                    |
| Depreciation and Amortization   | 200,000,000.00                  | 251,666,666.67                  | (51,666,666.67)         | -20.5%                    |
| Federal Sponsored Program Pass-Through to Other State Agencies                            | 3,387,811.69                    | 2,902,754.03                    | 485,057.66              | 16.7%                     |
| Other Operating Expenses  | 95,656,527.11                   | 87,021,332.84                   | 8,635,194.27            | 9.9%                      |
| <b>Total Operating Expenses</b>   | <b>2,126,473,010.92</b>         | <b>2,132,900,684.09</b>         | <b>(6,427,673.17)</b>   | <b>-0.3%</b>              |
| <b>Operating Loss</b>   | <b>(672,020,930.42)</b>         | <b>(714,003,829.14)</b>         | <b>41,982,898.72</b>    | <b>5.9%</b>               |
| <b>Other Nonoperating Adjustments</b>   |                                 |                                 |                         |                           |
| State Appropriations  | 262,756,240.19                  | 268,029,973.83                  | (5,273,733.64)          | -2.0%                     |
| Nonexchange Sponsored Programs  | 39,666,666.67                   | 39,166,666.67                   | 500,000.00              | 1.3%                      |
| Gift Contributions for Operations   | 108,468,231.40                  | 103,098,333.72                  | 5,369,897.68            | 5.2%                      |
| Net Investment Income   | 188,106,729.66                  | 175,140,763.50                  | 12,965,966.16           | 7.4%                      |
| Interest Expense on Capital Asset Financings  | (39,969,547.90)                 | (39,701,450.10)                 | (268,097.80)            | -0.7%                     |
| <b>Net Other Nonoperating Adjustments</b>   | <b>559,028,320.02</b>           | <b>545,734,287.62</b>           | <b>13,294,032.40</b>    | <b>2.4%</b>               |
| <b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>                   | <b>(112,992,610.40)</b>         | <b>(168,269,541.52)</b>         | <b>55,276,931.12</b>    | <b>32.9%</b>              |
| <b>Adjusted Margin % including Depreciation &amp; Amortization</b>                        | <b>-5.5%</b>                    | <b>-8.4%</b>                    |                         |                           |
| Available University Fund Transfer  | 223,701,801.76                  | 197,334,436.67                  | 26,367,365.09           | 13.4%                     |
| <b>Adjusted Income (Loss) with AUF Transfer</b>   | <b>110,709,191.36</b>           | <b>29,064,895.15</b>            | <b>81,644,296.21</b>    | <b>280.9%</b>             |
| <b>Adjusted Margin % with AUF Transfer</b>  | <b>4.9%</b>                     | <b>1.3%</b>                     |                         |                           |
| Investment Gain (Losses)  | (85,996,996.05)                 | 333,465,853.63                  | (419,462,849.68)        | -125.8%                   |
| <b>Adj. Inc. (Loss) with AUF Transfer &amp; Invest. Gains (Losses)</b>                    | <b>\$24,712,195.31</b>          | <b>\$362,530,748.78</b>         | <b>(337,818,553.47)</b> | <b>-93.2%</b>             |
| <b>Adj. Margin % with AUF Transfer &amp; Invest. Gains (Losses)</b>                       | <b>1.1%</b>                     | <b>14.3%</b>                    |                         |                           |
| <b>Adjusted Income (Loss) with AUF Transfer excluding Depreciation &amp; Amortization</b> | <b>310,709,191.36</b>           | <b>280,731,561.82</b>           | <b>29,977,629.54</b>    | <b>10.7%</b>              |
| <b>Adjusted Margin % with AUF Transfer excluding Depreciation &amp; Amortization</b>      | <b>13.6%</b>                    | <b>12.8%</b>                    |                         |                           |



## UNAUDITED

The University of Texas at Brownsville  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending June 30, 2015

|   | June<br>Year-to-Date<br>FY 2015 | June<br>Year-to-Date<br>FY 2014 | Variance               | Fluctuation<br>Percentage |
|---|---------------------------------|---------------------------------|------------------------|---------------------------|
| <b>Operating Revenues</b>   |                                 |                                 |                        |                           |
| Net Student Tuition and Fees  | 26,820,538.61                   | 24,693,581.48                   | 2,126,957.13           | 8.6%                      |
| Sponsored Programs  | 17,171,881.86                   | 17,805,729.35                   | (633,847.49)           | -3.6%                     |
| Net Sales and Services of Educational Activities                        | 1,809,166.20                    | 1,916,870.82                    | (107,704.62)           | -5.6%                     |
| Net Auxiliary Enterprises   | 1,622,074.11                    | 1,583,873.91                    | 38,200.20              | 2.4%                      |
| Other Operating Revenues  | 56,792.63                       | 5,834.73                        | 50,957.90              | 873.4%                    |
| <b>Total Operating Revenues</b>   | <b>47,480,453.41</b>            | <b>46,005,890.29</b>            | <b>1,474,563.12</b>    | <b>3.2%</b>               |
| <b>Operating Expenses</b>   |                                 |                                 |                        |                           |
| Salaries and Wages  | 42,770,117.07                   | 40,304,325.40                   | 2,465,791.67           | 6.1%                      |
| Payroll Related Costs   | 12,537,833.64                   | 11,689,644.88                   | 848,188.76             | 7.3%                      |
| Professional Fees and Services  | 953,467.28                      | 1,614,310.50                    | (660,843.22)           | -40.9%                    |
| Other Contracted Services   | 688,874.57                      | 1,380,573.11                    | (691,698.54)           | -50.1%                    |
| Travel  | 1,217,904.51                    | 1,090,717.22                    | 127,187.29             | 11.7%                     |
| Materials and Supplies  | 5,394,552.54                    | 2,983,257.75                    | 2,411,294.79           | 80.8%                     |
| Utilities   | 1,522,422.01                    | 1,617,642.16                    | (95,220.15)            | -5.9%                     |
| Communications  | 205,985.44                      | 930,761.64                      | (724,776.20)           | -77.9%                    |
| Repairs and Maintenance   | 1,176,390.39                    | 2,258,537.67                    | (1,082,147.28)         | -47.9%                    |
| Rentals and Leases  | 3,277,412.43                    | 2,991,514.75                    | 285,897.68             | 9.6%                      |
| Printing and Reproduction   | 214,254.16                      | 146,672.64                      | 67,581.52              | 46.1%                     |
| Scholarships and Fellowships  | 18,743,348.37                   | 15,220,271.01                   | 3,523,077.36           | 23.1%                     |
| Depreciation and Amortization   | 7,059,019.46                    | 7,043,699.06                    | 15,320.40              | 0.2%                      |
| Federal Sponsored Program Pass-Through to Other State Agencies          | 121,017.91                      | 53,928.29                       | 67,089.62              | 124.4%                    |
| Other Operating Expenses  | 3,739,980.49                    | 4,105,753.99                    | (365,773.50)           | -8.9%                     |
| <b>Total Operating Expenses</b>   | <b>99,622,580.27</b>            | <b>93,431,610.07</b>            | <b>6,190,970.20</b>    | <b>6.6%</b>               |
| <b>Operating Loss</b>   | <b>(52,142,126.86)</b>          | <b>(47,425,719.78)</b>          | <b>(4,716,407.08)</b>  | <b>-9.9%</b>              |
| <b>Other Nonoperating Adjustments</b>                                   |                                 |                                 |                        |                           |
| State Appropriations  | 34,473,823.39                   | 34,950,527.37                   | (476,703.98)           | -1.4%                     |
| Nonexchange Sponsored Programs  | 9,938,010.59                    | 11,456,127.86                   | (1,518,117.27)         | -13.3%                    |
| Gift Contributions for Operations                                       | 309,557.54                      | 267,224.45                      | 42,333.09              | 15.8%                     |
| Net Investment Income   | 2,187,773.17                    | 1,199,909.33                    | 987,863.84             | 82.3%                     |
| Interest Expense on Capital Asset Financings                            | (2,329,377.09)                  | (2,198,074.17)                  | (131,302.92)           | -6.0%                     |
| <b>Net Other Nonoperating Adjustments</b>                               | <b>44,579,787.60</b>            | <b>45,675,714.84</b>            | <b>(1,095,927.24)</b>  | <b>-2.4%</b>              |
| <b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b> | <b>(7,562,339.26)</b>           | <b>(1,750,004.94)</b>           | <b>(5,812,334.32)</b>  | <b>-332.1%</b>            |
| <b>Adjusted Margin % including Depreciation &amp; Amortization</b>      | <b>-8.0%</b>                    | <b>-1.9%</b>                    |                        |                           |
| Investment Gain (Losses)  | (1,892,438.44)                  | 3,300,313.09                    | (5,192,751.53)         | -157.3%                   |
| <b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>                  | <b>(9,454,777.70)</b>           | <b>1,550,308.15</b>             | <b>(11,005,085.85)</b> | <b>-709.9%</b>            |
| <b>Adj. Margin % with Investment Gains (Losses)</b>                     | <b>-10.2%</b>                   | <b>1.6%</b>                     |                        |                           |
| <b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b> | <b>(503,319.80)</b>             | <b>5,293,694.12</b>             | <b>(5,797,013.92)</b>  | <b>-109.5%</b>            |
| <b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>      | <b>-0.5%</b>                    | <b>5.6%</b>                     |                        |                           |

## UNAUDITED

The University of Texas at Dallas  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending June 30, 2015

|   | June<br>Year-to-Date<br>FY 2015 | June<br>Year-to-Date<br>FY 2014 | Variance               | Fluctuation<br>Percentage |
|---|---------------------------------|---------------------------------|------------------------|---------------------------|
| <b>Operating Revenues</b>   |                                 |                                 |                        |                           |
| Net Student Tuition and Fees  | 220,079,434.14                  | 197,113,303.89                  | 22,966,130.25          | 11.7%                     |
| Sponsored Programs  | 46,624,141.56                   | 47,223,178.45                   | (599,036.89)           | -1.3%                     |
| Net Sales and Services of Educational Activities                        | 13,865,507.98                   | 10,974,969.70                   | 2,890,538.28           | 26.3%                     |
| Net Auxiliary Enterprises   | 21,447,737.43                   | 17,536,578.31                   | 3,911,159.12           | 22.3%                     |
| Other Operating Revenues  | 3,959,382.80                    | 4,486,613.44                    | (527,230.64)           | -11.8%                    |
| <b>Total Operating Revenues</b>   | <b>305,976,203.91</b>           | <b>277,334,643.79</b>           | <b>28,641,560.12</b>   | <b>10.3%</b>              |
| <b>Operating Expenses</b>   |                                 |                                 |                        |                           |
| Salaries and Wages  | 219,300,637.73                  | 204,296,676.29                  | 15,003,961.44          | 7.3%                      |
| Payroll Related Costs   | 50,781,642.44                   | 47,034,323.35                   | 3,747,319.09           | 8.0%                      |
| Professional Fees and Services  | 9,175,106.23                    | 10,102,049.73                   | (926,943.50)           | -9.2%                     |
| Other Contracted Services   | 11,479,748.29                   | 10,482,106.38                   | 997,641.91             | 9.5%                      |
| Travel  | 4,943,608.46                    | 4,735,066.91                    | 208,541.55             | 4.4%                      |
| Materials and Supplies  | 26,736,101.90                   | 20,500,488.31                   | 6,235,613.59           | 30.4%                     |
| Utilities   | 9,877,874.45                    | 8,969,926.20                    | 907,948.25             | 10.1%                     |
| Communications  | 316,153.92                      | 518,054.89                      | (201,900.97)           | -39.0%                    |
| Repairs and Maintenance   | 4,373,446.77                    | 3,494,968.17                    | 878,478.60             | 25.1%                     |
| Rentals and Leases  | 5,559,257.53                    | 3,699,650.06                    | 1,859,607.47           | 50.3%                     |
| Printing and Reproduction   | 1,598,464.06                    | 1,490,491.80                    | 107,972.26             | 7.2%                      |
| Scholarships and Fellowships  | 33,784,401.34                   | 34,922,918.14                   | (1,138,516.80)         | -3.3%                     |
| Depreciation and Amortization   | 48,017,631.60                   | 43,700,108.10                   | 4,317,523.50           | 9.9%                      |
| Federal Sponsored Program Pass-Through to Other State Agencies          | 46,196.28                       | 146,963.02                      | (100,766.74)           | -68.6%                    |
| State Sponsored Program Pass-Through to Other State Agencies            | 322,916.38                      | -                               | 322,916.38             | 100.0%                    |
| Other Operating Expenses  | 17,536,132.45                   | 13,955,563.59                   | 3,580,568.86           | 25.7%                     |
| <b>Total Operating Expenses</b>   | <b>443,849,319.83</b>           | <b>408,049,354.94</b>           | <b>35,799,964.89</b>   | <b>8.8%</b>               |
| <b>Operating Loss</b>   | <b>(137,873,115.92)</b>         | <b>(130,714,711.15)</b>         | <b>(7,158,404.77)</b>  | <b>-5.5%</b>              |
| <b>Other Nonoperating Adjustments</b>                                   |                                 |                                 |                        |                           |
| State Appropriations  | 98,137,992.97                   | 95,637,055.23                   | 2,500,937.74           | 2.6%                      |
| Nonexchange Sponsored Programs  | 19,792,375.83                   | 23,739,191.92                   | (3,946,816.09)         | -16.6%                    |
| Gift Contributions for Operations                                       | 7,949,666.03                    | 14,930,394.07                   | (6,980,728.04)         | -46.8%                    |
| Net Investment Income   | 18,345,427.88                   | 16,148,743.09                   | 2,196,684.79           | 13.6%                     |
| Interest Expense on Capital Asset Financings                            | (12,918,983.40)                 | (10,066,570.60)                 | (2,852,412.80)         | -28.3%                    |
| <b>Net Other Nonoperating Adjustments</b>                               | <b>131,306,479.31</b>           | <b>140,388,813.71</b>           | <b>(9,082,334.40)</b>  | <b>-6.5%</b>              |
| <b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b> | <b>(6,566,636.61)</b>           | <b>9,674,102.56</b>             | <b>(16,240,739.17)</b> | <b>-167.9%</b>            |
| <b>Adjusted Margin % including Depreciation &amp; Amortization</b>      | <b>-1.5%</b>                    | <b>2.3%</b>                     |                        |                           |
| Investment Gain (Losses)  | 1,605,779.13                    | 30,036,629.49                   | (28,430,850.36)        | -94.7%                    |
| <b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>                  | <b>(4,960,857.48)</b>           | <b>39,710,732.05</b>            | <b>(44,671,589.53)</b> | <b>-112.5%</b>            |
| <b>Adj. Margin % with Investment Gains (Losses)</b>                     | <b>-1.1%</b>                    | <b>8.7%</b>                     |                        |                           |
| <b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b> | <b>41,450,994.99</b>            | <b>53,374,210.66</b>            | <b>(11,923,215.67)</b> | <b>-22.3%</b>             |
| <b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>      | <b>9.2%</b>                     | <b>12.5%</b>                    |                        |                           |

## UNAUDITED

The University of Texas at El Paso  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending June 30, 2015

|   | June<br>Year-to-Date<br>FY 2015 | June<br>Year-to-Date<br>FY 2014 | Variance               | Fluctuation<br>Percentage |
|---|---------------------------------|---------------------------------|------------------------|---------------------------|
| <b>Operating Revenues</b>   |                                 |                                 |                        |                           |
| Net Student Tuition and Fees  | 91,936,885.21                   | 90,899,634.00                   | 1,037,251.21           | 1.1%                      |
| Sponsored Programs  | 67,044,073.49                   | 60,246,423.74                   | 6,797,649.75           | 11.3%                     |
| Net Sales and Services of Educational Activities                        | 5,684,997.87                    | 4,424,541.21                    | 1,260,456.66           | 28.5%                     |
| Net Auxiliary Enterprises   | 32,631,886.95                   | 19,027,995.50                   | 13,603,891.45          | 71.5%                     |
| Other Operating Revenues  | (5,701,836.85)                  | 70,999.42                       | (5,772,836.27)         | -8,130.8%                 |
| <b>Total Operating Revenues</b>   | <b>191,596,006.67</b>           | <b>174,669,593.87</b>           | <b>16,926,412.80</b>   | <b>9.7%</b>               |
| <b>Operating Expenses</b>   |                                 |                                 |                        |                           |
| Salaries and Wages  | 142,540,748.49                  | 140,345,856.57                  | 2,194,891.92           | 1.6%                      |
| Payroll Related Costs   | 39,443,075.41                   | 38,245,088.35                   | 1,197,987.06           | 3.1%                      |
| Professional Fees and Services  | 4,606,513.26                    | 2,017,969.85                    | 2,588,543.41           | 128.3%                    |
| Other Contracted Services   | 22,457,605.73                   | 15,123,700.35                   | 7,333,905.38           | 48.5%                     |
| Travel  | 7,270,287.29                    | 6,122,644.23                    | 1,147,643.06           | 18.7%                     |
| Materials and Supplies  | 15,198,230.35                   | 18,684,255.70                   | (3,486,025.35)         | -18.7%                    |
| Utilities   | 7,021,103.27                    | 5,975,966.27                    | 1,045,137.00           | 17.5%                     |
| Communications  | 757,687.50                      | 421,827.33                      | 335,860.17             | 79.6%                     |
| Repairs and Maintenance   | 3,735,507.54                    | 3,984,114.83                    | (248,607.29)           | -6.2%                     |
| Rentals and Leases  | 2,842,099.22                    | 3,041,692.10                    | (199,592.88)           | -6.6%                     |
| Printing and Reproduction   | 1,003,387.63                    | 989,849.61                      | 13,538.02              | 1.4%                      |
| Scholarships and Fellowships  | 45,734,559.37                   | 40,990,142.03                   | 4,744,417.34           | 11.6%                     |
| Depreciation and Amortization   | 24,662,882.33                   | 23,471,262.45                   | 1,191,619.88           | 5.1%                      |
| Federal Sponsored Program Pass-Through to Other State Agencies          | 448,207.68                      | 815,471.40                      | (367,263.72)           | -45.0%                    |
| State Sponsored Program Pass-Through to Other State Agencies            | 47,022.69                       | -                               | 47,022.69              | 100.0%                    |
| Other Operating Expenses  | 8,876,446.84                    | 5,188,168.84                    | 3,688,278.00           | 71.1%                     |
| <b>Total Operating Expenses</b>   | <b>326,645,364.60</b>           | <b>305,418,009.91</b>           | <b>21,227,354.69</b>   | <b>7.0%</b>               |
| <b>Operating Loss</b>   | <b>(135,049,357.93)</b>         | <b>(130,748,416.04)</b>         | <b>(4,300,941.89)</b>  | <b>-3.3%</b>              |
| <b>Other Nonoperating Adjustments</b>                                   |                                 |                                 |                        |                           |
| State Appropriations  | 83,574,840.33                   | 83,217,387.67                   | 357,452.66             | 0.4%                      |
| Nonexchange Sponsored Programs  | 30,390,012.75                   | 30,367,442.23                   | 22,570.52              | 0.1%                      |
| Gift Contributions for Operations                                       | 4,945,010.15                    | 5,151,724.50                    | (206,714.35)           | -4.0%                     |
| Net Investment Income   | 10,651,776.25                   | 11,245,433.40                   | (593,657.15)           | -5.3%                     |
| Interest Expense on Capital Asset Financings                            | (6,481,780.00)                  | (6,774,064.60)                  | 292,284.60             | 4.3%                      |
| <b>Net Other Nonoperating Adjustments</b>                               | <b>123,079,859.48</b>           | <b>123,207,923.20</b>           | <b>(128,063.72)</b>    | <b>-0.1%</b>              |
| <b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b> | <b>(11,969,498.45)</b>          | <b>(7,540,492.84)</b>           | <b>(4,429,005.61)</b>  | <b>-58.7%</b>             |
| <b>Adjusted Margin % including Depreciation &amp; Amortization</b>      | <b>-3.7%</b>                    | <b>-2.5%</b>                    |                        |                           |
| Investment Gain (Losses)  | (4,878,231.14)                  | 21,760,946.82                   | (26,639,177.96)        | -122.4%                   |
| <b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>                  | <b>(16,847,729.59)</b>          | <b>14,220,453.98</b>            | <b>(31,068,183.57)</b> | <b>-218.5%</b>            |
| <b>Adj. Margin % with Investment Gains (Losses)</b>                     | <b>-5.3%</b>                    | <b>4.4%</b>                     |                        |                           |
| <b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b> | <b>12,693,383.88</b>            | <b>15,930,769.61</b>            | <b>(3,237,385.73)</b>  | <b>-20.3%</b>             |
| <b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>      | <b>4.0%</b>                     | <b>5.2%</b>                     |                        |                           |

## UNAUDITED

The University of Texas-Pan American  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending June 30, 2015

|   | June<br>Year-to-Date<br>FY 2015 | June<br>Year-to-Date<br>FY 2014 | Variance               | Fluctuation<br>Percentage |
|---|---------------------------------|---------------------------------|------------------------|---------------------------|
| <b>Operating Revenues</b>   |                                 |                                 |                        |                           |
| Net Student Tuition and Fees  | 61,021,255.74                   | 57,629,964.39                   | 3,391,291.35           | 5.9%                      |
| Sponsored Programs  | 39,315,562.95                   | 43,415,528.87                   | (4,099,965.92)         | -9.4%                     |
| Net Sales and Services of Educational Activities                        | 4,159,652.66                    | 3,742,674.29                    | 416,978.37             | 11.1%                     |
| Net Auxiliary Enterprises   | 6,136,774.26                    | 6,040,023.52                    | 96,750.74              | 1.6%                      |
| Other Operating Revenues  | 1,694,226.52                    | 1,986,103.83                    | (291,877.31)           | -14.7%                    |
| <b>Total Operating Revenues</b>   | <b>112,327,472.13</b>           | <b>112,814,294.90</b>           | <b>(486,822.77)</b>    | <b>-0.4%</b>              |
| <b>Operating Expenses</b>   |                                 |                                 |                        |                           |
| Salaries and Wages  | 101,836,999.14                  | 95,703,991.91                   | 6,133,007.23           | 6.4%                      |
| Payroll Related Costs   | 28,937,222.03                   | 27,132,718.06                   | 1,804,503.97           | 6.7%                      |
| Cost of Goods Sold  | 284,770.90                      | 269,431.46                      | 15,339.44              | 5.7%                      |
| Professional Fees and Services  | 1,079,897.30                    | 1,395,767.25                    | (315,869.95)           | -22.6%                    |
| Other Contracted Services   | 3,934,712.92                    | 1,994,671.48                    | 1,940,041.44           | 97.3%                     |
| Travel  | 4,600,221.59                    | 4,450,849.57                    | 149,372.02             | 3.4%                      |
| Materials and Supplies  | 11,096,329.13                   | 8,792,982.34                    | 2,303,346.79           | 26.2%                     |
| Utilities   | 5,624,191.04                    | 4,692,985.03                    | 931,206.01             | 19.8%                     |
| Communications  | 728,335.03                      | 868,816.66                      | (140,481.63)           | -16.2%                    |
| Repairs and Maintenance   | 1,585,638.39                    | 1,568,813.00                    | 16,825.39              | 1.1%                      |
| Rentals and Leases  | 909,266.61                      | 752,873.15                      | 156,393.46             | 20.8%                     |
| Printing and Reproduction   | 369,883.74                      | 463,454.12                      | (93,570.38)            | -20.2%                    |
| Bad Debt Expense  | 48,568.49                       | 74,912.97                       | (26,344.48)            | -35.2%                    |
| Scholarships and Fellowships  | 33,308,755.71                   | 34,595,503.82                   | (1,286,748.11)         | -3.7%                     |
| Depreciation and Amortization   | 15,412,870.79                   | 13,230,001.79                   | 2,182,869.00           | 16.5%                     |
| Federal Sponsored Program Pass-Through to Other State Agencies          | 226,188.01                      | 68,990.53                       | 157,197.48             | 227.9%                    |
| Other Operating Expenses  | 9,654,232.35                    | 8,574,194.14                    | 1,080,038.21           | 12.6%                     |
| <b>Total Operating Expenses</b>   | <b>219,638,083.17</b>           | <b>204,630,957.28</b>           | <b>15,007,125.89</b>   | <b>7.3%</b>               |
| <b>Operating Loss</b>   | <b>(107,310,611.04)</b>         | <b>(91,816,662.38)</b>          | <b>(15,493,948.66)</b> | <b>-16.9%</b>             |
| <b>Other Nonoperating Adjustments</b>                                   |                                 |                                 |                        |                           |
| State Appropriations  | 65,376,390.65                   | 64,032,087.98                   | 1,344,302.67           | 2.1%                      |
| Nonexchange Sponsored Programs  | 26,733,014.31                   | 26,290,361.52                   | 442,652.79             | 1.7%                      |
| Gift Contributions for Operations                                       | 2,195,355.06                    | 2,740,684.66                    | (545,329.60)           | -19.9%                    |
| Net Investment Income   | 3,878,883.65                    | 3,934,236.97                    | (55,353.32)            | -1.4%                     |
| Interest Expense on Capital Asset Financings                            | (2,998,980.20)                  | (3,244,338.30)                  | 245,358.10             | 7.6%                      |
| <b>Net Other Nonoperating Adjustments</b>                               | <b>95,184,663.47</b>            | <b>93,753,032.83</b>            | <b>1,431,630.64</b>    | <b>1.5%</b>               |
| <b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b> | <b>(12,125,947.57)</b>          | <b>1,936,370.45</b>             | <b>(14,062,318.02)</b> | <b>-726.2%</b>            |
| <b>Adjusted Margin % including Depreciation &amp; Amortization</b>      | <b>-5.8%</b>                    | <b>0.9%</b>                     |                        |                           |
| Investment Gain (Losses)  | (2,757,081.46)                  | 7,329,584.65                    | (10,086,666.11)        | -137.6%                   |
| <b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>                  | <b>(14,883,029.03)</b>          | <b>9,265,955.10</b>             | <b>(24,148,984.13)</b> | <b>-260.6%</b>            |
| <b>Adj. Margin % with Investment Gains (Losses)</b>                     | <b>-7.2%</b>                    | <b>4.3%</b>                     |                        |                           |
| <b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b> | <b>3,286,923.22</b>             | <b>15,166,372.24</b>            | <b>(11,879,449.02)</b> | <b>-78.3%</b>             |
| <b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>      | <b>1.6%</b>                     | <b>7.2%</b>                     |                        |                           |

## UNAUDITED

The University of Texas of the Permian Basin  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending June 30, 2015

|   | June<br>Year-to-Date<br>FY 2015 | June<br>Year-to-Date<br>FY 2014 | Variance              | Fluctuation<br>Percentage |
|---|---------------------------------|---------------------------------|-----------------------|---------------------------|
| <b>Operating Revenues</b>   |                                 |                                 |                       |                           |
| Net Student Tuition and Fees  | 14,931,096.78                   | 13,440,289.23                   | 1,490,807.55          | 11.1%                     |
| Sponsored Programs  | 5,333,239.38                    | 2,712,320.65                    | 2,620,918.73          | 96.6%                     |
| Net Sales and Services of Educational Activities                        | 2,210,942.75                    | 918,359.80                      | 1,292,582.95          | 140.7%                    |
| Net Auxiliary Enterprises   | 2,162,108.13                    | 4,356,829.46                    | (2,194,721.33)        | -50.4%                    |
| Other Operating Revenues  | 452,777.23                      | 79,744.15                       | 373,033.08            | 467.8%                    |
| <b>Total Operating Revenues</b>   | <b>25,090,164.27</b>            | <b>21,507,543.29</b>            | <b>3,582,620.98</b>   | <b>16.7%</b>              |
| <b>Operating Expenses</b>   |                                 |                                 |                       |                           |
| Salaries and Wages  | 23,158,838.87                   | 20,222,637.58                   | 2,936,201.29          | 14.5%                     |
| Payroll Related Costs   | 5,449,351.47                    | 5,769,222.49                    | (319,871.02)          | -5.5%                     |
| Cost of Goods Sold  | 7,588.37                        | 10,034.64                       | (2,446.27)            | -24.4%                    |
| Professional Fees and Services  | 3,235,184.83                    | 1,941,010.78                    | 1,294,174.05          | 66.7%                     |
| Other Contracted Services   | 3,374,765.80                    | 2,314,353.82                    | 1,060,411.98          | 45.8%                     |
| Travel  | 1,342,375.08                    | 1,046,712.15                    | 295,662.93            | 28.2%                     |
| Materials and Supplies  | 3,052,478.94                    | 2,643,541.44                    | 408,937.50            | 15.5%                     |
| Utilities   | 2,348,949.70                    | 2,027,605.37                    | 321,344.33            | 15.8%                     |
| Communications  | 533,512.94                      | 461,816.34                      | 71,696.60             | 15.5%                     |
| Repairs and Maintenance   | 809,357.16                      | 414,168.42                      | 395,188.74            | 95.4%                     |
| Rentals and Leases  | 441,294.77                      | 265,363.27                      | 175,931.50            | 66.3%                     |
| Printing and Reproduction   | 54,987.26                       | 129,571.85                      | (74,584.59)           | -57.6%                    |
| Scholarships and Fellowships  | 7,139,052.78                    | 6,251,240.24                    | 887,812.54            | 14.2%                     |
| Depreciation and Amortization   | 10,858,830.62                   | 10,791,666.67                   | 67,163.95             | 0.6%                      |
| Other Operating Expenses  | 977,574.66                      | 834,022.52                      | 143,552.14            | 17.2%                     |
| <b>Total Operating Expenses</b>   | <b>62,784,143.25</b>            | <b>55,122,967.58</b>            | <b>7,661,175.67</b>   | <b>13.9%</b>              |
| <b>Operating Loss</b>   | <b>(37,693,978.98)</b>          | <b>(33,615,424.29)</b>          | <b>(4,078,554.69)</b> | <b>-12.1%</b>             |
| <b>Other Nonoperating Adjustments</b>                                   |                                 |                                 |                       |                           |
| State Appropriations  | 24,302,324.30                   | 24,122,231.55                   | 180,092.75            | 0.7%                      |
| Nonexchange Sponsored Programs  | 3,760,338.21                    | 4,430,062.91                    | (669,724.70)          | -15.1%                    |
| Gift Contributions for Operations                                       | 5,704,797.87                    | 3,302,086.47                    | 2,402,711.40          | 72.8%                     |
| Net Investment Income   | 1,699,514.34                    | 1,809,708.94                    | (110,194.60)          | -6.1%                     |
| Interest Expense on Capital Asset Financings                            | (4,755,116.60)                  | (4,147,550.90)                  | (607,565.70)          | -14.6%                    |
| <b>Net Other Nonoperating Adjustments</b>                               | <b>30,711,858.12</b>            | <b>29,516,538.97</b>            | <b>1,195,319.15</b>   | <b>4.0%</b>               |
| <b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b> | <b>(6,982,120.86)</b>           | <b>(4,098,885.32)</b>           | <b>(2,883,235.54)</b> | <b>-70.3%</b>             |
| <b>Adjusted Margin % including Depreciation &amp; Amortization</b>      | <b>-11.5%</b>                   | <b>-7.4%</b>                    |                       |                           |
| Investment Gain (Losses)  | (738,571.08)                    | 3,239,940.13                    | (3,978,511.21)        | -122.8%                   |
| <b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>                  | <b>(7,720,691.94)</b>           | <b>(858,945.19)</b>             | <b>(6,861,746.75)</b> | <b>-798.9%</b>            |
| <b>Adj. Margin % with Investment Gains (Losses)</b>                     | <b>-12.9%</b>                   | <b>-1.5%</b>                    |                       |                           |
| <b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b> | <b>3,876,709.76</b>             | <b>6,692,781.35</b>             | <b>(2,816,071.59)</b> | <b>-42.1%</b>             |
| <b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>      | <b>6.4%</b>                     | <b>12.1%</b>                    |                       |                           |

## UNAUDITED

The University of Texas at San Antonio  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending June 30, 2015

|   | June<br>Year-to-Date<br>FY 2015 | June<br>Year-to-Date<br>FY 2014 | Variance              | Fluctuation<br>Percentage |
|---|---------------------------------|---------------------------------|-----------------------|---------------------------|
| <b>Operating Revenues</b>   |                                 |                                 |                       |                           |
| Net Student Tuition and Fees  | 156,270,512.95                  | 150,359,356.52                  | 5,911,156.43          | 3.9%                      |
| Sponsored Programs  | 48,697,872.13                   | 56,265,900.83                   | (7,568,028.70)        | -13.5%                    |
| Net Sales and Services of Educational Activities                        | 11,243,524.77                   | 8,747,816.28                    | 2,495,708.49          | 28.5%                     |
| Net Auxiliary Enterprises   | 35,909,336.00                   | 31,339,120.22                   | 4,570,215.78          | 14.6%                     |
| Other Operating Revenues  | 3,711,941.98                    | 2,035,284.12                    | 1,676,657.86          | 82.4%                     |
| <b>Total Operating Revenues</b>   | <b>255,833,187.83</b>           | <b>248,747,477.97</b>           | <b>7,085,709.86</b>   | <b>2.8%</b>               |
| <b>Operating Expenses</b>   |                                 |                                 |                       |                           |
| Salaries and Wages  | 187,415,236.52                  | 187,065,355.43                  | 349,881.09            | 0.2%                      |
| Payroll Related Costs   | 50,320,162.28                   | 48,708,456.86                   | 1,611,705.42          | 3.3%                      |
| Cost of Goods Sold  | 304,290.51                      | 583,333.33                      | (279,042.82)          | -47.8%                    |
| Professional Fees and Services  | 4,725,196.47                    | 3,220,759.36                    | 1,504,437.11          | 46.7%                     |
| Other Contracted Services   | 14,023,132.60                   | 10,918,610.21                   | 3,104,522.39          | 28.4%                     |
| Travel  | 7,601,523.69                    | 7,302,908.14                    | 298,615.55            | 4.1%                      |
| Materials and Supplies  | 24,184,362.08                   | 21,553,745.52                   | 2,630,616.56          | 12.2%                     |
| Utilities   | 11,083,333.33                   | 10,583,333.33                   | 500,000.00            | 4.7%                      |
| Communications  | 2,842,885.55                    | 2,753,439.57                    | 89,445.98             | 3.2%                      |
| Repairs and Maintenance   | 6,777,771.92                    | 7,400,385.28                    | (622,613.36)          | -8.4%                     |
| Rentals and Leases  | 2,392,891.53                    | 3,823,951.70                    | (1,431,060.17)        | -37.4%                    |
| Printing and Reproduction   | 1,091,768.08                    | 961,061.59                      | 130,706.49            | 13.6%                     |
| Bad Debt Expense  | 29,166.67                       | 253,389.33                      | (224,222.66)          | -88.5%                    |
| Scholarships and Fellowships  | 31,789,078.88                   | 28,319,359.21                   | 3,469,719.67          | 12.3%                     |
| Depreciation and Amortization   | 40,478,926.15                   | 38,595,670.09                   | 1,883,256.06          | 4.9%                      |
| Federal Sponsored Program Pass-Through to Other State Agencies          | 1,509,614.61                    | 4,059,686.56                    | (2,550,071.95)        | -62.8%                    |
| Other Operating Expenses  | 13,358,092.06                   | 8,905,891.63                    | 4,452,200.43          | 50.0%                     |
| <b>Total Operating Expenses</b>   | <b>399,927,432.93</b>           | <b>385,009,337.14</b>           | <b>14,918,095.79</b>  | <b>3.9%</b>               |
| <b>Operating Loss</b>   | <b>(144,094,245.10)</b>         | <b>(136,261,859.17)</b>         | <b>(7,832,385.93)</b> | <b>-5.7%</b>              |
| <b>Other Nonoperating Adjustments</b>                                   |                                 |                                 |                       |                           |
| State Appropriations  | 101,905,754.97                  | 100,476,277.56                  | 1,429,477.41          | 1.4%                      |
| Nonexchange Sponsored Programs  | 39,055,120.83                   | 41,072,033.33                   | (2,016,912.50)        | -4.9%                     |
| Gift Contributions for Operations                                       | 9,081,044.98                    | 8,500,000.00                    | 581,044.98            | 6.8%                      |
| Net Investment Income   | 13,568,000.53                   | 11,371,529.82                   | 2,196,470.71          | 19.3%                     |
| Interest Expense on Capital Asset Financings                            | (12,610,158.33)                 | (13,787,692.40)                 | 1,177,534.07          | 8.5%                      |
| <b>Net Other Nonoperating Adjustments</b>                               | <b>150,999,762.98</b>           | <b>147,632,148.31</b>           | <b>3,367,614.67</b>   | <b>2.3%</b>               |
| <b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b> | <b>6,905,517.88</b>             | <b>11,370,289.14</b>            | <b>(4,464,771.26)</b> | <b>-39.3%</b>             |
| <b>Adjusted Margin % including Depreciation &amp; Amortization</b>      | <b>1.6%</b>                     | <b>2.8%</b>                     |                       |                           |
| Investment Gain (Losses)  | 28,238,405.45                   | 29,022,005.73                   | (783,600.28)          | -2.7%                     |
| <b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>                  | <b>35,143,923.33</b>            | <b>40,392,294.87</b>            | <b>(5,248,371.54)</b> | <b>-13.0%</b>             |
| <b>Adj. Margin % with Investment Gains (Losses)</b>                     | <b>7.9%</b>                     | <b>9.2%</b>                     |                       |                           |
| <b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b> | <b>47,384,444.03</b>            | <b>49,965,959.23</b>            | <b>(2,581,515.20)</b> | <b>-5.2%</b>              |
| <b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>      | <b>11.3%</b>                    | <b>12.2%</b>                    |                       |                           |

## UNAUDITED

The University of Texas at Tyler  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending June 30, 2015

|   | June<br>Year-to-Date<br>FY 2015 | June<br>Year-to-Date<br>FY 2014 | Variance               | Fluctuation<br>Percentage |
|---|---------------------------------|---------------------------------|------------------------|---------------------------|
| <b>Operating Revenues</b>   |                                 |                                 |                        |                           |
| Net Student Tuition and Fees  | 31,846,097.83                   | 26,484,523.33                   | 5,361,574.50           | 20.2%                     |
| Sponsored Programs  | 12,020,879.34                   | 10,842,771.10                   | 1,178,108.24           | 10.9%                     |
| Net Sales and Services of Educational Activities                        | 2,438,560.30                    | 2,913,883.82                    | (475,323.52)           | -16.3%                    |
| Net Auxiliary Enterprises   | 5,999,710.00                    | 3,980,452.69                    | 2,019,257.31           | 50.7%                     |
| Other Operating Revenues  | 143,606.73                      | 280,073.72                      | (136,466.99)           | -48.7%                    |
| <b>Total Operating Revenues</b>   | <b>52,448,854.20</b>            | <b>44,501,704.66</b>            | <b>7,947,149.54</b>    | <b>17.9%</b>              |
| <b>Operating Expenses</b>   |                                 |                                 |                        |                           |
| Salaries and Wages  | 48,062,477.81                   | 42,825,826.09                   | 5,236,651.72           | 12.2%                     |
| Payroll Related Costs   | 12,215,418.68                   | 11,934,424.99                   | 280,993.69             | 2.4%                      |
| Cost of Goods Sold  | 21,496.36                       | -                               | 21,496.36              | 100.0%                    |
| Professional Fees and Services  | 2,751,706.77                    | 773,816.55                      | 1,977,890.22           | 255.6%                    |
| Other Contracted Services   | 4,969,728.26                    | 6,412,804.03                    | (1,443,075.77)         | -22.5%                    |
| Travel  | 1,650,860.48                    | 1,550,074.97                    | 100,785.51             | 6.5%                      |
| Materials and Supplies  | 6,132,667.96                    | 4,349,266.39                    | 1,783,401.57           | 41.0%                     |
| Utilities   | 1,870,142.80                    | 1,431,595.08                    | 438,547.72             | 30.6%                     |
| Communications  | 790,313.17                      | 1,021,337.74                    | (231,024.57)           | -22.6%                    |
| Repairs and Maintenance   | 2,222,990.11                    | 1,816,404.12                    | 406,585.99             | 22.4%                     |
| Rentals and Leases  | 333,106.44                      | 305,077.98                      | 28,028.46              | 9.2%                      |
| Printing and Reproduction   | 960,110.27                      | 420,846.42                      | 539,263.85             | 128.1%                    |
| Bad Debt Expense  | -                               | 94.35                           | (94.35)                | -100.0%                   |
| Scholarships and Fellowships  | 5,296,170.37                    | 4,250,000.00                    | 1,046,170.37           | 24.6%                     |
| Depreciation and Amortization   | 10,035,976.87                   | 9,541,631.93                    | 494,344.94             | 5.2%                      |
| Federal Sponsored Program Pass-Through to Other State Agencies          | 23,303.00                       | 2,673.36                        | 20,629.64              | 771.7%                    |
| State Sponsored Program Pass-Through to Other State Agencies            | -                               | 1,047.02                        | (1,047.02)             | -100.0%                   |
| Other Operating Expenses  | 2,306,984.18                    | 1,549,200.10                    | 757,784.08             | 48.9%                     |
| <b>Total Operating Expenses</b>   | <b>99,643,453.53</b>            | <b>88,186,121.12</b>            | <b>11,457,332.41</b>   | <b>13.0%</b>              |
| <b>Operating Loss</b>   | <b>(47,194,599.33)</b>          | <b>(43,684,416.46)</b>          | <b>(3,510,182.87)</b>  | <b>-8.0%</b>              |
| <b>Other Nonoperating Adjustments</b>                                   |                                 |                                 |                        |                           |
| State Appropriations  | 30,404,780.00                   | 30,029,647.37                   | 375,132.63             | 1.2%                      |
| Nonexchange Sponsored Programs  | 8,121,130.00                    | 5,606,274.93                    | 2,514,855.07           | 44.9%                     |
| Gift Contributions for Operations                                       | 3,336,028.05                    | 4,796,387.00                    | (1,460,358.95)         | -30.4%                    |
| Net Investment Income   | 3,954,210.03                    | 4,285,713.00                    | (331,502.97)           | -7.7%                     |
| Interest Expense on Capital Asset Financings                            | (3,505,558.20)                  | (2,917,292.50)                  | (588,265.70)           | -20.2%                    |
| <b>Net Other Nonoperating Adjustments</b>                               | <b>42,310,589.88</b>            | <b>41,800,729.80</b>            | <b>509,860.08</b>      | <b>1.2%</b>               |
| <b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b> | <b>(4,884,009.45)</b>           | <b>(1,883,686.66)</b>           | <b>(3,000,322.79)</b>  | <b>-159.3%</b>            |
| <b>Adjusted Margin % including Depreciation &amp; Amortization</b>      | <b>-5.0%</b>                    | <b>-2.1%</b>                    |                        |                           |
| Investment Gain (Losses)  | (1,576,248.55)                  | 6,186,801.84                    | (7,763,050.39)         | -125.5%                   |
| <b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>                  | <b>(6,460,258.00)</b>           | <b>4,303,115.18</b>             | <b>(10,763,373.18)</b> | <b>-250.1%</b>            |
| <b>Adj. Margin % with Investment Gains (Losses)</b>                     | <b>-6.7%</b>                    | <b>4.5%</b>                     |                        |                           |
| <b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b> | <b>5,151,967.42</b>             | <b>7,657,945.27</b>             | <b>(2,505,977.85)</b>  | <b>-32.7%</b>             |
| <b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>      | <b>5.2%</b>                     | <b>8.6%</b>                     |                        |                           |

## UNAUDITED

The University of Texas Southwestern Medical Center  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending June 30, 2015

|   | June<br>Year-to-Date<br>FY 2015 | June<br>Year-to-Date<br>FY 2014 | Variance                | Fluctuation<br>Percentage |
|---|---------------------------------|---------------------------------|-------------------------|---------------------------|
| <b>Operating Revenues</b>   |                                 |                                 |                         |                           |
| Net Student Tuition and Fees  | 18,541,730.82                   | 15,739,027.92                   | 2,802,702.90            | 17.8%                     |
| Sponsored Programs  | 453,590,225.04                  | 418,022,307.85                  | 35,567,917.19           | 8.5%                      |
| Net Sales and Services of Educational Activities                        | 9,230,511.87                    | 8,276,343.02                    | 954,168.85              | 11.5%                     |
| Net Sales and Services of Hospitals                                     | 778,071,158.53                  | 676,417,795.00                  | 101,653,363.53          | 15.0%                     |
| Net Professional Fees   | 379,754,408.62                  | 371,236,741.48                  | 8,517,667.14            | 2.3%                      |
| Net Auxiliary Enterprises   | 21,052,476.68                   | 17,601,923.85                   | 3,450,552.83            | 19.6%                     |
| Other Operating Revenues  | 77,977,754.10                   | 29,691,554.78                   | 48,286,199.32           | 162.6%                    |
| <b>Total Operating Revenues</b>   | <b>1,738,218,265.66</b>         | <b>1,536,985,693.90</b>         | <b>201,232,571.76</b>   | <b>13.1%</b>              |
| <b>Operating Expenses</b>   |                                 |                                 |                         |                           |
| Salaries and Wages  | 971,514,441.60                  | 891,875,940.82                  | 79,638,500.78           | 8.9%                      |
| Payroll Related Costs   | 227,630,468.83                  | 204,909,822.88                  | 22,720,645.95           | 11.1%                     |
| Cost of Goods Sold  | 4,591,740.26                    | 2,353,184.94                    | 2,238,555.32            | 95.1%                     |
| Professional Fees and Services  | 51,897,840.37                   | 41,813,502.79                   | 10,084,337.58           | 24.1%                     |
| Other Contracted Services   | 97,166,831.76                   | 93,935,963.30                   | 3,230,868.46            | 3.4%                      |
| Travel  | 9,702,706.65                    | 9,076,299.68                    | 626,406.97              | 6.9%                      |
| Materials and Supplies  | 293,276,734.13                  | 251,849,184.30                  | 41,427,549.83           | 16.4%                     |
| Utilities   | 21,687,719.56                   | 22,382,976.89                   | (695,257.33)            | -3.1%                     |
| Communications  | 9,026,012.48                    | 9,415,078.74                    | (389,066.26)            | -4.1%                     |
| Repairs and Maintenance   | 10,608,836.62                   | 10,014,148.04                   | 594,688.58              | 5.9%                      |
| Rentals and Leases  | 5,938,419.56                    | 4,012,340.26                    | 1,926,079.30            | 48.0%                     |
| Printing and Reproduction   | 2,695,990.00                    | 2,615,324.76                    | 80,665.24               | 3.1%                      |
| Scholarships and Fellowships  | 2,118,726.67                    | 625,014.17                      | 1,493,712.50            | 239.0%                    |
| Depreciation and Amortization   | 129,669,177.25                  | 97,567,669.27                   | 32,101,507.98           | 32.9%                     |
| Federal Sponsored Program Pass-Through to Other State Agencies          | 1,422,751.93                    | 1,733,603.01                    | (310,851.08)            | -17.9%                    |
| Other Operating Expenses  | 53,128,606.98                   | 30,269,001.03                   | 22,859,605.95           | 75.5%                     |
| <b>Total Operating Expenses</b>   | <b>1,892,077,004.65</b>         | <b>1,674,449,054.88</b>         | <b>217,627,949.77</b>   | <b>13.0%</b>              |
| <b>Operating Loss</b>   | <b>(153,858,738.99)</b>         | <b>(137,463,360.98)</b>         | <b>(16,395,378.01)</b>  | <b>-11.9%</b>             |
| <b>Other Nonoperating Adjustments</b>                                   |                                 |                                 |                         |                           |
| State Appropriations  | 142,234,045.76                  | 140,443,559.72                  | 1,790,486.04            | 1.3%                      |
| Nonexchange Sponsored Programs  | -                               | 2,266.00                        | (2,266.00)              | -100.0%                   |
| Gift Contributions for Operations                                       | 81,555,209.29                   | 43,390,513.26                   | 38,164,696.03           | 88.0%                     |
| Net Investment Income   | 75,356,359.96                   | 75,260,428.30                   | 95,931.66               | 0.1%                      |
| Interest Expense on Capital Asset Financings                            | (23,966,832.60)                 | (21,713,015.70)                 | (2,253,816.90)          | -10.4%                    |
| <b>Net Other Nonoperating Adjustments</b>                               | <b>275,178,782.41</b>           | <b>237,383,751.58</b>           | <b>37,795,030.83</b>    | <b>15.9%</b>              |
| <b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b> | <b>121,320,043.42</b>           | <b>99,920,390.60</b>            | <b>21,399,652.82</b>    | <b>21.4%</b>              |
| <b>Adjusted Margin % including Depreciation &amp; Amortization</b>      | <b>6.0%</b>                     | <b>5.6%</b>                     |                         |                           |
| Investment Gain (Losses)  | (53,888,393.06)                 | 171,326,297.82                  | (225,214,690.88)        | -131.5%                   |
| <b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>                  | <b>67,431,650.36</b>            | <b>271,246,688.42</b>           | <b>(203,815,038.06)</b> | <b>-75.1%</b>             |
| <b>Adj. Margin % with Investment Gains (Losses)</b>                     | <b>3.4%</b>                     | <b>13.8%</b>                    |                         |                           |
| <b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b> | <b>250,989,220.67</b>           | <b>197,488,059.87</b>           | <b>53,501,160.80</b>    | <b>27.1%</b>              |
| <b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>      | <b>12.3%</b>                    | <b>11.0%</b>                    |                         |                           |



## UNAUDITED

The University of Texas Medical Branch at Galveston  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending June 30, 2015

|   | June<br>Year-to-Date<br>FY 2015 | June<br>Year-to-Date<br>FY 2014 | Variance               | Fluctuation<br>Percentage |
|---|---------------------------------|---------------------------------|------------------------|---------------------------|
| <b>Operating Revenues</b>   |                                 |                                 |                        |                           |
| Net Student Tuition and Fees  | 29,648,068.80                   | 29,074,368.54                   | 573,700.26             | 2.0%                      |
| Sponsored Programs  | 153,694,815.01                  | 161,456,567.90                  | (7,761,752.89)         | -4.8%                     |
| Net Sales and Services of Educational Activities                        | 16,652,110.97                   | 14,056,863.51                   | 2,595,247.46           | 18.5%                     |
| Net Sales and Services of Hospitals                                     | 787,450,584.90                  | 711,904,947.29                  | 75,545,637.61          | 10.6%                     |
| Net Professional Fees   | 123,168,377.30                  | 121,971,726.70                  | 1,196,650.60           | 1.0%                      |
| Net Auxiliary Enterprises   | 7,657,540.94                    | 5,056,932.27                    | 2,600,608.67           | 51.4%                     |
| Other Operating Revenues  | 51,410,040.36                   | 31,310,254.75                   | 20,099,785.61          | 64.2%                     |
| <b>Total Operating Revenues</b>   | <b>1,169,681,538.28</b>         | <b>1,074,831,660.96</b>         | <b>94,849,877.32</b>   | <b>8.8%</b>               |
| <b>Operating Expenses</b>   |                                 |                                 |                        |                           |
| Salaries and Wages  | 745,168,335.52                  | 695,678,838.53                  | 49,489,496.99          | 7.1%                      |
| Payroll Related Costs   | 200,712,747.00                  | 185,843,694.73                  | 14,869,052.27          | 8.0%                      |
| Cost of Goods Sold  | 63,294,498.40                   | 57,323,770.02                   | 5,970,728.38           | 10.4%                     |
| Professional Fees and Services  | 27,611,842.61                   | 27,124,777.15                   | 487,065.46             | 1.8%                      |
| Other Contracted Services   | 86,351,480.86                   | 77,001,789.58                   | 9,349,691.28           | 12.1%                     |
| Travel  | 6,498,332.47                    | 6,094,510.22                    | 403,822.25             | 6.6%                      |
| Materials and Supplies  | 127,049,067.44                  | 110,251,754.31                  | 16,797,313.13          | 15.2%                     |
| Utilities   | 27,903,903.42                   | 26,829,556.17                   | 1,074,347.25           | 4.0%                      |
| Communications  | 7,726,299.23                    | 7,291,248.96                    | 435,050.27             | 6.0%                      |
| Repairs and Maintenance   | 37,938,776.47                   | 36,210,074.73                   | 1,728,701.74           | 4.8%                      |
| Rentals and Leases  | 22,331,554.55                   | 21,225,435.62                   | 1,106,118.93           | 5.2%                      |
| Printing and Reproduction   | 1,332,257.61                    | 929,861.67                      | 402,395.94             | 43.3%                     |
| Scholarships and Fellowships  | 6,509,950.38                    | 5,903,607.42                    | 606,342.96             | 10.3%                     |
| Depreciation and Amortization   | 85,016,503.43                   | 86,686,211.76                   | (1,669,708.33)         | -1.9%                     |
| Federal Sponsored Program Pass-Through to Other State Agencies          | 1,229,781.45                    | 2,692,520.39                    | (1,462,738.94)         | -54.3%                    |
| Other Operating Expenses  | 30,019,956.47                   | 28,530,204.54                   | 1,489,751.93           | 5.2%                      |
| Impairment of Capital Assets  | 1,083,705.17                    | -                               | 1,083,705.17           | 100.0%                    |
| <b>Total Operating Expenses</b>   | <b>1,477,778,992.48</b>         | <b>1,375,617,855.80</b>         | <b>102,161,136.68</b>  | <b>7.4%</b>               |
| <b>Operating Loss</b>   | <b>(308,097,454.20)</b>         | <b>(300,786,194.84)</b>         | <b>(7,311,259.36)</b>  | <b>-2.4%</b>              |
| <b>Other Nonoperating Adjustments</b>                                   |                                 |                                 |                        |                           |
| State Appropriations  | 289,402,967.94                  | 285,156,272.18                  | 4,246,695.76           | 1.5%                      |
| Nonexchange Sponsored Programs  | 951,837.00                      | 823,693.00                      | 128,144.00             | 15.6%                     |
| Gift Contributions for Operations                                       | 6,063,890.83                    | 6,640,392.50                    | (576,501.67)           | -8.7%                     |
| Net Investment Income   | 35,397,059.18                   | 31,962,472.97                   | 3,434,586.21           | 10.7%                     |
| Interest Expense on Capital Asset Financings                            | (5,518,713.54)                  | (6,135,609.97)                  | 616,896.43             | 10.1%                     |
| <b>Net Other Nonoperating Adjustments</b>                               | <b>326,297,041.41</b>           | <b>318,447,220.68</b>           | <b>7,849,820.73</b>    | <b>2.5%</b>               |
| <b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b> | <b>18,199,587.21</b>            | <b>17,661,025.84</b>            | <b>538,561.37</b>      | <b>3.0%</b>               |
| <b>Adjusted Margin % including Depreciation &amp; Amortization</b>      | <b>1.2%</b>                     | <b>1.3%</b>                     |                        |                           |
| Investment Gain (Losses)  | (9,699,094.07)                  | 59,376,987.23                   | (69,076,081.30)        | -116.3%                   |
| <b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>                  | <b>8,500,493.14</b>             | <b>77,038,013.07</b>            | <b>(68,537,519.93)</b> | <b>-89.0%</b>             |
| <b>Adj. Margin % with Investment Gains (Losses)</b>                     | <b>0.6%</b>                     | <b>5.3%</b>                     |                        |                           |
| <b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b> | <b>103,216,090.64</b>           | <b>104,347,237.60</b>           | <b>(1,131,146.96)</b>  | <b>-1.1%</b>              |
| <b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>      | <b>6.9%</b>                     | <b>7.5%</b>                     |                        |                           |

## 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, 2015

|   | June<br>Year-to-Date<br>FY 2015 | June<br>Year-to-Date<br>FY 2014 | Variance               | Fluctuation<br>Percentage |
|---|---------------------------------|---------------------------------|------------------------|---------------------------|
| <b>Operating Revenues</b>   |                                 |                                 |                        |                           |
| Net Student Tuition and Fees  | 37,817,012.97                   | 35,204,419.13                   | 2,612,593.84           | 7.4%                      |
| Sponsored Programs  | 499,125,755.38                  | 446,648,421.43                  | 52,477,333.95          | 11.7%                     |
| Net Sales and Services of Educational Activities                        | 26,873,575.33                   | 24,480,843.62                   | 2,392,731.71           | 9.8%                      |
| Net Sales and Services of Hospitals                                     | 55,368,239.41                   | 49,465,172.15                   | 5,903,067.26           | 11.9%                     |
| Net Professional Fees   | 235,962,352.21                  | 194,658,276.51                  | 41,304,075.70          | 21.2%                     |
| Net Auxiliary Enterprises   | 22,720,716.67                   | 20,314,794.81                   | 2,405,921.86           | 11.8%                     |
| Other Operating Revenues  | 34,494,038.72                   | 32,612,006.49                   | 1,882,032.23           | 5.8%                      |
| <b>Total Operating Revenues</b>   | <b>912,361,690.69</b>           | <b>803,383,934.14</b>           | <b>108,977,756.55</b>  | <b>13.6%</b>              |
| <b>Operating Expenses</b>   |                                 |                                 |                        |                           |
| Salaries and Wages  | 628,980,537.57                  | 556,916,188.38                  | 72,064,349.19          | 12.9%                     |
| Payroll Related Costs   | 136,826,209.77                  | 119,941,564.46                  | 16,884,645.31          | 14.1%                     |
| Cost of Goods Sold  | 15,388,202.84                   | 9,648,229.88                    | 5,739,972.96           | 59.5%                     |
| Professional Fees and Services  | 44,052,447.85                   | 40,364,743.61                   | 3,687,704.24           | 9.1%                      |
| Other Contracted Services   | 62,162,287.87                   | 66,592,041.23                   | (4,429,753.36)         | -6.7%                     |
| Travel  | 8,398,064.34                    | 7,708,100.70                    | 689,963.64             | 9.0%                      |
| Materials and Supplies  | 45,948,998.08                   | 42,128,599.89                   | 3,820,398.19           | 9.1%                      |
| Utilities   | 13,949,538.04                   | 14,264,073.44                   | (314,535.40)           | -2.2%                     |
| Communications  | 4,291,718.23                    | 3,974,915.37                    | 316,802.86             | 8.0%                      |
| Repairs and Maintenance   | 10,410,732.33                   | 7,860,881.83                    | 2,549,850.50           | 32.4%                     |
| Rentals and Leases  | 25,938,360.34                   | 21,106,344.12                   | 4,832,016.22           | 22.9%                     |
| Printing and Reproduction   | 4,464,659.14                    | 4,110,669.28                    | 353,989.86             | 8.6%                      |
| Scholarships and Fellowships  | 4,988,313.13                    | 5,023,119.43                    | (34,806.30)            | -0.7%                     |
| Depreciation and Amortization   | 49,641,557.64                   | 47,852,449.81                   | 1,789,107.83           | 3.7%                      |
| Federal Sponsored Program Pass-Through to Other State Agencies          | 5,943,682.90                    | 2,542,778.33                    | 3,400,904.57           | 133.7%                    |
| Other Operating Expenses  | 37,054,787.52                   | 32,973,145.39                   | 4,081,642.13           | 12.4%                     |
| <b>Total Operating Expenses</b>   | <b>1,098,440,097.59</b>         | <b>983,007,845.15</b>           | <b>115,432,252.44</b>  | <b>11.7%</b>              |
| <b>Operating Loss</b>   | <b>(186,078,406.90)</b>         | <b>(179,623,911.01)</b>         | <b>(6,454,495.89)</b>  | <b>-3.6%</b>              |
| <b>Other Nonoperating Adjustments</b>                                   |                                 |                                 |                        |                           |
| State Appropriations  | 167,811,308.16                  | 164,995,217.55                  | 2,816,090.61           | 1.7%                      |
| Nonexchange Sponsored Programs  | 359,383.29                      | 315,896.82                      | 43,486.47              | 13.8%                     |
| Gift Contributions for Operations                                       | 21,517,182.33                   | 13,712,746.18                   | 7,804,436.15           | 56.9%                     |
| Net Investment Income   | 26,615,985.00                   | 24,115,639.93                   | 2,500,345.07           | 10.4%                     |
| Interest Expense on Capital Asset Financings                            | (9,691,198.60)                  | (9,393,085.30)                  | (298,113.30)           | -3.2%                     |
| <b>Net Other Nonoperating Adjustments</b>                               | <b>206,612,660.18</b>           | <b>193,746,415.18</b>           | <b>12,866,245.00</b>   | <b>6.6%</b>               |
| <b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b> | <b>20,534,253.28</b>            | <b>14,122,504.17</b>            | <b>6,411,749.11</b>    | <b>45.4%</b>              |
| <b>Adjusted Margin % including Depreciation &amp; Amortization</b>      | <b>1.8%</b>                     | <b>1.4%</b>                     |                        |                           |
| Investment Gain (Losses)  | (11,026,112.31)                 | 47,458,051.54                   | (58,484,163.85)        | -123.2%                   |
| <b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>                  | <b>9,508,140.97</b>             | <b>61,580,555.71</b>            | <b>(52,072,414.74)</b> | <b>-84.6%</b>             |
| <b>Adj. Margin % with Investment Gains (Losses)</b>                     | <b>0.9%</b>                     | <b>5.8%</b>                     |                        |                           |
| <b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b> | <b>70,175,810.92</b>            | <b>61,974,953.98</b>            | <b>8,200,856.94</b>    | <b>13.2%</b>              |
| <b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>      | <b>6.2%</b>                     | <b>6.2%</b>                     |                        |                           |

## 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, 2015

|   | June<br>Year-to-Date<br>FY 2015 | June<br>Year-to-Date<br>FY 2014 | Variance               | Fluctuation<br>Percentage |
|---|---------------------------------|---------------------------------|------------------------|---------------------------|
| <b>Operating Revenues</b>   |                                 |                                 |                        |                           |
| Net Student Tuition and Fees  | 29,837,055.83                   | 28,576,282.50                   | 1,260,773.33           | 4.4%                      |
| Sponsored Programs  | 254,590,195.51                  | 243,456,019.12                  | 11,134,176.39          | 4.6%                      |
| Net Sales and Services of Educational Activities                        | 14,642,727.21                   | 14,554,397.07                   | 88,330.14              | 0.6%                      |
| Net Professional Fees   | 141,261,887.53                  | 130,198,013.88                  | 11,063,873.65          | 8.5%                      |
| Net Auxiliary Enterprises   | 5,167,548.30                    | 5,044,535.37                    | 123,012.93             | 2.4%                      |
| Other Operating Revenues  | 31,114,912.52                   | 22,495,305.29                   | 8,619,607.23           | 38.3%                     |
| <b>Total Operating Revenues</b>   | <b>476,614,326.90</b>           | <b>444,324,553.23</b>           | <b>32,289,773.67</b>   | <b>7.3%</b>               |
| <b>Operating Expenses</b>   |                                 |                                 |                        |                           |
| Salaries and Wages  | 350,393,942.78                  | 333,758,065.73                  | 16,635,877.05          | 5.0%                      |
| Payroll Related Costs   | 94,516,966.76                   | 89,081,174.30                   | 5,435,792.46           | 6.1%                      |
| Professional Fees and Services  | 16,251,923.12                   | 13,755,087.12                   | 2,496,836.00           | 18.2%                     |
| Other Contracted Services   | 22,748,153.29                   | 22,906,946.96                   | (158,793.67)           | -0.7%                     |
| Travel  | 4,351,247.05                    | 4,319,488.84                    | 31,758.21              | 0.7%                      |
| Materials and Supplies  | 34,267,278.60                   | 30,686,395.94                   | 3,580,882.66           | 11.7%                     |
| Utilities   | 14,583,333.33                   | 14,781,695.83                   | (198,362.50)           | -1.3%                     |
| Communications  | 10,551,873.72                   | 10,259,190.96                   | 292,682.76             | 2.9%                      |
| Repairs and Maintenance   | 4,203,168.19                    | 3,720,274.25                    | 482,893.94             | 13.0%                     |
| Rentals and Leases  | 4,453,726.56                    | 4,049,076.18                    | 404,650.38             | 10.0%                     |
| Printing and Reproduction   | 1,440,372.79                    | 1,509,169.23                    | (68,796.44)            | -4.6%                     |
| Scholarships and Fellowships  | 5,734,512.58                    | 5,644,995.93                    | 89,516.65              | 1.6%                      |
| Depreciation and Amortization   | 43,750,000.00                   | 41,666,666.67                   | 2,083,333.33           | 5.0%                      |
| Federal Sponsored Program Pass-Through to Other State Agencies          | 1,250,000.00                    | 1,666,666.67                    | (416,666.67)           | -25.0%                    |
| Other Operating Expenses  | 31,672,611.58                   | 32,289,021.50                   | (616,409.92)           | -1.9%                     |
| <b>Total Operating Expenses</b>   | <b>640,169,110.35</b>           | <b>610,093,916.11</b>           | <b>30,075,194.24</b>   | <b>4.9%</b>               |
| <b>Operating Loss</b>   | <b>(163,554,783.45)</b>         | <b>(165,769,362.88)</b>         | <b>2,214,579.43</b>    | <b>1.3%</b>               |
| <b>Other Nonoperating Adjustments</b>                                   |                                 |                                 |                        |                           |
| State Appropriations  | 146,862,539.17                  | 145,187,018.33                  | 1,675,520.84           | 1.2%                      |
| Nonexchange Sponsored Programs  | 1,041,666.67                    | 1,000,000.00                    | 41,666.67              | 4.2%                      |
| Gift Contributions for Operations                                       | 13,617,609.37                   | 15,049,374.27                   | (1,431,764.90)         | -9.5%                     |
| Net Investment Income   | 30,151,234.05                   | 30,972,408.36                   | (821,174.31)           | -2.7%                     |
| Interest Expense on Capital Asset Financings                            | (7,334,707.90)                  | (7,780,244.70)                  | 445,536.80             | 5.7%                      |
| <b>Net Other Nonoperating Adjustments</b>                               | <b>184,338,341.36</b>           | <b>184,428,556.26</b>           | <b>(90,214.90)</b>     | <b>-</b>                  |
| <b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b> | <b>20,783,557.91</b>            | <b>18,659,193.38</b>            | <b>2,124,364.53</b>    | <b>11.4%</b>              |
| <b>Adjusted Margin % including Depreciation &amp; Amortization</b>      | <b>3.1%</b>                     | <b>2.9%</b>                     |                        |                           |
| Investment Gain (Losses)  | (16,116,347.24)                 | 61,049,327.58                   | (77,165,674.82)        | -126.4%                   |
| <b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>                  | <b>4,667,210.67</b>             | <b>79,708,520.96</b>            | <b>(75,041,310.29)</b> | <b>-94.1%</b>             |
| <b>Adj. Margin % with Investment Gains (Losses)</b>                     | <b>0.7%</b>                     | <b>11.4%</b>                    |                        |                           |
| <b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b> | <b>64,533,557.91</b>            | <b>60,325,860.05</b>            | <b>4,207,697.86</b>    | <b>7.0%</b>               |
| <b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>      | <b>9.7%</b>                     | <b>9.5%</b>                     |                        |                           |

## 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, 2015

|   | June<br>Year-to-Date<br>FY 2015 | June<br>Year-to-Date<br>FY 2014 | Variance               | Fluctuation<br>Percentage |
|---|---------------------------------|---------------------------------|------------------------|---------------------------|
| <b>Operating Revenues</b>   |                                 |                                 |                        |                           |
| Net Student Tuition and Fees  | 1,380,192.87                    | 1,493,198.14                    | (113,005.27)           | -7.6%                     |
| Sponsored Programs  | 239,099,520.06                  | 236,328,892.84                  | 2,770,627.22           | 1.2%                      |
| Net Sales and Services of Educational Activities                        | 1,633,484.40                    | 1,901,402.61                    | (267,918.21)           | -14.1%                    |
| Net Sales and Services of Hospitals                                     | 2,661,730,137.97                | 2,448,727,295.12                | 213,002,842.85         | 8.7%                      |
| Net Professional Fees   | 329,205,259.69                  | 322,557,382.30                  | 6,647,877.39           | 2.1%                      |
| Net Auxiliary Enterprises   | 37,389,744.04                   | 34,233,196.93                   | 3,156,547.11           | 9.2%                      |
| Other Operating Revenues  | 82,666,942.67                   | 86,306,542.99                   | (3,639,600.32)         | -4.2%                     |
| <b>Total Operating Revenues</b>   | <b>3,353,105,281.70</b>         | <b>3,131,547,910.93</b>         | <b>221,557,370.77</b>  | <b>7.1%</b>               |
| <b>Operating Expenses</b>   |                                 |                                 |                        |                           |
| Salaries and Wages  | 1,480,423,599.59                | 1,387,534,528.62                | 92,889,070.97          | 6.7%                      |
| Payroll Related Costs   | 426,987,533.03                  | 394,052,574.66                  | 32,934,958.37          | 8.4%                      |
| Cost of Goods Sold  | 3,882,045.20                    | 3,172,969.52                    | 709,075.68             | 22.3%                     |
| Professional Fees and Services  | 125,290,237.35                  | 117,015,805.91                  | 8,274,431.44           | 7.1%                      |
| Other Contracted Services   | 99,428,513.61                   | 91,400,055.71                   | 8,028,457.90           | 8.8%                      |
| Travel  | 16,679,999.22                   | 13,518,245.45                   | 3,161,753.77           | 23.4%                     |
| Materials and Supplies  | 641,753,716.49                  | 597,779,693.18                  | 43,974,023.31          | 7.4%                      |
| Utilities   | 39,008,002.19                   | 42,185,839.72                   | (3,177,837.53)         | -7.5%                     |
| Communications  | 8,158,018.05                    | 8,053,433.26                    | 104,584.79             | 1.3%                      |
| Repairs and Maintenance   | 84,105,782.03                   | 74,259,583.46                   | 9,846,198.57           | 13.3%                     |
| Rentals and Leases  | 35,295,363.51                   | 38,672,871.35                   | (3,377,507.84)         | -8.7%                     |
| Printing and Reproduction   | 3,697,963.99                    | 3,618,333.07                    | 79,630.92              | 2.2%                      |
| Scholarships and Fellowships  | 2,979,130.79                    | 3,107,897.30                    | (128,766.51)           | -4.1%                     |
| Depreciation and Amortization   | 247,344,452.88                  | 234,318,291.06                  | 13,026,161.82          | 5.6%                      |
| Federal Sponsored Program Pass-Through to Other State Agencies          | (598,946.12)                    | 14,054,312.82                   | (14,653,258.94)        | -104.3%                   |
| State Sponsored Program Pass-Through to Other State Agencies            | 269,139.00                      | 2,411,768.31                    | (2,142,629.31)         | -88.8%                    |
| Other Operating Expenses  | 27,373,457.87                   | 27,686,631.08                   | (313,173.21)           | -1.1%                     |
| <b>Total Operating Expenses</b>   | <b>3,242,078,008.68</b>         | <b>3,052,842,834.48</b>         | <b>189,235,174.20</b>  | <b>6.2%</b>               |
| <b>Operating Loss</b>   | <b>111,027,273.02</b>           | <b>78,705,076.45</b>            | <b>32,322,196.57</b>   | <b>41.1%</b>              |
| <b>Other Nonoperating Adjustments</b>                                   |                                 |                                 |                        |                           |
| State Appropriations  | 155,671,366.52                  | 154,073,110.88                  | 1,598,255.64           | 1.0%                      |
| Nonexchange Sponsored Programs  | 2,873,830.79                    | 2,052,110.00                    | 821,720.79             | 40.0%                     |
| Gift Contributions for Operations                                       | 87,322,350.97                   | 115,530,592.37                  | (28,208,241.40)        | -24.4%                    |
| Net Investment Income   | 199,828,524.32                  | 70,210,739.01                   | 129,617,785.31         | 184.6%                    |
| Interest Expense on Capital Asset Financings                            | (29,887,856.40)                 | (30,793,372.50)                 | 905,516.10             | 2.9%                      |
| <b>Net Other Nonoperating Adjustments</b>                               | <b>415,808,216.20</b>           | <b>311,073,179.76</b>           | <b>104,735,036.44</b>  | <b>33.7%</b>              |
| <b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b> | <b>526,835,489.22</b>           | <b>389,778,256.21</b>           | <b>137,057,233.01</b>  | <b>35.2%</b>              |
| <b>Adjusted Margin % including Depreciation &amp; Amortization</b>      | <b>13.9%</b>                    | <b>11.2%</b>                    |                        |                           |
| Investment Gain (Losses)  | 2,762,465.45                    | 197,950,379.05                  | (195,187,913.60)       | -98.6%                    |
| <b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>                  | <b>529,597,954.67</b>           | <b>587,728,635.26</b>           | <b>(58,130,680.59)</b> | <b>-9.9%</b>              |
| <b>Adj. Margin % with Investment Gains (Losses)</b>                     | <b>13.9%</b>                    | <b>16.0%</b>                    |                        |                           |
| <b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b> | <b>774,179,942.10</b>           | <b>624,096,547.27</b>           | <b>150,083,394.83</b>  | <b>24.0%</b>              |
| <b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>      | <b>20.4%</b>                    | <b>18.0%</b>                    |                        |                           |

## 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, 2015

|   | June<br>Year-to-Date<br>FY 2015 | June<br>Year-to-Date<br>FY 2014 | Variance               | Fluctuation<br>Percentage |
|---|---------------------------------|---------------------------------|------------------------|---------------------------|
| <b>Operating Revenues</b>   |                                 |                                 |                        |                           |
| Net Student Tuition and Fees  | 101,765.76                      | 98,875.39                       | 2,890.37               | 2.9%                      |
| Sponsored Programs  | 13,370,119.33                   | 11,236,367.39                   | 2,133,751.94           | 19.0%                     |
| Net Sales and Services of Educational Activities                        | 1,352,152.12                    | 1,207,091.82                    | 145,060.30             | 12.0%                     |
| Net Sales and Services of Hospitals                                     | 50,085,326.00                   | 46,926,144.98                   | 3,159,181.02           | 6.7%                      |
| Net Professional Fees   | 9,632,567.82                    | 8,320,330.41                    | 1,312,237.41           | 15.8%                     |
| Net Auxiliary Enterprises   | 174,035.39                      | 141,288.52                      | 32,746.87              | 23.2%                     |
| Other Operating Revenues  | 20,255,330.52                   | 23,150,579.56                   | (2,895,249.04)         | -12.5%                    |
| <b>Total Operating Revenues</b>   | <b>94,971,296.94</b>            | <b>91,080,678.07</b>            | <b>3,890,618.87</b>    | <b>4.3%</b>               |
| <b>Operating Expenses</b>   |                                 |                                 |                        |                           |
| Salaries and Wages  | 65,840,415.54                   | 57,426,877.81                   | 8,413,537.73           | 14.7%                     |
| Payroll Related Costs   | 20,417,828.05                   | 17,881,621.81                   | 2,536,206.24           | 14.2%                     |
| Cost of Goods Sold  | 93,379.18                       | 79,683.51                       | 13,695.67              | 17.2%                     |
| Professional Fees and Services  | 7,439,466.30                    | 6,893,823.67                    | 545,642.63             | 7.9%                      |
| Other Contracted Services   | 10,461,654.49                   | 12,374,970.32                   | (1,913,315.83)         | -15.5%                    |
| Travel  | 549,051.02                      | 489,923.14                      | 59,127.88              | 12.1%                     |
| Materials and Supplies  | 16,905,882.68                   | 16,117,917.75                   | 787,964.93             | 4.9%                      |
| Utilities   | 1,810,149.63                    | 2,441,002.10                    | (630,852.47)           | -25.8%                    |
| Communications  | 753,376.96                      | 619,326.79                      | 134,050.17             | 21.6%                     |
| Repairs and Maintenance   | 4,569,767.98                    | 4,056,190.45                    | 513,577.53             | 12.7%                     |
| Rentals and Leases  | 1,241,898.33                    | 1,107,362.59                    | 134,535.74             | 12.1%                     |
| Printing and Reproduction   | 62,823.46                       | 33,676.63                       | 29,146.83              | 86.5%                     |
| Scholarships and Fellowships  | 88,104.92                       | 80,628.60                       | 7,476.32               | 9.3%                      |
| Depreciation and Amortization   | 9,416,258.72                    | 8,342,816.53                    | 1,073,442.19           | 12.9%                     |
| Federal Sponsored Program Pass-Through to Other State Agencies          | 250,031.33                      | 93,790.69                       | 156,240.64             | 166.6%                    |
| Other Operating Expenses  | 2,916,399.58                    | 2,594,707.70                    | 321,691.88             | 12.4%                     |
| <b>Total Operating Expenses</b>   | <b>142,816,488.17</b>           | <b>130,634,320.09</b>           | <b>12,182,168.08</b>   | <b>9.3%</b>               |
| <b>Operating Loss</b>   | <b>(47,845,191.23)</b>          | <b>(39,553,642.02)</b>          | <b>(8,291,549.21)</b>  | <b>-21.0%</b>             |
| <b>Other Nonoperating Adjustments</b>                                   |                                 |                                 |                        |                           |
| State Appropriations  | 36,047,862.78                   | 35,643,217.11                   | 404,645.67             | 1.1%                      |
| Gift Contributions for Operations                                       | 1,005,525.51                    | 493,740.62                      | 511,784.89             | 103.7%                    |
| Net Investment Income   | 3,525,178.67                    | 3,360,256.82                    | 164,921.85             | 4.9%                      |
| Interest Expense on Capital Asset Financings                            | (1,201,203.10)                  | (1,270,234.20)                  | 69,031.10              | 5.4%                      |
| <b>Net Other Nonoperating Adjustments</b>                               | <b>39,377,363.86</b>            | <b>38,226,980.35</b>            | <b>1,150,383.51</b>    | <b>3.0%</b>               |
| <b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b> | <b>(8,467,827.37)</b>           | <b>(1,326,661.67)</b>           | <b>(7,141,165.70)</b>  | <b>-538.3%</b>            |
| <b>Adjusted Margin % including Depreciation &amp; Amortization</b>      | <b>-6.2%</b>                    | <b>-1.0%</b>                    |                        |                           |
| Investment Gain (Losses)  | (1,222,279.50)                  | 5,614,722.31                    | (6,837,001.81)         | -121.8%                   |
| <b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>                  | <b>(9,690,106.87)</b>           | <b>4,288,060.64</b>             | <b>(13,978,167.51)</b> | <b>-326.0%</b>            |
| <b>Adj. Margin % with Investment Gains (Losses)</b>                     | <b>-7.2%</b>                    | <b>3.1%</b>                     |                        |                           |
| <b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b> | <b>948,431.35</b>               | <b>7,016,154.86</b>             | <b>(6,067,723.51)</b>  | <b>-86.5%</b>             |
| <b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>      | <b>0.7%</b>                     | <b>5.4%</b>                     |                        |                           |

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, 2015**

REPORT

The May 31, 2015 UTIMCO Performance Summary Report is attached on [Page 141](#).

The Investment Reports for the quarter ended May 31, 2015, are set forth on [Pages 142 - 145](#).

Item I on [Page 142](#) reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the quarter was 2.22% versus its composite benchmark return of 2.19%. The PUF's net asset value increased by \$157 million during the quarter to \$18,200 million. The increase was due to \$144 million PUF Lands receipts, plus a net investment return of \$395 million, less a \$382 million distribution made to the Available University Fund (AUF) during the quarter.

Item II on [Page 143](#) reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the quarter was 2.48% versus its composite benchmark return of 2.19%. The GEF's net asset value increased by \$208 million during the quarter to \$8,531 million.

Item III on [Page 144](#) reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the quarter was .57% versus its composite benchmark return of .58%. The net asset value increased during the quarter to \$7,196 million due to net contributions of \$215 million and net investment return of \$37 million, less distributions of \$54 million.

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

Item IV on [Page 145](#) 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 fund, decreased by \$207 million to \$2,031 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: \$20 million versus \$20 million at the beginning of the period; equities: \$281 million versus \$73 million at the beginning of the period; and other investments: \$.8 million versus \$9 million at the beginning of the period.

Mr. Zimmerman, Mr. Ryan Ruebsahm, and Mr. Courtney Powers will provide an update using the PowerPoint Presentation on [Pages 146 - 162](#).

**UTIMCO Performance Summary**

May 31, 2015

|   | Net<br>Asset Value<br>5/31/2015<br>(in Millions) | Periods Ended May 31, 2015<br>(Returns for Periods Longer Than One Year are Annualized) |                    |                     |                     |                     |                     |                       |                       |
|---|--|---|--------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|
|   |  | Short Term  |                    | Year to Date        |                     | Historic Returns    |                     |                       |                       |
|   |  | 1 Mo  | 3 Mos              | Fiscal              | Calendar            | 1 Yr                | 3 Yrs               | 5 Yrs                 | 10 Yrs                |
| <b>ENDOWMENT FUNDS</b>                  |  |   |                    |                     |                     |                     |                     |                       |                       |
| Permanent University Fund               | \$ 18,200  | 0.26%   | 2.22%              | 3.31%               | 4.70%               | 6.26%               | 10.29%              | 9.42%                 | 7.01%                 |
| Permanent Health Fund                   | 1,119  |   |                    |                     |                     |                     |                     |                       |                       |
| Long Term Fund                          | <u>7,413</u>                                     |   |                    |                     |                     |                     |                     |                       |                       |
| General Endowment Fund                  | <u>8,532</u>                                     | 0.24%   | 2.48%              | 3.99%               | 4.74%               | 6.89%               | 10.50%              | 9.56%                 | 7.12%                 |
| Separately Invested Funds               | <u>355</u>                                       |   |                    |                     |                     |                     |                     |                       |                       |
| Total Endowment Funds                   | <u>27,087</u>                                    |   |                    |                     |                     |                     |                     |                       |                       |
| <b>OPERATING FUNDS</b>                  |  |   |                    |                     |                     |                     |                     |                       |                       |
| Intermediate Term Fund                  | 7,196  | -0.16%  | 0.57%              | 0.86%               | 2.45%               | 2.56%               | 6.88%               | 6.83%                 | N/A                   |
| Short Term Fund and Debt Proceeds Fund  | <u>1,977</u>                                     |   |                    |                     |                     |                     |                     |                       |                       |
| Total Operating Funds                   | <u>9,173</u>                                     |   |                    |                     |                     |                     |                     |                       |                       |
| <b>Total Assets Under Management</b>    | <b><u>\$ 36,260</u></b>                          |   |                    |                     |                     |                     |                     |                       |                       |
| <b>VALUE ADDED (1) (Percent)</b>        |  |   |                    |                     |                     |                     |                     |                       |                       |
| Permanent University Fund               |  | 0.30%   | 0.03%              | 1.49%               | 0.66%               | 1.82%               | 0.82%               | 1.21%                 | 1.71%                 |
| General Endowment Fund                  |  | 0.28%   | 0.29%              | 2.17%               | 0.70%               | 2.45%               | 1.03%               | 1.35%                 | 1.82%                 |
| Intermediate Term Fund                  |  | 0.27%   | -0.01%             | 1.83%               | 0.62%               | 2.06%               | 1.78%               | 1.92%                 | N/A                   |
| <b>VALUE ADDED (1) (\$ IN MILLIONS)</b> |  |   |                    |                     |                     |                     |                     |                       |                       |
| Permanent University Fund               |  | \$55  | \$6                | \$265               | \$117               | \$314               | \$407               | \$953                 | \$2,557               |
| General Endowment Fund                  |  | 24  | 24                 | 180                 | 58                  | 198                 | 240                 | 548                   | 1,471                 |
| Intermediate Term Fund                  |  | <u>19</u>   | <u>-1</u>          | <u>126</u>          | <u>42</u>           | <u>139</u>          | <u>314</u>          | <u>531</u>            | -                     |
| <b>Total Value Added</b>                |  | <b><u>\$98</u></b>  | <b><u>\$29</u></b> | <b><u>\$571</u></b> | <b><u>\$217</u></b> | <b><u>\$651</u></b> | <b><u>\$961</u></b> | <b><u>\$2,032</u></b> | <b><u>\$4,028</u></b> |

Footnote available upon request.

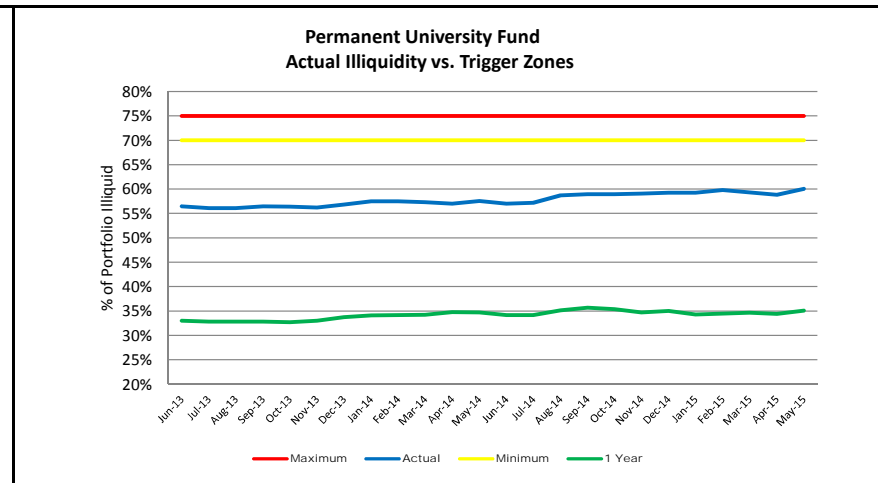
UTIMCO 7/13/2015

**I. PERMANENT UNIVERSITY FUND  
Investment Reports for Periods Ended May 31, 2015**

Prepared in accordance with Texas Education Code Sec. 51.0032

|  | Fiscal Year to Date  |                      |                     |                     |                     |                     |                     |
|--|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|  | Asset Allocation     |                      | Returns             |                     | Value Added         |                     |                     |
|  | Actual               | Policy               | Portfolio           | Policy Benchmark    | Tactical Allocation | Active Management   | Total               |
| <b>More Correlated and Constrained:</b>      |                      |                      |                     |                     |                     |                     |                     |
| Investment Grade                             | 7.3%                 | 6.8%                 | -3.29%              | -6.35%              | 0.04%               | 0.17%               | 0.21%               |
| Credit-Related                               | 0.1%                 | 0.0%                 | -2.90%              | -2.05%              | 0.00%               | 0.00%               | 0.00%               |
| Real Estate                                  | 2.5%                 | 2.5%                 | -0.03%              | 1.97%               | -0.01%              | -0.05%              | -0.06%              |
| Natural Resources                            | 6.9%                 | 7.5%                 | -20.32%             | -16.22%             | 0.01%               | -0.36%              | -0.35%              |
| Developed Country                            | 14.3%                | 14.0%                | 12.64%              | 3.25%               | 0.05%               | 1.27%               | 1.32%               |
| Emerging Markets                             | <u>10.8%</u>         | <u>9.7%</u>          | <u>-1.66%</u>       | <u>-6.55%</u>       | <u>0.03%</u>        | <u>0.48%</u>        | <u>0.51%</u>        |
| <b>Total More Correlated and Constrained</b> | <b>41.9%</b>         | <b>40.5%</b>         | <b>-0.58%</b>       | <b>-4.48%</b>       | <b>0.12%</b>        | <b>1.51%</b>        | <b>1.63%</b>        |
| <b>Less Correlated and Constrained</b>       | <b>29.6%</b>         | <b>30.0%</b>         | <b>5.18%</b>        | <b>4.94%</b>        | <b>0.04%</b>        | <b>0.05%</b>        | <b>0.09%</b>        |
| <b>Private Investments</b>                   | <b>28.5%</b>         | <b>29.5%</b>         | <b>7.24%</b>        | <b>7.77%</b>        | <b>-0.10%</b>       | <b>-0.13%</b>       | <b>-0.23%</b>       |
| <b>Total</b>                                 | <b><u>100.0%</u></b> | <b><u>100.0%</u></b> | <b><u>3.31%</u></b> | <b><u>1.82%</u></b> | <b><u>0.06%</u></b> | <b><u>1.43%</u></b> | <b><u>1.49%</u></b> |

|                                     | Summary of Capital Flows             |                               |  |
|-------------------------------------|--------------------------------------|-------------------------------|--|
| (\$ millions)                       | Fiscal Year Ended<br>August 31, 2014 | Quarter Ended<br>May 31, 2015 | Fiscal Year to Date<br>August 31, 2015 |
| Beginning Net Assets                | \$14,853                             | \$18,043                      | \$17,365                               |
| PUF Lands Receipts                  | 1,129                                | 144                           | 632                                    |
| Investment Return (Net of Expenses) | 2,260                                | 395                           | 585                                    |
| Distributions to AUF                | (877)                                | (382)                         | (382)                                  |
| Ending Net Assets                   | <u>\$17,365</u>                      | <u>\$18,200</u>               | <u>\$18,200</u>                        |



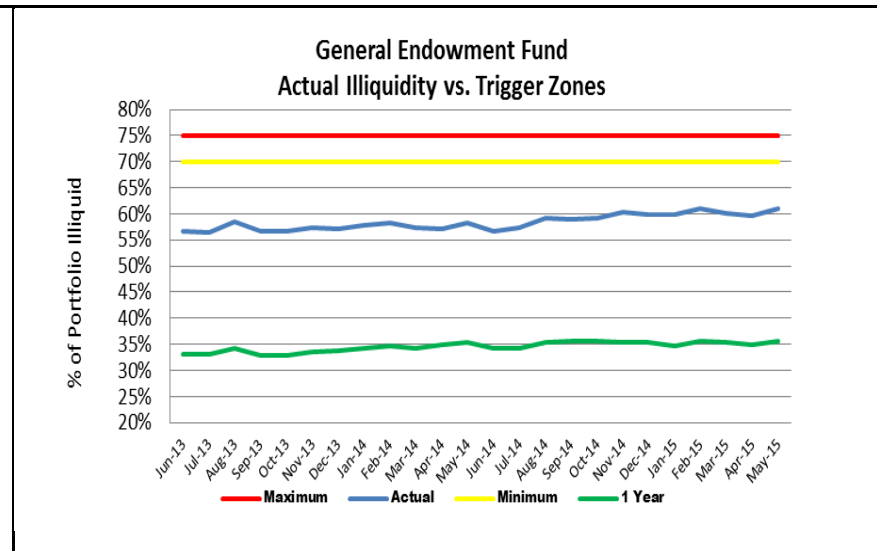


**II. GENERAL ENDOWMENT FUND**  
**Investment Reports for Periods Ended May 31, 2015**

Prepared in accordance with Texas Education Code Sec. 51.0032

|  | Fiscal Year to Date  |                      |                     |                     |                      |                      |                      |
|--|----------------------|----------------------|---------------------|---------------------|----------------------|----------------------|----------------------|
|  | Asset Allocation     |                      | Returns             |                     | Value Added          |                      |                      |
|  | Actual               | Policy               | Portfolio           | Policy Benchmark    | Tactical Allocation  | Active Management    | Total                |
| <b>More Correlated and Constrained:</b>      |                      |                      |                     |                     |                      |                      |                      |
| Investment Grade                             | 6.0%                 | 6.8%                 | -2.49%              | -6.35%              | 0.07%                | 0.21%                | 0.28%                |
| Credit-Related                               | 0.1%                 | 0.0%                 | -2.90%              | -2.05%              | 0.00%                | 0.00%                | 0.00%                |
| Real Estate                                  | 2.5%                 | 2.5%                 | -0.01%              | 1.97%               | -0.01%               | -0.05%               | -0.06%               |
| Natural Resources                            | 6.9%                 | 7.5%                 | -20.37%             | -16.22%             | 0.03%                | -0.37%               | -0.34%               |
| Developed Country                            | 14.6%                | 14.0%                | 12.56%              | 3.25%               | 0.07%                | 1.25%                | 1.32%                |
| Emerging Markets                             | <u>11.0%</u>         | <u>9.7%</u>          | <u>4.27%</u>        | <u>-6.55%</u>       | <u>0.03%</u>         | <u>1.08%</u>         | <u>1.11%</u>         |
| <b>Total More Correlated and Constrained</b> | <b>41.1%</b>         | <b>40.5%</b>         | <b>1.00%</b>        | <b>-4.48%</b>       | <b>0.19%</b>         | <b>2.12%</b>         | <b>2.31%</b>         |
| <b>Less Correlated and Constrained</b>       | <b>29.8%</b>         | <b>30.0%</b>         | <b>5.18%</b>        | <b>4.94%</b>        | <b>0.01%</b>         | <b>0.09%</b>         | <b>0.10%</b>         |
| <b>Private Investments</b>                   | <b><u>29.1%</u></b>  | <b><u>29.5%</u></b>  | <b><u>7.24%</u></b> | <b><u>7.77%</u></b> | <b><u>-0.13%</u></b> | <b><u>-0.11%</u></b> | <b><u>-0.24%</u></b> |
| <b>Total</b>                                 | <b><u>100.0%</u></b> | <b><u>100.0%</u></b> | <b><u>3.99%</u></b> | <b><u>1.82%</u></b> | <b><u>0.07%</u></b>  | <b><u>2.10%</u></b>  | <b><u>2.17%</u></b>  |

| (\$ millions)                       | Summary of Capital Flows             |                               |  |
|-------------------------------------|--------------------------------------|-------------------------------|--|
|                                     | Fiscal Year Ended<br>August 31, 2014 | Quarter Ended<br>May 31, 2015 | Fiscal Year to Date<br>August 31, 2015 |
| Beginning Net Assets                | \$7,396                              | \$8,323                       | \$8,325                                |
| Contributions                       | 225                                  | 107                           | 187                                    |
| Withdrawals                         | (13)                                 | (1)                           | (12)                                   |
| Distributions                       | (371)                                | (98)                          | (291)                                  |
| Investment Return (Net of Expenses) | <u>1,088</u>                         | <u>200</u>                    | <u>322</u>                             |
| Ending Net Assets                   | <u>\$8,325</u>                       | <u>\$8,531</u>                | <u>\$8,531</u>                         |

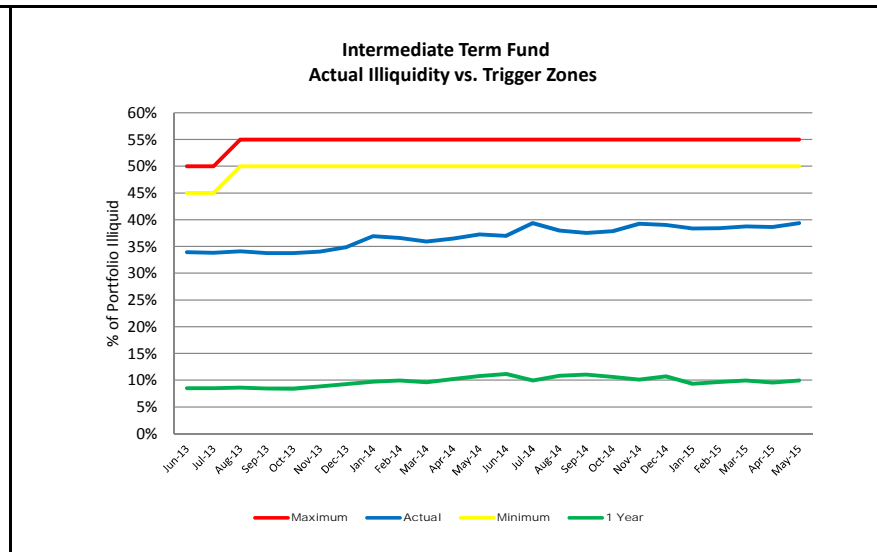


**III. INTERMEDIATE TERM FUND**  
**Investment Reports for Periods Ended May 31, 2015**

Prepared in accordance with Texas Education Code Sec. 51.0032

|  | Fiscal Year to Date |               |               |                  |                     |                   |              |
|--|---------------------|---------------|---------------|------------------|---------------------|-------------------|--------------|
|  | Asset Allocation    |               | Returns       |                  | Value Added         |                   |              |
|  | Actual              | Policy        | Portfolio     | Policy Benchmark | Tactical Allocation | Active Management | Total        |
| <b>More Correlated and Constrained:</b>      |                     |               |               |                  |                     |                   |              |
| Investment Grade                             | 30.4%               | 30.0%         | -4.12%        | -6.35%           | 0.00%               | 0.66%             | 0.66%        |
| Credit-Related                               | 0.0%                | 0.0%          | 0.00%         | 0.00%            | 0.00%               | 0.00%             | 0.00%        |
| Real Estate                                  | 2.9%                | 3.0%          | 0.00%         | 1.97%            | -0.01%              | -0.07%            | -0.08%       |
| Natural Resources                            | 6.4%                | 7.0%          | -20.12%       | -16.22%          | 0.04%               | -0.31%            | -0.27%       |
| Developed Country                            | 8.9%                | 9.0%          | 12.72%        | 3.25%            | 0.01%               | 0.83%             | 0.84%        |
| Emerging Markets                             | 6.5%                | 6.0%          | 4.30%         | -6.55%           | -0.02%              | 0.64%             | 0.62%        |
| <b>Total More Correlated and Constrained</b> | <b>55.1%</b>        | <b>55.0%</b>  | <b>-2.50%</b> | <b>-5.64%</b>    | <b>0.02%</b>        | <b>1.75%</b>      | <b>1.77%</b> |
| <b>Less Correlated and Constrained</b>       | <b>44.9%</b>        | <b>45.0%</b>  | <b>5.16%</b>  | <b>4.94%</b>     | <b>-0.09%</b>       | <b>0.15%</b>      | <b>0.06%</b> |
| <b>Private Investments</b>                   | <b>0.0%</b>         | <b>0.0%</b>   | <b>0.00%</b>  | <b>0.00%</b>     | <b>0.00%</b>        | <b>0.00%</b>      | <b>0.00%</b> |
| <b>Total</b>                                 | <b>100.0%</b>       | <b>100.0%</b> | <b>0.86%</b>  | <b>-0.97%</b>    | <b>-0.07%</b>       | <b>1.90%</b>      | <b>1.83%</b> |

| (\$ millions)                       | Summary of Capital Flows             |                               |  |
|-------------------------------------|--------------------------------------|-------------------------------|--|
|                                     | Fiscal Year Ended<br>August 31, 2014 | Quarter Ended<br>May 31, 2015 | Fiscal Year to Date<br>August 31, 2015 |
| Beginning Net Assets                | \$5,520                              | \$6,998                       | \$6,665                                |
| Contributions                       | 2,111                                | 308                           | 1,091                                  |
| Withdrawals                         | (1,391)                              | (93)                          | (463)                                  |
| Distributions                       | (186)                                | (54)                          | (155)                                  |
| Investment Return (Net of Expenses) | 611                                  | 37                            | 58                                     |
| Ending Net Assets                   | <u>\$6,665</u>                       | <u>\$7,196</u>                | <u>\$7,196</u>                         |



**IV. SEPARATELY INVESTED ASSETS**  
**Summary Investment Report at May 31, 2015**  
 Report prepared in accordance with Texas Education Code Sec. 51.0032

| ASSET TYPES                    | (\$ thousands)                |         |            |       |                              |          |                                |        |              |          |                                    |          |   |           |           |           |
|--------------------------------|-------------------------------|---------|------------|-------|------------------------------|----------|--------------------------------|--------|--------------|----------|------------------------------------|----------|---|-----------|-----------|-----------|
|                                | FUND TYPE                     |         |            |       |                              |          |                                |        |              |          |                                    |          |   |           |           |           |
|                                | CURRENT PURPOSE<br>DESIGNATED |         | RESTRICTED |       | ENDOWMENT &<br>SIMILAR FUNDS |          | ANNUITY & LIFE<br>INCOME FUNDS |        | AGENCY FUNDS |          | TOTAL EXCLUDING<br>OPERATING FUNDS |          | OPERATING FUNDS<br>(DEBT PROCEEDS AND<br>SHORT TERM FUND) |           | TOTAL     |           |
| BOOK                           | MARKET                        | BOOK    | MARKET     | BOOK  | MARKET                       | BOOK     | MARKET                         | BOOK   | MARKET       | BOOK     | MARKET                             | BOOK     | MARKET  | BOOK      | MARKET    |           |
| <b>Cash &amp; Equivalents:</b> |                               |         |            |       |                              |          |                                |        |              |          |                                    |          |   |           |           |           |
| Beginning value 02/28/15       | -                             | -       | 3,495      | 3,495 | 108,216                      | 108,216  | 1,477                          | 1,477  | 2,392        | 2,392    | 115,580                            | 115,580  | 2,122,623   | 2,122,623 | 2,238,203 | 2,238,203 |
| Increase/(Decrease)            | -                             | -       | 1,999      | 1,999 | (62,239)                     | (62,239) | (244)                          | (244)  | (1,655)      | (1,655)  | (62,139)                           | (62,139) | (145,393)   | (145,393) | (207,532) | (207,532) |
| Ending value 05/31/15          | -                             | -       | 5,494      | 5,494 | 45,977                       | 45,977   | 1,233                          | 1,233  | 737          | 737      | 53,441                             | 53,441   | 1,977,230   | 1,977,230 | 2,030,671 | 2,030,671 |
| <b>Debt Securities:</b>        |                               |         |            |       |                              |          |                                |        |              |          |                                    |          |   |           |           |           |
| Beginning value 02/28/15       | -                             | -       | 13         | 14    | 11,304                       | 11,756   | 7,961                          | 8,033  | -            | -        | 19,278                             | 19,803   | -   | -         | 19,278    | 19,803    |
| Increase/(Decrease)            | -                             | -       | (2)        | (2)   | -                            | (95)     | (33)                           | (135)  | -            | -        | (35)                               | (232)    | -   | -         | (35)      | (232)     |
| Ending value 05/31/15          | -                             | -       | 11         | 12    | 11,304                       | 11,661   | 7,928                          | 7,898  | -            | -        | 19,243                             | 19,571   | -   | -         | 19,243    | 19,571    |
| <b>Equity Securities:</b>      |                               |         |            |       |                              |          |                                |        |              |          |                                    |          |   |           |           |           |
| Beginning value 02/28/15       | 1,161                         | 8,248   | 276        | 272   | 41,511                       | 50,968   | 12,600                         | 13,115 | -            | -        | 55,548                             | 72,603   | -   | -         | 55,548    | 72,603    |
| Increase/(Decrease)            | 253,112                       | 206,899 | 1,059      | 1,055 | 378                          | 938      | (62)                           | (72)   | -            | -        | 254,487                            | 208,820  | -   | -         | 254,487   | 208,820   |
| Ending value 05/31/15          | 254,273                       | 215,147 | 1,335      | 1,327 | 41,889                       | 51,906   | 12,538                         | 13,043 | -            | -        | 310,035                            | 281,423  | -   | -         | 310,035   | 281,423   |
| <b>Other:</b>                  |                               |         |            |       |                              |          |                                |        |              |          |                                    |          |   |           |           |           |
| Beginning value 02/28/15       | -                             | -       | 205        | 205   | 7                            | 7        | 560                            | 113    | 8,593        | 8,593    | 9,365                              | 8,918    | -   | -         | 9,365     | 8,918     |
| Increase/(Decrease)            | -                             | -       | (116)      | (116) | 592                          | 592      | 12                             | 1      | (8,593)      | (8,593)  | (8,105)                            | (8,116)  | -   | -         | (8,105)   | (8,116)   |
| Ending value 05/31/15          | -                             | -       | 89         | 89    | 599                          | 599      | 572                            | 114    | -            | -        | 1,260                              | 802      | -   | -         | 1,260     | 802       |
| <b>Total Assets:</b>           |                               |         |            |       |                              |          |                                |        |              |          |                                    |          |   |           |           |           |
| Beginning value 02/28/15       | 1,161                         | 8,248   | 3,989      | 3,986 | 161,038                      | 170,947  | 22,598                         | 22,738 | 10,985       | 10,985   | 199,771                            | 216,904  | 2,122,623   | 2,122,623 | 2,322,394 | 2,339,527 |
| Increase/(Decrease)            | 253,112                       | 206,899 | 2,940      | 2,936 | (61,269)                     | (60,804) | (327)                          | (450)  | (10,248)     | (10,248) | 184,208                            | 138,333  | (145,393)   | (145,393) | 38,815    | (7,060)   |
| Ending value 05/31/15          | 254,273                       | 215,147 | 6,929      | 6,922 | 99,769                       | 110,143  | 22,271                         | 22,288 | 737          | 737      | 383,979                            | 355,237  | 1,977,230   | 1,977,230 | 2,361,209 | 2,332,467 |

Details of individual assets by account furnished upon request.



# The University of Texas Investment Management Company

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## UTIMCO Update

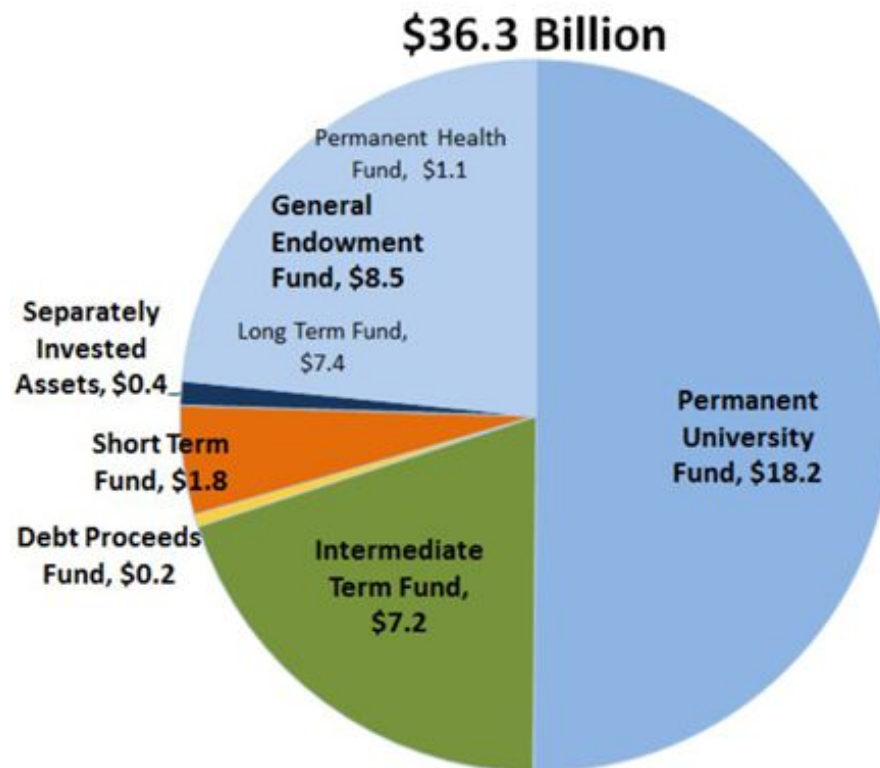
Mr. Bruce Zimmerman  
CEO and Chief Investment Officer

U. T. System Board of Regents' Meeting  
Finance and Planning Committee  
August 2015



# UTIMCO ASSETS UNDER MANAGEMENT

As of May 31, 2015





# RETURNS

Periods Ended May 31, 2015

| Fund                            | FYTD              |             |            |           |
|---------------------------------|-------------------|-------------|------------|-----------|
|                                 | Nine Months Ended | Three Years | Five Years | Ten Years |
| Permanent University Fund (PUF) | 3.31%             | 10.29%      | 9.42%      | 7.01%     |
| General Endowment Fund (GEF)    | 3.99%             | 10.50%      | 9.56%      | 7.12%     |
| Intermediate Term Fund (ITF)    | 0.86%             | 6.88%       | 6.83%      | N/A       |



# HISTORICAL VALUE ADD





# COMBINED PUF AND GEF EXPOSURE

|                                   |                               | More Correlated and Constrained (Long Only) |                       | Less Correlated and Constrained (Hedge Funds) |                       | Private Investments |                        | Total                |                     |
|-----------------------------------|-------------------------------|---|-----------------------|---|-----------------------|---------------------|------------------------|----------------------|---------------------|
| (In millions, as of May 31, 2015) |                               |   |                       |   |                       |                     |                        |                      |                     |
| <b>Fixed Income</b>               | Investment Grade Fixed Income | \$1,854                                     | 6.9%                  | \$559   | 2.1%                  | \$0                 | 0.0%                   | <b>\$2,413</b>       | <b>9.0%</b>         |
|                                   | Credit-Related Fixed Income   | <u>28</u>                                   | <u>0.1%</u>           | <u>1,147</u>                                  | <u>4.3%</u>           | <u>965</u>          | <u>3.6%</u>            | <u>2,140</u>         | <u>8.0%</u>         |
|                                   | <b>Fixed Income Total</b>     | <b><u>1,882</u></b>                         | <b><u>7.0%</u></b>    | <b><u>1,706</u></b>                           | <b><u>6.4%</u></b>    | <b><u>965</u></b>   | <b><u>3.6%</u></b>     | <b><u>4,553</u></b>  | <b><u>17.0%</u></b> |
| <b>Real Assets</b>                | Real Estate                   | \$652                                       | 2.4%                  | \$2   | 0.0%                  | \$1,142             | 4.3%                   | <b>\$1,796</b>       | <b>6.7%</b>         |
|                                   | Natural Resources             | <u>1,851</u>                                | <u>6.9%</u>           | <u>2</u>                                      | <u>0.0%</u>           | <u>1,690</u>        | <u>6.3%</u>            | <u>3,543</u>         | <u>13.2%</u>        |
|                                   | <b>Real Assets Total</b>      | <b><u>2,503</u></b>                         | <b><u>9.3%</u></b>    | <b><u>4</u></b>                               | <b><u>0.0%</u></b>    | <b><u>2,832</u></b> | <b><u>10.6%</u></b>    | <b><u>5,339</u></b>  | <b><u>19.9%</u></b> |
| <b>Equity</b>                     | Developed Country Equity      | \$3,854                                     | 14.5%                 | \$5,792                                       | 21.7%                 | \$3,018             | 11.3%                  | <b>\$12,664</b>      | <b>47.5%</b>        |
|                                   | Emerging Markets Equity       | <u>2,894</u>                                | <u>10.8%</u>          | <u>417</u>                                    | <u>1.6%</u>           | <u>865</u>          | <u>3.2%</u>            | <u>4,176</u>         | <u>15.6%</u>        |
|                                   | <b>Equity Total</b>           | <b><u>6,748</u></b>                         | <b><u>25.3%</u></b>   | <b><u>6,209</u></b>                           | <b><u>23.3%</u></b>   | <b><u>3,883</u></b> | <b><u>14.5%</u></b>    | <b><u>16,840</u></b> | <b><u>63.1%</u></b> |
| <b>Total</b>                      | <b><u>\$11,133</u></b>        | <b><u>41.6%</u></b>                         | <b><u>\$7,919</u></b> | <b><u>29.7%</u></b>                           | <b><u>\$7,680</u></b> | <b><u>28.7%</u></b> | <b><u>\$26,732</u></b> | <b><u>100.0%</u></b> |                     |





# The University of Texas Investment Management Company

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## Less Correlated & Constrained (Hedge Funds)

Ryan Ruebsahm and Courtney Powers



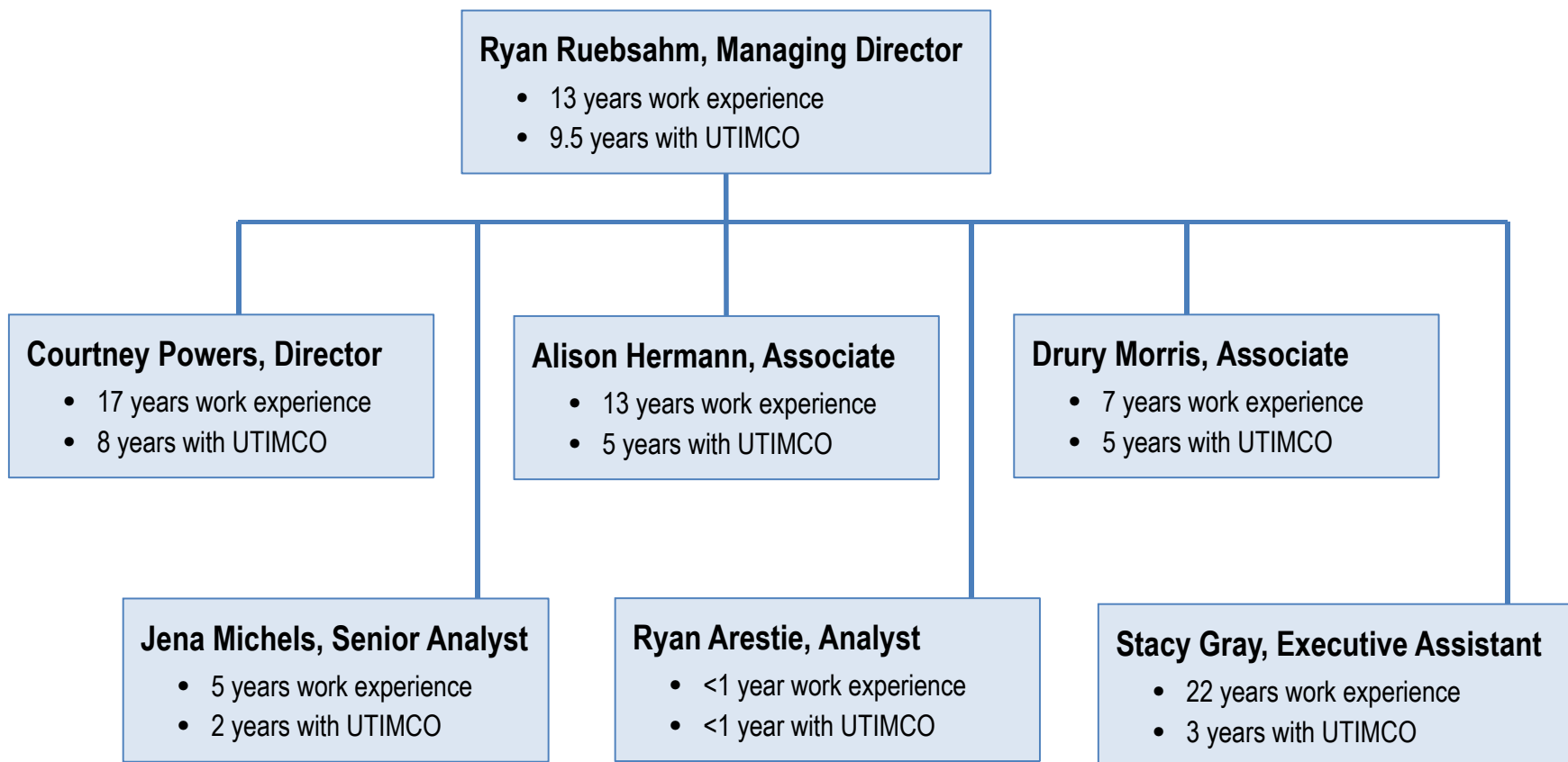
# SIZE

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- **Less Correlated & Constrained (LCC) assets total \$11.2 billion**
  - 30% of Endowments; 45% of ITF
- **UTIMCO's hedge fund portfolio ranks:**
  - Largest among global endowments & foundations
  - 2<sup>nd</sup> largest among all U.S. pension plans, public or private
  - 8<sup>th</sup> largest among global pension plans and sovereign wealth
  - 11<sup>th</sup> largest global Fund-of-Hedge-Funds
- **If the LCC portfolio were a stand-alone endowment, it would be the 6<sup>th</sup> largest in the U.S.**



# TEAM





# OBJECTIVES

---

- “Equity-like” Returns with “Bond-like” Volatility
- Preserve Capital
- Diversify MCC (Long Only) and Private Investment Portfolios
- Value Add Through Active Management



# HEDGE FUND STRATEGIES

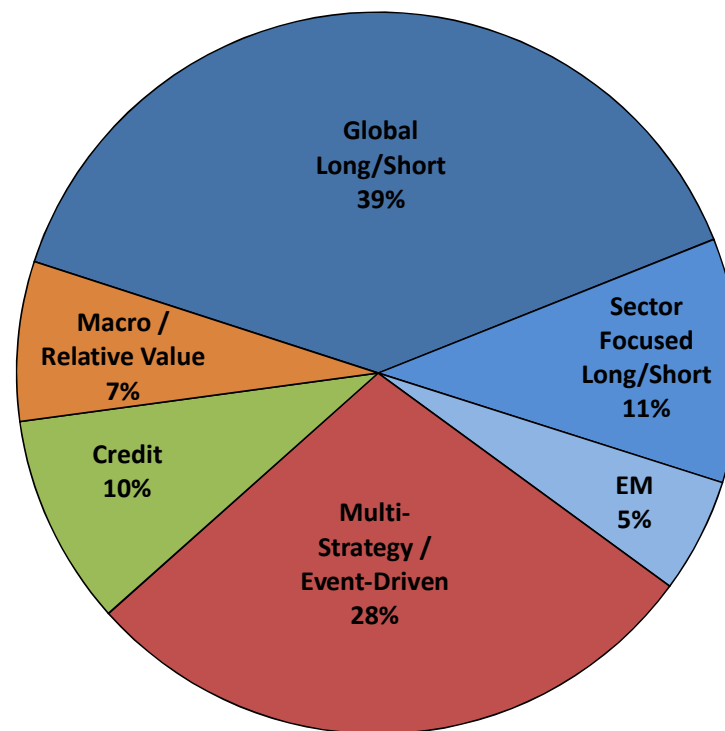
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- We view “hedge funds” as a return and risk profile, not a legal or fee structure
- Active management tools that hedge funds use:
  - Shorting
  - Arbitrage
  - Derivatives
  - Leverage
- Broad range of strategies
  - Long/Short Equity
  - Distressed Credit
  - Multi-Strategy
  - Market Neutral
  - Event-Driven
  - Fixed Income Arbitrage
  - Merger Arbitrage
  - Managed Futures / CTAs
  - Global Macro
  - Convertible Arbitrage
  - Relative Value



# ALLOCATION BY HEDGE FUND STRATEGY

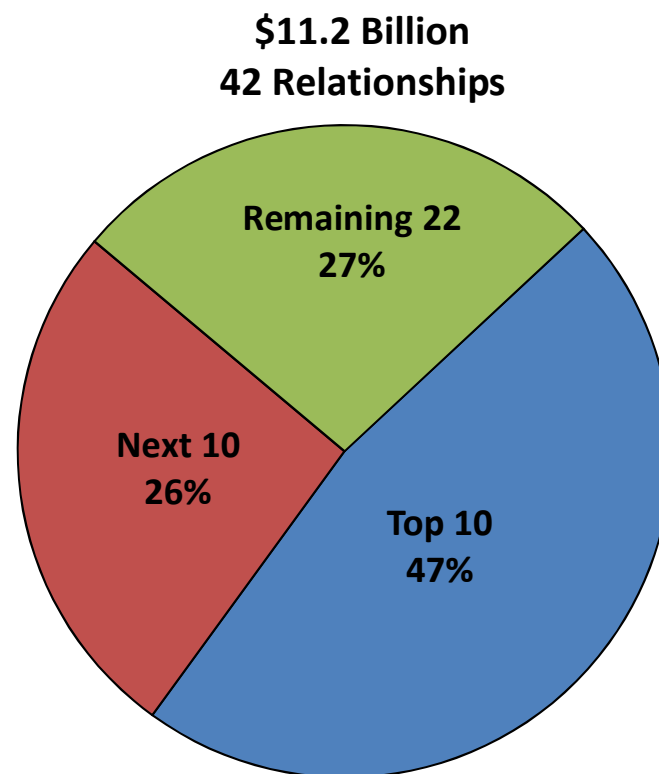
- Focus on high return-on-asset (ROA) strategies that are sustainable over time and deploy less leverage
- Do not engage in highly levered, momentum, or purely quantitative strategies





# CONCENTRATION BY RELATIONSHIP

- “Core” positions with managers who can dependably manage capital through full market cycles
- “Satellite” relationships with managers who can enhance returns through opportunistic/niche strategies





# FEES

(\$ in billions)

|                   | Management Fee | Performance Fee |
|-------------------|----------------|-----------------|
| Industry Average* | 1.7%           | 19.9%           |
| UTIMCO            | 1.3%           | 19.1%           |

## UTIMCO Sizing

|              | NAV         | Management Fee | Performance Fee |
|--------------|-------------|----------------|-----------------|
| Top 10       | \$5.2       | 1.2%           | 19.0%           |
| Next 10      | 2.9         | 1.4%           | 18.9%           |
| Remaining 19 | 2.6         | 1.5%           | 19.4%           |
| <b>Total</b> | <b>10.7</b> | <b>1.3%</b>    | <b>19.1%</b>    |

## Fund Open/Closed

|              | NAV         | Management Fee | Performance Fee |
|--------------|-------------|----------------|-----------------|
| Open         | \$3.2       | 1.1%           | 19.2%           |
| Closed       | 7.5         | 1.4%           | 19.0%           |
| <b>Total</b> | <b>10.7</b> | <b>1.3%</b>    | <b>19.1%</b>    |

## Specific Circumstances

|                         | NAV         | Management Fee | Performance Fee |
|-------------------------|-------------|----------------|-----------------|
| Opportunistic           | \$0.2       | 0.5%           | 15.8%           |
| Long Tenured            | 1.8         | 1.1%           | 19.3%           |
| "Turnaround"            | 1.2         | 1.1%           | 18.5%           |
| Early Investor Discount | 2.4         | 1.2%           | 17.4%           |
| Blue Chip (90% Closed)  | 5.1         | 1.6%           | 20.0%           |
| <b>Total</b>            | <b>10.7</b> | <b>1.3%</b>    | <b>19.1%</b>    |

\*Based on Albourne sample of funds  
 Analysis excludes funds in redemption and fund of funds (\$334 million)

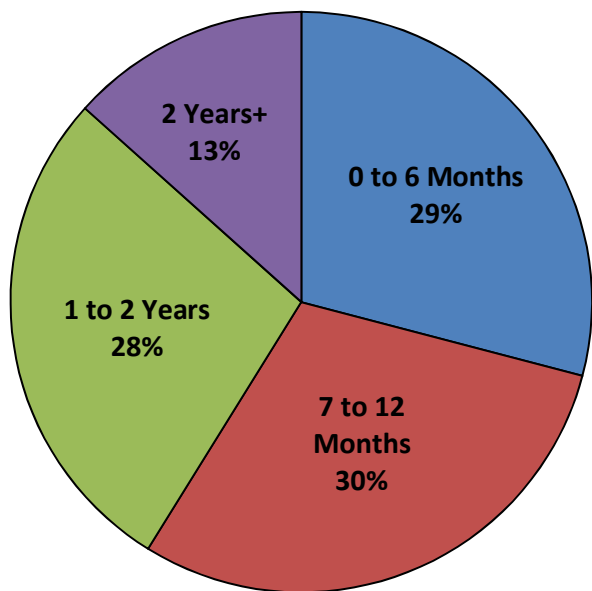




# LIQUIDITY & TRANSPARENCY

## Liquidity

- 14 month weighted average life



## Transparency

- **94%** of portfolio provide monthly portfolio reports
  - Long/short/gross/net exposures
  - Strategy/geography/sector exposures
  - Performance attribution
  - Concentration of large positions
- **83%** of portfolio will discuss portfolio in detail on monthly basis; 17% quarterly
- **95%** of portfolio:
  - Provides 3<sup>rd</sup> party asset verification reports
  - Audited by a “Big-4” firm
  - Uses third-party administrators as official books and records



# COMPETITIVE ADVANTAGES

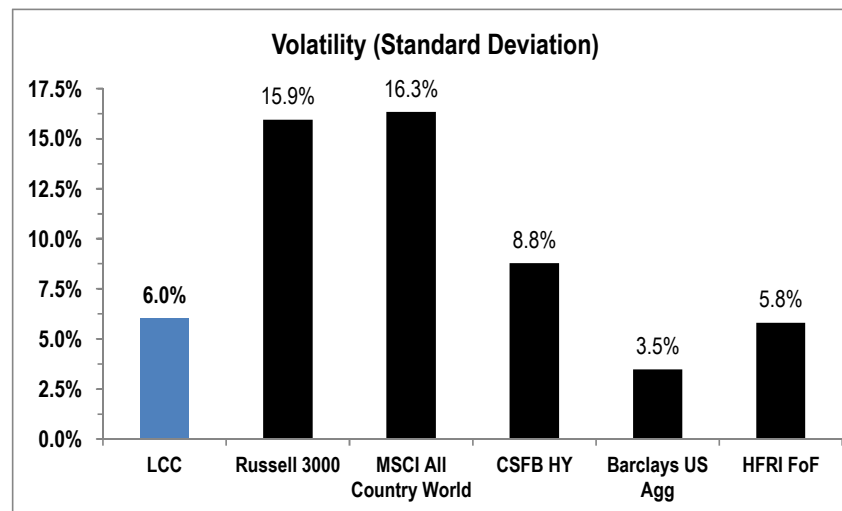
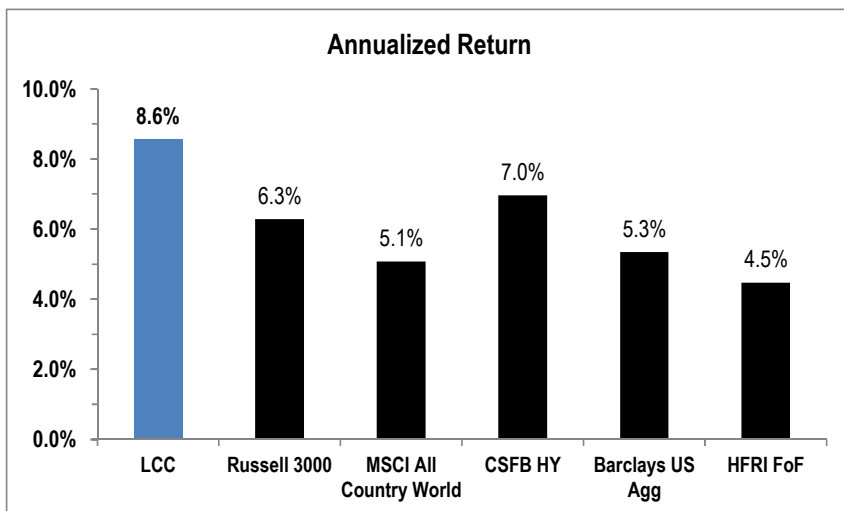
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- **Focus on Fundamental Investing in Strategies We Understand**
- **Long Time Horizon**
  - Moderate, incremental changes to both strategies and managers over time
  - Ability to invest in multi-year lock-ups when warranted
- **Long-Term Relationships**
  - Eight year weighted average tenure
  - “Next Generation” managers
- **Economic Alignment**
  - 1.3% average management fee
  - 19.1% average incentive fee
  - 14 month weighted average life
- **Reputation**
  - Long-time investor
  - Viewed as dependable partner



# ATTRACTIVE ABSOLUTE AND RISK-ADJUSTED RETURNS

\$1.0 initial investment, now worth \$4.0 vs. \$2.3 in global equities  
(August 1998 Inception – May 2015)





# VALUE ADD VERSUS FUND OF FUNDS

- Consistent top quartile performance within the Fund of Funds universe



4. **U. T. System Board of Regents: Report on activities of the University Lands Advisory Board**

REPORT

Regent Cranberg, Chairman of the University Lands Advisory Board (ULAB), and Mr. Mark Houser, Chief Executive Officer - University Lands, will report on activities related to the ULAB using the PowerPoint presentation set forth on the following pages.

BACKGROUND INFORMATION

The ULAB was established by the Board of Regents on May 15, 2014, to advise the Board on operations and management of the University Lands Office, including hiring the Chief Executive Officer - University Lands, reviewing and recommending budgets to the Board, and providing strategic direction.



# University Lands Update

Mr. Mark Houser, Chief Executive Officer – University Lands

U. T. System Board of Regents' Meeting  
Finance and Planning Committee  
August 2015



THE UNIVERSITY of TEXAS SYSTEM

*Nine Universities. Six Health Institutions. Unlimited Possibilities.*

[WWW.UTSYSTEM.EDU](http://WWW.UTSYSTEM.EDU)

# Agenda

- I. Market Update
- II. University Lands Update
- III. Looking Forward



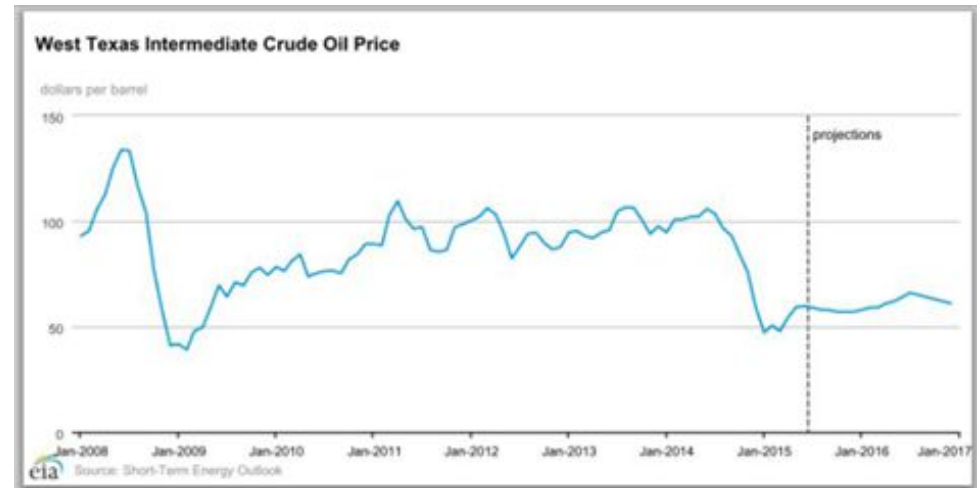
THE UNIVERSITY of TEXAS SYSTEM

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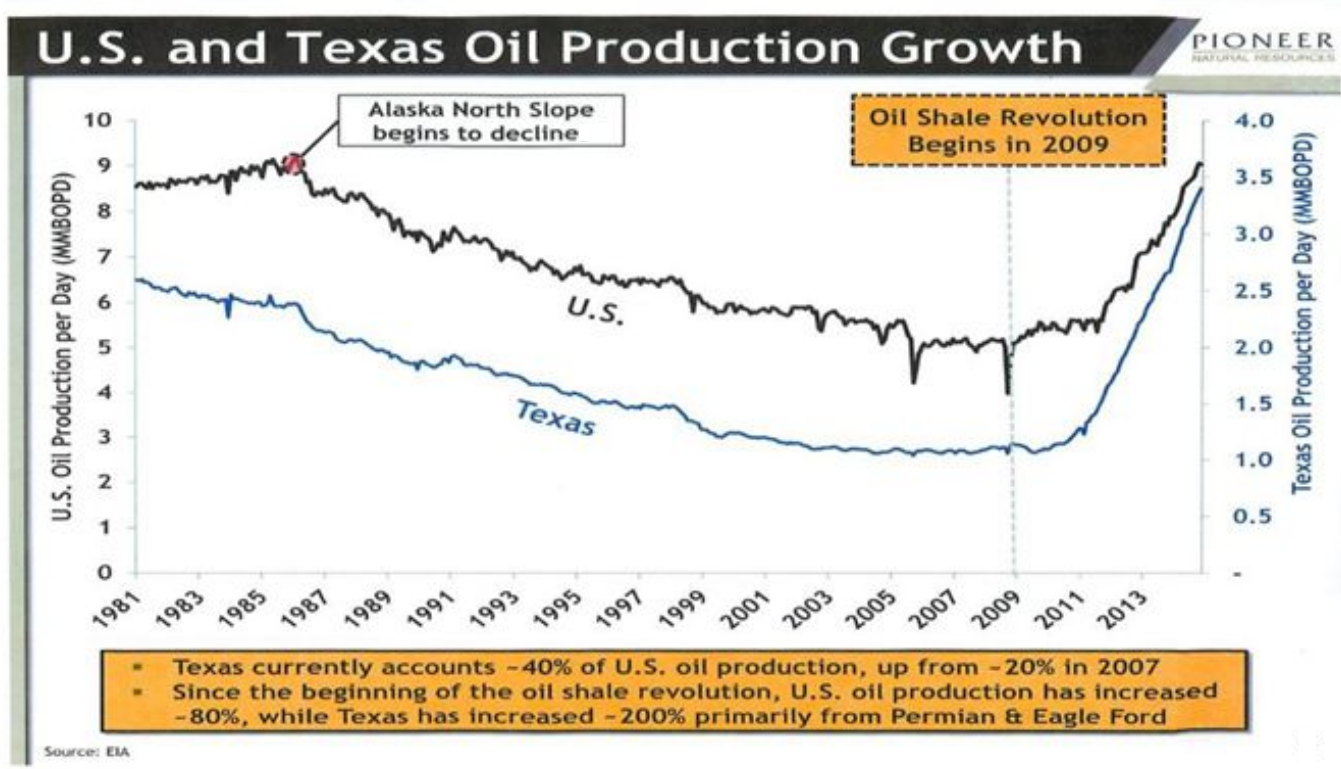
# Market Overview

- Oil markets have generally been expecting a “V” type recovery
- A decline in U.S. production due to the low price environment was supposed to balance the worldwide supply surplus
- Despite the rig count reduction and marginal returns, supply remains robust and will likely continue:
  - OPEC is increasing production (driven primarily by Saudi Arabia and Iraq)
  - Iran production is coming onto the market
- Global demand is up by 1.6% year-over-year (y/y), similar to global supply
- With recent “fear” related to China’s economic challenges and Iran’s potential 2016 entry, mid-term outlook for oil prices remains low





# U.S. and Texas Oil Production Growth

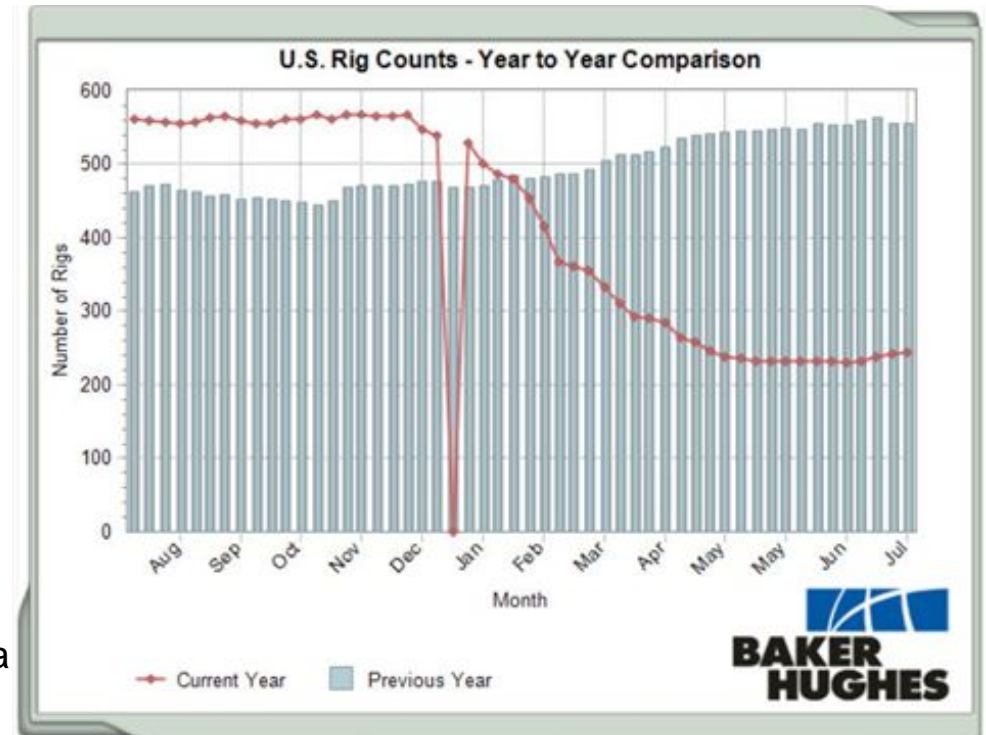


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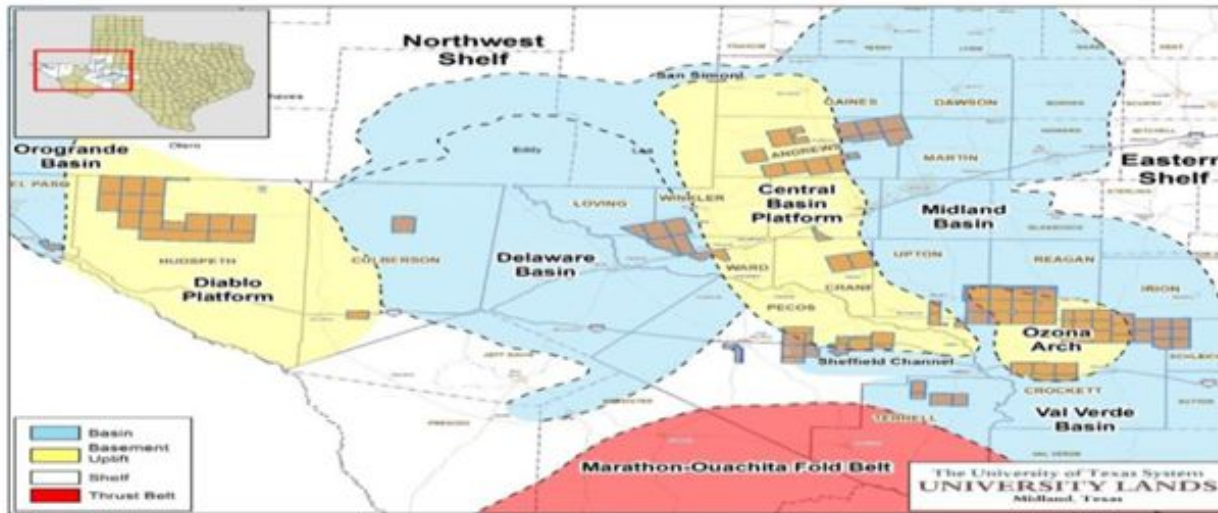


# Rig Count (as of 7/24/2015)

- U.S. rig count down -649 or -54% y/y
  - Private Companies
    - A large portion of rig count is dominated by small private companies
    - liquidity will become more of an issue
  - Public Exploration and Production (E&P) Companies
    - Last year, 250+ of the rigs in the domestic U.S. were operated by major E&Ps, now distressed or near-distress. Their activity is down approximately 75%
  - Returns on drilling, even across best assets, are becoming marginal
  - U.S. production *should* start to decline but hasn't
- Total Permian Basin Rig Count: 245
  - Down -310 or -55.9% y/y
  - One of the most economic basins in North America
  - Production in the Permian Basin has continued to grow



# University Lands Assets



- Total Reserves (8/2014)
  - 1,214 million Barrels of Oil Equivalent (BOE)
  - 13% Proved
- 2014 Gross Daily Production
  - 211,000 BOE per day
  - 64% oil
- 2014 Net Daily Production
  - 41,600 BOE per day
- >9000 Producing Wells
- 21,000 Identified “3P” Drilling Locations
- Incredible potential database for oil and gas AND water resources

2.1 million acres: ~1.5 million leased for oil and gas activity

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# University Lands Statement of Deposits

|   | September 2014   | October 2014     | November 2014    | December 2014    | January 2015     | February 2015    | March 2015       | April 2015       | May 2015         | June 2015        | Cumulative FY 2015 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| <b>Permanent University Fund</b>            |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                    |
| Royalty -                                   |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                    |
| Oil   | \$81,950         | \$67,207         | \$64,105         | \$62,950         | \$55,285         | \$43,633         | \$33,489         | \$32,428         | \$39,337         | \$42,637         | \$523,021          |
| Gas   | 16,195           | 15,781           | 15,215           | 15,220           | 12,268           | 10,804           | 11,275           | 8,078            | 8,824            | 9,122            | 122,782            |
| Other Mineral Royalties                     | 1,929            | 3,580            | 3,521            | 1,583            | 1,965            | 1,857            | 2,079            | 775              | 1,259            | 1,397            | 19,945             |
| Damage Income                               | 1,130            | 842              | 1,654            | 1,005            | 421              | 454              | 450              | 614              | 598              | 574              | 7,742              |
|   | \$101,204        | \$87,410         | \$84,495         | \$80,758         | \$69,939         | \$56,748         | \$47,293         | \$41,895         | \$50,018         | \$53,730         | \$673,490          |
| Bonuses -                                   |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                    |
| Oil & Gas Lease Sales                       | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$919            | \$919              |
| O&G Units/Extensions                        | 3,243            | 246              | 17               | 275              | 4,261            | 751              | 2,953            | 393              | 157              | 532              | 12,828             |
| <b>Total Permanent University Fund</b>      | <b>\$104,447</b> | <b>\$87,656</b>  | <b>\$84,512</b>  | <b>\$81,033</b>  | <b>\$74,200</b>  | <b>\$57,499</b>  | <b>\$50,246</b>  | <b>\$42,288</b>  | <b>\$50,175</b>  | <b>\$55,181</b>  | <b>\$687,237</b>   |
| <b>Available University Fund</b>            |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                    |
| Grazing Leases                              | \$0              | \$0              | \$0              | \$1,624          | \$789            | \$0              | \$0              | \$0              | \$0              | \$3,562          | \$5,975            |
| Land Easements                              | 1,179            | 3,086            | 2,628            | 2,547            | 2,867            | 4,499            | 2,990            | 2,539            | 1,475            | 6,451            | 30,261             |
| Other Surface Income                        | 548              | 74               | 80               | 299              | 561              | 719              | 725              | 197              | 313              | 39               | 3,555              |
| <b>Total Available University Fund</b>      | <b>\$1,727</b>   | <b>\$3,160</b>   | <b>\$2,708</b>   | <b>\$4,470</b>   | <b>\$4,217</b>   | <b>\$5,218</b>   | <b>\$3,715</b>   | <b>\$2,736</b>   | <b>\$1,788</b>   | <b>\$10,052</b>  | <b>\$39,791</b>    |
| <b>TOTAL PERMANENT &amp; AVAILABLE FUND</b> | <b>\$106,174</b> | <b>\$90,816</b>  | <b>\$87,220</b>  | <b>\$85,503</b>  | <b>\$78,417</b>  | <b>\$62,717</b>  | <b>\$53,961</b>  | <b>\$45,024</b>  | <b>\$51,963</b>  | <b>\$65,233</b>  | <b>\$727,028</b>   |
| <b>Oil and Gas Lease Status</b>             |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                    |
| Leased Acreage                              | 1,591,056        | 1,557,729        | 1,558,197        | 1,558,197        | 1,557,874        | 1,555,827        | 1,532,386        | 1,513,384        | 1,511,032        | 1,510,727        |                    |
| Number of Active Leases                     | 4,253            | 4,270            | 4,371            | 4,272            | 4,270            | 4,258            | 4,217            | 4,180            | 4,176            | 4,175            |                    |
| <b>WTI AVERAGE OIL PRICE</b>                | <b>\$98.95</b>   | <b>\$92.68</b>   | <b>\$89.58</b>   | <b>\$80.94</b>   | <b>\$72.14</b>   | <b>\$55.49</b>   | <b>\$44.46</b>   | <b>\$47.34</b>   | <b>\$44.23</b>   | <b>\$50.58</b>   |                    |
| <b>WAHA GAS PRICE (FERC)</b>                | <b>\$4.40</b>    | <b>\$3.69</b>    | <b>\$3.84</b>    | <b>\$3.77</b>    | <b>\$3.39</b>    | <b>\$4.19</b>    | <b>\$3.00</b>    | <b>\$2.62</b>    | <b>\$2.71</b>    | <b>\$2.49</b>    |                    |
| <b>WTI OIL PRODUCTION*</b>                  | <b>828,196</b>   | <b>725,151</b>   | <b>715,617</b>   | <b>777,737</b>   | <b>766,357</b>   | <b>786,322</b>   | <b>753,239</b>   | <b>685,002</b>   | <b>889,374</b>   | <b>842,962</b>   |                    |
| <b>WAHA GAS PRODUCTION*</b>                 | <b>3,680,682</b> | <b>4,276,694</b> | <b>3,962,240</b> | <b>4,037,135</b> | <b>3,618,879</b> | <b>2,578,520</b> | <b>3,758,333</b> | <b>3,083,206</b> | <b>3,256,089</b> | <b>3,663,454</b> |                    |

\*Production estimates based on monthly revenues divided by average monthly commodity price

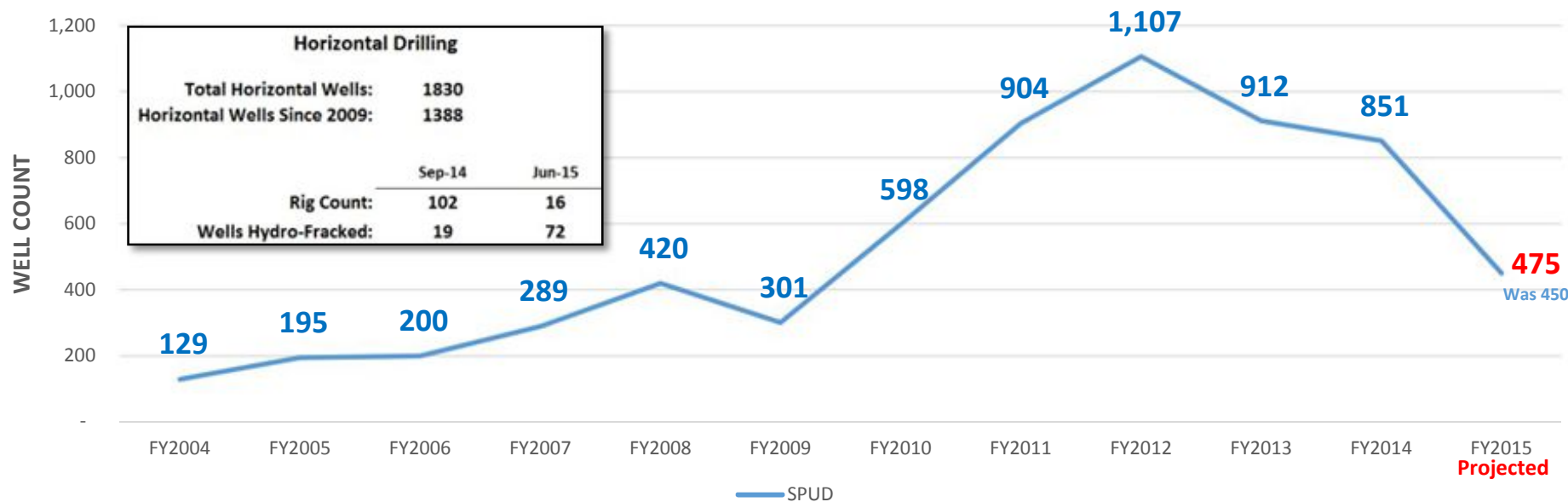
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Meeting of the U. T. System Board of Regents - Finance and Planning Committee



# University Lands Wells Drilled by Fiscal Year

UNIVERSITY LANDS  
Wells Spud by Fiscal Year



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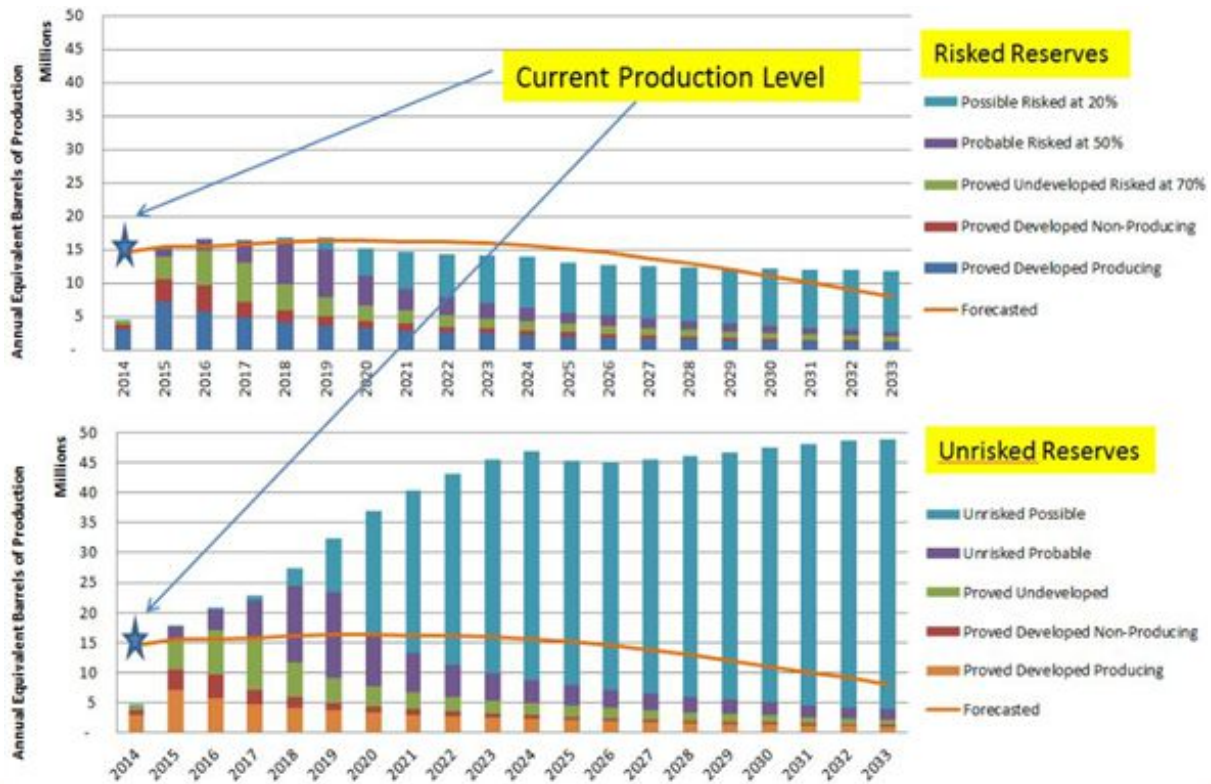


# University Lands Strategy

- Create a more “business oriented” forward looking culture
  - Study the best performing mineral/oil and gas companies to determine best practices
- Increase internal knowledge of resource potential
  - Enhance capabilities for managing extensive data
  - Expand internal technical resources (create Houston office)
  - Work more proactively with industry partners
  - Utilize assistance from Texas Energy Research, Engineering, and Education Institute (EREI)
- Evaluate most effective strategy for fully and prudently developing these “stacked pay” resources
- Work with industry partners to manage through price, cost, and technology swings
  - Upstream and midstream opportunities



# Long-Term Production Ranges



# University Lands Focus

## Mid-Term

Value-Added Opportunities  
Expand the Business

University Research and Development - EREI  
Water Infrastructure  
Midstream  
Take In-Kind  
Strategic Acquisitions and Divestitures

## Short-Term

Value-Added Activities  
Grow Existing Business

Enhance Lease Terms  
Trust Minerals  
Grow Development Plans  
Oil and Gas Audit  
Hedging Strategy  
Repatriate Leases  
Branding  
Legal Opinion

## Core Challenges

Manpower  
Compensation  
Succession  
Structure  
Leadership  
Governance  
Budget  
Funding  
Technology Use  
Tax Structure

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# Last 90 Days

## Accomplishments

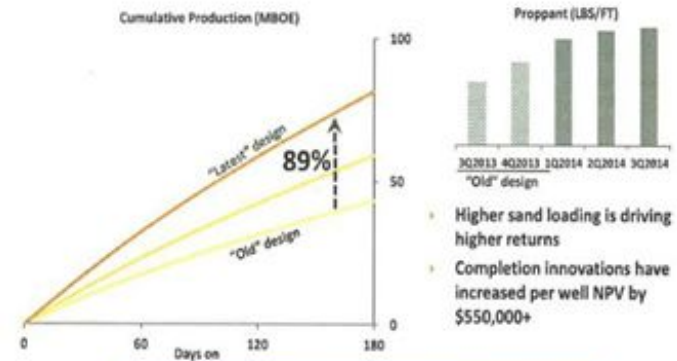
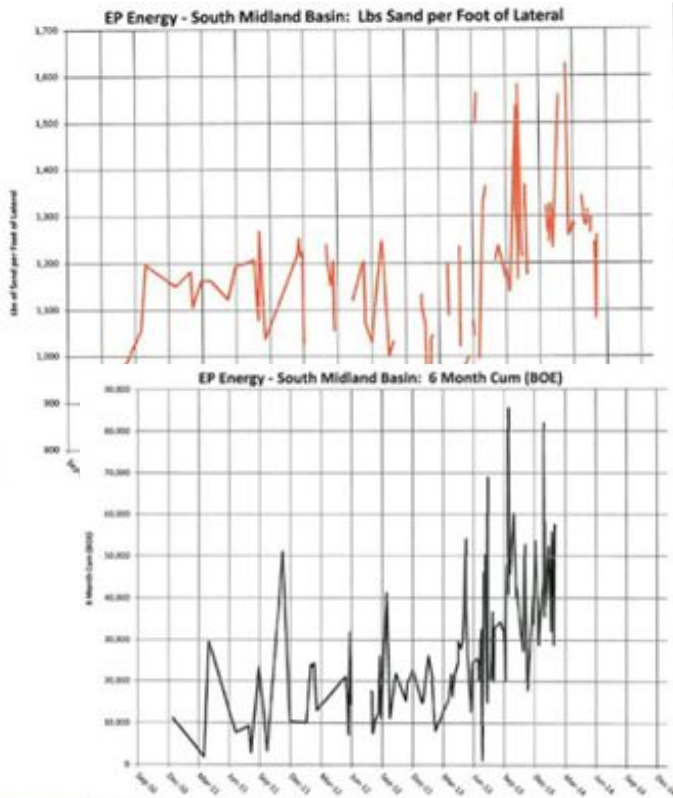
- Houston office location determined
- Organizational plan developed
  - Began formulating compensation strategy
- Discussions with several stakeholders
  - Chancellor William H. McRaven
  - Texas General Land Commissioner George P. Bush
  - UTIMCO staff
  - U. T. System: Dr. Randa Safady, Mr. Dan Sharphorn, et al.
  - Producers, ranchers, border patrol, and service providers
  - Field visits
- Worked through legislative session
- Revised 14 development agreements
  - Increased drilling commitments on lands by over 500 wells by 2020
  - Generated ~\$5 million in bonus payments
- Identified potential Midstream opportunity

## Challenges and Shortfalls

- Understanding the purchasing and hiring processes
- Small delay in technical staff hiring
- Data management and collection process not moving as fast as hoped

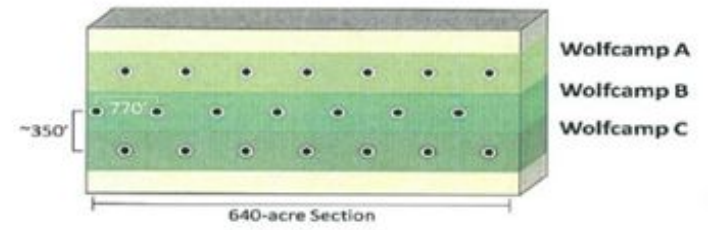


# Data Access Increasing Resource Potential



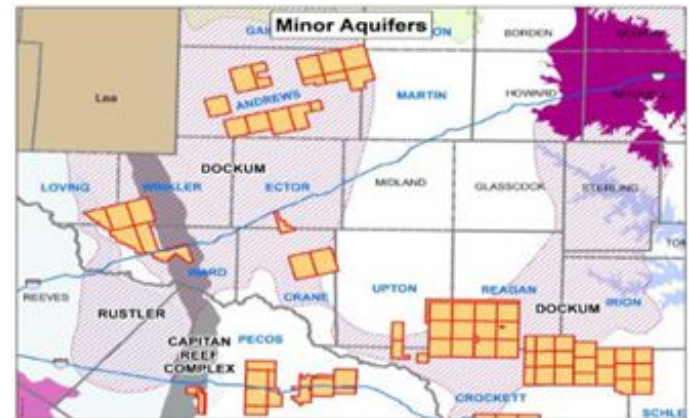
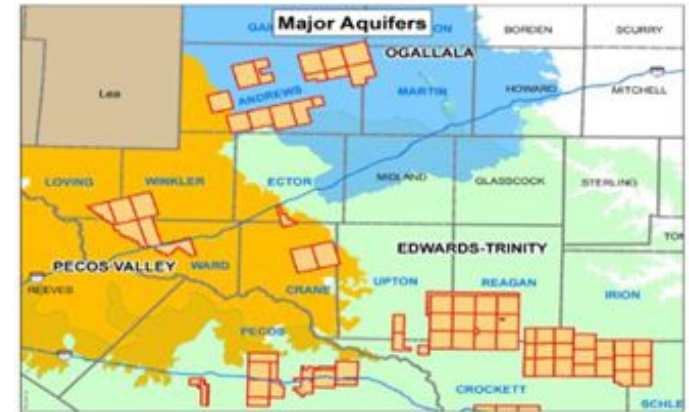
*Increased NPV and ROR through higher early cumulative production.*

- ▶ Expanding development across acreage position
- ▶ 2014 primarily combined B/C development
  - ▶▶ Adding A wells
- ▶ 770' between wells in each zone
- ▶ Completing all wells on a pad prior to producing



# Ground Water Management

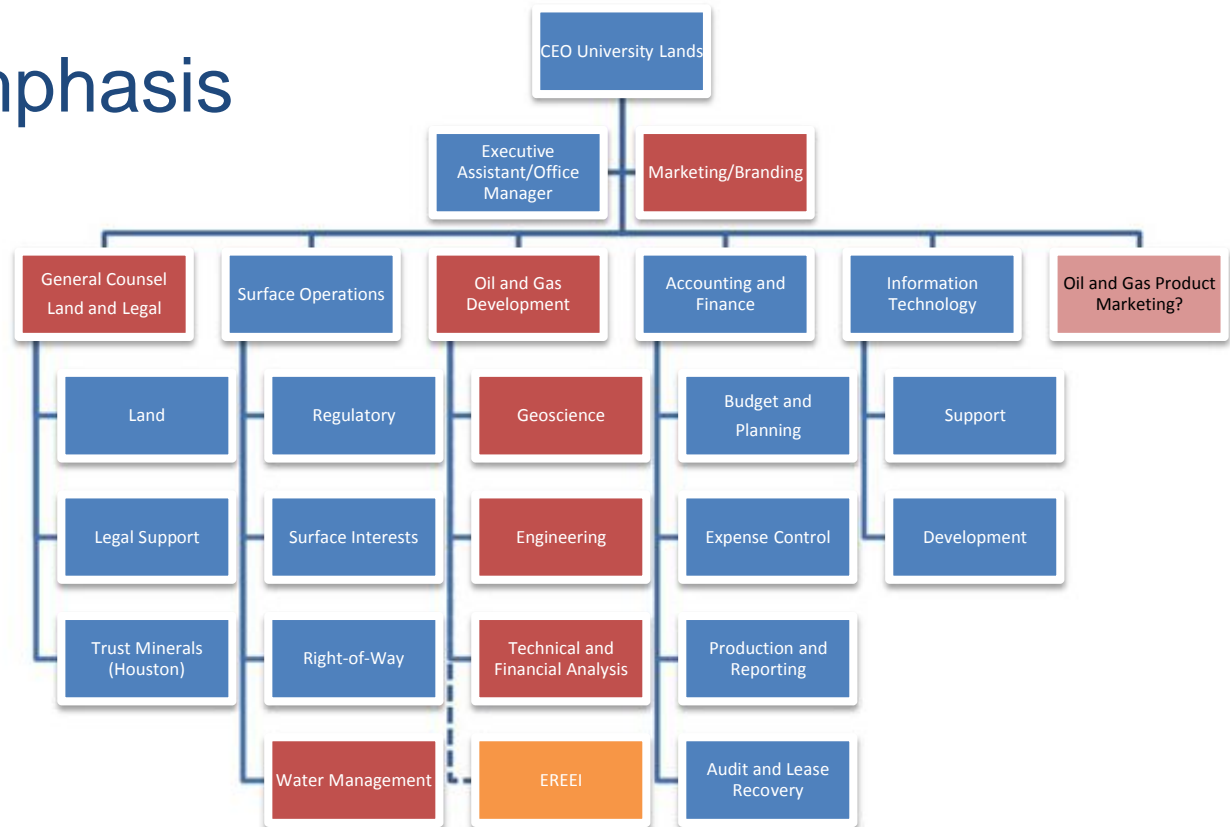
- University Lands aims to lead the water conversation in West Texas
- Geographic positioning over major and minor aquifers positions University Lands as a key player
- University Lands currently sells water to the City of Midland, City of Andrews, Colorado Municipal Water District and also to oil and gas companies to support their operations
- Goal: Conduct in depth study alongside hydrogeologists, using data from a variety of sources, including >3000 water wells on University Lands, oil and gas wells, and the Texas Water Development Board to develop comprehensive water management plan



# University Lands New Functional Emphasis

## New Positions

- General Counsel: Carrie Clark*
- CFO University Lands: TBD*
- Geoscience Director: Dave DeFelice*
- Engineering Director
- Geologist
- Engineer
- Executive Assistant: Barbara Dean*
- Geological Technician
- Engineering Technician
- Marketing Analyst: Alyssa Ray*
- Paralegal/Trust Minerals: TBD*



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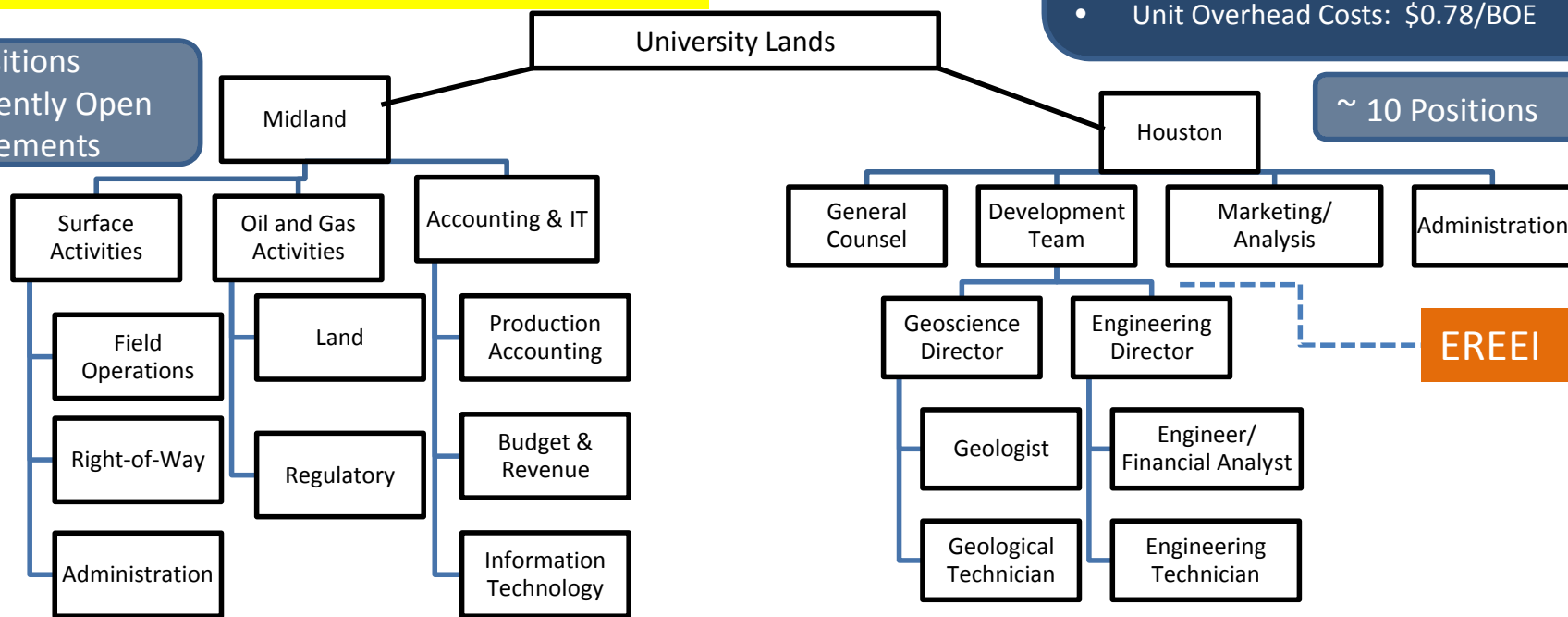
# General University Lands Organization

Similar Minerals Companies (typically smaller in size)  
Overhead - >> \$1.50 - \$2.50+ per BOE

- Total 2015 Revenue: \$811M
- Total 2015 Production: 15.4M BOE
- Total Projected Overhead Costs: \$12M
- % of Revenue: 0.15%
- Unit Overhead Costs: \$0.78/BOE

43 Positions  
3 Currently Open  
2 retirements

~ 10 Positions



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# 2016 Objectives

- Assess and determine optimal structure for University Lands to move forward as a “Minerals Company”
- Generate revenue of >\$850 million for fiscal year assuming \$50/bbl oil price
- Increase “price neutral” proved reserve value
- Develop integration program with EREEI
- Complete detailed reservoir study of 20% of University Lands
  - Complete technical review with all top 20 producers
- Complete staffing plan (as now defined) for Houston Office
- Complete one lease sale
- Develop and implement “downhole data management process”
  - Pursue land/regulatory reporting management system
  - Pursue reservoir/geologic management system
  - Develop a more real time “visual” activity mapping system
- Develop and implement an effective branding strategy
- Develop a comprehensive water management plan
- Develop an internship program



5. **U. T. System Board of Regents: Adoption of a Resolution authorizing the issuance, sale, and delivery of Permanent University Fund Bonds and authorization to complete all related transactions**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents

- a. adopt a Resolution, substantially in the form previously approved by the U. T. System Board of Regents, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Permanent University Fund (PUF) Bonds in one or more installments in an aggregate principal amount not to exceed \$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 21, 2014, the Board of Regents adopted a resolution authorizing the issuance of PUF Bonds in an amount not to exceed \$600 million for Fiscal Year 2015. Adoption of this Resolution would provide a similar authorized amount and purposes for Fiscal Year 2016.

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 provides that additional PUF Bonds may be refunded if such refunding is determined to be in the best interest of the System.

The Resolution would also authorize the current refunding of all or a portion of the PUF Commercial Paper Notes. The PUF Commercial Paper Note program is used to provide interim financing for PUF projects approved by the Board. Adoption of the Resolution would permit the interim financing provided through the Notes to be replaced with long-term financing. The Resolution also authorizes the issuance of bonds to provide new money to fund the capital costs of eligible projects.

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

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

Note: The proposed Resolution is available online at <http://www.utsystem.edu/board-of-regents/meetings/board-meeting-2015-08-19>.



6. **U. T. System Board of Regents: Adoption of a Supplemental Resolution authorizing the issuance, sale, and delivery of Revenue Financing System Bonds and authorization to complete all related transactions**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents

- a. adopt a Supplemental Resolution, substantially in the form previously approved by the U. T. System Board of Regents, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Revenue Financing System (RFS) Bonds in one or more installments in an aggregate principal amount not to exceed \$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 21, 2014, the Board of Regents adopted a resolution authorizing the issuance of additional RFS Bonds in an amount not to exceed \$600 million. Adoption of this Supplemental Resolution 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.

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-2015-08-19>.

7. **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 21, 2014, the Board approved bond enhancement agreement resolutions for FY 2015. 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 2016 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 REVENUE FINANCING SYSTEM DEBT AND AUTHORIZING AND APPROVING OTHER INSTRUMENTS AND PROCEDURES RELATING TO SAID AGREEMENTS**

August 20, 2015

**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, 2016.

(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; (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 the execution of any certificates and the filing of any returns with the

Internal Revenue Service as may be necessary in the judgment of Bond Counsel with respect to a Bond Enhancement Agreement or the related Parity Debt. 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.

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**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]

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 20, 2015

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, 2016.

(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; (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 the execution of any certificates and the filing of any returns with the Internal Revenue Service as may be necessary in the judgment of Bond Counsel with respect to a Bond Enhancement Agreement or the related PUF Debt. 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]

**8. U. T. System Board of Regents: Adoption of Amended and Restated First Supplemental Resolution to the Master Resolution establishing the Revenue Financing System Commercial Paper Note Program; authorization for officers of U. T. System to complete all transactions related thereto; 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. adopt the Amended and Restated First Supplemental Resolution to the Master Resolution, as set forth on the following pages, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Revenue Financing System Commercial Paper Notes, Series A and Taxable Commercial Paper Notes, Series B, in an aggregate principal amount not to exceed \$1.75 billion;
- b. authorize appropriate officers and employees of the U. T. System as set forth in the Amended and Restated First 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; make certain covenants and agreements in connection therewith; and resolve other matters incident and related to the issuance, sale, security, and delivery of such Notes. The Chancellor also concurs with the recommendation of the Executive Vice Chancellor for Business Affairs that as required by Section 5(a) of the Master Resolution, the Board further determines that upon the delivery of Notes authorized by this Resolution, it will have sufficient funds to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System and that the Members on whose behalf such Notes are issued possess the financial capacity to satisfy their direct obligations after taking such Notes into account.

**BACKGROUND INFORMATION**

The U. T. System's Revenue Financing System Tax-Exempt Commercial Paper Note Program (Program) was established on April 12, 1990. Since that time, the size of the Program has been increased periodically, up to the current authorization of \$1.25 billion, to meet the financing needs of the U. T. System.

Adoption of this Resolution would increase Program authorization from \$1.25 billion to \$1.75 billion to facilitate the financing of capital projects reflected in the FY 2016-2021 Capital Improvement Program (CIP). The Program capacity was most recently increased from \$750 million to \$1.25 million on August 14, 2008. Increased Program capacity will permit the U. T. System to continue to provide efficient interim financing and additional timing flexibility in accessing the long-term capital markets.

The use of tax-exempt debt for projects is limited by the *Internal Revenue Code* to facilities employed for governmental purposes. Projects with nongovernmental or private use beyond established limits are denied the benefits of tax-exempt debt and must employ taxable debt.

Liquidity for the combined programs will continue to be provided by the U. T. System through an arrangement with The University of Texas Investment Management Company (UTIMCO) consistent with the provisions governing liquidity for the Program.

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

**RESOLUTION AMENDING THE AMENDED AND RESTATED FIRST  
SUPPLEMENTAL RESOLUTION TO THE MASTER RESOLUTION ESTABLISHING  
THE REVENUE FINANCING SYSTEM COMMERCIAL PAPER PROGRAM**

**WHEREAS**, on April 12, 1990, The University of Texas System Board of Regents (the "Board") adopted a Master Resolution Establishing The University of Texas System Revenue Financing System, as amended and restated on February 14, 1991 and further amended 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 and the First Supplement (as defined herein); and

**WHEREAS**, the Master Resolution establishes the Revenue Financing System (the "Financing System") comprised of the institutions now or hereafter constituting components of The University of Texas System which 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 Amended and Restated First Supplemental Resolution to the Master Resolution Establishing The University of Texas System Revenue Financing System was adopted by the Board on August 14, 2008 (the "First Supplement") to establish an interim financing program pursuant to which the Board has issued its Notes (as defined in the First Supplement) to provide interim financing for capital improvements and to finance equipment purchases; and

**WHEREAS**, the Board deems it necessary to amend the First Supplement to increase the aggregate principal amount of Notes which may be outstanding under such interim financing program from \$1,250,000,000 to \$1,750,000,000.

**NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF REGENTS OF  
THE UNIVERSITY OF TEXAS SYSTEM THAT:**

**Section 1.** Section 2.01 of the First Supplement is hereby amended by substituting "One Billion Seven Hundred Fifty Million Dollars (\$1,750,000,000)" in place of "One Billion Two Hundred Fifty Million Dollars (\$1,250,000,000)" in such section. Section 4.01 and the fifth recital of the First Supplement are hereby amended by substituting the amount "\$1,750,000,000" in place of "\$1,250,000,000" in such section and recital, respectively.

**Section 2.** The Chairman of the Board, the Vice Chairman of the Board, the General Counsel to the Board of Regents of The University of Texas System, the U. T. System Representatives, and the other officers, employees, and agents of the Board are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to effectuate the purposes of this Resolution, including the execution of any Dealer Agreement or Issuing and Paying Agent Agreement and the delivery of an Offering Memorandum. In addition, the Chairman of the Board, the Vice Chairman of the Board, the Chancellor, the Executive Vice

Chancellor for Business Affairs, the Associate Vice Chancellor for Finance and Bond Counsel are hereby authorized to approve, subsequent to the date of the adoption of this Resolution, any technical amendments to this Resolution as may be required by Fitch, Moody's, Standard & Poor's as a condition to the granting or maintenance of a rating on the Notes acceptable to a U. T. System Representative, or as may be required by the Attorney General's office in connection with the approval of this Resolution or to correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Resolution.

**Section 3.** After the receipt of the approval of the Attorney General of this Resolution, the amendment to the First Supplement shall take effect immediately pursuant to Section 5.01(a)(v) of the First Supplement since it increases the amount of Notes which may be Outstanding pursuant to Section 4.01 of the First Supplement.

**Section 4.** In addition, the statements, findings, representations, and determinations set forth in the recitals to this Resolution are hereby incorporated into and made a part of this Resolution for all purposes.

**Section 5.** It is hereby found and determined that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the Meeting at which this Resolution was adopted, and that this Resolution would be introduced and considered for adoption at said meeting; that said meeting was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

**[The Remainder of This Page is Intentionally Left Blank]**

9. **U. T. System Board of Regents: Approval of aggregate amount of \$213,200,000 of equipment financing for Fiscal Year 2016 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 \$213,200,000 of Revenue Financing System Equipment Financing for FY 2016 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 \$213,200,000 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 \$213,200,000 for equipment financing for Fiscal Year 2016. On August 21, 2014, the U. T. System Board of Regents approved a total of \$171,570,000 of equipment financing for Fiscal Year 2015, of which \$43,076,000 has been issued as of July 31, 2015.

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



U. T. SYSTEM EQUIPMENT FINANCING - INSTITUTION REQUESTS  
FY 2016

| Institution                               | \$ Amount of Request | Description of Expected Capital Equipment   | DSC*  |
|---|----------------------|---|-------|
| U. T. Arlington                           | \$4,700,000          | Campus network, scientific material, classroom technology, campus security system, police dept                                  | 2.8x  |
| U. T. Austin                              | 1,500,000            | IT, classroom, athletic and research equipment  | 4.2x  |
| U. T. Dallas                              | 12,000,000           | General purpose equipment supporting instruction, research & business operations  | 2.0x  |
| U. T. El Paso                             | 2,000,000            | Vehicle purchases, turf replacement, IT resources and planning  | 1.3x  |
| U. T. Rio Grande Valley                   | 5,000,000            | Personal computers, facilities and grounds maintenance equipment, classroom and lab equipment, vehicles, furniture and fixtures | N/A   |
| U.T. San Antonio                          | 2,000,000            | Baseball/softball/football locker rooms, video board for Convocation Center, life safety renovations                            | 2.3x  |
| U. T. Southwestern Medical Center         | 40,000,000           | Information resources projects; clinical and hospital equipment   | 3.0x  |
| U. T. Medical Branch - Galveston          | 40,000,000           | Clinical, IT infrastructure, research related, and facility related   | 2.2x  |
| U. T. Health Science Center - Houston     | 20,000,000           | Electronic health record system implementation; clinic/laboratory equipment   | 3.1x  |
| U. T. Health Science Center - San Antonio | 7,000,000            | Core research, clinical and/or infrastructure equipment   | 3.4x  |
| U. T. M. D. Anderson Cancer Center        | 70,000,000           | Medical, diagnostic, and research equipment, IT systems   | 10.4x |
| U. T. Health Science Center - Tyler       | 9,000,000            | Lab and clinical equipment, PET/CT Scanner, GI lab replacement  | 2.5x  |
| <b>Total</b>                              | <b>\$213,200,000</b> |   |       |

\* Debt Service Coverage ("DSC") ratios based on FY2014 Analysis of Financial Condition.

U. T. System Office of Finance, July 24, 2015